

International Financial Hub Initiatives

2021. 2

Japan as an International Financial Hub

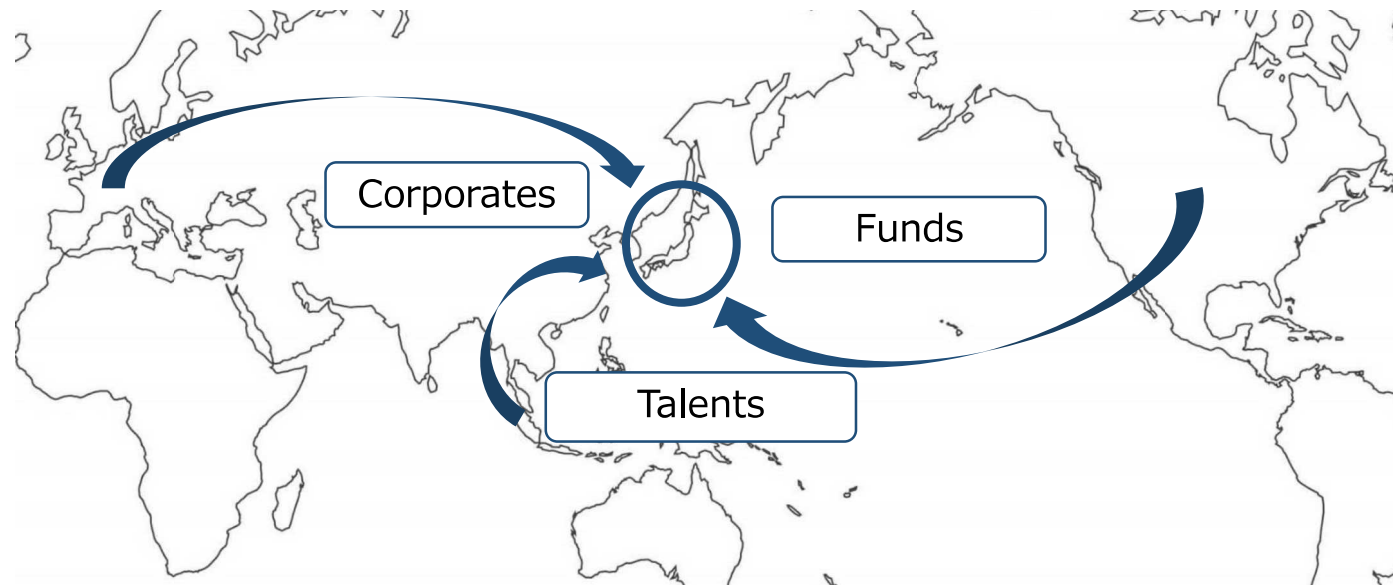
Japan's strengths / potential

- Political stability, good public security, favorable living environment
- Sizable domestic economy, over 18 trillion USD household assets

Japanese Government's Initiatives

- Provide convenience/accessibility through easing regulatory measures
- Enhance the tax system and provide life support by collaborating with other ministries

Japan aims to become an international financial hub that attracts talents, corporates, and funds...



...to make Japan an attractive place for foreign professionals to do business in addition to a tourism destination

Summary of Japanese government's initiatives

Policy package through cross-ministerial collaboration

| | |
|---|---|
| Tax policy | ✓ Revision/clarification of corporate, inheritance, and income tax |
| Regulatory policy | ✓ One-stop English service for application and registration for newly entering overseas asset managers ✓ Introduction of simplified market entry procedures for overseas asset managers |
| Residence status | ✓ Special immigration measure for newly entering asset managers as a temporary visitor to commence business without returning to their home country ✓ Relax employment requirements for domestic helpers and increase convenience for working spouses for Highly-Skilled Professionals |
| Company setup and livelihood support | ✓ One stop company setup support for free ✓ Livelihood support such as international school hunting, medical matters, and housing |
| Information sharing | ✓ Collectively share related policy measures information through a dedicated website and contact points of diplomatic missions |

(1) Tax policy

Revision/clarification

| | Current Status | Solution |
|--|--|---|
| <p>Corporate tax</p> <p>For Asset management firms</p> | <p>30%</p> <p>Performance-based compensation of directors</p> <p>Listed companies : deductible Private companies : not deductible</p> | <p>A private, non-family company including a 100% subsidiary of a listed company which mainly operates asset management business should be able to deduct its performance-based compensation with a number of conditions, including where the calculation methods are described in its business reports filed under the Financial Instruments and Exchange Act and disclosed publicly through the JFSA website. (2021 April 1st or after)</p> |
| <p>Inheritance tax</p> <p>For heirs of foreign residents in Japan</p> | <p>0~55%</p> <p>Living in Japan over 10 years: worldwide assets Living less than 10 years ...tax on only assets in Japan</p> | <p>Assets outside of Japan that a foreign national who entered Japan with a valid working visa holds should be exempt from Japanese inheritance tax regardless of their years of residence in Japan when the heir receives the assets as a non-resident. (2021 April 1st)</p> |
| <p>Income tax</p> <p>For fund managers</p> | <p>0~55%</p> <p>Carried interests - distribution allocated returns in excess of their capital contribution ratio → Unclear if it is a capital gain or not</p> | <p>When a profit distribution of a carried interest has an economic rationality, that profit should be taxed as a capital gains tax (20%). (2021 Spring)</p> |

