

# Japan Tax Newsletter

## NTA implements additional measures to simplify electronic document preservation

September 2019, No.43

### In Brief

On 17 July 2019, Japan's National Tax Agency (NTA) published supplementary clarifications to the country's electronic document preservation (e-document) regulations, which were amended through the 2019 tax reform enacted on 27 March 2019. In addition, the NTA has established consultation desks to address taxpayer enquiries regarding e-document preservation, continuing a trend of progressive steps by the agency to increase e-document preservation among taxpayers. The changes to the regulations generally apply as from 30 September 2019.

#### 1. Overview of e-document preservation

Taxpayers with "blue form" tax return filing status enjoy certain tax benefits that are not available to taxpayers with "white form" tax return filing status, including tax loss carryforwards and accelerated depreciation. As a condition of retaining blue form status, taxpayers must maintain their accounting books and supporting records appropriately.

Among other requirements, blue form taxpayers are required to retain records for up to seven years (or 10 years for years in which a loss was incurred). Strictly speaking, the records must be stored in paper format in Japan, and failure to comply can lead to revocation of the taxpayer's blue form tax status.

Upon application, taxpayers can opt to retain records electronically. Japan's e-document regulations, which were introduced in 2005, cover the requirements for electronic preservation of various types of accounting books, documents and other records, and the specific requirements vary depending on the record type.

#### 2. Electronic preservation of documents processed prior to e-document approval

Under the 2005 e-document regulations, electronic preservation of deemed "important" documents (including contracts, invoices and receipts) can occur only after the e-document application is approved. With effect from 30 September 2019, the changes introduced under the 2019 tax reform allow taxpayers to electronically archive documents processed prior to approval of the e-document application upon submission of a notification to the NTA.

#### 3. Simplified application process for taxpayers using certified commercial software

The e-document regulations require a taxpayer's archiving software to meet certain technical requirements. For e-document applications submitted on or after 30 September 2019, taxpayers using commercially available software<sup>1</sup> that has been certified by the Japan Image and Information Management Association (JIIMA) will benefit from a simplified application form. Taxpayers that are using commercial software that has not been certified or that has been developed in-house will be required to complete the standard application form.

---

<sup>1</sup>[JIIMA - list of certified electronic books software \(Japanese only\)](#)  
[JIIMA - list of certified scanned software \(Japanese only\)](#)

#### 4. Clarifications regarding timeframe for scanning and timestamping physical documents

Article 4(3) of the e-document regulations stipulates the timeframe within which physical documents received must be digitized (scanned and timestamped). The NTA has published the following clarifications regarding this timeframe, which varies depending on whether the digitization process is performed by the original recipient of the document or a separate team or individual:

Who performs digitization?	Before clarification	After clarification
Original recipient of document	Within three calendar days after receiving expense receipt	Within approximately three business days after receiving expense receipt
Individual or team other than original recipient of document	Within one calendar week after the normal business processing cycle, which is presumed to be monthly	Within approximately seven business days after the normal business processing cycle, which is presumed not to exceed two months

Please note that the above table is a practical summary and does not cover all of the clarifications provided by the NTA.

#### 5. Establishment of e-document consultation desks

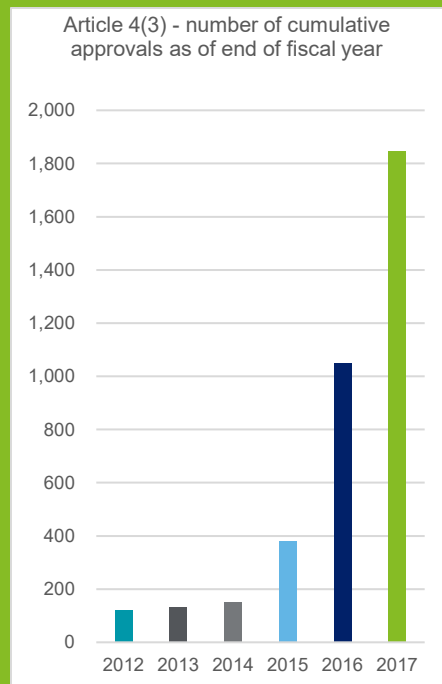
E-document consultation desks have been established at regional taxation bureaus and local tax offices. The consultation desks are available to respond to IT technical and other general enquiries from taxpayers regarding the e-document application process.

### E-document preservation adoption rate

Since the introduction of the e-document preservation regulations in 2005, many taxpayers have adopted e-document preservation for their accounting books. However, very few taxpayers have adopted e-document preservation of scanned documents (e.g. invoices and expense receipts), largely because the perceived benefit has been considered outweighed by the complexity of the rules, which are broad in scope and impact IT systems, business processes and internal documentation.

To boost the adoption rate, the NTA has relaxed the e-document preservation requirements on a number of occasions, and the changes appear to be having the desired effect. Data published by the NTA shows a twelvefold increase in the number of approvals for e-document preservation of scanned documents between 2014 and 2017.<sup>2</sup>

Despite the sharp increase in recent years, however, the number of approvals for scanned documents still remains low.



### Looking forward

There is an increased level of interest in particular among inbound taxpayers in adopting e-document preservation for scanned documents. This appears to be driven by the following factors:

- Pressure to seek efficiencies and reduce costs associated with business processes;
- Ability to use the simplified application process for e-document preservation; and
- Planned upgrades to business systems (e.g. SAP S/4 HANA).

