

Chapter 2 General Remarks (Following Establishment of the Reconstruction Agency)

Section 4 Budget and Tax System

1. Reconstruction Financial Resources Framework

(1) Basic Approach to Reconstruction Financial Resources Framework

1) Reconstruction Design Council

In June of the same year, the Reconstruction Design Council in response to the Great East Japan Earthquake issued a proposal entitled “Towards Reconstruction - Hope Beyond the Disaster” (June 25, 2011, Great East Japan Earthquake Reconstruction Design Council in response to the Great East Japan Earthquake) on p. 37, which stated, “In order to achieve reconstruction as soon as possible while ensuring accountability to the citizens and transparency, measures that are truly useful and necessary for reconstruction must be carefully built up based on the requests from the disaster region and rapidly implemented. At the same time, the responsible attitude is to explain not only the measures but also a clear philosophy regarding the financial resources for the measures.” Based on that, considering Japan's financial and other situation, it was established that “In light of this situation, the financial resources for recovery and reconstruction must be secured by the entire currently living generation coming together to share the burden themselves rather than shifting the burden to the next generation. While formulating concrete reconstruction assistance measures, the government should review existing expenditures, as well as rapidly implement multifaceted studies and take specific measures for a temporary increase in taxes, especially centered on key taxes, for the period during which the reconstruction demand of the national and local governments is increasing.”¹ This point is particularly important from the perspective of maintaining the confidence of the markets in Japanese government bonds in the case that “reconstruction bonds” are issued as a temporary link to cover preceding demand..²

At the 9th meeting of the Reconstruction Design Council, differences in the macroeconomic environment (economic and fiscal conditions such as nominal GDP and outstanding debt, and social security-related conditions) and the situation of local governments affected by the Great Hanshin-Awaji Earthquake (In the Great East Japan Earthquake, ① many municipalities were devastated, ② many municipalities were financially weak, and ③ the balance of municipal bonds relative to standard tax revenues was large) were presented, and it was pointed out that different responses from the Great Hanshin-Awaji Earthquake were required.³

¹ With regard to new tax for reconstruction, in “The Third Emergency Recommendation in Response to the Great East Japan Earthquake ‘For the Relief of the Victims of the Great East Japan Earthquake and Reconstruction of the Disaster-Affected Areas’ (April 5, 2011, Science Council of Japan), the following recommendation is made: “The government should draw up a supplementary budget for emergency measures, restructure the national budget, reduce the amount of fiscal expenditures already in place and proceed with the design of a system for issuing government bonds, raising taxes and introducing new taxes (for example, development and reconstruction taxes) for reconstruction.”

² At a press conference by Prime Minister Naoto Kan on April 22, 2011, Prime Minister Kan referred to the Reconstruction Bonds and their redemption as follows:
“The second supplementary budget for full-fledged reconstruction will be of considerable scale. That is what most people see, and I also believe that. In this case, how will the financial resources be raised? I believe there is a time issue and a content issue. First of all, it is not desirable to be unable to start reconstruction work because of lack of financial resources. In that sense, I think it is necessary to allocate the necessary financial resources, including the use of government bonds temporarily.

In this case, how will the JGBs be redeemed and by when?...[omitted]...In this case, various prospects for the future and how the market views the JGB market. I would like to hold thorough discussions, including such matters. Those are my thoughts on the situation.”

³ June 11, 2011 Reconstruction Design Council in response to the Great East Japan Earthquake (9th meeting), “Status of deliberations by the Subcommittee (materials submitted by the Chairperson),” minutes

2) Basic approach to securing financial resources

In “The Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake” (decided on by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011) formulated based on Article 3 of the Basic Act on Reconstruction in Response to the Great East Japan Earthquake (Act No. 76 of 2011), the basic approach to securing financial resources was decided as the following: “Financial resources for recovery and reconstruction must be secured by the entire currently living generation coming together to share the burden themselves rather than shifting the burden to the next generation.”

Additionally, in line with the aforementioned recommendation by the Reconstruction Design Council that it is a responsible attitude to build up necessary measures based on the requests of the disaster-affected areas...[omitted]...and to present a clear idea of the financial resources for those measures, the Basic Guidelines indicated the estimated scale of recovery and reconstruction projects during the “concentrated reconstruction period” (19 trillion yen; to be described later). “In addition to the financial resources in the FY2011 first supplementary budget, etc. and the second supplementary budget, cuts in expenditures and sales of national property as well as the review of special accounts, personnel expenses for public servants, etc., the securing of additional non-tax revenues and temporary tax measures” were indicated as methods for securing financial resources to be allocated for recovery and reconstruction projects.⁴

3) Reconstruction Financial Resources Framework

In this way, in the aftermath of the Great East Japan Earthquake, it was decided to draw up a “reconstruction financial resources framework” based on the basic reconstruction policy decided upon at the beginning of the disaster, indicating the projected scale of projects during the reconstruction period, and indicating the financial resources in advance.

The reconstruction financial resources framework has been reviewed as necessary as described in 1) to 5) below. Note that this project scale does not, in principle, include expenses to be borne by the operator based on the Act on Compensation for Nuclear Damage (Act No. 147 of 1961), the Nuclear Damage Compensation Facilitation Corporation Act (later the Nuclear Damage Compensation and Decommissioning Facilitation Corporation Act) (Act No. 94 of 2011), etc.

- 1) July 29, 2011 Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake [The so-called “19 trillion yen framework” established at least roughly 19 trillion yen]

According to the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake” (decided by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011), the scale of the measures and projects that are expected to be implemented during the concentrated reconstruction period is expected to be “at least about 19 trillion yen” in total for the national and local governments (public expenditure). Therefore, it was decided to secure “about 13 trillion yen” in addition to the financial resources (about 6 trillion yen) in the first supplementary budget, etc. and the second supplementary budget for FY2011 that were already budgeted at the time of the formulation of the Basic Guidelines (about 19 trillion yen in total). Note that the scale of recovery and reconstruction measures over the next 10 years was estimated to be “in the range of at least 23 trillion yen.”

- 2) January 29, 2013 “Scale and Financial Resources for Future Recovery and Reconstruction Projects” [The so-called “25 trillion yen framework” established at least roughly 25 trillion yen]

According to the “Scale and Financial Resources for Future Recovery and Reconstruction Project” (decided by the Reconstruction Promotion Council on January 29, 2013), the total scale of measures and projects to be implemented during the concentrated reconstruction period was estimated to be “at least 23.5 trillion yen.” Therefore, it was decided to secure “roughly 25 trillion yen in total” as financial resources for the concentrated reconstruction period.

- 3) January 14, 2015 “Budget Estimate Decision for FY2015” [The so-called “26.3 trillion yen framework” established at least roughly 26.3 trillion yen]

When the budget for FY2015 was finalized, the scale of measures and projects to be implemented during the concentrated reconstruction period was estimated to be “roughly 25.6 trillion yen.” Therefore, financial resources for the concentrated reconstruction period were estimated to be “roughly 26.3 trillion yen in total.”

- 4) June 30, 2015 “Scale and Financial Resources for Recovery and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016” [The so-called “32 trillion yen framework” established at least roughly 32 trillion yen]

⁴ In the Medium-Term Fiscal Framework (FY2012 to FY2014), which stipulates measures for fiscal consolidation in both revenue and expenditure from FY2012 to FY2014 and was decided by the Cabinet on August 12, 2011 immediately after the Basic Guidelines, the Basic Guidelines are described in the following manner: “Separate financial resources were secured for disaster recovery and reconstruction measures, and a framework was established to complete income and expenditure in multiple years.”

According to the “Scale and Financial Resources for Recovery and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016” (Cabinet Decision dated June 30, 2015), the total reconstruction project cost for the 10-year reconstruction period is expected to be “roughly 32 trillion yen.” Therefore, it was decided to secure “roughly 32 trillion yen” as financial resources for reconstruction for the 10-year reconstruction period including the first reconstruction/revitalization period.

- 5) July 17, 2020 “Reconstruction Efforts since FY2021” [The so-called “32.9 trillion yen framework” established at least roughly 32.9 trillion yen]

According to the “Reconstruction Efforts since FY2021” (decided by the Reconstruction Promotion Council on July 17, 2020), the scale of recovery and reconstruction projects over the 15-year period from FY2011 to FY2025, including the Second Reconstruction/Revitalization Period, is estimated to be “roughly 32.9 trillion yen in total.” Taking into account the actual results of special income tax revenue for reconstruction and non-tax income, the financial resources of about 32 trillion yen to be allocated for recovery and reconstruction projects over the 10-year period are estimated to be “roughly 32.9 trillion yen,” and are expected to match the scale of the projects.

(2) 19 trillion yen framework

1) Damage estimation

Estimates of damage from the Great East Japan Earthquake are made by the Cabinet Office (in charge of economic and fiscal analysis) and the Cabinet Office (in charge of disaster prevention). (See Chapter 1)

The estimation (announced as materials for the Special Meeting on Earthquake Response at the Ministerial Council on Monthly Economic Report and Other Relative on March 23, 2011) by the Cabinet Office (in charge of economic and fiscal analysis) as calculated on a macro basis by multiplying the stock of each prefecture in the disaster-affected area (estimated basis) by the rate of damage based on the Great Hanshin-Awaji Earthquake showed that the amount of damage to the stock (social capital, housing and private enterprise facilities) in the disaster-affected area was “roughly 16 trillion yen to roughly 25 trillion yen.”

On the other hand, in the estimation by the Cabinet Office (in charge of disaster prevention) (press release on June 24, 2011), in order to contribute to the future discussions of various related parties on the recovery and reconstruction of the disaster-affected areas,), an amount of “roughly 16.9 trillion yen” was presented as estimated stock damage based on the information provided by each prefecture and the relevant ministries and agencies on the stock damage (buildings, lifeline facilities, social infrastructure facilities, etc.).

These damage estimates far exceeded the damage estimate of “roughly 9.6 trillion yen” for the Great Hanshin-Awaji Earthquake (National Land Agency).

Figure 2-4-1 Comparison of damage estimates for the Great East Japan Earthquake and the Great Hanshin-Awaji Earthquake

Great East Japan Earthquake				(Reference) Great Hanshin-Awaji Earthquake
Estimating entity	Cabinet Office (disaster management)	Cabinet Office (economic and fiscal analysis)		National Land Agency
		Case 1	Case 2	
Buildings, etc. (residences, residential land, stores, offices, factories, machinery, etc.)	About 10.4 trillion yen	About 11 trillion yen Estimation of the rate of building damage • Tsunami disaster-affected areas: About twice as severe as that of Great Hanshin-Awaji Earthquake • Areas unaffected by tsunamis: About the same as that of Great Hanshin-Awaji Earthquake	About 20.4 trillion yen Estimation of the rate of building damage • Tsunami disaster-affected areas: Especially larger than Case 1 • Areas unaffected by tsunamis: About the same as that of Great Hanshin-Awaji Earthquake	About 6.3 trillion yen
Lifeline facilities (Water, gas, electricity, communications, and broadcasting facilities)	About 1.3 trillion yen	About 1 trillion yen	About 1 trillion yen	About 600 billion yen
Social infrastructure facilities (Rivers, roads, ports, sewers, airports, etc.)	About 2.2 trillion yen	About 2 trillion yen	About 2 trillion yen	About 2.2 trillion yen
Other	Agriculture, forestry and fisheries	About 1.9 trillion yen	About 2 trillion yen	About 500 billion yen
	Other	About 1.1 trillion yen		
Total	About 16.9 trillion yen	About 16 trillion yen	About 25 trillion yen	About 9.6 trillion yen

Note: The stock categories are based on those used in estimates by the Cabinet Office (disaster management), and may vary slightly depending on the estimation.

Source: Expert Committee Meeting on Reflection on the Past Decade of Reconstruction Policy for the Great East Japan Earthquake (1st meeting) [October 24, 2022 reference materials, p. 10]

https://www.reconstruction.go.jp/topics/main-cat1/sub-cat1-2/210622_FukkoShihyo.pdf (browsed July 8, 2023)

2) Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake

In the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake (decided on by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011), it was stated that “Based on the plans of each disaster-affected prefecture and referring to the example of the Great Hanshin-Awaji Earthquake, the reconstruction period shall be set at 10 years, and from the viewpoint of the earliest possible recovery and reconstruction of the disaster-affected area, the first five years when reconstruction demand increases shall be designated as the ‘concentrated reconstruction period.’”

Additionally, it was established that project scale in terms of measures and projects (including the first supplementary budget and the second supplementary budget for FY2011) that are expected to be implemented during the “concentrated reconstruction period” of five years up until the end of FY2015 is estimated to be at least about 19 trillion yen in total for the national and local governments (public expenditure) combined. The breakdown is as follows: ① approximately 10 trillion yen for disaster relief and restoration projects (Of this total, approximately 4 trillion yen is to be spent on disaster relief, livelihood reconstruction, etc., and approximately 6 trillion yen is to be spent on debris disposal, infrastructure restoration, etc.), and ② at least 9 trillion yen for reconstruction projects (Of this amount, approximately 8 trillion yen is to be spent on infrastructure investment and non-physical infrastructure projects such as community development, and approximately 1 trillion yen is to be spent on nationwide emergency disaster prevention and mitigation projects.).⁵ Additionally, it was stated that the scale of

⁵ August 22, 2011 Fiscal System Council Fiscal System Subcommittee Materials 1-1 “Overview of the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake”

recovery and reconstruction measures over the next 10 years (both national and regional public expenditure) was estimated to be “in the range of at least 23 trillion yen.”

As a means of securing financial resources to allocate to that, in addition to financial resources in the FY2011 first supplementary budget, etc. and the second supplementary budget, the cutting of expenditures, selling off of national property, reviewing of special accounts and personnel expenses for public servants, etc., securing of additional non-tax revenues, and temporary tax measures were indicated.

“As for tax measures, consider a core tax, etc. from various angles” was established, as was “When efforts are made to reach an agreement on the FY2011 tax reform measures in deliberations between the ruling and opposition parties, the national government will also consider allocating the revenue increase resulting from the tax reform to finance recovery and reconstruction.”

In addition, the following were established: “Reconstruction bonds, which will be issued as a temporary bridge to cover the preceding demand in terms of recovery and reconstruction, will be thoroughly examined with respect to the nature of their issuance as well as managed separately from existing government bonds” and “The redemption period for those bonds will be considered in the future, taking into account the concentrated reconstruction period and the reconstruction period.” Further, it was stated that “temporary tax measures are to be implemented during the redemption period, and all tax revenues shall be allocated to recovery and reconstruction costs, including the redemption of reconstruction bonds, and are to be managed separately from other revenues in order to clarify that they are not to be allocated to other expenses,” thereby indicating a policy for securing financial resources to be used for recovery and reconstruction projects and clarifying the use of such funds.

Based on the above policy, the following was indicated as a future approach: “A bill for the issuance of reconstruction bonds and tax measures will be formulated and submitted to the Diet in conjunction with the compilation of the third supplementary budget for FY2011.” and “The activity details of the tax measures will be examined by the Tax Commission in August and thereafter, based on the Basic Guidelines, and after reporting to the Reconstruction Headquarters in Response to the Great East Japan Earthquake multiple options combining elements such as specific tax items and the scales for each fiscal year, the government and the ruling parties will reexamine and a decision will be made at the Reconstruction Headquarters.”

3) 19 Trillion Yen Framework

For the 19 trillion yen framework, financial resources were secured through the securing of financial resources of approximately 6 trillion yen in the FY2011 first supplementary budget, etc. and the second supplementary budget as well as through the securing of financial resources of approximately 13 trillion yen by the cutting of expenditures, selling off of national property, reviewing of special accounts and personnel expenses for public servants, etc., securing of additional non-tax revenues, and temporary tax measures.

a. FY2011 First Supplementary Budget, etc. and Second Supplementary Budget

Prior to the formulation of the 19 trillion yen framework under the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake (decided on by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011), projects for reconstruction from the earthquake, among other efforts, were implemented under the FY2010 and FY2011 reserve funds as well as under the FY2011 first and second supplementary budgets.

Of this, a total of 118.2 billion yen was utilized for disaster response from the FY2010 and FY2011 reserve funds.

Additionally, with regard to the FY2011 first supplementary budget, the national government avoided issuing additional government bonds to finance the budget, and efforts were made to secure financial resources by reducing the stipulated expenses, etc. in the initial budget for FY2011. Specifically, about 4 trillion yen in financial resources was secured largely through a reduction in the transfer of the national treasury share of the basic pension to the special account for pension (about 2.5 trillion yen), a reduction in the reserve fund for economic crisis response and regional revitalization (about 800 billion yen), a reduction in the child allowance (208.3 billion yen), a freeze on the social experiment of free expressway tolls (100 billion yen) and other miscellaneous income (305.1 billion yen). Note that for these measures, the “Act on Special Measures for Securing Financial Resources Necessary to Respond to the Great East Japan Earthquake” (Act No. 42 of 2011) has been established. (See Chapter 2, Section 3, 31.)

In addition, for the FY2011 second supplementary budget, instead of means such as issuing government bonds or reviewing or freezing measures, the national government prepared the Act on Special Provisions for the Treatment of Surplus Related to Account Settlement of Revenue and Expenditure for FY2010 (Act No. 88 of 2011) and appropriated the entire net surplus for FY2010 to finance the supplementary budget, securing approximately 2 trillion yen in financial resources. (See Chapter 2, Section 3, 46.)

b. Securing of Approximately 13 Trillion Yen in Financial Resources

The “Basic Policy on FY2011 Third Supplementary Budget and the Reconstruction Funds” (October 7, 2011 cabinet decision) was presented upon the formulation of the FY2011 third supplementary budget, which incorporates the full-scale

reconstruction budget after the formulation of the 19 trillion yen framework based on the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake (decided on by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011).

In the Basic Policy, it was stated that the total of 16.2 trillion yen, including recovery and reconstruction expenses (13 trillion yen), compensation for temporary pension funds (2.5 trillion yen) and expenses related to hepatitis B (0.7 trillion yen), which would be necessary during the concentrated reconstruction period, would be secured with 7 trillion yen largely consisting of non-tax income for 10 years and 9.2 trillion yen in tax increases.

Against this background, the “Act on Special Measures concerning Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake” and “Act on Temporary Special Provisions for Local Tax Pertaining to Securing Financial Resources Necessary for Disaster Prevention Measures Implemented by Local Governments in Relation to Reconstruction Following the Great East Japan Earthquake” were established in order to raise taxes to secure financial resources for the redemption of reconstruction bonds, including the issuance of bridge reconstruction bonds until financial resources are secured, as well as to secure financial resources for the third supplementary budget and financial resources for future revenues through measures related to non-tax revenues, etc. (See Chapter 2, Section 3, paragraphs 32 and 33.)

In order to secure financial resources of 16.2 trillion yen, including recovery and reconstruction expenses (13 trillion yen), compensation for temporary pension funds (2.5 trillion yen) and expenses related to hepatitis B (0.7 trillion yen), which will be necessary in the future during the concentrated reconstruction period, a tax increase is to be implemented on the assumption that non-tax income, etc. will be around 5 trillion yen during the five years of the concentrated reconstruction period, with the estimated revenue from the tax increase being 11.2 trillion yen (including 10.5 trillion yen for reconstruction expenses).⁶ Moreover, regarding the difference of 2 trillion yen between the initially expected total non-tax income, etc. of 7 trillion yen for 10 years and non-tax income, etc. of 5 trillion yen for five years, it was decided that the disposal of the shares of Japan Tobacco Inc., and the shares belonging to the Special Account for Energy Measures, etc. would be examined in the “Act on Special Measures concerning Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake.” Additionally, it was established that if the financial resources for the redemption of reconstruction bonds would be secured through these measures, necessary measures would be taken to reduce the tax burden pertaining to the Special Tax for Reconstruction while taking into consideration the estimated necessary amount at the time of the review of reconstruction costs, etc.

4) Future Policy

In the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake (decided on by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011), the following was established regarding the 19 trillion yen framework: “After a certain period of time, the project scale and financial resources of the recovery and reconstruction projects based on the progress of the projects, etc., will be reviewed and the nature of measures after the concentrated reconstruction period will also be determined.”

⁶ A total of 11.2 trillion yen in financial resources is expected to be secured, with this consisting of a total of 10.5 trillion yen for reconstruction expenses consisting of 9.7 trillion yen from the Special Income Tax for Reconstruction (2.1%, 25 years) and the Special Corporation Tax for Reconstruction (10%, three years), and 0.8 trillion yen from the sum of 0.6 trillion yen from the Special Standard Tax Rate for the Evenly Divided Individual Inhabitants Tax (1,000 yen, 10 years) and 0.2 trillion yen from the revision of the income deduction, etc. for the Individual Inhabitants Tax under the FY2011 tax reform (10 years) plus 0.7 trillion yen from the increase in revenue due to the revision of the employment income deduction, etc. under the FY2011 tax reform (for expenses related to hepatitis B).

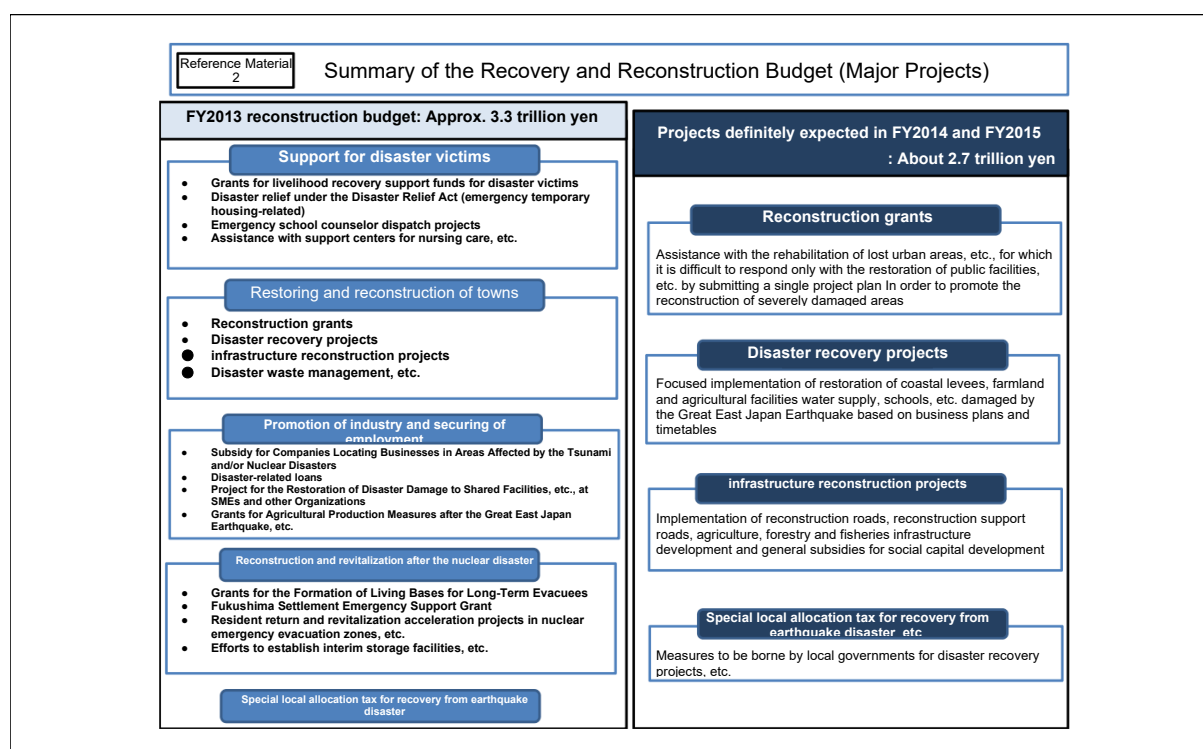
(3) 25 Trillion Yen Framework

1) Circumstances behind Review of Framework and Project Scale

When the Reconstruction Financial Resources Framework was formulated, the scale of projects during the concentrated reconstruction period was set at “at least around 19 trillion yen.” However, the scale of measures and projects allocated to the budget for the period from FY2011 to FY2012 amounted to “approximately 17.5 trillion yen” in the aggregate of national and local public expenditure. The scale of measures and projects in the FY2013 draft budget was “approximately 3.3 trillion yen.” Furthermore, as of January 2013, the scale of measures and projects that were definitely expected to be implemented during the “concentrated reconstruction period” (FY2014 and FY2015) was “approximately 2.7 trillion yen.”

For that reason, the scale of measures and projects to be implemented during the “concentrated reconstruction period” is expected to be “at least about 23.5 trillion yen” in total, and the decision was made to review the “19 trillion yen framework” due to the need to secure new financial resources in addition to the financial resources secured under that framework.

Figure 2-4-2 Draft Budget for FY2013 and Projects Definitely Expected to Be Implemented during FY2014 and FY2015



Source: “Scale and Financial Resources for Future Recovery and Reconstruction Projects (January 29, 2013)” (Reconstruction Promotion Council), Reference Material 2

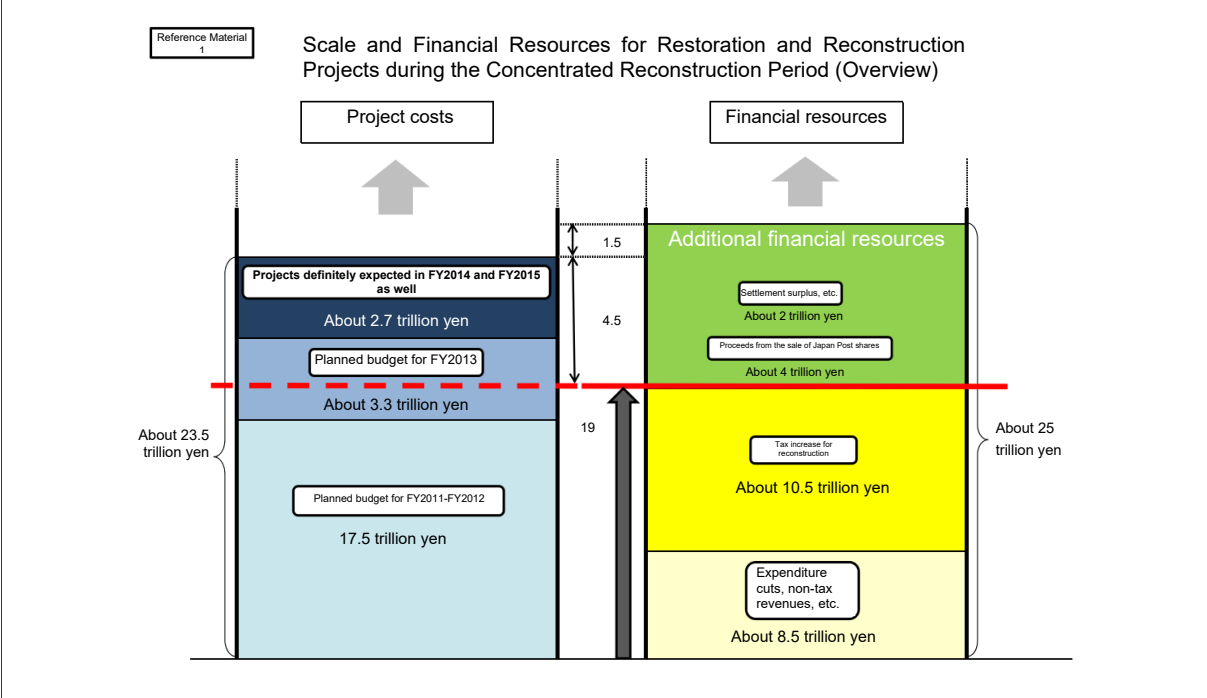
https://www.reconstruction.go.jp/topics/20130207_shiryoku04.pdf (browsed July 8, 2023)

(2) Financial Resources for 25 Trillion Yen Framework

Under the “19 trillion yen framework,” approximately 19 trillion yen was secured as financial resources to be allocated for recovery and reconstruction during the concentrated reconstruction period largely through tax increases for reconstruction (approximately 10.5 trillion yen) and expenditure cuts and non-tax revenues (approximately 8.5 trillion yen). With regard to the financial resources required for the change in project scale estimates, it was decided to secure “a total of about 25 trillion yen” by adding about 4 trillion yen expected in proceeds from the sale of shares of Japan Post Holdings as well as about 2 trillion yen from the surplus from the settlement of accounts, etc. for FY2011.

This “25 trillion yen framework” was presented at the meeting of the Reconstruction Promotion Council on January 29, 2013 in the “Scale and Financial Resources for Future Recovery and Reconstruction Projects.”

Figure 2-4-3 Scale and Financial Resources for Recovery and Reconstruction Projects during the Concentrated Reconstruction Period (Overview)



Source: “Scale and Financial Resources for Future Recovery and Reconstruction Projects (January 29, 2013)” (Reconstruction Promotion Council), Reference Material 1
https://www.reconstruction.go.jp/topics/20130207_shiryoku03.pdf (browsed July 8, 2023)

(3) Future Policy

With regard to the “25 trillion yen framework,” the “Scale and Financial Resources for Future Recovery and Reconstruction Projects” states the following as a future policy: “In each fiscal year’s budget compilation, measures and projects necessary for the recovery and reconstruction of the disaster-affected areas will be reviewed, after which financial resources for that purpose will be considered and the necessary budget will be secured. Based on this, the scale of measures and projects and the framework of financial resources will be reviewed as necessary for the recovery and reconstruction of the disaster-affected areas.”

Moreover, regarding the reconstruction-related budget, it was stated that “Stricter use will be made to avoid criticism of improper use, etc.” (See Chapter 2, Section 4, 2)

(4) 26.3 Trillion Yen Framework

1) Circumstances behind Review of Framework and Project Scale

For the future policy of the “Scale and Financial Resources for Future Recovery and Reconstruction Projects,” it was indicated that In each fiscal year’s budget compilation, measures and projects necessary for the recovery and reconstruction of the disaster-affected areas will be reviewed, after which financial resources for that purpose will be considered and the necessary budget will be secured. Further, it was established that the scale of measures and projects and the framework of financial resources will be reviewed as necessary for the recovery and reconstruction of the disaster-affected areas.

Under such circumstances, in compiling the FY2014 supplementary budget and FY2015 budget, it was expected that the total cost of reconstruction projects would exceed approximately 25 trillion yen, making it necessary to secure additional financial resources.

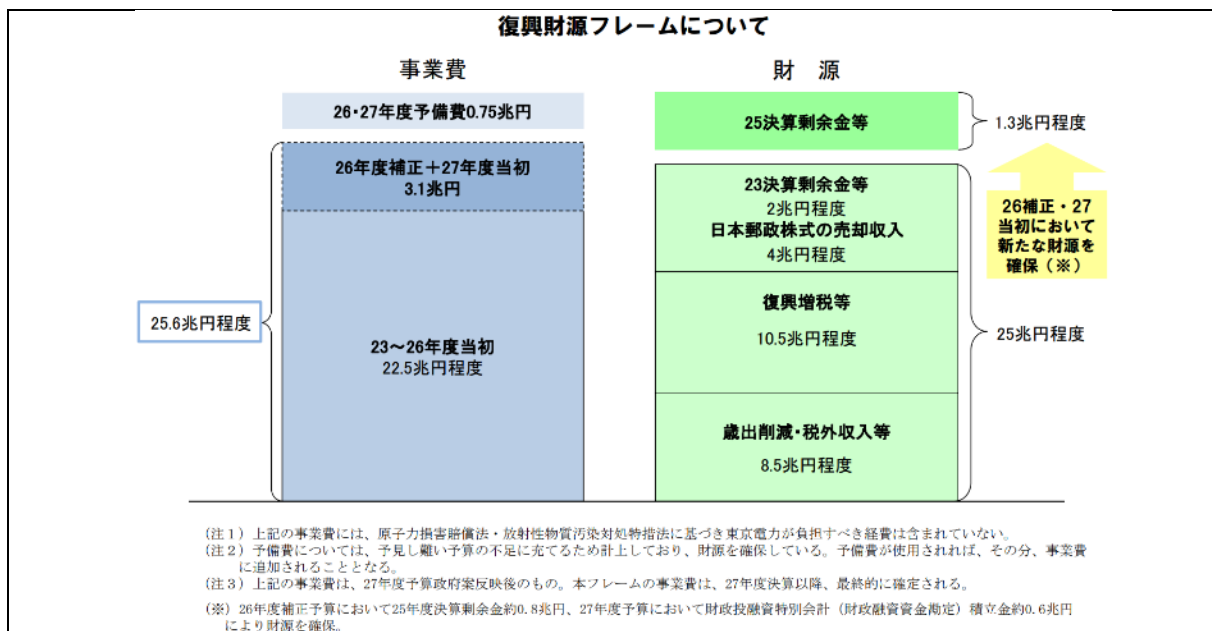
The scale of measures and projects to be implemented during the concentrated reconstruction period was expected to be approximately 25.6 trillion yen, including project costs for the initial budget for FY2011 to FY2014 (approximately 22.5 trillion yen) plus project costs for the FY2014 supplementary budget and the initial budget for FY2015 (approximately 3.1 trillion yen). Additionally, approximately 0.75 trillion yen was expected in project costs for the amount of reserve funds used in FY2014 and FY2015.

2) Financial Resources for 26.3 Trillion Yen Framework

As financial resources to allocate to recovery and reserve during the concentrated reconstruction period, in addition to the approximately 25 trillion yen already secured, 1.3 trillion yen was secured, including approximately 0.8 trillion yen (the surplus from the FY 2014 supplementary budget) and approximately 0.6 trillion yen (reserve for fiscal investment and local special accounts from the settlement of accounts in the FY 2015 budget), resulting in a total of approximately 26.3 trillion yen.

This “26.3 trillion yen framework” was indicated in the “Budget Estimate Decision for FY2015” of January 14, 2015.

Figure 2-4-4 26.3 Trillion Yen Framework



Source: “Key Points of the FY2015 Budget”

https://warp.ndl.go.jp/info:ndljp/pid/11400594/www.mof.go.jp/budget/budger_workflow/budget/fy2015/seifuan27/01.pdf

(browsed July 31, 2023)

(5) 32 Trillion Yen Framework

1) Overview of Concentrated Reconstruction Period and Nature of Recovery and Reconstruction Projects from FY2016

With FY2015 being the final year of the concentrated reconstruction period, at the meeting of the Reconstruction Promotion Council on May 12, 2015, the “Overview of Concentrated Reconstruction Period and Nature of Recovery and Reconstruction Projects from FY2016” was decided upon. The following is an overview of the concentrated reconstruction period under the Reconstruction Financial Resources Framework set forth in the decision.

Following the recent earthquake, unprecedented fiscal measures were taken, such as presenting the scale of projects for the five-year concentrated reconstruction period and securing financial resources for five years in advance as well as establishing a special local allocation tax for recovery from earthquake disaster and reducing the burden on the disaster-affected municipalities to virtually zero.

With respect to project scale and financial resources, the necessary additional financial resources have also been secured as the project scale expands. In the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake” decided on in July 2011 when the earthquake first occurred, the project scale and financial resources were estimated and arranged to the extent that could be anticipated at that stage, and were set at “at least around 19 trillion yen.”

Subsequently, in the FY2013 budget compilation immediately after the inauguration of the second Abe administration, the total reconstruction project cost was expected to exceed 19 trillion yen. For that reason, to dispel concerns about financial resources for reconstruction, in addition to the 20.8 trillion yen in project costs for the FY2011-FY2013 budget, project costs were estimated to definitely be in the range of 2.7 trillion yen in FY2014 and FY2015, resulting in an estimated project scale of 23.5 trillion yen and the expansion of the Reconstruction Financial Resources Framework to 25 trillion yen. Note that this estimate of project scale does not include reimbursable expenses.

Further, as a result of the accumulation of necessary reconstruction projects up to the FY2015 budget, the project scale during the concentrated reconstruction period is about 26.3 trillion yen, which also includes 0.75 trillion yen in the reserve fund for accelerating reconstruction and revitalizing Fukushima.

We believe these financial measures enabled the disaster-affected areas to engage in reconstruction projects with peace of mind, and we can evaluate these measures as having contributed to the acceleration of reconstruction.

On the other hand, at the time project scale was estimated to be at least 19 trillion yen at the beginning of the earthquake, while the rescue and recovery costs were estimated through accumulation, other reconstruction costs were calculated based on estimates that largely took into account the costs required for recovery and reconstruction after the Great Hanshin-Awaji Earthquake while factoring in the difference in the scale of the total damage from the Great East Japan Earthquake.

Based on the enormous damage caused by this earthquake, it can be said that such a method was unavoidable at first. It can be said that with each revision of the framework, the probability of project prospects has been increasing. In any case, however, in conducting appropriate budget management and reconstruction project management, it is important to accumulate necessary projects year by year according to their progress.

Similar to the concentrated reconstruction period, while it is necessary to indicate in advance the project scale and financial resources for the five years from FY2016 as well, in such instances, with more than four years passing since the earthquake, it is necessary to appropriately forecast the progress of projects each year.

Source: Excerpt from “Overview of Concentrated Reconstruction Period and Nature of Recovery and Reconstruction Projects from FY2016” I. Summary of Efforts in the Concentrated Reconstruction Period 2. Reconstruction-Related Budget during the Concentrated Reconstruction Period (1) Formulation and Revision of the Reconstruction Financial Resources Framework

Additionally, regarding reconstruction projects after FY2016, it was stated that “Even after the concentrated reconstruction period, reconstruction projects and budgets need to be constantly reviewed according to the progress of the reconstruction stage, including their project programs, target areas and configuration of their final period, and their cost-effectiveness and efficiency need to be carefully examined to make them truly contribute to the reconstruction of the disaster-affected areas,” and that “Unlike at the beginning of the earthquake, it is now possible to forecast the progress and scale of reconstruction projects appropriately. Therefore, it is necessary to forecast the progress of each fiscal year in advance and manage the scale of projects appropriately.”

2) Circumstances behind Review of Framework and Project Scale

In light of the above, the Reconstruction Agency compiled the estimated remaining project costs from FY2016 onward in the three disaster-affected prefectures (Iwate, Miyagi and Fukushima Prefectures) and published the “Project Cost Estimates for FY2016-FY2020 Published by the Three Disaster-Affected Prefectures” on June 9, 2015. This constitutes an analysis by the Reconstruction Agency based on interviews with the three disaster-affected prefectures⁷ regarding a simple total of 7.2 trillion yen in estimated remaining project costs from FY2016 that the three prefectures published in April 2015. The total amount to be covered by the national budget for the five years from FY2016 to FY2020 was 5.9 trillion yen. After deducting the amount believed to be coverable with the national budget by FY2015, such as the reconstruction grant project for securing housing, it was established that “the amount to be covered by the national budget from FY2016 to FY2020 was more than 5 trillion yen.” Based on that, it was indicated that “the overall project scale will be summarized by the Reconstruction Agency after taking into consideration projects under the direct control of the national government in Miyagi Prefecture, projects outside the three prefectures and interest payments on reconstruction bonds and other elements not included in the three prefectures’ estimates.” (“+α” part of the below table)

Figure 2-4-5 Project Cost Estimates for FY2016-FY2020 Published by the Three Disaster-Affected Prefectures

	Prefectural estimate (A)	Out of which: Amount subject to national expenditure (B)	Out of which: Funds excluded from FY2016-FY2020 reconstruction funds (C)	Amount subject to FY2016-FY2020 reconstruction funds (B-C)
Iwate Pref.	2.2 trillion yen	1.6 trillion yen	0.1 trillion yen: Reconstruction grant projects that can be accommodated with the budget up to that for FY2015 (Public disaster management, promotion of collective relocation for disaster prevention and promotion of effectiveness)	About 1.5 trillion yen
Miyagi Pref.	2.5 trillion yen	1.8 trillion yen	0.1 trillion yen: Implemented as general framework 0.4 trillion yen: Reconstruction grant projects that can be accommodated with the budget up to that for FY2015 (Public disaster management, promotion of collective relocation for disaster prevention and promotion of effectiveness) and utilization of funds	About 1.3 trillion yen
Fukushima Pref.	2.5 trillion yen (*1)	2.5 trillion yen (*2)	0.1 trillion yen: Accommodation using general account, etc. assumed (Decommissioning technology development, etc.) (Note) In addition to this, the Fukushima Prefectural Government estimates that 0.1 trillion yen will be allocated as Innovation Coast-related expenses. (+α)	About 2.3+α trillion yen
Total	7.2 trillion yen	5.9 trillion yen	0.8 trillion yen (+α)	<u>About 5.1+α trillion yen</u>

(*1) When funds that the Fukushima Prefectural Government plans to use other than reconstruction funds are also included, the total was 3.6 trillion yen (8.3 trillion in total across 3 prefectures).
(*2) Expenses subject to reimbursement to TEPCO are excluded.

Source: “Project Cost Estimates for FY2016-FY2020 Published by the Three Disaster-Affected Prefectures” (Press announcement materials by the Reconstruction Agency dated June 9, 2015)

<https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20150611131245.html> (browsed July 8, 2023)

On June 19, 2015, a Reconstruction, Internal Affairs and Communications and Finance Ministers’ Meeting was held at which three ministers, the Minister for Reconstruction, the Minister for Internal Affairs and Communications and the Minister for Finance confirmed the project scale, financial resources and the burden of local governments for recovery and reconstruction projects from FY2016.

Based on the results of this confirmation, the Reconstruction Promotion Council decided on “Recovery and Reconstruction Projects after FY2016” on June 24, 2015. In the same decision, it was established that under the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake (decided on by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011), within the 10-year reconstruction period, the five years from FY2016 were to be “positioned as a ‘Reconstruction and Revitalization Period’ from the perspective of realizing reconstruction that will lead to the self-reliance of the disaster-affected areas and serve as a model for regional revitalization.”

⁷ When funds that the Fukushima Prefectural Government plans to use other than reconstruction funds are also included, the total was 8.3 trillion yen.

Additionally, the project scale was indicated in the following manner: “Based on the implementation status of reconstruction projects in FY2014, reconstruction project costs during the concentrated reconstruction period is expected to be approximately 25.5 trillion yen (total between national and local governments (public expenditure)) up to the FY2015 budget. ⁸Based on the estimated cost of reconstruction projects during the reconstruction and revitalization period of approximately 6.5 trillion yen, the total cost of reconstruction projects during the 10-year reconstruction period is expected to be approximately 32 trillion yen.”

Figure 2-4-6 Project Scale during Reconstruction and Revitalization Period (Estimated)

Projects Scale for 5 Years from FY2016 (Reconstruction / Revitalization Period) (Estimated)		
The additional cost of reconstruction projects during the Reconstruction / Revitalization Period is expected to be approximately 6.5 trillion yen. The cost of reconstruction projects during the reconstruction period (FY2011 to FY2020) will be approximately 32 trillion yen.		
	(Unit: 1 trillion yen)	
Category	Concentrated reconstruction period (FY2011 to FY2015)	Reconstruction / Revitalization Period (FY2016 to FY2020)
[1] Support for Disaster Victims (health and livelihood support)	2.1	0.4
[2] Housing reconstruction and reconstructive urban development	10.0	3.4
[3] Reconstruction and revitalization after the nuclear disaster	1.6	0.5
[4] Revitalization of industries and livelihoods	4.1	0.4
[5] Other (Earthquake special allocation, etc.)	7.8	1.7
Total	25.5	6.5

=> About 32 trillion yen in total for Reconstruction Period

Source: “Draft Reconstruction Projects for Five Years from FY2016 (Reconstruction and Revitalization Period)”, (Reconstruction Promotion Council, June 24, 2015) Materials 1
<https://www.reconstruction.go.jp/topics/main-cat7/sub-cat7-1/20150624094346.html> (browsed July 8, 2023)

The project scale indicated in this decision was decided on in the form of the “Cabinet Decision on Scale and Financial Resources for Recovery and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016” on June 30, 2015.

3) Financial Resources for 32 Trillion Yen Framework

According to the “Scale and Financial Resources for Recovery and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016,” revenue from reconstruction funds allocated up to the “26.3 Trillion Yen Framework” was expected to be around 28.8 trillion yen based on actual results, etc.⁹ In addition, it was decided to secure “approximately 32 trillion yen” of reconstruction funds for the 10-year reconstruction period, including the reconstruction and revitalization period, by securing a maximum of roughly 3.2 trillion yen in total through the efforts described in 1) and 2) below.

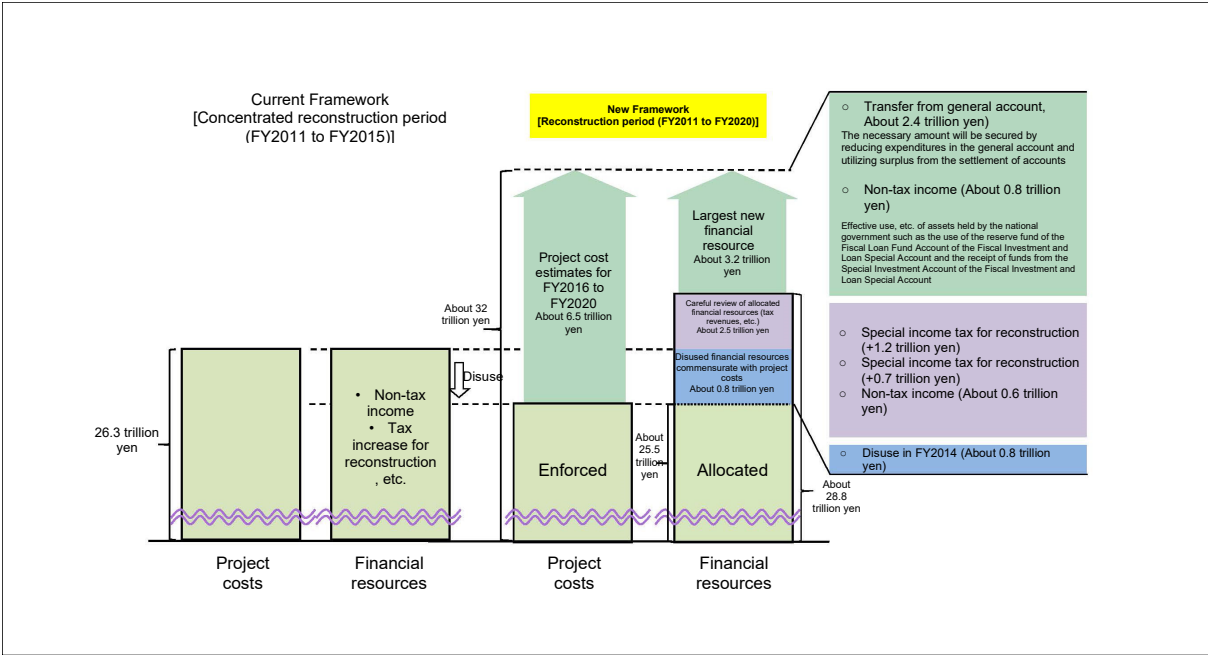
- 1) Securing of non-tax revenue (excluding surplus from the settlement of accounts) largely by utilizing reserve funds in the Fiscal Loan Fund Account of the Special Account for Fiscal Investment and Loan until FY2015 and effectively utilizing assets held by the national government, such as receiving funds from the Investment Account of the Special Account for Fiscal Investment and Loan: Approximately 0.8 trillion yen
- 2) Transfer from general account: Approx. 2.4 trillion yen¹⁰

⁸ Costs from FY2011 up to FY2013 are based on the settlement of accounts, those for FY2014 are based on settlement of account estimates and those for FY2015 are based on budget.

