



Japan - May 2017

JAPAN TO PRUNE TAXES IN HOPES OF GROWING FARM BUSINESS 1

Japan to prune taxes in hopes of growing farm business

Government panel proposes cutting levies on high-tech indoor agriculture

The Japanese government is moving to cut taxes on operators of high-tech indoor farms to encourage more businesses to enter the sector and turn "smart agriculture" into a growth industry.

Under current law, when a company paves over farmland to build an indoor farm, the land is no longer treated as agricultural. That makes it subject to much higher property taxes. The government will seek to reduce the tax burden by proposing that such land continue to be treated as farmland.

The cabinet's council on regulatory reform plans to include the proposal in a report to be submitted to Prime Minister Shinzo Abe on Tuesday. The council hopes to start full-scale discussions on the issue within this fiscal year, which ends in March 2018.

Under the proposal, the agriculture ministry will revise the agricultural land act and the definition of farmland so that operators of indoor farms do not face a high tax burden.

According to the internal affairs ministry, the property tax levied on land used for indoor farming averaged 12,000 yen (\$107) per 10 ares for the year through March 2016. That is more than 10 times the 1,000 yen rate for farmland. Industry backers, including the Japan Chamber of Commerce and Industry and Osaka Prefecture, have been calling for deregulation.

New cultivation technologies make it possible to grow high-quality vegetables indoors. This allows indoor farmers to precisely control the environment -- including temperature and humidity, as well plant nutrition -- whatever the weather outside is doing.

Difficulties in financing indoor farming projects, including high startup costs and taxes, have kept businesses from entering the sector. According to a 2016 survey by the Japan Greenhouse Horticulture Association, about 40% of indoor plant growers were operating in the red.

The Abe government has called expanding Japan's farming industry through deregulation a key growth strategy.