

# Preservation of electronic transaction records in hard copy format not available as from 1 January 2022

Starting 1 January 2022, preservation of electronic transaction records only will be permitted in the form of electronic data

Are the requirements met for the preservation of electronic transaction records?

The 2021 Japan tax reform made certain fundamental revisions to the Electronic Record Retention Law (ERRL), including changes to the preservation of transaction information sent and received electronically. Currently, preservation in hard copy format for transaction information sent and received electronically is permitted as an alternative to preserving such data electronically. However, for transaction information that is sent and received electronically on or after 1 January 2022, the option for hard copy preservation will be abolished, and preservation will be required in the form of electromagnetic records (i.e., electronic data). As such, companies should review their policies and practices and begin to make any necessary changes to comply with this upcoming requirement.

## Overview of the ERRL related to electronic transactions

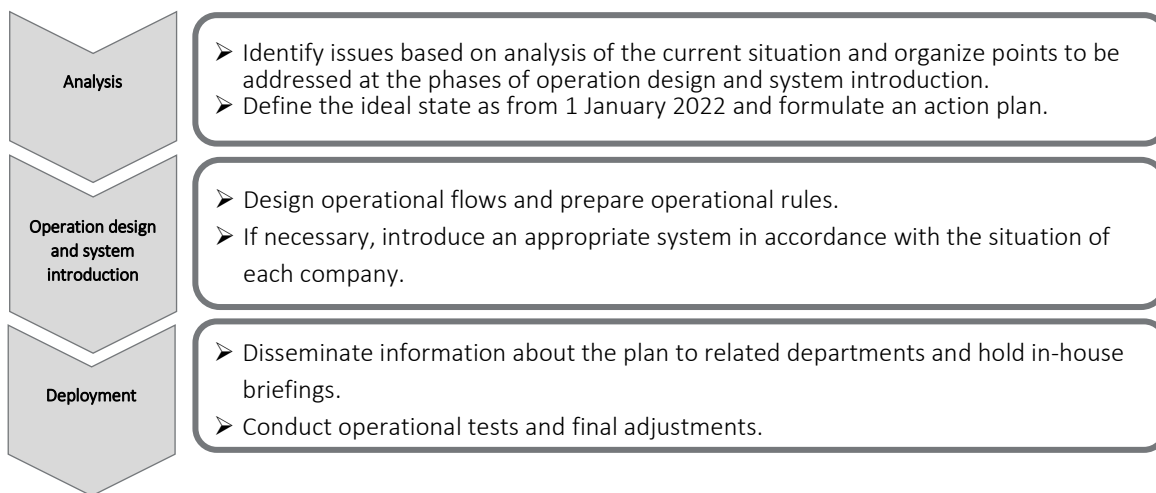
The revised ERRL provisions related to electronic transactions (including the changes effective as from 1 January 2022) are summarized in the chart below. Failure to comply with the ERRL provisions related to electronic transactions may result in the revocation of tax consolidation or blue form taxpayer status.

Item		Details
Applicable transactions		Transactions in which the transaction information will be sent and received through electronic means including electronic data interchange (EDI) transactions, transactions via the internet, transactions in which the transaction information is sent and received by e-mail (including with attached files), transactions for which a website is set up and the transaction information is sent and received via such website, or other similar transactions. Transaction information includes information contained in purchase orders, contracts, invoices, receipts, quotes, and other similar documents.
Preservation method		Only preservation in the form of electronic records will be permitted.
Accuracy	Tamper-proofing measures (any of 1-4)	1. Sending and receiving time stamped transaction information.
		2. Attaching a time stamp to the information recorded on the electronic record no later than approximately two months after the information is sent and received and being able to confirm information about the person who preserves or supervises the data.
		3. Using a system to send and receive information (that also preserves the electronic record) that meets one of the following: (a) facts and details can be confirmed if the recorded information is corrected or deleted, or (b) recorded cannot be corrected or deleted.

Item		Details
		4. Preparing and maintaining rules related to the prevention of corrections and deletions and acting in accordance with such rules.
Visibility	Readability	Data presented in an orderly format and in a clear state on color displays, etc.
	System documentation	Diagram available outlining the computer processing system used (only if developed in-house).
	Search function	Search fields with year, month, and date of transaction, transaction amount, and counterparties. Range specifications for dates and amounts and multiple field searches (these are not necessary if the taxpayer can provide them to the tax authorities upon request).
Heavy penalty tax		The rate of the heavy penalty tax levied on underreporting due to concealment or disguise will be increased by 10%.

### Immediate actions

With the upcoming implementation date of 1 January 2022, companies should plan their response measures as soon as possible to ensure compliance with all requirements, consistent with the following sample action plan:



### How may Deloitte Japan help?

Our experienced professionals will help develop optimal responses in accordance with the company's specific situation.

Phase	Service	Practical service details
Analysis	Analysis of the current status and organization of points to be addressed	➤ Collecting information through surveys (e.g., departments that are involved in electronic records, each department's form of electronic transaction records, forms of preservation, analyzing functions of the systems used), analyzing the current state, and organizing the points that need to be addressed.
	Formulation of action plan	➤ Proposing a realistic and ideal state that matches the actual situation of the company and formulating an action plan to realize that state.
Operation design and system introduction	Designing operational flows, etc.	<ul style="list-style-type: none"> <li>➤ Supporting the preparation of internal documents such as operational procedures, internal regulations, manuals, etc.</li> <li>➤ Supporting the preparation of rules to be introduced for the prevention of corrections and deletions.</li> </ul>

	System introduction (optional)	➤ Supporting system selection when system introduction is considered.
	Confirmation of requirements	➤ Assessing and assuring that the operational flows, system, etc., meet the requirements stipulated in tax laws and the ERRL using a checklist.
Deployment	Supporting the preparation of materials used for in-house dissemination of the information	➤ Supporting the preparation of explanatory materials for in-house dissemination of information.

## Contact

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