

# JAPAN



REDINESS LEVEL

HIGH

As one of the most disaster-prone locations and highly developed economies in Asia, Japan has a tradition of both receiving international aid and giving back to international communities in need. There was high enthusiasm among Japanese donors, particularly among corporations, to support global efforts in response to the COVID-19 pandemic. Supportive infrastructure to connect Japanese donors with international communities as the world recovers from the pandemic will help to maintain the momentum and grow cross-border giving from Japan.



## CROSS BORDER GIVING INDEX

SCORE  
3.50

philanthropy, as was observed during the COVID-19 pandemic.

Japan has a relatively high and stable level of cross-border giving. Philanthropic outflows in 2018 approximated US\$750 million, accounting for 0.01% of the country's GNI.<sup>1</sup> This outbound volume has not changed in recent years.

New forms of giving such as crowdfunding platforms and social impact investment are also gaining traction among young Japanese donors and corporations.

Japanese donors are generally risk averse and because of language barriers prefer giving through INGOs and UN agencies with a presence in Japan to causes related to health, education, child poverty, and disaster relief, particularly in Southeast Asian countries.

UNICEF and Red Cross are donors' top choices; each received approximately US\$200 million in donations in financial year 2020.<sup>2,3</sup>

Legacy giving in Japan is increasing due to the rapidly aging population. Bequests to Médecins Sans Frontières rose steadily from 140 million yen in 2012 (equivalent to US\$1.7 million at the time) to over 1 billion yen (approximately US\$ 9 million) in 2019.<sup>4</sup> Other INGOs such as World Vision and Save the Children reported similar trajectories.

Technologically savvy, with international connections, and drawn to tax benefits for philanthropic giving, Japan's younger generation has shown increased interest in cross-border giving. HNWI's, particularly those in their 40s-50s, have been leaning more towards



## REGULATORY INDEX

SCORE  
3.50

Japan's regulatory environment is moderately restrictive but relatively favourable toward cross-border giving.

Charitable contributions are generally tax deductible when made to (i) "Special Public Interest Promoting Corporations" (SPIPCs), (ii) Organisations Eligible for "Designated Contributions" or (iii) Specified Nonprofit Corporations (SNCs) with National Tax Administration Approval.<sup>5,6</sup> However, organisations must use at least 70% of donations received for business expenses related to specified nonprofit-making. Anti-money laundering and anti-terrorism policies require detailed reporting on the purpose of remittances and information about the recipient.<sup>7</sup>

Japanese donors are generally incentivised by tax benefits; however tax structures are complicated. Giving through a grantmaking foundation (with tax exemption status) in

Japan, individual donors can benefit from a tax deduction up to 40% of their total income, or a tax credit up to 40% of their charitable contributions from their income taxes, up to 25% of their income taxes.<sup>8</sup> Donations exceeding 30 million yen (approximately US\$261,000) must be reported to the Bank of Japan when transferred directly to a receiving foreign organisation.<sup>9</sup> Approved SNCs or SPIPCs must report donation details to the government yearly.<sup>10</sup>

Generally, Japanese companies pay corporate and local taxes when giving directly to a foreign recipient.<sup>11</sup> Tax deductions for corporates are limited according to donation amounts and corporate income. One of the ways corporates can claim tax deductions for their overseas giving is by donating through the Council for Better Corporate Citizenship (CBCC),<sup>12</sup> who, upon approval, sends the donation overseas and issues receipts to the donors to be included in their deductible expenses.



## INFRASTRUCTURE INDEX

SCORE  
3.25

Japan has diverse philanthropic ecosystem players. While there are advocacy efforts to enhance giving in Japan, they are largely limited

to domestic issues. Nevertheless, there are proactive players within the ecosystem, such as the Asian Community Centre 21, who have been working with politicians, administrations, and other stakeholders to advocate for more cross-border philanthropic investments.<sup>13</sup>

Building a knowledge sector of organisations, networks, and infrastructure is required to bridge gaps between interested donors and recipients. Japanese donors looking to diversify their cross-border giving face multiple challenges including the lack of information about recipients' needs and language barriers. While there are over 1000 grantmaking foundations in Japan, many do not have contacts with international nonprofits to provide adequate information and advice to donors interested in giving abroad. Similarly, despite increased interest among clients for philanthropic investment, the financial sector has limited skills to advise clients on philanthropic activities.<sup>14</sup>

Ecosystem support players such as philanthropy advisors, grantmaking intermediaries, financial wealth advisors, and trusted national foundations must come together to provide donors comprehensive information and practical mechanisms to facilitate the flow of cross-border giving from Japan.<sup>15</sup>

ECOSYSTEM SUPPORT ROLE	ORGANISATIONS	
Philanthropy advisory	<ul style="list-style-type: none"> <li>Centre for Public Resources Development</li> <li>Council for Better Corporate Citizenship</li> </ul>	<ul style="list-style-type: none"> <li>Japan Fundraising Association</li> <li>Japan NPO Center</li> </ul>
Grantmaking intermediaries	<ul style="list-style-type: none"> <li>Japan NGO Centre for International Cooperation</li> <li>Asian Community Trust / ACC 21</li> <li>Japan Centre for International Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Nippon Foundation</li> </ul>
Ecosystem promoter/ advocacy	<ul style="list-style-type: none"> <li>Keidanren (Japan Business Federation)</li> <li>Asia Venture Philanthropy Network (AVPN)</li> </ul>	<ul style="list-style-type: none"> <li>CSO Network Japan</li> <li>Japan Foundation Centre</li> </ul>
Networks and membership organisations	<ul style="list-style-type: none"> <li>Japan NGO Centre for International Cooperation (JANIC)</li> </ul>	<ul style="list-style-type: none"> <li>Japan Platform</li> </ul>