

NewsLetter



Aoyama
Sogo
Accounting Firm

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Chairman's Column

All the tax reforms for FY 2021 have been made available. Not only reforms related to countermeasures against Covid-19, but also those promoting DX and carbon neutral investments have been newly introduced.

What will most affect the business of our firm are the revisions to improve the tax-payment environment. Due to the revisions, in addition to sealing a final tax return form, receiving prior approval for introduction of electronic filing from the district tax office director and keeping paper-based documents under the electronic account books and tax records preservation system will not be required anymore.

Seeing the piles of documents from tax offices when preparing Reports of Payments and working on tax filings, I was forced to think that we were really wasting paper, which is not friendly to the global environment.

Since our firm has been involved in many investment-related businesses, we would like to not only better understand our clients' ESG investment positions but also to engage in anything useful to eliminate the load on the environment, starting from what we can do.

This is the first ASA News Letter. We appreciate your support and look forward to continuing to work with you.

(Kazuhiro Matsuzawa, Representative Director and Chairman)



Renewable energy information

On June 4, the government approved the "FY 2020 Annual Report on Energy (Energy White Paper 2021)", which provides an overview of its measures for supply and demand in energy.

In Part 1 of the White Paper, which is packed with topics of the year, various challenges faced and efforts conducted by the Government of Japan in order to achieve carbon neutrality are summarized. As for the contents, Part 1 explains several matters such as on-going changes in the energy situation reflecting accelerated efforts toward decarbonization in the private sector while the number of countries declaring carbon neutrality is increasing day by day. In Japan, Prime Minister Suga declared carbon neutrality by 2050 in October 2020. Part 1 also provides an overview of the trends in decarbonization in foreign countries and Japan's challenges and efforts toward 2050. In addition, it points out a rise in ESG investments and a further diversification of investment strategy seen in the financial sector, as well as recent phenomena in non-financial sectors such as more companies

- e.g., RE 100 participant companies - voluntarily declaring decarbonization and some of them requiring their supply chain companies to decarbonize.



There were some criticisms about the time frame to achieve carbon neutrality in the beginning, but as pointed out in the White Paper, carbon neutrality is inevitable in corporate activities and ways to deal with this issue have become a focus of attention. Some companies have brought forward their deadlines to achieve the objective. What we often see today is a shift to 100% clean energy, and I think that people are more conscious about the use of renewable energy such as solar power generation in power supply.

On the back of such a trend, the number of projects related to renewable energy significantly increased in the last fiscal year. This is the first reversal we have experienced in which the number of real estate based projects was less than the number of renewable energy projects in terms of the percentage of annual orders received (number of projects basis). The trend has not changed this year and we have been receiving many inquiries about projects in which our clients, through Limited Partnerships (LSPs), ask many potential investors to contribute to anonymous SK-TK scheme partnerships holding renewable energy related assets. There are some projects hitherto rarely seen in which investment is made before development and risks possibly arising from such procedure are also taken into consideration.

We have been working to set up a group company specializing in advisory service since June 2021, hoping that the new entity will be of some help for many clients through providing advice on the formation of LSPs and accounting and tax matters. I would be grateful if you could contact us whenever necessary. (Hirokazu Ando)

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Real Estate Market Information

Urban Data Center

Since investments in data centers in urban centers by foreign investors are seen these days, I asked people involved in investment for their opinions.

—Due to the pervasiveness of remote work and the increase in stay-at-home demand, etc., in the Coronavirus pandemic, demand in and investment appetite for large data centers in suburbs have been stronger. What kind of demand is there for data centers in urban areas where the price of land is high?

At the extreme, users seeking today's mainstream cloud services do not care about where data centers are set up as long as the services are securely and seamlessly provided. However, mission-critical users such as financial institutions, telecommunications companies and broadcasters usually set up the data centers in which they place their servers in convenient areas such as those within Yamanote-line. They are eager to keep important core servers nearby in order to quickly go and check them when system troubles occur or to reach them on foot when disasters happen.

—Does it mean that they do not mind a little bit higher cost to receive such a benefit?



In addition to the above mentioned reason, there are various merits such as more stable power supply, higher speed and capacity of internet connection, more reliable maintenance service systems, etc., in urban areas and areas within Yamanote-line than those in suburbs and outside cities, resulting in a lower operational risk. For your information, property owners charge utility costs in the name of cooling the computer equipment, etc., together with a certain level of rent which is able to justify their investment costs. This is actually called the "second rent".
(Sigeru Hirai, Client Relations Group)



New Group Companies

We incorporated ASA Reporting Professional K.K.
on April 14, 2021

Its services are mainly book keeping and preparation
of statements of account and business reports.

What we particularly focus on is to promptly provide clients with data through intensive response to DX, even if the volume of data is huge, and also to make the working environment which has drastically changed due to the Covid-19 calamity more flexible, in order to further improve the level of various services for our clients.

As for DX, we are currently promoting it and believe that it will be possible to quickly realize it by concentrating its functions in the new company. In the future, we aim to achieve a level where accounting information can be provided to our clients in almost real-time.

Regarding the working environment, we are now on our way to specifically introduce more flexible working hours, with full-time work not being the only alternative, and to reduce restrictions on working places while considering working from home in or outside Japan rather than commuting to the office. We believe that the elimination of restrictions will help create a working environment in which employees with various knowledge and experience can work for a long period of time.

By tirelessly working on the above matters, we will continue to provide the information needed by our clients accurately, promptly and continuously, which is the meaning of our existence. We will appreciate the same guidance and support to the new company as you have been providing to Aoyama Sogo Accounting Firm.

On an auspicious day in July, 2021



Tax-related Topic for This Month



Purchase Tax Credits For Residential Rental Buildings

With the amendments of the Consumption Tax Act in April, 2020, tax credits related to residential rental buildings, etc., have not been subject to the purchase tax credits since October, 2020. Since the amount of purchase tax credits for residential rental buildings was large, various schemes for refunding the once-paid tax were created and amendments to the Act were introduced in order to restrict the use of such schemes.

Prior to the above-mentioned amendments, two trials related to the purchase tax credits for residential rental buildings were held and the High Court ruled on one of them on April 21, 2021.

A tax payer in this action claimed that the acquisition of residential rental buildings should be taxable purchases solely required for taxable sales since even if rental revenue, which is classed as non-taxable sales, was generated, it was incidental at the time of resale. However, the Tokyo High Court, in accordance with the assertion from the tax authorities, judged them to be taxable purchases required for both taxable sales and non-taxable sales, citing that rental revenue was expected when the properties were acquired.

The other trial was held at the Tokyo District Court on September 3, 2020. In this case, the tax payer's claim was accepted, meaning that the acquisition of residential rental buildings was taxable purchases solely required for taxable sales.

The taxpayer in the former case appealed based on the allegation by the taxpayer in the latter case for whom the Tokyo District Court had ruled in its favor, but the Tokyo High Court rejected the allegation accepted by the District Court. The latter case is now under appellate review by the Tokyo High Court, drawing attention to what decision the appellate court will produce. (Masafumi Kuwabara, Tax Consulting Group)