As Deloitte Japan's July 2019 tax e-newsletter on the future Japan tax function<sup>3</sup> highlights, process efficiency is an issue among taxpayers in Japan, and inefficient paper-based processes are regarded by many to be part of the cause.

The electronic retention of documents provides advantages over paper retention, such as reducing costs and risk and a potentially simplified process for employees.

Taxpayers that previously were deterred by the high bar set by the NTA or that are in the process of introducing new IT systems (e.g. employee expense systems) may wish to assess their situations in light of the latest e-document regulations and consider the feasibility of moving to full electronic archiving.

<sup>2</sup> [Tax Statistics \(National Tax Agency\)](#)

<sup>3</sup> [Japan Inbound Tax & Legal Newsletter July 2019, No. 40 \(Deloitte Japan\)](#)

## Newsletter Archives

To see past newsletters, please visit our website. [www.deloitte.com/jp/inboundtaxnewsletter](http://www.deloitte.com/jp/inboundtaxnewsletter)

## Subscribe to Japan: Inbound Tax Alert and tax@hand

To automatically receive future newsletters, please email [deloitte-tokyo.newsletter@tohmatu.co.jp](mailto:deloitte-tokyo.newsletter@tohmatu.co.jp) and register by providing your name, company, position, and email address.

Click [here](#) to download our tax@hand app to view inbound tax alerts and other content on your mobile device.

## Contacts

### Deloitte Tohmatu Tax & Legal Inbound Group

Not all facts and circumstances are covered in this alert. If you have any questions regarding your specific situation, please contact one of the tax professionals at our Deloitte office in Tokyo as follows:

Jun Sawada, Inbound Group Leader		jun.sawada@tohmatu.co.jp
<b>Business Tax Services</b>	Sunie Oue, Partner	sunie.oue@tohmatu.co.jp
	David Bickle, Partner	david.bickle@tohmatu.co.jp
<b>Indirect Tax Services</b>	Fumiko Mizuguchi, Partner	fumiko.mizuguchi@tohmatu.co.jp
<b>Global Employer Services</b>	Russell Bird, Partner	russell.bird@tohmatu.co.jp
<b>Transfer Pricing</b>	Timothy O'Brien, Partner	timothy.obrien@tohmatu.co.jp
	Samuel Gordon, Partner	samuel.gordon@tohmatu.co.jp
<b>Tax Management Consulting</b>	Sam Reeves, Director	sam.reeves@tohmatu.co.jp
<b>Global Tax Services</b>	Koichi Hattori, Partner	koichi.hattori@tohmatu.co.jp
<b>Financial Service Industry</b>	Yang Ho Kim, Partner	yangho.kim@tohmatu.co.jp
	Kai Hielscher, Partner	kai.hielscher@tohmatu.co.jp
<b>Tax Controversy</b>	Yutaka Kitamura, Director	yutaka.kitamura@tohmatu.co.jp
<b>Legal</b>	Kaori Oka, Partner	kaori.oka@tohmatu.co.jp
<b>Immigration</b>	Yoshito Kijima, Partner	yoshito.kijima@tohmatu.co.jp

## Issued by

### Deloitte Tohmatu Tax Co.

#### Tokyo Office

Marunouchi-Nijubashi Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo 100-8362, Japan

Tel: +81 3 6213 3800

email: [tax.cs@tohmatu.co.jp](mailto:tax.cs@tohmatu.co.jp)

Corporate Info: [www.deloitte.com/jp/en/tax](http://www.deloitte.com/jp/en/tax)

Deloitte Tohmatu Group (Deloitte Japan) is a collective term that refers to Deloitte Tohmatu LLC, which is the Japan member firm of Deloitte Touche Tohmatu Limited (DTTL), a UK private company limited by guarantee, and firms affiliated with Deloitte Tohmatu LLC that include Deloitte Touche Tohmatu LLC, Deloitte Tohmatu Consulting LLC, Deloitte Tohmatu Financial Advisory LLC, Deloitte Tohmatu Tax Co., DT Legal Japan, and Deloitte Tohmatu Corporate Solutions LLC. Deloitte Tohmatu Group is known as one of the largest professional services groups in Japan. Through the firms in the Group, Deloitte Tohmatu Group provides audit & assurance, risk advisory, consulting, financial advisory, tax, legal and related services in accordance with applicable laws and regulations. With about 11,000 professionals in nearly 40 cities throughout Japan, Deloitte Tohmatu Group serves a number of clients including multinational enterprises and major Japanese businesses. For more information, please visit the Deloitte Tohmatu Group (Deloitte Japan)'s website at [www.deloitte.com/jp/en](http://www.deloitte.com/jp/en).

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

Deloitte refers to one or more of Deloitte Touche Tohmatu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

All of the contents of these materials are copyrighted by Deloitte Touche Tohmatu Limited, its member firms, or their related entities including, but not limited to, Deloitte Tohmatu Tax Co. (collectively, the "Deloitte Network") and may not be reprinted, duplicated, etc., without the prior written permission of the Deloitte Network under relevant copyright laws.

These materials describe only our general and current observations about a sample case in accordance with relevant tax laws and other effective authorities, and none of Deloitte Network is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. The opinions expressed in the materials represent the personal views of individual writers and do not represent the official views of Deloitte Network. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Member of

### Deloitte Touche Tohmatu Limited

© 2019. For information, contact Deloitte Tohmatu Tax Co., DT Legal Japan, Deloitte Tohmatu Immigration Co.



IS 669126 / ISO 27001