



## **JOINT STATEMENT OF THE ACCJ, ANZCCJ, BCCJ, CCCJ, EBC, IBA JAPAN, ON URGENT FISCAL COUNTERMEASURES TO COMBAT ECONOMIC IMPACT OF COVID-19**

The foreign business community welcomes the wide ranging fiscal measures presented by the LDP (3 April 2020) to benefit corporations and individuals facing extraordinary financial hardship as a result of COVID-19-related economic impacts.

In support of this initiative, the foreign business community provides the following suggestions for consideration, based on feedback from members as well as actions being taken by other national governments. Some of these suggestions have already been referred to in the media as under consideration by the Government; however, we include them nonetheless to indicate our support for such initiatives.

### **Introduction of a grace period for all tax filings and payments**

To reduce the administrative and time burden, and particularly the health risk for filings and payments that cannot be made electronically (such as withholding tax) for both tax authorities and taxpayers as much as possible, we recommend an automatic deferral of all corporate income tax, consumption tax, withholding tax (including withholding on salary, interest and dividend payments) and other tax filings and payments (including property tax). This deferral should apply to any corporate income tax, consumption tax, withholding tax or other tax that was or will be due from 1 February 2020 to 31 December 2020, including interim tax. In terms of filings, the deferral should not only cover returns, but also tax reportings, such as shiharaichosho and CRS (Common Reporting Standards). This grace period of the deferral should be six months - without the need for demonstration of hardship.

Moreover, 31 December 2019 year-end corporate taxpayers will face the same cashflow problems as 31 March 2020 year-end taxpayers in the coming months, yet are at a disadvantage for having already paid taxes in February or March 2020. Therefore, taxpayers who have already paid such taxes since 1

February 2020 should be entitled to claim an automatic refund upon electronic application. We understand that refunds are already being used to mitigate the economic impact of COVID-19 in Europe, so such approach is not inconsistent with those being taken internationally<sup>1</sup>.

We also recommend that deferral of payment be available for twelve months for all taxpayers – corporate or individual - who can demonstrate financial hardship (e.g., demonstrating significantly reduced revenue or losses) as a result of COVID-19. The requirements for demonstrating hardship should not be overly burdensome for either taxpayers or the tax authorities. Interest may be imposed on taxpayers profitable in their subsequent years ending in FY2020/21, to discourage taxpayers who are able to pay tax from taking advantage of the grace period.

### **Deferral of contributions to social insurance**

For the period commencing 1 April 2020 and ending 31 March 2021, we recommend that all contributions to social insurance be deferred for employers and the self-employed without negatively impacting benefit amounts or calculation of eligibility periods.

### **Extension of net operating loss carry back for losses arising in fiscal years beginning on or after 1 January 2018 but before 1 January 2021**

We recommend that the one year net operating loss carry back period for small and medium sized enterprises be extended to five years for losses arising

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[https://www.finanzamt.bayern.de/Informationen/download.php?url=Informationen/Steuerinfos/Weitere\\_Themen/Coronavirus/Anleitung\\_USt-SVZ.pdf](https://www.finanzamt.bayern.de/Informationen/download.php?url=Informationen/Steuerinfos/Weitere_Themen/Coronavirus/Anleitung_USt-SVZ.pdf)

Anleitung für durch die Corona-Pandemie betroffene Unternehmen zur Beantragung der Erstattung der Umsatzsteuer-Sondervorauszahlung beim Finanzamt Um die durch die Corona-Pandemie betroffenen Unternehmen bestmöglich zu unterstützen und liquide zu halten, setzen die Finanzämter in Bayern auf Antrag die Umsatzsteuer-Sondervorauszahlungen für 2020 herab bzw. erstatten diese im Bedarfsfall gar vollständig wieder zurück.

[Tentative translation: Guidance for companies affected by the Corona pandemic on how to apply for reimbursement of VAT special advance payment. In order to provide companies affected by the Corona pandemic with the best possible support and to ensure liquidity, the tax offices in Bavaria will, upon request, suspend special VAT advance payments for 2020 or refund these, even in full, as required.

in fiscal years beginning on or after 1 January 2018 but before 1 January 2021, to provide further relief for smaller corporate taxpayers. In addition, we welcome the proposed measures to extend the loss carry back to companies with capital of JPY1 billion or less, and suggest that such extension cover losses arising in the fiscal years beginning on or after 1 January 2018 but before 1 January 2021 for two years. In addition, we recommend eliminating the minimum taxation rule (“haircut”) applicable to the use of losses carried back during this period.

### **Relief from certain reporting requirements during periods of remote working**

Many companies are required to report to or file documents with the Government, which must be prepared onsite at corporate premises due to regulatory restrictions or legal requirements to stamp with company seals stored at corporate premises. As more corporations move to remote working, these regulatory requirements place significant burden on them, particularly as they try to protect the health of their employees. While some relaxation has already been provided for by the late filing of corporate income tax and consumption tax returns upon application to the Government, we recommend broader measures, to include either extended reporting deadlines as described above, or the acceptance of electronic reporting, without the requirement to demonstrate hardship. The acceptance of electronic reporting would include easing the requirements for wet signatures or company seals, and for original document delivery; that is, alternative approaches such as e-signatures, email confirmations, PDFs, etc. would be acceptable. The US has just announced similar measures, to facilitate the remote working of IRS employees<sup>2</sup>.

### **Other fiscal related subsidies and benefits**

Our focus is on tax policy measures, but we emphasize that the foreign business community fully endorses fiscal and other measures taken by the Government to support both the business community and individuals while the economy is impacted by COVID-19, including the extension or introduction of subsidies to retain employees and measures taken to facilitate increased

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<sup>2</sup> <https://www.pwc.com/us/en/tax-services/publications/insights/assets/pwc-irs-relaxes-some-signature-requirements.pdf>

remote working. We also strongly urge the Government to continue to change its own work environment and business processes to better facilitate remote working, to increase protection of the health of Government employees. We would also ask that whatever fiscal or other measures are made available by the national or local governments be available equally to foreign residents as to Japanese nationals.

As members of Japanese society ourselves, the foreign business community is committed to supporting the Japanese Government as it navigates the country through this difficult period.

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The American Chamber of Commerce in Japan (ACCJ) [www.accj.or.jp](http://www.accj.or.jp)  
The Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ) <https://www.anzccj.jp>  
The British Chamber of Commerce in Japan (BCCJ) <https://bccjapan.com>  
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