

Japan tax newsletter

Ernst & Young Tax Co.

2025 Tax reform outline - Taxation related to financial services and real estate



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On 20 December 2024, Japan's ruling party (a coalition comprised of the Liberal Democratic Party and Komeito) released the 2025 Tax Reform Outline.

This newsletter provides an introduction to major reforms contained in the Outline specific to finance- and real estate-related tax rules, as well as financial institutions and insurance companies.

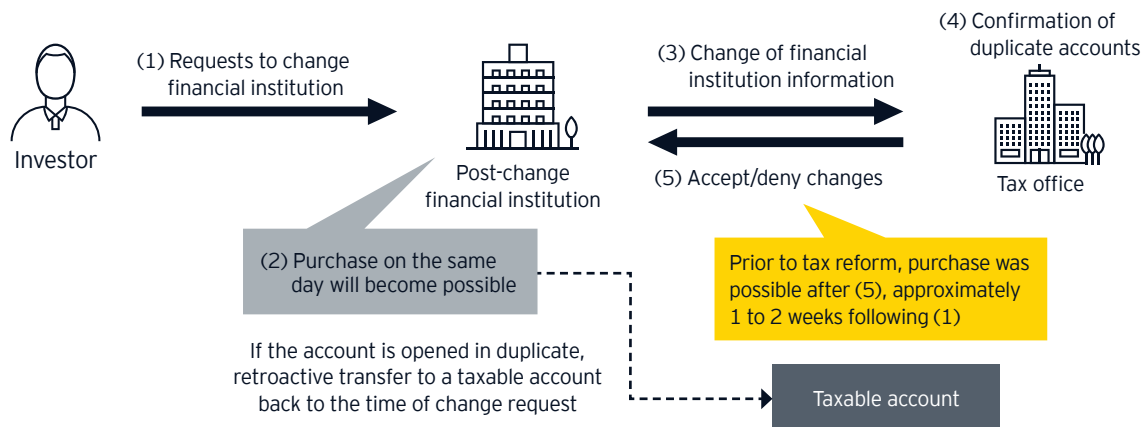
Please click here to access the overall [2025 Japan tax reform outline](#) as released in the EY Japan tax newsletter published on 26 February 2025.

Please note that the contents of this newsletter may be revised in response to future Diet deliberations concerning the reform bill.

1. Financial services and securities taxation

(1) NISA measures

- 1) The following measures will be implemented regarding tax-exempt accounts that are opened or the designated cumulative investment accounts that are set up within the tax-exempt accounts upon the submission of a termination notice.
 - (i) The designated cumulative investment accounts set up within the tax-exempt accounts as a result of the submission of a termination notice will be set up on the date the notice was submitted.
 - (ii) If an account is opened through the submission of a notification to open a designated tax-exempt account, and the branch manager of the financial institution that receives this notification is subsequently notified by the head of the local tax office that the account does not qualify as a tax-exempt account, then the account will not be qualified as tax-exempt from the moment of its creation.
 - (iii) If a designated cumulative investment account is set up within a tax-exempt account upon the submission of a termination notice for either the tax-exempt account or the cumulative investment account, and the branch manager of the financial institution that receives this notification is subsequently informed by the head of the local tax office that the account cannot be set up as a designated cumulative investment account, then the account in question will not qualify as either a designated cumulative investment account or a designated tax-exempt custodial account from the moment of its creation.



