

The Japanese government seeks to attract foreign investment

Resource type: **Legal update**: [archive](#)

Status: **Published on 31-Jan-2011**

Jurisdiction: **Japan**

This article is part of the PLC Global Finance January 2011 e-mail update for Japan.

Atsumi & Sakai

Speedread

Some surveys reveal that Japan is becoming less competitive as an Asian business centre due to the high cost of doing business in Japan. However, recent measures proposed by the Ministry of Economy, Trade and Industry (METI) may lead to Japan attracting more foreign investment. This article provides an overview of the proposed measures.

The ratio of the residuary amount of foreign direct investment against GDP in Japan is 3.6%, which is quite low compared to Korea (10.5%) and the US (15.8%). Moreover, some surveys reveal that Japan is becoming less competitive as an Asian business centre due to the high cost of doing business in Japan (for example; high corporate taxes, strict regulation and burdensome administrative procedures). However, recent measures proposed by the Ministry of Economy, Trade and Industry (METI) may lead to Japan attracting more foreign investment. Those measures include the following:

Reducing the tax rate to 28.5% for five years for eligible foreign firms. This proposal is in addition to the general reduction of the effective corporate tax rate by 5% (to 35.64%) during fiscal 2011.

Making it faster to screen residency permits for foreign workers at eligible foreign firms, with the process to be completed in around 10 days, instead of the current one month.

Permitting eligible firm's executives to defer payment of personal income tax for share warrants issued by foreign parent firms.

Reducing fees payable to register patent rights in Japan by half for certified R&D sections established by eligible foreign firms.

Providing initial investment subsidies for eligible foreign firms with large potential for economic benefits (METI has stated that JPY2.5 billion is secured as the 2010 supplementary budget for this policy).

As to what constitutes an eligible company, it is envisaged that this will encompass internationally operating global companies, especially companies that establish regional headquarters in Japan, gather human resources excelling in management, engineering, etc., and R&D centres with the potential to leverage Japan's manufacturing capacity.

Resource information

Resource ID: 9-504-5503

Published: 31-Jan-2011

Products: PLC Cross-border, PLC Global Finance, PLC US Law Department

Related content

Topics

Cross-border: finance (<http://uk.practicallaw.com/topic7-200-1612>)

© Practical Law Publishing Limited 1990-2011 (<http://www.practicallaw.com/0-207-4980>). Terms of use (<http://www.practicallaw.com/9-103-0884>) and privacy policy (<http://www.practicallaw.com/jsp/privacy.jsp>). Subscription enquiries +44 (0)20 7202 1220 or email subscriptions@practicallaw.com. The reference after links to resources on our site (e.g. 2-123-4567) is to the PLC Reference ID. This will include any PDF or Word versions of articles.