⁹ This includes the expected proceeds of approximately 4 trillion yen from the sale of shares of Japan Post Holdings Co., Ltd. that were added as funds for the redemption of reconstruction bonds based on the provisions of Article 13 and Article 14 of the Supplementary Provisions of the Act on Special Measures Concerning Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake (Act No. 117 of 2011).

¹⁰ The necessary amount will be secured by reducing expenditures in the general account and utilizing surplus from the settlement of

Figure 2-4-7 Reconstruction Financial Resources Framework



Source: “Draft Reconstruction Projects for Five Years from FY2016 (Reconstruction and Revitalization Period)”, (Reconstruction Promotion Council, June 24, 2015) Materials 1
<https://www.reconstruction.go.jp/topics/main-cat7/sub-cat7-1/20150624094346.html> (browsed July 8, 2023)

4) Future Policy

The Cabinet decided on the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake From the “Reconstruction and Revitalization Period” on March 11, 2016. In these Guidelines, it was decided that the “32 Trillion Yen Framework” presented in “the Recovery and Reconstruction Projects from FY2016” and “the Scale and Financial Resources for Recovery and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016” shall be as follows: “Appropriate management of the project scale for each fiscal year during the ‘Reconstruction and Revitalization Period’ will be carried out and a highly accurate budget will be established to ensure that reconstruction will proceed with this reconstruction project cost.”

accounts. Note that this excludes amounts secured through 1).

(6) 32.9 Trillion Yen Framework

1) Circumstances behind Review of Framework and Project Scale

In FY2020, in the final year of the reconstruction and revitalization period, the Cabinet decided on the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake after the “Reconstruction and Revitalization Period” on December 20, 2019. These Guidelines indicated results thus far, future issues, and lessons for future large-scale disasters.

Results thus far were established as follows: “Financial resources were secured in advance after formulating the Reconstruction Financial Resources Framework and indicating the scale of projects for the reconstruction period. A Special Account for Reconstruction after the Great East Japan Earthquake was established. Further, unprecedented generous financial support was provided to local governments by increasing the subsidy rate for reconstruction projects and by reducing the burden on local governments largely through the special local allocation tax for recovery from earthquake disaster. This made it possible for disaster-affected local governments to undertake reconstruction projects with peace of mind and contributed to the acceleration of reconstruction.” As an issue, the following was established: “It is necessary to organize the projects that need to be addressed even after the period of reconstruction and revitalization and to consider the ideal framework for supporting reconstruction so that they can be carried out reliably while taking into account the progress in and effects verification for reconstruction measures to date, the requests of disaster-affected local governments, the appropriate division of roles between the national and local governments and examples of efforts in large-scale disasters in the past.” In addition, the following was established as lessons for future large-scale disasters: “Based on the example of the Great East Japan Earthquake as well, it is necessary to consider the nature of appropriate financial support for recovery and reconstruction measures after large-scale disasters in the future” and “It is important to engage in repeated, continuous discussions on how to secure financial resources in preparation for large-scale disasters such as the Nankai Trough Earthquake in the future.”

Further, the Guidelines state: “The necessary reconstruction and reconstruction projects will be assuredly carried out by arranging project scale based on the direction of reconstruction measures after the reconstruction and revitalization period and securing the necessary financial resources over the next five years.” At the time the Guidelines were decided on, the following was established: “Given that the scale of recovery and reconstruction projects over the 5-year period from FY2021 is expected to be in the mid 1 trillion yen range and that the scale of projects through FY2020 is expected to be in the low 31 trillion yen range, the scale of projects over the 15-year period through FY2025 is expected to be in the high 32 trillion yen range.” At the same time, it is stated that “the financial resources secured to date (roughly 32 trillion yen) are expected to be in the upper 32 trillion yen range based on elements such as past results, and project scale and financial resources are expected to roughly match.” Regarding the above, it was stated that “the government will continue to conduct careful examinations regarding project scale and financial resources and, by around the summer of 2020, present the project scale and financial resources necessary for the implementation of recovery and reconstruction projects for the next five years after the Reconstruction and Revitalization Period.”

Based on the foregoing, at the meeting of the Reconstruction Promotion Council held on July 17, 2020, “About Efforts for Reconstruction From FY2021 Onward” was decided on.

In that decision, “the reconstruction period was set to 10 years until FY2020 under the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake. However, it was decided that efforts must be made in accordance with the state of reconstruction even after FY2021, and that ‘the period for reconstruction shall be 15 years, including the 5-year period from FY2021 to FY2025.’ Based on that, it was established that the 5-year period from FY2021 would be positioned as ‘the second reconstruction/revitalization period’ due to being a period in which the philosophy of ‘the first reconstruction/revitalization period’ (from FY2016 to FY2020), which is ‘Realizing reconstruction that will lead to self-reliance in the disaster-affected areas and serve as a model for regional revitalization,’ should be inherited and efforts should be further advanced toward the realization of the goals of the first period.”

Under this decision, it was indicated that recovery and reconstruction project costs for the 10-year period from FY2011 to the end of FY2020 were expected to be approximately 31.3 trillion yen¹¹ and recovery and reconstruction project costs for the second reconstruction/revitalization period were expected to be approximately 1.6 trillion yen, and that total scale of recovery and reconstruction projects for the 15 years from FY2011 to the end

¹¹ Costs from FY2011 up to FY2018 are based on the settlement of accounts, those for FY2019 are based on settlement of account estimates and those for FY2020 are based on budget.

of FY2025, including that in the second reconstruction/revitalization period, was expected to be approximately 32.9 trillion yen.

Figure 2-4-8 Breakdown of Project Scale during Second Reconstruction/Revitalization Period (Estimated)

(Reference) Breakdown of project scale (estimated) of about 1.6 trillion yen during the Second Reconstruction / Revitalization Period (FY2021 to FY2025)	
[1] Support for disaster victims	About 0.1 trillion yen
[2] Housing reconstruction and reconstructive urban development	About 0.2 trillion yen
[3] Revitalization of industries and livelihoods	About 0.2 trillion yen
[4] Reconstruction and revitalization after the nuclear disaster	About 0.5 trillion yen
[5] Other (Earthquake special allocation, etc.)	About 0.6 trillion yen
Total	About 1.6 trillion yen

* By prefecture, Fukushima Prefecture is expected have a project scale of about 1.1 trillion yen, Iwate Prefecture about 0.1 trillion yen and Miyagi Prefecture about 0.1 trillion yen.

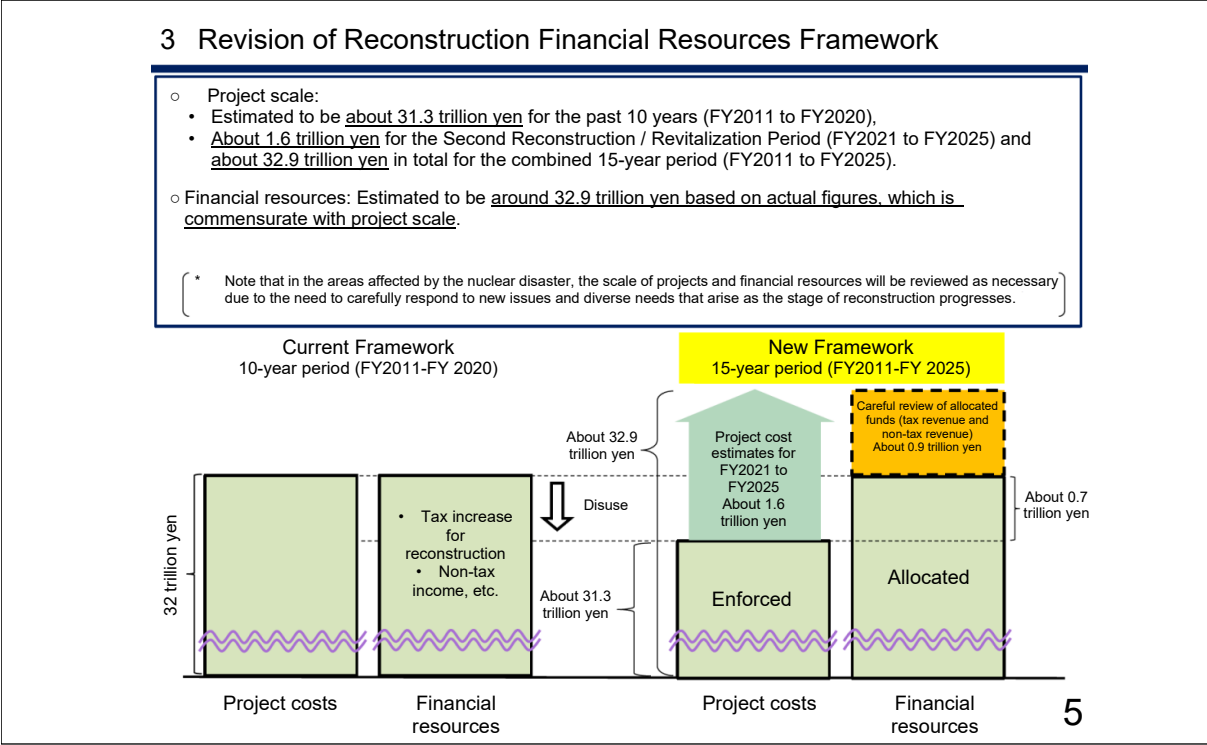
6

Source: “About Efforts for Reconstruction From FY2021 Onward” (July 17, 2020 Reconstruction Promotion Council meeting)
https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/200717_no26_kaigiketteigaiyo.pdf (browsed July 8, 2023)

2) Financial Resources for 32.9 Trillion Yen Framework

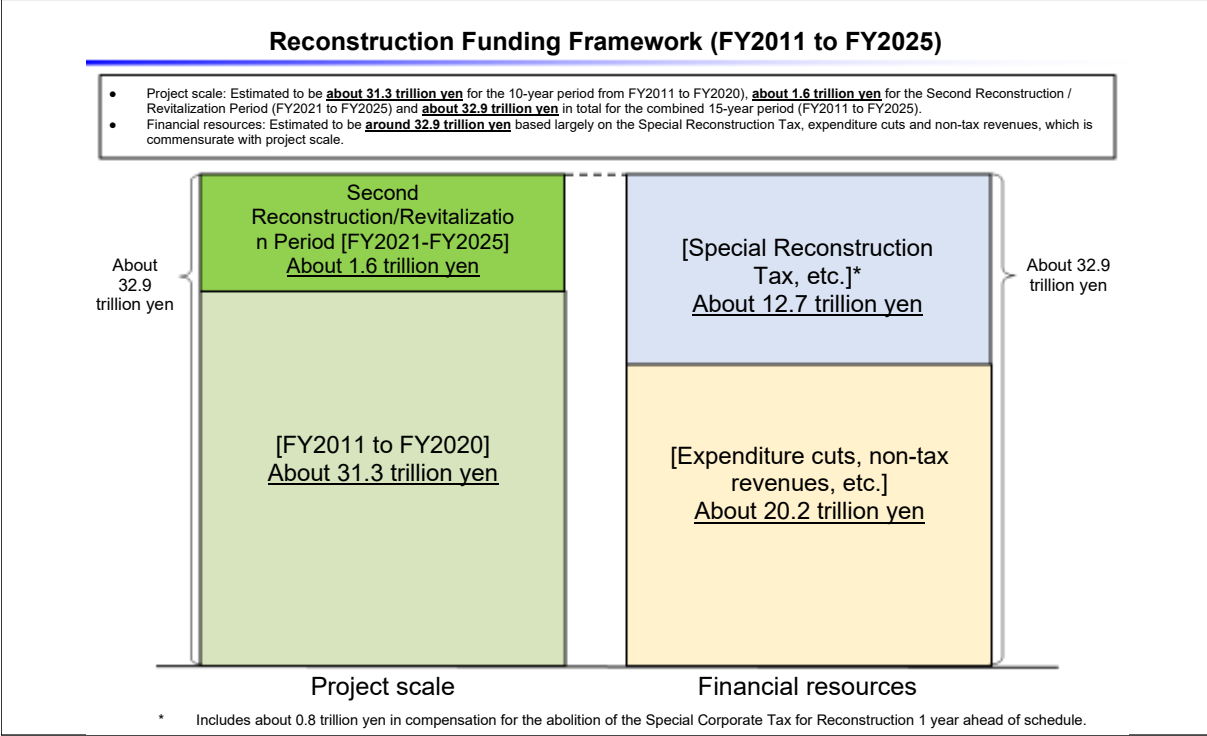
Under this decision, the financial resources of about 32 trillion yen to be allocated for recovery and reconstruction projects for the 10-year period spanning from FY2011 to the end of FY2020 was estimated to be about 32.9 trillion yen when considering the actual results of special income tax revenues for reconstruction and non-tax revenues up to FY2019, which is commensurate with the scale of the projects.

Figure 2-4-9 Reconstruction Financial Resources Framework



Source: “About Efforts for Reconstruction From FY2021 Onward” (July 17, 2020 Reconstruction Promotion Council meeting)
https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/200717_no26_kaigiketteigaiyo.pdf (browsed July 8, 2023)

Figure 2-4-10 Reconstruction Financial Resources Framework (FY2011 to FY2025)



Source: Reconstruction Agency materials

3) Future Policy

The Decision stipulates “promoting reconstruction effectively and reliably by appropriately managing the scale of projects in each fiscal year during the second reconstruction/revitalization period and setting a highly accurate budget” and “in areas affected by the nuclear disaster, the scale of projects and financial resources will be reviewed as required given the need to respond meticulously to new issues and diverse needs that arise as the stage of reconstruction progresses.”

In the “Changes to the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake after the ‘Reconstruction and Revitalization Period’” approved by the Cabinet on March 9, 2021, a similar policy including the project scale and financial resources is also presented.

(7) Evaluations and Issues Pertaining to Securing Financial Resources

In the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake after the “Reconstruction and Revitalization Period” decided on by the Cabinet on December 20, 2019, it was stated as an overview of reconstruction that due largely to the development of mechanisms to support reconstruction such as the formulation of the “Reconstruction Financial Resources Framework,” “Reconstruction has made great strides, and the earthquake and tsunami affected areas has entered the final stage of reconstruction, and reconstruction and revitalization have begun in earnest in the areas affected by the nuclear disaster as well.” Additionally, results were cited as follows: “Financial resources were secured in advance after formulating the Reconstruction Financial Resources Framework and indicating the scale of projects for the reconstruction period. A Special Account for Reconstruction after the Great East Japan Earthquake was established. Further, unprecedented generous financial support was provided to local governments by increasing the subsidy rate for reconstruction projects and by reducing the burden on local governments largely through the special local allocation tax for recovery from earthquake disaster. This made it possible for disaster-affected local governments to undertake reconstruction projects with peace of mind and contributed to the acceleration of reconstruction.” In addition, the following was indicated as lessons for future large-scale disasters: “Based on the example of the Great East Japan Earthquake as well, it is necessary to consider the nature of appropriate financial support for recovery and reconstruction measures after large-scale disasters in the future” and “It is important to engage in repeated, continuous discussions on how to secure financial resources in preparation for large-scale disasters such as the Nankai Trough Earthquake in the future.”

Aside from the above, the Expert Committee on the Reflection on the Past Decade of Reconstruction Policy Following the Great East Japan Earthquake (hereinafter “Expert Committee”) also recognized that it was significant that reconstruction funds were secured through a tax increase proposed by academic councils, etc. and that the implementation of the tax increase for reconstruction, including income tax, was a major support and driving force for reconstruction projects, as well as that it was very good that various projects were financed with taxes based on the understanding of the people.¹²¹³

¹² Comments by Committee Member Onishi at the First Meeting of the Expert Committee (October 24, 2022) and the 2nd Meeting of the Expert Committee (February 27, 2023).

¹³ Comments by Deputy Chair Masuda at the First Meeting of the Expert Committee (October 24, 2022).

2. Budget Related to Reconstruction

(1) Changes in Budget Related to Reconstruction

1) Utilization of FY2010 and FY2011 Reserve Funds

Prior to the enactment of the first supplementary budget, a total of 118.2 billion yen was utilized for disaster response from the FY2010 and FY2011 reserve funds.

<Details of Utilization of FY2010 and FY2011 Reserve Funds>

① FY2010 reserve funds

Emergency support for disaster-affected areas (30.1 billion yen)

Rescue activities, etc. by the SDF (5.3 billion yen)

Sea rescue, etc. by the Japan Coast Guard (400 million yen)

Contributions for disaster relief expenses, etc. (30 billion yen)

Securing of energy supply (1.6 billion yen)

67.8 billion yen total

② FY2011 reserve funds¹⁴

Contributions for disaster relief expenses, etc. (50.3 billion yen)

50.3 billion yen total

2) FY2011 First Supplementary Budget

The first supplementary budget for FY2011 was enacted on May 2, 2011, in which 4,015.3 billion yen was allocated as a fiscal measure to cover expenses related to debris disposal, construction of temporary housing, restoration of roads and ports, etc., mainly for recovery projects in the immediate term.

<Details of FY2011 First Supplementary Budget>

Expenses related to disaster relief, etc. (482.9 billion yen)

Disaster waste treatment management expenses (351.9 billion yen)

Expenses related to public works for disaster response (1,201.9 billion yen)

Facility expenses, disaster recovery expenses, etc. (416 billion yen)

Expenses related to disaster-related financing (640.7 billion yen)

Local allocation tax grants (120 billion yen)

Other related expenses (801.8 billion yen)

4,015.3 billion yen total¹⁵

3) FY2011 Second Supplementary Budget

¹⁴ With regard to the utilization of the reserve funds in the FY2011 budget, as 810 billion yen of the “Reserve Fund for Response to Economic Crisis and Regional Revitalization” was fully appropriated for the first supplementary budget, 299.5 billion yen, which was the outstanding balance of the “reserve funds” (350 billion yen), was appropriated.

¹⁵ The reduction of 3,710.2 billion yen in preset expenses, which is stated in materials published by the Ministry of Finance (first supplementary expenditure), is not included in the total.

A second supplementary budget that allocated 1,810.6 billion yen in funding for nuclear damage compensation, support for disaster victims, etc. was enacted on July 25, 2011.

<Details of FY2011 Second Supplementary Budget>

Expenses related to the Nuclear Damage Compensation Act, etc. (275.4 billion yen)
 Among those, expenses related to the Nuclear Damage Compensation Act (247.4 billion yen)
 Among those, expenses related to the Nuclear Damage Compensation Facilitation Corporation Act (28 billion yen)
 Expenses related to support for disaster victims (377.4 billion yen)
 Among those, expenses related to the dual debt problem (77.4 billion yen)
 Among those, grants for livelihood recovery support funds for disaster victims (300 billion yen)
 Operation of the Reconstruction Headquarters in Response to the Great East Japan Earthquake (500 million yen)
 Great East Japan Earthquake Recovery and Reconstruction Reserve Fund (800 billion yen)
 Local allocation tax grants (357.3 billion yen)
 1,810.6 billion yen total

4) Third supplementary budget for FY2011

On November 21 of the same year, the third supplementary budget for FY2011 was enacted, in which 9,243.8 billion yen in expenses pertaining to recovery and reconstruction from the Great East Japan Earthquake (excluding 2,489.6 billion yen in compensation for temporary pension funds, etc.) was enacted.

<Details of FY2011 Third Supplementary Budget>

Expenses related to disaster relief, etc. (94.1 billion yen)
 Disaster waste treatment management expenses (386 billion yen)
 Addition of public works, etc. (1,473.4 billion yen)
 Expenses related to disaster-related financing (671.6 billion yen)
 Local allocation tax grants (1,663.5 billion yen)
 Great East Japan Earthquake Reconstruction Grants (1,561.2 billion yen)
 Expenses related to reconstruction following the nuclear disaster (355.8 billion yen)
 Nationwide disaster prevention expenses (575.2 billion yen)
 Other related expenses (2,463.1 billion yen)
 9,243.8 billion yen total¹⁶

5) Establishment of Special Account for Reconstruction

a. Projects Allocated to the Special Account for Reconstruction after the Great East Japan Earthquake

Allocated to the Special Account for Reconstruction after the Great East Japan Earthquake, which was newly established in FY2012 to help give transparency to the flow of national government funds related to reconstruction from the Great East Japan Earthquake as well as to appropriately manage the redemption of reconstruction bonds, were expenses related to projects related to the disaster relief, etc., disaster waste disposal-related projects, public works related to reconstruction and other projects related to disaster-related financing for the Great East Japan

¹⁶ Compensation for temporary pension funds, expenses related to hepatitis B, etc., which are stated in materials published by the Ministry of Finance (third supplementary expenditure), are not included in the total.

Earthquake and local allocation tax grants to cover local burdens, etc. related to reconstruction projects, the Great East Japan Earthquake Reconstruction Grant Project and projects related to reconstruction from the nuclear disaster as well as transfers to the Special Account for the Government Debt Consolidation Fund for the redemption of reconstruction bonds and so forth.

b. Collective Allocation of Budget by Reconstruction Agency

The Special Account for Reconstruction after the Great East Japan Earthquake is under the joint jurisdiction of all ministries and agencies. Among the expenses related to reconstruction projects following the Great East Japan Earthquake, for expenses pertaining to the reconstruction of disaster-affected areas, the budgets of each ministry and agency are collectively allocated as the budget under the jurisdiction of the Reconstruction Agency¹⁷ pursuant to Article 4, paragraph (2) of the Act on the Establishment of the Reconstruction Agency (Act No. 125 of 2011).

Note that with these provisions, while the national government's draft of the Act on the Establishment of the Reconstruction Agency limited administrative affairs implemented largely to those related to the special reconstruction zone system and Reconstruction Grants, it was pointed out that the Reconstruction Agency should have budgetary authority and so forth. Based on deliberations on the ideal nature of the Reconstruction Agency's administrative functions among three political parties, the Democratic Party of Japan, the Liberal Democratic Party and the New Komeito, that were conducted in parallel with Diet deliberations, the Diet amended the provisions to add to administrative affairs supervised, among other things, a consolidated request for the budget necessary for reconstruction projects, the formulation of plans for the implementation of projects and the allocation of the budget to the relevant administrative organs. (See Chapter 2, Section 2)

6) Special Account for Reconstruction after the Great East Japan Earthquake from FY2012 to FY2020

The Reconstruction Agency has collectively allocated a budget for the following areas ① through ④, which are directly linked to the resolution of issues in disaster-affected areas. Also allocated to the Special Account for Reconstruction after the Great East Japan Earthquake as a whole is the special local allocation tax for recovery from earthquake disaster, the reserve fund for accelerating reconstruction and revitalizing Fukushima, the redemption of reconstruction bonds, etc. Note that the chart below shows changes in budget amounts from FY2012 to FY2020.

① Support for Disaster Victims

In addition to the cost of disaster relief and the development of temporary housing, support for school attendance, community-building and regeneration, support for safeguarding others and mental and physical care are provided according to the stage of rebuilding the livelihoods of disaster victims as reconstruction progresses.

② Housing reconstruction and reconstructive urban development

Efforts to develop social infrastructure such as reconstruction roads and reconstruction support roads and to promote reconstructive urban development are implemented.

③ Revitalization of industries and livelihoods

Non-physical support for industrial reconstruction, the securing of employment and the promotion of local industries in disaster-affected areas are promoted. Additionally, in Fukushima Prefecture, efforts such as the promotion of the Fukushima Innovation Coast Framework, the restarting of businesses in 12 municipalities affected by the nuclear disaster and the placement of them in new locations are carried out.

④ Reconstruction and Revitalization After the Nuclear Disaster

In order to accelerate the reconstruction and revitalization of Fukushima following the nuclear disaster, efforts such as improving the environment necessary for resuming life in areas where evacuation orders have been lifted, eliminating harmful rumors, communicating risks relating to radiation, developing interim storage facilities, disposing radioactive contaminated waste and transporting removed soil.

⑤ Other (special local allocation tax for recovery from earthquake disaster, reserve fund for accelerating reconstruction and revitalizing Fukushima, redemption of reconstruction bonds, etc.)

¹⁷ In Article 4, paragraph (2), item (iii) (a) of the Act on the Establishment of the Reconstruction Agency, "To collectively request and secure the budget necessary for projects for reconstruction in response to the Great East Japan Earthquake that are specified by Cabinet Order based on the policy set forth in the preceding item" is specified as a matter under the jurisdiction of the Reconstruction Agency.

Figure 2-4-11 Changes in Budget for Special Account for Reconstruction

Changes in the Special Account Budget for Reconstruction (based on initial budget)

(Unit: 100 million yen)

Category	FY2012	FY2013	FY2014	FY2015	FY 2016	FY2017	FY2018	FY2019	FY2020
Support for disaster victims	1,627	1,287	1,117	1,287	1,114	1,124	768	614	493
Housing reconstruction and reconstructive urban development	12,364	16,670	13,296	13,487	11,318	7,698	6,996	6,927	5,472
Revitalization of industries and livelihoods	2,862	3,075	1,306	1,675	1,374	1,052	1,052	691	516
Reconstruction and revitalization after the nuclear disaster	5,202	7,807	6,600	7,807	10,167	8,209	7,477	6,486	7,481
Subtotal (Under jurisdiction of Reconstruction Agency)	20,433	29,037	22,441	24,364	24,055	18,153	16,357	14,781	14,024
Other	17,321	14,989	14,023	14,723	8,415	8,742	7,235	6,566	6,715
Special Account for Reconstruction on total	37,754	43,840	36,464	39,087	32,469	26,896	23,593	21,348	20,739

Source: Reconstruction Agency materials

a. FY2012 Reconstruction Agency Collectively Allocated Budget

- Allocated 2,043.3 billion yen to promote smooth and prompt reconstruction as the Reconstruction Agency budget.
- As part of the supervision and management of reconstruction projects by administrative departments, expenses related to projects for reconstruction following the Great East Japan Earthquake are collectively allocated as the Reconstruction Agency budget.
- The Reconstruction Agency budget is allocated to the Special Account for Reconstruction after the Great East Japan Earthquake, which was newly established in FY2012 for the purpose of clarifying accounting for reconstruction projects, in order to make the flow of national funds for reconstruction transparent and to appropriately manage the redemption of reconstruction bonds.

<Key Points Regarding Budget>

① Great East Japan Earthquake Reconstruction Grants (286.8 billion yen)

Supporting the reconstruction of disaster-affected areas by endeavoring to consolidate a wide range of physical infrastructure projects, provide funds with a high degree of freedom, reduce the burden on local governments, etc. so that regions can take the initiative in implementing the projects necessary for the reconstruction of the disaster-affected areas.

② Great East Japan Earthquake Reconstruction Coordination Expenses (5 billion yen)

Promoting the implementation of prefectural non-public projects positioned in the Basic Guidelines for Reconstruction, reconstruction plans prepared by the prefecture, etc. to support reconstruction based on flexible ideas in the region.

③ Living Environment Improvement Projects in Areas Where Evacuation Orders Are Lifted, Etc. in Fukushima (4.2 billion yen)

Along with the lifting of evacuation zones, etc. in Fukushima, living environments were improved in zones where evacuation was lifted, etc. in order to realize the prompt return of residents.

④ Interest subsidy for special reconstruction zones (1.1 billion yen)

Support for the reconstruction of local entities through the creation of employment opportunities, etc. by providing interest subsidies to implementers of core reconstruction projects when they borrow necessary funds from financial institutions.

⑤ Collective allocation of reconstruction-related project expenses (1,742.9 billion yen)

As part of the supervision and management of reconstruction projects by administrative departments, expenses related to projects for reconstruction following the Great East Japan Earthquake are collectively allocated by the Reconstruction Agency.

⑥ Reconstruction Agency general administrative expenses (3.3 billion yen)

Expenses related to the operation, etc. of the Reconstruction Agency among expenses related to reconstruction measures following the Great East Japan Earthquake.

Figure 2-4-12 Overview of FY2012 Reconstruction Agency Budget Estimate Decision [January 31, 2012]

FY2012 Summary of Draft Budget of Reconstruction Agency (Special Account Budget)

(Unit: 100 million yen)

Category	FY2012 budget (Draft)
Reconstruction Agency	20,433
(Breakdown)	
(1) Great East Japan Earthquake Reconstruction Grants	2,868
(2) Great East Japan Earthquake Reconstruction Adjustment Expenses	50
(3) Living Environment Improvement Projects in Areas Where Evacuation Orders Are Lifted, Etc. in Fukushima	42
(4) Interest subsidies for special reconstruction zones	11
(5) Collective allocation of reconstruction-related project expenses (Main breakdown)	17,429
• Public works, etc.	4,881
• Related to reconstruction following nuclear disaster	4,569
• Disaster waste management projects	3,442
• Disaster-related loans	1,210
(6) Reconstruction Agency general administrative expenses	33

Note 1) The Reconstruction Agency budget will be allocated in the “Special Account for Reconstruction after the Great East Japan Earthquake (tent. name)” scheduled to be established in FY2012.

Note 2) In addition, 500 billion yen of government guarantee (double loan) is scheduled to be allocated in the general rules on budgetary provision.

Note 3) The Reconstruction Agency budget includes the budget allocated to the relevant administrative agencies and implemented.

Note 4) Figures are currently being sorted out and may be changed in the future.

Source: <https://www.reconstruction.go.jp/topics/120131-setban-111124gaisanketteigaiyou.pdf> (browsed July 8, 2023)

b. FY2013 Reconstruction Agency Collectively Allocated Budget

- Formulated a full-fledged budget to help accelerate reconstruction with the Reconstruction Agency serving as a control tower
- Filled in gaps in various systems and responded flexibly with respect to various issues in the entire disaster-affected area, including Fukushima
- Established a project system to enable the national government to take the lead in addressing the various serious issues facing Fukushima

<Key Points Regarding Budget>

- ① Strengthening of the Reconstruction Agency's control tower function
 - Great East Japan Earthquake Reconstruction Promotion and Coordination Expenses (10 billion yen)
Filling in gaps in various systems and flexibly commissioning research and planning on reconstruction at the discretion of the Minister for Reconstruction
 - Centralization of projects for disaster-affected areas at the Reconstruction Agency (2.2 trillion yen)
- ② Acceleration of reconstruction and revitalization of Fukushima
 - Resident return and revitalization acceleration projects in nuclear disaster evacuation zones, etc. in Fukushima (4.8 billion yen)
New support for municipalities to provide meticulous response to various needs such as support for repatriation (support for the establishment of basic living facilities, etc.) and control and conservation of area devastation (weeding, removal of abandoned houses, etc.)
 - Establishment of Grants for the Formation of Living Bases for Long-Term Evacuees (50.3 billion yen)
New support to prefectures and municipalities for the formation of living bases such as disaster public housing and related roads and school facilities
 - Establishment of the Fukushima Settlement Emergency Support Grant (10 billion yen)
New support to municipalities for the improvement of child-rearing environments (development of indoor exercise facilities, installation of playground equipment, etc.) and the development of environments where child-rearing households can settle down
- ③ Increase in amount of Great East Japan Earthquake Reconstruction Grants
 - Increasing reconstruction grants to accelerate municipal development (591.8 billion yen)
- ④ Establishment of Subsidy for Companies Locating Businesses and Creating Jobs in Areas Affected by the Tsunami and/or Nuclear Disasters
 - Promoting industrial reconstruction through job creation in areas affected by the tsunami and nuclear disaster (110 billion yen)

Figure 2-4-13 Overview of FY2013 Reconstruction Agency Budget Estimate Decision

Summary of Decision of Budget Estimate for FY2013 Special Account Budget for Reconstruction after the Great East Japan Earthquake

(Unit: 100 million yen)

Category	FY2012 Initial budget amount	FY2013 Amount decided on for estimate
Reconstruction Agency (Sum of 1-6)	20,433	29,037
1. Support for disaster victims	920	1,883
Out of which: • Livelihood recovery support funds for disaster victims	—	840
• Emergency temporary housing	494	529
• Educational assistance	151	167
• Mental care	63	79
• Long-term care and support for the disabled	44	80
2. Restoring and reconstruction of towns	11,854	16,670
Out of which: • Great East Japan Earthquake Reconstruction Grants	2,868	5,918
• Disaster recovery projects	2,605	6,611
• Reconstruction-related public works	2,389	2,868
• Waste management	3,442	1,266
3. Promotion of industry and securing	2,920	3,075
Out of which: • Interest subsidies for special reconstruction zones	11	11
• Location assistance	140	1,100
• Disaster-related loans	1,310	963
• Support for SMEs	554	488
• Support for agriculture, forestry and fisheries	422	319
4. Reconstruction and revitalization after the nuclear disaster	4,655	7,264
Out of which: • Resident return and revitalization acceleration projects in nuclear emergency evacuation zones, etc. in Fukushima	—	48
• Grants for the Formation of Living Bases for Long-Term Evacuees	—	503
• Fukushima Settlement Emergency Support Grant	—	100
• Living Environment Improvement Projects in Areas Where Evacuation Orders Are Lifted, Etc. in Fukushima	42	24
• Decontamination, etc.	4,547	6,220
• Support for renewable energy	—	103
• Measures against harmful rumors	6	13
5. Great East Japan Earthquake reconstruction promotion and coordination expenses	50	100
6. Reconstruction Agency general administrative expenses, etc.	33	45
7. Special local allocation tax for recovery from earthquake disaster	5,490	6,053
8. Reconstruction Acceleration and Fukushima Revitalization Reserve Fund	4,000	6,000
9. Transfers to Special Account for the Government Debt Consolidation Fund	1,253	662
10. National disaster prevention projects	4,827	1,274
11. Other	1,751	815
Entire special account for reconstruction	37,754	43,840

Note 1: Changes may arise as a result of counting and sorting out figures.

Note 2: Fractions in figures may not match totals due to rounding.

Source: https://www.reconstruction.go.jp/topics/20130208_25yosangaisankettei.pdf (browsed July 8, 2023)

c. FY2014 Reconstruction Agency Collectively Allocated Budget

- Promoting the acceleration of disaster-affected area recovery and reconstruction in conjunction with the FY2013 supplementary budget (4.2 trillion yen in total together with the FY2013 supplementary budget)

<Key Points Regarding Budget>

- ① Strengthening health and livelihood support for disaster victims amid anticipated prolonged evacuation
 - Comprehensive Support Project for the Health and Livelihood of Children Affected by the Disaster (4 billion yen)
 - Disaster-Affected Area Health Support Program (1 billion yen)
 - Project to Secure Human Resources for Welfare and Nursing Care in Disaster-Affected Areas (200 million yen), etc.
- ② For housing reconstruction and reconstructive urban development, securing the necessary budget while prioritizing projects according to the progress of recovery and reconstruction (from “debris disposal” to “reconstructive urban development”).
 - Disaster waste management (23.6 billion yen)
 - Great East Japan Earthquake Reconstruction Grants (363.8 billion yen)
 - Improvement, etc. of reconstruction roads and reconstruction support roads (170.6 billion yen)
 - Social Capital Improvement General Subsidy (76.3 billion yen)
 - Disaster recovery projects (585.5 billion yen), etc.
- ③ Continued support for the recovery and reconstruction efforts of SMEs, etc. affected by the disaster in order to revitalize industries and livelihoods
 - Subsidy for Companies Locating Businesses and Creating Jobs in Areas Affected by the Tsunami and/or Nuclear Disasters (30 billion yen)
 - Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations (22.1 billion yen), etc.
- ④ With regard to the revitalization of Fukushima, the zoning review has been completed in all districts, reconstruction has entered a new phase and support for long-term evacuees, assistance with the early return of residents to their hometowns, etc. will be further promoted
 - Fukushima Revitalization Acceleration Grants (108.8 billion yen)
 - Projects for Supporting the Revival of Local Hope (8 billion yen)
 - Living Environment Improvement Projects in Areas Where Evacuation Orders Are Lifted, Etc. in Fukushima (1.9 billion yen)
 - Decontamination of soil contaminated by radioactive materials, etc. (258.2 billion yen)
 - Development of interim storage facilities (101.2 billion yen), etc.
- ⑤ Steadily promoting the “New Tohoku” through leading model projects, etc.
 - Leading Model Projects for “New Tohoku” (1.5 billion yen)
 - Project for Building a Platform to Promote Investment in Entrepreneurs (100 million yen), etc.

Figure 2-4-14 Overview of FY2014 Reconstruction Agency Budget Estimate Decision (December 24, 2013)

Overview of FY2014 Reconstruction Agency Budget Estimate Decision
(Special Account for Reconstruction after the Great East Japan Earthquake)

(Unit: 100 million yen)

Category	FY2013 Initial budget amount	FY2014 Amount decided on for estimate
Reconstruction Agency	29,037	22,441
1. Support for disaster victims	1,883	1,117
Out of which: • Livelihood recovery support funds for disaster victims	840	96
• Emergency temporary housing, etc.	529	475
• Mental care	79	116
• Long-term care and support for the disabled	80	69
• Educational assistance	167	178
2. Restoring and reconstruction of towns	16,670	13,296
Out of which: • Great East Japan Earthquake Reconstruction Grants	5,918	3,638
• Disaster recovery projects	6,611	5,855
• Reconstruction-related public works	2,868	3,561
• Waste management	1,266	236
3. Promotion of industry and securing of employment	3,075	1,306
Out of which: • Disaster-related loans	963	221
• Support for SMEs	488	281
• Location assistance	1,100	300
• Support for agriculture, forestry and fisheries	319	306
• Securing of employment	26	6
• Interest subsidies for special reconstruction zones	11	13
4. Reconstruction and revitalization after the nuclear disaster	7,264	6,600
Out of which: • Fukushima Revitalization Acceleration Grants	—	1,088
• Grants for the Formation of Living Bases for Long-Term Evacuees (Note 3)	503	—
• Fukushima Settlement Emergency Support Grants (Note 3)	100	—
• Resident return and revitalization acceleration projects in nuclear emergency evacuation zones, etc. in Fukushima (Note 4)	48	80
• Living Environment Improvement Projects in Areas Where Evacuation Orders Are Lifted, Etc. in Fukushima	24	19
• Decontamination, etc.	6,220	5,104
• Support for renewable energy	103	17
• Measures against harmful rumors	13	9
5. Great East Japan Earthquake reconstruction promotion and coordination expenses	100	50
6. Leading Model Projects for "New Tohoku," etc.	—	16
7. Reconstruction Agency general administrative expenses, etc.	45	57

Note 1: Changes may arise as a result of counting and sorting out figures.

Note 2: Fractions in figures may not match totals due to rounding.

Note 3: Integrated into "Fukushima Revitalization Acceleration Grants"

Note 4: Partially integrated into "Fukushima Revitalization Acceleration Grants"

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20131324_26gaisankettei.pdf (browsed July 8, 2023)

d. FY2015 Reconstruction Agency Collectively Allocated Budget

- Promoting the acceleration of disaster-affected area recovery and reconstruction in conjunction with the FY2014 supplementary budget (4.2 trillion yen in total based on reconstruction projects)

<Key Points Regarding Budget>

- ① With regard to support for disaster victims (health and livelihood support), health and livelihood support will be strengthened to respond to the prolongation of evacuation and the progress of relocation to disaster public housing
 - Disaster relief, etc. under the Disaster Relief Act (40.6 billion yen)
 - Grants for livelihood recovery support funds for disaster victims (19 billion yen)
 - Projects for Support for Mental Care of Disaster Victims (1.6 billion yen)
 - General Subsidy for Health and Livelihood Support for Disaster Victims (5.9 billion yen)
- ② With regard to housing reconstruction and reconstructive urban development, securing the necessary budget based on the progress of reconstruction
 - Great East Japan Earthquake Reconstruction Grants (317.3 billion yen)
 - Disaster recovery projects (579.4 billion yen)
 - Improvement, etc. of reconstruction roads and reconstruction support roads (197.5 billion yen)
 - Social Capital Improvement General Subsidy (Reconstruction) (117.1 billion yen), etc.
- ③ With regard to the revitalization of industries and livelihoods, strengthening efforts to accelerate creative industrial reconstruction
 - Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations (40 billion yen)
 - Subsidy for Companies Locating Businesses and Creating Jobs in Areas Affected by the Tsunami and/or Nuclear Disasters (36 billion yen)
 - Projects to Promote the Recovery of Sales Channels in the Seafood Processing Industry, Etc. (1 billion yen), etc.
- ④ With regard to reconstruction and revitalization after the nuclear disaster, accelerating the revitalization of Fukushima by assisting with the early return of residents and supporting new livelihoods
 - Fukushima Revitalization Acceleration Grants (105.6 billion yen)
 - Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization (6.8 billion yen)
 - Decontamination of soil contaminated by radioactive materials, etc. (417.4 billion yen)
 - Development, etc. of interim storage facilities (75.8 billion yen), etc.
- ⑤ Promoting the acceleration of advanced efforts and their lateral deployment in disaster-affected areas with the aim of creating a “New Tohoku” and achieving a virtuous cycle of economic revitalization
 - Leading Model Projects for “New Tohoku” (800 million yen)
 - “New Tohoku” Public-Private Partnership Promotion Council Operation Project (600 million yen), etc.

Figure 2-4-15 Overview of FY2015 Reconstruction Agency Budget Estimate Decision

Overview of FY2015 Reconstruction Agency Budget Estimate Decision (Special Account for Reconstruction after the Great East Japan Earthquake)		
(Unit: 100 million yen)		
Category	FY2015 Amount decided on for estimate	FY2014 Initial budget amount
Reconstruction Agency	24,364	22,441
1. Housing reconstruction and reconstructive urban development	13,487	13,296
Out of which: • Great East Japan Earthquake Reconstruction Grants	3,173	3,638
• Disaster recovery projects	5,794	5,855
• Reconstruction-related public works	4,407	3,561
• Disaster waste management	105	236
2. Revitalization of industries and livelihoods	1,675	1,306
Out of which: • Disaster-related loans	307	221
• Support for SMEs	445	281
• Location assistance	360	300
• Support for agriculture, forestry and fisheries	203	306
• Interest subsidies for special reconstruction zones	18	13
3. Support for Disaster Victims (health and livelihood support)	1,287	1,117
Out of which: • Emergency temporary housing support, etc.	406	475
• Livelihood recovery support funds for disaster victims	190	96
• Mental care and revitalization of local communities	121	116
• Long-term care and support for the disabled	71	69
• Educational assistance	180	178
4. Reconstruction and revitalization after the nuclear disaster	7,807	6,600
Out of which: • Fukushima Revitalization Acceleration Grants	1,056	1,088
• Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization	68	–
• Resident return and revitalization acceleration projects in nuclear emergency evacuation zones, etc. in Fukushima (Note 3)	–	80
• Living Environment Improvement Projects in Areas Where Evacuation Orders Are Lifted, Etc. in Fukushima (Note 3)	–	19
• Decontamination, etc.	6,439	5,104
• Measures against harmful rumors	23	9
5. Leading Model Projects for “New Tohoku,” etc.	14	16
6. Great East Japan Earthquake reconstruction promotion and coordination expenses	30	50
7. Reconstruction Agency general administrative expenses, etc.	64	57

(Note 1): Changes may arise as a result of counting and sorting out figures.
 (Note 2): As amounts are rounded to the nearest million yen, totals may not match up.
 (Note 3): Integrated into Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization.

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20150114_2shiropanhontai.pdf (browsed July 8, 2023)

e. FY2016 Reconstruction Agency Collectively Allocated Budget

- Vigorously promoting the efforts necessary for the reconstruction of the disaster-affected areas during the “Reconstruction and Revitalization Period” while accurately responding to issues that arise as the stage of reconstruction progresses.

<Key Points Regarding Budget>

① Support for Disaster Victims

Strengthening of efforts to address issues that arise with the progress of reconstruction, such as mental care for long-term evacuees and community-building

- Disaster relief, etc. under the Disaster Relief Act (33.4 billion yen)
- Grants for livelihood recovery support funds for disaster victims (18.9 billion yen)
- General Subsidy for Support for Disaster Victims (22 billion yen)
- Projects for Support for Mental Care of Disaster Victims (1.4 billion yen), etc.

② Housing reconstruction and reconstructive urban development

Steadily promoting housing reconstruction and reconstructive urban development, which reached their peak.

- Improvement, etc. of reconstruction roads and reconstruction support roads (237.6 billion yen)
- Great East Japan Earthquake Reconstruction Grants (147.7 billion yen)
- Social Capital Improvement General Subsidy (Reconstruction) (105.4 billion yen)
- Disaster recovery projects (509.3 billion yen), etc.

③ Revitalization of industries and livelihoods

Strengthening efforts for tourism revival and the recovery of sales channels and responding to job creation and commercial recovery through the establishment of new businesses.

- Projects to Promote the Recovery of Sales Channels in the Seafood Processing Industry, Etc. (1.8 billion yen (2 billion yen with supplementary budget))
- Tourism revival-Related Projects (5 billion yen (5.2 billion yen with supplementary budget))
- Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations (29 billion yen)
- Subsidy for Companies Locating Businesses in Support of Residents’ Self-Reliance and their Returning Home (32 billion yen)
- Projects related to the Fukushima Innovation Coast Framework (14.5 billion yen)
- Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster (1.3 billion yen (24.1 billion yen with supplementary budget))
- Business Reconstruction-Type Employment Creation Projects (4.1 billion yen)
- Employment Support Project in Response to the Nuclear Power Station Disaster (4.2 billion yen), etc.

④ Reconstruction and Revitalization After the Nuclear Disaster

Accelerating the reconstruction and revitalization of Fukushima by strengthening efforts to promote the returning of residents, the rebuilding of livelihoods in 12 municipalities, etc.