*Financial Services Agency: Regarding the 2025 tax reform, <https://www.fsa.go.jp/news/r6/sonota/20241227-2/01.pdf> (Accessed 15 January 2025)

- 2) The following measures will be implemented regarding the beneficiary rights of listed share investment trusts that can be accepted into designated cumulative investment accounts
- (A) The following measures will be implemented regarding the requirements related to the acquisition cost of the beneficiary rights of listed share investment trusts, which are part of the requirements for cumulative investments in listed shares and similar assets.
- (i) The amount of the acquisition cost will be raised to JPY10,000 or less per unit (current: JPY1,000 or less).
 - (ii) Per (B) below, the beneficiary rights of listed share investment trusts, which are included as part of the acquisitions made under cumulative investment contracts as detailed below, will be subject to revised requirements concerning the amount of the acquisition cost for these beneficiary rights.
 - The average of the final published prices in the month preceding the day of submission of the product notification form must be JPY10,000 or less.
 - The final published price on the day before the submission of the product notification form must be JPY10,000 yen or less.
 - Barring certain circumstances, the final published price must be JPY30,000 or less after the day on which the product notification form is submitted.
- (B) Beneficiary rights of listed share investment trusts that are obtained through designated cumulative investment contracts shall include those rights that can be acquired for a fixed amount (limited to those with the largest quantity of units) and are procured through systematic and ongoing purchasing arrangements, such as through consignment.
- 3) Other necessary measures will also be established.

Anticipated enhancements to the convenience of NISA include measures such as allowing for immediate purchases when changing financial institutions.

Additionally, by revising the minimum trading units for listed investment trusts (ETFs) within the NISA accumulation-type framework, a more accommodating environment will be established to facilitate the purchase of index-linked ETFs for novice investors.

(2) Junior NISA measures

Regarding the tax-exempt measures for dividend income and capital gains on small amounts of listed shares held in accounts for minors (Junior NISA), if a resident has opened such an account on any of the dates listed below, it will be assumed that on that date, the resident has submitted a termination notice for the account for minors to the branch manager of the financial institution where the account is held.

- (i) The day following the end of the tax-exempt period for the most recent year's account among the tax-exempt custodial accounts set up in the resident's account for minors, or the day following the end of the tax-exempt period for the continuous custodial account, whichever is later.
- (ii) 1 January 2026

(3) Special measures for income calculations concerning the transfer of listed shares and similar securities contained in designated accounts

The range of listed stocks and similar securities that can be accepted into a designated account will be expanded to include the listed shares and similar securities listed below.

- (i) Listed shares and similar securities that are held in an account opened as a result of a resident submitting a notification to open a tax-exempt account to the branch manager of a financial institution, which, from the outset, does not meet the criteria for a tax-exempt account, are to be transferred to a designated account at the same branch on the day it is deemed non-qualifying, using a prescribed method.
- (ii) Listed shares and similar securities associated with accounts set up in a tax-exempt account due to a resident submitting a termination notice for either the tax-exempt account or the cumulative investment account to the branch manager of a financial institution, which, from the outset, is not recognized as either a designated cumulative investment account or a designated tax-exempt custodial account, are to be transferred to a designated account at the same branch on the day they are deemed as non-qualifying, using a prescribed method.

(4) Notification system

- 1) Regarding the regulations that exempt individuals who submit the notifications or forms listed below (collectively referred to as “notifications, etc.”) from the requirement to provide their individual number to the recipients or to include it on the forms, if the recipient maintains a ledger with the individual's name, address, personal identification number, and other pertinent details, having received this data from the Deposit Insurance Corporation in accordance with the Act on Management of Deposit and Saving Accounts that regulates the use of personal numbers for identifying individuals in administrative procedures, then the individual is qualified to benefit from these exemptions.
 - (i) Notification by recipients of interest, dividends, etc.
 - (ii) Submission of notification forms related to interest on bearer corporate bonds
 - (iii) Submission of notification forms concerning the transfer of transferable deposits
 - (iv) Notification by recipients of consideration for the transfer of shares, etc.
 - (v) Notification by recipients of grant money, etc.
 - (vi) Notification by recipients of redemption money, etc.
 - (vii) Notification by recipients of consideration for the transfer of trust beneficiary rights
 - (viii) Notification by those settling differences, etc., in futures transactions
 - (ix) Notification by recipients of consideration for the transfer of gold bullion, etc.
 - (x) Notification by those submitting a specific account opening notification form
 - (xi) Notification by those submitting a tax-exempt account opening notification form, etc.
 - (xii) Submission of notification forms by those making overseas remittances
 - (xiii) Submission of notification forms by those transferring securities overseas
 - (xiv) Submission of notification forms by those transferring electronic payment methods overseas

