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Title	<i>Gov't panel to mull ways to improve tax environment for M&A.</i>

A government panel to spur foreign direct investment (FDI) in Japan decided Wednesday to set up a working group to craft measures to improve the tax environment for cross-border mergers and acquisitions (M&A), panel members said.

The decision was made after representatives from the European Business Community in Japan (EBC) and the American Chamber of Commerce in Japan (ACCJ) told a panel meeting that Japan's corporate tax system makes it difficult for foreign companies to launch M&A against Japanese companies.

"The M&A is the single largest component of FDI into Japan, and tax rules should not discriminate against foreign investors," EBC Chairman Richard Collasse told the Expert Committee Meeting of the Japan Investment Council.

The council is chaired by Haruo Shimada, special adviser to the Cabinet Office and an economics professor at Tokyo's Keio University.

Officials from the finance and justice ministries and experts from abroad are expected to take part in the proposed working group, the panel members said.

EBC Policy Director Casey Sedgman said the EBC and ACCJ specifically focus on Japan's corporate tax law, calling for a change in the law to allow tax to be deferred when there is a simple exchange of shares between a foreign company and a Japanese company.

"If this happens only in Japan, tax would be deferred," Sedgman told Kyodo News. "So we feel it is necessary to eliminate this discrimination."

At the meeting, Collasse, also president of Chanel K.K., called on Japan to accelerate regulatory reforms in areas such as health services, public sector management and financial services.

Collasse also expressed his support for Japan's moves toward decentralization.

"With more decentralization, the EBC is hoping that more local governments will privatize public services and really champion business development through tax and regulatory incentives," he said.