

## FY 2014 Summary of Taxation Reform Request by Ministry of the Environment

August 2013

### 1. Promotion of Effective and Fair Greening of the Entire Tax System

Promote greening of the entire tax system in a wide range of environmental fields such as low-carbon, recycling and natural symbiosis in order to build a sustainable society.

(Climate Change Mitigation)

➤ Steadily implement Tax for Climate Change Mitigation which came into force in stage from October 2012 and strengthen measures to reduce CO<sub>2</sub> emissions from energy sources. Maintain “tax rate for the time being” for the other energy taxations such as Gasoline Tax, from the point of greening and preferentially allocate its tax revenues for climate change mitigation measures including forest sink measures both at national and local levels. In addition, widely consider greening individual taxes.

(Automobile Environmental Measures)

➤ According to the Outline of FY 2013 Taxation Reform by Liberal Democratic Party and New Komeito on January 24, 2013, given environmental effects of greening the present Automobile Taxation, promote greening of Automobile Taxation from the viewpoint of further promoting measures against climate change and air pollution as well as securing stable funding for pollution-related health damage compensation by the polluter-pays principle.

### 2. Individual Measures of Greening Tax System

#### (1) Low-Carbon Society

- **Tax break for the acquisition of frozen, chilled or air-conditioning system using natural refrigerant (non-flon equipment) or its production facility – Corporate Tax, Income Tax, Corporate Inhabitant Tax, Business Tax and Property Tax (New proposal)**
  - Establish tax break to allow companies which acquired non-flon equipment or its production facility an immediate amortization of acquisition price or deduction of 15% tax credit for three years.
  - Establish tax break to exempt two-third of tax base of Property Tax on non-flon equipment or its production facility for three years.
  
- **Tax break for the acquisition of emissions reduction equipment that meets the Guideline of GHG Emissions Reduction based on the Law Concerning the Promotion of Measures to Cope with Climate Change – Corporate Tax and Income Tax (New proposal)**
  - Establish tax break to allow companies which acquired multiple equipment that meet the Guideline of GHG Emissions Reduction at once based on its climate change mitigation plan the immediate amortization of acquisition price or deduction of 15% tax credit for three years in the condition to achieve the GHG reduction targets in the plan.
  
- **Tax break for energy-saving renovation of existing building – Corporate Tax, Income Tax, Corporate Inhabitant Tax, Business Tax and Property Tax (New proposal)**
  - Establish tax break for energy-saving renovation of existing building in Corporate Tax, Income Tax, Corporate Inhabitant Tax, Business Tax and Property Tax.
  
- **Tax exemption on the intergenerational asset transfer for promoting the spread of low-carbon equipment – Gift Tax (New proposal)**
  - Establish tax exemption in Gift Tax for donation from a grandparent to his/her grandchild for the spread of low-carbon equipment such as photovoltaic power generation facility and highly efficient boiler.

➤ **Tax break for the acquisition of the specifically certified long-life prime residential house – Property Tax, Real Estate Acquisition Tax and Registration and License Tax (Extension proposal)**

- Property Tax: Extend the current tax break for another two years which deducts one half of Property Tax on the newly-built certified long-life prime residential house with energy-saving function in its requirement for five years (seven years for medium and high-rise fireproof buildings. Note: three years for general newly-built residential house (five years for middle to high-rise fireproof buildings).

- Real Estate Acquisition Tax: Extend the current tax break for another two years which lowers the tax base by deducting JPY 13 million (Note: JPY 12 million for general newly-build residential house) from the house price.

- Registration and License Tax: Extend the current tax break for another two years which reduces tax rates of registration of ownership of certified long-term prime residential house with energy-saving function from 1.5/1,000 to 1/1,000.

➤ **Tax break for the registration of ownership of certified low-carbon residential house – Registration and License Tax (Extension proposal)**

- Extend the current tax break for another two years to reduce tax rates of registration of ownership of certified low-carbon residential house from 1.5/1,000 to 1/1,000.

➤ **Tax break for renewable energy generation facilities – Property Tax (Extension proposal)**

- Extend the current tax break for another two years which deducts one third of Property Tax on renewable energy power generation facilities certified by Act on Special Measures for Procurement of Renewable Energy Generation Facilities by Electric Utilities for the first three years.

➤ **Tax break for bio-diesel fuel – Diesel Oil Delivery Tax (New proposal)**

- Establish tax break to reduce Diesel Oil Delivery Tax corresponding to the

bio-diesel fuel in case the authorized contractor produces and sells light oil mixed with the bio-diesel fuel through distributors.

## **(2) Sound Material-Cycle Society**

### **➤ Tax break for advanced recycling equipment used for small electric devices – Corporate Tax and Income Tax (New proposal)**

- Establish tax break to allow the certified suppliers which obtained the advanced recycling equipment used for small electric devices the special initial depreciation of 30% of the acquisition cost for three years.

### **➤ Tax deduction for designated disaster prevention reserve fund for designated waste disposal site – Corporate Tax and Income Tax (Extension proposal)**

- Extend the current tax deduction for another two years for which allow companies to include the amount of reverse fund either in the deductible expense or necessary expense in case designated disaster prevention reserve fund was reserved for designated waste disposal site in order to prepare for the cost of maintenance after completion of landfill.

### **➤ Tax break for pollution control equipment – Property Tax (Extension proposal)**

- Extend the current tax break for another two years which deducts one third of Property Tax on pollution control facilities (sewage, PCB waste treatment facilities and asbestos-containing industrial waste treatment facilities), and one half of the tax on waste treatment facilities and waste disposal sites) .

## **(3) Ensuring Safety and Security**

### **➤ Tax break for designated off-road vehicles that meet emissions regulation – Property Tax (New proposal)**

- Establish tax break which deducts one half of Property Tax on designated

off-road vehicles which meet the 2014 new emissions standards based on the Law on the Control of Designated Special Motor Vehicle Exhaust Gas for the first three years (Applied only to those acquired before the start date of the regulation for each rated output range. For cars with rated output of more than 130 kW and less than 560 kW, the tax break can be applied if acquired before one year after the regulation start date).

#### **(4) Others**

- **Tax deduction for research and development – Corporate Tax, Income Tax and Corporate Inhabitant Tax (Extension proposal)**
  - Extend the current tax deduction for another three years which raises the deduction rate from 5% to 30% for additional expense on R&D, and establish carry-over system of the tax deduction. Also extend the current additional tax deduction for another two years for companies conducting large amount of R&D on regular basis.
- **Tax deduction for donations for R&D institutes – Corporate Tax, Income Tax, Corporate Inhabitant Tax and Business Tax (New proposal)**
  - Establish tax deduction for donations for R&D institutes by corporations and individuals (corporations can deduct the full amount of the donations, and individuals can deduct 40% of the amount of the donations from their tax base or income.).
- **Tax refund for the suffered cars – Automobile Weight Tax (Extension proposal)**
  - Extend the current tax refund for another one year for Automobile Weight Tax of the automobiles suffered by the tsunami caused by the Great East Japan Earthquake corresponding to the remaining inspection term (From March 11, 2011 to the expiring date of inspection).