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Japan Tax Bulletin

Asian Headquarters Special Economic Zone in Tokyo

December・2015

Certain areas in Tokyo are approved as Asian Headquarters Special Economic Zones by the national government. The areas include Central Tokyo and the waterfront area, the vicinity of Shinjuku, Shibuya, Shinagawa and Tamachi stations, and sites used by Haneda Airport before its expansion that are now vacant.

The purpose of the program is to encourage more foreign companies to set up Asian regional headquarters and R&D centers in the Special Zones, in order to raise Tokyo's international competitiveness and lead Tokyo to further growth. The program includes tax incentives and non-tax incentives

1. Qualification for incentives

In order to qualify for the incentives, a multinational enterprise ("MNE") should incorporate a subsidiary in one of the Special Zones for the purpose of engaging in headquarters business or R&D business. An MNE is a foreign company or a domestic company where more than 1/3 of the voting rights are owned by a foreign company. The definitions of headquarters business and R&D business are provided for by special law. The subsidiary must file an application with the Tokyo Metropolitan government to review whether it qualifies for the incentives.

2. Tax Incentives

2.1 National taxes

20% of the subsidiary's corporation tax (national corporate income tax) liability is exempted for business years ending within 5 years from the date when the company is accepted as qualifying.

An investment tax credit or special depreciation is available for investments in plant or machinery that cost JPY20 million or more, R&D equipment that costs JPY20 million or more and building or leasehold improvements that cost JPY100 million or more. The investment tax credit is 15% (8% for buildings) of the investment capped at 20% of the company's corporation tax liability. Unused tax credits can be carried forward for 1 year. The special depreciation is 50% of the acquisition cost. The taxpayer must apply and be confirmed as qualifying by the government by March 31, 2016 in order to utilize the incentive.

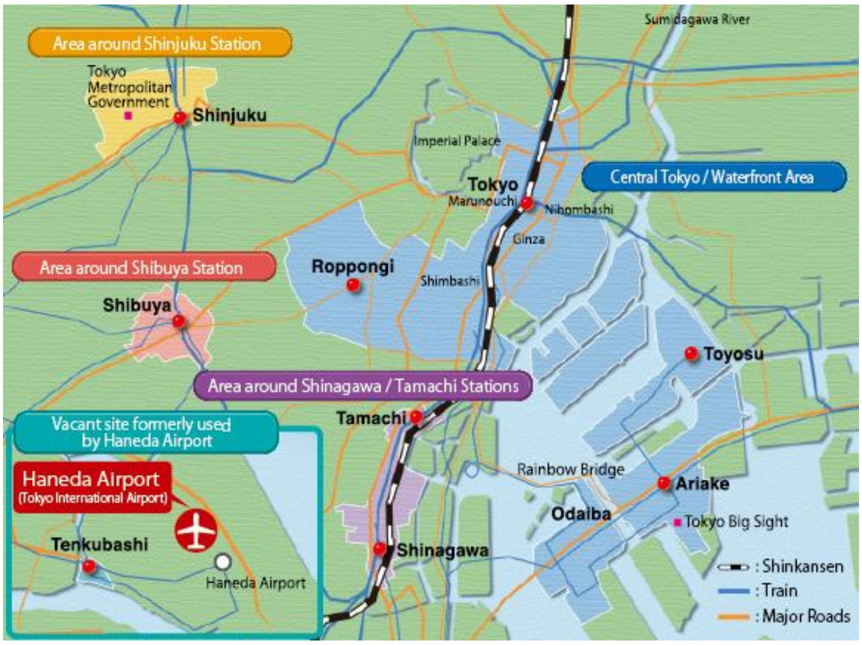
2.2 Local Taxes

A qualifying taxpayer is fully exempt from Enterprise tax (one of the local income taxes) for business years ending within 5 years from the date when the taxpayer becomes qualifying, depreciable asset tax and city planning tax for 3 years from the year following the year the assets were purchased and real property acquisition tax.

3. Non tax incentives

The Tokyo Metropolitan government subsidizes qualifying companies for certain types of expenses. These include fees related to obtaining "status of residence", fees for registering the establishment of the headquarters/R&D center and other relevant filing procedures and recruitment costs. Subsidies do not exceed 50% of the actual expenses incurred and are limited to a maximum JPY5 million per company.

http://www.seisakukikaku.metro.tokyo.jp/invest_tokyo/english/invest-tokyo/ahq.html



Contacts

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