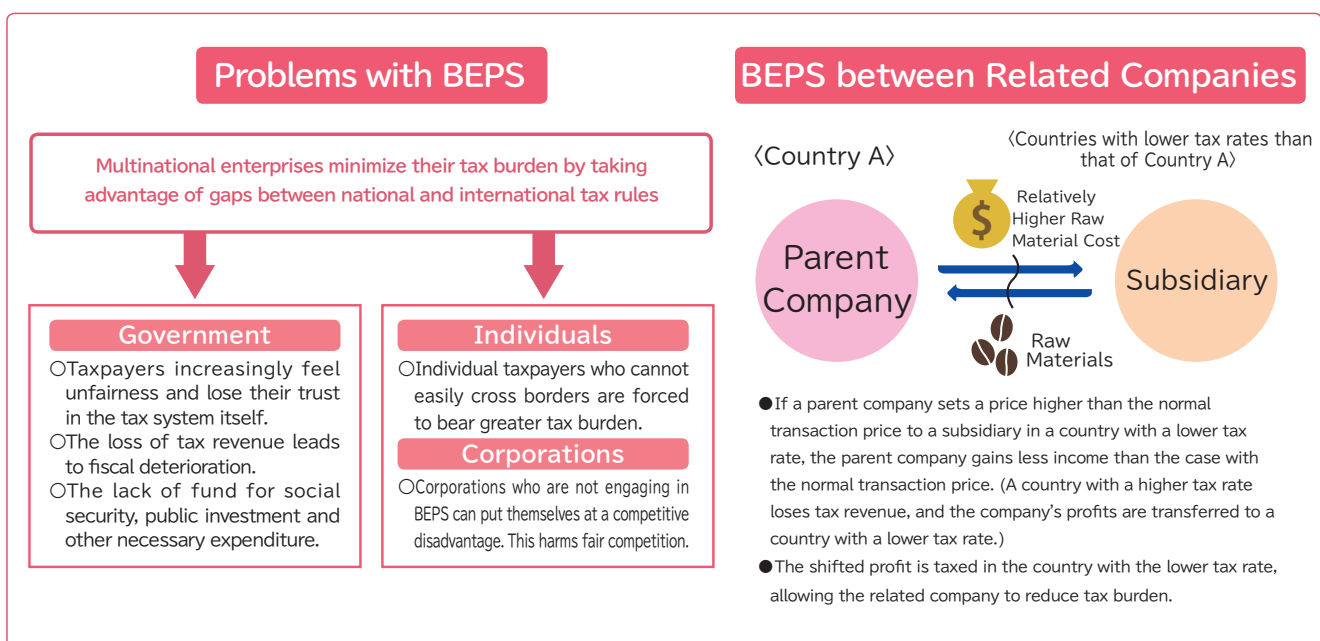


1 International Taxation Systems

The **international taxation system** is a mechanism to adjust tax procedures for corporations and individuals which engage in cross-border economic activities. The coordination and clarification of international tax rules are important for economic activities and governments. Therefore, designing Japan’s **international taxation system** reflects international discussions.

A recent major international effort is the **BEPS (Base Erosion and Profit Shifting)** Project. In order to achieve a level playing field, the Project aims to prevent multinational enterprises from engaging in BEPS. The OECD has been taking the lead of the Project collaborating with countries including Japan. The major nations endorsed the package of measures developed under the Project in October 2015, and now it has been increasingly inclusive with more than 130 jurisdictions participating.

As the background of the BEPS project, the fiscal situation deteriorated after the economic downturn in 2008, which led governments to ask for greater burden on ordinary citizens, who got frustrated at tax avoidance by multinational enterprises exploiting gaps between national and international taxation rules. Currently, member countries of the Project are revising their own tax systems and international tax treaties consistent with the project.



