

Japan tax newsletter

Ernst & Young Tax Co.

2026 Tax reform outline - Taxation related to financial services and real estate

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On 19 December 2025, Japan's ruling party (a coalition comprised of the Liberal Democratic Party and the Japan Innovation Party) released the 2026 Tax Reform Outline.

This newsletter provides an introduction to major reforms contained in the Outline specific to finance- and real estate-related tax rules, as well as financial institutions and insurance companies.

Please click here to access the overall [2026 Japan tax reform outline](#) as released in the EY Japan tax newsletter published on 3 March 2026.

Please note that the contents of this newsletter may be revised in response to future Diet deliberations concerning the reform bill.



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1. Financial services and securities taxation

(1) Expansion of NISA accumulative investment framework

- 1) The lower age limit for opening a tax-exempt account will be abolished, and the following measures will be implemented.

(From 2027 onwards)

	Accumulation-type framework		Growth-type framework
	(Expanded) NISA for minors		
Age	0 to 17 years old	18 and over	18 and over
Annual investment	JPY600,000	JPY1.2 million	JPY2.4 million
Maximum tax-free holding amount	JPY6 million	JPY18 million Automatic transition → JPY12 million (included amount)	
Products eligible for investment	Investment trusts suited for long-term, installment and diversified investment	Investment trusts suited for long-term, installment and diversified investment	Listed stocks, investment trusts
Investment management	Withdrawals are permitted after the child turns 12 under certain requirements*.	No limit	No limit

*The use of funds is for the benefit of the child, and the legal guardian (account manager) must submit a request form to the financial institution along with documentation indicating that the child has consented to the withdrawal.

Source: Created by EY, partially modified from the Financial Services Agency's "Tax Reform for 2026"

- i. A designated cumulative investment account for minors (accumulation-type framework) can be set up within a tax-exempt account. However, a designated tax-exempt custodial account (growth-type framework) cannot be established at the same time as the designated cumulative investment account for minors.

Note: A "designated cumulative investment account for minors" mentioned above refers to the designated cumulative investment accounts opened from 2027 onwards. These accounts are limited to years in which the resident is under 18 years old as of 1 January and the year of birth.

- ii. Designated cumulative investment accounts for minors will only accept certain beneficiary rights of publicly offered stock investment trusts that can be accepted into designated cumulative investment accounts, provided that the total acquisition cost of such rights does not exceed JPY600,000 per year and JPY6 million over multiple years.
- iii. Dividends and other payments received from publicly offered stock investment trusts managed under designated cumulative investment accounts for minors, as well as the proceeds from the transfer of beneficiary rights of such investment trusts, must be managed under designated taxable accounts for minors until 31 December of the year prior to the year in which the resident is 18 years old as of 31 March (reference year).

