

Policy Watch Tokyo

Key Measures to COVID-19 Outbreak

27 April 2020 version

A Cushman & Wakefield Research Publication

Overview

With the current COVID-19 outbreak in the state of emergency declared by the Japanese government, a series of stimulus packages has been released to help the economy sustain. Now the stimulus package has increased and includes helicopter money, and Bank of Japan (BoJ) announces its unlimited Japanese Government Bonds (JGB) purchasing operation for necessary occasions.

State of Emergency

As situation worsened, Prime Minister Abe declared a state of emergency to Tokyo and six other prefectures for one month on 7 April and expanded to the whole nation on 16 April. Different from a lockdown in other regions, the government do not have authority to restrict outgoings by law. The declaration only allows local authority to call for volunteer restraint from going out and business closure request. Moreover, it allows local government to use private properties for medical use and force shops to sell food and drugs.

In response to the declaration, Tokyo government called for a strict self-restraint from going out except for commuting when teleworking not possible, grocery shopping and hospital visit. On 10 April, the government also requested the closure of the following facilities during the period: entertainment facilities, university and tuition schools, stores selling non-essential goods and services, etc. A subsidy will be given to operators who follow the closure request (JPY 500,000 for owners with one store, JPY 1,000,000 for those with two or more stores).

Government Economic Stimulus Package

Government of Japan announced a record JPY 95.2 trillion stimulus package, after two emergency measures made in the previous fiscal year. The coverage extends from interest-free loans for Small and Medium Enterprises (SMEs) and healthcare system support to a wide range of spending and reliefs in different sectors. Overall size adds up to JPY 117.1 trillion, equivalent to 21.8% of real GDP, with JPY 48.4 trillion fiscal spending which exceeds the one for Global Financial Crisis (GFC). While the total stimulus package is still less than GFC's one, we expect extra economic measures coming.

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COVID-19 related stimulus package

Policy Measures	Package Size	Fiscal Exp.
¹ Dec 2019 Economic Measures*	19.8 T	9.8 T
² Feb 2020 1 st Response Package	0.5 T	0.02 T
³ Mar 2020 2 nd Response Package	1.6 T	0.43 T
⁴ Apr 2020 3 rd Response Package	95.2 T	38.1 T
Total	JPY 117.1 T	JPY 48.4 T

GFC-related stimulus package

Policy Measures	Package Size	Fiscal Exp.
^o Aug 2008 Policy Package	11.5 T	1.8 T
^o Oct 2008 Support Measures	26.9 T	5.0 T
^r Dec 2008 Policy Package	37.0 T	4.0 T
^o Apr 2009 Policy Package	56.8 T	25.4 T
Total	JPY 132.2 T	JPY 36.2 T

Bank of Japan Monetary Stimulus

Bank of Japan expanded monetary stimulus on 16 March and 27 April to alleviate funding strains and calm market, including:

- Raising BoJ's ETF-purchasing target from JPY 6 trillion to a maximum of JPY 12 trillion;
- Doubling BoJ's J-REIT-purchasing target from JPY 90 billion to a maximum of JPY 180 billion;
- Expanding BoJ's corporate bond and commercial paper balance to JPY 4.2 trillion and JPY 3.2 trillion respectively on 19 March and to JPY 20 trillion in total on 27 April;
- Providing zero-interest rate loans against corporate debt of about JPY 8 trillion;
- Purchased JPY 1.3 trillion of JGB on 19 March and indicated to buy extra necessary amount without an upper limit on 27 April

Public Call for Flexibility in Rent Payment

On 31 March, Ministry of Land, Infrastructure, Transport and Tourism (MLIT) made public request to landlords through six real estate associations. The ministry called building owners to provide flexibility in rent payment to affected tenants such as postponement, starting from F&B tenants.

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Relief on Property Tax and City Planning Tax

Government announced a relief on FY2021 property tax and city planning tax in the third emergency response package. 100% relief is granted to SMEs, sales of which dropped over 50% in any three months between February and October 2020 (50% relief for sales of those dropped 30-50%).

Moreover, Ministry of Economy, Trade and Industry (METI) has included business-use buildings and structures as subject assets for the special exemption of property tax, provided a one-year grace period for corporate tax, declared income tax etc., and allowed tax exemption for digitalization investment such as teleworking.

Unsecured and Interest Free Loans

Several COVID-19 special programs of unsecured and interest-free loans for SMEs have been established throughout all response packages. Government will give out the loans through Japan Financial Corporation (JFC) and private sector-lenders. For example, safety net guarantee system no. 4 and 5 and credit-related guarantees have been extended to all SMEs with declining sales or profits which Japan Federation of Credit Guarantee (JFG) will guarantee at most full loan amount.

Subsidy to SMEs and Helicopter Money

Government announced on 7 April a subsidy of maximum JPY 2 million to SMEs and JPY 1 million to freelancers, income of which reduced more than a half. For individual and households, the government originally proposed to give cash handout of JPY 300,000 to resident-tax-exempted low income families or those lost over a half income to the same level but shifted to helicopter money of JPY 100,000 to every resident on 20 April. Fiscal expenditure for this item changed from JPY 4.2 trillion to JPY 12.9 trillion. Also, a bonus of JPY 10,000 per child will be distributed to those who are receiving Child Allowance.

Employment Adjustment Subsidies Relaxation

Employment adjustment subsidies has been opened to companies with China-related business in the first package and further relaxed to all affected business owners in the second package. Subsidy rate has also increased from 2/3 to

4/5 for SMEs and 1/2 to 2/3 for large enterprises.

Long-term - 'Go To' Travel Campaign

A total of JPY 1.7 trillion from the response packages will be used as 'Go To' travel campaign. The campaign will subsidize travelers 50% of their spending at most JPY 20,000 per night, 20% off on gourmets and entertainment events and support shopping street events. Japan National Tourism Organization (JNTO) will organize large-scale promotions to inbound visitors to help demand recovery.

Long Term - Digital Transformation Support

In addition to tax exemption for digitalization investment such as teleworking, MLIT will promote the use of BIM/CIM in major construction projects by 2023. The ministry will also utilize 3D digital map in infrastructure and urban development as well as adapt ICT in managing private vehicles.

Other Major Measures in Stimulus Package

Other major measures covered in the economic stimulus package include:

- Support to the financing of restructuring and diversification of supply chains
- Support SMEs to set up Business Continuity Plans
- Several promotion programs on tele-working
- Grace period for social insurances (business owners)
- Open several supporting and promotion programs to a wider range of enterprises
- Provide emergency loan and grace period for land fees etc. to airlines
- Allow delay of annual report submission
- Exempt affected households their National Health Insurance fees
- Extend automobile-related tax reduction for vehicles with high environmental performance
- Provide flexibility to criteria on income tax deduction for home mortgage borrowers
- Support employments of affected foreign workers
- Establish 'JAPAN' brand incubation program

* Included those effects expected in FY2020 (size: JPY 26.0 T, fiscal spending: JPY 13.2 T) ^Policy name: ¹ Comprehensive Economic Measures to Create a Future with Security and Growth; ² First COVID-19 Emergency Response Package; ³ Second COVID-19 Emergency Response Package; ⁴ Third COVID-19 Emergency Response Package; ⁵ Comprehensive immediate policy package to ease public anxiety; ⁶ Measures to support people's daily lives; ⁷ Immediate policy package to safeguard people's lives; ⁸ Policy package to address the economic crisis

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