

Proposal for **FY2027** Tax Reform

—Toward Realizing an Investment-Driven Economy—
Summary

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Keidanren (Japan Business Federation)

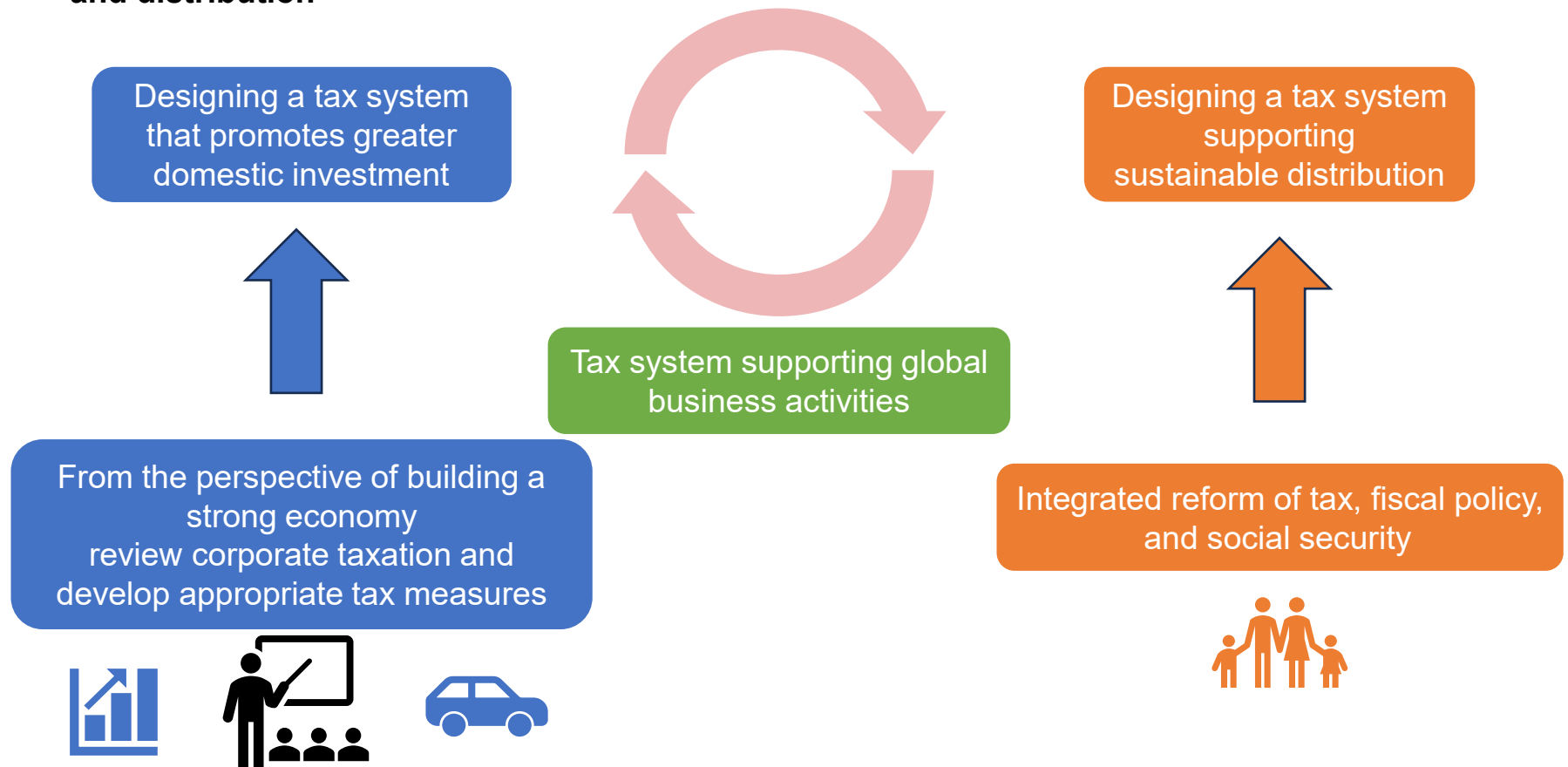
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I. Basic Approach

Economic growth depends on strengthening the growth potential of private companies

Toward building a fair, equitable, and sustainable society through a virtuous cycle of growth and distribution



Corporate taxation, investment in human capital, domestic capital investment, etc.

Key Tax Reform Proposals (Domestic Taxation 1)

II. Tax Policy for Realizing a Strong Economy

1. Future Direction of Corporate Taxation

- Review recent corporate tax reforms and trends in domestic investment, wage growth, and tax revenue
- Tax measures to support increased domestic investment and R&D

2. Tax Measures for Human Resources Development

- Urgent need to develop skilled workers supporting manufacturing and construction supply chains
- Clarify what constitutes human resource development expenditure and introduce tax measures to encourage related initiatives

3. Tax Measures to Promote and Strengthen Business Portfolio Transformation

- Reduce tax burdens associated with business portfolio restructuring and corporate reorganizations

4. Tax Treatment of Depreciable Asset Acquisitions

- Raise the deductible cost thresholds for low-value depreciable assets and assets eligible for pooled depreciation to reflect inflation
- Repeal or Reduce the fixed asset tax on depreciable assets