- 2) Regarding the regulations that exempt individuals who submit notifications, etc. from the requirement to show identification documents for verification when submitting the relevant forms, if the recipient maintains a ledger with the individual's name, address, personal identification number, and other pertinent details, having received this data from the Deposit Insurance Corporation in accordance with the Act on Management of Deposit and Saving Accounts that regulates the use of personal numbers for identifying individuals in administrative procedures, then the individual is qualified to benefit from these exemptions.
- (i) Submission of notification forms by those making overseas remittances
 - (ii) Submission of notification forms by those transferring securities overseas
 - (iii) Submission of notification forms by those transferring electronic payment methods overseas
- 3) Other necessary measures will also be established.

Following the implementation of the Act on Management of Deposit and Saving Accounts, appropriate measures will be implemented to enable financial institutions to meet the notification requirements stipulated by tax legislation using the personal identification numbers obtained in accordance with this system.

(5) Identity verification procedures

The method of personal identification prescribed by the Income Tax Law and the Special Taxation Measures Law can be carried out by transmitting an electromagnetic record that serves as an alternative to a card, as defined in the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, in lieu of transmitting a signature certificate electronically.

In line with the incorporation of My Number Card functionalities into smartphones as a result of the Act Partially Amending the Basic Act on the Formation of a Digital Society*, necessary measures will be taken regarding the personal identification procedures in tax-related processes.

*Act Partially Amending the Basic Act on the Formation of a Digital Society and Related Acts in Order to Advance Regulatory Reforms That Are Meant to Help Form a Digital Society (Act 46 of 2023)

2. Real estate taxation

The following revisions will be made to measures pertaining to real estate transaction taxes.

(1) Measures pertaining to real estate transaction taxes in relation to the acquisition of real estate by investment corporations and specified purpose companies (TMK)

The effective period of the measure for the reduction of tax rates in relation to the registration and license taxes levied upon registration of a transfer of ownership rights (2% in general (1.5% for land due to special measures); reduced tax rate of 1.3%) in cases wherein investment corporations and specified purpose companies acquire specified real estate will be extended by 2 years (until 31 March 2027).

The effective period of the special measure for the tax base of real estate acquisition taxes in relation to certain real estate acquired by investment corporations and specified purpose companies (reduction of the tax base to two-fifths the original amount) will be extended by 2 years (until 31 March 2027).

(2) Measures pertaining to real estate transaction taxes in relation to the acquisition of real estate by special enterprises prescribed by the Act on Specified Joint Real Estate Ventures

The applicable period of the reduction of tax rates in relation to the registration and license taxes levied upon registration of a transfer of ownership rights (2% in general (1.5% for land under special provisions); reduced tax rate of 1.3%) in cases wherein special enterprises acquire real estate pursuant to a specified joint real estate venture agreement will be extended by 2 years (until 31 March 2027).

In regard to special measure for the taxable bases of real estate acquisition taxes in relation to certain real estate acquired by special enterprises prescribed by the Act on Specified Joint Real Estate Ventures pursuant to a specified joint real estate venture agreement (reduction of the taxable base to two-fifths of the original amount), criteria for the measure will be revised and the applicable period of the measure will be extended by two years (until 31 March 2027).

3. Corporate taxation

(1) Revision of the rules concerning the catastrophic loss reserves of insurance companies, etc.

The rules concerning the catastrophic loss reserves of insurance companies, etc. will be revised as follows.