- iv. The beneficiary rights of publicly offered stock investment trusts managed under the designated cumulative investment account for minors cannot be withdrawn to accounts other than the tax-exempt account of the resident who opened that account until 31 December of the year prior to the resident's reference year, except in the following cases:
 - (a) In the years prior to the year in which the resident is 12 years old as of 31 March, if the resident's house has been completely destroyed due to a disaster (provided that confirmation is obtained from the tax office).
 - (b) In the years after the year in which the resident is 12 years old as of 31 March, in the case specified in (a) above, and if the withdrawal is for the payment of entrance fees or tuition fees for the resident's school or other educational or living expenses.
 - v. Funds and other assets within designated taxable accounts for minors cannot be withdrawn from the account opened by the resident until 31 December of the year prior to the resident's reference year, except in cases that fall under the provisions of the above (iv) (a) and (b), or when those funds are used for investments in a tax-exempt account.
 - vi. Residents who have opened tax-exempt accounts and designated taxable accounts for minors are subject to withholding tax (special collection) at a rate of 20.315% (15.315% for income tax and special income tax for reconstruction, and 5% for individual inhabitant tax) if they make withdrawals from these accounts that violate the provisions of (iv) and (v) before 31 December of the year prior to the reference year. This includes the transfer of beneficiary rights of publicly offered stock investment trusts and funds, assuming that such transfers of beneficial rights or the payment of dividends from publicly offered stock investments occurred on the day of the withdrawals.
 - vii. Other necessary measures will be implemented.
- 2) The following measures will be implemented for the beneficiary rights of publicly offered stock investment trusts and those of listed share investment trusts that can be accepted into designated cumulative investment accounts (accumulation-type framework).
- i. The following measures will be implemented regarding the specified indices for designated index investment trusts and listed share investment trusts.
 - (a) The following indices will be added to the range of designated indices.
 - The Yomiuri Stock Index (Yomiuri 333)
 - The JPX Prime 150 Index
 - (b) For designated indices related to stocks included in designated index investment trusts, where the requirement would otherwise apply that the trust's terms and conditions stipulate investment in assets adopted in two or more designated indices, such indices will instead be treated as designated indices to which the requirement applies that the trust's terms and conditions stipulate investment in assets adopted in one specified index. In addition, these indices will be added to the designated indices eligible for listed equity investment trusts (ETFs).

Specified stock indices for the accumulation-type framework (The red box indicates the indices newly added this time)

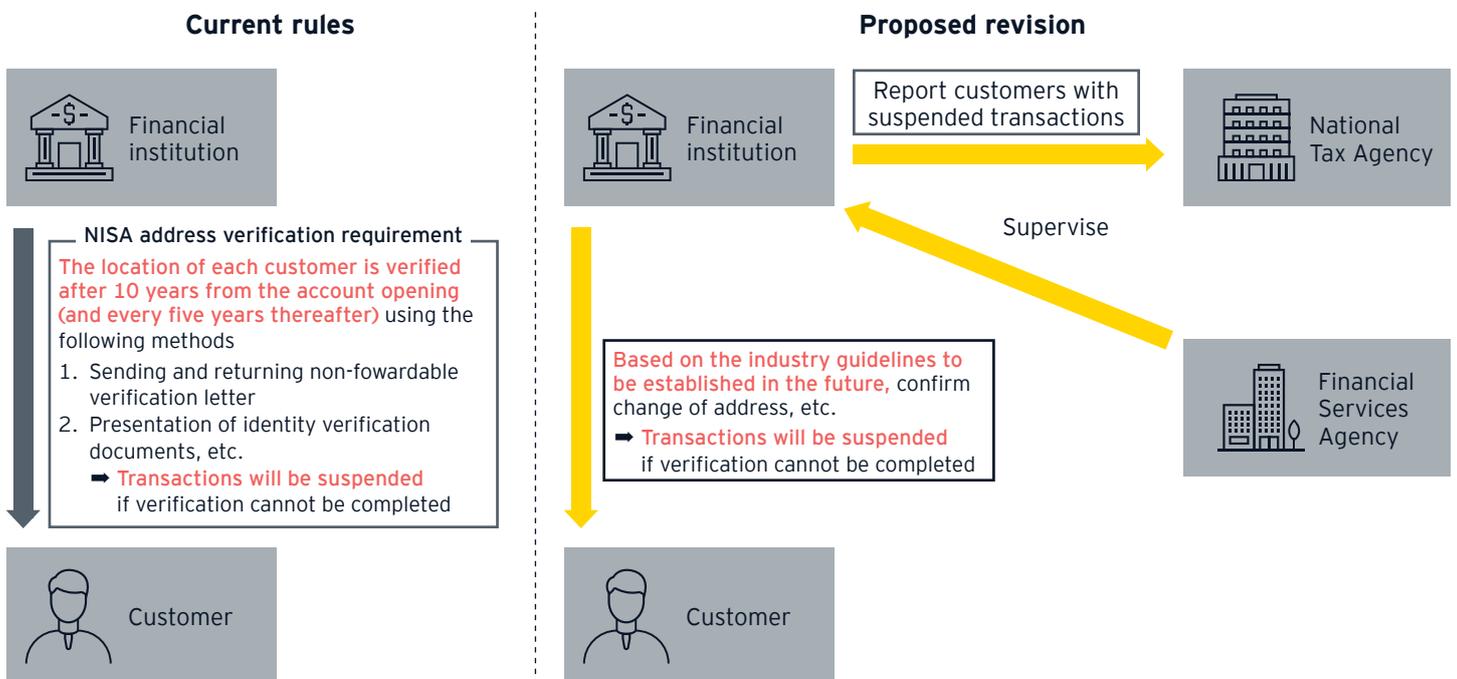
Japan	Worldwide	Developed countries	Emerging countries, etc.
<ul style="list-style-type: none"> ■ TOPIX ■ Nikkei Stock Average (Nikkei 225) ■ JPX Nikkei Index 400 ■ MSCI Japan Index 	<ul style="list-style-type: none"> ■ MSCI ACWI Index ■ FTSE Global All Cap Index 	<ul style="list-style-type: none"> ■ FTSE Developed Index ■ FTSE Developed All Cap Index ■ S&P 500 ■ CRSP US Total Market Index ■ MSCI World Index ■ MSCI World IMI Index 	<ul style="list-style-type: none"> ■ MSCI Emerging Markets Index ■ FTSE Emerging Index ■ FTSE RAFI Emerging Index
<div style="border: 1px solid red; padding: 2px;"> <ul style="list-style-type: none"> ■ The Yomiuri Stock Index (Yomiuri 333) ■ The JPX Prime 150 Index </div>	New		