- Fukushima Revitalization Acceleration Grants (101.2 billion yen)
- Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization (7.6 billion yen)
- [Reprinted] Subsidy for Companies Locating Businesses in Support of Residents’ Self-Reliance and their Returning Home
- [Reprinted] Projects related to the Fukushima Innovation Coast Framework
- [Reprinted] Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster
- [Reprinted] Employment Support Project in Response to the Nuclear Power Station Disaster
- Decontamination of soil contaminated by radioactive materials, etc. (524.9 billion yen (603.2 billion yen with supplementary budget))
- Radioactive Material Contaminated Waste Management Project, etc. (214 billion yen)
- Development, etc. of interim storage facilities (134.6 billion yen), etc.

⑤ Creating a “New Tohoku”

- Strengthening information-sharing among various entities and disseminating information nationwide.
- “New Tohoku” Public-Private Partnership Promotion Council Operation Project (1 billion yen)

Figure 2-4-16 Overview of FY2016 Reconstruction Agency Budget Estimate Decision

Overview of FY2016 Reconstruction Agency Budget Estimate Decision (Special Account for Reconstruction after the Great East Japan Earthquake) (Unit: 100 million yen)		
Category	FY 2016 Amount decided on for estimate	FY2015 Initial budget amount
Reconstruction Agency	24,055	24,364
1. Support for disaster victims	1,114	1,288
Out of which: • Emergency temporary housing support, etc.	334	406
• Livelihood recovery support funds for disaster victims	189	190
• Mental care and revitalization of local communities	271	121
Out of which: General Subsidy for Support for Disaster Victims	220	59
• Educational assistance	148	180
2. Housing reconstruction and reconstructive urban development	11,318	13,487
Out of which: • Reconstruction-related public works	4,489	4,407
• Great East Japan Earthquake Reconstruction Grants	1,477	3,173
• Disaster recovery projects	5,093	5,794
• Disaster waste management	248	105
3. Revitalization of industries and livelihoods	1,374 (1,607)	1,679
Out of which: • Disaster-related loans	243	307
• Support for SMEs	324	445
Out of which: Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations	290	400
• Support for agriculture, forestry and fisheries	142 (143)	203
• Tourism revival	50 (52)	5
• Subsidies for companies locating businesses	320	360
• Projects related to the Fukushima Innovation Coast Framework	145	–
• Support for disaster-affected businesses	13 (241)	–
• Employment support	83	231
• Interest subsidies for special reconstruction zones	19	18
4. Reconstruction and revitalization after the nuclear disaster	10,167 (10,950)	7,801
Out of which: • Fukushima Revitalization Acceleration Grants	1,012	1,056
• Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization	76	68
• Decontamination	5,249 (6,032)	4,174
• Radioactive contaminated waste management, etc.	2,140	1,387
• Development, etc. of interim storage facilities	1,346	758
5. Creating a “New Tohoku”	10	14
6. Great East Japan Earthquake reconstruction promotion and coordination expenses	15	30
7. Reconstruction Agency general administrative expenses, etc.	57	64

(Note 1): Changes may arise as a result of counting and sorting out figures.
 (Note 2): As amounts are rounded to the nearest million yen, totals may not match up.
 (Note 3): Amounts in parentheses are the sums of the amounts provided for in the FY2015 supplementary budget proposal.
 (Note 4): “Tourism revival” under 3. Revitalization of industries and livelihoods includes the “New Tohoku” Exchange Expansion Model Project (400 million yen).

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20151224_2shiropanhontai.pdf (browsed July 8, 2023)

f. FY2017 Reconstruction Agency Collectively Allocated Budget

- Steadily implementing efforts directly linked to the resolution of issues facing disaster-affected areas.
- Responding promptly and appropriately to new issues that arise as the stage of reconstruction progresses.

<Key Points Regarding Budget>

① Support for Disaster Victims

Supporting efforts to respond in a meticulous and flexible manner to issues related to disaster victims that arise as reconstruction progresses, such as mental care and community-building.

- General Subsidy for Support for Disaster Victims (20 billion yen)
- Disaster relief, etc. under the Disaster Relief Act (23 billion yen)
- Grants for livelihood recovery support funds for disaster victims (13.5 billion yen)
- Support for revitalization of community medical care in disaster-affected areas (23.6 billion yen), etc.

② Housing reconstruction and reconstructive urban development

Promoting reconstructive urban development as well as the development of reconstruction roads and other social infrastructure based largely on the progress of housing reconstruction projects.

- Improvement of reconstruction roads and reconstruction support roads (240 billion yen)
- Great East Japan Earthquake Reconstruction Grants (52.5 billion yen)
- Disaster recovery projects (259.9 billion yen)
- Social Capital Improvement General Subsidy (Reconstruction) (109 billion yen), etc.

③ Revitalization of industries and livelihoods

Newly implementing measures to address the shortage of human resources in disaster-affected areas (particularly in the Sanriku coastal area) in addition to further strengthening tourism revival efforts. Promoting support for industrial revitalization in areas affected by the nuclear disaster, including agriculture, forestry and fisheries, as well.

- Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations (21 billion yen)
- Tourism revival-related projects (5.1 billion yen)
- Projects to Promote the Recovery of Sales Channels in the Seafood Processing Industry, Etc. (1.5 billion yen)
- Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project (4.7 billion yen)
- Measures to secure human resources in disaster-affected areas (1 billion yen)
- Project to Secure Business Reconstruction-Type Employment (System Expansion)
- Projects related to the Fukushima Innovation Coast Framework (10.1 billion yen)
- Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster (5.4 billion yen)
- Subsidy for Companies Locating Businesses in Support of Residents' Self-Reliance and their Returning Home (18.5 billion yen), etc.

④ Reconstruction and Revitalization After the Nuclear Disaster

Providing meticulous support for the promotion of residents' return to their homes and the reconstruction of their livelihoods as well as steadily promoting the removal of removed soil, the management of radioactive contaminated waste, the development of intermediate storage facilities and information dissemination bases, etc.

Establishing reconstruction bases in difficult-to-return zones and providing livelihood support to evacuees from such zones, etc. as well

- Fukushima Revitalization Acceleration Grants (80.7 billion yen)
- Environmental recovery projects in reconstruction bases (tent. name) (30.9 billion yen)

*The official name is the Specific Reconstruction and Revitalization Base Development Project.

- Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization (18.1 billion yen)
- Access control, exposure control, etc. in difficult-to-return zones (6.1 billion yen)

- Support for establishment, etc. of integrated junior and senior high schools in Futaba County, Fukushima Prefecture (2.7 billion yen)
 - Appropriate management, transportation, etc. of removed soil, etc. (285.5 billion yen)
 - Radioactive Material Contaminated Waste Management Project, etc. (185.1 billion yen)
 - Development, etc. of interim storage facilities (187.6 billion yen), etc.
- * In addition to ① through ④, creating a “New Tohoku” (900 million yen), coordination expenses (800 million yen), etc. are also allocated.

Figure 2-4-17 Overview of FY2017 Reconstruction Agency Budget Estimate Decision

Overview of FY2017 Reconstruction Agency Budget Estimate Decision (Special Account for Reconstruction after the Great East Japan Earthquake)		
(Unit: 100 million yen)		
Category	FY2017 Amount decided on for estimate	FY 2016 Initial budget amount
Reconstruction Agency	18,153	24,055
1. Support for disaster victims	1,124	1,126
Out of which: • Mental care and revitalization of local communities	243	271
Out of which: General Subsidy for Support for Disaster Victims	200	220
• Disaster relief, etc. under the Disaster Relief Act	230	334
• Grants for livelihood recovery support funds for disaster victims	135	189
• Educational assistance	112	148
• Support for revitalization of community medical care in disaster-affected areas	236	–
2. Housing reconstruction and reconstructive urban development	7,698	11,318
Out of which: • Reconstruction-related public works	4,481	4,489
• Great East Japan Earthquake Reconstruction Grants	525	1,477
• Disaster recovery projects	2,599	5,093
• Disaster waste management	72	248
3. Revitalization of industries and livelihoods	1,052	1,362
Out of which: • Disaster-related loans, etc.	235	262
• Support for SMEs	230	324
Out of which: Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations	210	290
• Support for agriculture, forestry and fisheries	160	142
Out of which: Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project	47	–
• Tourism revival	51	50
• Employment support	29	83
Out of which: Project for measures to secure human resources in disaster-affected areas	10	–
• Projects related to the Fukushima Innovation Coast Framework	101	145
• Support for businesses affected by nuclear disaster	54	13
• Subsidies for companies locating businesses	185	320
4. Reconstruction and revitalization after the nuclear disaster	8,209	10,167
Out of which: • Fukushima Revitalization Acceleration Grants	807	1,012
• Environmental recovery projects in reconstruction sites (tent. name)	309	–
• Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization	181	76
• Improvement of educational environment in Fukushima	27	27
• Appropriate management, transportation, etc. of removed soil, etc.	2,855	5,249
• Radioactive contaminated waste management projects, etc.	1,851	2,140
• Development, etc. of interim storage facilities	1,876	1,346
5. Creating a “New Tohoku”	9	10
6. Great East Japan Earthquake reconstruction promotion and coordination expenses	8	15
7. Reconstruction Agency general administrative expenses, etc.	55	57

(Note): Changes may arise as a result of counting and sorting out figures. Also, as amounts are rounded to the nearest million yen, totals may not match up.

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20161222_2shiropanhontai.pdf (browsed July 8, 2023)

g. FY2018 Reconstruction Agency Collectively Allocated Budget

- Continuing to promptly and appropriately respond to the issues that arise as the stage of reconstruction progresses.
- Continuing to focus on providing detailed non-physical support for mental care and the revitalization of livelihoods in particular.

<Key Points Regarding Budget>

① Support for Disaster Victims

Continuously providing support with community revitalization, safeguarding, mental care, etc. according to the stage of rebuilding the livelihoods of disaster victims, such as the prolonging of evacuation life, relocating to disaster public housing, etc. or the returning of residents to their hometowns. Simultaneously reinforcing assistance for those involved in support for disaster victims.

- General Subsidy for Support for Disaster Victims (19 billion yen)
- Establishment of framework for support for mental care of disaster victims (1.8 billion yen)
- Disaster relief, etc. under the Disaster Relief Act (16.7 billion yen)
- Grants for livelihood recovery support funds for disaster victims (10.8 billion yen)
- Support for school attendance, etc. by pupils, etc. affected by the disaster (8.4 billion yen)
- Securing, etc. of a system to provide long-term care services in Sousou District, etc. (500 million yen)

② Housing reconstruction and reconstructive urban development

Promoting reconstructive urban development as well as the development of reconstruction roads, reconstruction support roads and other social infrastructure based largely on the progress of housing reconstruction projects.

- Improvement of reconstruction roads and reconstruction support roads (209 billion yen)
- Great East Japan Earthquake Reconstruction Grants (80.5 billion yen)
- Disaster recovery projects (206.4 billion yen)
- Social Capital Improvement General Subsidy (Reconstruction) (96.1 billion yen)
- Rural district development (22.5 billion yen)
- Forest development projects (6.3 billion yen), etc.

③ Revitalization of industries and livelihoods

Continuing to focus on providing non-physical support such as tourism revival, the securing of human resources and the development of sales channels for fisheries. With regard to Fukushima, continuing efforts such as the revitalization of agriculture, forestry and fisheries in Fukushima Prefecture, the promotion of the Fukushima Innovation Coast Framework, the restarting of businesses in 12 municipalities affected by the nuclear disaster and the placement of them in new locations.

- Capital contributions to the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake (10 billion yen)
- Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations (15 billion yen)
- Tourism revival-related projects (5 billion yen)
- Measures to secure human resources in disaster-affected areas (1 billion yen)
- Projects to Promote the Recovery of Sales Channels in the Seafood Processing Industry, Etc. (1.3 billion yen)
- Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project (Elimination of Harmful Rumors, etc.)(4.7 billion yen)
- Fukushima Prefecture Agricultural Resumption Support Project (13 billion yen)
- Projects related to the Fukushima Innovation Coast Framework (13.5 billion yen)
- Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster (1.6 billion yen)
- Subsidy for Companies Locating Businesses in Support of Residents' Self-Reliance and their Returning Home (8 billion yen)

④ Reconstruction and Revitalization After the Nuclear Disaster

Implementing the necessary environmental improvement, etc. for resuming life in areas where evacuation orders have been lifted while also strengthening efforts to eliminate harmful rumors and communicate risks regarding radiation. Steadily promoting the development, etc. of intermediate storage facilities as well.

- Fukushima Revitalization Acceleration Grants (82.8 billion yen)
 - Specific Reconstruction and Revitalization Base Development Project (69 billion yen)
 - Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization (15 billion yen)
 - Project for Emergency Measures such as the Capture of Wildlife in Difficult-to-Return Zones, Etc. (400 million yen)
 - Access control, exposure control, etc. in difficult-to-return zones (5.6 billion yen)
 - Educational revitalization in Hama-dori District, etc. in Fukushima Prefecture (4 billion yen)
 - Dissemination of information on radiation risks (out of 500 million yen)
 - Development of interim storage facilities, management of radioactive material contaminated waste, proper management of removed soil, etc. (546.7 billion yen)
- * In addition to the above, creating a “New Tohoku” (800 million yen), coordination expenses (200 million yen), general administrative expenses of the Reconstruction Agency (5.5 billion yen), etc. are allocated.

Figure 2-4-18 Overview of FY2018 Reconstruction Agency Budget Estimate Decision (December 22, 2017)

Overview of FY2018 Reconstruction Agency Budget Estimate Decision (Special Account for Reconstruction after the Great East Japan Earthquake)		
(Unit: 100 million yen)		
Category	FY2018 Amount decided on for estimate	FY2017 Initial budget amount
Reconstruction Agency	16,357	18,153
1. Support for disaster victims	768	1,124
Out of which: • Mental care and revitalization of local communities	235	243
Out of which: General Subsidy for Support for Disaster Victims	190	200
Out of which: Establishment of framework for support for mental care of disaster victims	18	14
• Disaster relief, etc. under the Disaster Relief Act	167	230
• Grants for livelihood recovery support funds for disaster victims	108	135
• Support for school attendance, etc.	84	112
• Securing, etc. of a system to provide long-term care services in Soso District, etc.	5	1
• Provision of information and promotion of understanding of reconstruction measures for disaster-affected areas(*)	5	2
2. Housing reconstruction and reconstructive urban development	6,996	7,698
Out of which: • Reconstruction-related public works	4,066	4,481
• Great East Japan Earthquake Reconstruction Grants	805	525
• Disaster recovery projects	2,064	2,599
• Disaster waste management	33	72
3. Revitalization of industries and livelihoods	1,052	1,052
Out of which: • Disaster-related loans, etc.	176	235
• Capital contributions to the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake	100	—
• Support for SMEs	168	230
Out of which: Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations	150	210
• Tourism revival	50	51
• Employment support	25	29
• Support for agriculture, forestry and fisheries	295	160
Out of which: Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project (Elimination of Harmful Rumors, etc.)	47	47
Out of which: Fukushima Prefecture Agricultural Resumption Support Project	130	—
• Projects related to the Fukushima Innovation Coast Framework	135	101
• Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster	16	54
• Subsidy for Companies Locating Businesses in Support of Residents' Independence and their Returning Home	80	185
4. Reconstruction and revitalization after the nuclear disaster	7,477	8,209
Out of which: • Fukushima Revitalization Acceleration Grants	828	807
• Specific Reconstruction and Revitalization Site Development Project	690	309
• Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization	150	181
• Project for Emergency Measures such as the Capture of Wildlife in Difficult-to-Return Zones, Etc.	4	2
• Educational revitalization in Hama-dori District, etc. in Fukushima Prefecture	40	27
• Development, etc. of interim storage facilities	2,799	1,876
• Radioactive contaminated waste management projects, etc.	1,455	1,851
• Appropriate management, transportation, etc. of removed soil, etc.	1,212	2,855
5. Creating a "New Tohoku"	8	9
6. Great East Japan Earthquake reconstruction promotion and coordination expenses	2	8
7. Reconstruction Agency general administrative expenses, etc.	55	55

* The dissemination of information on radiation risks (new) is carried out in this project.

(Note): Changes may arise as a result of counting and sorting out figures. Also, as amounts are rounded to the nearest million yen, totals may not match up.

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/2912_2shiropanhontai.pdf (browsed July 8, 2023)

h. FY2019 Reconstruction Agency Collectively Allocated Budget

- Continuing to energetically respond to the issues that arise as the stage of reconstruction progresses.
- Continuing to focus on providing detailed non-physical support for mental care and the revitalization of livelihoods in particular.

<Key Points Regarding Budget>

① Support for Disaster Victims

Continuously providing support with community formation and revitalization, safeguarding, mental and physical care, etc. according to the stage of rebuilding the livelihoods of disaster victims, such as the prolonging of evacuation life, relocating to disaster public housing, etc. or the returning of residents to their hometowns. Simultaneously reinforcing assistance for those involved in support for disaster victims.

- General Subsidy for Support for Disaster Victims (17.7 billion yen)
- Emergency School Counselor, Etc. Utilization Projects (2.4 billion yen)
- Support for school attendance, etc. by pupils, etc. affected by the disaster (6.9 billion yen)
- Temporary housing, etc. (9.5 billion yen)
- Grants for livelihood recovery support funds for disaster victims (10.7 billion yen)

② Housing reconstruction and reconstructive urban development

Promoting reconstructive urban development as well as the development of reconstruction roads, reconstruction support roads and other social infrastructure based largely on the progress of housing reconstruction projects with a construction completion target of FY2020.

- Improvement of reconstruction roads and reconstruction support roads (174.4 billion yen)
- Great East Japan Earthquake Reconstruction Grants (57.3 billion yen)
- Disaster recovery projects (231.7 billion yen)
- Social Capital Improvement General Subsidy (122.6 billion yen)
- Rural district development (27.4 billion yen)
- Forest development projects (6.5 billion yen), etc.

③ Revitalization of industries and livelihoods

Continuing to focus on non-physical support such as tourism revival, the securing of human resources and the recovery of sales channels for fisheries. With regard to Fukushima, continuing efforts such as the revitalization of agriculture, forestry and fisheries in Fukushima Prefecture, the promotion of the Fukushima Innovation Coast Framework, the restarting of businesses in 12 municipalities affected by the nuclear disaster and the placement of them in new locations.

- Tourism revival (4.9 billion yen)
- Measures to secure human resources (900 million yen)
- Recovery of sales channels in the seafood processing industry, etc. (1.2 billion yen)
- Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project (Elimination of Harmful Rumors, etc.)(4.7 billion yen)
- Projects related to the Fukushima Innovation Coast Framework (12.6 billion yen)
- Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster (6 billion yen)
- Subsidy for Companies Locating Businesses in Support of Residents' Self-Reliance and their Returning Home (8.8 billion yen), etc.

④ Reconstruction and Revitalization After the Nuclear Disaster

Implementing the necessary environmental improvement, etc. for resuming life in areas where evacuation orders have been lifted while also continuing to implement efforts to eliminate harmful rumors and communicate risks regarding radiation. Steadily promoting the development, etc. of intermediate storage facilities as well.

- Specific Reconstruction and Revitalization Base Development Project (86.9 billion yen)
- Fukushima Revitalization Acceleration Grants (89 billion yen)
- Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization (11.1 billion yen)

- Fukushima Food Sanitation Management Model Promotion Project (100 million yen)
 - Educational revitalization in Hama-dori District, etc. in Fukushima Prefecture (1.1 billion yen)
 - Dissemination of information on radiation risks (300 million yen)
 - Development of interim storage facilities, management of radioactive material contaminated waste, proper management of removed soil, etc. (432.2 billion yen)
- * In addition to the above, creating a “New Tohoku” (700 million yen), coordination expenses (200 million yen), general administrative expenses of the Reconstruction Agency (5.4 billion yen), etc. are allocated.

Figure 2-4-19 Overview of FY2019 Reconstruction Agency Budget Estimate Decision (December 21, 2018)

Overview of FY2019 Reconstruction Agency Budget Estimate Decision (Special Account for Reconstruction after the Great East Japan Earthquake) (Unit: 100 million yen)		
Category	FY2019 Amount decided on for estimate	FY2018 Initial budget amount
Reconstruction Agency	14,781	16,357
1. Support for disaster victims	614	768
• Mental care and revitalization of local communities	205	235
• Support for school attendance	69	84
• Temporary housing, etc.	95	167
• Grants for livelihood recovery support funds for disaster victims	107	108
• Provision of information and promotion of understanding of reconstruction measures for disaster-affected areas(*)	5	5
2. Housing reconstruction and reconstructive urban development	6,927	6,996
• Reconstruction-related public works	3,976	4,066
• Great East Japan Earthquake Reconstruction Grants	573	805
• Disaster recovery projects	2,317	2,064
3. Revitalization of industries and livelihoods	691	1,052
• Disaster-related loans, etc.	112	176
• Support for SMEs	98	168
• Tourism revival	49	50
• Employment support	19	25
• Support for agriculture, forestry and fisheries	132	295
Out of which: Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project (Elimination of Harmful Rumors, etc.)	47	47
• Projects related to the Fukushima Innovation Coast Framework	126	135
• Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster	60	16
• Subsidy for Companies Locating Businesses in Support of Residents' Independence and their Returning Home	88	80
4. Reconstruction and revitalization after the nuclear disaster	6,486	7,477
• Specific Reconstruction and Revitalization Site Development Project	869	690
• Fukushima Revitalization Acceleration Grants	890	828
• Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization	111	150
• Fukushima Food Sanitation Management Model Promotion Project	1	-
• Development, etc. of interim storage facilities	2,081	2,799
• Radioactive contaminated waste management projects, etc.	1,054	1,455
• Appropriate management, transportation, etc. of removed soil, etc.	1,187	1,212
5. Creating a "New Tohoku"	7	8
6. Great East Japan Earthquake reconstruction promotion and coordination expenses	2	2
7. Reconstruction Agency general administrative expenses, etc.	54	55

* The dissemination of information on radiation risks is carried out in this project.
(Note): Changes may arise as a result of counting and sorting out figures. Also, as amounts are rounded to the nearest million yen, totals may not match up.

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/3012_2shiropanhontai.pdf (browsed July 8, 2023)

i. FY2020 Reconstruction Agency Collectively Allocated Budget

- Securing a budget to ensure the implementation of necessary reconstruction measures in FY2020, the final year of the Reconstruction and Revitalization Period.

<Key Points Regarding Budget>

① Support for Disaster Victims

Providing continuous support according to the stage of life reconstruction, including maintaining the physical and mental health of disaster victims who have been evacuated for a long time or relocated to permanent housing, providing consultation support for the reconstruction of housing and livelihoods, forming communities and offering “mental recovery” such as creating a sense of purpose in life.

- General Subsidy for Support for Disaster Victims (15.5 billion yen)
- Support for school attendance, etc. by pupils, etc. affected by the disaster (5.2 billion yen)
- Emergency School Counselor, Etc. Utilization Projects (2.2 billion yen)
- Temporary housing, etc. (5.4 billion yen)
- Grants for livelihood recovery support funds for disaster victims (10.1 billion yen), etc.

② Housing reconstruction and reconstructive urban development

Promoting reconstructive urban development as well as the development of reconstruction roads, reconstruction support roads and other social infrastructure based largely on the progress of housing reconstruction projects while aiming to complete them as soon as possible.

- Great East Japan Earthquake Reconstruction Grants (11.3 billion yen)
- Improvement of reconstruction roads and reconstruction support roads (166.2 billion yen)
- Social Capital Improvement General Subsidy (119.8 billion yen)
- Rural district development (30.9 billion yen)
- Forest development projects (6.6 billion yen)
- State-run memorial/prayer facility improvement projects (1.5 billion yen)
- Disaster recovery projects (155.5 billion yen), etc.

③ Revitalization of industries and livelihoods

Continuing to focus on assistance with recovery of facilities of disaster-affected businesses and non-physical support such as that for the tourism industry and fisheries. With regard to Fukushima, continuing efforts such as the promotion of the Fukushima Innovation Coast Framework, the revitalization of agriculture, forestry and fisheries in Fukushima Prefecture and the restarting of businesses in 12 municipalities affected by the nuclear disaster.

- Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations (14 billion yen)
- Tourism revival-related projects (3.7 billion yen)
- Projects to Promote the Recovery of Sales Channels in the Seafood Processing Industry, Etc. (1.2 billion yen)
- Projects related to the Fukushima Innovation Coast Framework (6.9 billion yen)
- Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project (Elimination of Harmful Rumors, etc.)(4.7 billion yen)
- Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster (1.6 billion yen)
- Support project for farmers in 12 municipalities affected by nuclear disaster (1 billion yen), etc.

④ Reconstruction and Revitalization After the Nuclear Disaster

Steadily promoting the development of return environments in specific reconstruction and revitalization bases, zones where evacuation orders have been lifted, etc., as well as the appropriate management of contaminated waste, etc. Strengthening efforts to eliminate harmful rumors and communicate risks regarding radiation as well.

- Specific Reconstruction and Revitalization Base Development Project (67.3 billion yen)
- Fukushima Revitalization Acceleration Grants (79.1 billion yen)
- Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization (9.4 billion yen)
- Access control, exposure control, etc. in difficult-to-return zones (5.1 billion yen)

- Development, etc. of interim storage facilities (402.5 billion yen)
- Radioactive Material Contaminated Waste Management Project, etc. (105.9 billion yen)
- Appropriate management, transportation, etc. of removed soil, etc. (56.6 billion yen)
(Project for Eliminating Harmful Rumors and Strengthening Risk Communication 500 million yen)), etc.
- * In addition to the above, creating a “New Tohoku” (600 million yen), projects to commemorate the 10-year anniversary of the Great East Japan Earthquake (100 million yen), general administrative expenses of the Reconstruction Agency (5.6 billion yen), etc. are allocated.

Figure 2-4-20 Overview of FY2020 Reconstruction Agency Budget Estimate Decision (December 20, 2019)

Overview of FY2020 Reconstruction Agency Budget Estimate Decision (Special Account for Reconstruction after the Great East Japan Earthquake)		
(Unit: 100 million yen)		
Category	FY2020 Amount decided on for estimate	FY2019 Initial budget amount
Reconstruction Agency	14,024	14,781
1. Support for disaster victims	493	614
• General Subsidy for Support for Disaster Victims	155	177
• Support for school attendance for pupils, etc. affected by the disaster	52	69
• Emergency School Counselor, Etc. Utilization Projects	22	24
• Temporary housing, etc.	54	95
• Grants for livelihood recovery support funds for disaster victims	101	107
• Financial support for medical care, long-term care and disability welfare systems	60	91
• Other	49	52
2. Housing reconstruction and reconstructive urban development	5,472	6,927
• Great East Japan Earthquake Reconstruction Grants	113	573
• Improvement of reconstruction roads and reconstruction support roads	1,662	1,744
• Social Capital Development General Subsidy	1,198	1,226
• Rural district development	309	274
• Forest improvement project	66	65
• State-run memorial/prayer facility improvement projects	15	25
• Disaster recovery projects	1,555	2,317
• Other	554	704
3. Revitalization of industries and livelihoods	516	691
• Project for the Restoration of Disaster Damage to Shared Facilities, etc., at SMEs and other Organizations	140	76
• Organization for Small & Medium Enterprises and Regional Innovation Subsidy for Operating Expenses	15	13
• Tourism revival-related projects	37	49
• Projects to Promote the Recovery of Sales Channels in the Seafood Processing Industry, Etc.	12	12
• Projects related to the Fukushima Innovation Coast Framework	69	126
• Fukushima Prefecture Agriculture, Forestry and Fisheries Revitalization Comprehensive Project	47	47
• Projects for Support for Self-Reliance of Business Operators Affected by the Nuclear Disaster	16	60
• Support project for farmers in 12 municipalities affected by nuclear disaster	10	—
• Disaster-related loans	72	101
• Other	98	207
4. Reconstruction and revitalization after the nuclear disaster	7,481	6,486
• Specific Reconstruction and Revitalization Site Development Project	673	869
• Fukushima Revitalization Acceleration Grants	791	890
• Project to Improve the Fukushima Living Environment and Accelerate Return and Revitalization	94	111
• Access control, exposure control, etc. in difficult-to-return zones	51	58
• Development, etc. of interim storage facilities	4,025	2,081
• Radioactive contaminated waste management projects, etc.	1,059	1,054
• Appropriate management, transportation, etc. of removed soil, etc.	566	1,187
• Other	222	235
5. Creating a "New Tohoku"	6	7
6. Projects to commemorate the 10-year anniversary of the Great East Japan Earthquake	1	—
7. Reconstruction Agency general administrative expenses, etc.	56	56

(Note): Changes may arise as a result of counting and sorting out figures. Also, as amounts are rounded to the nearest million yen, totals may not match up.

Source: https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20191220_2shiropanhontai.pdf (browsed July 8, 2023)

(2) Status of Implementation of Budget Related to Reconstruction

<Status of Implementation of Budget Related to Reconstruction over 10-Year Period>

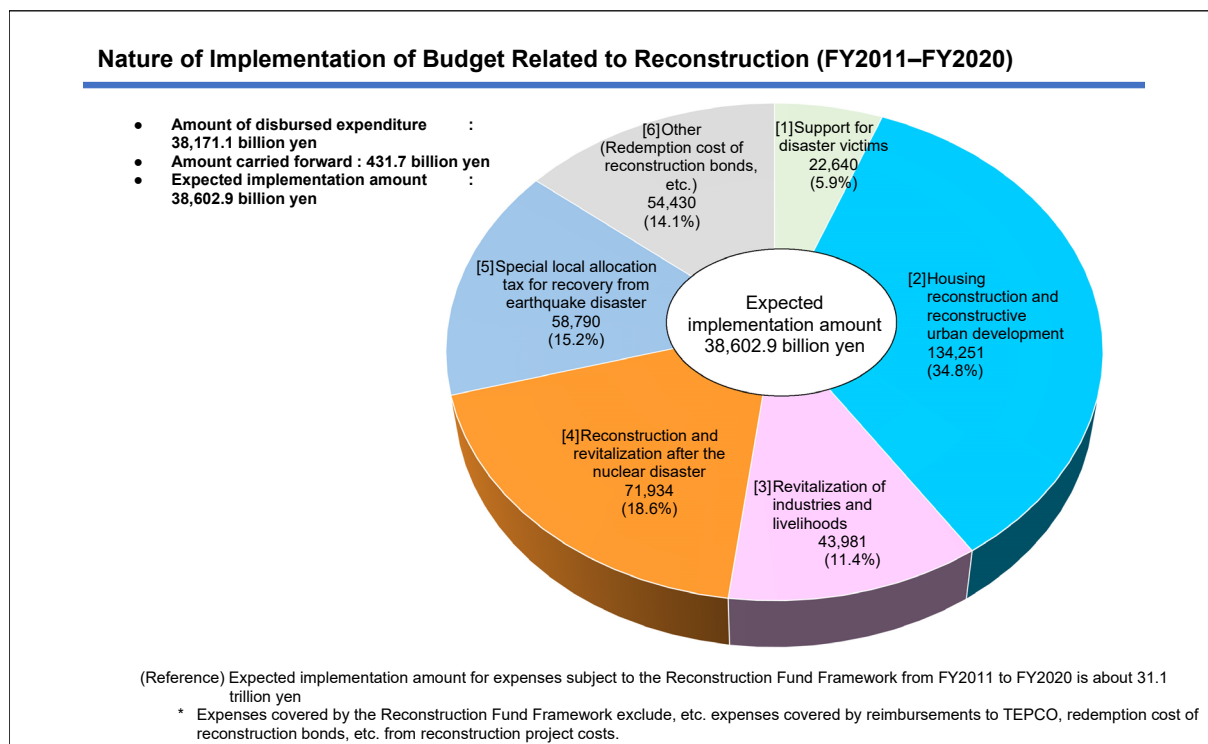
Regarding the status of implementation of the budget related to reconstruction from FY2011 to FY2020, 10 years after the earthquake, the expected implementation amount, including the amount carried forward in FY2020, is 38.6029 trillion yen.

The expected implementation amount by sector are as follows and as shown in the figure below.

- ① Support for disaster victims: 2.264 trillion yen
- ② Housing reconstruction and reconstructive urban development: 13.4251 trillion yen
- ③ Revitalization of industries and livelihoods: 4.3981 trillion yen
- ④ Reconstruction and revitalization after the nuclear disaster: 7.1934 trillion yen
- ⑤ Special local allocation tax for recovery from earthquake disaster*: 5.879 trillion yen
- ⑥ Other (redemption cost of reconstruction bonds, etc.): 5.443 trillion yen

* The “special local allocation tax for recovery from earthquake disaster” in ⑤ includes “special allocation tax.” The same applies in the figure below.

Figure 2-4-21 Nature of Implementation of Budget Related to Reconstruction



Source: the Reconstruction Agency, “FY2020 Status of Implementation of Budget Related to Reconstruction Following Great East Japan Earthquake” (July 30, 2021)

https://www.reconstruction.go.jp/topics/sozai/20210730_shikkoujiyoukyoukouhyou.pdf (browsed July 8, 2023)

Note that the status of implementation in each fiscal year is shown in the following table.

Figure 2-4-22 Status of Implementation of Budget Related to Reconstruction by Fiscal Year

Status of Implementation of Budget Related to Reconstruction (FY2011–FY2020)					
(Unit: 100 million yen)					
Category	Actual amount of expenditure budget	Expected implementation amount (Expected implementation rate)	Amount of disbursed expenditure (Implementation rate)	Amount carried over in the following fiscal year (Carryover rate)	Amount of disuse (Disuse rate)
FY2011	148,243	137,209 (92.5%)	89,513 (60.4%)	47,695 (32.2%)	11,034 (7.4%)
FY2012	97,402	85,161 (87.4%)	63,131 (64.8%)	22,030 (22.6%)	12,240 (12.6%)
FY2013	75,089	68,171 (90.7%)	48,566 (64.7%)	19,604 (26.1%)	6,917 (9.2%)
FY2014	62,542	53,273 (85.2%)	37,921 (60.6%)	15,352 (24.6%)	9,268 (14.8%)
FY2015	56,328	51,209 (90.9%)	37,098 (65.9%)	14,111 (25.1%)	5,118 (9.1%)
FY2016	46,345	41,036 (88.5%)	29,609 (63.9%)	11,426 (24.7%)	5,309 (11.5%)
FY2017	33,082	29,217 (88.3%)	21,875 (66.1%)	7,341 (22.2%)	3,865 (11.7%)
FY2018	27,556	24,819 (90.1%)	18,680 (67.8%)	6,139 (22.3%)	2,736 (9.9%)
FY2019	27,714	24,897 (89.8%)	16,770 (60.5%)	8,126 (29.3%)	2,817 (10.2%)
FY2020	25,001	22,861 (91.4%)	18,544 (74.2%)	4,317 (17.3%)	2,139 (8.6%)

* As figures are rounded down to the nearest unit, totals may not match up.
 * Expected implementation rate, implementation rate, carryover rate and disuse rate are percentages of the actual amount of expenditure budget.

Amount of disbursed expenditure (FY2011-FY 2025)	38,171.1 billion yen
Expected implementation amount (FY2011-FY 2025)	38,602.9 billion yen

Source: the Reconstruction Agency, “FY2020 Status of Implementation of Budget Related to Reconstruction Following Great East Japan Earthquake” (July 30, 2021)

https://www.reconstruction.go.jp/topics/sozai/20210730_shikkoujyoukyoukouhyou.pdf (browsed July 8, 2023)

Figure 2-4-23 Breakdown of Status of Implementation of Budget Related to Reconstruction

Breakdown of Status of Implementation of Budget Related to Reconstruction (FY2011–FY2020)													
Category											(Unit: 100 million yen)		
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020		(FY2011–FY2020)	
	Amount of disbursed expenditure									Amount of disbursed expenditure	Expected implementation amount	Amount of disbursed expenditure	Expected implementation amount
[1] Support for disaster victims	12,244	3,523	1,398	963	1,014	847	969	660	540	377	478	22,539	22,640
[2] Housing reconstruction and reconstructive urban development	17,423	26,544	18,020	13,820	12,457	11,250	9,866	8,138	6,968	6,269	9,760	130,760	134,251
[3] Revitalization of industries and livelihoods	27,204	5,415	4,846	1,116	1,440	1,108	816	805	648	401	577	43,804	43,981
[4] Reconstruction and revitalization after the nuclear disaster	9,775	3,690	5,805	8,263	8,009	10,992	6,990	5,092	4,768	7,997	8,545	71,386	71,934
[5] Special local allocation tax for recovery from earthquake disaster	21,408	6,704	5,771	4,116	4,415	3,429	2,543	3,252	3,750	3,398	3,398	58,790	58,790
[6] Other (redemption cost of reconstruction bonds, etc.)	1,457	17,253	12,723	9,640	9,761	1,980	689	731	93	100	100	54,430	54,430
Total	89,513	63,131	48,566	37,921	37,098	29,609	21,875	18,680	16,770	18,544	22,861	381,711	386,029

*1 As figures are rounded down to the nearest unit, totals may not match up.
 *2 Figures are for the general account budget for FY2011 (reserve fund and First through Third Supplementary Budgets) and the special account for reconstruction budget for FY2012 to FY2020.
 *3 Includes carryover due to the abolition of the National Forest Project Special Committee and the Social Infrastructure Development Project Special Account.
 *4 Figures include reimbursable expenses, etc.
 *5 Expected implementation amounts include amounts carried forward in the following fiscal year.

Source: the Reconstruction Agency, “FY2020 Status of Implementation of Budget Related to Reconstruction Following Great East Japan Earthquake” (July 30, 2021)

https://www.reconstruction.go.jp/topics/sozai/20210730_shikkoujiyoukyoukouhyou.pdf (browsed July 8, 2023)

(3) Main Evaluation and Issues for Budget Related to Reconstruction

1) Evaluation of Budget Related to Reconstruction

In the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake after the “Reconstruction and Revitalization Period” decided on by the Cabinet on December 20, 2019, the following was cited as results: “A Special Account for Reconstruction after the Great East Japan Earthquake was established...[omitted]...unprecedented generous financial support was provided to local governments...[omitted]...This made it possible for disaster-affected local governments to undertake reconstruction projects with peace of mind and contributed to the acceleration of reconstruction.”

On the other hand, at a meeting of the Expert Committee on the Reflection on the Past Decade of Reconstruction Policy Following the Great East Japan Earthquake (hereinafter “Expert Committee”) there were opinions that it was necessary to consider a balance with prioritizing a sense of speed with respect to determining the extent to which the budget for reconstruction projects should be transferred to local governments and the extent to which it would be difficult to explain the budget if the national government did not provide direction. There were also opinions that tax revenues carry the wishes of the people, and that it was necessary to verify a democratic process to determine who should decide how to use them and by what process, and how to incorporate the wishes of local communities.¹⁸¹⁹

¹⁸ Comments by Chair Akiike at the Second Meeting of the Expert Committee (December 5, 2022).

¹⁹ Comments by Deputy Chair Masuda at the Second Meeting of the Expert Committee.

2) Implementation rate of Budget Related to Reconstruction

With regard to the implementation rate of the budget related to reconstruction, since the implementation rate between FY2011 and FY2019 was in the 60% range, the low implementation rate has been pointed out at Diet meetings, in newspaper reports and so forth every year.^{20,21} On this point, the following findings by the Board of Audit of Japan were pointed out as well: “With regard to projects implemented through the provision of national subsidies, etc., the national government should fully grasp the intentions and requests of the specified disaster-affected municipalities and the prospects of rebuilding the livelihoods of the disaster victims, and provide information, advice, and other efforts for the steady execution of the projects.”²²

This level of implementation rate is attributable to the fact that recovery and reconstruction projects, such as infrastructure development, often require an unexpected number of days to coordinate between projects, etc. as multiple projects are implemented in the same disaster-affected area in order to achieve reconstruction as quickly as possible, and that largely for this reason, budget carryover tends to occur by nature. Therefore, when considering the progress of reconstruction projects, it is necessary to look not only at the implementation rate, which is the ratio of disbursed expenditure to the actual amount of expenditure budget, but also at the expected implementation rate including carryover. The expected implementation rate is about 90% every year. (Moreover, for recovery and reconstruction projects such as infrastructure development, which are particularly prone to budget carryover, as it is vital to facilitate the further acceleration of reconstruction, a “Task Force for Accelerating Housing Reconstruction and Reconstructive Urban Development” was established under the Minister for Reconstruction, consisting of director-general level members from relevant ministries and agencies. This accelerated the reconstruction projects by taking concrete measures to address issues such as the handling of land whose owner is unknown, adjustment of buried cultural properties, shortage of materials and poor bidding.)

On this point, at the meeting of the House of Councillors Special Committee on Reconstruction after the Great East Japan Earthquake on April 9, 2021, relative to the observation that, from the viewpoint of fiscal democracy, the principle of the single-year budget principle, that being the fact that the Diet controls the budget and the budget is routinely carried over to the next year, is not desirable because it may lead to speculation that unnecessary budget has been allocated, the Minister for Reconstruction stated that, in light of reconstruction-related budgets tending to be carried over in nature, he would like the budget to be examined with the expected implementation rate including that carry-over, and that it is necessary to apply constant effort to keep on verifying whether there is any wasteful budget.²³

Moreover, the disuse rate is about 10% every year. The largest proportion of this is accounted for by the reserve fund for accelerating reconstruction and revitalizing Fukushima, which is set aside to prepare for budget shortfalls that are hard to foresee. Further, the amount of disuse is allocated to the next fiscal year’s revenue as surplus in the special account so that the financial resources are utilized for disaster-affected areas.

3) Problem with Diversion of Budget Related to Reconstruction and Stricter Use

Article 1 of the Basic Act on Reconstruction in Response to the Great East Japan Earthquake (Act No. 76 of 2011) prescribes the purpose of the Act as “to promote smooth and prompt reconstruction from the Great East Japan Earthquake and revitalize a vibrant Japan.” In light of this, the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake (decided by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011) stipulated that the national government would implement the following measures:

- (イ) Measures for the recovery and reconstruction of the disaster-affected areas and the revitalization of the lives of the disaster victims
- (ロ) Measures that should be urgently implemented as an integral part of the recovery and reconstruction of disaster-affected regions in areas closely related to the disaster-affected regions, such as regions to which disaster victims are evacuated to, or areas where significant adverse effects of the disaster have affected socioeconomic conditions

²⁰ 204th Diet (House of Councillors) Special Committee on Reconstruction after the Great East Japan Earthquake, No. 4, April 9, 2021, Mitsuko Ishii, etc.

²¹ Asahi Shimbun, July 30, 2021, “31 trillion yen execution for earthquake reconstruction; remarkable ‘disuse’ in non-physical infrastructure projects,” etc.

²² “Report on the results of the audit on the status of implementation, etc. of projects for reconstruction, etc. following the Great East Japan Earthquake (summary)” (Board of Audit of Japan, April 2017)

²³ 204th Diet (House of Councillors) Special Committee on Reconstruction after the Great East Japan Earthquake, No. 4, April 9, 2021, response to Mitsuko Ishii by Minister for Reconstruction Hirasawa

- (ハ) Among measures similar to those mentioned above, measures for elements such as disaster prevention and mitigation with immediate effect, which need to be urgently implemented nationwide and which should be undertaken based on lessons learned from the Great East Japan Earthquake

As the above shows, projects falling under (□) or (ハ) were originally intended to be carried out in areas other than the disaster-affected areas from the viewpoint of revitalizing the Japanese economy in the Basic Guidelines. However, part of the financial resources for reconstruction, which were to be widely burdened by the public, were allocated to projects that had little to do with reconstruction in disaster-affected areas, leading to criticism that they were “diverted.” In response, on November 15, 2012, the House of Representatives Committee on Audit and Oversight of Administration unanimously passed a resolution on the use of the Great East Japan Earthquake reconstruction budget, stating that: “It became clear that while budget measures for business reconstruction and medical care in the disaster-affected areas were not executed smoothly, thereby hindering reconstruction, related ministries and agencies were implementing projects that were not considered to be directly useful for reconstruction in those areas, such as projects targeting areas other than disaster-affected areas, in various forms. This improper budget implementation resulted from the budget requests for projects with weak ties to the disaster-affected areas by the ministries in charge of the projects and from the results of the Ministry of Finance’s formal assessment as well as from the failure of the three highest ranks in the Ministry to supervise. We have therefore reached the conclusion that the following improvements should be required.”

The National Disaster Prevention Project, etc. was also included in the “new budget screening” by the Government Revitalization Unit held from November 16 to November 18, 2012. At the time, it was cited in evaluation results that as a general rule, public information and awareness-raising activities should not be allowed in the Special Account for Reconstruction (the postponement of allocating promotion of a national movement in the wake of the Great East Japan Earthquake (nationwide disaster prevention) to the Special Account for Reconstruction), that public works projects for national disaster prevention should be allowed to be allocated to the Special Account for Reconstruction on an exceptional basis only if the need to respond to *issues* with tsunamis has been newly recognized based on the lessons learned from the Great East Japan Earthquake or if those projects are extremely urgent and have an immediate effect and that seismic retrofitting for national disaster prevention should generally be limited to those that meet certain conditions, such as emergency seismic retrofitting of facilities that function as evacuation shelters during the earthquake and are involved in ensuring the safety of children, and should be handled using the Special Account for Reconstruction after being narrowed down to that effect.²⁴

Against this background, at the meeting of the Reconstruction Promotion Council on November 27, 2012, the “Basic Approach Towards Future Reconstruction-Related Budget” was presented, and it was set forth that “as a general rule, only the measures listed in (イ) in the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake shall be allocated to the Special Account for Reconstruction after the Great East Japan Earthquake, and that in principle, the measures listed in (□) and (ハ) shall not be allocated to the Special Account for Reconstruction after the Great East Japan Earthquake.”