5. Transparency of Special Tax Measures (Disclosure of Company Names)

- Take into account potential competitive disadvantages and reputational risks

6. Tax Credit for Promoting Domestic Production in Strategic Sectors

- Extend the period during which business adaptation plans may be certified
- Review the starting point of the tax credit eligibility period
- Expand the scope of eligibility and review the tax credit ceiling
- Review requirements that disqualify companies from certain tax credits to address timing mismatches

Key Tax Reform Proposals (Domestic Taxation 2)

7. Tax Measures to Strengthen Research Capabilities and Foster Innovation

- (1) Sustention and Enhancement of the R&D Tax Credit
 - Significance and effectiveness of the R&D tax credit
 - Support for strategic sectors
 - Evidence-based policymaking (EBPM)
- (2) Innovation Box Tax Regime
 - Revise the calculation of innovation box tax regime as necessary

8. Comprehensive Review of Automobile Taxes

- (1) Items to Be Addressed in the FY2027 Tax Reform
 - Review the automobile tax and light motor vehicle tax
 - Additional motor vehicle tonnage tax on EVs and plug-in hybrid vehicles
 - Provisional motor vehicle tonnage tax rates
- (2) Medium- to Long-Term Issues

9. Extension of Expiring Special Tax Measures and Other Measures

- Introduce tax measures for expenditures on household services and childcare support
- Review the tax treatment of executive compensation, including the addition of sustainability metrics
- Review maritime taxation, including tonnage tax, fixed asset tax, tonnage dues, and special tonnage dues
- Increase the limits on loss carryforwards and review the carryforward periods for net operating losses, etc.

Key Tax Reform Proposals (Domestic Taxation 3)

10. SME-Related Tax Measures

- Corporate business succession tax regime, wage increase tax incentives, etc.

11. Land, Housing, and Urban Taxation

- Extend burden-adjustment measures for the fixed asset tax on land and respond flexibly to economic conditions, etc.

12. Financial, Securities, Insurance, and Pension Taxation

- Expand life insurance premium deductions, etc.

13. Energy-Related Taxation

- Review energy-related taxes, etc.

14. Local Taxes

- Review the taxable base of the corporate enterprise tax for electricity and gas suppliers
- Review the framework for local corporate taxation, etc.

15. Improving the Tax Filing Procedures

- Digitize national and local tax administration and filing procedures, etc.

Integrated Reform of Tax, Fiscal Policy, and Social Security

III. Integrated Reform of Tax, Fiscal Policy, and Social Security

1. Income-Linked Targeted Benefits and a Reduced Consumption Tax Rate on Food and Beverages

- To achieve a virtuous cycle of growth and distribution and build a robust middle class, it is important to increase the disposable income of low- and middle-income households while encouraging employment
- Discussions should continue in the National Council on Social Security, with the aim of establishing a medium-benefit, medium-burden system

Urgent Items for Discussion by the National Council on Social Security

1. Efficient and effective healthcare and long-term care services system
2. Use of technology, including digital transformation (DX) in healthcare and long-term care
3. Proactive preventive care and health and productivity management
4. Review out-of-pocket expenses for healthcare and long-term care among older people
5. Review Category III insured persons and further expand social insurance coverage

Cited from Keidanren, Basic Approach to Integrated Reform of Tax, Fiscal Policy, and Social Security (April 14, 2026)

2. Develop and Utilize an Integrated Information Infrastructure

- An effective mechanism is essential to accurately assess information on benefits and burdens and deliver necessary support promptly and precisely
- Accelerate the development of an integrated information infrastructure known as the Government Data Hub
- Require linking "Individual Number System to individual bank accounts and utilize registered bank accounts for receiving public benefits

3. Approach to Fiscal Resources

- Emphasize the importance of limiting the reduced consumption tax rate on food and beverages to a clearly defined two-year period
- Requiring corporations to provide additional fiscal resources would undermine industrial competitiveness and is unacceptable

Key Tax Reform Proposals (International Taxation)

IV. Tax System to Support Global Business Activities

1. OECD/G20 Inclusive Framework (IF): Two-Pillar Solution

- Reduce compliance burdens through the steady introduction of additional safe harbors
- Eliminate economic double taxation arising from CFC tax pushdown and intragroup financial transactions

2. Revision of Japan's Controlled Foreign Company (J-CFC) Rules

- Eliminate excessive taxation and reduce compliance burdens in light of international developments
 - ✓ Narrow the scope of the rules, including through a de minimis exemption
 - ✓ Review the treatment of U.S. consolidated tax groups and the paper company exception
 - ✓ Review the application of the economic activity tests, including the management and control test
 - ✓ Review the post-merger integration (PMI) exception for acquired foreign related companies, etc.

3. Respond to California's Water's-Edge Election Proposal for Corporate Tax Purposes

4. Necessary Revisions to Other Domestic Tax Measures

- Review the foreign dividend exemption and foreign tax credit systems

5. Tax Treaties

- Promote the conclusion of new tax treaties and revisions to existing treaties, including the Canada–Japan tax treaty