

Family Consulting Service: Tax and Regulation Newsletter

Japan Tax Reforms, Budget Updates in Australia and the latest tax developments in the U.S. and Hong Kong

March 2020

The Family Consulting tax and regulation newsletter is a bulletin to keep you updated on the latest and relevant tax news that we consider to be important to our clients in Japan and those focused on key jurisdictions abroad that may affect you as an individual, your family or your business. The newsletter is prepared by the tax professionals of Deloitte Tohmatsu Tax Co. and is published in English and Japanese.

Country/Regional Updates

1. Japan

2020 Tax Reform Proposals – Announced by the Liberal Democratic Party

The 2020 proposals (introduced in December 2019) include changes to the tax consolidation system, which is expected to be replaced with a group aggregation system, new incentives to encourage investment in start-ups, and the ability to extend the Japanese consumption tax filing deadline. Also, the proposals introduce an anti-avoidance provision preventing companies from inappropriately creating capital losses and a number of provisions impacting individuals.

International Tax

Anti-tax avoidance measures on transfers of certain subsidiaries' shares.

Individual Tax

(1) Taxation of financial securities (2) Revisions to the angel tax regime (3) Treatment of offsetting profit and loss on income from second-hand buildings outside of Japan (4) Revisions to charitable organizations applicable for the charitable contributions deduction (5) Revisions to the overseas dependents deduction (6) Revisions to foreign asset reporting.

Source: [Japan Inbound Tax & Legal Newsletter December 2019, No.49](#)

2. United States

US District Court rules on penalties for violating reporting obligations related to foreign trusts

The US District Court for the Eastern District of New York has held that an owner and beneficiary of a foreign trust is subject to a 5% penalty applicable to a foreign trust owner, and not to a 35% penalty applicable to a foreign trust beneficiary.

Source: United States - [US District Court rules on penalties for violating reporting obligations related to foreign trusts \(28 Nov. 2019\)](#), News IBFD (accessed 14 Jan. 2020).

Congress approves tax relief and spending legislation

During the week of 16 December 2019, President Trump signed two appropriations bills that were formally approved by the House and Senate that together, jointly fund the government for the remainder of fiscal year 2020.

One of those two spending bills incorporates several tax priorities – such as extensions of expired and expiring tax provisions, taxes applying to children under the age of 18, repeal of some revenue provisions enacted in the Patient Protection and Affordable Care Act of 2010 (PPACA), retirement security measures (the SECURE Act), fixes to some of the policy changes made by the 2017 tax overhaul known as the Tax Cut and Jobs Act, and tax relief for victims of certain federally declared natural disasters – that have been gridlocked for months, or in some cases even longer.

Source: [Deloitte tax@hand. Congress approves tax relief and spending legislation: Legislation incorporates some long-stalled tax priorities](#)

Final regulations issued on foreign tax credits

On 2 December 2019, the US Treasury Department and the US Internal Revenue Service (IRS) released final regulations on the determination of the foreign tax credit (FTC) under the various provisions of the US Internal Revenue Code (IRC).

The final regulations include a new safe harbor provision to account for the new foreign branch income category and provide for accounting for foreign tax redeterminations in prior tax years. As a result of the TCJA's addition of the foreign branch category, the final regulations include transition rules for FTC carryforwards, overall foreign losses (OFLs), overall domestic losses (ODLs), separate limitation losses (SLLs), and net operating losses (NOLs) with respect to the general category.

Source: [United States - Final regulations issued on foreign tax credits \(03 Dec. 2019\), News IBFD \(accessed 15 Jan. 2020\)](#).

Proposed regulations issued on source of income from sales of personal property

The US Treasury Department and the US IRS have issued proposed regulations¹ to provide modified rules for determining the source of income from sales of inventory produced within the United States and sold outside of the United States or vice versa.

Source: [United States - Proposed regulations issued on source of income from sales of personal property \(31 Dec. 2019\), News IBFD \(accessed 15 Jan. 2020\)](#).

IRS updates FAQs on virtual currency

IRS has released the updated "Frequently Asked Questions on Virtual Currency Transactions"² (FAQs) to provide guidance for taxpayers who hold virtual currency as a capital asset.

Source: [United States - IRS updates FAQs on virtual currency \(02 Jan. 2020\), News IBFD \(accessed 15 Jan. 2020\)](#).

3. Australia

Government releases budget updates

On 16 December 2019, the Australian government released the Mid-Year Economic Fiscal Outlook (MYEFO) 2019-20. In the MYEFO, the government has confirmed a return to surplus of AUD 5 billion in the 2019-20 year and cumulative surpluses of AUD 23.5 billion over the four-year forward estimates.

The key and relevant tax change announced is as follows:

Superannuation – Eligible rollover funds

For more information and detail on the above and additional tax changes released by the Australian government please visit the source link below.

Source: <https://www.taxathand.com/article/12653/Australia/2019/Government-releases-budget-update>

4. Hong Kong

Tax concessions to be implemented – amendment bill passed

On 6 November 2019, the Legislative Council passed the Inland Revenue (Amendment) (Tax Concessions) Bill 2019. The new Ordinance gives effect to the concessionary tax measures proposed in the 2019-2020 Budget³.

Source: [Hong Kong - Tax concessions to be implemented – amendment bill passed \(08 Nov. 2019\), News IBFD \(accessed 14 Jan. 2020\)](#).

¹ [REG-100956-19](#)

² <https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>

³ [Hong Kong-1, News 27 February 2019](#)

Useful Resources

Deloitte Information	Governmental Organizations	Independent Research Organizations
<ul style="list-style-type: none"> Deloitte Tohmatsu Japan Inbound Tax & Legal Newsletter 	<ul style="list-style-type: none"> Liberal Democratic Party of Japan 	<ul style="list-style-type: none"> International Bureau of Fiscal Documentation
<ul style="list-style-type: none"> Deloitte tax@hand 	<ul style="list-style-type: none"> Internal Revenue Service Federal Register 	

All of resources presented above are publically available. The inclusion of these resources is not an endorsement, nor a guarantee of their accuracy made by Deloitte Touche Tohmatsu Limited.

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