- (i) In regard to the types of insurance for extraordinary disaster losses, Fire insurance, etc., Movables Comprehensive insurance, etc., and General Liability insurance will be categorized together, and the extraordinary disaster loss rate applicable to this category will be set at 55% (current: 50% for each category of Fire insurance, etc., Movables Comprehensive insurance, etc., and General Liability insurance).
(Note 1) The term "Fire insurance, etc." mentioned above refers to Fire insurance, as well as Windstorm and Flood insurance.
(Note 2) The term "Movables Comprehensive insurance, etc." mentioned above refers to Movables Comprehensive insurance, Construction Works insurance, Cargo insurance, and Inland Transit insurance.
- (ii) In the computation of the catastrophic loss reserves brought forward from the prior business year and the determination of the replacement guarantee limit, insurance types including Fire insurance, etc., Movables Comprehensive insurance, etc., and General Liability insurance will be grouped into the same category.
- (iii) For the special reserve accumulation rate related to Fire insurance, etc., and Movables Comprehensive insurance, etc., the target fiscal year will be set as the year in which the balance of the catastrophic loss reserves related to Fire insurance, etc., Movables Comprehensive insurance, etc., and General Liability insurance is 30% or less of the net earned premiums of these insurances. Furthermore, the applicable period for this rate will be extended by three years.
- (iv) The applicable period for the special reserve accumulation rate related to fire mutual aid (special rate of 4%, standard accumulation rate of 2%) will be extended by three years.

Catastrophic loss reserves

Pre-reform

Type	Accumulation rate (Standard 2%)	Replacement guarantee limit	Extraordinary disaster loss rate
Fire, Windstorm and Flood	10%	30%	50%
Movables Comprehensive, Construction Works, Cargo and Inland Transit	6%	30%	50%
General Liability	2%	30%	50%

Post-reform

Type	Accumulation rate (Standard 2%)	Replacement guarantee limit	Extraordinary disaster loss rate
Fire, Windstorm and Flood	10% (3 year extension)		
Movables Comprehensive, Construction Works, Cargo and Inland Transit	6% (3 year extension)	30% (unified)	55% (unified)
General Liability	2%		

It has become necessary to implement measures to secure and preserve adequate levels of catastrophic loss reserves for property and casualty insurance companies, in light of the increasing frequency of insurance claims for natural disasters such as major typhoons, snow damage, and floods, which have led to diminished reserve balances. Additionally, in light of the benefits of collectively managing the catastrophic loss reserves for a range of significant disaster risks to take advantage of risk diversification, it has been determined that the categories applied in the balance management for reversal calculations and replacement guarantee limit calculations will be integrated with each other. With this year's revisions, the balance management for each insurance category will be unified, and the extraordinary disaster loss rate for reversals, will be increased to 55% (currently 50%). Accordingly, it will be essential to reassess the categories for managing balances used in the computation of tax amounts.

(2) Special measures for taxation on trust corporations for special purpose trusts

In anticipation of reforms to related laws and regulations, the tax exemption for trust corporations involved with special purpose trusts stipulates that the amount of cash distributions in an excess distribution fiscal year must exceed 90% of the distributable profit. The excess distribution amount that is added to the calculation of the distributable amount will be the amount by which the cash distributions exceed the net asset value at the end of the trust corporation's fiscal year, after deducting the total amount of the principal and the amount of valuation/conversion variances (current: the amount by which the net asset value exceeds the principal amount).

(3) Measures pertaining to beneficiary securities issuance trusts

On the premise of revising the accounting for beneficiary securities issuance trusts, when a corporation receives a payment of money as a redemption of the principal for the beneficiary rights it holds in a specified beneficiary securities issuance trust ("owned beneficiary rights"), measures will be implemented regarding the calculation of the gain or loss on the transfer of the owned beneficiary rights. The transfer cost will be calculated by multiplying the book value of the owned beneficiary rights by the principal reduction ratio, among other necessary measures.

(Note 1) The "principal reduction ratio" refers to the ratio of the amount by which the principal of the specified beneficiary securities issuance trust is reduced due to the repayment of principal, to the amount of principal just before the repayment.

(Note 2) The above revisions will be applied to repayments of principal made on or after 1 April 2026.

