

## 2. Requests and Proposals

### a) Tax Reform

#### 1) Life Insurance Premium Tax Deduction

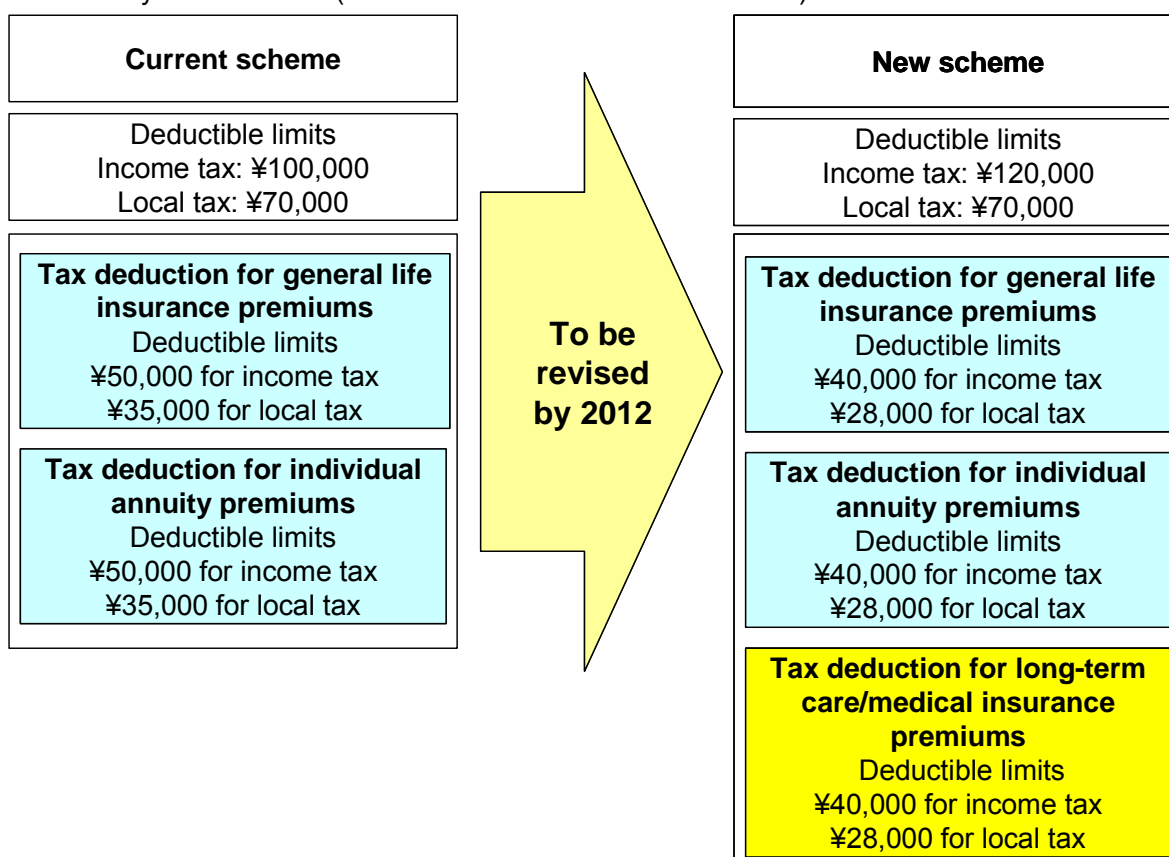
The LIAJ believes that private security measures for individuals will become more and more important in the context of an anticipated overhaul of the tax and social security system (burdens/benefits), and that we need a system which will respond to diversified personal needs.

The questionnaire survey conducted by the LIAJ on “life insurance premium tax deduction system” found that most respondents wanted their own efforts to be actively supported and that, if the system were enlarged, they would more favorably consider taking out an insurance policy or increasing insurance amounts.

The LIAJ has been requesting for years that the current “life insurance premium tax deduction system” and “individual annuity insurance premium tax deduction system” should be reorganized and expanded, to achieve the two main pillars (public and private) of life security.

As a result, the “Fiscal 2010 Tax Reform Outline” was approved by the Cabinet, which included a reorganization of the current “life insurance premium tax deduction system” and “individual annuity insurance tax deduction system” and the creation of a new category, namely the “long-term care and medical insurance premium tax deduction system” and thus, the Outline clearly stated the expansion of tax-deductible limits for insurance premiums. (The new system will be effective from 2012.)

#### ➤ Summary of Tax Reform (Life Insurance Premium Tax Deduction)



2) Tax-qualified Retirement Pension

- (a) Some measures should be taken to enable organizations which provide their employees with both a Tax-qualified Retirement Pension (TQRP) and Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) to transfer TQRP Plan assets to the SERAMA without being taxed.
- (b) Conditions for payment should be eased in the defined contribution type corporate pension plans for lump-sum retirement benefits.
- (c) Some measures should be taken to protect both annuitants and those who defer receiving benefit payments, where they acquire the right to receive TQRP benefits by the end of March 2012, from a potential tax disadvantage after April 2012.

3) Inheritance Tax

In order to secure survivors' living funds, the exemption limit for inheritance tax applicable to death benefits should be as follows:

The sum of (Y 5 million in death benefits received by the spouse) plus (Y 5 million in death benefits received by an underage dependent legal heir) multiplied by (the number of such dependent heirs), together with the current limit (Y 5 million multiplied by the number of legal heirs).
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We further request that even if a new taxation formula is introduced, the revised tax exempt limit should be the current one plus the said additional amount.

4) Corporate Pension

The special corporate tax imposed on reserve funds of corporate pension plans (defined benefit type corporate pension plans, employees' pension funds, tax-qualified retirement pension plans) and of defined contribution pension plans should be abolished as these plans complement the public pension system.

5) Asset Management

Taxation related to real estate should be comprehensively reexamined. Also, concerning the preferred securities issued by banks and other cooperative financial institutions using the scheme combining several overseas special purpose companies (SPC), measures should be taken to eliminate double taxation charged on domestic corporations which hold the preferred securities for the purpose of "tax-haven-related tax scheme."

6) Others

- (a) Regarding the corporate tax on life insurance companies, the current taxation formula should be maintained.
- (b) To extend the carry-forward period of operating loss, expand the carry-back provisions for operating losses beyond small-and medium-sized entities to large corporations and extend the carry-back period that operating losses can be applied.
- (c) To make the tax exemption a permanent measure in connection with interest and discount on bonds payable from foreign bonds issued by private entities that non-residents or foreign corporations receive.