

## Group Aggregation system – Preliminary investigation

Deloitte Tohmatsu can assist your business to determine whether to apply for Group Aggregation based on the specific circumstances and attributes of your Japan group.

### What is Group Aggregation?

The Group Aggregation system, which will allow Japan group companies to offset their profits and losses, will come into effect for fiscal years beginning on or after 1 April 2022. Companies will need to make a decision as to whether to apply for Group Aggregation if their Japan group companies are not currently in tax consolidation, or whether to opt out of Group Aggregation if their Japan group companies are currently in tax consolidation.

### Should our Japan group companies apply for / opt out of Group Aggregation?

While there are benefits to applying Group Aggregation, there are also several potential costs, both in terms of tax and administration, depending on the specific circumstances and attributes of the Japan group companies. Combined with the facts that withdrawing from Group Aggregation is, in principle, prohibited, deciding to enter Group Aggregation requires a careful and detailed analysis of the benefits and costs.

However, conducting a detailed analysis without understanding what the material issues are for your company may result in an inefficient use of time and resources.

### What does the preliminary investigation include?

The preliminary analysis is intended to assist companies with identifying the relevant material issues to determine whether further analysis is warranted, and if so, directionally where such analysis should be focused based on the specific circumstances and attributes of the Japan group companies.

Deloitte Tohmatsu Tax Co. will help you organize and prioritize the issues that should be considered by your company and create a roadmap for further analysis.



#### What should I consider?

##### Companies currently not in tax consolidation

- While the profit-loss offsetting is beneficial, are there downsides to entering into a Group Aggregation?
- Do existing NOLs carryover?
- Is any restructuring required to implement the Group Aggregation?
- Will administration increase if we enter into Group Aggregation?

##### Companies currently in tax consolidation

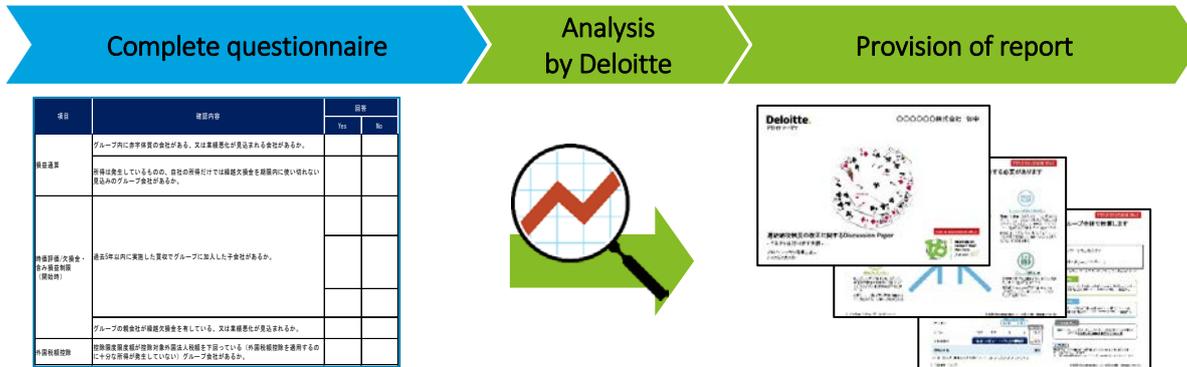
- Are there downsides to opting out of Group Aggregation for our group?
- Is there any impact on NOLs utilization?
- What impacts could there be on tax credits?



Deloitte Tohmatsu Tax Co. will support you through the preliminary investigation process!

## How will Deloitte Tohmatsu Tax Co. conduct the preliminary investigation?

Simply fill out a brief questionnaire providing information about the Japan group companies, and Deloitte Tohmatsu Tax Co. will provide you with a report highlighting the relevant issues to consider, their priorities, and a roadmap for further analysis.



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