Specifically, among the budgets under the jurisdiction of the Cabinet Office and each Ministry, those excluding the budgets for disaster-affected areas (budgets directly linked to the recovery and reconstruction of disaster-affected areas; same applies hereinafter in this Section), the reconstruction reserve fund, the reconstruction bond fund and the special local allocation tax for recovery from earthquake disaster (hereinafter “nationwide budget” in this Section) were not to be allocated to the Special Account for Reconstruction after the Great East Japan Earthquake, except for ① public works projects to respond to the technological issues newly recognized in response to the damage caused by the massive tsunami, which are implemented in districts under countermeasures for large-scale earthquakes with a view to encouraging quick evacuation, which is the biggest lesson learned from the Great East Japan Earthquake, and which will be completed during the concentrated reconstruction period,²⁵ and ② projects to make schools earthquake-resistant to ensure the safety of children, which are of particularly high urgency largely in light of their earthquake-resistant strength and immediate effect. However, even in the case of the nationwide budget (excluding ① and ②), for annual expenditures for projects that had already been contracted based on the budget appropriated in multiple Japanese fiscal years and that belong to the Special Account for Reconstruction after the Great East Japan Earthquake, it was unavoidable to continue to allocating those expenses to the Special Account for Reconstruction after the Great East Japan Earthquake as a transitional measure from the viewpoint of ensuring the legal stability of contracts.

Additionally, in light of the above viewpoint, it was decided to postpone the implementation of the 16.8 billion yen budget for 35 projects allocated in the third supplementary budget for FY2011 and the budget for FY2012. The list of projects is as follows:

²⁴ <https://warp.da.ndl.go.jp/info:ndljp/pid/9283589/www.cao.go.jp/sasshin/shin-shiwake2012/meeting/1116/1116index.html> (viewed July 8, 2023)

²⁵ Specifically, “measures against tsunami run-up in rivers, securing tenacious structures of coastal levees and breakwaters, earthquake-resistant measures, automation and remote control of floodgates, etc. and the addition of evacuation stairs to highland roads” are set forth.

Figure 2-4-24 List of Deferred Implementation Projects

(100 million yen)		
Jurisdiction over Implementation	Project Name	Amount of Implementation Suspended
Cabinet/Cabinet Office	Expenses for examining guidelines on important policies of the Cabinet	0.2
Cabinet/Cabinet Office	Expenditures for enhancing advanced information aggregation systems	0.1
Cabinet/Cabinet Office	Expenses for examining social inclusion	0.4
Ministry of Internal Affairs and Communications	Development of decentralized national government information systems	8
Ministry of Justice	Seismic measures for correctional facilities, etc.	1
Ministry of Justice	Development of a system for correctional treatment, etc. for reconstruction following the earthquake	1
Ministry of Justice	Enhancement and strengthening of human rights protection activities accompanying the earthquake	0.001
Ministry of Justice	Strengthening of the Ministry of Justice's disaster response capacity	6
Ministry of Foreign Affairs	Japanese brand instructor dispatch project costs	0.1
Ministry of Finance	National Tax Agency facility expenses (Seismic renovation of government buildings)	6
Ministry of Finance	Expenses for analysis, etc. of radioactive materials related to alcoholic beverages, etc.	0.1
Ministry of Education, Culture, Sports, Science and Technology	Comprehensive Support Project for Practical Disaster Prevention Education	0.01
Ministry of Health, Labour and Welfare	Disaster Support for people with developmental disabilities	0.5
Ministry of Health, Labour and Welfare	Support for clinical research, etc. conducted on an international level for the reconstruction of disaster-affected areas	1
Ministry of Health, Labour and Welfare	Disaster prevention measures at the Japan College of Social Work	3
Ministry of Health, Labour and Welfare	Development of clinical research core hospitals for reconstruction of disaster-affected areas	5
Ministry of Agriculture, Forestry and Fisheries	Support grants for rural revitalization projects	12
Ministry of Agriculture, Forestry and Fisheries	Earthquake disaster countermeasures for agricultural water facilities	15
Ministry of Economy, Trade and Industry	Project for advanced global management human resource development for SMEs	3
Ministry of Economy, Trade and Industry	Project for promotion of introduction of private power generation facilities	22
Ministry of Economy, Trade and Industry	Lifeline material supply network resilience demonstration project	8
Ministry of Economy, Trade and Industry	Disaster response core gas station development project	1
Ministry of Land, Infrastructure, Transport and Tourism	Project for strengthening disaster prevention functions of government buildings (Port and nationwide disaster prevention)	0.4
Ministry of Land, Infrastructure, Transport and Tourism	Improvement of two-dimensional waterway for coastal disaster prevention	0.4
Ministry of Land, Infrastructure, Transport and Tourism	Energy-saving and power-saving measures for government facilities contributing to disaster prevention	1
Ministry of Land, Infrastructure, Transport and Tourism	Reinforcement of observation and monitoring systems for earthquakes, tsunamis, etc.	0.3
Ministry of Land, Infrastructure, Transport and Tourism	Preservation, reinforcement, etc. of national crisis management system	3
Ministry of Land, Infrastructure, Transport and Tourism	Seismic reinforcement, etc., of government buildings, etc. (for nationwide disaster prevention; under direct control)	6
Ministry of Land, Infrastructure, Transport and Tourism	Strengthening of disaster prevention functions of government facilities	49
Ministry of Land, Infrastructure, Transport and Tourism	Project for seismic countermeasures for control centers, control towers, etc. (for nationwide disaster prevention)	1
Ministry of the Environment	Preparation expenses for the establishment of Nuclear Regulation Authority	2
Ministry of the Environment	Emergency project for saving electricity and improving power security (Emergency project for developing cogeneration systems at hospitals, etc.)	2
Ministry of the Environment	Project for promotion of radioactive material monitoring (Deployment of portable monitoring posts, etc.)	9
Ministry of the Environment	Relocation of Nuclear Protection Office and establishment of regional environmental offices in line with establishment of Nuclear Regulation Authority	1
Ministry of the Environment	Preparation of disaster prevention mobile phones and disaster prevention clothes in line with establishment of Nuclear Regulation Authority	1
35 projects		168

Source "Basic Approach Towards Future Reconstruction-Related Budget" Attachment

Source: https://www.reconstruction.go.jp/topics/20121127_hukkouyosannokangaekata.pdf (browsed July 8, 2023)

After the change in the administration at the end of 2012, at the meeting of the Reconstruction Promotion Council held on January 10, 2013, the Prime Minister issued the following instructions: “It is necessary to correct the current situation in which there is no active movement to make reconstruction visible and promote it toward the creation of a new Tohoku” and “Review the reconstruction budget framework of 19 trillion yen over five years to dispel concerns about securing the budget and simultaneously tighten the use of funds so as not to invite criticism for misappropriation, etc.” In light of this, the nationwide budget for the FY2013 Special Account for Reconstruction was reviewed, including reducing the budget for nationwide disaster prevention projects by 127.4 billion yen, a decrease of 355.3 billion yen from 482.7 billion yen in the previous year.

In addition, at the time of the tightening of the use of funds in November 2012 under the previous administration, because funds already disbursed by the national government were excluded from the scope of the tightening, funds for conducting nationwide projects that were formed in the third supplementary budget for FY2011 and the initial budget for FY2012 was also excluded from the scope of the tightening at that time. However, the economic situation at that time had changed significantly from that immediately after the earthquake, and based on the approach that the reconstruction-related budget should basically directly contribute to the recovery and reconstruction of the disaster-affected areas, it was decided to further tighten the use of those funds in July 2013.²⁶

Specifically, for 142.8 billion yen out 23 projects spanning 16 funds (1,157 billion yen in budget implementation by the national government)²⁷ excluding projects that were already implemented or deemed to have already been implemented, the decision was made to issue a request to the ministers with jurisdiction over the funds to ① limit the use to disaster-affected areas or projects for disaster victims (41.2 billion yen) and ② postpone implementation using the funds and return them to the national government (101.7 billion yen).

Figure 2-4-25 Status of Implementation of Funds

Status of Implementation of Funds					
(Unit: 100 million yen)					
Amount of fund formation by organizations establishing funds (Amount of budget implemented by national government)		Projects that were already implemented or deemed to have	Deduction	[1] Disaster-affected areas / disaster victims only	[2] Expected refund amount
11, 570		△10, 142	1, 428	412	1, 017
Cabinet Office	37	△23	14	6	8
Ministry of Education, Culture, Sports, Science and Technology	189	△179	11	3	7
Ministry of Health, Labour and Welfare	2, 785	△2, 519	267	144	122
Ministry of Agriculture, Forestry and Fisheries	1, 536	△1, 060	476	151	325
Ministry of Economy, Trade and Industry	5, 576	△5, 022	554	–	554
Ministry of Land, Infrastructure, Transport and Tourism Ministry of the Environment	1, 446	△1, 339	107	107	–

* The expected refund amount is as of the end of May 2013 and may fluctuate. Also, as figures for each are rounded off to the nearest unit, totals may not match up.

Source: “Enforcement of Stricter Use of ‘Funds for Nationwide Projects’ Formed Using Budget Related to Reconstruction” (Press release by the Reconstruction Agency dated July 2, 2013)

https://www.reconstruction.go.jp/topics/m13/07/20130702_kikin.pdf (browsed July 8, 2023)

²⁶ “Enforcement of Stricter Use of ‘Funds for Nationwide Projects’ Formed Using Budget Related to Reconstruction” (Press release by the Reconstruction Agency dated July 2, 2013)

²⁷ Projects that are found to have been substantially implemented, such as those for which a decision on issuing funds has already been made, those for which contracts have already been made or those for which a decision on implementation of the project has been made by the local assembly

Figure 2-4-26 Status of Implementation of “Funds for Nationwide Projects” Formed Using Budget Related to Reconstruction

Status of Implementation of “Funds for Nationwide Projects” Formed Using Budget Related to Reconstruction						
(Unit: 100 million yen)						
Fund Name	Project Name	Amount of fund formation by organizations	Projects that were already implemented or deemed to have already been implemented	Deduction	Disaster-affected areas / disaster victims only [1]	Expected refund amount [2]
		11,570	△ 10,142	1,428	412	1,017
[Cabinet Office]		37	△ 23	14	6	8
Community Suicide Prevention Emergency Strengthening Fund	Promotion of mental care measures, etc. for disaster victims	37	△ 23	14	6	8
[Ministry of Education, Culture, Sports, Science and Technology]		189	△ 179	11	3	7
High School Student Academic Support Fund (Temporary Special Grants for Support for High School Tuition Reduction and Exemption Programs, Etc.)	<ul style="list-style-type: none"> Tuition reduction and exemption programs Admission fee reduction and exemption programs Scholarship programs 	189	△ 179	11	3	7
[Ministry of Health, Labour and Welfare]		2,785	△ 2,519	267	144	122
Temporary Special Fund for Emergency Job Creation Projects	<ul style="list-style-type: none"> Social Inclusion/Kizuna Regeneration Project Project for Supporting Reconstruction of Livelihoods for Disaster Public Assistance Recipients Development of special loan system for livelihood welfare loans Personal Support Services Model Project 	367	△ 288	79	68	11
	Project for Emergency Employment Response upon Earthquakes and Other Disasters	2,000	△ 1,892	108	76	32
Emergency Human Resource Development and Employment Support Fund	New Graduate Employment Realization Project	235	△ 156	79	—	79
Temporary Special Fund for improvement of earthquake-resistant of Social Welfare Facilities, Etc.	Strengthening of disaster prevention measures at social welfare facilities, etc.	27	△ 27	0.03	0.03	—
Temporary Special Fund for improvement of earthquake-resistant of Medical Facilities	Strengthening disaster prevention measures at medical facilities	156	△ 156	—	—	—
[Ministry of Agriculture, Forestry and Fisheries]		1,536	△ 1,060	476	151	325
Anomaly Compensation Reserve Fund	Project for Stabilization of Compound Feed Prices	97	△ 97	—	—	—
Forest Development Acceleration and Forestry Revitalization Fund	Forest Development Acceleration and Forestry Revitalization Project	1,399	△ 943	456	131	325
Fishery Management Safety Net Construction Project Fund	Fishery Management Safety Net Construction Project	40	△ 20	20	20	—
[Ministry of Economy, Trade and Industry]		5,576	△ 5,022	554	—	554
Human Resource Measure Fund	SME Human Resource Measure Project	25	△ 11	14	—	14
Environmentally-Friendly Vehicle Popularization Promotion Fund	Subsidy for Industrial Technology R&D Center Location Promotion Project Costs	490	△ 332	158	—	158
	Subsidy for Domestic Location Promotion Project Costs	2,950	△ 2,747	203	—	203
	Subsidy for Thermal Power Generation Operation Facilitation Measure Costs	90	△ 82	8	—	8
	Subsidy for Energy Management System Introduction Promotion Project Costs	300	△ 248	52	—	52
	Subsidy for Stationary Lithium-Ion Storage Battery Introduction Promotion Project Costs	210	△ 156	54	—	54
	Subsidy for Building Power-Saving Renovation Support Project Costs	150	△ 103	47	—	47
Environment and Safety Measures Fund	Project for Underground Tank Environmental Conservation Promotion Project in Disaster-Affected Areas	87	△ 73	14	—	14
Support Fund for Introduction of Residential Photovoltaic Power Generation	Subsidy for Fund Formation Project Costs for Reconstruction Measures to Support Introduction of Photovoltaic Power Generation for Residential Use	870	△ 870	—	—	—
	Subsidy for Fund Formation Project Costs for Reconstruction Measures to Promote Advance Propagation of Photovoltaic Power Generation for Residential Use	324	△ 324	—	—	—
Fund for Promoting the Introduction of Energy-Saving Equipment	Renewable Energy Feed-in Tariff Program Implementation Project	70	△ 70	—	—	—
Shizuoka Prefecture Social and Environmental Infrastructure Development Fund	Grants for Measures to Improve, Etc. Facilities Using Hot Wastewater	10	△ 7	3	—	3
[Ministry of Land, Infrastructure, Transport and Tourism/Ministry of the Environment]		1,446	△ 1,339	107	107	—
Environmentally-Friendly Housing Popularization Promotion Fund	Environmentally-Friendly Housing Popularization Promotion Project	1,446	△ 1,339	107	107	—

Source: “Enforcement of Stricter Use of ‘Funds for Nationwide Projects’ Formed Using Budget Related to Reconstruction” (Press release by the Reconstruction Agency dated July 2, 2013)

https://www.reconstruction.go.jp/topics/m13/07/20130702_kikin.pdf (browsed July 8, 2023)

Note that in the “Overview of Concentrated Reconstruction Period and Nature of Recovery and Reconstruction Projects from FY2016” (the Reconstruction Agency, May 2015), it was established that the nationwide budget, in which nationwide disaster prevention projects and other items had been exceptionally allocated to the Special Account for Reconstruction, would not be allocated in and after FY2016 from the viewpoint of stricter use of reconstruction funds.

3. Tax Systems

(1) Background of Tax Measures after the Great East Japan Earthquake

In light of the fact that the foundations of living and business were completely lost in a wide area due to the Great East Japan Earthquake, it was decided that necessary measures should be taken for cases such as those where it is deemed inappropriate to apply the current tax system as it is in light of the actual situation of the disaster-affected taxpayers including disaster victims and the disaster-affected enterprises. Regarding the details of the measures, the Ministry of Finance and the Ministry of Internal Affairs and Communications took the lead in examining those details, including delving into measures with greater depth compared to the response to the Great Hanshin-Awaji Earthquake.

Based on these results, the national tax system was improved two times and the local tax system was improved three times during FY2011. Consequently, a framework of special tax measures for the reconstruction from the Great East Japan Earthquake came to be systematically established through the establishment and amendment of the Act on Temporary Special Provisions of Acts Related to National Tax, in Relation to Victims, etc. of the Great East Japan Earthquake (Act No. 29 of 2011; hereinafter “Act on Special Measures Concerning Earthquake Disaster”) and the amendment of the Local Tax Act (Act No. 226 of 1950).

Here, the background to the establishment of the framework of the Act on Special Measures Concerning Earthquake Disaster, etc. up to March 2012 and the main background since the FY2013 tax system reform are described separately.

1) Background Up to March 2012

a. Response Immediately After the Great East Japan Earthquake

ア) National tax

Since the Great East Japan Earthquake occurred with the deadline for filing and payment of income tax and gift tax (March 15, 2011) approaching, although the extent of the disaster remains unclear, the deadline for filing, payment, etc. was extended for taxpayers who pay taxes in the areas of Aomori, Iwate, Miyagi, Fukushima, and Ibaraki Prefectures as an immediate measure.²⁸

At the same time, it was also decided that taxpayers whose place of tax payment is located outside of these areas will be allowed to extend the deadline for filing returns, making payments, etc. if it is difficult to do so due to circumstances such as direct damage to their homes or other property or to the need to search for missing persons or respond to emergency situations for the sick and injured²⁹ (published on March 14, 2011).

In addition, donations raised by the Central Community Chest of Japan, etc. for relief activities of NPOs, volunteer organizations, etc. were designated as designated donations, and an environment was put in place in which it was easy for individuals and corporations to make donations for earthquake reconstruction.³⁰

イ) Local taxes

With regard to local taxes as well, as it is possible to extend the deadline for filing and payment of taxes or to reduce or exempt taxes based on the Local Tax Act and local ordinances, the national government issued a request to the effect that each local government should give consideration to the appropriate administration of local taxes for disaster victims. Additionally, in light of the fact that the disaster caused by the Great East Japan Earthquake was designated as a disaster of extreme severity, the national government simultaneously issued a request to the effect that it was possible to issue revenue deficit bonds for the amount of local tax revenue reduction or exemption

²⁸ Published on March 12, 2011

²⁹ Published on March 14, 2011

³⁰ National Tax Agency of the Ministry of Finance Notification No. 85 dated March 15, 2011

due to that disaster of extreme severity under Article 102 of the Basic Act on Disaster Management.³¹ Based on that, notification of the detailed treatment of individual tax items and other associated matters was reissued.³²

In addition, the national government notified that it is possible to flexibly handle the confirmation method of “hometown donations” related to the donation, etc. for the Tohoku Earthquake.³³

b. Tax Measures in Response to the Great East Japan Earthquake (Part 1) - Establishment of Act on Special Measures Concerning Earthquake Disaster (April 2011) -

As described in a., the national government promptly initiated measures in accordance with the current system. However, the Great East Japan Earthquake caused extensive damage over a wide area and had a scale and nature that could not be dealt with under a normal framework. For that reason, measures beyond those at the time of large-scale disasters in the past were considered.

At the meeting of the Tax Commission held on April 13, 2011 (first meeting held in FY2011), the “Tax Measures in Response to the Great East Japan Earthquake (National Tax/Part 1)” and “Tax Measures in Response to the Great East Japan Earthquake (Local Tax/Part 1)” were deliberated and approved except for the abolition of the trigger provisions for the gasoline tax, local gasoline tax and diesel oil delivery tax.³⁴ It was decided that the trigger clause would be left to the Chair and Deputy Chair of the Tax Commission. Eventually, the decision was made to temporarily suspend it.

Through the above, on April 19, 2011, the “Bill on Act on Temporary Special Provisions of Acts Related to National Tax, in Relation to Victims, etc. of the Great East Japan Earthquake” and the “Bill on Partial Amendment of the Local Tax Act” were submitted to the Diet, passed and enacted by the plenary session of the House of Councillors on April 27, and promulgated as Act No. 29 and Act No. 30 of 2011, respectively.

c. Local Tax Measures in Response to Nuclear Disaster - After July 2011 -

With regard to tax measures in response to the Great East Japan Earthquake, at the time the measures described in b. were taken, the measures to be addressed based on the tax system within overall reconstruction support measures were to be compiled at a later date.

In regard to this point, as the special measures for real estate and automobile-related taxes established under the partial amendment to the Local Tax Act promulgated in April 2011 required the loss or damage of assets, assets that had not been lost, damaged or so forth in evacuation zones, etc. due to the nuclear disaster were not subject to the special measures.

In order to address these issues, at the meeting of the Tax Commission held on July 15, 2011 (sixth meeting held in FY2011) the “Local Tax Measures in Response to the Great East Japan Earthquake (Nuclear Disaster)” was deliberated and approved.³⁵

Specifically:

- Special measures for assets in evacuation zones, etc. (Exemptions from taxation, etc. for FY2011 for land and houses in no-entry zones designated by the head of a municipality)
- It was established that local tax measures will be taken for special measures for substitute assets in no-entry zones (special measures for substitute residential land in no-entry zones, etc.).

Through the above, on July 22, 2011, the “Bill for Partial Amendment of the Local Tax Act and the Act on Special Fiscal Aid and Subsidies for Recovery from the Great East Japan Earthquake to Deal with the Disaster

³¹ Notice issued on March 14, 2011

³² Notice issued on March 28, 2011

³³ Notice issued on March 25, 2011

³⁴ List of materials of the First Meeting of Tax Commission in FY2011 (April 13)
<https://www.cao.go.jp/zei-cho/history/2009-2012/gijiroku/zeicho/2011/23zen1kai.html> (browsed July 26, 2023)

³⁵ List of materials of the Sixth Meeting of Tax Commission in FY2011 (July 15)
<https://www.cao.go.jp/zei-cho/history/2009-2012/gijiroku/zeicho/2011/23zen6kai.html> (browsed July 26, 2023)

Caused by the Nuclear Power Station Accident following the Great East Japan Earthquake” was submitted to the Diet, passed and enacted by the plenary session of the House of Councillors on August 5 and promulgated as Act No. 96 of 2011.

d. Tax Measures Based on Basic Guidelines for Reconstruction - From October 2011 -

With regard to the tax measures aimed at reconstruction following the Great East Japan Earthquake, the first series of tax measures (national tax and local taxes) was taken in April 2011 and the second series (local taxes) was taken in July that year. The status of examination of further measures was reported at the sixth meeting of the Tax Commission in FY2011 (held on July 15, 2011).

Subsequently, as the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake” were adopted as the basic policy based on Article 3 of the Basic Act on Reconstruction from the Great East Japan Earthquake (Act No. 76 of 2011: hereinafter “Basic Act for Reconstruction”), “Tax Measures for Reconstruction from the Great East Japan Earthquake (National Tax)” and “Tax Measures for Reconstruction from the Great East Japan Earthquake (Local Taxes)” were deliberated and approved at the tenth and eleventh meetings of the Tax Commission in FY2011.³⁶³⁷

Specifically, it was decided to promote tax measures such as special exemptions for housing loan deduction related to the re-acquisition of housing (additional requirements for the maximum amount and deduction rate for earthquake disaster victims) and the creation of tax systems for special reconstruction zones (including the special depreciation of business equipment, etc. associated with the creation of the special reconstruction zone system).

Through the above, on November 4, 2011, the “Bill for Partial Amendment of the Act on Temporary Special Provisions of Acts Related to National Tax, in Relation to Victims, etc. of the Great East Japan Earthquake” and the “Bill for Partial Amendment of the Local Tax Act” were submitted to the Diet, passed and enacted by the plenary session of the House of Councillors on December 7 and promulgated as Act No. 119 and Act No. 120 of 2011, respectively.

e. FY2012 Tax System Reform: From January 2012

With regard to Tax Measures for Reconstruction from the Great East Japan Earthquake, while bold measures were taken in the manner mentioned above, the nuclear disaster caused by the accident at the Fukushima Daiichi Nuclear Power Station, etc. was peculiar in that recovery and reconstruction took time. Plus, damage from harmful rumors occurred in addition to direct damage.

In response to this situation, a Bill on Special Measures for the Reconstruction and Revitalization of Fukushima was submitted to the Diet to ease the local requirements for enabling all municipalities in Fukushima Prefecture to make use of the special reconstruction zone tax system and establish a special depreciation and tax credit system for areas where evacuation orders have been lifted. The bill was passed and enacted by the plenary session of the House of Councillors on March 30, 2012, and was promulgated and enforced as Act No. 25 of 2012 on March 31, 2012. The “Outline of Tax Reform for FY2012” was decided on December 10, 2011. This outline included measures based on the Act on Special Measures for the Reconstruction and Revitalization of Fukushima (hereinafter “Fukushima Special Measures Act”) as well the inclusion of the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake as a corporation subject to the loan loss reserve system in order to resolve the double loan problem.

Through the above, the “Bill for Partial Amendment of the Act on Special Measures Concerning Taxation, etc.” and the “Bill for Partial Amendment of the Local Tax Act and the Act on Grants Distributed to Municipalities Where National Assets, etc. are Located” were submitted to the Diet on January 31, 2012, and January 31, 2012, respectively. Both bills were passed and enacted by the plenary session of the House of Councillors on March 30, 2012 and promulgated as promulgated as Act No. 16 and Act No. 17 of 2012, respectively.

³⁶ Decision issued by the Reconstruction Headquarters in Response to the Great East Japan Earthquake on July 29, 2011

³⁷ Held on October 4 and October 11, 2011

2) Major Developments Since FY2013 Tax System Reform

a. FY2013 Tax Reform

- ① In the disaster-affected areas, housing estates were being developed to relocate residential areas from tsunami-hit districts to safe upland and other areas through the disaster prevention collective relocation promotion project, etc. However, cases arose in which it was difficult to gain the understanding of the landowners of the land to which the housing estates were relocated, thereby hindering the acquisition of project sites. In view of the fact that there is little land suitable for project sites to begin with and that it is difficult to secure alternative sites by selecting sites based on the wishes of residents, landowners perceive the project to be substantially similar to expropriation, and that sense of unfairness has arisen among disaster victims regarding the existence of taxation. Based on this and other factors, a special deduction of 50 million yen was established for capital gains related to the purchase of land in disaster prevention collective relocation promotion projects that meet certain requirements in order to acquire relocation sites and promote the project smoothly and speedily.
- ② In order not to delay the re-acquisition of housing by the disaster victims due to the increased burden associated with the consumption tax hike, the housing loan tax reduction for the acquisition, etc. of reconstructed housing was enhanced beyond the general housing loan tax reduction. Specifically, the maximum deduction for the housing loan tax reduction was to be raised from 3.6 million yen to 6 million yen in the event that the victims of the Great East Japan Earthquake newly acquire, etc. reconstructed housing between April 1, 2014 and the end of 2017.
Furthermore, for disaster victims, it is necessary to avoid the imbalance of burdens caused by external factors, such as the designation of areas for reconstructive urban development and the timing of the development of residential land, by taking appropriate payment measures in addition to the enhancement of housing loan tax reduction measures. For this reason, support measures were taken through the “Housing Reconstruction Benefits.”
- ③ With regard to Fukushima, in order to promote the attraction of companies to areas where evacuation orders have been lifted, etc., it was decided that the tax credit system for employment of disaster victims in those areas and the system allowing immediate write-offs and tax credits for capital investment could be applied by companies that newly enter such areas.
- ④ To enable the application of the same measures as the corporate revitalization tax system to business revitalization supported by the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake and the Industrial Reconstruction Organization, special provisions for deductible losses were reorganized into special provisions for valuation gains and losses.

b. FY2014 Tax Reform

Based largely on a proposal made by the Governor of Miyagi Prefecture to relax the requirements for application based on Article 11 of the Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake (Act No. 122 of 2011; hereinafter “Act on Special Zones for Reconstruction”), the requirements for the reserve fund for reinvestment under the special reconstruction zone system were relaxed from the standpoint of helping to attract existing and new enterprises. Simultaneously, other efforts such as the extension of the system for the immediate depreciation of business assets and the enhancement of the system for the special depreciation of prime rental housing (revision, etc. of the requirements so that high-quality rental housing for disaster victims eligible for application includes those with independent parts for single persons) in order to secure housing for disaster victims were carried out.

c. FY2015 Tax Reform

- ① In order to make it easier for business operators who intend to resume operations after returning to areas where evacuation orders have been lifted, etc. in Fukushima Prefecture to accumulate investment costs, the Fukushima Resumption Investment Reserve System was established. This allows them to include in deductible expenses the reserve funds that have been set aside to cover expenditures required for the construction of new facilities, etc. to be used for their operations.
- ② From the viewpoint of accelerating the reconstruction and revitalization of the disaster-affected areas, such as

promoting the return of residents, a special deduction of 50 million yen, etc. was made applicable to capital gains related to the purchase of land, etc. through city planning projects related to the “Collective Urban Development Facility for Fukushima Reconstruction and Revitalization Base.”

- ③ In light of the change in the timing of the consumption tax hike, it was decided to extend the eligibility period for the enhanced tax reduction for housing loans to victims of the Great East Japan Earthquake in relation to the acquisition of reconstructed housing, etc. by one and a half years until June 30, 2019. Additionally, it was decided to extend the exemption of gift tax for victims of the Great East Japan Earthquake who received a donation of funds for housing acquisition, etc. until June 30, 2019. Simultaneously, enhancements such as the establishment of the tax exemption limit for the period when the tax rate of consumption tax, etc. included in the amount of consideration or expenses for housing acquisition, etc. is 10% were made.

d. FY2016 Tax Reform

- ① The “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake During the ‘Reconstruction/Revitalization Period’”³⁸ stated that, in the reconstruction and revitalization period from FY2016 onward, the aim was to realize reconstruction that would lead to the “self-reliance” of the affected areas and serve as a model for regional revitalization. In terms of tax systems as well, it was decided to continue support based on the progress of reconstruction, and the special tax measures for special reconstruction zones, etc. were extended following a review of certain requirements.
- ② From the perspective of supporting infrastructure development in disaster-affected areas, a special measure concerning registration and license tax was established in cases of land exchange conducted in order to utilize the land left after relocation under the disaster prevention collective relocation promotion project.

e. FY2019 Tax Reform

- ① Regarding the tax system for special reconstruction zones, exclusively for tsunami disaster-affected areas, the special depreciation rate, etc. of special measures were not lowered in FY2019 and FY2020, but were expanded to the same level as before.
- ② With regard to the Fukushima Special Measures Act, the applicable period of special measures such as the special depreciation of machinery and equipment, which are taken for the resumption of business by businesses affected by the disaster and the promotion of new business locations in areas where evacuation orders have been lifted and other areas, has been extended to seven years after the lifting of the evacuation order. Additionally, special measures for taxation of long-term capital gains and a special deduction of 15 million yen were established for the transfer of land, etc. to corporations promoting the development of return environments as prescribed under the Fukushima Special Measures Act in certain areas where evacuation orders have been lifted as well as measures to reduce the tax rate for registration and license tax and special measures for tax base for real estate acquisition tax, fixed asset tax and city planning tax.

f. FY2021 Tax Reform

As nearly 10 years have passed since the Great East Japan Earthquake, the following measures were taken in order to continue to support reconstruction based on the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake During the ‘Reconstruction/Revitalization Period’”³⁹ and the progress of reconstruction:

- ① With regard to the tax system for special reconstruction zones, based on the prioritization placed on coastal districts, etc. as the target districts, the applicable time limit of special depreciation and tax credit for machinery and equipment, etc., tax credit in cases of employing disaster-affected employees, etc., special depreciation, etc. of assets for development and research and tax system for promotion of new locations was extended for three years. Additionally, special depreciation, etc. in cases of acquiring high-quality rental housing for disaster victims and the extra depreciation system for high-quality rental housing for disaster victims were abolished.
- ② Special provisions concerning the promotion of the Fukushima Innovation Coast Framework for 15 municipalities in the Fukushima International Research and Industrial City Area (including special depreciation and tax credits for machinery and equipment, etc. and tax credits in cases of employing employees subject to evacuation, etc.) and special provisions concerning specified business activities to deal with the impact of specified harmful rumors on business management (special depreciation and tax credits for machinery and equipment, etc. and tax credits in cases employing disaster-affected employees, etc. in Fukushima Prefecture) were established.

³⁸ Cabinet decision of March 11, 2016

³⁹ Cabinet decision of December 20, 2019

- ③ Regarding the special depreciation system for disaster-affected substitute assets, etc., the content of measures to reduce, etc. eligible assets was reviewed, and the applicable time limit was extended for two years.

(2) Individual Special Measures

The special tax system measures taken towards reconstruction following the Great East Japan Earthquake encompass a wide range, including support for rebuilding the livelihoods of disaster victims, support for livelihood reconstruction for disaster victims and disaster-affected businesses, support for industrial reconstruction in disaster areas and support for accelerating urban development projects, etc. carried out in disaster-affected areas. This Section provides an overview of the special measures for disaster victims and disaster-affected areas, focusing on those whose grounds are prescribed in the Act on Special Measures Concerning Earthquake Disaster and the Local Tax Act. It then describes the detailed history up to FY2020 of the major special tax system measures under the jurisdiction of the Reconstruction Agency, which plays the role of the control tower for reconstruction measures.

1) Special Measures for Disaster Victims and Disaster-Affected Areas (National Tax-Related)

a. Income Tax-Related

㍿) Special provision for casualty loss deduction (Article 4 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - In cases of losses due to a disaster, etc., of housing and household goods owned by residents or their spouse, etc. (including disaster-related expenditures.), an income deduction can be made as a casualty loss deduction in the calculation of income tax for the year in which the losses due to the disaster, etc. occurred by choosing to receive a reduction exemption under the Act on Reduction or Release, Deferment of Collection and Other Measures Related to Tax Imposed on Disaster Victims (Act No. 175 of 1947; hereinafter “Disaster Exemption Act”). However, based largely on the fact that the damage caused by the Great East Japan Earthquake was extremely severe and occurred during the income tax return period for 2010, the casualty loss deduction for the amount of losses due to the Great East Japan Earthquake can be applied to income tax for 2010.
- Main background
 - April 2011
Establishment of system
 - December 2011
Regarding disaster-related expenditures subject to casualty loss deductions, disaster-related expenditures were supposed to have been made up to one year from the date on which the disaster ceased. However, in cases of large-scale disasters such as the Great East Japan Earthquake, as it can also be envisioned that disbursements are made for more than one year, disaster-related expenditures were expanded to those made up to three years from the date on which the disaster ceased.
 - March 2014
Since reconstruction projects for the Great East Japan Earthquake have not yet been completed in some districts, a measure was established to allow deductions for casualty losses to be applied in cases where special provisions could not be used up to three years after the occurrence of the disaster due to the status of reconstruction projects or other unavoidable circumstances and where expenses for restoration were incurred up to three years from the day following the date on which those unavoidable circumstances ceased (Article 4, paragraph (3) of the Act on Special Measures Concerning Earthquake Disaster).

イ) Special provision for carryover deduction of casualty loss (Article 5 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - Regarding losses arising from disasters, etc., if there is an amount that cannot be fully deducted using the casualty loss deduction, it was possible to carry forward the losses for three years from the year following the year in which they arose. However, with losses arising from the Great East Japan Earthquake, as the damage was so severe that the foundations of livelihoods in a wide area were completely lost, and it was also envisioned that it would take a considerable period of time to rebuild livelihoods in many cases, the carryover period was expanded to five years so as not to diminish the substantial effects of the carryforward deduction system.
- Main background
 - April 2011
Establishment of system

ウ) Special provision for loss on business assets affected by disaster (Article 6 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - The amount of loss caused by disasters, etc. on business assets, etc. owned by business income earners, etc. was supposed to be included in necessary expenses in calculations of the amount of business income for the year in which damage was incurred due to disasters, etc. However, amounts of losses caused by the Great East Japan Earthquake can be included in necessary expenses for the same year as if they were incurred in 2010.
- Main background
 - April 2011
Establishment of system

エ) Special provision for claim for refund by carryback of net loss (Article 8 of the Order for Enforcement of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - In cases where they incurred any amount of net loss in the relevant year, residents filing a blue tax return may claim a refund of income tax equivalent to the amount that remains after deducting “the amount of income tax calculated by applying the tax rate specified in the Income Tax Act to the amount that remains after deducting the whole or a part of the net loss from the taxable gross income” from “the amount of taxable gross income, etc. for the year prior to the relevant year.”
 - Persons who seek such a refund are normally required to submit a refund request form stating the amount of income tax to be refunded and the basis of the calculation thereof at the same time as filing a blue tax return for the year. However, by utilizing this special provision, those persons can claim a refund of income tax for 2009 based on the loss for 2011 that was deemed to have occurred in 2010 in conjunction with the special provision ウ) by submitting a refund request form at the same time as a final return, amended return or reassessment request form for 2010.
- Main background
 - April 2011
Establishment of system

オ) Special provision for carryover deduction of net loss (Article 7 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - Because the damage caused by the Great East Japan Earthquake was extremely severe and the rebuilding of business activities, etc. is envisioned to take a considerable period of time in many cases, a special provision was established that expanded the carryover period to five years so as not to diminish the substantial effects of the carryforward deduction system.
- Main background
 - April 2011
Establishment of system

カ) Special provision for deduction of contributions in cases of disaster-related contributions (Article 8 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - In order to further promote individual donations in response to the Great East Japan Earthquake, during the period from March 11, 2011 to December 31, 2013 (hereinafter “designated period”), for earthquake-related donations, the maximum deductible amount for donation deductions, etc., which were set at no more than an amount equivalent to 40% of gross income, was raised to 80%.
 - Additionally, to support non-profit organizations engaged in relief activities after the Great East Japan Earthquake, a tax credit system was established for donations to approved specified non-profit organizations that has previously become eligible for tax breaks for donations. Specifically, during the designated period, for disaster-related contributions made to an approved specified nonprofit corporation or Federation of Community Chest Committees that are allocated to funds necessary to support activities for disaster victims, an amount equivalent to 40% of the amount exceeding 2,000 yen (up to 25% of the amount of income tax) is to be deducted from the income tax for that year by selecting an income deduction.
- Main background
 - April 2011
Establishment of system
 - December 2013
End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster

キ) Special provision on taxation in the event that facts arise that do fall under the requirements for property accumulation savings contracts, etc. (Article 9-2 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - If an individual who has submitted a declaration form for property accumulation tax-exempt savings (pension) makes a payment that does not meet the requirements, in addition to the interest, etc. for the calculation period that includes the date of the payment, etc. being taxed, interest, etc. that has already been paid was also supposed to be taxed retroactively for five years. However, when that individual receives confirmation from the head of the tax office that the payment was due to damage caused by the Great East Japan Earthquake and occurred between March 11, 2011 and March 10, 2012 and submits a document issued by the head of the tax office to a financial institution, it is deemed that the payment does not fall under one that does not meet requirements, and taxation on interest, etc. at the time of the payment and retroactive taxation on interest, etc. that has already been paid are not administered.

- Main background
 - April 2011
Establishment of system
 - March 2012
End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster
- ク) Special provision concerning book-entry transfer corporate bonds, etc. issued by a corporation having a full controlling interest with a specified local government (Article 10 of the Act on Special Measures Concerning Earthquake Disaster prior to amendment by Act No. 6 of 2019)
- Overview of special provision
 - Establishes that income tax or corporation tax will not be imposed on interest, etc. on corporate bonds, etc. or profit from redemption to be received by a non-resident or a foreign corporation that is to be received by a person other than the issuer, etc. (Article 5-3, etc. of the Act on Special Measures Concerning Taxation). It is established that in such instances, the applicable corporate bonds, etc. shall not include those calculated based on income and asset indicators related to the issuer, etc. (profit-linked bonds).
 - From the standpoint of reconstruction support, etc. utilizing private funds in the areas affected by the Great East Japan Earthquake, profit-linked bonds (limited to those for which a local government has not concluded a guarantee obligation with respect to the obligations pertaining to the bonds) issued by domestic corporations that have a full controlling relationship with a specified local government as set forth in Article 4, paragraph (1) of the Act on Special Zones for Reconstruction are deemed to fall under the category of specified book-entry transfer corporate bonds, etc. as set forth in Article 5-3 of the Act on Special Measures Concerning Taxation, and the provisions of the Act on Special Measures Concerning Taxation have been applied to the amount of interest, etc. and profit from the redemption as well as loss arising from that redemption.
 - Main background
 - April 2012
Establishment of system
 - March 2016
The applicable time limit was extended for three years (until March 31, 2019).
 - March 2019
End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster
- ケ) Special provision on taxation in cases of acquiring shares Issued by a designated company for reconstruction (Article 13 of the Act on Special Measures Concerning Earthquake Disaster after amendment by Act No. 119 of 2011)
- Overview and Main Background of Special Provisions
 - 3) See a.
- コ) Special provision, etc. on special deduction of capital gains in cases of transfer of land, etc. to corporations promoting environmental improvement such as return and migration (Article 11-6 of Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3) See b.
- サ) Special provision on taxation on capital gains in cases where alternative housing, etc. is acquired as a result of land substitute disposal under a land readjustment project for urban disaster recovery (Article 11-4 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - Allows for the deferral of taxation through the so-called transfer of the acquisition price, etc., in cases where alternative housing, etc. is acquired as a result of land substitute disposal for a land readjustment project for urban disaster recovery under the Act on Special Measures Concerning Reconstruction of Disaster-affected Urban District (Act No. 14 of 1995) in the areas affected by the Great East Japan Earthquake, with the relevant land, etc. deemed to have not been transferred.
- Main background
 - December 2011
Establishment of system
-
- シ) Special provision, etc. on special deduction of capital gains in cases of transfer of land, etc. for land readjustment projects for urban disaster recovery (Article 11-5 of Act on Special Measures Concerning Earthquake Disaster)
 - ① Special provision for 50 million yen special deduction, etc. in cases of expropriation and exchange, etc. (paragraph (1))
 - Overview of special provision
 - Regarding the transfer of land pertaining to expropriation projects, etc., while special deduction of 50 million yen, etc. is applied, in order to support reconstruction from the Great East Japan Earthquake, from the standpoint of smoothly promoting housing construction and residential land development projects, a special deduction of 50 million yen, etc. is allowed to be applied to cases where the land is purchased by a local government or the Urban Renaissance Agency (including land development public corporations.) for the purpose of using it for public facility development and improvement projects, etc. within the execution area of a land readjustment project for urban disaster recovery implemented by those parties for which depreciation compensation is to be granted under that project to be conducted in a specific urban disaster recovery promotion area.
 - Main background
 - December 2011
Establishment of system
 - ② Special provision for a special deduction of 20 million yen when land, etc. is transferred for a specified land readjustment project, etc. (paragraph (2))
 - Overview of special provision
 - When a local government or the Urban Renaissance Agency purchases land, etc. for housing construction or housing land development projects, normally, the land is generally subject to a special deduction of 15 million yen. However, in order to support reconstruction from the Great East Japan Earthquake, from the standpoint of smoothly promoting housing construction and land development projects, when land, etc. within the area of a municipality affected by specific housing disasters (Article 21 of the Act on Special Measures Concerning Disaster-affected Urban District) is purchased by a local government, etc., it is deemed to fall under the category of land acquisition for use in a specific land readjustment project, etc. under the Act on Special Measures Concerning Taxation, and a special deduction of 20 million yen is applied.
 - Main background
 - December 2011
Establishment of system
 - March 2016

The applicable time limit, which was initially until March 31, 2016, was extended by five years (to March 31, 2021). Additionally, it was clarified that the applicable projects were limited to those for reconstruction following the Great East Japan Earthquake.

■ March 2021

From the standpoint of applying the Act on Special Zones for Reconstruction to projects necessary for reconstruction, the applicable time limit has been extended for five years (until March 31, 2026) under the following conditions: the project must be included in a certain reconstruction plan, such as the Land Restructuring Plan under the same Act, that is in effect at the time of purchase of land, etc. when the project is within areas specified by Cabinet Order under Article 4, paragraph (1) of the said Act (certain areas where it is deemed necessary to intensively promote efforts for reconstruction following the Great East Japan Earthquake), and must be included in a certain reconstruction plan by March 31, 2021 when the project is outside areas specified by Cabinet Order under Article 4, paragraph (1) of the same Act.

- ③ Special provision for a special deduction of 15 million yen when land, etc. is transferred for a specified residential land development project, etc. (paragraph (3))
 - Overview of special provision
 - With land readjustment projects, a special deduction of 15 million yen was supposed to be applied in instances such as when settlement money is provided in cases where it is difficult to determine land substitutes. However, in order to support reconstruction from the Great East Japan Earthquake, from the standpoint of smoothly promoting housing construction and land development projects:
 - i) when a request for purchase of land, etc. is made at the market price supposing permission for new construction, reconstruction or the extension, etc. of buildings on land within the urban disaster recovery promotion area not being granted; or
 - ii) when there is a transfer of land, etc. corresponding to a consented reserve for use as public housing, etc. based on the Act on Special Measures Concerning Disaster-affected Urban District, a special deduction of 15 million yen is applied in these cases as well.
 - Main background
 - December 2011
Establishment of system
- ④ Special provision on the reduced tax rate on long-term capital gains when land, etc. is transferred for the development of high-quality residential areas, etc. (paragraph (5))
 - Overview of special provision
 - In order to support reconstruction from the Great East Japan Earthquake and smoothly promote housing construction and residential land development projects, special provisions on the reduced tax rate for long-term capital gains are applied when land, etc. located in a specific urban disaster recovery promotion area, etc. to be used for a land readjustment project for urban disaster recovery, etc. implemented by the Urban Renaissance Agency is transferred to a land development public corporation.
 - Main background
 - December 2011
Establishment of system and extension of applicable time limit every three years from March 2014
 - March 2020
The applicable time limit was extended for two years (until December 31, 2022).
- ス) Special provision for extension of acquisition period, etc. of replacement assets (Article 12-2 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - Due to the occurrence of the Great East Japan Earthquake, there is concern that it will become difficult for those who have been subject to the reduced tax rate on the transfer of land for the purpose of a defined planned high-quality residential area, etc. under the Act on Special Measures Concerning Taxation (Article 31-2, paragraph (3) of the Act on Special Measures Concerning Taxation) or the special provisions on taxation of long-term capital gains in cases of the replacement of specific residential property (Special provision for expected acquisition within two years; Article 36-2, paragraph (2) of the same Act), etc. to acquire, etc. assets subject to these requirements.
 - Although retroactive taxation will be applied if the requirements are not met, the time limit set in the applicable special provisions was extended by seven years in view of the extensive damage caused by the Great East Japan Earthquake.
 - Main background
 - December 2011
Establishment of system. Transfer deadline extended by seven years.
- セ) Special provision for taxation when debt disposal plan has been formulated for disaster-affected corporation (Article 12-3 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See d.
- ソ) Special provision on applicable time limit, etc. of special credit for income tax in cases of having housing borrowings, etc. (Article 13 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See c.
- タ) Special provision on deduction amount of special credit for income tax in cases of having housing borrowings, etc. (Article 13-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See c.
- チ) Special provision on extension, etc. of transfer deadline for disaster residential property (Article 11-7 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview of special provision
 - Under the Act on Special Measures Concerning Taxation, in cases where land, etc. that was the site of a residential house lost due to a disaster was transferred, the provisions of special measures apply even should the land be vacant at the time of transfer and no person lives there if during the period until December 31 of the year that includes the day on which three years have elapsed since the day of the disaster (Article 31-3, etc. of the Act on Special Measures Concerning Taxation).
 - This extends the applicable time limit of the above special provisions (Article 31-3 of the Act on Special Measures Concerning Taxation) to 10 years in cases where an individual who cannot use their residential house because it was lost, etc. due to the Great East Japan Earthquake transfers the land used for the site of the lost house.
 - Main background

- December 2011
Establishment of system. Transfer deadline extended by seven years.
- March 2019
Transfer deadline extended by 10 years.
- March 2022
Transfer deadline extended by 15 years.

