

A photograph of Mount Fuji, a snow-capped mountain, rising above a thick layer of white clouds under a clear blue sky. The mountain's peak is centered in the upper half of the frame.

# Experience Free trade zone in Japan

Takumi Masuda

JICA senior volunteer/MNCCI

**There are no free trade zones in Japan**

# Definition

---

Free port	Export free area	Foreign Trade Zone	Stopping Point
Free trade with foreign countries is allowed	Import, process and re-export raw materials	Promote trade by not taxing until imported into the country	Does not have tariffs or import restrictions as it serves as a base for cargo transportation to inland countries
Hong Kong Singapore	South Korea Taiwan	Bonded area	Dubai

# How International logistics base in the industrial cluster area started?

---

**An economic special zone** established under **the Okinawa Promotion Special Measures Law** in April, 2012, and within that area it is likely to receive tax incentives and low-interest financing from the **Okinawa Promotion Development Finance Corporation**

# International logistics base in Okinawa Japan



- Asia's major cities within 4 hours by airplane.  
( Seoul, Shanghai, Hong Kong and Manila )
- International air cargo hub of Naha Airport connecting Asian and domestic cities
- Naha Airport is one of the few 24 hours airport in the country
- Construction of the Naha airport runway extension project (preliminary announcement beginning at the end of fiscal year 31)
- Proximity of Naha Airport and Naha Port (about 10 minutes)

# The area for designated as an international logistics base industrial cluster area

対象地域		
旧 (～H26.6.17)	新 (H26.6.18～)	
那覇地区(旧自由貿易地域)	那覇・浦添・豊見城・宜野湾・糸満地区	
那覇空港地区		那覇市
那覇港地区		浦添市
—		豊見城市
—		宜野湾市
—	糸満市	
うるま地区(旧特別自由貿易地域)	うるま・沖縄地区	