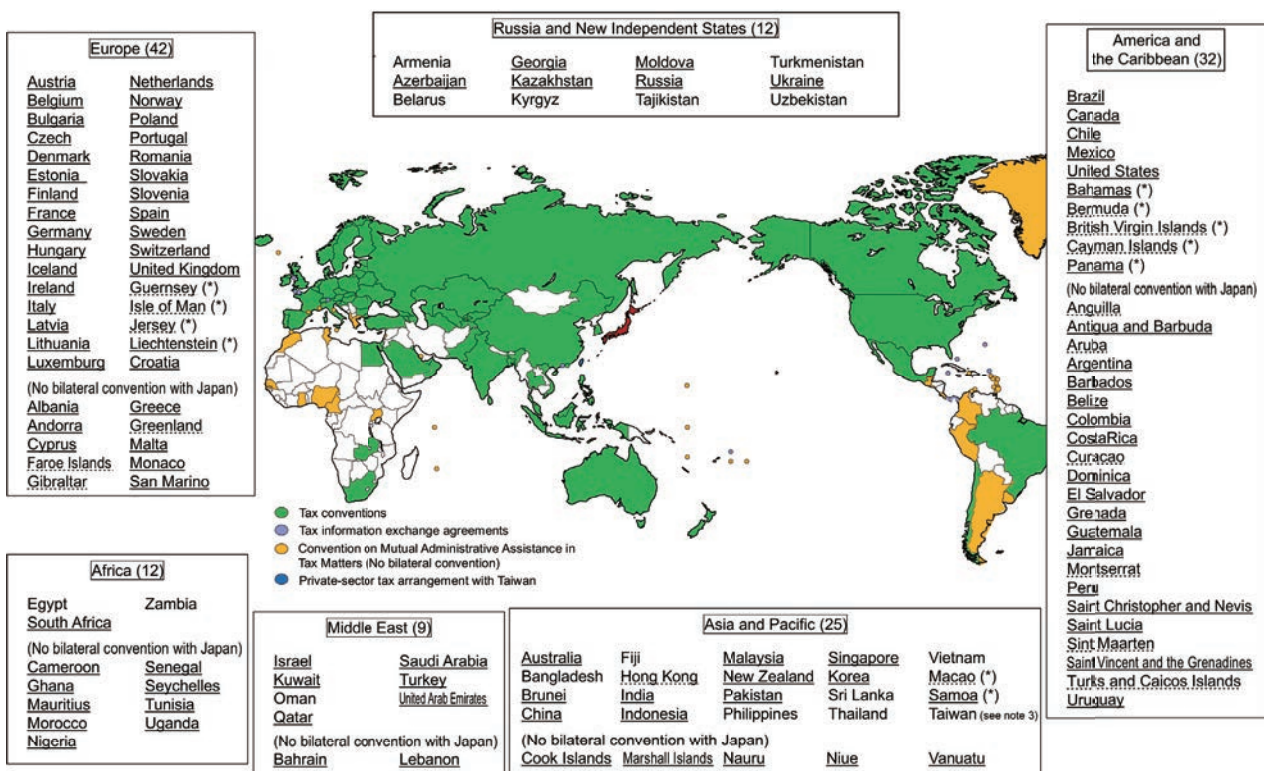
2 Tax Conventions

Japan has concluded **tax conventions** with other jurisdictions to eliminate double taxation and promote investment and economic exchanges with those jurisdictions. Tax conventions provide the measures against international tax avoidance and the avoidance of tax collection through a framework for cooperation between tax authorities including exchange of information on taxpayers and mutual assistance in the collection of unpaid taxes.

Japan applies 75 tax conventions, etc. to 132 jurisdictions as of October 1, 2019.

Japan's Tax Convention Network

《75 conventions, etc. applicable to 132 jurisdictions; as of October 1, 2019》(see notes 1 and 2)



(Note 1) Since the Convention on Mutual Administrative Assistance in Tax Matters is a multilateral convention, and the tax conventions with the former Soviet Union and with the former Czechoslovakia were succeeded by more than one jurisdiction, the numbers of jurisdictions do not correspond to those of tax conventions, etc.

(Note 2) The breakdown of the numbers of conventions, etc. and jurisdictions is as follows:

- Tax convention (a convention principally for the elimination of double taxation and the prevention of tax evasion and avoidance); 62 conventions applicable to 72 jurisdictions.
- Tax information exchange agreement (a convention principally for the exchange of information regarding tax matters); 11 conventions applicable to 11 jurisdictions (These jurisdictions are marked with (*) above).
- Convention on Mutual Administrative Assistance in Tax Matters; Entered into force by 99 jurisdictions (not including Japan) (These jurisdictions are underlined above) and applicable to 116 jurisdictions due to the extension of the application of the Convention (Jurisdictions to which the Convention is extended are underlined above with dotted lines). 48 jurisdictions out of 116 do not have a bilateral convention with Japan.
- Private-sector tax arrangement with Taiwan; 1 jurisdiction

(Note 3) As for Taiwan, a framework equivalent to a tax convention is established in combination of (1) a private-sector tax arrangement between the Interchange Association (Japan) and the Association of East Asian Relations (Taiwan) and (2) Japanese domestic legislation to implement the provisions of the private-sector tax arrangement in Japan. (The two associations are now named Japan-Taiwan Exchange Association (Japan) and Taiwan-Japan Relations Association (Taiwan), respectively.)