

(1) Adjustment of tax burden in a period of rising prices and response to working hour adjustment

- Increase the basic exemption of income tax by 100,000 yen, from a maximum of 480,000 yen to a maximum of 580,000 yen, in response to rising prices.
- Increase the minimum guaranteed amount of the deduction for employment income by 100,000 yen, from 550,000 yen to 650,000 yen, in response to rising prices and the adjustment of working hours.
- Introduce a special exemption that allows parents to receive an income exemption (630,000 yen) for dependents aged 19 to 22 with employment income of up to 1.5 million yen, in response to the adjustment of working hours by part-time student workers. If the dependent's employment income exceeds 1.5 million yen, the exemption amount will gradually decrease.
- This reform will apply from the year-end adjustment at the end of 2025.

(2) Support for asset building in preparation for old age

- Equalize the amount of contribution limit of iDeCo (individual-type defined contribution pension plan) for salaried workers (category II insured persons) regardless of enrollment in corporate pension plans, etc.
- Raise the total amount of contribution limit (including both corporate-type defined contribution pension plans and iDeCo) for salaried workers by 7,000 yen (from 55,000 yen to 62,000 yen per month) in consideration of wage growth. As a result, for example, the amount of contribution limit of iDeCo for salaried workers not enrolled in corporate pension plans will be increased by 170% (from 23,000 yen to 62,000 yen per month).
- Raise the total amount of contribution limit for self-employed persons (category I insured persons) by 7,000 yen (from 68,000 yen to 75,000 yen per month), the same amount as the increase for salaried workers.

(3) Support for child-rearing

- Expand tax credit for housing loans (2025 only), tax credit for home renovation (2025 only), and deduction for life insurance premiums (2026 only).
- Proceed with deliberations on the revision of the exemption for dependents of high school ages, etc.

(4) Tax system to encourage SMEs to support the regional economies

- Expand the Tax Incentive for SME Business Enhancement for SMEs aiming to achieve sales of over 10 billion yen (add buildings to the eligible assets), in order to create virtuous cycles in the regional economies.
- Maintain the special corporate tax rate (15%) for SMEs for two years. Simultaneously, revise the treatment of SMEs with extremely high levels of income (e.g., raise the tax rate to 17% for SMEs with annual taxable income of over 1 billion yen).
- Revise the requirements for appointment as an executive under the special measures for the corporate version of the business succession tax system (The same amendment will be made for the individual version of the business succession tax system).

(5) Promoting investment in startups and developing an environment to promote Japan as a leading asset management center

- Extend the reinvestment period under the Angel Tax System to a maximum of 2 years (Establish a carry-back refund system).
- Enhance the convenience of NISA by, for example, raising the upper limit of the minimum trading unit for ETFs in the regular investment frame of NISA.

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

- Implement tax measures to secure financial resources for strengthening defense capabilities, from the perspective of securing stable financial resources for the fundamental reinforcement of Japan's defense capability amid an increasingly severe security environment.
- Impose a new 4% surtax (equivalent to approximately 1% corporate tax rate) on corporate tax amount after deducting 5 million yen, for fiscal years beginning on or after April 1, 2026.
- Proceed with deliberations on personal income tax in accordance with FY2023 tax reform outline etc., while taking into account the impact of raising the "1.03 million yen threshold".
- Modify the taxation of heated tobacco products in two steps (in April 2026 and October 2026) to eliminate the tax burden gap between cigarettes and heated tobacco products. In addition, raise the national tobacco tax rate in three steps (0.5 yen per cigarette in April 2027, April 2028, and April 2029).

(7) Response to new international tax rules

- Complete the introduction of the Global Minimum Tax (minimum tax rate of 15%) in accordance with international agreements from the perspective of bringing an end to “the race to the bottom on corporate tax rates” (Legislate the Undertaxed Profits Rule (UTPR) and the Qualified Domestic Minimum Top-up Tax (QDMTT)).

(8) Revision of the tax-free system for foreign tourists

- Introduce the consumption tax refund scheme for foreign tourists in November 2026 to deal with fraudulent use of the tax-free system. (The consumption tax will be refunded after customs validation at the point of departure from Japan.)
- Revise the requirements for tax-free sales from the perspective of reducing the administrative burden on tax-free shops and improving convenience for the tourists (e.g., abolition of the upper limit amount of 500,000 yen and special packaging for consumable goods).