Source: Created by EY, partially modified from the Financial Services Agency's "Tax Reform for 2026"

ii. With respect to the requirements for the primary investment assets of publicly offered equity investment trusts other than designated index investment trusts, the eligible assets will be defined as stocks or public and corporate bonds (currently: stocks).

iii. Other necessary measures will be implemented.

3) In regard to the tax-exempt measures for tax-exempt cumulative investment contracts and designated tax-exempt cumulative investment contracts, the requirement for financial institutions to verify the addresses of residents who have opened tax-exempt accounts as of the standard reference date will be abolished.



Source: Created by EY, partially modified from the Financial Services Agency's "Tax Reform for 2026"

The target age for the accumulation-type framework has been expanded to promote asset formation for younger generations, encouraging individuals to prepare the necessary funds for future life events, such as university admission costs, through long-term and stable investments.

Additionally, the range of eligible products has been broadened to enable all generations to engage in asset formation in alignment with their life plans. The planned simplification of the address verification process is expected to lessen the burden for financial institutions.

(2) Separate taxation for crypto assets

- 1) When residents engage in transactions involving the transfer of crypto assets (limited to crypto assets registered in the Registry of Financial Instruments Business Operators, hereinafter referred to as “specific crypto assets”) to crypto asset exchange service providers, the capital gains arising from such transfers will be taxed separately at a flat rate of 20.315% (15.315% income tax and special income tax for reconstruction, 5% individual inhabitant tax).
- 2) Crypto asset exchange service providers are required to submit a report to the district director of relevant tax office by 31 January of the year following the crypto asset transaction. This report must include the names, addresses, and personal identification numbers of residents who engaged in transactions involving specific crypto assets, as well as the names of the specific crypto assets involved in those transactions.
- 3) If there is a loss resulting from the transfer of specific crypto assets to a crypto asset exchange service provider, and that loss cannot be fully deducted from the capital gains of specific crypto assets for the year of the transfer, the remaining portion of the loss can be carried forward to offset against the capital gains of specific crypto assets for up to three years, provided certain conditions are met.
- 4) The special provisions for taxation on miscellaneous income related to futures trading and the application of loss carryover for cash settlement of futures trading will include miscellaneous income pertaining to crypto asset derivative trading (limited to those related to specific crypto assets, hereinafter referred to as “specific crypto asset derivative trading”).
- 5) In regard to the crypto assets that generate capital gains subject to aggregate taxation, the following measures will be implemented.
 - i. The capital gains from the transfer of relevant crypto assets will not qualify for the special deduction for capital gains (JPY500,000).
 - ii. The measure to halve the capital gains calculation for relevant crypto assets held for more than five years will not be applied.
 - iii. Losses incurred in the calculation of capital gains related to relevant crypto assets will not be eligible to offset other income subject to aggregate taxation.
- 6) Other necessary measures will be implemented.

