

Japanese Corporate Tax Reform to enhance global competitiveness

Entering into the third year of administration, Abe's government is going to implement a "Corporate Tax Reform" from FY2015 after a long discussion last year. The target is to lower effective rate of corporate tax (currently 34.62%), which is higher than those of other major countries, to below 30% level gradually in several years. The effective rate reduction plan will be accompanied by securing tax sources through widening the current tax payer base to the corporations that have been exempted from tax payment so far for some reasons.

Point 1

Lowering the effective corporate tax rate by 3.29 % points within two years

Broadening the range of tax payer base toward tax-exempted companies

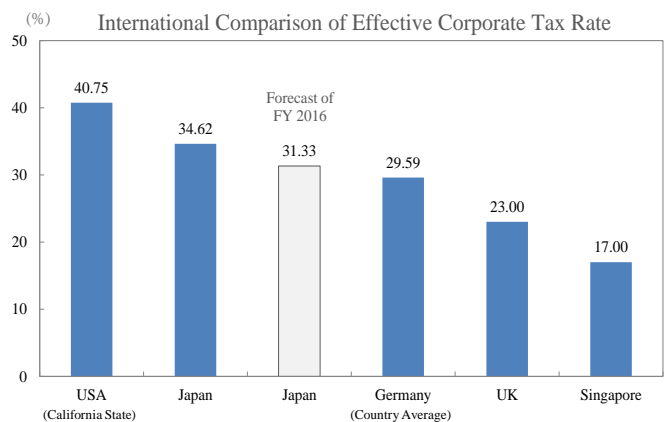
- On 14 January 2015, key tax reform plan for FY 2015 was determined by the Abe's Cabinet. The corporate tax reform is included in the plan aiming at 1) increasing the corporate profitability and earning power, 2) enhancing global competitiveness of Japanese corporations and 3) promoting wage raising by corporations.
- Current effective corporate tax rate, 34.62%, is scheduled to be reduced to 32.11% in FY2015 and to 31.33% in FY2016. On the other hand, the reform includes a plan to impose the corporate tax on wider range of corporations on a business size-based taxation, not only on profit basis; and lower tax exemption amount of loss-making corporations. By introducing these measures to broaden the range of taxable corporations, it is intended to mitigate the decrease in tax revenue resulting from lowering the effective tax rate in order to keep the fiscal soundness of Japanese national budget.

Point 2

JPY75billion tax cut effect for FY2015

Giving further benefit to the corporations which raise wages

- For FY2015, the impact of tax reduction through corporate tax reform will amount to JPY75billion if all the reforms are put into practice. In FY2017, the amount will be reduced to JPY8billion as the business size-based taxation will be implemented gradually, which will help reduce the impact on total tax revenue.
- The reform also aims to further facilitate wage raising by corporations, giving a tax reduction privilege to the companies that actually increase wages for their employees beyond a certain level.



(Note) Data is as of March 2014.
(Source) SMAM, based on the Ministry of Finance

Contribute to Japanese corporations to increasing profitability, which will lead to a virtuous economic growth cycle

■ Japanese corporations to increase profitability and global competitiveness

The growth strategy in Abenomics intends to increase earning power and profitability of Japanese corporations through various deregulations and reforms. The government aims to support corporate earnings expansion through the tax reform by lowering effective corporate tax rate. Not only the direct positive effect on bottom line profit, it is also expected that global competitiveness of Japanese companies will be lifted by the lowering rate to below 30% level, close level of Germany at 29.59%.

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