

# Response to Integration of Taxation on Financial Income

Since the laws and regulations related to a review of the bond tax system (integration of taxation on financial income) have been enforced pursuant to the provisions of the Act on the Partial Revision of Income Tax Act and Other Acts (Act No. 5 of 2013), JASDEC has put in place and executed necessary measures to review the classified account structure since January 2016.

Under the tax system reform, expansion of the profit / loss offset scope between financial products, and changes in the taxation method for interest income on bonds, and withholding

tax agent were incorporated for the purpose of introducing integration of taxation on financial income.

Following these revisions, JASDEC considered how to best address the matter and put in place necessary measures for the Book-entry Transfer System for Stocks, etc. (corporate bonds with share options) and the Book-entry Transfer System for Corporate Bonds, including system development and revision of the Business Regulations. Below is a summary of the measures taken:

## Review of the Classified Account Structure

Under the tax system reform, a withholding tax agent is changed from an issuer to an Account Management Institution (AMI) by satisfying certain requirements and proportionate taxation on interests on bonds according to the holding period is abolished. Therefore, classified accounts management according to the taxation characteristics of investors (e.g. classify an account to apply the tax exemption system for non-residents) has been made unnecessary. Based on these revisions, JASDEC has reviewed the classified account structure (including integration of a non-resident, etc. account into a customer account in the Book-entry Transfer System for Corporate Bonds and the abolishment of taxation classification in a customer account).

## Abolishment of Restriction on Transfer between Taxation Classifications

Necessary revisions were made to abolish restrictions on transfer from account for taxation to account for non-application of tax withholding.

## Review of Handling Declaration of Taxation Information

Necessary revisions were made to items in the declaration of taxation information made by JASDEC participants to a paying agent of issuer under the Book-entry Transfer System (e.g. tax category).

### Summary of Review of Customer Account in Book-entry Transfer System for Corporate Bonds