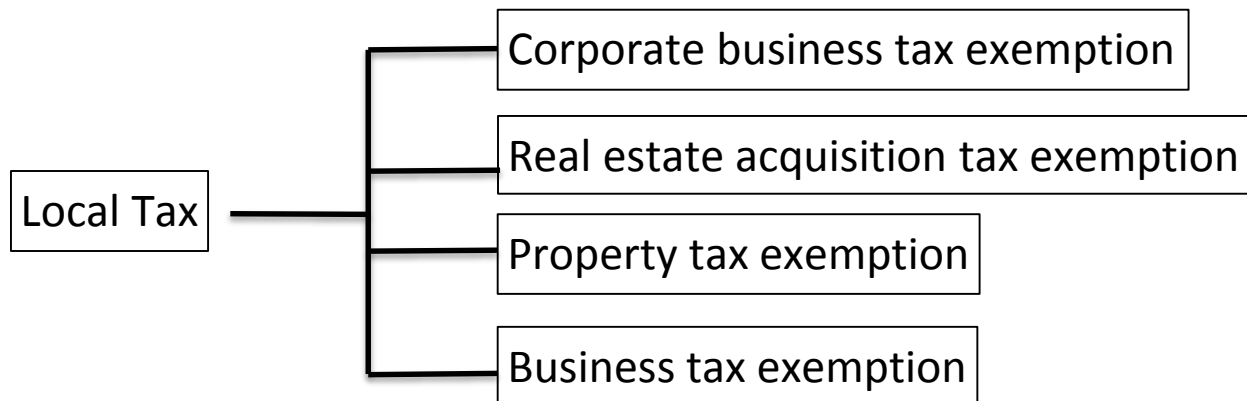
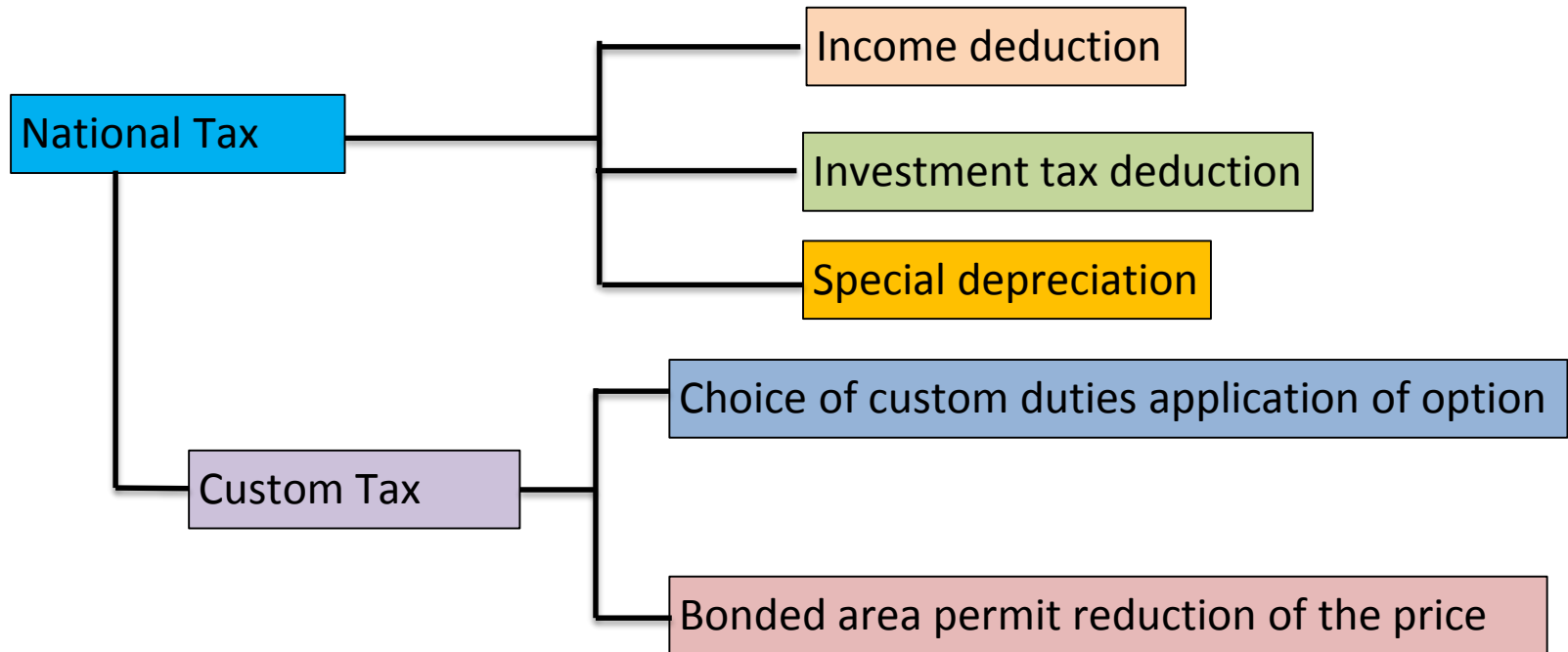


Naha, Urasoe, Toyomigusuku, Ginowan, Itoman District (all five cities)

スペースの都合上、離島については一部のみ掲載

# Preferential treatment

---



## These treatments apply to the following industries...

---

- Manufacturing industry
- Packing industry
- Warehousing industry
- Specific machine repair industry
- Road Freight Forwarding Industry (except 1 )
- Wholesale Business (except 1 )
- Specific non-store retailing
- Aviation maintenance industry



# Preferential treatment

## National Tax

---

### 1) Income deduction

(Conditions)

- New established company in this area
- Hire more than 15 employee

→40% of taxable income will be deducted in 10 years after establishment.

(Corporate tax, Corporate enterprise tax, Corporate residence tax are the same.)

## 2) Investment tax deduction

When adding machines, equipment or facilities, deductions from corporate tax apply.

(Conditions)

machines, equipment have to be more than mil. yen, building and facilities have to be more than 10 mil. Yen, 210mil MTG

→ 15% for Machines and equipment, 8% of building and facilities will be deducted from their corporate tax.

