



ABOUT “SOLAR PANEL TAX”

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What is a Solar Panel Tax?

- Mimasaka City, Okayama Prefecture, passed an ordinance to introduce a “Solar Panel Tax” on December 21, 2021.
- Is one of "Non-stipulated Special-purpose Tax" under the Local Tax Act.
- the purpose of the Panel Tax is "to cover the cost of measures for disaster prevention, living environment and natural environment" (Article 1)
- Solar Panel Tax will be imposed on the total area of solar panels of the solar power facilities in the city at the rate of 50 yen per square meter (generally excluding small-scale operators of less than 50 kW).



What is a Solar Panel Tax? (continued)

- The Panel Tax will apply not only to new power generation businesses in the City, but also to existing power projects that are already in operation.
- Possible expansion to:
 - Other municipalities
 - Other facilities (such as “blade tax” for wind projects)
 - Non-FIT solar facilities

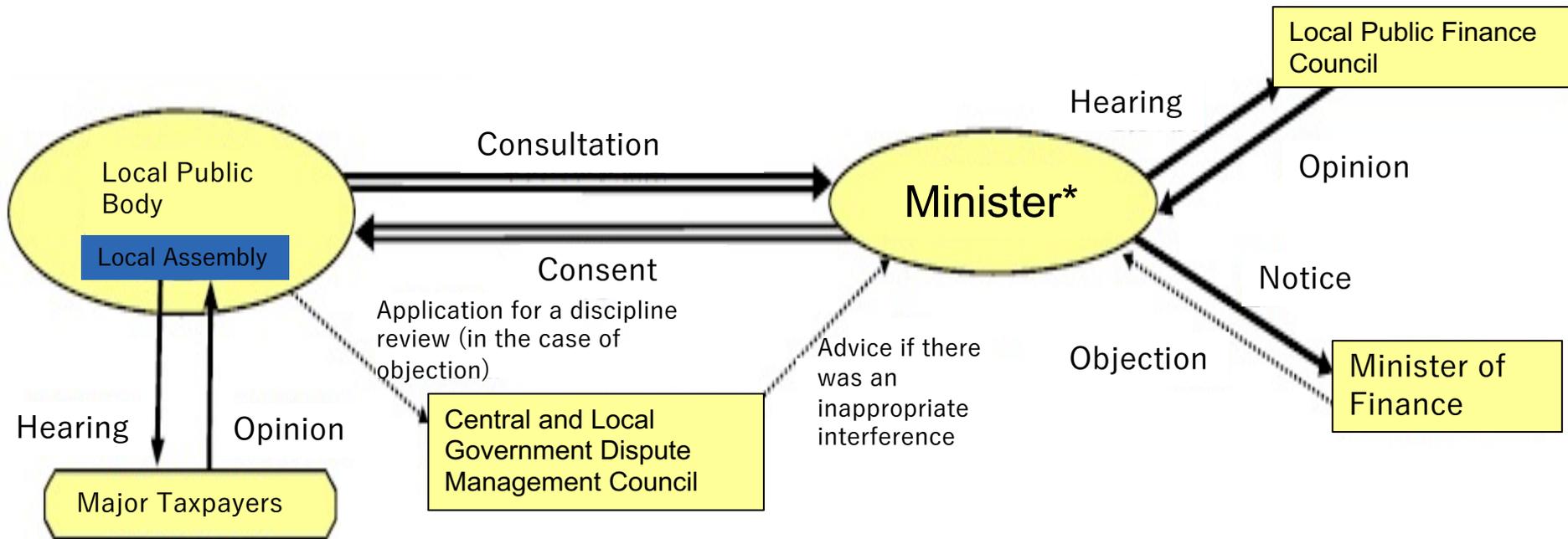


Impacts of Solar Panel Tax

- Estimates show that a tax of 50 yen/ m² means . . .
 - 0.3 yen/ kWh
 - If FIT price is 14 yen/ kWh, it is about 2% of electricity sales revenue
 - About 10% of the investor's revenue under the ordinary project financing structure
 - IRR will drop from 5% to 4.6% (for 36-yen project)
 - IRR will drop from 5% to 4% (for 14-yen project)

Steps for the “solar panel tax” to become effective

* Minister of Internal Affairs and Communications



(From a material prepared by the Ministry of Internal Affairs and Communications, translated and altered by Orrick)



Has the Minister ever withheld the consent?



Minister's Consent

Minister of Internal Affairs and Communications must grant a consent **unless** there is one of the following reasons (Article 733 of Local Tax Act):

1. the **tax basis is the same** as that of the national tax or other local taxes (**= duplicative taxation**) and the burden on residents (taxpayers) is **significantly excessive**;
2. the tax imposes a serious obstacle for the commerce of goods across prefectures and cities; or
3. the tax is otherwise not appropriate in light of **national economic policies**.

Is there a reason for the Minister not to grant a consent?

1. “Same tax basis and significantly excessive”

(1) Same tax basis with property tax?

	Tax Object	Tax Basis
Panel Tax	Assets	Assessed Value of the Asset
Property Tax	Electric Power Supply Business (<i>hatsuden jigyo</i>)	Surface Panel Area of the Asset

*However, “same tax basis” includes “cases where the tax bases are **deemed the same substantively**” (Ministry of Internal Affairs and Communications).*

(2) Same tax basis with corporate enterprise tax?

(3) Significantly excessive?



Is there a reason for the Minister not to grant a consent? (continued)

2. “Not appropriate in light of national economic policies ”

(1) Commitment to 2050 carbon neutrality officially expressed by PM (October 2020)

(2) Major amendment to the Global Warming Act (June 2021)

➡ Decarbonization efforts are accelerated at both the national and local levels.



Is it over if the Minister grant the consent?



Ordinances enacted by local governments are still invalid if they violate national laws.

Supreme Court ruled in 2013 that a "temporary special enterprise tax" introduced by Kanagawa Prefecture was unlawful and invalid because it conflicted with the provisions of the Local Tax Act regarding corporate enterprise tax.

Thank you!

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