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# Promoting Introduction of 5G with Tax Incentives

## Newly established along with the Open Innovation Promotion Tax Program

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### Summary

- Following the revision of the tax system in FY2020, a law to partially amend the Income Tax Act was enacted on March 27, 2020, and tax systems for promoting the Open Innovation program and introduction of 5G were newly established.
- The Open Innovation Promotion Tax Program is a system that allows domestic companies to deduct 25% of the acquisition price of shares of unlisted venture enterprises less than 10 years old from taxable income on payment of contributions of 100 million yen or more.
- 5G (fifth-generation mobile communications systems) can be said to be the core infrastructure in the IoT age. Local 5G is a mechanism which utilizes 5G for specific applications by limiting the location, and is expected to be utilized for solutions to regional problems. Both are already partially operational. If people are forced to remain at home for both work and leisure in the future, due to reasons such as the current spread of COVID-19, the use of 5G may contribute to improving the quality of life.
- The tax system to promote the introduction of 5G is a measure that allows for a 15% tax credit or a 30% special depreciation for investments in local 5G, as well as the front-loading of 5G base stations nationwide. The tax credit of 15% is the highest deduction rate available in the capital investment tax reduction. It is expected that most companies will choose the tax credit if they exclude corporations running a deficit, for which the tax credit cannot be applied. However, in fiscal 2020, the spread of COVID-19 is expected to lead to the emergence of loss-making corporations. Therefore, flexible measures including the use of subsidies will be necessary.

### Attention

This report is a summary translation. The official document is only in Japanese.