### 3) Special depreciation

(Conditions)

- When installing more than 1 mil. Yen (21mil. MTG) machines, equipment or build 1 bil. yen (21 bil. MTG) building, you can use special depreciation rate.
- 50% depreciation rate for building, 25% depreciation rate for machines, equipment's

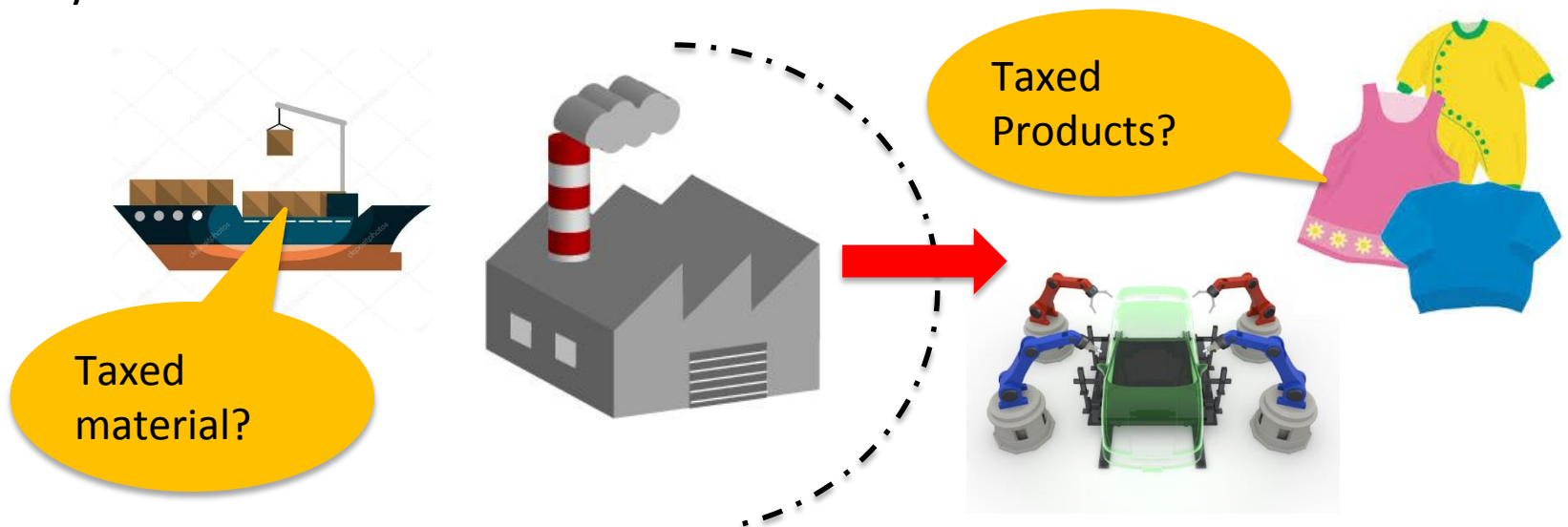
You can choose one of the treatments out of 3 treatments

# Custom Duties

---

## 1) Choice of custom duties Application of Option

- In a bonded factory, or when processing is performed using foreign cargo as raw material, tariffs are imposed on transferring the manufactured products to the domestic market.
- Tax on raw materials and products, except for specific items, you can **choose either taxation**.



## 2) Bonded area permit reduction of the price

- Bonded storage facility, bonded factory, bonded exhibition hall and integrated bonded area custom tax is reduced by half.



# Current Status

---

- The number of companies to use national tax incentives.

	2012	2013	2014	2015
Number of companies	2	2	5	3

- The number of companies to use local tax incentives.

(unit: mil. Yen)

		2013	2014	2015
<b>Local Tax</b>	Company residence tax	3	2	2
	Individual residence tax	-	-	-
	Business tax	1	0	2
	Office tax	0	0	0

- Increasing number of companies

(unit: companies, mil. Yen)

	2012	2013	2014	2015
Existing companies	50	53	60	73
Increasing Number	3	3	7	13
Increasing Rate	6.4%	6.0%	13.2%	21.7%
Delivery amount	9,780	11,589	12,176	13,785



# Summary of today

---

- There is some profit for domestic companies for tax issue.  
→ Not only the number of company increase but number of labor increase.
- It is not so attractive for foreign companies unless they build new company in this area.