

(1) Flat-amount cut of personal income tax and individual resident tax

- Tax cut of 30,000 yen in income tax for 2024 and 10,000 yen in individual resident tax for FY2024 per person including dependents, as soon as possible from June 2024 onwards.
* High earners with a total amount of income exceeding 18.05 million yen (equal to 20 million yen in employment income) are excluded.

(2) Strengthen the tax credit for promoting wage increases

- Amend the requirements for tax credits based on wage increases as follows:
 - Large companies: Establish new requirements of wage increases rates at 5% and 7%, while maintaining the current requirements of wage increases rates at 3% and 4%.
 - Medium-sized companies : Establish a new category " Medium-sized companies " (applicable to approx. 90% of companies previously defined as "large companies") and the requirements for them(3% and 4% of wage increases).
 - SMEs: Maintain the current wage increase requirements (1.5% and 2.5% of wage increases) and the current rates of the tax credit, and allow 5-year tax credit carryforward to incentivize loss-making SMEs to increase wages.
- Allow the additional tax credit (5%) for companies which are proactive in supporting a good balance between child rearing and working, and women's active engagement in professional life.
- With these, the highest tax credit rates are renewed to 35% (for large companies and medium-sized companies) and 45% (for SMEs) .

(3) Establish tax credit for promoting domestic production of the strategic goods

(Applicable to Business plans approved by the end of FY2026)

- Establish 10-year tax credit, in proportion to production and sales of goods for those investments are strategically important for Japan* (In principle, a maximum deduction of 40% of the corporate tax amount is set for each fiscal year).

* Electric vehicles (equipping storage batteries), green steel, green chemicals, SAF (sustainable aviation fuel), and semiconductors

- Set carryforward period of tax credits for 4 years in principle
- Require certain level of wage increase and capital investment
- Compensate the decrease in tax revenue by issuing GX Economy Transition Bonds

(4) Establish “Innovation Box”

- Establish a new tax incentive “Innovation Box”, in which corporations receive 30% deduction from income* derived from intellectual property rights (patents and copyrights of AI-related programs) that are researched and developed in Japan. *License fees and gains from the sale of IP

(5) Radically strengthen the startup ecosystem

- Raise the upper limit of the total exercise value of tax-qualified stock options a person can exercise in a year, from 12 million yen to 36 million yen at maximum, if options are issued by startups.
- Extend the implementation of the Open Innovation Promotion Tax System by 2 years.
- Exempt net unrealized gains on crypto assets held by third parties from corporate taxation, which are currently subject to taxation based on year-end mark-to-market valuation.

(6) Support for child-rearing, Exemption for Dependents etc.

(Conclusion will be reached in FY2025 Tax Reform. Measures relating to Housing are to be temporarily implemented in CY2024.)

- Raise the upper limit of special tax credit for a housing loan for families with children etc. Ease requirements of floor area for the credit.
- Revise special tax credit for specified housing improvements: Child-friendly renovation for families with children etc. become eligible for the credit.
- Revise deduction for life insurance premiums: For people with children, raise the upper limit by 20,000 yen.
- Decrease the amount of exemption for dependents who are between the ages of 16 and 18 years (national tax: 380,000 yen → 250,000 yen, local tax : 330,000 yen →120,000 yen) , expanding the support as a whole with the expansion of child allowance.
- Raise the amount of exemption and ease income requirements for exemption for single parents.

(7) Revitalize local communities and SMEs

- Expand the reserve fund system for SMEs that conduct M&As to form groups, ensuring labor mobility to growing sectors while maintaining employment.
- Extend the deadline for submission of special succession plans for business succession tax system by two years.
- Raise the upper limit of meal expenses to be excluded from entertainment expenses, from 5,000 yen to 10,000 yen.

(8) Introduce "Platform Taxation"

- Introduce "Platform Taxation" to charge consumption tax on digital platform operators whose transaction value with foreign suppliers exceed 5 billion yen per a taxable period, instead of charging on foreign suppliers when digital services for the domestic market are provided by foreign suppliers through the platforms.

(9) Revise tax-free system for foreign tourists

- Revise tax-free system for foreign tourists in order to prevent fraudulent resale, making consumption tax exemption conditional on confirmation that the purchased tax-free goods are to be taken out of Japan.
- Give due consideration to the convenience of tourists and the prevention of airport congestion in considering the details of the new system.

* Conclusion on the details of the system will be reached in FY 2025 Tax Reform.

(10) Tax measures to secure financial resources for strengthening defense capabilities

- Stipulate in the supplementary provisions of the 2024 tax reform act that necessary legislative measures are to be taken at the appropriate time, based on the result of consideration in accordance with Tax Reform for FY2023 and FY2024*.

* Raise the national tobacco tax rate, after filling the tax burden gap between cigarettes and heated tobacco products.