Note 1: The revisions in items 1) and 3) above will apply to transfers of specific crypto assets conducted on or after 1 January of the year following the year in which the amended Financial Instruments and Exchange Act comes into effect. (hereinafter referred to as the “Effective Date”).

Note 2: The revision in item 2) above will apply to transactions of specific crypto assets conducted on or after 1 January of the year following the year in which the Effective Date falls.

Note 3: The revision in item 4) above will apply to cash settlements related to derivative transactions of specific crypto assets conducted after the Effective Date.

Note 4: The revision in item 5) above will apply to income tax for the year following the year in which the amended Financial Instruments and Exchange Act comes into effect and subsequent years.

[Overview of the system (income tax + inhabitant tax)]

Listed shares, etc.		ETF		Financial futures transactions, etc.	
Capital gains	Separate self-assessment tax: 20.315%	Capital gains	Separate self-assessment taxation: 20.315%	Miscellaneous income	Separate self-assessment tax: 20.315%
Specific crypto assets		ETFs that target specific crypto assets		Derivatives with specific crypto assets as the underlying asset	
Miscellaneous income → Capital gains	Aggregate taxation: Up to 55.945% → Separate self-assessment taxation: 20.315%	Currently not possible to create ETFs (Amendment of the government ordinance is required) → ETF creation becomes possible through the ordinance amendment → Separate self-assessment taxation: 20.315%		Miscellaneous income	Aggregate taxation: Up to 55.945% → Separate self-assessment taxation: 20.315%

Source: Created by EY, partially modified from the Financial Services Agency's "Tax Reform for 2026"

This revision will apply to transfers of crypto assets conducted on or after 1 January of the year following the year in which the amended Financial Instruments and Exchange Act comes into effect; however, the specific effective start date is currently undecided.

2. Corporate taxation

(1) Special provisions for taxation on the Banks' Shareholding Purchase Corporation

- 1) Non-application of refund for the carryback of losses other than those of small and medium-sized enterprises (SMEs)

The non-application of refund for the carryback of losses other than those of SMEs will be extended by two years, and the measure to exclude losses of the Banks' Shareholding Purchase Corporation from this non-application will also be extended by two years (until 31 March 2028).

- 2) Abolishment of the special provision for the capital-based corporate taxation pertaining to the Banks' Shareholding Purchase Corporation

The special provision for the capital-based corporate taxation pertaining to the Banks' Shareholding Purchase Corporation will be abolished, and as a transitional measure, a deduction will be permitted based on a specified percentage of the capital and other related funds.

3. International taxation

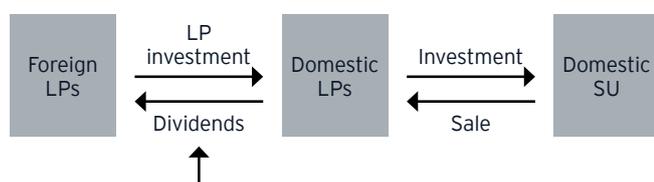
(1) Special provisions for taxation on foreign partners (special provisions pertaining to permanent establishments (PEs))

The following measures will be implemented regarding the special provisions for taxation on foreign partners.

