



# Taxation of Micro and Small Businesses in Japan: Recent Developments

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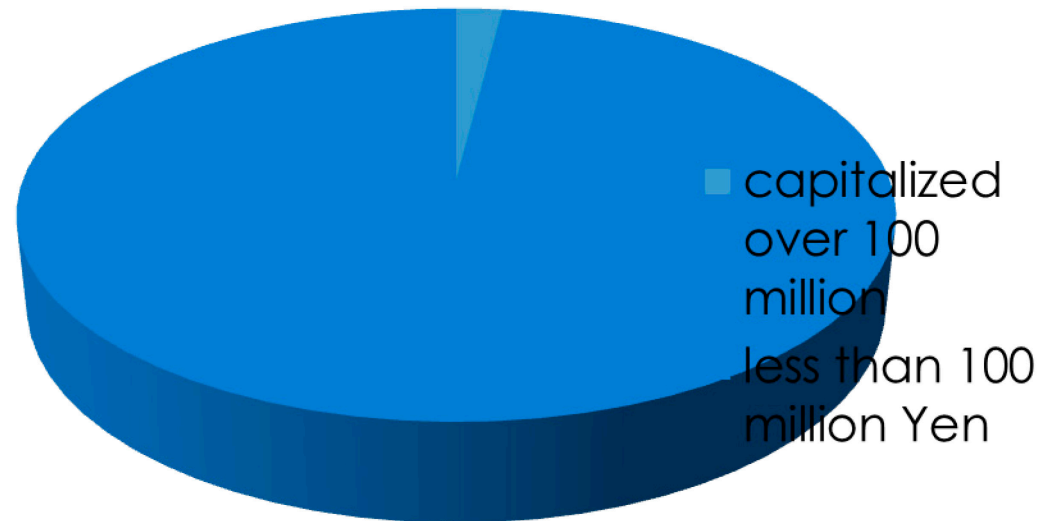
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# Overview (Statistic)




- Percentages of Small- & Medium-sized Companies in Japan (ca. 98 %)



# Traditional View of SME

- Family Corporation:  
Corporate governance?
- The risk for tax fraud (ex. an attempt to levy the accumulated earing tax for the aforesaid family corporations)

# Current Problems

- Need for innovation  establishing tax incentives (STMA 46-6: came into force in 2008)
- Shortage of successors  “Act on Facilitation of Succession of Management of SMEs” (Law No. 33 in 2008: came into force in October 1, 2008) *see slide 7*
- Lack of finance  “SME Finance Facilitation Act (came into force from December 4, 2009 until March 31, 2013 )

# SMEs Taxation: in General

- Since 2008: A reduced corporate tax rate (18%) for SMEs has been introduced (its annual turnover is less than 8 million Yen).
- Other remarks: The accelerated depreciation of R&D costs (200%); special tax incentives for the promotion of investment in venture businesses; *“the angel tax system”*

# SMEs Taxation: Succession of a Business

- Barriers: The (relatively) high Japanese inheritance tax rate and the change in business styles (including industrial structures)
- Trends in a non-family succession of a business (including M&A)
- Since 2008, the special rule has been introduced. The scope of this rule: companies prescribed in the “Small and Medium-sized Enterprise Basic Act” and unlisted companies

# SMEs GAAP: Localization?

- In 2006, the first SMEs GAAP in Japan was announced (“Guidelines on Accounting of Small and Medium-sized Enterprises”). Four private organizations (i.e. ASBJ, JICPA, JFCPTAA, and JCCI) participated.
- After several amendments, the new SMEs GAAP have been enforced since 2012. METI, especially SMA, had initiatives in that project.



Subdivision and localization?



# SMEs in Japan: Future?

- Special Treatment for SMEs: Is it useful?
- Differences between domestic SMEs vs. international SMEs
- Tax incentives vs. tax neutrality/fairness

*Thank You for Your  
Attention!*