(2) Regulatory policy

One-stop and all-in-English regulatory services

Current Status

- Foreign asset management companies must have discussions with different contact points in JFSA and Local Finance Bureaus
- High regulatory compliance cost due to the requirement to file application/registration in Japanese

Solution

“Financial Market Entry Office” was launched in JFSA in January 2021

→ **One-stop English services** for pre-application consultation, registration procedures, and supervision

※ Financial administrative services in English through AI powered translation technology from March 2021

(2) Regulatory policy

Simplified market entry procedure

Current status

In principle, even an asset management firm that serves overseas professional investors (institutional investors) is required to be registered with JFSA in order to conduct asset management business in Japan.

Moreover, registration procedures could take some time even for an asset management firm with a proven track record overseas

Solution

Facilitate overseas asset managers' entry by introducing the following schemes:

- **Pre-registration entry scheme** (5 years) for those with authorization by regulatory bodies and a proven track record in specified foreign countries
- **Simplified entry scheme for GP managers** with overseas qualified clients

※ The bill will be submitted to the 2021 Diet session

(3) Residence status

Relax residence status requirements

Working visa

- Introduce an exceptional measure enabling foreigners entering Japan as a “temporary visitor (short-stay)” for the purpose of preparing for company setup to obtain residential status **without returning to their home country** before commencing business under certain conditions

Highly-Skilled Professionals

- **Add bonus point category for those engaged in asset management business** to be subject to preferential treatment for Highly-Skilled Professionals
- Finance professionals can obtain a Highly-Skilled Professionals visa within the **prioritized administrative review period (around 10 days)**

Domestic helpers/nannies

- With regard to Highly-Skilled Professionals, under certain conditions,
 - allow them to hire domestic helpers **even if they do not meet the conditions such as having a child under the age of 13**
 - increase the maximum number of domestic helpers they can hire from one to **two**

Spouse

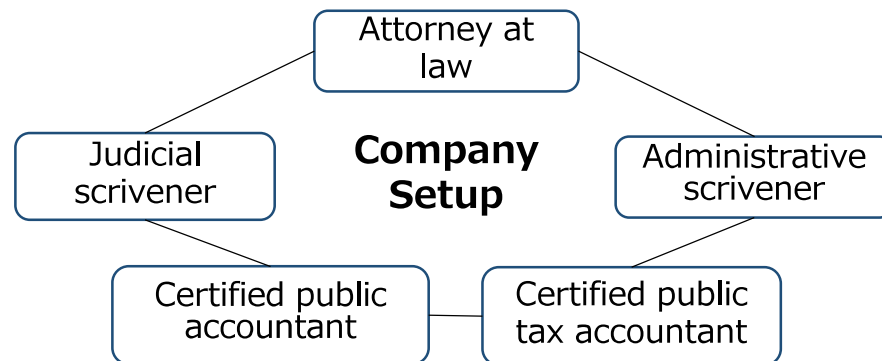
- Spouses of highly-skilled professionals can **work full-time without working visa** under certain conditions

Note: Bullets starting with ○ are preferential treatments for asset managers
“Certain conditions” are under discussion

(4) Company setup and livelihood support

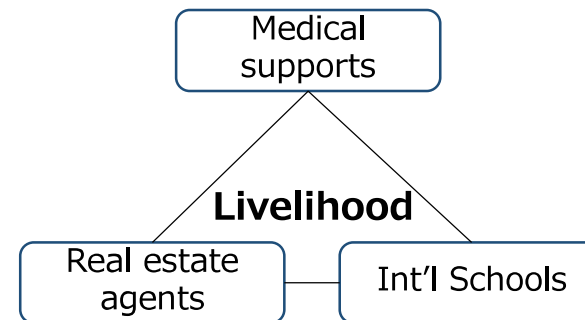
Company setup support

- Company setup in Japan
- Acquisition of Residence status
- Obtaining license and/or registration etc.



Livelihood support

- Medical supports
- Housing
- International Schools



Support by private companies

Implement a trial business project offering a **free one-stop** seamless support service for foreigners and overseas asset management businesses that are considering setting up companies in Japan

Support by the Government

Enhance "Financial Market Entry Office" (slide 5) to cover total relocation support including settling in and establishing a livelihood (in corporation with local governments and Foreign Residents Support Center)

(5) Information sharing

Enhancement of information sharing

Launch a dedicated page under JFSA's website to collectively share information on the following policy measures and total relocation support

- (1) Tax policy initiatives**
- (2) Regulatory policy initiatives**
- (3) Residence status**
- (4) Company setup and livelihood support**

Contact information

Financial Market Entry Office

marketentry@fsa.go.jp

<https://www.fsa.go.jp/en/policy/marketentry/index.html>

Disclaimer

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