

(1) Income tax reform to address rising prices

- Introduce the scheme, based on the FY2025 Tax Reform Act, to raise the basic exemptions and the minimum guaranteed amount of the deduction for employment income every 2 years, in accordance with the increase in the CPI (all items).
- Increase the basic exemptions for broad taxpayers (affecting approximately 80% of employment), in terms of supporting low-income and middle-income earners facing rising prices; set the minimum taxable income tax threshold to 1.78 million yen.

(2) Tax measures for promoting strong economy

(Largest-ever tax incentives for capital investment)

- Introduce the largest-ever tax incentive for large-scale and high value-added capital investment, including immediate depreciation and 7% tax credit (4% for buildings, etc.), covering all industries.
- Allow carry-forward (up to 3 years) of tax credit for companies with government-approved plans for managing volatile business environment.

(Review of special tax measures and improvement of policy effectiveness)

- (1) R&D tax credit : Create a “strategic technology” category (e.g. AI and quantum) with 40% tax credit; reform incentives with strict requirements to further encourage enterprise’s R&D and gradually restrict outsourcing of research overseas (excluding overseas clinical trials).
- (2) Tax credit for promoting wage increases: Abolish for large enterprises, while extending for medium-sized enterprises with stricter requirements (to be repealed in FY2027 tax reform), and maintain for SMEs (to be reviewed in FY2027 tax reform).
- (3) Special tax credit for housing loan: Expand support for purchasing second-hand housing (raising borrowing limits, provide additional credits for households with children, and relax floor size requirement).
- (4) Disclosure of companies’ name utilizing special tax measures: Discuss possible steps while taking into account administrative burden of businesses, expecting to reach the conclusion in FY2027 tax reform.

(Further promotion of Japan as a leading asset management center)

- Unlock the basic investment plan of NISA for ages 0–17 (annual limit: 600,000 yen; total limit: 6 million yen) to support savings and investments for children.

(3) Equity and fairness in tax burden

(Review of burden on extremely high income earners)

- Raise applicable tax rate (22.5% → 30%) and lower deduction amount (330 million yen → 165 million yen), expanding target from approximately 200 taxpayers (income around 3 billion yen) to approximately 2,000 taxpayers (income around 600 million yen).

(Level playing field among domestic and foreign businesses on electronic commerce)

- Review of De Minimis Rule of consumption tax on low-value shipments
- Introduction of Platform Taxation on electronic commerce

(4) Review of vehicle taxes (motor vehicle tonnage tax)

- Raise fuel efficiency standards of the Eco-Car Tax Break to promote investment in improving fuel efficiency.
- Introduce additional charge in the tonnage tax on EVs for private use, which are currently not subject to fuel taxes, considering damage on roads (to be legislated in FY2027 tax reform).

(5) Others

(Transitional measures for invoice system on consumption tax)

- Allow self-employed individuals to pay 30% of their output tax for 2027 and 2028, regardless of the amount of input tax, even after the end of the current special accommodation of 20%.
- Extend the final deadline of special input tax credit on purchases from tax-exempt suppliers for 2 years and ease the speed and magnitude of gradual reduction of the creditable rate; lower the annual cap of purchases eligible for this treatment (from 1 billion yen to 100 million yen per tax-exempt business supplier) to prevent tax avoidance.

(Exemptions for dependents of high school ages)

- Maintain the current exemption in 2026; continue to review as part of comprehensive income tax reform.

(Exemptions for single parent)

- Increase the deduction amount (national tax: 350,000 yen → 380,000 yen; local tax: 300,000 yen → 330,000 yen).

(6) Measures to secure revenue sources for various policies

(For abolishment of the provisional gasoline tax rate, and reduction of education costs)

- Secure revenue by reviewing special tax measures and correcting tax inequities (e.g. revise of tax credit for promoting wage increases, increase of burden on extremely high income earners, and repeal of gift tax exemption on lump-sum gifts for education) (approximately 1.2 trillion yen).

(For enhancing tourism policies)

- Raise International Tourist Tax from 1,000 yen to 3,000 yen (to fund measures against overtourism).

(For strengthening defense capacity)

- Impose a new 1% income tax from January 2027; reduce the rate of Special Income Tax for Reconstruction by 1% (2.1% → 1.1%) to avoid immediate burden increase for households (while extending the levying period for 10 years).