- 1) The following revisions will be made to the application requirements for the special provisions.
 - i. The requirement that a foreign partner’s ownership interest in partnership assets be less than 25% will be revised to less than 50% for limited partners of partnerships that establish certain committees composed of limited partners.
 - ii. The requirement that the foreign partner not engage in execution of partnership business will be revised so that actions excluded from “execution” are limited to approvals of conflict-of-interest transactions, rather than the current approvals of self-dealing transactions by business executors.
 - iii. The requirement that the foreign partner have no permanent establishment-attributable income other than partnership business income will be abolished.
- 2) Following the above revision, the items to be included in the special exemption application form and other documents will be reviewed, and necessary measures will be implemented.

Current rules

- As a business under a partnership contract is a joint venture of the partners, partners of a partnership conducting business through a PE located in Japan will be treated as having a PE in Japan (as per the Basic Circular on the Income Tax Act 164-4). Accordingly, limited partners (LPs) will be subject to income tax and corporate tax on Japan-source income.
- This special provision exempts certain foreign LPs from income tax and corporate tax on Japan-source income if they meet certain requirements based on the below:



General rule: taxation on Japan-source income
 Special provision: Tax exemption on Japan-source income

Source: Created by EY, partially modified from the Ministry of Economy, Trade and Industry’s “FY 2026 tax reforms related to economic and industrial matters”

Overview of revisions

The requirements that foreign investors must meet to qualify for these special provisions will be reviewed as follows.

Requirements	Details
1. Ownership interest ratio	The ownership interest ratio will be raised from the current less than 25% to less than 50% Note: Only in cases where an advisory committee is established
2. Conduct of business	Approval of transactions involving conflicts of interest will be excluded from the scope of “conduct of business” as defined under tax law.
3. No other income attributable to a PE	The requirement will be abolished .

Significant relaxation of the application requirements for special provisions pertaining to PEs is expected to expand opportunities for overseas investors to utilize these provisions, leading to an acceleration of investments in Japan by foreign investors.

(2) Revision of Japanese Controlled Foreign Company (“JCFC”) rules

[Refer to page 12 of the 2026 Japan tax reform outline](#)

4. Real estate taxation

(1) Extension of the reduced registration and license tax measure for land ownership transfers

The applicable period for the reduced tax rates for registration and license taxes on registrations of transfers of land ownership by purchase will be extended by three years, until 31 March 2029.

(2) Special provisions for taxation on the replacement of specified assets by purchase

With regard to the special tax measures for the replacement of specified assets through purchase, the following revisions will be made to the scope of eligible replacement assets, together with other necessary measures. In addition, the application period will be extended by three years, until 31 March 2029, except for certain types of replacements.

- 1) With respect to replacement through purchase under an urban redevelopment project, the tax deferral ratio for replacement assets located outside a specified region will be reduced to 60% (currently 80%).
- 2) In cases where long-term-held land or buildings are replaced with land or buildings located in Japan, the buildings and associated facilities eligible as replacement assets will be limited to those used for specified facilities. In addition, structures qualifying as replacement assets will be limited to those necessary for conducting the business related to such specified facilities.

(3) Revision of special tax provisions applicable to investment corporations

With respect to renewable energy generation facilities prescribed under the asset-holding requirements, one of the conduit requirements for investment corporations, the eligible renewable energy generation facilities will be limited to facilities and their attachments that convert solar, wind, hydro, or geothermal energy into electricity. In addition, the deadline for acquiring renewable energy generation facilities will be extended by five years, until 31 March 2031.

(4) Revision of taxation rules on services related to the sale and purchase of real estate located in Japan by non-residents

Brokerage fees and other costs incurred by non-residents in connection with the purchase or sale of real estate located in Japan will be subject to consumption tax, in order to ensure fairness with residents. This revision will apply to transactions conducted on or after 1 October 2026. However, it will not apply to transactions conducted on or after that date where the relevant contract was concluded by 31 March 2026.