ツ) Special provision for application of income tax reduction and exemption measures for previous year under Disaster Exemption Act (Article 53 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - In accordance with the Disaster Exemption Act, persons who have suffered damage of 1/2 or more of the value of a residence, etc. due to a disaster and whose total income for the year of the damage is 10 million yen or less may be reduced or exempted in the amount of income tax for the year according to the category of the person's total income by selecting a casualty loss deduction. However, a special provision has been established to have the Act applied as if the person had suffered damages in 2010.
- Main background
 - April 2011
Establishment of system

b. Corporate Tax-Related

ヅ) Refund of corporate tax amount due to carryback of earthquake disaster losses (Article 15 of the Act on Special Measures Concerning Earthquake Disaster at the time of establishment)

- Overview of special provision
 - With the exception of small and medium-sized enterprises, the application of carryback refunds to corporations with operating losses has been suspended. However, as an emergency cash flow measure for corporations affected by the Great East Japan Earthquake, corporation tax paid in previous fiscal years can be refunded for operating losses caused by the Great East Japan Earthquake.
 - It was established that if corporations have incurred any amount of earthquake loss subject to carryback in each business year ending from March 11, 2011 to March 10, 2012 or in the interim period ending from March 11, 2011 to September 10, 2011, they are eligible to receive a refund of the portion of corporate tax for the business year that started within two years prior to the commencement of the carryback that corresponds to the amount of earthquake loss subject to carryback.
- Main background
 - April 2011
Establishment of system
(This measure will also end with the expiration of the period specified in the Act on Special Measures Concerning Earthquake Disaster)

イ) Refund of corporate tax amount due to interim return for provisional settlement of accounts (Article 16 of the Act on Special Measures Concerning Earthquake Disaster at the time of establishment)

- Overview of special provision
 - Regarding insufficient amounts of withholding income tax deductions related to interest, dividends, etc.

received by corporations, normally, these amounts are not normally refunded in the interim return. However, it was decided that refunds would be made in the interim return based on a provisional settlement of accounts as well in consideration of the emergency cash reserves of companies affected by the Great East Japan Earthquake.

- Under the system adopted, in cases where corporations incurred losses from the earthquake (losses arising from inventories, fixed assets and deferred assets due to the Great East Japan Earthquake) during the interim period ending from March 11, 2011 to September 10, 2011, the corporations will be refunded the amount that was not fully deducted from the corporate tax based on the amount of income tax imposed, with this not to exceed the amount of losses from the earthquake, when filing an interim return for the provisional settlement of accounts for the interim period.

- Main background

- April 2011

- Establishment of system

- (This measure will also end with the expiration of the period specified in the Act on Special Measures Concerning Earthquake Disaster)

ウ) Exemption from filing an interim return (Article 17 of the Act on Special Measures Concerning Earthquake Disaster at the time of establishment)

- Overview of special provision

- As a result of the extension of the filing deadline under Article 11 of the Act on General Rules for National Taxes in connection with the Great East Japan Earthquake, it was established that in cases where the deadline for filing an interim return falls on the same day as the deadline for filing a final return related to that interim return, the filing of an interim return is not required.
 - It is assumed that the filing of an interim return is to be made prior to the filing of a final return. In cases where the deadline for filing an interim return and a final return falls on the same date, there is no need to request the filing of an interim return. Given that, as many persons are expected to be eligible for the extension of the filing deadline due to the Great East Japan Earthquake, this purpose was made clear by law.

- Main background

- April 2011

- Establishment of system

- (This measure will also end with the expiration of the period specified in the Act on Special Measures Concerning Earthquake Disaster)

エ) Special provision on unrealized gains and losses, etc. in cases of exemption from obligations, etc. for disaster-affected corporations (Article 17 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions

- 3)See d.

オ) Special depreciation or special deduction for corporate tax amount in cases of acquiring machinery, etc. in specified industrial cluster zones for reconstruction (Article 17-2 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions

- 3)See a.

カ) Special depreciation or special deduction for corporate tax amount in cases of employing disaster-affected employees, etc. in specified industrial cluster zones for reconstruction (Article 17-3 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions

- 3)See a.

キ) Special depreciation, etc. of assets for development and research in specified industrial cluster zones for reconstruction (Article 17-5 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions

- 3)See a.

ク) Reserve for reinvestment, etc. (Article 18- 3 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions

- 3)See a.

ケ) Extra depreciation of high-quality rental housing for disaster victims in designated disaster areas of extreme severity (Article 18-2 of the Act on Special Measures Concerning Earthquake Disaster prior to amendment by Act No. 11 of 2021)

- Overview of special provision

- As many houses were damaged by the Great East Japan Earthquake, the construction of private rental housing was also considered important to urgently address the housing shortage. For this reason, with this provision, when newly constructed high-quality rental housing for disaster victims is acquired, etc. and used for rent in the areas of 67 municipalities notified by the Minister of Land, Infrastructure, Transport and Tourism (designated disaster areas of extreme severity) in accordance with Article 2, paragraph (1) and Article 22, paragraph (1) of the Act on Special Financial Support to Deal with the Designated Disaster of Extreme Severity as well as Article 41, paragraph (1) of the Order for Enforcement of the same Act, an additional depreciation of 70% (or 50% if the useful life is less than 35 years) is allowed for five years.

- Main background

- December 2011

Establishment of system

- March 2014

The applicable time limit, which was initially until March 31, 2014, was extended by three years (to March 31, 2017). Additionally, requirements for building area and number of units were eased.

- March 2017

Residential areas for reconstruction specified in the approved reconstruction promotion plan under the Act on Special Zones for Reconstruction were excluded from the target areas, and the applicable period was extended for four years (until March 31, 2021) with the maximum depreciation limit lowered to 56% (maximum of 40% if the useful life is less than 35 years).

- System abolished in March 2021.

コ) Measures pertaining to industrial cluster zones for reconstruction pursuant to special provisions of the Fukushima Special Measures Act (Article 17-2 of the Act on Special Measures Concerning Earthquake Disaster prior to amendment by Act No. 11 of 2021)

- Overview and Main Background of Special Provisions

- 3)See b.

サ) Special depreciation or special deduction for corporate tax amount in cases of acquiring machinery, etc. in areas where evacuation orders have been lifted (Article 17-2-3 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions
 - 3)See b.
- シ) Special deduction for corporate tax amount in cases of employing employees subject to evacuation, etc. in areas where evacuation orders have been lifted (Article 17-3-3 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See b.
- ス) Special depreciation or special deduction for corporate tax amount in cases of acquiring machinery, etc. in business location promotion areas (Article 17-2-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See b.
- セ) Special deduction for corporate tax amount in cases of employing employees subject to evacuation, etc. in business location promotion areas (Article 17-3-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See b.
- ソ) Fukushima Resumption Investment Reserve, etc. (Article 18-8 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See b.
- タ) Special depreciation or special deduction for corporate tax amount in cases of acquiring machinery, etc. based on specified business activities promotion plan (Article 17-2-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 4)See a.
- チ) Special deduction for corporate tax amount in cases of employing employees subject to evacuation, etc. based on specified business activities promotion plan (Article 17-3-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 4)See a.
- ツ) Special depreciation or special deduction for corporate tax amount in cases of acquiring machinery, etc. in project promotion areas for new industry creation, etc. (Article 17-2-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 4)See b.
- テ) Special deduction for corporate tax amount in cases of employing employees

subject to evacuation, etc. in project promotion areas for new industry creation, etc. (Article 17-3-2 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions
 - 4) See b.

ト) Special depreciation, etc. of assets for development and research in project promotion areas for new industry creation, etc. (Article 18 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions
 - 4) See b.

ナ) Special depreciation of disaster substitute assets, etc. (Article 18-2 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - The Great East Japan Earthquake caused considerable damage to business assets. This establishes that given how it is necessary to repair damaged assets or reacquire lost or damaged assets upon continuing business operations, when certain disaster substitute assets are acquired, etc. and used for business operations*, prescribed special depreciation is allowed in addition to ordinary depreciation expenses.
 - (*) The following are subject to this special provision:
 - ① When assets that are to be used in lieu of assets that have become unavailable for business use due to the Great East Japan Earthquake and that have never been used for business use following their manufacture, etc. are acquired, etc. and used for business.
 - ② When assets that have never been used for business use following their manufacture or construction are acquired, etc. and are used for a business in the affected area (Note) and in the area of land to be used integrally in association with the land comprising the affected area.

Note: “Affected area” refers to the site of buildings or structures that cannot be used for business or residential purposes due to the Great East Japan Earthquake and the area of land used for ancillary facilities that are used for business integrally with those buildings or structures.

Figure 2-4-27 Target Assets and Amortization Ratio

Target Assets	Amortization Ratio	
	Other than SMEs	SMEs
Buildings or structures (including the extension areas of structures or buildings that have been extended)	<ul style="list-style-type: none"> • 15% (March 11, 2011 to March 31, 2014) • 15% (April 2014 to March 2016) • 10% (April 2016 to March 2023) 	<ul style="list-style-type: none"> • 18% (March 11, 2011 to March 31, 2014) • 18% (April 2014 to March 2016) • 12% (April 2016 to March 2023)
Machinery and equipment	<ul style="list-style-type: none"> • 30% (March 11, 2011 to March 31, 2014) • 30% (April 2014 to March 2016) • 20% (April 2016 to March 2023) 	<ul style="list-style-type: none"> • 36% (March 11, 2011 to March 31, 2014) • 36% (April 2014 to March 2016) • 24% (April 2016 to March 2023)
Ships, aircraft or vehicles and transportation equipment * In December 2011, small motorcycles, light vehicles not subject to inspection and motorized bicycles were added as target assets. * In March 2016, ships that are non-self-propelled work vessels, aircraft and vehicles and transportation equipment that are small motorcycles, light motor vehicles not subject to inspection, special small motor vehicles, motorized bicycles, and railway vehicles were excluded from target assets. * In March 2019, ships other than fishing boats were excluded from target assets. * In March 2021, vehicles and transportation equipment were excluded from target assets.	<ul style="list-style-type: none"> • 30% (March 11, 2011 to March 31, 2014) • 30% (April 2014 to March 2016) • 20% (April 2016 to March 2023) 	<ul style="list-style-type: none"> • 36% (March 11, 2011 to March 31, 2014) • 36% (April 2014 to March 2016) • 24% (April 2016 to March 2023)

- Main background
 - April 2011
Establishment of system.
 - December 2011
Additional target assets were added to clarify that assets affected by non-physical causes are also included in affected assets.
 - March 2014
Initially, amortization ratios were supposed to be lowered from April 1, 2014. However, the application time limit of the measure to increase those ratios was extended for two years (until March 31, 2016).
 - March 2016
The applicable time limit was extended for three years (until March 31, 2019) after reviewing the target assets and the amortization ratios and clarifying the definition of affected areas.
 - March 2019
The applicable time limit was extended for two years (until March 31, 2021) after reviewing the target assets.

- March 2021

The applicable time limit was extended for two years (until March 31, 2023) after reviewing the target assets.

二) Special provision for taxation on capital gains in cases of replacement, etc. of specific business assets (Article 19 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision

- Businesses affected by the Great East Japan Earthquake may use the proceeds from the sale of land, etc. in their possession to rebuild business assets such as stores and factories that were lost in the affected location and continue their business or may newly acquire business assets in other areas and resume their business. Additionally, businesses other than those affected may also newly acquire business assets in the disaster-affected area and conduct business.

- From the standpoint of accelerating industrial reconstruction in the disaster-affected areas, a special provision has been established that allows the deferral of taxation through the of the transfer of transaction value under certain conditions if business assets are transferred and certain replacement assets are acquired in the business year that includes the date of the transfer and the replacement assets are used or are expected to be used for business purposes within one year from the date of that acquisition.

- Main background

- April 2011

Establishment of system

- March 2016

The applicable time limit was extended for five years (until March 31, 2021) after reviewing the replacement assets.

- March 2021

The applicable time limit was extended for three years (until March 31, 2024) after reviewing the replacement assets.

又) Special provision for extension of acquisition period, etc. of substitute assets (Article 22 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision

- Because the Great East Japan Earthquake caused extensive damage over a wide area, unavoidable circumstances arising from the earthquake may make it difficult for a corporation seeking the application of special measures under the Act on Special Measures Concerning Taxation to acquire land, etc. within the period during which substitute assets, etc. should be acquired (limited to those whose last day falls between March 11, 2011 and March 31, 2012.) If special provisions applicable in cases of setting a special account due to expropriation (Article 64-2 of the Act on Special Measures Concerning Taxation) or due to transfer of a specific asset (Article 65-8 of the same Act) are applied to a corporation seeking the application of special measures, the period during which the corporation should acquire a replacement asset may be extended to a date approved by the district director of the tax office within two years from the date on which the initial period has passed.

- Main background

- April 2011

Establishment of system

- March 2012

End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster

ネ) Allowance for doubtful accounts (Article 52 of the Corporation Tax Act)

- Overview and Main Background of Special Provisions
 - 3)See d.

c. Asset Taxation-Related

ア) Special provision for calculation of taxable value of inheritance tax or gift tax on specified land, etc. and specified shares, etc. (Articles 34 and 35 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - For taxation purposes of inheritance tax, the value of property acquired through inheritance is, in principle, based on the market value at the time of commencement of inheritance (the same applies to gift tax). However, as the Great East Japan Earthquake changed the social and economic environment of the region over a considerable area, there is a concern that land prices will fall sharply, resulting in a large difference between the market value at the time of inheritance and the market value after the earthquake.
 - Therefore, if property was acquired by inheritance, testamentary gift, or gift before March 10, 2011, the value immediately after the occurrence of the Great East Japan Earthquake may be used for land or rights on land located in areas designated by the Minister of Finance as areas that have suffered considerable damage due to the Great East Japan Earthquake (designated areas), or for unlisted shares or capital contributions of corporations with a high proportion of assets held in designated areas.
- Main background
 - April 2011
Establishment of system

イ) Special provision on deadline for filing returns for inheritance tax and gift tax (Article 36 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - Following the implementation of the measures described in ア), the national tax authorities decided to multiply the road price and the valuation multiple for 2011 (as of January 1) by the “adjustment rate” reflecting the decline in land prices due to the Great East Japan Earthquake, in order to facilitate filing returns and ensure fairness in taxation. The filing deadline will be extended to a time (*) that takes into account the period required to prepare the “adjustment rate.”
 - * The date specified separately by the Minister of Finance in consideration of the situation of the Great East Japan Earthquake and the extension of the deadline for filing a return pursuant to the provisions of Article 11 of the Act on General Rules for National Taxes in connection with the Great East Japan Earthquake.
- Main background
 - April 2011
Establishment of system

ウ) Special provision on residence requirements, etc. for residential houses for exemption from gift tax in cases of victims of Great East Japan Earthquake receiving gift of funds for housing acquisition, etc. (Article 37 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview and Main Background of Special Provisions
 - 3)See c.

- エ) Special provision on residence requirements for residential houses, etc. for residential houses pertaining to special provisions for taxation on settlement at time of inheritance in cases of victims of Great East Japan Earthquake receiving a gift of funds for housing acquisition, etc. (Article 38 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See c.
- オ) Exemption from gift tax in cases where victims of Great East Japan Earthquake receive a gift of funds for housing acquisition, etc. from lineal ascendant (Article 38-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See c.
- カ) Special provision for tax deferment and exemption of gift tax, etc. in cases of leasing agricultural land, etc. based on Agricultural Land Use and Consolidation Promotion Plan (Article 38-2-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview of special provision
 - In the 12 municipalities affected by the nuclear power plant, there are issues such as insufficient manpower among the municipalities and agricultural committees. In order to promote the resumption of farming and the accumulation of agricultural land in areas where evacuation orders have been lifted, the Fukushima Special Measures Act was amended in 2020 to allow the governor of Fukushima Prefecture to prepare a plan similar to the agricultural land use and accumulation plan prepared by municipalities (Agricultural Land Use and Consolidation Promotion Plan).
 - For this reason, similar to the Agricultural Land Use and Consolidation Plan, measures were taken to continue the tax deferment even if the agricultural land, etc. subject to special provision for deferment of inheritance tax and gift tax on agricultural land under the Agricultural Land Use and Consolidation Promotion Plan prepared by the Governor of Fukushima Prefecture is refinanced.
 - Main background
 - March 2021
Establishment of a system (permanent measure)
- キ) Special provision for reduction of tax rate for registration of transfer of ownership when agricultural land, etc. is acquired through a project to promote use and consolidation of agricultural land, etc. (Article 40-2-2 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview of special provision
 - Similar to the Agricultural Land Use and Consolidation Plan, measures were taken to reduce the tax rate for registration of transfer of ownership of agricultural land, etc. from 20/1000 to 10/1000 when agricultural land, etc. was acquired under the Agricultural Land Use and Consolidation Promotion Plan prepared by the Governor of Fukushima Prefecture.
 - Main background
 - March 2021
Establishment of system; applicable time limit extended to March 31, 2023.
- ク) Special provision for tax deferment and exemption of gift tax, etc. in cases of transfer of agricultural land, etc. in areas where evacuation orders were lifted, etc. (Article 38-2-3 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview of special provision

- In the case where farmland, etc. subject to special provision for deferment of inheritance tax and gift tax on farmland (limited to those located in areas where evacuation orders have been lifted or in areas currently subject to evacuation orders (areas subject to special provisions)) is transferred for the purpose of a recovery and reconstruction project, if farmland, etc. located in the relevant area subject to special provision is expected to be separately acquired, measures have been taken to ensure that the time limit for acquisition of substitute farmland is within five years from the date on which all of the evacuation orders pertaining to the areas subject to the evacuation orders prescribed in the Fukushima Special Measures Act (within the area of the municipality where the transferred farmland, etc. are located) are lifted.
- Main background
 - March 2019
Establishment of a system (permanent measure)
- ケ) Special provision on tax deferment for unlisted shares, etc. related to disaster-affected certified gift succeeding companies, etc. (Article 38-3, Article 38-4 and Article 38-5 of the Act on Special Measures Concerning Earthquake Disaster)
 - Overview of special provision
 - Under the so-called business succession tax system (Article 70-7 through Article 70-7-4 of the Act on Special Measures Concerning Taxation), special provisions are allowed to be applied to SMEs subject to tax deferment, requiring them to maintain the number of full-time employees at the time of gift or inheritance for five years. However, there was concern that the Great East Japan Earthquake would make it difficult to meet these requirements. For this reason, even if the above requirements are not met, special provisions will be applied in cases where business assets are severely damaged, business establishments are damaged and it is difficult to secure employment, or sales are significantly reduced.
 - Main background
 - December 2011
Establishment of system
- コ) Special provision on deadline, etc. for application for permission for postponement of payment or payment in kind (Article 38-6 and Article 38-7 of the Act on Special Measures Concerning Earthquake Disaster)
 - Overview of special provision
 - An application for permission to postpone payment of inheritance tax and payment in kind must be filed by the due date for filing an inheritance tax return. However, if the necessary documents cannot be prepared in time, the due date may be extended by submitting a written notice of extension of the due date for submission of documents related to the provision of security or a written notice of extension of the due date for submission of documents related to payment in kind procedures.
 - However, Article 11 of the Act on General Rules for National Taxes, which allows the extension of the deadline for the submission of documents, payment, or collection, does not allow the upper limit of the time limit to be extended. Therefore, the following period could not be handled in line with the situation after the earthquake, and support for disaster victims was limited.
 - Postponement of payment by submitting a written notice of extension of the deadline for submission of documents related to the provision of security: six months at the maximum
 - The extendable period for payment in kind based on the submission of a written notice of extension of the deadline for submission of documents related to payment in kind procedures: one year at the maximum
 - For this reason, a special measure was established whereby the period until the deadline extended under Article 11 of the Act on General Rules for National Taxes is added to the period extended up to six months to one year.

- Main background
 - December 2011
Establishment of system

- サ) Tax exemption for registration of preservation, etc. of ownership for buildings newly constructed or acquired by victims, etc. of the Great East Japan Earthquake and the land thereof (Article 39 and Article 40 of the Act on Special Measures Concerning Earthquake Disaster)
 - Overview of special provision
 - Tax exemption measures shall be implemented for registration of preservation of ownership of buildings destroyed by the Great East Japan Earthquake, buildings demolished due to damage caused by the Great East Japan Earthquake, buildings newly constructed or acquired to replace buildings located in areas subject to instructions, etc. given by the Prime Minister, etc. concerning the nuclear power plant accident (designation of no-entry zones, etc.) and the land thereof, from the day following the enforcement of the Act on Special Measures Concerning Earthquake Disaster until March 31, 2026.
 - Replacement buildings of buildings located in areas subject to the designation of no-entry zones, etc. are subject to registration if they are acquired by the day on which three months (one year for new buildings) have passed since the lifting of the designation of no-entry zones, etc., and registration is required within one year of new construction or acquisition.
 - Main background
 - April 2011
Establishment of system
 - December 2011
Amended so that it can be applied even when the building is not destroyed, in light of the situation in which access to the nuclear power plant is restricted due to the accident.
 - March 2021
The applicable time limit was extended for five years (until March 31, 2026).

- シ) Tax exemption for registration of transfer of ownership of agricultural land acquired by disaster victims, etc. of the Great East Japan Earthquake (Article 40-2 of the Act on Special Measures Concerning Earthquake Disaster)
 - Overview of special provision
 - In the Great East Japan Earthquake, some agricultural land was washed away by the tsunami and salt damage caused by flooding, etc. made it difficult to resume farming. In order to support the acquisition of agricultural land to replace the damaged agricultural land (agricultural land that has become difficult to cultivate, etc. due to the earthquake disaster or agricultural land that was located in the area subject to the designation of a no-entry zone, etc. on the day on which the designation of no-entry zone, etc. was issued), measures were taken to exempt registration and license tax from the registration of the transfer of ownership of the newly acquired agricultural land (limited to the area not exceeding 1.5 times the area of the disaster-affected agricultural land, and limited to that which replaces the disaster-affected agricultural land that was located in the area subject to the designation of a no-entry zone, etc. and that has been acquired by the day on which three months have elapsed since the day on which the instruction to establish a no-entry zone, etc. was cancelled), provided that the registration is received until March 31, 2026 (within one year after the acquisition in the case of the damaged agricultural land that was located in the area subject to the designation of no-entry zones, etc.).
 - Main background
 - December 2011
Establishment of system
 - March 2021

The applicable time limit was extended for five years (until March 31, 2026).

ス) Tax exemption for registration of preservation, etc. of ownership of land pertaining to railway facilities acquired by railway business operators affected by the Great East Japan Earthquake (Article 40-3 of the Act on Special Measures Concerning Earthquake Disaster prior to amendment by Act No. 7 of 2018)

- Overview of special provision
 - In the areas affected by the Great East Japan Earthquake, the relocation of urban areas to inland areas or higher ground is being considered, and it may be necessary to relocate railway facilities. In light of these circumstances, the registration of preservation, etc. of the ownership of land related to railway facilities acquired by the disaster-affected railway operators was exempted from tax.
- Main background
 - December 2011
Establishment of system
 - March 2016
The applicable time limit was extended for two years (until March 31, 2018).
 - March 2018
End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster

セ) Exemption from tax on registration of preservation of ownership of temporary buildings constructed by Organization for Small & Medium Enterprises and Regional Innovation (Article 40-4 of the Act on Special Measures Concerning Earthquake Disaster prior to amendment by Act No. 7 of 2018)

- Overview of special provision
 - In the Great East Japan Earthquake, the business establishments and factories of many SMEs were also destroyed or damaged. Many SMEs found it difficult to restore and maintain their own facilities, and local governments in the affected areas were forced to postpone the restoration of their industrial infrastructure.
 - In light of these circumstances, the Organization for Small & Medium Enterprises and Regional Innovation decided to develop temporary stores and factories on land provided by local governments (including private land) under the Act on Special Fiscal Aid and Subsidies for Recovery from the Great East Japan Earthquake. In order to support this project, tax exemption measures have been implemented for the registration of preservation of ownership of temporary stores and factories built by the Organization for Small & Medium Enterprises and Regional Innovation.
- Main background
 - December 2011
Establishment of system
 - March 2013
The applicable time limit was extended for one year (until March 31, 2014).
 - March 2014
The applicable time limit was extended for two years (until March 31, 2016).
 - March 2016
The applicable time limit was extended for two years (until March 31, 2018).
 - March 2018
End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster

- ㇿ) Tax exemption for a trust registration of ownership of land, etc. pertaining to specified facilities built by a trust company, etc. based on a trust agreement with a local government (Article 40-5 of the Act on Special Measures Concerning Earthquake Disaster prior to amendment by Act No. 15 of 2016)
- Overview of special provision
 - The reconstruction and early development of public facilities, such as schools and hospitals, which were destroyed by the Great East Japan Earthquake are indispensable for the social and economic revitalization and livelihood reconstruction in the disaster-affected areas. While public entities are mainly involved in the efforts, including the provision of subsidies from the national government, it is also important to encourage the vitality of the private sector to be exercised. Therefore, in cases where trust companies, etc. construct buildings integrated with public facilities based on a trust agreement with a local government during the period from April 1, 2012 to March 31, 2016, the registration and license tax will not be imposed on the registration of the trust of the ownership of the said facilities and the land used for the site of the said facilities.
 - Main background
 - March 2012
Establishment of system
 - March 2016
End of the period prescribed in the Act on Special Measures Concerning Earthquake Disaster
- ㇾ) Tax exemption for registration of transfer of ownership in cases where land has been acquired from a disaster-affected or related municipality through a specified exchange (Article 40-3 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview of special provision
 - In the areas affected by the Great East Japan Earthquake, the areas where the land left after relocation under the disaster prevention collective relocation promotion project exist contain both purchased land (public land) and non-purchased private land such as commercial and industrial land, which hinders integrated land use. For this purpose, the Act establishes special provisions for exempting registration and license tax from tax when a person who holds the right on land within the implementation zone of a Land Restructuring Project (limited to those pertaining to the use of land in an area designated for accelerated relocation acquired by municipalities through certain disaster prevention collective relocation promotion projects) transfers the right on land to a municipality through an exchange and acquires ownership of land outside the implementation zone through the exchange, in order to use the land for the Land Restructuring Project.
 - Main background
 - March 2016
Establishment of system
 - March 2021
The applicable time limit was extended for five years (until March 31, 2026).
- ㇿ) Reduction of tax rate for registration of transfer of ownership, etc. pertaining to real estate acquired by corporations promoting environmental improvement such as repatriation and migration (Article 40-4 of the Act on Special Measures Concerning Earthquake Disaster)
- Overview and Main Background of Special Provisions
 - 3)See b.

ツ) Tax exemption for registration of preservation, etc. of ownership pertaining to fishing vessels built or acquired by disaster victims, etc. of the Great East Japan Earthquake (Article 41 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - From the same viewpoint as the measures mentioned in サ), tax exemption measures were taken for the period from the day following the enforcement of the Act on Special Measures Concerning Earthquake Disaster to March 31, 2026 with respect to the registration of preservation of ownership of fishing vessels built or acquired to replace fishing vessels destroyed by the Great East Japan Earthquake or demolished due to damage caused by the Great East Japan Earthquake.
 - At the time of establishment of the system, ships and aircraft other than fishing vessels were also covered, but as of March 31, 2021, they were no longer covered.
- Main background
 - April 2011
Establishment of system
 - March 2021
The applicable time limit was extended for five years (until March 31, 2026) after making only shipping vessels covered.

テ) Reduction of tax rate for registration based on the Business Strengthening Plans (Article 41-2 of the Act on Special Measures Concerning Earthquake Disaster)

- Overview of special provision
 - The Act on Special Measures for Strengthening Financial Functions (Act No. 128 of 2004; hereinafter “Act on Strengthening Financial Functions”) provides a framework for capital participation by the government through the Deposit Insurance Corporation of Japan for financial institutions in order to revitalize regional economies through strengthening financial functions. In order to receive capital participation, it is necessary to formulate a business strengthening plan. For financial institutions that need to enhance their capital adequacy due to the Great East Japan Earthquake (financial institutions subject to earthquake disaster special provisions, etc.), special provisions were established to ease the capital participation requirements from the government (the Act on Strengthening Financial Functions amended by Act No. 80 of 2011).
 - As a result of this amendment, measures have been taken to reduce the registration and license tax in cases where financial institutions subject to earthquake disaster special provisions, etc., which provide credit to disaster victims in areas that suffered considerable damage from the Great East Japan Earthquake, register, etc. an increase in the amount of stated capital with the capital participation of the government.
- Main background
 - June 2011
Establishment of system
 - March 2017
The applicable time limit was extended for two years (until March 31, 2019).
 - March 2019
The applicable time limit was extended for three years (until March 31, 2022).
 - March 2022
The applicable time limit was extended for 2 years (until March 31, 2024).

- ト) Tax exemption for registration, etc. of relocation of head office, etc. received by victims, etc. of the Great East Japan Earthquake (Article 41-3 of the Special Act on Earthquake Tax prior to amendment by Act No. 11 of 2021)
- Overview of special provision
 - Many of the buildings damaged by the Great East Japan Earthquake were used as the head office and offices of companies. If it is difficult to resume business at the same location as before the earthquake, registration must be completed at the time of relocation. For that reason, tax exemption measures are provided for registration of relocation of the head office, etc. to be received by disaster victims, etc.
 - If the building concerned was located in the area subject to the designation for the establishment of a no-entry zone, etc. on the day on which the designation for the establishment of a no-entry zone, etc. was issued, it shall be limited to the case where the instruction was issued before the day on which three months have passed since the lifting of the restriction.
 - Main background
 - December 2011
Establishment of system.
 - March 2021
End of the period prescribed in the Special Act on Earthquake Disaster Tax
- ナ) Special provision on extension of application period for special provision on tax rate for registration of establishment of mortgage, etc. received by The Shoko Chukin Bank, Ltd. (Article 41-4 of the Special Act on Earthquake Tax prior to amendment by Act No. 11 of 2021)
- Overview of special provision
 - In light of the privatization of The Shoko Chukin Bank under the tax reform in FY2007, the reduction of the registration and license tax rate for mortgages, etc. of The Shoko Chukin Bank was abolished from the viewpoint of equal footing with private financial institutions. At that time, a transitional provision was established to gradually bring the reduced tax rate closer to the main tax rate, taking into account the period until the full privatization of the Shoko Chukin Bank.
 - The starting point for the full privatization of Shoko Chukin Bank was postponed by 3 years on April 1, 2015 as many SMEs affected by the Great East Japan Earthquake are burdened with double debts. In light of these circumstances, measures were taken to maintain the reduced tax rate at the level at the time of the Great East Japan Earthquake for 3 years and to extend it for 3 years only for SMEs that were affected by the earthquake with respect to the period during which the starting point for privatization was extended until reconstruction following the earthquake is in sight.
 - Main background
 - March 2012
Establishment of system.
 - March 2016
With regard to the period for establishing special provisions, the first half of the period for establishing reduced tax rates has been extended to March 31, 2019, and the second half has been extended to March 31, 2021.
 - March 2021
End of the period prescribed in the Special Act on Earthquake Disaster Tax

二) Exemption from registration and license tax in cases where the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake has acquired rights related to real estate by purchasing claims, etc. (Article 58 of the Act on the Organization for the Revitalization of Earthquake-affected Businesses)

- Overview and Main Background of Special Provisions
 - 3) See d.

ヌ) Exemption from stamp tax on contracts for loans for consumption pertaining to special loans (Article 47 of the Special Act on Earthquake Tax)

- Overview of special provision
 - In order to reduce the burden of raising funds for recovery, etc. for disaster victims, etc., and to support financial support from local governments and government-affiliated financial institutions, etc., stamp tax is not imposed on contracts for loans for consumption made during the period from March 11, 2011 to March 31, 2026 for loans made by public loan institutions, etc. under conditions that are particularly favorable compared to other loan conditions for persons damaged by the Great East Japan Earthquake.
- Main background
 - April 2011
Establishment of system.
 - December 2011
Relaxation of requirements for special loans provided by local governments, expansion of the scope of public lending institutions, etc.
 - March 2021
The applicable time limit was extended for 5 years (until March 31, 2026).

ネ) Exemption from stamp tax on documents prepared in lieu of contracts, etc. concerning loans for consumption lost due to the Great East Japan Earthquake (Article 48 of the Special Act on Earthquake Tax)

- Overview of special provision
 - The Great East Japan Earthquake caused enormous damage and was extremely large-scale, covering a wide area. Financial institutions were also affected by the tsunami and other damage to their branches, which destroyed documents such as loan agreements stored at the branches.
 - In general, in a loan agreement, if a contract, etc. submitted to a financial institution is lost due to unavoidable circumstances such as a disaster, an agreement is concluded to remit a replacement contract, etc. at the request of the financial institution. At this time, stamp tax is again imposed.
 - In light of the fact that customers of financial institutions were also affected by the earthquake, and that there were no grounds for blame on customers in the event of the loss of contracts, etc., stamp tax was exempted for contracts, etc., related to loans for consumption with financial institutions that replaced lost contracts.
- Main background
 - December 2011
Establishment of system.
 - March 2013
End of the period prescribed in the Special Act on Earthquake Disaster Tax

- ノ) Exemption from stamp tax on contracts, etc. related to the acquisition of alternative buildings or transfer of real estate pertaining to new construction, etc. prepared by victims of the Great East Japan Earthquake (Article 49 of the Special Act on Earthquake Tax)
- Overview of special provision
 - In cases where certain persons, etc. who are victims of the Great East Japan Earthquake acquire a building to replace a building that has been lost, etc. due to the Great East Japan Earthquake (hereinafter “building lost, etc.”) or a building that was located in an area subject to the designation for the establishment of a no-entry zone (hereinafter “building in the subject area”), or where they acquire land to be used as the site of a building to replace a building or where they transfer a building that has been damaged due to the Great East Japan Earthquake or a building in the subject area, etc., stamp tax is not to be imposed on a contract for the transfer of real property or a contract for construction work that is to be prepared in those cases during the period from March 11, 2011 to March 31, 2026.
 - Note that contracts, etc. concerning the transfer of real estate pertaining to building in the subject area, etc. shall be subject to application if they are prepared between the day on which three months have passed from the day on which the designation for the establishment of a no-entry zone, etc. was cancelled or March 31, 2026, whichever comes first.
 - Main background
 - April 2011
Establishment of system.
 - December 2011
In light of the situation in which access to the nuclear power plant due to the accident is restricted, the scope of the applicable contract includes, in addition to buildings lost, etc., a contract for the transfer of real estate or a contract for construction work, which is to be prepared when a replacement building for a building in the applicable area is acquired.
 - March 2021
The applicable time limit was extended for 5 years (until March 31, 2026).
- ハ) Exemption from stamp tax on contracts, etc. related to the transfer of real estate pertaining to the transfer of damaged agricultural land prepared by victims of the Great East Japan Earthquake (Article 50 of the Special Act on Earthquake Tax)
- Overview of special provision
 - In order to support the reconstruction of businesses and livelihoods of those who suffered damage to agricultural land, stamp duty was exempted from tax on contracts concerning the transfer of real estate or contracts concerning the establishment of superficies or land leases, etc., which were prepared by certain victims of the Great East Japan Earthquake upon the acquisition, etc. of alternative agricultural land for agricultural land whose resumption was difficult due to the Great East Japan Earthquake.
 - Main background
 - December 2011
Establishment of system.
 - March 2021
The applicable time limit was extended for 5 years (until March 31, 2026).
- ヒ) Exemption from stamp tax on contracts, etc. related to the transfer of fishing vessels pertaining to the acquisition or construction of fishing vessels prepared by victims of the Great East Japan Earthquake (Article 51 of the Special Act on Earthquake Tax)

- Overview of special provision
 - Since many vessels, including fishing vessels, and aircraft were damaged by the effects of the tsunami, etc., measures were taken to exempt stamp tax on contracts for the transfer of vessels or aircraft or contracts for the construction of such vessels or aircraft, which were prepared by certain persons who were victims of the Great East Japan Earthquake when they acquired or built vessels or aircraft to replace damaged vessels or aircraft, in order to support business reconstruction.
 - Note that at the time of establishment of the system, ships other than fishing vessels and aircraft were also covered. However, as of March 31, 2021, they were no longer covered.
 - Main background
 - December 2011
Establishment of system.
 - March 2021
The applicable time limit was extended for 5 years (until March 31, 2026) after making only shipping vessels covered.
- ㄅ) Exemption from stamp tax on real estate transfer contracts prepared by the Organization for Small & Medium Enterprises and Regional Innovation (Article 52 of the Special Act on Earthquake Disaster Tax)
- Overview of special provision
 - The Organization for Small & Medium Enterprises and Regional Innovation, at the request of local governments, will implement projects to develop, lease, manage, and transfer factories, business establishments and facilities for the convenience of users of these facilities so that SMEs can resume business as soon as possible in areas affected by the Great East Japan Earthquake.
 - In order to support the business concerned, measures have been taken to exempt stamp tax on contracts for the transfer of real estate and contracts for construction work prepared by the Organization for Small & Medium Enterprises and Regional Innovation.
 - Moreover, in the case of “exemption from registration of preservation of ownership of temporary buildings built by the Organization for Small & Medium Enterprises and Regional Innovation,” temporary factories, etc. are leased to SMEs on a gratis basis and then transferred free of charge to local governments within 1 year. Since contracts for free transfer are also subject to tax exemption, the application period of this special measure is set 1 year after the application period of the above special measure for registration and license tax.
 - Main background
 - December 2011
Establishment of system.
 - March 2013
The applicable time limit was extended for 1 year (until March 31, 2015).
 - March 2014
The applicable time limit was extended for 2 years (until March 31, 2017).
 - March 2016
The applicable time limit was extended for 2 years (until March 31, 2019).
 - March 2019
End of the period prescribed in the Special Act on Earthquake Disaster Tax

d. Consumption Taxation-Related**㍿) Special provision on notification, etc. of non-application of provisions for exemption from tax liability (Article 42 of the Special Act on Earthquake Tax)**

- Overview of special provision
 - Article 11 of the Act on General Rules for National Taxes provides that if it is deemed impossible to make a declaration or payment by the due date due to a disaster or other unavoidable reason, the due date may be extended. However, the application of Article 11 of the Act on General Rules for National Taxes is excluded from the application of the notification concerning the taxable enterprise selection system under the Consumption Tax Act (Article 9, paragraph (4)) and the application of the simplified taxation system selection and application notification (Article 37, paragraph (1)), as they specify the application relationship when the notification is submitted.
 - * Since consumption tax is a tax that is scheduled to be passed on, and whether or not special measures are chosen will affect the contents of the bookkeeping, it is necessary to submit it before the taxation period (January 1 to December 31 for sole proprietors and the same as the business year for corporations).
 - However, due to the extensive damage caused by the Great East Japan Earthquake, it is expected that many unforeseen circumstances will occur, such as not being able to submit these notifications prior to the taxable period. Therefore, measures have been taken to ensure that the effects of submitting a notification will occur from the beginning of the taxable period if the notification is submitted by the date designated by the Commissioner of the National Tax Agency (a date to be separately specified in consideration of the situation of the Great East Japan Earthquake and the situation of extension of the due date for filing a return pursuant to the provisions of Article 11 of the Act on General Rules for National Taxes in connection with the Great East Japan Earthquake).
 - The following points do not apply to the taxable period during which this measure was implemented:
 - Requirement to apply the system for selecting taxable business operators continuously for 2 years
 - Requirement that the simplified taxation system, etc. cannot be applied for 3 years after the purchase, etc. of fixed assets of 1 million yen or more during a period in which the taxable business operator selection system is to be applied continuously for 2 years
- Main background
 - April 2011
Establishment of system.

㍿) Special provision on filing of interim return form (Article 43 of the Special Act on Earthquake Tax prior to amendment by Act No. 11 of 2021)

- Overview of special provision
 - In addition to filing a final return and payment of consumption tax within 2 months from the last day of the taxation period (For sole proprietors, by the end of March of the following year), a maximum of 11 interim returns and payments are required depending on the annual tax amount of consumption tax for the preceding taxation period (Article 42 of the Consumption Tax Act and Article 86-4 of the Act on Special Measures Concerning Taxation).
 - In the wake of the Great East Japan Earthquake, Article 11 of the Act on General Rules for National Taxes provided for the extension of the due date for filing returns, payment, etc. Under these measures, it was established that in cases where the deadline for filing an interim return falls on the same day as the deadline for filing a tax return related to that interim return, the filing of an interim return is not required. This is based on the assumption that the filing of an interim return is to be made prior to the filing of a final return and on the fact that in cases where the deadline for filing an interim return and a final return falls on the same date, there is no need to request the filing of an interim return.
 - Note that for businesses requiring multiple interim returns, there may be cases where only the due date for filing the interim return is the same day and not the same as the due date for filing the final return. In such

cases, this measure will not be applied.

- Main background
 - April 2011
Establishment of system.
 - March 2021
Abolition of system.
- ㉞) Special provision on the tax rate of liquor tax on refined sake, etc. transferred by disaster-affected liquor manufacturers (Article 43 of the Special Act on Earthquake Tax)
- Overview of special provision
 - In December 2011, a liquor tax reduction measure (Article 87 of the Act on Special Measures Concerning Taxation at that time) was applied to small and medium-sized manufacturers of refined sake, etc. until March 2013. However, the reduction rate was reduced after April 2011.
 - In order to mitigate the impact of the Great East Japan Earthquake on small and medium-sized producers of refined sake, etc., whose liquor manufacturing plants were severely damaged, measures were taken to apply the reduction rate before the reduction.
 - Main background
 - December 2011
Establishment of system. If the volume of transported refined sake, etc. in the previous fiscal year is 1,300 kL or less, the tax amount of liquor tax on up to 200 kL is 93.75/100 (95/100 from April 1, 2013 to March 31, 2016) of the amount calculated pursuant to the provisions of liquor tax reduction measures under the Act on Special Measures Concerning Taxation.
 - March 2013
The reduction rate of the special tax rate since FY2013 was set at 93.75/100 of the amount calculated under the provisions of the liquor tax reduction measure under the Act on Special Measures Concerning Taxation, which was extended by 5 years.
 - March 2016
The applicable time limit was extended for 2 years (until March 31, 2018).
 - March 2018
The applicable time limit was extended for 3 years (until March 31, 2021).
 - March 2021
The applicable time limit was extended for 2 years (until March 31, 2023).
- ㉟) Suspension of measures to suspend the application of special provisions on the tax rates of gasoline tax and local gasoline tax in the event of high gasoline prices (Article 44 of the Special Act on Earthquake Disaster Tax)
- Overview of special provision
 - The so-called trigger clause (Article 89 of the Act on Special Measures Concerning Taxation) is to be activated when the Minister of Finance issues a public notice to that effect when the average retail price of gasoline for each month for 3 consecutive months from January 2010 exceeds 160 yen/Liter in cases where special tax rate provisions to maintain the same tax rate as the previous provisional tax rate are applied to gasoline tax and local gasoline tax.

- In 2011, the situation in the Middle East and North Africa led to a sharp rise in crude oil prices, and the Great East Japan Earthquake caused the suspension of some refineries and impediments to distribution. If the trigger clause were to be triggered, there were concerns that further disruptions to distribution would occur, such as the holding back of purchases and a subsequent surge in demand. Additionally, it was decided to suspend the application of the trigger clause until a date to be specified separately by law in consideration of the situation of the recovery and reconstruction from the Great East Japan Earthquake, as the triggering of the trigger clause was expected to result in a significant decrease in revenue amid expectations that considerable financial demand would arise for reconstruction following the earthquake.

- Main background
 - April 2011
Establishment of system.

オ) Refund of automobile weight tax on affected vehicles, etc. (Article 45 of the Special Act on Earthquake Tax)

- Overview of special provision
 - The automobile weight tax was refunded to vehicles that had been dismantled properly and became end-of-life vehicles within the validity period of the automobile inspection certificate (scrapped vehicle refund system). In the Great East Japan Earthquake, many automobiles were destroyed by the tsunami. However, as these automobiles cannot be dismantled based on the automobile recycling system, they are not subject to the vehicle disposal refund system.
 - In light of the above, measures were taken to refund automobile weight tax for automobiles that were lost, dismantled or discontinued due to the Great East Japan Earthquake before the expiration date of the validity period indicated on the automobile inspection certificate.
- Main background
 - April 2011
Establishment of system.
 - December 2011
Small two-wheeled motor vehicles, towed motor vehicles and registered light motor vehicles added to vehicles subject to system
 - March 2013
The applicable time limit was extended for 1 year (until March 31, 2014).
 - March 2014
The applicable time limit was extended for 2 years (until March 31, 2016).
 - March 2016
The applicable time limit was extended for 3 years (until March 31, 2019).
 - March 2019
The applicable time limit was extended for 2 years (until March 31, 2021).
 - March 2021
End of the period prescribed in the Special Act on Earthquake Disaster Tax

カ) Exemption from automobile weight tax on automobiles acquired by former users of affected automobiles, etc. (Article 46 of the Special Act on Earthquake Tax)

- Overview of special provision
 - In light of the fact that many automobiles were lost in the Great East Japan Earthquake and that they are an important means of transportation in the affected areas, in order to support the replacement of the affected

automobiles, measures will be taken to exempt automobile weight tax when persons who used an affected automobile acquire an automobile and receive, etc. an automobile inspection certificate.

