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**Full Text** | Scholarly Journal

Reform measures needed to stimulate Japanese stock market  
Yoost, Dean; Zencak, Al. International Tax Review; **London** (Dec 2000): 84-85.

## Full text preview

Recent economic statistics and pronouncements from the Japanese government suggest that a modest economic recovery is finally taking hold. However, the recovery is patchy at best, both geographically and across business sectors; personal consumption remains depressed, and unemployment remains stubbornly high in Japanese terms.

This article provides an update on recent developments in Japan including the introduction of corporate reorganization provisions, tax reform proposals now under discussion, and recent structuring trends.

### Corporate reorganizations

Although the Japanese Commercial Code was revised in May 2000 to facilitate the restructuring of companies through corporate spin-offs and mergers, it has only been recently that the Japanese Government's Tax Commission, an advisory panel to the prime minister - issued a report.

This discussed the tax rules that should apply to corporate reorganizations to assist companies in restructuring their operations to become more competitive in the market.

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Although specific details of the new rules will be concluded towards the end of the year, according to the Tax Commission's report, the new rules will allow for the deferment of tax on capital gains realized by transferor companies on the transfer of assets pursuant to certain reorganization transfers until the asset is sold. At the shareholder level, capital gains realized by the shareholder can also be deferred for tax purposes, if certain conditions are satisfied. It is anticipated that there would also be tax amendments with respect to the carryover of accumulated net operating tax losses pursuant to a merger as well as provisions focusing on tax avoidance in the case of a corporate reorganization. The Tax Commission has indicated its intention to include such guidance in its tax reform package for the 2001 fiscal year.

In addition, the Tax Panel of the ruling Liberal Democratic Party plans to introduce a consolidated corporate tax system in fiscal...

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