(5) Revision of the exemption threshold for fixed asset tax and real estate acquisition tax

- 1) The exemption threshold for fixed asset tax will be increased to JPY300,000 for houses (currently JPY200,000) and to JPY1.8 million for depreciable assets (currently JPY1.5 million), applicable from fiscal year 2029 onward.
- 2) The exemption threshold for real estate acquisition tax will be increased to JPY160,000 for land (currently JPY100,000), to JPY660,000 per unit for newly constructed houses (currently JPY230,000), and to JPY340,000 per unit for other properties (currently JPY120,000).

(6) Extension of the measures suspending additional taxation on capital gains from land transfers

With respect to the additional taxation system on general capital gains from land transfers for corporations and the additional taxation system on short-term capital gains from land transfers, the suspension period will be extended by three years, until 31 March 2029, following the implementation of necessary measures.

5. Consumption taxation

(1) Revision of the taxation rules pertaining to crypto assets

Subject to revisions of the Financial Instruments and Exchange Act and related laws, the following measures will be implemented.

- 1) The transfer of crypto assets will continue to be exempt from consumption tax as a transfer equivalent to that of securities (currently, it is considered equivalent to a means of payment).
- 2) In the calculation of the taxable sales ratio of consumption tax, an amount equivalent to 5% of the consideration for the transfer of crypto assets will be included in the amount of consideration for the transfer of assets.
- 3) In addition to exempting consumption tax on the lending of crypto assets, necessary measures will be implemented.

Note: The above revision will apply to the transfers of crypto assets conducted on or after 1 January of the year following the year in which the amended Financial Instruments and Exchange Act comes into effect.

6. Other

(1) Extension of the tax exemption measure relating to cross-border bond repurchase agreements

In regard to the special provisions for the taxation on interest relating to bond repurchase agreements (gensaki), the effective period of the tax exemption measure for the interest on bond repurchase agreements concluded between specified foreign entities and specified financial institutions will be extended by three years (to 31 March 2029).

(2) Revision of measures for the optimization of the tax burden of high-net-worth individuals

[Refer to page 17 of the 2026 Japan tax reform outline](#)

(3) Abolition of the tax exemption measure for lump-sum gifts of educational funds

The tax breaks for lump-sum gifts of educational funds will be abolished upon expiration of the applicable period (31 March 2026). However, the funds contributed before the abolition can continue to be subject to this measure.

(4) Introduction of a settlement system regarding the prefectural inhabitant tax interest levy

In regard to the prefectural inhabitant tax interest levy, which is an exception to the address-based taxation, a new system will be introduced to allocate tax revenues across prefectures and local governments based on individual income amounts while maintaining the traditional system where financial institutions remit the taxes collected through special withholding to the prefecture where the account is located. This new measure will apply to the prefectural inhabitant tax interest levy for fiscal year 2026 onwards.

(5) Extension of the exemption from stamp duties for loan agreements pertaining to special loans provided to the victims, etc. of the Great East Japan Earthquake

In regard to the exemption from stamp duties for loan agreements pertaining to special loans provided to victims of the Great East Japan Earthquake, special loans provided by the Support Organization for Companies Damaged by the Great East Japan Earthquake will be excluded from the scope of application, and the application period will be extended by five years (to 31 March 2031).

(6) Pension taxation (matter for consideration)

In considering pension taxation amid an aging population and a rising number of pension recipients, attention will be given to fairness between and within generations, the balance among pension systems such as public pensions that provide retirement income and corporate pensions that supplement them, the relationship with taxation on savings and investment products, and the alignment with salary taxation. Additionally, taxation approaches via contributions, management, and benefits will be comprehensively examined, taking into account the revision of the public pension deduction under the 2018 tax reform, the overall direction of pension system reforms, and examples from other countries.

(7) Unification of financial income taxation on derivative transactions (matter for consideration)

In regard to further unification of financial income taxation on derivative transactions, relevant matters will be comprehensively considered while taking into consideration the results of prior deliberations on measures to prevent intentional tax avoidance.

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