- Main background
 - April 2011
Establishment of system. Applicable to persons who acquire an automobile and receive, etc. an automobile inspection certificate by April 30, 2014
 - December 2011
Small two-wheeled motor vehicles, towed motor vehicles and registered light motor vehicles added to vehicles subject to system
 - March 2014
The applicable time limit was extended for 2 years (until April 30, 2016).
 - March 2016
The applicable time limit was extended for 3 years (until April 30, 2019).
 - March 2019
The applicable time limit was extended until March 31, 2021.
 - March 2021
End of the period prescribed in the Special Act on Earthquake Disaster Tax

2) Special Measures for Disaster Victims and Disaster-Affected Areas (Local Taxes-Related)

Local taxes are basically calculated in accordance with the provisions of laws and regulations concerning national tax as seen in cases of the income-based levy of the prefectural inhabitants tax for individuals (Article 32, paragraph (2) of the Local Tax Act). As such, measures that basically have provisions laid out in the Local Tax Act and do not fall under these conditions are listed here.

a. Individual Residential Tax and Individual Enterprise Tax

ア) Revision of persons under obligation of special collection of interest rate and dividend rate (Article 24 and Article 71-31 of the Local Tax Act and Article 7-4-2 of the Order for Enforcement of the same Act)

- Overview of special provision
 - With regard to the Reconstruction Support JGBs (Issued every 3 months from April 2012 to January 2013) issued to individuals in order to support the reconstruction following the Great East Japan Earthquake, the interest rate was set at a low level for the first 3 years, and on the interest payment date, which was the 3rd year from the date of issuance, the national government directly presented the “Great East Japan Earthquake Reconstruction Project Commemorative Coin” to JGB holders in one 10,000 yen gold coin for every 10 million yen outstanding and in one 1,000 yen silver coin for every 1 million yen outstanding according to the amount outstanding on the record date.
 - Since these commemorative coins are issued according to the balance and holding period of JGBs held, they are subject to an interest rate until 2015. Interest on JGBs paid after January 2016 is included in dividends of listed shares and is subject to taxation based on a dividend rate. Accordingly, the money presented for the Reconstruction Support Government Bonds for Individuals issued in 2012 is subject to an interest rate discount, and the commemorative money presented for the Reconstruction Support Government Bonds for Individuals issued in January 2013 is subject to a dividend discount.
 - With regard to the interest levy, the party that pays or handles interest, etc. becomes the obligor of collection. Specifically, as provided in Article 7-4-2 of the Order for Enforcement of the Local Tax Act, the national government was not specified as the party that pays interest on government bonds.

Additionally, with regard to the dividend rate, while the party that pays the dividend is the party that is obliged to collect the dividend, the party that handles the payment falls under this category. In cases of government bonds, there was no provision for cases where the national government pays the dividend directly. For that reason, the necessary regulations were prepared.

- Main background

- March 2015

- Establishment of general system not limited to reconstruction following the Great East Japan Earthquake.

イ) Special provision on casualty loss deduction, etc. pertaining to Great East Japan Earthquake (Article 42 of the Supplementary Provisions of the Local Tax Act)

- Overview of special provision

- In light of the extensive and wide-ranging damage caused by the Great East Japan Earthquake, a special provision was established so that losses incurred by taxpayers can be applied ahead of time starting from the income for 2010 (the individual inhabitant tax for FY2011) in conjunction with the treatment in income tax (Article 4 of the Special Act on Earthquake Tax).

- Main background

- April 2011

- Establishment of system.

- March 2014

- If there are circumstances that make it difficult to pay expenses for restoration within 3 years after the occurrence of a disaster, a deduction for casualty losses may be applied to expenses for restoration, etc. paid within 3 years from the day following the day on which the circumstances ceased to exist.

ウ) Special provision on carryover deduction for casualty loss related to Great East Japan Earthquake (Article 43 of the Supplementary Provisions of the Local Tax Act)

- Overview of special provision

- If a loss that cannot be deducted with the casualty loss deduction is incurred, it can be carried over for 3 years. This is similar to the treatment for income tax (Article 5 of the Special Act on Earthquake Tax) in which the period for carrying over losses is set at 5 years.

- Main background

- April 2011

- Establishment of system.

エ) Special provision on loss of business assets damaged by Great East Japan Earthquake (Article 6 of the Special Act on Earthquake Tax and Article 32 of the Local Tax Act)

- Overview of special provision

- Losses on business assets, etc. caused by the Great East Japan Earthquake will also have an effect on local taxes as the national tax measure that was allowed to be included in necessary expenses in the calculation of business income, etc. in 2010 (individual inhabitant tax levied in FY2011) relates to the calculation of income.

- Main background
 - April 2011
Establishment of system.

- オ) Special provision on carryover deduction for net loss related to Great East Japan Earthquake (Article 44 of the Supplementary Provisions of the Local Tax Act)
 - Overview of special provision
 - When there is a loss (net loss) that cannot be offset by the aggregation of profits and losses, it is carried over during the 3-year period from the following year and deducted from the amount of gross income, etc., from the following year. However, a special provision was made for a carryover period of 5 years.

 - Main background
 - April 2011
Establishment of system.

- カ) Refund of the amount of interest rate on interest, etc. on property building housing savings, etc. pertaining to Great East Japan Earthquake (Article 46 of the Supplementary Provisions of the Local Tax Act)
 - Overview of special provision
 - In cases where workers make ineligible withdrawals of workers' asset-building housing (pension) savings during the period from March 11, 2011 to March 10, 2012 due to damage caused by the Great East Japan Earthquake, a special provision has been established under which, in accordance with the national tax measure, no retroactive taxation shall be applied to the interest, etc. on that savings when there is any amount of local tax (interest rate) related to the withdrawal and a refund is requested.

 - Main background
 - April 2011
Establishment of system.
 - March 2012
End of the period prescribed in the Local Tax Act

- キ) Special provision for application period, etc. of special tax credit for housing borrowings, etc. related to Great East Japan Earthquake (Article 45 of the Supplementary Provisions of the Local Tax Act)
 - Overview and Main Background of Special Provisions
 - 3)See c.

b. Corporate Residential Tax and Corporate Enterprise Tax

- ア) Special Measures for Tax Base of Capital Ratio for the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake (Article 9 of the Supplementary Provisions of the Local Tax Act)
 - Overview and Main Background of Special Provisions
 - 3)See d.

- イ) Exemption from registration and license tax in cases where the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake has acquired rights related to real estate by purchasing claims, etc. (Article 58 of the Act on the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake)
 - Overview and Main Background of Special Provisions
 - 3) See d.
- ウ) Special provision for prefectural inhabitants tax and municipal inhabitants tax of corporations pertaining to Great East Japan Earthquake (Article 48 of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 7 of 2021)
 - Overview of special provision
 - The carryback refund of corporate tax is not applied except for small and medium-sized enterprises. As an emergency response to the Great East Japan Earthquake, for national tax, the amount of losses due to the earthquake could be carried back retroactively for up to two years. On the other hand, since the fiscal scale of local governments is small compared with that of the national government, there is a risk of hindering their fiscal management.
 - Main background
 - April 2011
Establishment of system.
 - March 2021
Abolition of system.
- エ) Special provision on payment of interim return pertaining to extension of deadline for filing return, etc. due to Great East Japan Earthquake (Article 49 of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 2 of 2017)
 - Overview of special provision
 - In light of the national tax measure under which, due to the extension of the filing deadline under Article 11 of the Act on General Rules for National Taxes in connection with the Great East Japan Earthquake, an interim return is not required to be filed if the deadline for filing an interim return falls on the same day as the deadline for filing a tax return related to the interim return, the deadline for filing and payment of an interim return is extended pursuant to the provisions of an ordinance based on Article 20-5-2 of the Local Tax Act, and the payment of an interim return is not required if the deadline for filing and payment of an interim return referred to in Article 72-26 of the same Act falls on the same day as the deadline for payment of a tax return.
 - Main background
 - April 2011
Establishment of system.
 - March 2017
Abolition of system.

c. Real Estate Acquisition Tax, Fixed Asset Tax and City Planning Tax

- ア) Special provision on tax base of real estate acquisition tax pertaining to business conducted by corporations promoting environmental improvement such as returning home and migration (Article 11 of the Supplementary Provisions of the Local Tax Act)

- Overview and Main Background of Special Provisions
 - 3)See b.
- イ) Special provisions on tax base of fixed asset tax, etc. pertaining to projects conducted by corporations promoting environmental improvement such as returning home and migration (Article 15 of the Supplementary Provisions of the Local Tax Act)
- Overview and Main Background of Special Provisions
 - 3)See b.
- ウ) Special provision on tax base of real estate acquisition tax on land to be acquired under Agricultural Land Use and Consolidation Promotion Plan (Article 11 of the Supplementary Provisions of the Local Tax Act)
- Overview of special provision
 - Similar to the Agricultural Land Use and Consolidation Plan, a measure to deduct an amount equivalent to 1/3 of the land value is from the tax base of the real estate acquisition tax was taken when agricultural land, etc. was acquired under the Agricultural Land Use and Consolidation Promotion Plan prepared by the Governor of Fukushima Prefecture.
- Main background
 - March 2021
Establishment of system (The applicable time limit was extended until March 31, 2023).
- エ) Special provision on tax case of real estate acquisition tax on acquisition of substitute houses, etc. for houses affected by Great East Japan Earthquake (Article 51 of the Supplementary Provisions of the Local Tax Act)
- ① Special provision on tax case of real estate acquisition tax on acquisition of houses to replace houses lost or damaged by Great East Japan Earthquake (paragraph (1))
- Overview of special provision
 - A special provision has been made so that real estate acquisition tax will not be imposed on the floor space of damaged houses when the owner, etc. of houses damaged by the Great East Japan Earthquake acquires a replacement house.
- ② Special provision on tax case of real estate acquisition tax on acquisition of land to be used as site of houses to replace houses lost or damaged by Great East Japan Earthquake (paragraph (2))
- Overview of special provision
 - A special provision has been made to prevent the imposition of the real estate acquisition tax on the land equivalent to the area of the existing land if the land used for a replacement house is acquired due to it being difficult to rebuild the house on the site due to damage such as submergence caused by the tsunami.
- ③ Special provision on tax case of real estate acquisition tax on replacement acquisition of agricultural land damaged by Great East Japan Earthquake or agricultural land located in areas under the designation for the establishment of a no-entry zone (paragraph (3) and paragraph (6))
- Overview of special provision
 - If the owner, etc. of disaster-affected agricultural land (land that the agricultural commission finds to be agricultural land that has become difficult to use for cultivation, etc. due to the Great East Japan Earthquake) acquires the agricultural land that the prefectural governor recognizes as an alternative to the

- disaster-affected agricultural land by March 31, 2026, a measure has been taken in which real estate acquisition tax is not imposed on the area equivalent to the disaster-affected agricultural land.
- If the owner, etc. of the agricultural land in a no-entry zone area acquires the agricultural land that the prefectural governor recognizes as an alternative to the agricultural land in the no-entry zone within 3 months from the date on which the designation for the establishment of a no-entry zone was lifted, a measure has been taken whereby no real estate acquisition tax is imposed on the area equivalent to the agricultural land in the restricted area.
- ④ Special provision on tax case of real estate acquisition tax on acquisition of houses located in areas under the designation for the establishment of a no-entry zone (paragraph (4))
- Overview of special provision
 - When a replacement house for a house located in an area under the designation for the establishment of a no-entry zone due to the nuclear power plant accident is acquired within 3 months (1 year in cases of new construction) from the date on which the establishment designation was lifted, the real estate acquisition tax is not imposed on the equivalent floor area of the house in the no-entry zone.
- ⑤ Special provision on tax case of real estate acquisition tax on acquisition of land to be used as sites of houses located in areas under the designation for the establishment of a no-entry zone (paragraph (5))
- Overview of special provision
 - When land used for the site of a replacement house for a house located in an area under the designation for the establishment of a no-entry zone due to the nuclear power plant accident is acquired within 3 months (1 year in the case of new construction) from the date on which the establishment designation was lifted, the real estate acquisition tax is not imposed on the area equivalent to the previous land.
 - Main background
 - April 2011
Establishment of system.
 - August 2011
Establishment of special provisions for assets not lost or damaged upon establishment of no-entry zones.
 - December 2011
Establishment of special measures for affected farmland.
 - March 2012
Organization of targets of special provisions in response to the reorganization of no-entry zones, etc..
 - March 2021
The applicable time limit was extended for 5 years (until March 31, 2026).
- オ) Exemption from real estate acquisition tax imposed on the acquisition of houses to be used for factories, etc. developed by the Organization for Small & Medium Enterprises and Regional Innovation in connection with the Great East Japan Earthquake (Article 51-2 of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 3 of 2018)
- ① Exemption from real estate acquisition tax at temporary factories and other facilities provided by the Organization for Small & Medium Enterprises and Regional Innovation (paragraph (1))
- Overview of special provision
 - Given that many SMEs were damaged in the Great East Japan Earthquake, the Organization for Small & Medium Enterprises and Regional Innovation decided to develop temporary stores and factories on land provided by local governments (Including private land.) under the Act on Special Financial Assistance and Subsidies to Respond to the Great East Japan Earthquake. In this project, temporary facilities are leased free of charge to municipalities once they are developed and then transferred free of charge to

municipalities within one year. In order to support the project, real estate acquisition tax on temporary stores and factories built by the Organization for Small & Medium Enterprises and Regional Innovation is exempted.

- Main background
 - December 2011
Establishment of system.
 - March 2014
The applicable time limit was extended for 2 years (until March 31, 2016).
 - March 2016
The applicable time limit was extended for 2 years (until March 31, 2018).
 - March 2018
Abolition of system.
- ② Relief measures for real estate acquisition tax pertaining to acquisition of land for disaster-affected substitute railway facilities (paragraph (2))
- Overview of special provision
 - In light of the catastrophic damage to railway lines caused by tsunamis, etc., and the consideration of relocation of railway lines, special measures have been established for the tax base when land to be used as the site of railway facilities is acquired in place of railway facilities that cannot be used for railway business due to the earthquake and for which a notification of suspension, etc. has been submitted.
- Main background
 - March 2012
Establishment of system.
 - March 2017
The applicable time limit was extended for 1 year (until March 31, 2018).
 - March 2018
Abolition of system.
- 力) Special measures for tax base in cases of acquiring land substitutes for newly-created agricultural sites based on land conversion plans for land improvement projects implemented in tsunami-affected areas of Great East Japan Earthquake (Article 51-2 of the Supplementary Provisions of the Local Tax Act)
- Overview of special provision
 - In the past, a special provision for the real estate acquisition tax was in place stipulating that when a land conversion plan for a land improvement project specifies land substitutes for newly-created agricultural sites (agricultural sites newly created within the reduced acreage) that correspond to a special reduction (The parcel area of the existing land shall be reduced based on the consent or application of the landowners, and the land substitutes equivalent to the reduced parcel area shall not be specified) or non-convertible land (The land substitutes corresponding to the existing land shall not be specified based on the consent or application of the landowners), if a person (a farmer outside the region) whom the land improvement district finds appropriate to acquire and substitutes for newly-created agricultural sites acquires those sites, an amount equivalent to 1/3 of the price of the land substitutes for newly-created agricultural sites would be deducted.
 - In the areas affected by the Great East Japan Earthquake, large-scale land improvement projects are scheduled to be implemented, and many landowners have left their farms. In view of the possibility of land substitutes for newly-created agricultural sites, special provisions continued to be applied to the acquisition

of land substitutes for newly-created agricultural sites in the areas affected by tsunamis caused by the Great East Japan Earthquake.

- Main background
 - March 2002
Establishment of a system as a nationwide measure
 - March 2013
Application period extended to March 31, 2015, limited to areas affected by the Great East Japan Earthquake
 - March 2015
The applicable time limit was extended for 2 years (until March 31, 2017).
 - March 2017
The applicable time limit was extended for 2 years (until March 31, 2019).
 - March 2019
The applicable time limit was extended for 2 years (until March 31, 2021).
 - March 2021
The applicable time limit was extended for 2 years (until March 31, 2023).
 - March 2023
Abolition of system.

- キ) Exemption from taxation, etc. of fixed asset tax and city planning tax for each fiscal year from FY2011 to FY2014 pertaining to land and houses damaged by the tsunami caused by the Great East Japan Earthquake (Article 55 of the Supplementary Provisions of the Local Tax Act amended by Act No. 30 of 2011)
 - Overview of special provision
 - In the Great East Japan Earthquake, almost all land and houses were destroyed, damaged or unusable due to the inflow of large amounts of sea water and sediment, and the administrative functions of municipalities were also greatly impaired. As a result, it is considered difficult to carry out the reduction or exemption based on Article 367 of the Local Tax Act on an individual basis. For that reason, a special provision was established so that if the governor/mayor of a municipality designates an area that was severely damaged by the tsunami and notifies the Minister of Internal Affairs and Communications, fixed asset tax and city planning tax will not be imposed uniformly on land and houses in that area.

 - Main background
 - April 2011
Establishment of system.
 - December 2011
The same measures will be continued in FY2012. Simultaneously, measures will be introduced to make it possible, at the discretion of the governor/mayor of a municipality, to exclude land and houses for which restoration work has been completed and for which ordinary profits can be made from their use. Additionally, the government introduced a measure to reduce the fixed asset tax and city planning tax for FY2012 by 1/2 as a measure to mitigate drastic changes in areas that are no longer subject to the tax when they are designated or publicly announced.
 - March 2013
Continue these measures in FY2013
 - March 2014
The applicable time limit was extended for 1 year (until March 31, 2015).
 - March 2015

Abolition of system.

ク) Exemption from taxation, etc. of fixed asset tax and city planning tax for FY2011 and FY2012 in relation to land and houses in the areas subject to the designation for the establishment of a no-entry zone, etc. in relation to nuclear power plant accident caused by Tohoku earthquake and tsunami (Article 55 of the Supplementary Provisions of the Local Tax Act)

- Overview of special provision
 - Due to the nuclear accident caused by the Great East Japan Earthquake, the designation for the establishment of a no-entry zone, etc. have been issued, and entry into these areas has been prohibited. As administrative functions of municipalities including those areas are also greatly impaired and it is considered difficult to carry out the reduction or exemption based on Article 367 of the Local Tax Act on an individual basis, a special provision was established so that if the governor/mayor of a municipality designates and publicly announces an area where it is deemed inappropriate to impose fixed asset tax, etc. for public interest or other reasons, then notifies the Minister of Internal Affairs and Communications, fixed asset tax and city planning tax will not be imposed uniformly on land and houses in that area.
- Main background
 - August 2011
Establishment of system.
 - December 2011
These measures are to be continued in FY2012 as well. Simultaneously, the national government will introduce a measure to reduce 1/2 of the fixed asset tax and city planning tax for FY2012 as a measure to mitigate drastic changes in areas that are no longer subject to the designation for the establishment of a no-entry zone, etc. if they are designated or publicly announced.
 - March 2012
In response to the reorganization of no-entry zones, etc., measures will be taken for the time being from FY2013 onward, and special provisions will be reorganized, such as expanding the scope of tax reduction measures to 3 years in principle after they were excluded from tax-exempt areas.

ケ) Special provisions on fixed asset tax and city planning tax for residential land, etc. affected by Great East Japan Earthquake (Article 56 of the Supplementary Provisions of the Local Tax Act)

- Overview of special provision
 - First, with regard to the current measures for reduction or exemption of fixed asset tax, etc., on residential land (Article 349 3-2 of the Local Tax Act), there is a special provision that allows it to be applied for a certain period of time even in the case of loss or damage of housing, etc., due to an earthquake (Article 349 3-3 of the Local Tax Act). However, since the Great East Japan Earthquake was an unprecedented disaster and it would take a considerable number of days to rebuild houses, the application period of the special measures was extended.
 - Second, in the wake of the Great East Japan Earthquake, it was assumed that some people had no choice but to move to places other than their original residential areas, or to rebuild their lives in other areas during the period until the disaster-affected area was reconstructed. In response to such cases, it is assumed that the reduction and exemption of each local government may not be sufficient to deal with such situations. Therefore, in the event that an owner of a disaster-affected housing site acquires land to replace the said disaster-affected housing site, for the fixed asset tax and city planning tax on the newly acquired land, the land shall be deemed to be a housing site over 3 years.
 - Third, in order to promote the reconstruction of houses and contribute to the restoration of the living

infrastructure of the region, the fixed asset tax and city planning tax imposed on houses acquired as substitutes for old houses will be reduced by 1/2 in the first 4 years and by 1/3 in the subsequent 2 years.

- With regard to the second and third special provisions, similar measures were taken for land and houses acquired as substitutes for land and houses located in the area subject to the designation for the establishment of a no-entry zone.

- Main background

- April 2011

Establishment of system.

- August 2011

Establishment of special measures for land and houses acquired as substitutes for land and houses located in the areas subject to the designation for the establishment of a no-entry zone

- March 2012

Organization of targets of special provisions in response to the reorganization of no-entry zones, etc..

- March 2021

The applicable time limit was extended for 5 years (until March 31, 2026).

コ) Special provision on fixed asset tax for assets that can replace depreciable assets, etc. affected by Great East Japan Earthquake (Article 56 of the Supplementary Provisions of the Local Tax Act)

- Overview of special provision

- The Great East Japan Earthquake caused severe damage to businesses, including the loss and damage of depreciable assets such as production facilities that are essential for business activities. Therefore, special measures (The tax base for 4 years after acquisition, etc. shall be 1/2 of the price.) have been established for the tax base of fixed asset tax to be imposed on depreciable assets when owners of such assets acquire replacement assets.

- Main background

- April 2011

Establishment of system.

- March 2016

The applicable time limit was extended for 3 years (until March 31, 2019).

- March 2019

The applicable time limit was extended for 2 years (until March 31, 2021).

- March 2021

The applicable time limit was extended for 3 years (until March 31, 2024).

サ) Exemption from taxation, etc. of fixed asset tax and city planning tax imposed on houses to be used for factories, etc. developed by the Organization for Small & Medium Enterprises and Regional Innovation in connection with the Great East Japan Earthquake (Article 56-2 of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 3 of 2018)

- ① Tax exemption from fixed asset tax and city planning tax for temporary buildings built by Organization for Small & Medium Enterprises and Regional Innovation (paragraph (1))

- Overview of special provision

- The Organization for Small & Medium Enterprises and Regional Innovation decided to develop temporary stores and factories on land provided by local governments (Including private land) for disaster-affected SMEs under the Act on Special Financial Assistance and Subsidies to Respond to the Great East Japan Earthquake. In this project, temporary facilities are leased free of charge to municipalities once they are developed and then transferred free of charge to municipalities within one year. As such, fixed asset tax and city planning tax are imposed. Therefore, from the viewpoint of supporting the project, fixed asset tax and city planning tax on temporary stores and factories built by the Organization for Small & Medium Enterprises and Regional Innovation are exempted.
- Main background
 - December 2011
Establishment of system.
 - March 2016
The applicable time limit was extended for 2 years (until March 31, 2018).
 - March 2018
Abolition of system.
- ② Special measures on tax base of fixed asset tax pertaining to substitute assets for certain railway facilities, etc. affected by disaster (paragraph (3))
- Overview of special provision
 - With regard to railway lines damaged by the Great East Japan Earthquake, for the purpose of early restoration and stable business management after restoration, measures have been taken to reduce fixed asset tax to 1/2 for 4 years for assets that can replace depreciable assets already damaged. Since many railway assets have long useful lives and the tax burden will continue for a long period of time, as a further reduction measure, the tax base of fixed asset tax for 10 years will be set at 2/3 for newly acquired assets (limited to depreciable assets) that received subsidies for disaster recovery projects by March 31, 2016.
- Main background
 - December 2011
Establishment of system.
 - March 2016
Abolition of system.
- ③ Special measures on tax base of fixed asset tax pertaining to substitute assets for assets subject to special measures on specified local traffic lines affected by disaster (paragraph (4))
- Overview of special provision
 - With regard to railway lines owned by the former JNR for which it is difficult to ensure balanced income and expenditure, a special provision has been established whereby the tax base of fixed asset tax pertaining to the facilities is set at 1/4 in the case where a third sector takes over the operation of the lines after receiving free transfer (Article 349-3, paragraph (18) of the Local Tax Act).
 - The same special measures as above will be implemented in cases where assets subject to the special provision were damaged by the Great East Japan Earthquake and substitute assets were acquired.
- Main background
 - December 2011

Establishment of system.

■ March 2016

Abolition of system.

d. Local Consumption Tax-Related

ア) Reflection in local consumption tax of special measures concerning Great East Japan Earthquake for consumption tax

- Overview of special provision
 - With regard to the special provisions concerning the notification of non-application of the exemption from tax liability provisions introduced for consumption tax and the special provisions concerning the filing of an interim return, similar measures were to be implemented for local consumption tax.

e. Automobile acquisition tax, motor vehicle tax and light motor vehicle tax

ア) Exemption from taxation, etc. of automobile acquisition tax for acquisition of substitute vehicles, etc. for vehicles affected by Great East Japan Earthquake (Article 52, etc. of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 13 of 2016)

- Overview of special provision
 - At the time of the Great East Japan Earthquake, many automobiles were damaged by the tsunami, etc., and measures were taken to exempt automobile acquisition taxes when vehicles were purchased to replace those lost or damaged by the earthquake. Additionally, measures have been taken to exempt automobile acquisition tax from taxation in cases where the use of an automobile in an area under the designation for the establishment of a no-entry zone is abolished and a substitute automobile is acquired.
- Main background
 - April 2011
Establishment of system.
 - August 2011
Establishment of tax exemption measure for acquisition of vehicles to replace vehicles that continued to be in the no-entry zone in line with the establishment of that zone.
 - March 2012
Organization of targets of special provisions in response to the reorganization of no-entry zones, etc..
 - March 2014
The applicable time limit was extended for 2 years (until March 31, 2016).
 - March 2016
The applicable time limit was extended for 1 year (until March 31, 2017).
 - March 2017
The applicable time limit was extended for 2 years (until March 31, 2019).
 - March 2019
The applicable time limit was extended for 6 months (until September 30, 2019). When the consumption tax rate was raised to 10%, the automobile acquisition tax was abolished and the eco-efficiency levy was established in the motor vehicle tax and the light vehicle tax. From October 1, 2019, the same tax exemption measures as the automobile acquisition tax were implemented in the eco-efficiency levy (Article 53-2 of the Supplementary Provisions of the Local Tax Act and Article 57 of the Supplementary Provisions of the Local Tax Act).

- March 2021
End of the period prescribed in the Local Tax Act

イ) Exemption from taxation, etc. of motor vehicle tax on substitute vehicles, etc. for vehicles lost or damaged by Great East Japan Earthquake (Article 54, etc. of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 2 of 2019)

- Overview of special provision
 - At the time of the Great East Japan Earthquake, many automobiles were damaged by the tsunami, etc. From the standpoint of rebuilding the livelihoods of disaster victims, measures were taken to exempt motor vehicle tax on substitute vehicles for those lost or damaged by the earthquake for a certain period of time. Additionally, when an automobile in an area to the designation for the establishment of a no-entry zone is disused, the automobile is deemed not to have been a taxable object of motor vehicle tax after the day on which the designation for the establishment of a no-entry zone was issued.
 - Moreover, largely similar measures were taken for the light motor vehicle tax, including its treatment in areas subject to the designation for the establishment of a no-entry zone (Article 57 of the Supplementary Provisions of the Local Tax Act and Article 58 of the Supplementary Provisions of the Local Tax Act prior to amendment by Act No. 13 of 2016).
- Main background
 - April 2011
Establishment of system.
 - August 2011
Establishment of tax exemption measure, etc. for vehicles acquired to replace vehicles that continued to be in the no-entry zone In line with the establishment of that zone.
 - March 2012
Organization of targets of special provisions in response to the reorganization of no-entry zones, etc..
 - March 2014
The applicable time limit was extended for 2 years (until March 31, 2016).
 - March 2016
The applicable time limit was extended for 3 years (until March 31, 2019).
 - March 2019
The applicable time limit was extended for 2 years (until March 31, 2021). When the consumption tax rate was raised to 10%, the former motor vehicle tax and the former light motor vehicle tax were divided into motor vehicle tax type and light motor vehicle tax type. From October 1, 2019, the same tax exemption measures as the same as the former motor vehicle tax and the former light motor vehicle tax were implemented in terms of motor vehicle tax type and light motor vehicle tax type (Article 54 of the Supplementary Provisions of the Local Tax Act and Article 58 of the Supplementary Provisions of the Local Tax Act).
 - March 2021
End of the period prescribed in the Local Tax Act

f. Other

ア) Suspension of measures to suspend the application of special provisions on tax rates of diesel delivery tax in the event of a high gasoline prices (Article 53 of the Supplementary Provisions of the Local Tax Act)

- Overview of special provision

- The so-called trigger clause (Article 12-2-9 of the Supplementary Provisions of the Local Tax Act) related to the diesel delivery tax was suspended from being applied until a date to be specified separately by law as provided for in Article 44 of the Special Act on Earthquake Disaster Tax in consideration of the situation of recovery and reconstruction after the Great East Japan Earthquake.

- Main background
 - April 2011
Establishment of system.

1) Special provisions on due date of taxation administration in cases of special circumstances such as disasters

- Overview of special provision
 - As it was assumed that municipalities in disaster-affected areas would not be able to carry out taxation work related to fixed asset taxes by the statutory deadline due to the Great East Japan Earthquake, exceptional treatment was specified in preparation for the occurrence of large-scale disasters in the future.
 - The following are subject to this special provision:
 - Notification of the results of allocation of the value, etc. of fixed assets by the Prefectural Governor or the Minister for Internal Affairs and Communications (Article 389 of the Local Tax Act)
 - Determination of prices, etc. of fixed assets by village mayors (Article 410 of the Local Tax Act)
 - Preparation of books stating the location of land, land category, etc. (books for public inspection of land value, etc.) and the location, structure, floor area, etc. of houses (books for public inspection of house value, etc.) by the village mayor (Article 415 of the Local Tax Act)
 - Sending of a summary record of the result of the decision on the price, etc. of fixed assets by the mayor of a town or village to the prefectural governor (Article 418 of the Local Tax Act)
 - Notification to governors/mayors of municipalities of prices, etc. of large-scale depreciable assets for which prefectures are to impose fixed asset tax (Article 743 of the Local Tax Act)
- Main background
 - April 2011
Establishment of system.

2) Major special tax measures, etc. under the jurisdiction of the Reconstruction Agency

a. Special Reconstruction Zone Tax System

In order to accelerate the recovery from the Great East Japan Earthquake, which consisted of unprecedented multiple disasters, ① it is necessary to take drastic measures limited to specific districts without being bound by precedents or existing frameworks, ② a custom-made system utilizing the originality and ingenuity of each district is necessary because the situation of the disaster and the direction of recovery vary from region to region and ③ a one-stop system for comprehensive application of special regulations and procedures as well as special tax, fiscal, and financial provisions is necessary in order to reduce the burden on local governments affected by the disaster as much as possible and to enable prompt response. Based on the purpose of the Basic Act on Reconstruction, the Act on Special Zones for Reconstruction was drafted while listening to the opinions of the disaster-affected districts, and was amended by the House of Representatives before being enacted and promulgated in December 2011.

Under the Act on Special Zones for Reconstruction, special provisions such as special depreciation and special income tax deductions when acquire machineries, etc. are provided for the following projects conducted by sole proprietors or corporations:

- (1) Projects that contribute to securing employment opportunities in areas where a large number of victims have been forced to leave their jobs due to the Great East Japan Earthquake or where the foundations of production activities have been severely damaged through the formation and revitalization of industrial clusters.
- (2) Project to build and lease buildings in districts under [1] that contributes to the formation and revitalization of industrial clusters.
- (3) Projects to provide rental housing in areas where a considerable number of houses have been destroyed by the Great East Japan Earthquake and which contributes to ensuring stable housing.
- (4) Projects specified by Cabinet Order as having economic and social effects that contribute to the smooth and prompt reconstruction in response to the Great East Japan Earthquake in zones covered by Reconstruction Promotion Plans through the resolution of various issues in fields such as agriculture, forestry and fisheries, social welfare and environmental conservation;

The special provisions for all projects were based on the assumption that local governments would establish a reconstruction promotion plan approved by the Prime Minister (hereinafter “Approved Reconstruction Promotion Plan”) so that smooth and prompt implementation in the aftermath of the Great East Japan Earthquake would be properly facilitated. In addition, for special depreciation and tax credits for capital investment, tax credits for the employment of disaster-affected employees, etc., industrial cluster zones for reconstruction, etc. were specified in the Approved Reconstruction Promotion Plan, and items that were designated by local governments as having appropriate and reliable plans for the implementation of projects subject to special provisions in those zones were subject to the application of special provisions.

ア) Overview of system at time of establishment

Details at the time of establishment of the system (at the time of enforcement of the Act for Partial Amendment of the Act on Temporary Special Provisions of Acts Related to National Tax, in Relation to Victims, etc. of the Great East Japan Earthquake (Act No. 119 of 2011)) are as follows.

Figure 2-4-28 Details of Special Provisions at Time of Establishment of System

Name of Special Provision	Applicable Reconstruction Promotion Projects	Overview of special provision	Remarks
① Special depreciation or tax credit in cases of acquiring machinery, etc. in industrial cluster zones for reconstruction, etc. (Related to Article 37 of the Act on Special Zones for Reconstruction and Article 41 of the Act on Special Zones for Reconstruction at the time of establishment)	(1), (2), (3)	<p>○Projects under (1) or (2): In cases where a designated business operator in an industrial cluster zone for reconstruction specified in an Approved Reconstruction Promotion Plan (*1) has acquired equipment, etc. for the purpose of carrying out a project that contributes to the formation, etc. of industrial clusters specified in the plan and has used the equipment for that project, special depreciation or a tax credit of a certain percentage (as follows) of the acquisition cost of such depreciable assets was allowed.</p> <p>(Special depreciation (machinery and equipment))</p> <ul style="list-style-type: none"> • From the day of enforcement of the Act on Special Zones for Reconstruction to March 31, 2014: 100% • From April 1, 2014 to March 31, 2016: 50% (Special depreciation (Buildings, etc.)) • From the day of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016: 25% <p>(Tax Credit (Machinery and equipment))</p> <ul style="list-style-type: none"> • From the day of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016: 15% <p>(Tax Credit (Buildings, etc.))</p> <ul style="list-style-type: none"> • From the day of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016: 8% <p>○Projects under (3): During the period from the date of enforcement of the Act on Special Zones for Reconstruction to March 31, 2014, if a designated business operator built or rented high-quality rental housing for disaster victims within a reconstruction residential area (*2) specified in an Approved Reconstruction Promotion Plan, special depreciation of 25% of the acquisition cost or a tax credit of 8% was allowed.</p>	Income tax and corporate tax
② Tax credits in cases of employing disaster-affected employees, etc. in specified industrial cluster zones for reconstruction (Related to Article 38 of the Act on Special Zones for Reconstruction)	(1)	<p>○During the period from the date of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016, if a designated business operator has any amount of salary paid to disaster-affected employees who work at business establishments in industrial cluster zones for reconstruction, during the period from the date of designation to the date on which five years have elapsed since the date of designation, 10% of the amount of salary paid can be deducted from the tax.</p>	Income tax and corporate tax

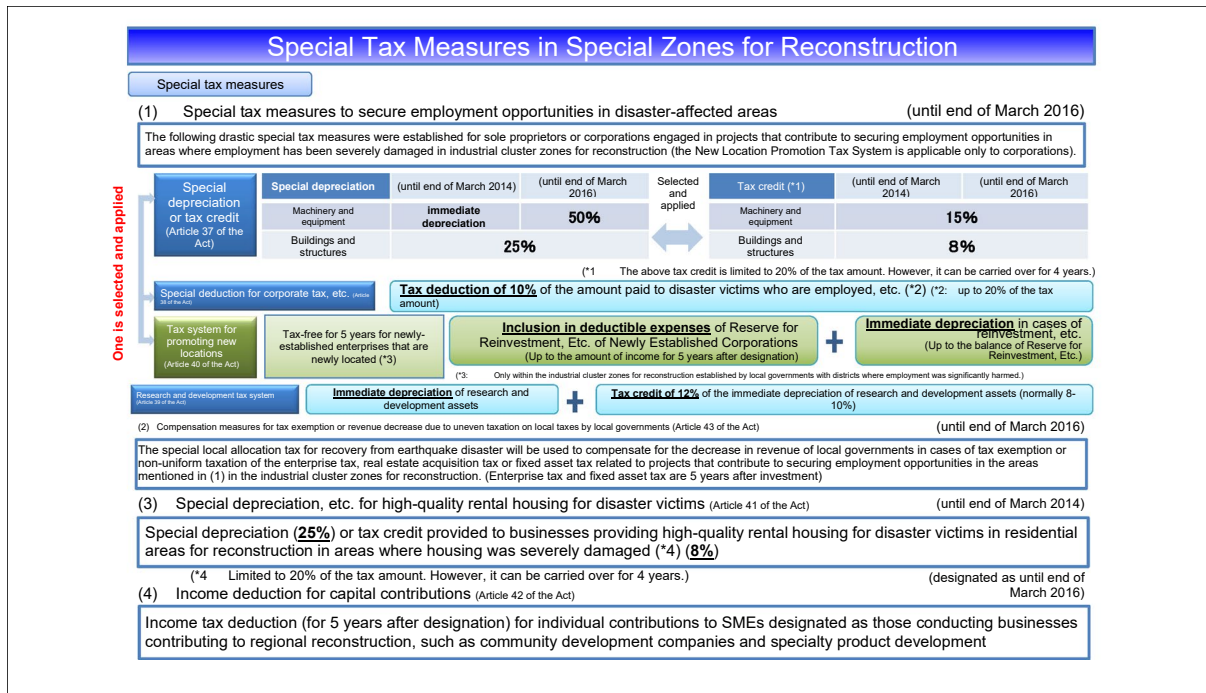
Name of Special Provision	Applicable Reconstruction Promotion Projects	Overview of special provision	Remarks
③ Special depreciation, etc. of assets for development and research in the industrial cluster zones for reconstruction (Related to Article 39 of the Act on Special Zones for Reconstruction)	(2)	<p>○During the period from the date of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016, if a designated business operator has acquired, etc. depreciable assets for development and research purposes and has used them for its own business in the industrial cluster zones for reconstruction specified in an Approved Reconstruction Promotion Plan, the designated business operator would be allowed to immediately depreciate them.</p> <p>○Such depreciation expenses were to be regarded as special research expenses under the R&D tax system.</p>	Income tax and corporate tax
④ Reserve for reinvestment, etc. (Related to Article 40 of the Act on Special Zones for Reconstruction)	(1)	○During the period from the date of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016, when a designated corporation newly established within the industrial cluster zone for Reconstruction specified in an Approved Reconstruction Promotion Plan has set aside a reserve for reinvestment, etc. in each business year that includes the day within the period from the date of designation to the day on which 5 years have elapsed since the date of designation, a measure was taken to allow the amount of the reserve to be included in deductible expenses (up to the amount of income calculated as not subject to this system).	Corporate tax
⑤ Special depreciation of reinvestment facilities (Related to Article 40 of the Act on Special Zones for Reconstruction)	(1)	○In cases where a corporation that has the amount of the reserve for reinvestment, etc. under [4] is to construct, etc. depreciable assets to be used for an industrial cluster project pertaining to the reserve for reinvestment, etc. within the industrial cluster zone for reconstruction, if the corporation acquires, etc. reinvestment equipment, etc. pertaining to the new construction, etc. and uses it for the industrial cluster project in the industrial cluster zone for reconstruction, a measure has been taken to allow special depreciation up to the amount included in gross profits of the reserve for reinvestment, etc. in the first year.	Corporate tax
⑥ Special provisions for taxation in cases of acquisition of shares issued by a designated company for reconstruction (Related to Article 42 of the Act on Special Zones for Reconstruction at the time of enactment)	(4)	○During the period from the date of enforcement of the Act on Special Zones for Reconstruction to March 31, 2016, if shares issued by designated companies specified in the Approved Reconstruction Promotion Plan were purchased by payment, a deduction for donations under the so-called angel tax system could be applied.	Income tax

(*1) Areas in which efforts to form and revitalize industrial clusters should be promoted as specified in the Approved Reconstruction Promotion Plan in order to achieve the goals of the Plan.

(*2) Areas in which efforts to ensure stable housing and enhance the convenience of residents should be promoted as specified in an Approved Reconstruction Promotion Plan in order to achieve the goals of the Plan.

(*3) For ① (Related to Article 37 of the Act on Special Zones for Reconstruction), [2] or [4], one is selected and applied.

Figure 2-4-29 Special Tax Measures in Special Zones for Reconstruction



Source: "Materials on Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake," Reconstruction Agency (February 2012)

<https://www.reconstruction.go.jp/topics/hukkoutokkuseidosetumeishiryoku.pdf> (browsed July 26, 2023)

1) History of Major System Amendments

(FY2012 Tax Reform)

The Fukushima Special Measures Act, which stipulates measures for the reconstruction and revitalization of Fukushima following the nuclear disaster, was promulgated and put into effect on March 31, 2012, in view of the fact that the reconstruction and revitalization of Fukushima, which suffered serious and significant damage due to the nuclear disaster, should be carried out in light of the special circumstances facing the area and the social responsibility of the State as a result of the promotion of nuclear energy policy.

In Fukushima Prefecture, the contamination by radioactive materials and the resulting reputational damage have caused the overall stagnation of industries in the prefecture and the outflow of industry and population, coupled with the health concerns of residents. In view of the time required for recovery and reconstruction, in order to promote recovery from the nuclear disaster caused by the Great East Japan Earthquake, special provisions of the Act on Special Zones for Reconstruction were established pursuant to the provisions of Articles 51 and 52 of the Act on Special Measures Concerning Fukushima at the time of enactment, and the requirements for local governments to prepare Approved Reconstruction Promotion Plans (Approved Reconstruction Promotion Plans for Reconstruction Promotion Projects under (a) (1) or (2) above), which include special provisions for taxation pertaining to the Industrial Cluster Zones for Reconstruction, were relaxed. This made it possible for all local governments in Fukushima Prefecture to prepare such plans. Accordingly, consistency was ensured in the Special Act on Earthquake Disaster Tax (application deadline: March 31, 2016).

(FY2014 Tax Reform)

With regard to the measures ① - (3), which were to be applied until March 31, 2014, the application deadline was extended for three years (until March 31, 2017), after relaxing the requirements for high-quality rental housing for disaster victims by lowering the floor space limit.

In addition, with regard to the measures in ①-(1) and ①-(2), the applicable time limit of the measures allowing for immediate depreciation was extended for 2 years (until March 31, 2016).

[4] Based on the proposal by the Governor of Miyagi Prefecture to relax the application requirements based on Article 11 of the Act on Special Zones for Reconstruction, the application period was extended by 2 years (until March 31, 2016) after the relaxation of the requirements so that establishments meeting certain requirements can be established outside the zones during the reserve period for reinvestment, etc.

(FY2016 Tax Reform)

Regarding the measures in ①-(2), which were set to be applied until March 31, 2016, it was decided that only those that are developed integrally with the surrounding community planning will be allowed.

Additionally, regarding the measures in ①-(1) and ①-(2), which were to be applied until March 31, 2016, the following measures were taken:

Figure 2-4-30 Details of Special Provisions by Target Assets, Etc.

Target Assets, Etc.	Local Governments that Designate Business Operators	Details of Special Provisions
i) Machinery and equipment	Fukushima Prefecture or a municipality within Fukushima Prefecture	<ul style="list-style-type: none"> Special depreciation limit: Immediate depreciation Tax credit rate: 15%
	Other than the above	<ul style="list-style-type: none"> Special depreciation limit: Equivalent to 50% of the acquisition cost (acquired from April 1, 2016 to March 31, 2019); equivalent to 34% (acquired from April 1, 2019 to March 31, 2021) Tax credit rate: 15% (acquired from April 1, 2016 to March 31, 2019); 10% (acquired from April 1, 2019 to March 31, 2021)
ii) Buildings, etc.	Fukushima Prefecture or a municipality within Fukushima Prefecture	<ul style="list-style-type: none"> Special depreciation limit: 25% Tax credit rate: 8%
	Other than the above	<ul style="list-style-type: none"> Special depreciation limit: Equivalent to 25% of the acquisition cost (acquired from April 1, 2016 to March 31, 2019), Equivalent to 17% (acquired from April 1, 2019 to March 31, 2021) Tax credit rate: 8% (acquired from April 1, 2016 to March 31, 2019), 6% (acquired from April 1, 2019 to March 31, 2021)

The applicable time limit of measures under [2], which had been until March 31, 2016, was extended by five years (until March 31, 2021), and the tax credit rate was set at 7% for Fukushima Prefecture or designated corporations other than municipalities within the area of Fukushima Prefecture.

The applicable time limit of measures under [3], which had been applicable until March 31, 2016, was extended for five years (until March 31, 2021), and the special depreciation limit was changed to the amount equivalent to 50% (Assets acquired during the period from April 1, 2019 to March 31, 2021: Equivalent to 34%) in cases where a corporation designated by somewhere other than Fukushima Prefecture or a municipality within the area of Fukushima Prefecture is eligible for the measure.

The total acquisition cost of depreciable assets in the business year in which a corporation became a designated

corporation in measures under [4], which had been applicable until March 31, 2016, was required to be 30 million yen or more. However, if the cumulative acquisition cost of depreciable assets in the 3 years from the first day of the business year including the date of designation is 50 million yen or more, the measure was extended for 5 years (until March 31, 2021) by allowing the application to be made in the business years after the business year in which the cumulative acquisition cost reached 50 million yen.

The applicable time limit for the measures in [5], which had established as March 31, 2016, was extended for 5 years (to March 31, 2021).

(FY2017 Tax Reform)

The measures in ①-(3), which had been applicable until March 31, 2017, were taken as follows:

Figure 2-4-31 Details of Special Provisions by Local Governments that Designate Business Operators

Local Governments that Designate Business Operators	Details of Special Provisions
Fukushima Prefecture or a municipality within Fukushima Prefecture	<ul style="list-style-type: none"> • Special depreciation limit: Amount equivalent to 25% • Tax credit rate: 8%
Other than the above	<ul style="list-style-type: none"> • Special depreciation limit: Amount equivalent to 25% (For those acquired during the period from April 1, 2020 to March 31, 2021, the amount equivalent to 17%) • Tax credit rate: 8% (For those acquired during the period from April 1, 2020 to March 31, 2021, 6%)

(FY2019 Tax Reform)

In light of the situation of industrial reconstruction in the disaster-affected areas, with regard to the measures (1) and (2) of ①, it was decided that by March 31, 2021, the special depreciation rate and tax deduction rate for machines, etc. acquired in the area of municipalities including “Areas where a large number of disaster victims were forced to evacuate or production infrastructure was severely damaged by the Great East Japan Earthquake” (Excluding Fukushima Prefecture or the area of a municipality within the area of Fukushima Prefecture.) would be the same level as those until March 31, 2019.

