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# Introduction of global minimum tax

Effective for fiscal years beginning on or after April 1, 2024

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## Summary

- The "FY2023 Tax Reform Outline" published on December 16, 2022 clarified that the Income Inclusion Rule for the global minimum tax will be effective for fiscal years beginning on or after April 1, 2024. With the introduction of the Income Inclusion Rule, a multinational corporate group (MNE group) will be subject to additional tax on the ultimate parent company and the like, if the actual tax rate (effective tax rate) borne by the MNE group in a certain country is below the minimum tax rate of "15%."
- Because the global minimum tax imposes a surcharge if the effective tax rate is below 15%, the MNE group loses the incentive to expand into countries where the effective tax rate is below 15%. This is expected to put a halt to the corporate tax competition since the 1980s.
- Generally, European and US companies are said to be more aggressive in tax planning, while Japanese companies are said to be more reluctant. The introduction of the global minimum tax is expected to increase the tax burden for fewer Japanese companies than for European and US companies. Therefore, in terms of the ability to acquire after-tax profits, it is expected that the competitiveness of European and US companies will decline and the competitiveness of Japanese companies will be relatively enhanced.

### Attention

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