The accounting regulations for beneficiary securities issuance trusts currently lack a mechanism to process distributions to investors (beneficiaries), which correspond to the depreciation of trust assets, as a "repayment of principal." Consequently, there is an intention to implement measures that will classify these distributions as "repayment of principal." Regarding the tax treatment, the tax implications for income tax and corporation tax related to distributions not sourced from profits are unclear. Therefore, by establishing measures in the said accounting rules to treat distributions not sourced from profits as "repayment of principal," the tax treatment for investors (beneficiaries) receiving distributions will be more transparent.

(4) Relaxation of requirements for qualified mergers of cooperative organizations

The following revisions will be made to the qualifying criteria for mergers or demergers aimed at jointly conducting business, which involve only certain entities ("eligible cooperatives") that are established by special law and whose members are business operators or consumers with the purpose of mutual aid or other similar objectives, and that are the sole parties to the transaction.

- (i) For mergers, the requirements concerning relative business size (within 1:5 ratio) criteria and the specified officer succession criteria (including the shareholding continuation requirement in cases where there is no control relationship with another party for all the corporations to be merged immediately before the merger) will be removed.
- (ii) For demergers, the requirements concerning relative business size (within 1:5 ratio) criteria and the specified officer succession criteria (including the shareholding continuation requirement in cases where there is no control relationship with another party for all the corporations to be demerged immediately before the demerger) will be removed.

(5) Revision of lease-related tax rules

[Refer to page 4 of the 2025 Japan tax reform outline](#)

4. International taxation

(1) Aligning with global minimum tax rules

[Refer to page 10 of the 2025 Japan tax reform outline](#)

(2) Revision of Japanese Controlled Foreign Company ("JCFC") rules

[Refer to page 17 of the 2025 Japan tax reform outline](#)

5. Consumption taxation

(1) Repeal of the special provisions pertaining to the timing of the transfer of lease assets

The special provision regarding the timing of the transfer of lease assets will be abolished. Furthermore, for corporations that conducted asset transfers corresponding to lease transfers before 1 April 2025, the amount of consideration for the transfer of assets can be calculated using the installment method for fiscal years starting before 31 March 2030. If the application of the installment method is discontinued for fiscal years starting on or after 1 April 2025, the remaining amount of the payment obligation will be recognized as the amount of consideration for the transfer of assets in equal installments over ten years.

With the repeal of the special provisions pertaining to the timing of the transfer of lease assets, the deferral of taxable sales under the Consumption Tax Law will no longer be an option. Consequently, it is anticipated that taxable sales will be recognized all at once. Note that transitional measures will be introduced for existing contracts which take into account the tax obligations of the lessor.

6. Other

(1) Tax rules and measures to secure funds for national defense build-up

[Refer to page 23 of the 2025 Japan tax reform outline](#)

(2) Revisions to the taxation of trusts subject to corporate taxation

[Refer to page 21 of the 2025 Japan tax reform outline](#)

(3) Stamp duties of loan agreements in relation to special loans provided due to the COVID-19 pandemic

Stamp duty is exempt for consumer loan agreements related to special loans provided to businesses impacted by COVID-19 and its containment efforts, for documents executed by 31 March 2025, however, the deadline for this exemption has been extended to 31 August 2025.

(4) Unification of financial income taxation on derivative transactions (matter for consideration)

In regard to further unification of financial income taxation on derivative transactions, relevant matters will be comprehensively considered while taking into consideration the results of prior deliberations on measures to prevent intentional tax avoidance.

(5) Taxation on crypto asset transactions (matter for consideration)

Regarding the taxation of crypto asset transactions, specific crypto assets are classified within the regulatory framework of financial services as financial products that aid in the wealth building of citizens. Similar to other financial products with special taxation, such as publicly traded shares, essential legal frameworks will be established to provide investor protection, which includes obligations for disclosures and compliance with suitability standards. Furthermore, revisions will be contemplated based on the condition that duties are set for transaction service providers to submit details of transactions to the tax authorities.

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