In addition, with regard to the measures in ②, it was decided that the tax credit rate for the amount of salaries, etc. of disaster-affected employees. etc. who work at business establishments located in the above-mentioned areas would be at the same level as before March 31, 2019.

Measures in ③: By March 31, 2021, the special depreciation rate for development and research assets used by SMEs in the above-mentioned areas was set at the same level as that until March 31, 2019.

(FY2021 Tax Reform)

One of the requests for tax reform in FY2020 was to “In reviewing the Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake and the Act on Special Measures for the Reconstruction and Revitalization of Fukushima toward the end of the Reconstruction / Revitalization Period, in light of the progress of reconstruction, the tax system for special zones for reconstruction will focus on the areas covered, and the tax system for the Fukushima Special Measures Law will provide special provisions for taxation related to industrial clusters and the elimination of rumors centered on the Fukushima Innovation Coast Framework.” (the outline of tax reform for the ruling parties in FY2020). In order to intensively and effectively promote reconstruction in response to the Great East Japan Earthquake, an Act for Partial Revision of the Reconstruction Agency Establishment Act

(Act No. 46 of 2020; hereinafter “Act for Amendment of the Act on Special Zones for Reconstruction, etc. of 2020”) was enacted, which incorporates the necessary legal allowances for the mechanisms, organizations, and financial resources to support reconstruction after the First Reconstruction / Revitalization Period. This Act created a Reconstruction Promotion Plan and Land Restructuring Plan and prioritized the target areas in which special measures based on these plans can be used (enforced on April 1, 2021).

Among the specific details concerning the revision of the Act on Special Zones for Reconstruction, the areas subject to the taxation system on special zones for reconstruction were examined from the viewpoint of focusing on industrial reconstruction in coastal areas, where reconstruction lags behind inland areas, and were stipulated in the Order for Enforcement of the Act on Special Zones for Reconstruction, covering the areas of 12 municipalities in the coastal areas of Iwate Prefecture, the areas of 15 municipalities in the coastal areas of Miyagi Prefecture (In Sendai City, Aoba Ward, Taihaku Ward and Izumi Ward are excluded.), and the areas of 15 municipalities in the coastal areas of Fukushima Prefecture, etc.

The target areas were prioritized and all municipalities included “Areas where a large number of disaster victims were forced to evacuate or production infrastructure was severely damaged by the Great East Japan Earthquake” and the tax system for special reconstruction zones should be positioned as a measure to address the issues in industrial reconstruction common to Iwate, Miyagi, and Fukushima Prefectures. Therefore, in the tax system revision for FY2021, for the measures in ①- (1) and (2), the application period was extended for 3 years (until March 31, 2024) and special depreciation rates and tax credit rates were set exclusively according to the type of depreciable assets. Specifically, for machinery and equipment, the special depreciation rate was 50% and the tax credit rate was 15%. For buildings, the special depreciation rate was 25% and the tax credit rate was 8%. On the other hand, the measures described in ① and (3) were abolished as of March 31, 2021.

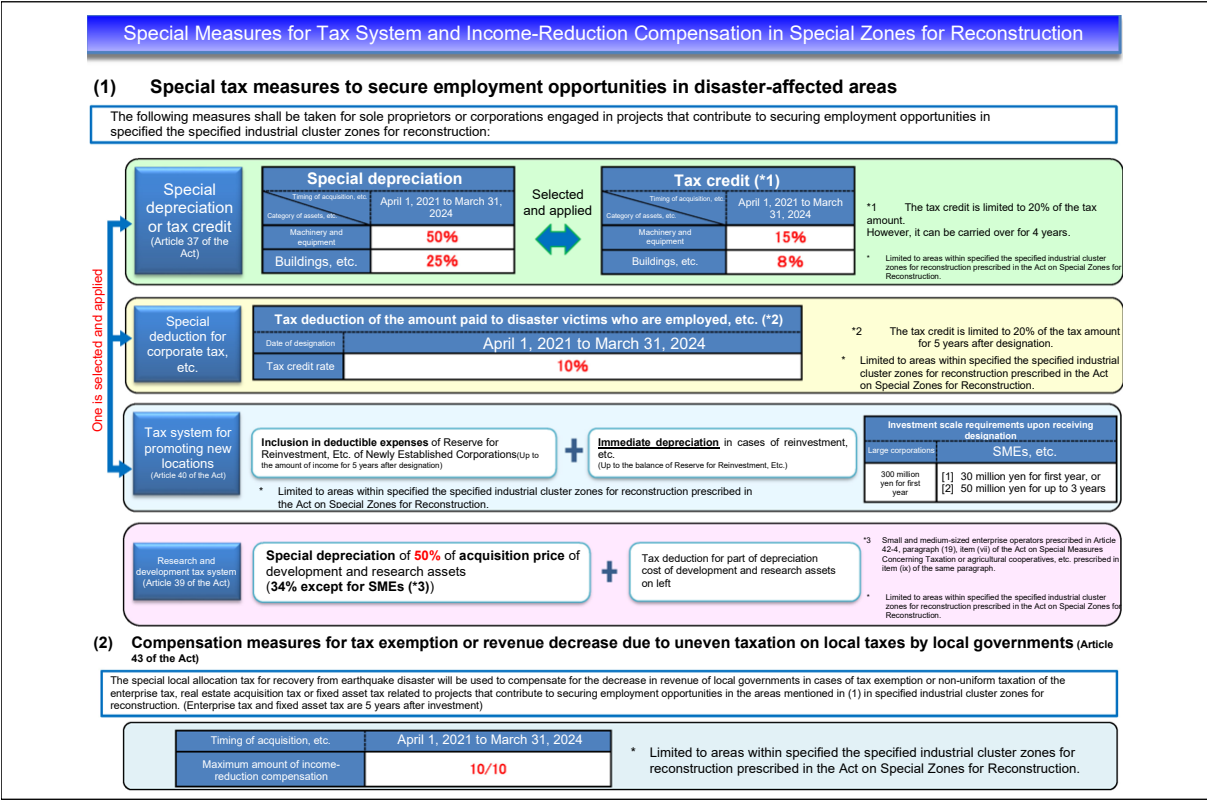
Measure in ②: The applicable time limit was extended for 3 years and the tax credit rate was set at 10%. The areas where the business establishments where the disaster-affected employees, etc. were employed were located and the areas where the disaster-affected employees, etc. were living continued to be designated as the specific affected areas in light of the continuing severe employment situation in the affected areas and the need to secure employment opportunities for those who lived in the areas where a certain amount of damage was caused by the Great East Japan Earthquake.

Measure in ③: The application period was extended for three years, and the special depreciation rate was uniformly set at 50% for SMEs and 34% for others.

④ and ⑤ were extended for three years, while [6] was abolished on March 31, 2021.

As a result of the above process, as of April 1, 2022, the tax system for special reconstruction zones is as follows.

Figure 2-4-32 Special Measures for Tax System and Income-Reduction Compensation in Special Zones for Reconstruction



Source: “Materials on Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake,” Reconstruction Agency (June 2022)
https://www.reconstruction.go.jp/topics/main-cat1/sub-cat1-13/2206_setsumeishiryoku.pdf (browsed July 26, 2023)

b. Special Tax Measures Pertaining to the Fukushima Special Measures Act

ㄱ) Special Measures in Areas where Evacuation Orders have been Lifted (2. 4. 3. (2) 1 b <k> - <o>)

Due to the Great East Japan Earthquake, which is an unprecedented complex disaster, not only the earthquake and tsunami but also the nuclear disaster that accompanied them, the areas in Fukushima Prefecture in particular suffered serious and massive damage from radioactive materials. In addition to the damage caused by the contamination of production bases by radioactive materials in many areas, industries in Fukushima Prefecture were severely damaged by harmful rumors throughout the prefecture, and some areas were unable to resume production and economic activities for a long time. In addition, due to the lack of proper recognition of the presence or absence of contamination by radioactive materials, the impact of harmful rumors has remained mainly in the agriculture, forestry and fisheries industry and tourism industry, affecting industries in Fukushima.

In light of such special circumstances throughout Fukushima Prefecture, the Fukushima Special Measures Act was established, and in response to the provision that special provisions for taxation in the Act are applicable, the details of special provisions for taxation were stipulated and implemented in the Special Act on Earthquake Tax.

[History of System Development]
(FY2012 Tax Reform)

According to the FY2012 tax reform, “... Nuclear power plant accidents have special characteristics such as the time required for recovery and reconstruction, and the occurrence of not only direct damage but also the

damage caused by harmful rumors. The government plans to draft a bill on special measures for the reconstruction and revitalization of Fukushima Prefecture, which is heavily affected by the nuclear power plant accident. ...

(Omitted) ... Measures to Support Businesses Returning to Areas where Evacuation Orders Have Been Lifted”

(Outline of the Fiscal Year 2012 Revision of the Government Tax System). Details are as follows.

- (1) Special depreciation or special deduction system for in cases of acquiring machinery, etc. in areas where evacuation orders have been lifted

In the event that a corporation (*1), which has received confirmation from Fukushima Prefecture that it is a disaster affected business operator pursuant to the provisions of the Fukushima Special Measures Act, acquires machinery, equipment, buildings, etc., and uses the machinery, equipment, etc., for business purposes in the area where the designation as an evacuation target area has been cancelled during the period from the date of the lifting of the designation as an evacuation target area (*2) to the date on which five years have passed since the date of the lifting of the designation as an evacuation target area (*3), special depreciation of the amount obtained by deducting the maximum amount of ordinary depreciation from the acquisition cost of the depreciable assets (25% of the acquisition cost for each building, etc.) and a tax credit of 15% of the acquisition cost (8% for buildings, etc.) can be selected and applied.

(*1) Affected businesses are corporations that had business offices in the evacuation area as of March 11, 2011.

(*2) Evacuation zones are designated as emergency evacuation preparation zones, no-entry zones and planned evacuation zones.

(*3) In the event that the designation of an evacuation zone is lifted prior to the effective date of the Fukushima Special Measures Act, the measure shall be taken until the day on which five years have passed since the effective date of the Act.

- (2) Tax credit system when hiring disaster-affected employees. etc. in areas where evacuation orders have been lifted

In cases where a corporation has received confirmation from Fukushima Prefecture that it is a disaster-affected business operator pursuant to the provisions of the Fukushima Special Measures Act during the period from the date of lifting of the designation of an evacuation target zone to the date on which 3 years have elapsed since the date of the lifting of the designation, if, during the period of each business year including the date within the period from the later of the date of the confirmation or the date of lifting of the designation of an evacuation target zone to the date on which 5 years have elapsed since the date of the lifting of the designation, salaries are paid to disaster-affected employees. etc. (*) who work at a place of business located in the area where the designation of the evacuation target zone has been lifted, a tax credit of 20% of the amount of salaries paid by the corporation that is calculated as deductible expenses in the calculation of the amount of income for the relevant business year is allowed. Compared with the tax system for special reconstruction zones, which provided a tax credit of 10% for salaries, this is an extremely high level of support measure, exceeding the existing measures at that time.

(*) Disaster-affected employees. etc. refer to the following:

- A person who was working at a place of business in the evacuation area as of March 11, 2011.
- A person who was residing in the evacuation area as of March 11, 2011.

(FY2013 Tax Reform)

In the FY2013 tax reform, it was stipulated that “Reconstruction from the Great East Japan Earthquake is a cherished desire of the people, and in order to revive the Japanese economy, it is essential to move forward and accelerate it in a visible manner...[omitted]...In the case of Fukushima, in order to promote the attraction of companies to areas where evacuation orders have been lifted, etc., a tax credit system for employing disaster victims in areas where evacuation orders have been lifted, etc., and a system allowing immediate write-offs and tax credits for capital investment will be applied to companies that newly enter areas where evacuation orders have been lifted.” (Outline of Tax Reform for the Ruling Parties in FY2013), and the following measures were newly taken.

In addition, with regard to the measures (1) and (2) established in the FY2012 tax reform, areas under preparation for lifting evacuation orders and restricted residential areas were added to the applicable areas.

- (3) Special depreciation or special deduction system in cases of acquiring machinery, etc. in areas where the locating of businesses by companies is promoted

In cases where a corporation that has obtained approval for the Implementation Plan for Reconstruction and Revitalization Promotion Projects in Zones where Evacuation Orders have been Lifted or are to be Lifted as prescribed in the Fukushima Special Measures Act has acquired machinery, equipment, buildings, etc., and used them for its business during the period from the date of submission of the plan for promoting the locating

of businesses until the day on which 5 years have passed since either the same day or the day on which all of the instructions for the Zones where Evacuation Orders have been Lifted or are to be Lifted that are specified in the submitted plan for promoting the locating of businesses are lifted, whichever comes later, special depreciation of the amount obtained by deducting the maximum amount of ordinary depreciation from the acquisition cost of the depreciable assets (25% of the acquisition cost for each building, etc.) and a tax credit of 15% of the acquisition cost (8% for buildings, etc.) can be selected and applied.

- (4) Tax credit system when hiring disaster-affected employees. etc. in areas where the locating of businesses by companies is promoted

In cases where a corporation that has obtained approval for the Implementation Plan for Reconstruction and Revitalization Promotion of Zones where Evacuation Orders have been Lifted or are to be Lifted as prescribed in the Fukushima Special Measures Act pays, during the period from the date of submission of the plan for promoting the locating of businesses to the day on which all of the instructions for the zones where evacuation orders have been lifted that fall under the zones where the establishment of new business facilities is to be promoted specified in the submitted plan for promoting the locating of businesses, during the period of each business year that includes the day within the period from the day on which the approval was obtained to the day on which five years have elapsed since the day on which the approval was obtained a tax credit of 20% of the amount of salaries paid by the corporation that is calculated as deductible expenses in the calculation of the amount of income for the relevant business year is allowed.

(FY2015 Tax Reform)

In the FY2015 tax reform, it was stated that “reconstruction from the Great East Japan Earthquake is a top priority. In order to continue to support reconstruction from the tax perspective, a reserve fund system will be established for corporations that intend to resume operations after returning to areas where evacuation orders have been lifted in Fukushima, in order to make it easier for them to accumulate investment costs” (the outline for tax reform of the ruling parties in FY2015). In response, the following measures were newly taken.

- (5) Fukushima Reinvestment Reserve System

If a person who had a place of business as of March 11, 2011 in a zone designated as a difficult-to-return zone, a restricted residence zone, or a zone in preparation for the lifting of an evacuation order and who has obtained approval for an implementation plan for a project to promote the reconstruction and revitalization of zones where evacuation orders have been lifted under the same Act has set aside an amount equal to or less than 1/2 of the planned investment amount specified in the plan as the reserve for Fukushima reinvestment, etc. in each business year including the day within the reserve period, in order to allocate it to the expenditure required for the construction of facilities or equipment to be used for the project specified in the plan, the amount may be included in deductible expenses. Compared with the tax system for special zones for reconstruction (reserve for reinvestment, etc.), which has a similar system, the period during which the reserve can be included in deductible expenses is only three years (the tax system for special zones for reconstruction is five years). However, while the tax system for special zones for reconstruction can be applied only to some industries in the industrial cluster zones for reconstruction, this special measure can be applied to almost all industries in the whole area of the evacuation release zone, etc., and is a support measure that can be widely used in areas affected by nuclear power.

(FY2017 Tax Reform)

With regard to the special provisions of (1) and (2) through (5), which had been established before the FY2015 tax reform, the Approved Specific Reconstruction and Revitalization Base Areas were added as the target areas on the premise of the revision of the Fukushima Special Measures Act. In addition, with regard to the special provisions of (5), measures to transfer reserves in the event of a corporate split were developed.

(FY2019 Tax Reform)

With regard to the special provisions (1) to (4) that had been established before the FY2013 tax reform, the special provisions can be applied until the day on which 7 years have elapsed from the day on which all instructions on areas where evacuation orders have been lifted were lifted.

イ) Special Measures Pertaining to Projects Conducted by the Organization Promoting Environmental Improvement such as Return and Resettlement

In April 2017, with the lifting of all evacuation orders except for difficult-to-return zones, measures to improve the living environment were strengthened for the return of residents who had evacuated. However, in the municipalities including the areas where evacuation orders has been lifted, vacant land and houses are scattered, which is an issue in the revitalization of the community. As for the vacant land and vacant houses concerned, there are quite a few cases in which the people who had evacuated formed the basis of living in the place where they evacuated, and it is difficult to expect the people concerned to take positive actions for utilization. For this reason, the activities of the Organization for Promoting the Improvement of Returning Environments, which is the main body responsible for promoting community development by grasping diverse needs, are important in place of the administration. Therefore, a special provision was established to support the smooth execution of business by such corporations.

[History of System Development]

(FY2019 Tax Reform)

- (1) During the period from April 1, 2019 to December 31, 2019, the special provisions on taxation of long-term capital gains (10% for the portion of taxable long-term capital gains of 20 million yen or less) may be applied to the transfer of land, etc. used for the project to consolidate land, etc. specified in the plan for the development of an environment for returning home carried out by a corporation promoting the development of an environment for returning home (limited to public interest corporation).
- (2) A special deduction of 15 million yen can be applied to the transfer of land, etc. for the purpose of a specified residential land development project, etc. when the Organization for Promoting Improvement of Returning Environment (limited to public interest corporation). transfers land, etc. to be used for a project to develop certain specified public interest facilities or specified public facilities described in a return environment development project plan.
- (3) During the period from April 1, 2019 to March 31, 2022, when the Organization for Promoting Improvement of Returning Environment (limited to public interest corporation) acquired land, etc. for projects to consolidate land, etc., the registration and license tax rate for the registration of transfer of ownership, etc. of the land, etc. was reduced (the registration of transfer of ownership was 10/1,000).
- (4) When the Organization for Promoting Improvement of Returning Environment (limited to public interest corporation) acquired a certain amount of land based on a return environment development project plan, 1/5 of the tax base of the real estate acquisition tax on the land was deducted until March 31, 2022.
- (5) In the areas affected by the nuclear disaster, the entire amount of fixed asset tax is exempted from taxation in areas under evacuation orders, and even in areas where evacuation orders have been lifted, the fixed asset tax for 3 years has been reduced to 1/2 in principle. As an aid to the steady return of residents, until March 31, 2022, the tax base for fixed asset tax and city planning tax on land and depreciable assets for projects implemented by the Organization for Promoting Improvement of Returning Environments (limited to public interest corporation) based on the Project Plan for Improvement of Returning Environments was set at 1/3 for the first 5 years.

(FY2020 Tax Reform)

The special provisions for taxation on long-term capital gains from the transfer of land, etc. for the development of prime residential areas, etc. including the transfer of land, etc. for the land consolidation project conducted by the Organization for Promoting Improvement of Returning Environments were extended for three years (until December 31, 2022).

(FY2021 Tax Reform)

Following the amendment of the Fukushima Special Measures Act (under the Act for Amendment of the Act on

Special Zones for Reconstruction, etc. in 2020), the name of the Organization for Promoting Improvement of Returning Environments was changed to the Organization for Promoting the Improvement of Returning Environments, etc., and measures were taken to ensure that the special provisions established by the FY2019 tax reform continue to apply.

As of September 1, 2022, the Towns of Futaba and Okuma, where the evacuation order was lifted in the specified reconstruction and revitalization bases area (SRRBA), have been designated as corporations. It is expected that in the future, while supplementing the lack of manpower in the public sector, environmental improvement such as repatriation and resettlement will be promoted utilizing private-sector know-how.

(FY2022 Tax Reform)

The period of application of special measures to reduce tax rates for registration of transfer of ownership, etc. of real estate acquired by corporations promoting environmental improvement such as repatriation and migration was extended for three years (until March 31, 2025).

c. Housing loan deduction, etc.

As the details are very detailed, only the national tax portion is described in this material.

[History of System Development]

(the Special Act on Earthquake Disaster Tax became effective)

- (1) If a resident acquires a residential house that meets certain requirements, uses it for their own residence, and continues to use it for their own residence, or has borrowings for housing acquisition, etc., he/she may deduct a certain amount from their income tax for a certain period after the year of residence. However, if he/she becomes unable to use it for their residence continuously until December 31 of the applicable year, he/she would be able to receive the tax credit only for that year if he/she used it for their residence until the day on which he/she became unable to use it for their residence.

However, victims of the Great East Japan Earthquake were allowed to continue to receive tax credits in the applicable year if they had borrowings related to damaged houses in the year following the year in which they became unable to use them for residential purposes.

- (2) i) During the period from January 1, 2009 to December 31, 2011, if a beneficiary, by a gift from a lineal ascendant, acquired money to be used for the construction of a residential house, etc., satisfies certain conditions, the amount up to the tax-free limit shall not be included in the taxable value of gift tax, and ii) during the period from January 1, 2003 to December 31, 2011, if a beneficiary, by a gift from a person under 65 years of age, acquired money to be used for the construction of a residential house, etc., satisfies certain conditions, the beneficiary may choose taxation for settlement at the time of inheritance (*). For these purposes, the beneficiary was required to construct a new house by March 15 of the year following the year of the gift and move in by December 31 of the same year.

However, the Great East Japan Earthquake caused damage to a wide range of houses, and it was assumed that newly built houses would be lost and that the construction period would be prolonged, resulting in a delay in the move-in period. Therefore, it was decided that if a beneficiary who received a gift and built a new house for residential use during the period from January 1, 2010 to March 10, 2011 and was subject to the special provisions of i) or ii) became unable to use the house for residential use due to the loss of the newly built house for residential use, the beneficiary would not be required to use the house for residential use. In addition, if a person received a grant from January 1, 2010 to December 31 of the same year, built a new house for residential use, etc., and received the application of the special provisions of i) or ii), and was unable to use the house for residential use due to the circumstances caused by the earthquake, the period of residence was extended by one year (until December 31, 2012). In addition, if a person received a grant

from January 1, 2011 to March 10 of the same year, built a new house for residential use, etc., and was unable to use the house for residential use due to the circumstances caused by the earthquake, the period of residence was extended by one year (until March 15, 2013).

- (*) The method is not a method in which taxation is imposed when a gift exceeding 1.1 million yen is received in each calendar year (calendar taxation), but a method in which gift tax is imposed on the total value of property donated by selected donors during the year from January 1 to December 31 of the year after the said taxation method is selected, after a special deduction of 25 million yen (If any amount has already been deducted, the remaining amount after deducting the amount) is deducted from the total value of the property.

(At the time of Partial Amendment of the Special Act on Earthquake Tax (December 2011))

The following two measures were established as incentives for people who lost their homes in the Great East Japan Earthquake to rebuild their homes as soon as possible and return to their lives before the earthquake.

- (1) In cases where a person who has become unable to use their house for their own residence due to damage caused by the Great East Japan Earthquake has re-acquired, etc. certain houses and used them for their own residence until December 31, 2013, and continues to use them for their own residence, he/she may deduct from their income tax an amount equivalent to 1.2% of the balance of their loan for re-acquisition, etc. as of December 31 of the relevant year for each of the 10 years after the year of residence (1.0% for nationwide measures).
 - (2) With regard to the tax exemption measure for cases where a gift is received from a lineal ascendant for the purpose of constructing a residential house, etc. (tax exemption limit: 10 million yen), if the tax exemption measure was already applied before the Great East Japan Earthquake, it cannot be applied again when the residential house is re-acquired, etc. Therefore, if a person who lost their home due to the Great East Japan Earthquake receives a gift from a lineal ascendant during the period from March 11, 2011 to December 31, 2013 (*), a tax exemption measure of up to 10 million yen can be applied, regardless of the application of the special provisions (hereinafter “exemption from gift tax for victims of the Great East Japan Earthquake who received a gift of funds for housing acquisition, etc. from their lineal ascendants”).
- (*) in the case of a person who used or intended to use a house located in the area subject to the designation for the establishment of a no-entry zone for residential purposes on the day on which the designation for the establishment of a no-entry zone, etc. was issued, the period from the day on which the designation for the establishment of a no-entry zone, etc. was issued until the day on which three months have elapsed since the day on which the designation for the establishment of a no-entry zone, etc. was cancelled;

In addition, with regard to the measures set forth in (1) and the special measures for the applicable period, in order not to diminish the effects of the respective special measures, it was decided that in the case where a house that was subject to the tax credit for borrowings, etc. for housing acquisition is lost, etc. due to the Great East Japan Earthquake and cannot be used for residential purposes, if the house is reacquired, etc. and the borrowings, etc. for that purpose are held, the total amount of the tax credit equivalent to the loan for the lost residential house and the tax credit equivalent to the loan for the reacquired residential house can be deducted.

In addition, with regard to the measures described in (2), special measures could not be applied to cases where existing houses had been newly constructed in the areas where entry was prohibited due to the accident at the Fukushima Dai-ichi Nuclear Power Station, depending on the conditions of the buildings (In the case where it is not lost (Including damage which is difficult to restore to its original state through ordinary repair.)). Therefore, the measures were also applied to cases where buildings were located in the areas subject to the designation for the establishment of a no-entry zone on the day when the designation for the establishment of a no-entry zone were issued and could no longer be used for residential purposes.

(FY2012 Tax Reform)

Regarding the exemption from gift tax for victims of the Great East Japan Earthquake who received a gift of funds for housing acquisition, etc. from their lineal ascendants, the application period was extended for one year (until December 31, 2014) for cases where a new residential house, etc. is built by donation on or after January 1,

2012. The exemption limit is divided according to the quality of the house as follows.

At that time, the upper limit (240 m²) of the floor space of houses subject to the special provisions was set in the national measures. However, the upper limit was not set in the special measures for disaster victims in view of the purpose of the system.

- In the case of a good quality residential house with energy conservation and earthquake resistance: 15 million yen
- In the case of other residential houses: 10 million yen

(FY2014 Tax Reform)

Regarding the exemption from gift tax for victims of the Great East Japan Earthquake who received a gift of funds for housing acquisition, etc. from their lineal ascendants, the gift deadline for those who lived in the areas subject to the designation for the establishment of a no-entry zone, etc. was set in a manner linked to the time when the areas subject to the designation for the establishment of a no-entry zone, etc. would be lifted because it was undecided. However, in consideration of the fact that a period for making decisions within the relevant areas was necessary and that it would be difficult to acquire a residential house during the year when the gift was lifted depending on the time when the designation for the establishment of a no-entry zone, etc. were lifted, the gift deadline was set to be the day on which 1 year passed after the lifting.

(FY2022 Tax Reform)

The application period was extended for 4 years (until December 31, 2025) with a 0.9% deduction rate, a 13 year deduction period, and a borrowing limit of 50 million yen. In addition, after January 1, 2025, it is limited to the area subject to the designation for the establishment of a no-entry zone, etc.

d. Special Measures Concerning the Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake (Chapter 2, Section 4, 3. (2) 1a. n) through c., and Chapter 2, Section 4, 3. (2) 2 b. a) and b))

The Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake (hereinafter “JLSC”) has decided to provide support to businesses by March 31, 2021 (At the time of enactment of the Act, the term was limited to 5 years from the date of establishment of the JLSC, but the term was later extended due to amendments to the Act.). Even after the end of the support period, the corporation provides support for up to 15 years (see Article 27 of the JLSC Act) to businesses that have already decided to provide support.

As the JLSC was expected to conduct operations such as acquiring land as collateral, Article 58 of the JLSC Act provided for special provisions on the registration and license tax and the real estate acquisition tax. In addition, special tax measures aimed at supporting business revitalization were made applicable to projects in which the JLSC was involved.

[History of System Development]

(Establishment of the JLSC Act)

- (1) Under the JLSC Act, the JLSC may acquire rights related to real estate when it purchases claims held by a financial institution against a business subject to a JLSC decision or accepts loan claims held by a financial institution, etc. against a business subject to a JLSC decision in trust (substitute payment, etc.). Therefore, the JLSC is not subject to the registration and license tax if certain requirements are met.
- (2) In such cases, real estate acquisition tax will not be imposed at the time of acquisition of real estate. The special provision for the real estate acquisition tax was added during the amendment of the article in the Diet.
- (3) Furthermore, in Article 8 of the Supplementary Provisions at the time of enactment of the JLSC Act, with regard to the calculation method of capital, etc. (*), which is the tax base for the enterprise tax (capital

ratio) imposed on businesses conducted by corporations, the JLSC was set as the minimum capital amount of a bank under Article 5 (1) of the Banking Act (2 billion yen) only for each business year starting between April 1, 2011 and March 31, 2016.

- (*) The amount obtained by deducting the amount appropriated to compensate for a deficit or to compensate for a loss from the amount of stated capital, etc. under the Corporation Tax Act and adding the surplus or retained earnings reserve as stated capital;

(FY2012 Tax Reform)

- (4) With regard to monetary claims held by a corporation, the amount credited to the allowance for doubtful accounts as an estimated amount of loss due to bad debts is allowed to be included in deductible expenses subject to declaration. Only banks, insurance companies, etc., are allowed to do this, but the JLSC is also subject to this.
- (5) With regard to a corporation that is the debtor of a claim pertaining to a purchase decision by the JLSC, if a debt disposal plan has been established, the amount of loss carried forward can be included in deductible expenses, as in the case where an order to commence rehabilitation proceedings under the Civil Rehabilitation Act has been issued.

(FY2013 Tax Reform)

Regarding the measures in (1), in accordance with the Ministerial Ordinance on Procedures for Receiving Tax Exemption from Registration and License Tax for Registration of Transfer of Rights concerning Real Estate Acquired by the JLSC (Ordinance of the Ministry of Finance No. 12 of 2012), the documents attached to the registration application form were changed from documents issued by the competent minister to documents issued by the Prime Minister, and the one-stop service has progressed.

Additionally, regarding the measures in (4), the special provisions have been reorganized in their entirety, and when a corporate rehabilitation plan prepared in accordance with the “Standards for Practical Operation of the Organization for Supporting the Turnaround of Businesses Affected by the Great East Japan Earthquake” is established for a corporation subject to the support decision of the JLSC, the difference (valuation gain or loss) between the asset value recorded on the balance sheet based on the asset valuation and the book value of the assets owned by the person eligible for support in the corporate rehabilitation plan is included in gross profits or deductible expenses pursuant to the provisions of Article 25, paragraph (3) or Article 33, paragraph (4) of the Corporation Tax Act.

(FY2014 Tax Reform)

- (6) In the FY2013 tax reform, a special measure was established under which, subject to certain requirements and procedures, taxation on deemed capital gains from gifts was not applied to individuals who are directors, etc. of a small or medium-sized enterprise and who act as guarantors of the relevant small or medium-sized enterprise, in cases where business assets of the relevant small or medium-sized enterprise owned by the relevant individual were donated during the period from April 1, 2013 to March 31, 2016 based on a reasonable rehabilitation plan for the relevant small or medium-sized enterprise. The JLSC is now also subject to this special measure.

Additionally, the measures mentioned in (3) will be extended for 5 years (until March 31, 2021).

(FY2016 Tax Reform)

Regarding the measures in (6), as the special provision was implemented as a temporary measure following the expiration (March 31, 2013) of the Act on Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises, etc. (Act No. 96 of 2013), the period of application was extended for three years (until March 31, 2019), assuming that the conditions for repayment of loan obligations have been changed by March 31, 2016 for the applicable corporations.

(FY2019 Tax Reform)

Regarding the measures in (6), it was decided to extend the measures for three years (until March 31, 2022), including businesses that have provided support through the JLSC, from the viewpoint of avoiding hindrance in supporting the rehabilitation of businesses affected by disasters that tend to occur frequently.

(FY2021 Tax Reform)

Regarding the measures in (3), although the deadline for the support decision by the JLSC has expired, it was decided to extend the measures by five years (until March 31, 2026) so that the livelihood revitalization operations of the affected business operators can be carried out smoothly by lightening the burden so that the financial base of the JLSC is not damaged.

4) Tax exemption to support the reconstruction and revitalization of Fukushima after the Second Reconstruction / Revitalization Period

a. Special measures for promotion plans for specified business activities (and) 1章1節1.(2)1)b.タ)チ)

[Background of establishment of system]

In the past, the entire area of Fukushima Prefecture was subject to the tax system for special zones for reconstruction in consideration of the impact of harmful rumors caused by the nuclear disaster. However, the inland areas of Fukushima Prefecture were removed from the tax system as of the end of FY2020 due to the increased focus on areas subject to the tax system for special zones for reconstruction. However, at around the end of FY2020, more than 9 years after the earthquake, it is believed that approximately 10% of consumers cited Fukushima Prefecture as a source of food products that they were hesitant to purchase due to radioactive substances. Moreover, the number of foreign guests visiting Fukushima Prefecture grew significantly less than that of the national average before the earthquake, indicating that reputational damage still persisted in the agriculture, forestry, fisheries, and tourism industries.

Against the background of the above circumstances, in the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake During the “Reconstruction / Revitalization Period” (Cabinet decision dated December 20, 2019), the following was stated: “Act on Special Measures for the Reconstruction and Revitalization of Fukushima in conjunction with the review of districts covered by the special reconstruction zone tax system, and consider tax measures, etc. that address issues such as accelerating efforts aimed at industrial agglomeration under the Fukushima Innovation Coast Framework and harmful rumors.” Additionally, in the FY2020 tax reform as well, it was decided that “In reviewing the Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake and the Act on Special Measures for the Reconstruction and Revitalization of Fukushima toward the end of the Reconstruction / Revitalization Period, in light of the progress of reconstruction, the tax system for special zones for reconstruction will focus on the areas covered, and the tax system for the Fukushima Special Measures Act will provide special provisions for taxation related to industrial clusters and the elimination of rumors centered on the Fukushima Innovation Coast Framework” (the outline of tax reform for the ruling parties in FY2020).

As a result, the Act on Special Measures Concerning Fukushima was amended by the Act on Amendment of the Act on Special Zones for Reconstruction, etc. in 2020, and the subsequent tax reform in FY2021 established special measures for taxation pertaining to specific business activity promotion plans prepared by the Governor of Fukushima Prefecture and submitted to the Prime Minister, with the aim of promoting business activities to cope with the impact of specific reputational damage (slump in sales, etc. of agricultural, forestry and fishery products and processed products thereof and slump in the number of tourists due to lack of proper recognition of the presence or absence of contamination by radioactive materials) on business management.

[Overview of system]

In the case where a person designated by the governor of Fukushima Prefecture as satisfying the requirements such as that the person is found to have an appropriate and reliable plan for conducting specified business activities provided for in a plan for promoting specified business activities has acquired, etc. certain depreciable assets (machinery and equipment, buildings, etc.) to be used for the business pertaining to specified business activities in the area of Fukushima Prefecture during the period from the day when the plan for promoting specified business activities was submitted to the Prime Minister (April 20, 2021) to March 31, 2026, special depreciation or a tax credit is allowed for the said depreciable assets as follows:

- Special depreciation: An amount equal to the cost less ordinary depreciation (For buildings, etc., an amount equivalent to 25% of the acquisition cost)
- Tax credit: 15% of acquisition cost (For buildings, etc., 8%)


Additionally, in cases where a person designated by the governor of Fukushima Prefecture as satisfying the requirements such as that the person is found to have an appropriate and reliable plan for conducting specified business activities provided for in a plan for promoting specified business activities can receive a tax credit of 10% of the amount paid to specified disaster-affected employees, etc. (*) located in the districts of Fukushima Prefecture during the period from the day on which the specified business activities promotion plan was submitted to the Prime Minister (April 20, 2021) to March 31, 2026, during the period from the day on which the designation

was made to the day on which 5 years have passed since the day on which the designation was made.

- (*) A person who worked at a place of business located in the area of Fukushima Prefecture as of March 11, 2011 or who resided in the area of Fukushima Prefecture as of the same day.

Figure 2-4-33 Establishment of Special Measures Pertaining to Specified Business Activities to Deal with Impact of Damage Caused by Specific Harmful Rumors in Fukushima on Business Management

Overview of FY2021 Tax Reform
Fukushima-Related: Establishment of Special Measures Pertaining to Specified Business Activities to Deal with Impact of Damage Caused by Specific Harmful Rumors in Fukushima on Business Management



Reconstruction Agency
Minister's Office
A New Stage Toward Reconstruction and Revitalization

Overview of amendment

- In order to respond to the harmful rumors that still persist in the agriculture, forestry and fisheries industry and the tourism industry, etc., a special measure for 5 years was established from FY2021 for businesses that engage in specified business activities to cope with the impact of specific harmful rumors on business management in Fukushima Prefecture.

Details of special provisions after amendment

- When a sole proprietor or corporation designated by the Governor of Fukushima Prefecture engages in specified business activities^{*1} in Fukushima Prefecture, the following special provisions apply:
 - ^{*1} Damage from specific harmful rumors² Business activities, such as the development of a new business, the start of a new business through business restructuring or the withdrawal from a business with low profitability, business revitalization capital investment, etc., conducted in order to cope with the impact on business management. (Article 74, paragraph (1) of the Act on Special Measures Concerning Reconstruction and Revitalization of Fukushima (hereinafter "the Act"))
 - ^{*2} Sluggish sales, etc. of agricultural, forestry and fishery products and their processed products and stagnant numbers of tourists due to lack of proper recognition of the presence or absence of contamination by radioactive materials. (Article 7, paragraph (5), item (iii) of the Act)

[1] Special depreciation, etc. for machinery, etc.^{*3}

Target Assets	Special depreciation	Tax credit
Machinery and equipment, furniture and fixtures	Immediate depreciation	15%
Buildings and structures	25%	8%

^{*3} Special depreciation and tax credits are selected and applied.

[2] Tax credit if hiring specified disaster-affected employees, etc.^{*4}

For specified disaster-affected employees working at business establishments in Fukushima Prefecture, a tax credit of up to 20% of the tax amount can be received up to 10% of the salary paid.

^{*4} Persons who worked at a place of business located in the area of Fukushima Prefecture as of March 11, 2011 or who resided in the area of Fukushima Prefecture as of the same day.

(Note) [1] Special depreciation, etc. related to machinery, etc., and [2] tax credit for employment of specific disaster-affected employees, etc. can be selected and applied.

Source: the Reconstruction Agency, "Overview of FY2021 Tax Reform Reference Materials" (December 2020)
https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20201221_R3zeiseikaiseisankou.pdf (browsed July 26, 2023)

b. Special Measures Pertaining to Plans for Promoting Projects for Creating New Industries, etc.

[Background of establishment of system]

In the Hama-dori district of Fukushima Prefecture, in order to recover industries and employment lost due to the Great East Japan Earthquake and the nuclear disaster, efforts have been made for industrial agglomeration centered on the Innovation Coast Framework, which aims to build a new industrial base and achieve independent and sustainable industrial development. Special tax measures have been considered to support efforts in priority areas related to the promotion of the Framework.

The Basic Policy for Reconstruction Following the Great East Japan Earthquake after the Reconstruction / Revitalization Period (decided on by the Cabinet on December 20, 2019) states: "Revise the Act on Special Measures for the Reconstruction and Revitalization of Fukushima in conjunction with the review of the areas covered by the special tax system for reconstruction zones, and consider tax measures that address issues such as accelerating efforts toward industrial agglomeration under the Fukushima Innovation Coast Framework and damage to reputations." In addition, the FY2020 tax reform included the "In reviewing the Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake and the Act on Special Measures for the Reconstruction and Revitalization of Fukushima toward the end of the Reconstruction / Revitalization Period, in light of the progress of reconstruction, the tax system for special zones for reconstruction will focus on the areas covered, and the tax system for the Fukushima Special Measures Act will provide special provisions for taxation related to industrial clusters and the elimination of rumors centered on the Fukushima Innovation Coast Framework" (the outline for tax reform by the ruling parties in FY2020). In response, the Act on Special Measures Concerning Fukushima was amended (by the Act on Amendment of the Act on Special Zones for Reconstruction, etc. in 2020). The FY2021 tax reform established special measures for taxation related to the Plan for Promoting

New Industry Creation, etc. to be prepared by the Governor of Fukushima Prefecture and submitted to the Prime Minister.

[Overview of system]

(1) Special depreciation for machinery, etc.

In the areas within the Fukushima International Research and Industrial City Zone that have been specified in the Plan for Promoting Projects for Promoting New Industry Creation, etc. as areas where promotion of the implementation of projects for promoting new industry creation, etc. is deemed to be particularly effective for the formation and revitalization of industrial clusters (New Industry Creation Promotion Areas), if a person who has obtained approval from the governor of Fukushima Prefecture and is implementing projects for promoting new industry creation, etc. has acquired certain depreciable assets (machinery and equipment, buildings, etc.) and used them for the business specified in the Plan for Promoting Projects for Promoting New Industry Creation, etc. during the period from the day on which the Plan for Promoting Projects for Promoting New Industry Creation, etc. was submitted to the Prime Minister (April 20, 2021) to March 31, 2026, special depreciation or tax credits are allowed as follows:

- Special depreciation: An amount equal to the cost less ordinary depreciation (For buildings, etc., an amount equivalent to 25% of the acquisition cost)
- Tax credit: 15% of acquisition cost (For buildings, etc., 8%)

(2) Tax deduction if hiring evacuated employees, etc. or specified employees

During the period from the day on which a plan for promoting projects for promoting new industry creation, etc. was submitted to the Prime Minister (April 20, 2021) to March 31, 2026, a person undertaking a project for promoting new industry creation, etc. after receiving certification from the Governor of Fukushima Prefecture in the area for promoting projects for promoting new industry creation, etc. is entitled to receive a tax credit of 15% of the amount paid to evacuated employees, etc. or specified employees* who work at a place of business conducting a project for promoting new industry creation, etc. located in the area for promoting projects for promoting new industry creation, etc. during the period from the day on which the plan for promoting projects for promoting new industry creation, etc. was submitted to the Prime Minister until the day on which five years have passed since the day on which the person received the certification.


- (*) The term “specified employee” means the following persons (excludes evacuated employees, etc.):
- A person who worked at a place of business located in the area of Fukushima Prefecture as of March 11, 2011 or who resided in the area of Fukushima Prefecture as of the same day, or;
 - A person who will newly engage in services that require expert knowledge and skills concerning a project for the promotion of new industry creation, etc. conducted by the corporation (excludes those who fall under “•” above.).

(3) Special Amortization of Development and Research Assets

In the area for promoting projects for promoting new industry creation, etc., if a person who is certified by the Governor of Fukushima Prefecture and implements projects for promoting new industry creation, etc. acquires assets for development and research during the period from the day on which a plan for promoting projects for promoting new industry creation, etc. is submitted to the Prime Minister (April 20, 2021) to March 31, 2026, the immediate depreciation is allowed.

Figure 2-4-34 Establishment of Special Measures for Promotion of Fukushima Innovation Coast Framework

Overview of FY2021 Tax Reform
Fukushima-Related: Establishment of Special Measures for Promotion of Fukushima Innovation Coast Framework



Reconstruction Agency
Reconstruction Agency
 A New Stage: Toward Reconstruction and Creation

Overview of amendment

- In order to support efforts in priority areas related to the promotion of the Fukushima Innovation Coast Framework, a special measure for 5 years was established from FY2021 for businesses that conduct new industry creation promotion projects within the promotion area of the new industry creation promotion project.

Details of special provisions after amendment

- When a sole proprietor or corporation certified by the Governor of Fukushima Prefecture conducts a new industry creation promotion project within a new industry creation promotion project promotion area^{*1}, the following special provisions apply:

^{*1} Areas within the Fukushima International Research Industry City Zone where the promotion of the implementation of projects that promote the creation of new industries, etc. is recognized to be particularly effective in promoting the formation and revitalization of industrial clusters. (Article 84, paragraph (2), item (ii) of the Amended Act on Special Measures for Reconstruction and Revitalization of Fukushima)

[1] Special depreciation, etc. for machinery, etc.^{*2}

Target Assets	Special depreciation	Tax credit
Machinery and equipment, furniture and fixtures	immediate depreciation	15%
Buildings and structures	25%	8%

^{*2} Special depreciation and tax credits are selected and applied.

[2] Tax credit if hiring evacuated employees, etc. or specified employees^{*3}

For evacuated employees, etc. or specified employees working at business establishments in the promotion area for new industry creation, etc., a tax credit of up to 20% of the tax amount can be received up to 15% of the salary paid.^{*4}

^{*3} The term "specified employee" means the following persons (excludes evacuated employees, etc.):
 (a) A person who worked at a place of business located in the area of Fukushima Prefecture as of March 11, 2011 or who resided in the area of Fukushima Prefecture as of the same day, or;
 (b) A person who will newly engage in services that require expert knowledge and skills concerning a project for the promotion of new industry creation, etc. conducted by the corporation (excludes those who fall under (a) above.).

^{*4} Excluding the amount of salaries, etc. to which the research and development tax system is applied.

[3] Special Amortization of Development and Research Assets

In addition to the immediate depreciation of research and development assets, if the research and development assets tax system is applied to the depreciation of research and development assets subject to the immediate depreciation, it can be regarded as special test and research expenses and deducted from tax.

(Note) [1] Special depreciation, etc. related to machinery, etc., and [2] tax credit for employment of evacuated employees, etc. or specified employees can be selected and applied.

Source: the Reconstruction Agency, "Overview of FY2021 Tax Reform Reference Materials" (December 2020)

https://www.reconstruction.go.jp/topics/main-cat8/sub-cat8-3/20201221_R3zeiseikaiseisankou.pdf (browsed July 26, 2023)

(3) Effects and Results of Major Special Tax Measures

1) Special Reconstruction Zone Tax System

In view of the unprecedented damage caused by the Great East Japan Earthquake, which occurred simultaneously, in a large volume, and in a concentrated manner, and the fact that livelihoods and business foundations were completely lost across a wide area, the tax system for special reconstruction zones was established as an emergency response measure with the aim of reducing the burden of applying the current tax system. By the end of FY2021, a total of 6,702 projects had been designated and 4,975 businesses had been designated. The amount of investment by designated operators and others amounts to 4,838.4 billion yen.⁴⁰ Additionally, an average of about 60,000 jobs have been created annually through the utilization of Article 38 of the Act on Special Zones for Reconstruction (Special Employment Provisions).

By special provision, the largest number of designations were based on Article 37 of the Act on Special Zones for Reconstruction (tax system for promoting new investment), at 3,886, followed by Article 38 (tax system for promoting employment), at 2,682. On the other hand, Article 41 (Tax System to Promote Good Rental Housing for Disaster Victims) and Article 42 (Angel Tax System) have been reduced to 5 and 2, respectively.

Business operators and municipalities in the disaster-affected areas also praised the project, saying, “It was useful for business resumption”, “Utilization of the tax system for special reconstruction zones has made it possible to implement projects more quickly than usual.”

Since FY2021, the tax system for special reconstruction zones has focused on areas that were severely damaged by tsunami and areas affected by the nuclear disaster. As of 2022, the tax system covers 42 coastal municipalities in Iwate, Miyagi, and Fukushima Prefectures. These cities, towns, and villages were severely damaged by the tsunami, so it took time to develop infrastructure and reconstruction was delayed. However, by FY2021, most of the areal development projects had been completed, and reconstruction in terms of hardware was generally achieved. On the other hand, demographic and economic indicators compared to FY2010 levels are lower than those of the whole country and inland regions, and the industry is in the process of reconstruction. It is necessary to continue to promote efforts for the revitalization of industries and livelihoods in coastal areas, including support through the tax system for special reconstruction zones.

Figure 2-4-35 Status of Investment by Designated Business Operators, Etc.

[Breakdown by prefecture]										(Unit: 100 million yen)	
	FY2011/FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Cumulative
Aomori Pref.	146	216	555	229	190	277	190	213	158	3	2,177
Iwate Pref.	408	591	538	448	452	497	365	2,148	1,020	70	6,537
Miyagi Pref.	1,436	1,082	963	1,666	1,210	885	1,249	1,106	1,359	312	11,268
Fukushima Pref.	816	973	1,591	1,274	1,080	1,692	2,364	1,644	1,632	172	13,238
Ibaraki Pref.	1,345	1,782	1,241	1,933	1,869	1,465	1,407	1,232	2,770	120	15,164
Total	4,151	4,644	4,888	5,550	4,801	4,816	5,575	6,343	6,939	677	48,384

*1 Investment results for each fiscal year reported in the “Implementation Status Report” submitted by Designated Business Operators, etc. (A person designated under Article 37, Article 39, Article 40 or Article 41 (*2) of the Act on Special Zones for Reconstruction)

*2 Special depreciation or tax credit for investments by designated business operators, etc.

*3 Includes investments by designated businesses operators based on the provisions prior to amendment of the Act Partially Amending the Reconstruction Agency Establishment Act (Act No. 46 of 2020), etc.

Source: the Reconstruction Agency, “Utilization of Special Provisions for Taxation”

<https://www.reconstruction.go.jp/topics/main-cat1/sub-cat1-13/20221019toushikoyou.pdf> (browsed July 26, 2023)

⁴⁰ Considering that the main effect of the tax system for special zones for reconstruction is the deferral of taxation through special depreciation, and that the actual tax reduction amount corresponds to the tax information of individual companies, the Reconstruction Agency does not calculate the tax reduction amount.

Figure 2-4-36 Status of Employment of Disaster Victims by Designated Business Operators

[Breakdown by prefecture]										(Unit: People)
	FY2011/ FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Aomori Pref.	3,074	3,717	3,965	4,022	4,079	3,675	1,455	1,427	1,478	1,789
Iwate Pref.	3,804	5,585	7,709	10,663	11,824	11,081	7,779	6,145	4,462	2,533
Miyagi Pref.	15,178	17,659	19,197	18,814	19,181	17,216	9,354	6,095	7,667	5,754
Fukushima Pref.	13,307	23,930	30,270	37,647	40,786	38,361	24,520	16,129	12,558	7,323
Ibaraki Pref.	20,157	22,899	40,221	39,723	35,181	16,267	4,217	3,184	3,657	2,432
Total	55,520	73,790	101,362	110,869	111,051	86,600	47,325	32,980	29,822	19,831

*1 Investment results for each fiscal year reported in the “Implementation Status Report” submitted by Designated Business Operators, etc. (A person designated under Article 38 (*2) of the Act on Special Zones for Reconstruction)

*2 In the event that a designated business operator hires disaster-affected employees, etc., a part of the salary paid is deducted from the tax (tax deductible for 5 years after designation).

*3 Includes disaster-affected employees, etc. employed designated business operator based on the provisions prior to amendment of the Act Partially Amending the Reconstruction Agency Establishment Act (Act No. 46 of 2020), etc.

Source: the Reconstruction Agency, “Utilization of Special Provisions for Taxation ”

<https://www.reconstruction.go.jp/topics/main-cat1/sub-cat1-13/20221019toushikoyou.pdf> (browsed July 26, 2023)

(Specific case) Kesennuma City, Miyagi Prefecture

A fishery and food product manufacturer received land sold by Kesennuma City in the Industrial Cluster Zone for Reconstruction, and built a new facility that consolidates seafood processing plants and refrigeration facilities damaged by the Great East Japan Earthquake.

Figure 2-4-37 Case Studies of New Facilities that Consolidated Seafood Processing Plants and Refrigeration Facilities



Source: “Working Group to Summarize Reconstruction Measures Following the Great East Japan Earthquake (4th meeting) Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake” (September 30, 2019), Reconstruction Agency

https://www.reconstruction.go.jp/topics/main-cat7/sub-cat7-2/20190930_04_fukkotokubetsukuikihou.pdf (browsed July 26, 2023)

2) Tax System under Act on Special Measures for the Reconstruction and Revitalization of Fukushima

The special tax measures based on the Fukushima Special Measures Act are intended to support businesses returning to areas where evacuation orders have been lifted, with a view to supporting the recovery and reconstruction of Fukushima Prefecture, which is heavily affected by the nuclear power plant accident, in the tax system.

Among them, as of September 30, 2022, 360 special measures for restarting businesses and promoting the establishment of new business facilities that can be used in areas where evacuation orders have been lifted, etc. had been approved. Measures based on Article 36 of the Fukushima Special Measures Act (special depreciation or tax credit for machinery, etc. acquired in areas where evacuation orders have been lifted) were used in 1,219 cases, and measures based on Article 37 of the same Act (tax credit for employment of affected employees, etc. in areas where evacuation orders have been lifted) were used in 1,441 cases.

In Fukushima Prefecture, the lifting of evacuation orders started in FY2022 for the specified reconstruction and revitalization bases area (SRRBA). It is expected that the Special Measures will be utilized in these areas to promote the resumption of projects and industrial reconstruction.

(Specific examples)

- Opening and operating new restaurants and bars used by residents in their daily lives
- Opening and operating new hotels for use by reconstruction workers, business travelers and tourists

Figure 2-4-38 Certified Project Examples under Tax System for Promoting Establishment of New Businesses (Restaurants and Hotels)



Source: “Major Cases of Application of Tax System to Promote Establishment of Business Facilities,” Fukushima Prefectural Government

<https://www.pref.fukushima.lg.jp/uploaded/attachment/513264.pdf> (browsed July 26, 2023)

On the other hand, as of May 13, 2022, 8 special measures to support business operators engaged in business activities to deal with harmful rumors (the rumor tax system) were established in the FY2021 tax reform. With regard to harmful rumors, the percentage of people who answered that Fukushima Prefecture being the place of origin was the reason they hesitated to make a purchase because of radioactive materials has been decreasing, but as of 2022, it was 6.5%. Continued support is necessary, including that from the tax side.⁴¹

Additionally, the Fukushima Institute for Research, Education and Innovation (F-REI) was established in FY2023 to conduct research and development in the fields of robotics and agriculture, forestry and fisheries in the Hama-dori district of Fukushima Prefecture, although only 1 special measure (Inobe tax system) was approved as of March 11, 2022 to support initiatives in priority fields related to the promotion of the Fukushima Innovation Coast Framework, which was established at the same time. The efforts that this organization will play a central role in will be positioned as a “leading project to create a new Japan” and will be promoted with the full force of the

⁴¹ Source: “Report on the Survey on Consumer Awareness of Harmful Rumors (No. 16)” (March 8, 2022), Consumer Affairs Agency

national government. In the Hama-dori district of Fukushima Prefecture, the government will continue to work on industrial clusters centered on the Innovation Coast Framework.

(Specific examples)

To encourage more people to use accommodation facilities, new and expanded accommodation facilities were built to make them barrier-free, information was provided in multiple languages, and cashless payments were introduced.

Figure 2-4-39 Certified Project Examples under Reputational Tax System (Accommodation Industry-Related)



Source: Fukushima Prefecture, “Major Cases of Reputational Taxation”

3. Establishment of Special Local Allocation Tax for Recovery from Earthquake Disaster and Reconstruction Fund

(1) Special local allocation tax for recovery from earthquake disaster

1) Establishment of special local allocation tax for recovery from earthquake disaster

a. Local Finance Measures for Ordinary Disaster Recovery Projects and Reconstruction Projects

When public facilities such as roads, rivers, and schools, as well as agricultural land, agricultural and fishery facilities, etc. are damaged by natural disasters, local governments that manage the facilities must restore them in order to ensure public welfare and maintain agriculture, forestry, and fisheries. Since it is necessary to promptly carry out disaster recovery projects in the disaster-affected areas, the national government is to bear or subsidize part of the expenses for disaster recovery projects that meet certain requirements based on the Act on the Burden by the National Treasury of Expenses for Disaster Recovery Projects of Public Civil Engineering Facilities (Act No. 97 of 1951), the Act on the Burden by the National Treasury of Expenses for Disaster Recovery Projects of Public School Facilities (Act No. 247 of 1953) and the Act on Temporary Measures for Government Subsidies for Disaster Recovery Projects of Agriculture, Forestry and Fisheries Facilities (Act No. 169 of 1950).

Also, in addition to the measures by national funds mentioned above, the basic local fiscal measures for restoration and reconstruction projects related to ordinary disasters are to secure the funds for the time being in the form of local bonds for the expenses that can be financed by local bonds out of the remaining local burdens, and to provide the principal and interest redemption money by local allocation tax in subsequent years. For example, it is possible to use local government bonds with an allocation rate of 100% for the amount of local government contributions for projects funded by the national treasury for public civil engineering facilities, etc., and 90% for the amount of local government contributions for projects funded by the national treasury for agricultural land, agriculture, forestry and fishery facilities, etc., and 95% of the principal and interest redemption money is to be included in the standard fiscal demand amount (by the standard allocation tax). Moreover, in the case of independent disaster recovery projects, local government bonds with an allocation rate of 100% (65% in the case of agricultural land, agriculture, forestry and fishery facilities) may be used, and 47.5-85.5% of the principal and interest redemption money shall be included in the standard fiscal demand amount according to the fiscal capacity.

b. Increase in the total amount of local allocation tax

On March 18, 2011, it was decided that a special allocation tax for FY2010 would be granted to each of the 4 prefectures of Iwate, Miyagi, Fukushima, and Ibaraki as initial expenses of 500 million yen, and that special allocation tax measures would also be taken for the expenses required for accepting disaster victims and supporting disaster areas.

On April 1 of the following month, it was decided that the estimated amount of the ordinary allocation tax for April for the 7 prefectures and municipalities affected by the Great East Japan Earthquake would be 621.3 billion yen (Prefectural: 332.9 billion yen; Municipal: 288.5 billion yen), and that the amount of the advance allocation tax for June for the 185 municipalities in the 7 prefectures affected by the Great East Japan Earthquake would be 355.3 billion yen (Prefectural: 213.5 billion yen; Municipal: 141.8 billion yen). Additionally, the Act for Partial Amendment of the Local Allocation Tax Act, etc. (Act No. 5 of 2011) established a special provision that allows the special allocation tax, which had previously been determined and granted in December and March, to be determined and granted each time a large-scale disaster occurs. Based on this, a special allocation tax of 76.2 billion yen for FY2011 was granted on 8th of the same month. This includes 70.4 billion yen (Prefectural: 30.5 billion yen; Municipal: 40 billion yen) to 190 municipalities in 7 prefectures affected by the disaster and 5.8 billion yen (Prefectural: 2.7 billion yen; Municipal: 3.1 billion yen) to organizations that accepted evacuees.

On the other hand, as the damage caused by the Great East Japan Earthquake was enormous and extensive, it was necessary to increase the amount of tax allocated to local governments in order to meet the special fiscal needs of the Great East Japan Earthquake. In order to cope with the Great East Japan Earthquake, the Act on Special Provisions for the Total Amount of Local Allocation Tax for FY2011 (Act No. 41 of 2011) was established as a supplementary measure for local government finance in accordance with the first supplementary budget for FY2011.

The damage caused by the Great East Japan Earthquake was extremely severe, and because large expenses were expected for locally-borne disaster condolence money, emergency response costs related to the maintenance of administrative functions and support for disaster victims, and the expenses required for support for the disaster-affected area related to the first supplementary budget for FY2011, measures were taken in the Act to add 120 billion yen to the total amount of local allocation tax distributed (special allocation tax) for FY2011 to meet these special financial needs (Article 1 of the Act).

Moreover, with regard to the amount equivalent to the increase (120 billion yen) due to these measures, 120 billion yen was added as a transfer from the general account for FY2011 to the special account for allocation tax and donation tax distribution (Article 2 of the Act), and in view of the fact that this was an unprecedented, super-large scale disaster, it was decided not to take measures such as reducing the total amount of local allocation tax distributed each year in subsequent years as an extraordinary measure.

Additionally, since all of this 120 billion yen was to be added to the special allocation tax, special provisions were established making the amount equivalent to 94% of the amount after deducting 120 billion yen the total amount of ordinary allocation tax, and the amount equivalent to 6% of that amount plus 120 billion yen the total amount of special allocation tax as a special provision for the total amount of ordinary allocation tax and special allocation tax in FY2011 (Article 3 of the Act: Simultaneously prescribed the amount of refunds, etc. to be included in the total amount pursuant to the provisions of Article 20–3, paragraph (2) of the Local Allocation Tax Act.).

On April 26, 2011, the Cabinet approved a bill concerning special provisions for the total amount of local allocation tax for FY2011 and submitted it to the Diet on the same day. In the Diet, the bill was passed unanimously by the House of Representatives General Affairs Committee on April 29 and by the House of Representatives Plenary Session on the 30th of the following day. It was passed unanimously by the House of Councillors General Affairs Committee on May 2 and by the House of Councillors Plenary Session on the same day, and was promulgated and enforced as Act No. 41 of 2011 on the same day.

In the Diet, discussions were held on the comparison with the response to the Great Hanshin-Awaji Earthquake.⁴²

In cases of ordinary disasters, as local fiscal measures to respond to the financial demands of local governments, special allocation tax measures are to be taken within 6% of the total amount of allocation tax for those that are not based on prior standards. However, in the case of large-scale disasters, special increase measures are to be taken because the scope of allocation tax is exceeded. (The total amount of local allocation tax in FY2011 was 17.3734 trillion yen, the total amount of ordinary allocation tax was 16.3309 trillion yen, and the total amount of special allocation tax was 1.0424 trillion yen. As a result, the total amount of local allocation tax in FY2011 was 17.4934 trillion yen.)

In the case of the Great Hanshin-Awaji Earthquake, a special tax increase of 30 billion yen was implemented. However, the damage caused by the Great East Japan Earthquake was extensive, and the government office buildings were expected to be destroyed or to be forced to relocate. In response, the government decided to increase the tax by 120 billion yen. Specifically, the special grant tax was to be increased by 120 billion yen to cover the total amount of disaster condolence money, including the special grant in April, that local governments bear in the supplementary budget, including about 49 billion yen for disaster condolence money, about 28 billion yen for emergency response expenses implemented independently, and about 45 billion yen for support expenses. Moreover, the Act on Special Provisions for the Total Amount of Local Allocation Tax for Fiscal 1994 (Act No. 18 of 1995), which was established in response to the Great Hanshin-Awaji Earthquake, provided that the amount of 30 billion yen added to the total amount of local allocation tax shall be deducted from the total amount of local allocation tax for subsequent fiscal years, but no similar provision was established in this Act.

On the other hand, considering the damage caused by the Great East Japan Earthquake, it was pointed out that the 120 billion yen increase would not be enough to cover the fiscal needs of local governments. The national government was also aware of the possibility of this, bearing in mind the financial strength of the local governments affected by the Great East Japan Earthquake, and increased the amount of national funds under the policy of increasing the amount compared with the Great Hanshin-Awaji Earthquake. Additionally, since the amount of the burden of local governments also exists due to the issuance of local government bonds and the special allocation tax measure, the policy was to increase the inclusion rate of the redemption amount of local government bonds in the standard fiscal demand amount, and to minimize the actual amount of the burden of local governments. Specifically, for disaster relief projects under the Disaster Relief Act, the national government will normally bear up to 90% of the national treasury's burden. However, the entire amount of the local government's burden will be subject to disaster countermeasure bonds, and 95% of the principal and interest redemption will be

⁴² Statement by Masao Ishizu, Member of the General Affairs Committee, House of Representatives, The 177th Session (April 30, 2011)

subject to local allocation tax. Also, for disaster waste treatment projects, the national government subsidy rate of 50% will be raised to a maximum of 90% in accordance with the ratio of the project cost to the standard tax revenue of the target municipalities, the entire amount of the local government burden will be subject to disaster countermeasure bonds, and 100% of the principal and interest redemption will be subject to local allocation tax.

In the Second Supplementary Budget for FY2011 (enacted on July 25 that year), the local allocation tax was increased by 545.5 billion yen.

c. Establishment of special local allocation tax for recovery from earthquake disaster

After the Chuetsu Earthquake and the Great Hanshin-Awaji Earthquake, reconstruction efforts had been carried out at the local government's expense. The Great East Japan Earthquake caused unprecedented damage and impact not only in the directly affected areas but also in Japan as a whole. As a result, the national government decided to secure special financial resources to cover expenditures expected to be necessary as recovery and reconstruction measures (approx. 19 trillion yen). At the same time, many disaster-affected municipalities pointed out concerns that the issuance of local government bonds would worsen their financial situation in the future. As a result, the government decided to adopt the special local allocation tax for recovery from earthquake disaster, which does not require local government's expense,⁴³ as a "special exception among special exceptions."

In connection with the Third Supplementary budget for FY2011 (enacted on November 21 of the same year), the Act for Partial Amendment of the Act on Special Provisions for the Total Amount of Local Allocation Tax for FY2011 (Act No. 116 of 2011) was enacted on November 30 of the same year. This Act increases the total amount of local allocation tax by 1,663.5 billion yen and provides for the full amount of local contributions related to restoration and reconstruction projects following the Great East Japan Earthquake as a special local allocation tax for recovery from earthquake disaster.

The special local allocation tax for recovery from earthquake disaster was decided and granted in accordance with the status of implementation (granted in September and March), with the financial resources secured separately from the ordinary income and expenditure in order to eliminate the financial burden of disaster-affected organizations related to restoration and reconstruction projects from the Great East Japan Earthquake and not to affect the burden on local governments other than disaster-affected organizations. Note that the calculation items are as follows:

- Amount borne by local governments for directly controlled and subsidized projects
 - Independent projects undertaken locally (Medium- and long-term staff dispatching and hiring, countermeasures against reputational damage, independent disaster recovery project expenses, etc.)
 - Compensation for the decrease in local tax revenues, etc.
- * Cumulative grants from FY2011 to FY2021: 5,505 billion yen

2) Debate on the local burden

a. Diet deliberations

With the end of the concentrated reconstruction period at the end of FY2015, discussions in the Diet intensified on the framework of reconstruction assistance from FY2016 following the concentrated reconstruction period. One issue raised was the pros and cons of eliminating the burden on local governments.

In the Diet session of February 2015, while it was argued that reconstruction had progressed because the local government burden had been zero, it was also argued that there had been insufficient discussion at the local assembly and that there had been no incentive to scale down projects in line with the expected population recovery. It was decided that the government would carefully consider whether all projects should continue to be implemented with zero local burden.⁴⁴

On March 3 that year, Minister for Reconstruction Takeshita stated in an interview with various media

⁴³ Response by Minister for Reconstruction Wataru Takeshita, Member of the Settlement Committee, House of Councillors, 189th Session (February 6, 2015)

⁴⁴ Questions and Answers between Sugeshiro Terada, Member of the Accounts Committee and Minister for Reconstruction Wataru Takeshita, House of Councillors, 189th Session (February 6, 2015), etc.

companies that “It is true that we have worked to this day to create a framework for reconstruction that is entirely funded by the national government,” and expressed his intention to request local governments to bear a part of the burden, while placing emphasis on mental care measures and taking into consideration the financial situation of local governments and the contents of projects, as it would be difficult for the national government to continue to bear the full amount. In response, there was opposition from local governments, and in the Diet session of the same month, the government corrected its true intention, indicating that it should carefully discuss how local governments should bear the burden of reconstruction, bearing in mind that “the national government should be thoroughly involved” and that “taxes are the source of funds.”

At the 12th meeting of the Reconstruction Promotion Council held on March 10, Prime Minister Shinzo Abe gave a report on the current situation and issues during the 4 years of reconstruction and instructed the government to present a framework for reconstruction assistance beyond FY2016 as soon as possible as the final year of the concentrated reconstruction period approached. One of the basic mindsets established in that framework was as follows: “In order to have those involved aim to play a leading role in the revitalization and growth of Japan in a new stage, the action taken should lead to the ‘self-reliance’ of the disaster-affected areas.” It was also indicated that a framework for future reconstruction assistance would be properly formulated in time for work aimed at the FY2016 budget estimate request.

b. “Overview of Concentrated Reconstruction Period and Nature of Restoration and Reconstruction Projects from FY2016” (May 12, 2015)

Based on this instruction, on May 12 of the same year, the Reconstruction Agency published the “Summary of the Concentrated Reconstruction Period and the Ideal State of Restoration and Reconstruction Projects for FY2016 Onward.” This summarized reconstruction to date and presented the future framework. In this framework, the following was established: “During the concentrated reconstruction period, the entire town was devastated, and many disaster-affected organizations were expected to lack sufficient financial resources to carry out massive reconstruction projects due to their relatively low financial strength. In order to continue to support the reconstruction of the disaster-affected areas and the revitalization of areas affected by the nuclear disaster, and to achieve the earliest possible recovery and reconstruction, the national government will continue to take exceptional measures for core reconstruction projects and reconstruction projects derived from the nuclear disaster (Fukushima Revitalization Acceleration Grants, Reconstruction Grants for 12 Municipalities in areas formerly under evacuation orders, etc.) by reducing the effective burden on the disaster-affected municipalities to zero, as in the past.” “Additionally, among the expenses required for the implementation of local independent projects related to restoration and reconstruction projects, the actual burden on the disaster-affected local governments will continue to be reduced to zero with the special local allocation tax for recovery from earthquake disaster.” It was decided to continue the measure of reducing local burdens to zero for core reconstruction projects and reconstruction projects derived from the nuclear disaster.

Also, from the viewpoint that it will lead to the “self-reliance” of the disaster-affected areas, it was established that “Even if the projects are classified as reconstruction projects, a certain amount of burden should be borne by the disaster-affected local governments for those projects that have the nature of responding to common national issues such as regional development measures and preparation for future disasters.” Projects cited as being covered by this designation included reconstruction grants (benefit promotion projects), general grants for social infrastructure development (reconstruction), road development projects and port development projects.

On the other hand, it was stated that “The extent of the burden borne by disaster-affected local governments shall be sufficiently reduced compared to the extent of the burden borne by general projects undertaken nationwide, taking into account the financial situation of disaster-affected organizations, etc., and due consideration shall be given to the financial burden of disaster-affected organizations.”

c. “Targeted Projects and Levels, etc. of Local Governments’ Burden for Reconstruction Projects in and after FY2016” (June 3, 2015)

On June 3 of the same year, “Targeted Projects and Levels, etc. of Local Governments’ Burden for Reconstruction Projects in and after FY2016” was published, presenting the overall picture of projects subject to the introduction of local burdens. In the fifth proposal, the ruling parties proposed that “In principle, (omitted) the

government should continue to pay the entire amount. (Omitted) In exceptional cases, disaster-stricken municipalities shall bear part of the costs within their capacity to bear the costs. The degree of burden involved in such projects should be significantly reduced compared to projects conducted outside the disaster-stricken areas, and careful consideration should be given to the financial situation of disaster-stricken municipalities.” In light of this, the following are the projects subject to the introduction of local contributions:

- Road improvement projects (under direct control and subsidized)
- Port development projects (under direct control and subsidized)
- Social Capital Improvement General Subsidy (Reconstruction)
- Fisheries Infrastructure Development Project
- Grants for Rural Area Development
- Grants for Establishing a Recycling-based Society
- River development project
- Grants for Agricultural Production Measures after the Great East Japan Earthquake
- Comprehensive infrastructure development project for reconstruction of rural areas
- Project to Support the Release of Seeds and Seedlings in Disaster-Affected Sea Areas
- Traffic Safety Facility Improvement Project
- Contribution for Cadastral Survey Expenses
- Great East Japan Earthquake Reconstruction Grants (Benefit promotion project)

It was decided that the following projects would not be subject to the introduction of the local contribution system:

- Sanriku Coastal Road Development Project
- Activities implemented by each municipality in 12 municipalities in areas formerly under evacuation orders
- The same shall apply to projects implemented based on the Nuclear Accident Disaster among the projects funded by the Grants for Establishing a Recycling-based Society (Iwaki City is applicable)

At the same time, it was decided that 95% of the local burden would be allocated through the Special Local Allocation Tax for Recovery from Earthquake Disaster, and that the actual burden on prefectures and municipalities would be 5% of the local burden. This amounts to about 1-3% of the project cost of each project (Ex.: In the case of a project in which 50% of the national subsidy is provided by the national government and 50% by local governments, 5% of the latter amount, or 2.5% of the project cost, is actually borne by the local governments.). Specific rates of local contribution were 1.7% for road projects directly controlled by the national government, 3.3% for waste management facility development project, and 1% for tourism development and other benefit promotion projects.

d. “Restoration and Reconstruction Projects in and after FY2016” (June 24, 2015)

On the 24th of that month, the Reconstruction Promotion Council decided on the “Restoration and Reconstruction Projects in and after FY2016” regarding reconstruction project expenditures from FY2016, and finalized and decided on projects to introduce local burdens.

As for “core reconstruction projects and reconstruction projects derived from the nuclear accident disaster” and “Independent disaster recovery expenses, expenses required for the implementation of local independent projects related to recovery and reconstruction, such as expenses required for personnel dispatch, etc. and compensation for the decrease in revenue from local taxes, etc.,” it was decided that the actual burden on the disaster-affected local governments would continue to be zero, and that as for “projects that can be classified as reconstruction projects but which also have the nature of responding to issues common to the whole country, such as regional development measures and preparation for future disasters” a certain amount of burden would also be borne by the disaster-affected local governments. The following projects are covered by local governments:

- Road improvement projects (under direct control and subsidized)
- Port development projects (under direct control and subsidized)
- Social Capital Improvement General Subsidy (Reconstruction)
- Fisheries Infrastructure Development Project

- Grants for Rural Area Development
- Grants for Establishing a Recycling-based Society
- River development project
- Grants for Agricultural Production Measures after the Great East Japan Earthquake
- Comprehensive infrastructure development project for reconstruction of rural areas
- Project to Support the Release of Seeds and Seedlings in Disaster-Affected Sea Areas
- Traffic Safety Facility Improvement Project
- Contribution for Cadastral Survey Expenses
- Great East Japan Earthquake Reconstruction Grants (Benefit promotion project)

It was decided that the following projects would not be subject to the introduction of the local contribution system:

- Sanriku Coastal Road Development Project and Soma-Fukushima Road Development Project out of road development projects
- Projects implemented in the 12 municipalities subject to evacuation orders, etc.
- Seawall improvement project implemented by municipalities through a subsidy for the development of rural areas
- Projects implemented based on the Nuclear Accident Disaster among the projects funded by the Grants for Establishing a Recycling-based Society (Iwaki City is applicable)

At the same time, the report also reiterated that “95% of project costs borne by local governments, excluding national subsidies, will be covered by the special local allocation tax for recovery from earthquake disaster, and the actual burden borne by prefectures and municipalities will be 5% of the burden borne by local governments.” This amounts to about 1-3% of the project costs of each project, and the national government will allow local government bonds to be issued to cover the cost of the bonds if the affected local government requests it.

Based on this policy, the national government issued the “Cabinet Decision on Scale and Financial Resources for Restoration and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016” on June 30.

As a result, the reconstruction budget from FY2016 onward was divided into 3 categories: projects funded entirely by the national government, projects funded partially by local governments and projects funded normally. This period is before the ministries and agencies request the budget for FY2016. According to the “Basic Policy for the Budget Request for FY2016,” which was approved by the Cabinet on July 24, “Regarding reconstruction measures from the Great East Japan Earthquake, the national government will review the results of existing projects according to the progress of the reconstruction stage, promote efficiency and focus on projects truly necessary for the reconstruction of the disaster-affected areas. In doing so, the general account will be used to deal with the government’s existing policies, such as the general account, that implement similar projects, and projects that are equally challenging outside the disaster-affected areas.” “Regarding transfers from the general account to the Special Account for Reconstruction after the Great East Japan Earthquake, the Minister of Finance requests the necessary amount in accordance with the ‘Scale and Financial Resources for Restoration and Reconstruction Projects in the Reconstruction Period Including 5-Year Period from FY2016’ (Cabinet Decision on June 30, 2015) in order to raise the financial resources for reconstruction after the Great East Japan Earthquake.”

3) Reference to the Special Local Allocation Tax for Recovery from Earthquake Disaster in the subsequent Basic Policy

a. Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake after the “Reconstruction / Revitalization Period” (December 20, 2019)

In the “Basic Policy for Reconstruction Following the Great East Japan Earthquake After the Reconstruction / Revitalization Period,” which was announced on December 20, 2019, it was decided to continue the Special Local Allocation Tax for Recovery from Earthquake Disaster System for Reconstruction after the Great East Japan Earthquake and to continue to provide support for restoration and reconstruction projects that will continue after the Reconstruction / Revitalization Period.

b. Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake in the Second Reconstruction / Revitalization Period and Beyond (March 9, 2021)

In the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake in the Second Reconstruction / Revitalization Period and Beyond,” which was announced on March 9, 2021, it was decided to continue to provide support through the special local allocation tax for recovery from earthquake disaster for restoration and reconstruction projects (directly controlled or subsidized by the national government, independent projects undertaken locally, etc.) that will continue to be implemented in and after the Second Reconstruction / Revitalization Period.

c. Action Results and Evaluation

From FY2011 to FY2021, a total of 5,505 billion yen in special local allocation taxes for recovery from earthquake disaster was granted. The breakdown is as follows.

Figure 2-4-40 Status of Granting of Special Local Allocation Tax for Recovery from Earthquake Disaster

Main calculation items	Year of granting											Cumulative
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	
Amount borne by local governments for directly controlled and subsidized projects	5,221	3,980	3,890	4,068	4,801	4,184	3,695	3,594	3,992	3,341	578	41,345
Independent projects undertaken locally	1,909	3,203	859	885	858	760	737	556	500	430	174	10,871
Out of which: Independent disaster recovery project costs	1,656	712	364	390	414	313	348	213	192	180	17	4,798
Out of which: Measures against harmful rumors, etc.	253	2,491	496	495	444	446	389	344	308	250	157	6,072
Compensation for the decrease in local tax revenues	1,005	542	770	792	734	434	426	383	389	439	409	6,324
Amount granted	8,134	7,645	5,071	5,144	5,889	4,877	4,382	4,301	4,634	4,007	964	55,050

* The grant amount for each fiscal year may not match up with the total for each item due to including adjustment of the grant amount for previous fiscal years.

* The total may not equal the sum due to fractional processing.

Source: Reconstruction Agency materials

In the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake after the “Reconstruction / Revitalization Period” decided on by the Cabinet on December 20, 2019, it was stated as an overview of reconstruction that due largely to the development of mechanisms to support reconstruction such as the formulation of the “Reconstruction Financial Resources Framework,” “Reconstruction has made great strides, with earthquake and tsunami affected areas having entered the final stage of reconstruction and reconstruction and revitalization having begun in earnest in the areas affected by the nuclear disaster as well.” Additionally, as a result of the special local allocation tax for recovery from earthquake disaster, which was introduced with the aim of avoiding future deterioration of the financial situation due to the issuance of local government bonds in many disaster-affected municipalities that suffered catastrophic damage, it was mentioned that “By increasing the subsidy rate for reconstruction projects and reducing the burden on local governments through the Special Local Allocation Tax for Recovery from Earthquake Disaster, unprecedented financial support was implemented, which made it possible for local public entities in disaster-affected areas to undertake reconstruction projects with peace of mind and contributed to accelerating reconstruction” and that “In light of the fact that many small local governments with limited financial capacity were affected by the disaster, financial support was provided through the special local allocation tax for recovery from earthquake disaster...[omitted]...to contribute to the smooth implementation of restoration and reconstruction projects by local public entities in disaster-affected areas.” Further, as a lesson for future large-scale disasters, it was shown that “Based on the example of the Great East Japan Earthquake, it is necessary to consider appropriate financial support for recovery and reconstruction measures after large-scale disasters in the future.”

In addition, at the meeting of the Expert Committee on Reflection on the Past Decade of Reconstruction Policy (hereinafter “Expert Committee”), it was pointed out that projects were excessive because there was no local government burden.⁴⁵

As mentioned above, the Great East Japan Earthquake caused unprecedented damage and impact not only in the directly affected areas but also in Japan as a whole. As a result, the national government decided to secure special financial resources to cover expenditures expected to be necessary as reconstruction and restoration measures

⁴⁵ Comments by Deputy Chair Masuda at the First Meeting of the Expert Committee (October 24, 2022).

(approx. 19 trillion yen). At the same time, many disaster-affected municipalities pointed out concerns that the issuance of local government bonds would worsen their financial situation in the future. As a result, the government decided to adopt the special local allocation tax for recovery from earthquake disaster, which does not require local government's expense, as a "special exception among special exceptions." With regard to the burden of local governments on restoration and reconstruction projects for disasters other than the Great East Japan Earthquake, including the Kumamoto Earthquake, the basic policy is to secure funds for the time being through local government bonds, and to use the local allocation tax to redeem the principal and interest in subsequent fiscal years.

(2) Reconstruction Fund

1) Establishment of a reconstruction fund

In order to recover from the Great East Japan Earthquake, it is necessary for the national government to expand its financial measures sufficiently, but even so, local governments affected by the disaster still face reconstruction needs that cannot be met. Under such circumstances, it was necessary to have funds that could flexibly and meticulously deal with the stabilization of residents' lives, the revitalization of communities, the promotion of local economies and the maintenance of employment, etc., according to the actual conditions of the region, without being bound by the framework of a single fiscal year budget.

In light of these circumstances, the Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake, which was presented on July 29, 2011, determined that "Necessary support will be provided in order to fill gaps in the system and secure funds to enable flexible implementation of necessary projects in regions through the establishment of funds."

In response to requests from local public entities in disaster-affected areas as well for financial measures for the reconstruction fund as funds that can be used flexibly, it was decided that if 9 prefectures (Aomori Prefecture, Iwate Prefecture, Miyagi Prefecture, Fukushima Prefecture, Ibaraki Prefecture, Tochigi Prefecture, Chiba Prefecture, Niigata Prefecture and Nagano Prefecture), which are specified local public entities in disaster-affected areas, set up a fund, the fund would be provided with a special allocation tax increased under the Second Supplementary Budget for FY2011 based on measures taken in the wake of the Great Hanshin-Awaji Earthquake, etc. (to be granted on December 14, 2011).

With regard to the reconstruction fund, it was decided that the conventional operational fund would not be effective under the current low interest rate situation, and that a reversal-type fund would be adopted.

It is up to each prefecture to decide how the fund should be used and how it should be management, whether directly managed or by a foundation. In each prefecture, the purpose of the fund is to carry out detailed projects, and the fund should be operated with due consideration for municipal projects.

2) Reconstruction Fund Scale and Local Allocation Tax Measures

a. Reconstruction funds and local fiscal measures established in the past

In the wake of the Great Hanshin-Awaji Earthquake in January 1995, a reconstruction fund of 900 billion yen (initially 600 billion yen) was established, and various reconstruction projects were carried out in the disaster-affected areas using the investment profits gained during the 10-year period of the fund's establishment.⁴⁶

The Great Hanshin-Awaji Earthquake fund was an investment type fund. The Hyogo Prefectural Government, etc. borrowed money from banks and provided interest-free loans to the Great Hanshin-Awaji Earthquake Reconstruction Fund (a foundation). The foundation used the funds to purchase loans receivable from the banks to the Hyogo Prefectural Government, etc., and the interest paid by the Hyogo Prefectural Government, etc. became investment profits for the reconstruction fund. The national government imposed an ordinary allocation tax of 95% on a certain portion of the interest borrowed by Hyogo Prefecture and other prefectures under this scheme.

As a result, after the Great Hanshin-Awaji Earthquake, the reconstruction fund was able to carry out projects

⁴⁶ Investment interest rate: Initially 4.5%; additional 3.0%

worth 352 billion yen (A local allocation tax of 266.2 billion yen has been imposed.).

Moreover, the same operational reconstruction fund was established after the Mt. Unzen disaster in 1991, the Niigata Chuetsu Earthquake in 2004, the Niigata Chuetsu-Oki Earthquake in 2007 and the Noto Peninsula Earthquake in Ishikawa Prefecture in the same year. The ordinary allocation tax measure of 95% (Special allocation tax (80%) for reconstruction funds for the Chuetsu-Oki Earthquake and Noto Peninsula Earthquake) was applied to these funds.

b. Response to the Great East Japan Earthquake

During past disasters, all reconstruction funds were of the management type. However, this type was not effective under the interest rate situation at that time. As such, it was decided that the Great East Japan Earthquake would be dealt with using a reversal-type fund. The size of each prefecture's fund was to be determined based on the measures taken in the Great Hanshin-Awaji Earthquake, and was decided as follows:

Figure 2-4-41 Size of Fund of Each Prefecture

Prefecture name	Amount of measures
Aomori Pref.	8 billion yen
Iwate Pref.	42 billion yen
Miyagi Pref.	66 billion yen
Fukushima Pref.	57 billion yen
Ibaraki Pref.	14 billion yen
Tochigi Pref.	4 billion yen
Chiba Pref.	3 billion yen
Niigata Pref.	1 billion yen
Nagano Pref.	1 billion yen
Total	196 billion yen

Source: Compiled by the Reconstruction Agency

The size of the fund for each prefecture was first calculated based on the financial scale of Iwate, Miyagi, and Fukushima Prefectures based on the relationship between the amount of allocation tax measures for projects funded by the Great Hanshin-Awaji Earthquake Reconstruction Fund and the standard financial scale of Hyogo Prefecture and disaster-affected cities and towns. For the other prefectures, the calculation was made based on the size of the fund of these 3 prefectures and the amount of special allocation tax grants and financial strength.

The financial measure for the Great Hanshin-Awaji Earthquake Reconstruction Fund is 266.2 billion yen. However, the amount of the measure for the Great Hanshin-Awaji Earthquake Reconstruction Fund is estimated to be around 96 billion yen if the target of the measure is the same level, except for the system revision after the Great Hanshin-Awaji Earthquake, such as the Support System for Reconstructing Livelihoods of Disaster Victims, and the supplementary budget for FY2011, etc.. Calculations were made based on this amount.

Even compared to this amount, measures were taken at about twice the level of the Great Hanshin-Awaji Earthquake. Considering the expansion of support measures by the national government up to the Third Supplementary Budget for FY2011, such as the establishment of reconstruction grants, it was considered that the recovery and reconstruction needs of each region could be met to a considerable extent.

In addition, in the supplementary budget for FY2012, a separate measure was taken by increasing the special local allocation tax for recovery from earthquake disaster (104.7 billion yen) for the accumulation of reconstruction funds in the disaster-affected prefectures so that disaster-affected organizations can respond flexibly and meticulously according to the actual conditions of the regions from the viewpoint of promoting the settlement of

residents through measures that contribute to the formation of stable infrastructure (housing) in the tsunami-affected areas and promoting reconstruction community development. These measures cover the costs required for housing reconstruction support (Interest on residential construction, relocation expenses, etc.) for 40,738 owner-occupied housing units that were damaged (completely destroyed) by the tsunami and are not eligible under the Disaster Prevention Collective Relocation Promotion Project, etc. It was decided that the details of support for the victims would be decided by the affected organizations in accordance with the circumstances of the region. The amount to be allocated to each prefecture is as follows (allocated based on the special local allocation tax for recovery from earthquake disaster in March 2012. Revised on March 25, 2013)

Figure 2-4-42 Amount Granted to Each Prefecture (Whole Amount Is Granted from Prefecture to Municipality)

Prefecture name	Amount of measures
Aomori Pref.	500 million yen
Iwate Pref.	21.5 billion yen
Miyagi Pref.	70.9 billion yen
Fukushima Pref.	10.3 billion yen
Ibaraki Pref.	500 million yen
Chiba Pref.	1.1 billion yen
Total	104.7 billion yen

Source: Compiled by the Reconstruction Agency

3) Utilization and Evaluation of Reconstruction Fund

Since the reconstruction fund is financed by the special allocation tax, which is a general revenue source with no restrictions on its use, it was left to each prefecture to decide how to use that fund.

At the time of its establishment, taking into account past cases of reconstruction funds and the situation of the victims of the Great East Japan Earthquake, it was considered that the Fund would respond carefully to the needs of each region in a wide range of areas, such as projects to stabilize the lives of residents, including dealing with earthquake orphans, the elderly, the disabled and other disaster-vulnerable people, as well as dealing with the problem of double loans, projects to revitalize communities such as supporting local activities and building base facilities for them, projects to promote local industries, revitalize shopping districts and support employment and to promote the local economy and maintain employment and projects to revive culture and the arts, as well as to record and transmit information on disasters.⁴⁷

There are 168 municipalities that are designated as Specified Disaster-Affected Local Governments. It is difficult to estimate the scale of these municipalities according to the needs of each municipality. Therefore, when municipalities establish a fund, they do not use the special allocation tax as a financial resource measure. Instead, they have decided to make the financial resource measure for prefectures that are Specified Disaster-Affected Local Governments by comprehensively considering the financial needs of prefectures and municipalities. For that reason, the fund was expected to be operated with due consideration for municipal projects.

Additionally, each prefecture decided to take measures for the establishment of the reconstruction fund by the December regular distribution of the special allocation tax (issued on December 14, 2011) due to the decision to propose the budget and ordinance to the prefectural assembly in December.

As of the beginning of 2022, reconstruction funds were used in each prefecture in the following manner. For

⁴⁷ Monthly "Local Finance," December 2011 issue, 'General Local Finance': "Handling Local Finance in Response to the Great East Japan Earthquake (FY2011 Supplementary Budget (No. 3)-Related, etc.)." Edited by the Association of Local Finance.

example, in Iwate Prefecture, about 43% of the funds used were for livelihood support and housing measures for disaster victims, while in Miyagi Prefecture, this figure was about 19%, and in Fukushima Prefecture, about 12%. In contrast, in Iwate Prefecture, about 11% of funds were used for industrial reconstruction and regional development measures, while in Miyagi Prefecture this figure was about 27%, and in Fukushima Prefecture, about 34%. In this way, it can be recognized that the use of reconstruction funds is determined according to the situation of the region.

Figure 2-4-43 Major Projects Utilizing Reconstruction Funds

○ Main Projects Utilizing "Reversal-Type Fund" (For Prefectures + For Cities) (Start of FY2022) (Unit: 1 thousand yen)

	[1] Subsidies for municipalities	[2] Livelihood support	[3] Housing measures	[4] Educational and cultural measures	[5] Industrial reconstruction and regional development measures	[6] Interest subsidies for loans	[7] Other	Total
Aomori Pref.	4,000,000	100,250	56,376	2,031,154	1,576,547	675,657	3,313,995	11,753,979
Iwate Pref.	21,000,000	5,977,938	20,935,447	1,052,647	7,013,123	855,151	5,377,024	62,211,330
Miyagi Pref.	33,000,000	7,701,360	15,307,911	2,507,821	31,621,713	2,481,303	25,448,008	118,068,115
Fukushima Pref.	28,500,000	4,609,549	5,530,455	4,229,387	28,436,816	179,598	12,287,336	83,773,141
Ibaraki Pref.	7,000,000	814,191	763,986	2,363,451	7,414,731	2,030,124	3,530,096	23,916,579
Tochigi Pref.	2,000,000	223,627	175,202	174,166	1,784,065	324,786	1,344,406	6,026,252
Chiba Pref.	3,001,247	339,863	279,481	50,368	677,538	11,828	1,638,309	5,998,634
Niigata Pref.	500,000	39,831	13,835	2,200	653,301	53,787	237,480	1,500,434
Nagano Pref.	1,009,712	34,861	161,747	103,310	541,356	0	168,653	2,019,639
Total	100,010,959	19,841,469	43,224,440	12,514,504	79,719,190	6,612,234	53,345,307	315,268,103
Proportion	31.7%	6.3%	13.7%	4.0%	25.3%	2.1%	16.9%	

Source: Compiled by the Reconstruction Agency based on Ministry of Internal Affairs and Communications materials

In addition, the Expert Committee on the Reflection on the Past Decade of Reconstruction Policy Following the Great East Japan Earthquake (hereinafter "Expert Committee") also pointed out that it would have been better if the reconstruction fund had been managed using a foundation system that would have allowed flexible response, such as subsidizing the activities of NPOs and others over several years in advance, in order to support non-physical infrastructure over the long term.⁴⁸

In addition, at the Second Meeting of the Expert Committee (December 5, 2022), it was explained that Iwate Prefecture had provided support for housing reconstruction by using the reconstruction fund in addition to the Subsidy for Reconstructing Livelihoods of Disaster Victims. While the reconstruction of the livelihoods of the disaster victims progressed at an early stage, the prefecture had no choice but to divert much of the highly flexible reconstruction fund to support the housing reconstruction of the disaster victims. In addition, Miyagi Prefecture stated that while it was left up to each prefecture to decide how to manage the fund, be it using a direct management system or a foundation system, in order to enable the prompt establishment of the fund and the prompt implementation of the project, the prefecture implemented the direct management system, which did not provide sufficient support to religious institutions, etc., which would have been possible with the foundation system, and that optimal management based on comparative weighing with the prompt implementation of the project is a future issue. At the Third Meeting of the Expert Committee (February 27, 2023), the Miyako Municipal Government stated that the reconstruction fund can be used for the portion of the original systems of the city (for example, support for raising funds for housing construction) that is not sufficient under the national and prefectural systems that suit the actual conditions of the city. It was recognized as being very significant that the city was able to use its own judgment for reconstruction or for areas where recovery and reconstruction were progressing.

⁴⁸ Comments by Committee Member Fujisawa at the First Meeting of the Expert Committee (October 24, 2022).