

7. Learn about "International Taxation"

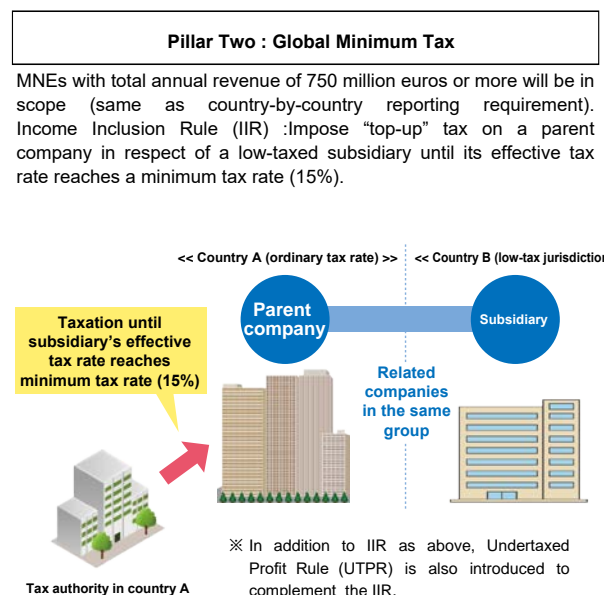
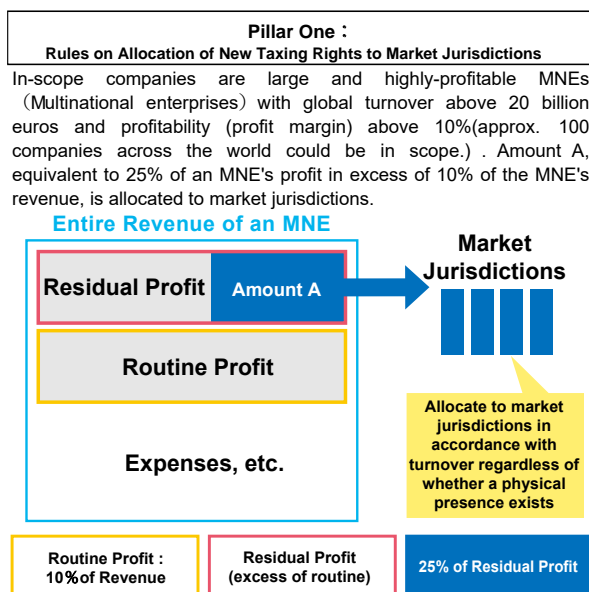
1 International Taxation Systems

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 the Project has been increasingly inclusive with more than 140 jurisdictions participating.

Under the BEPS project, the two-pillar solution to address the tax challenges arising from the digitalization of economy was recently agreed internationally in October 2021. Going forward, the development and ratification of the Multilateral Convention as well as the amendment of domestic laws are needed to implement this agreement.

Summary of the International Agreement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy(October 2021)

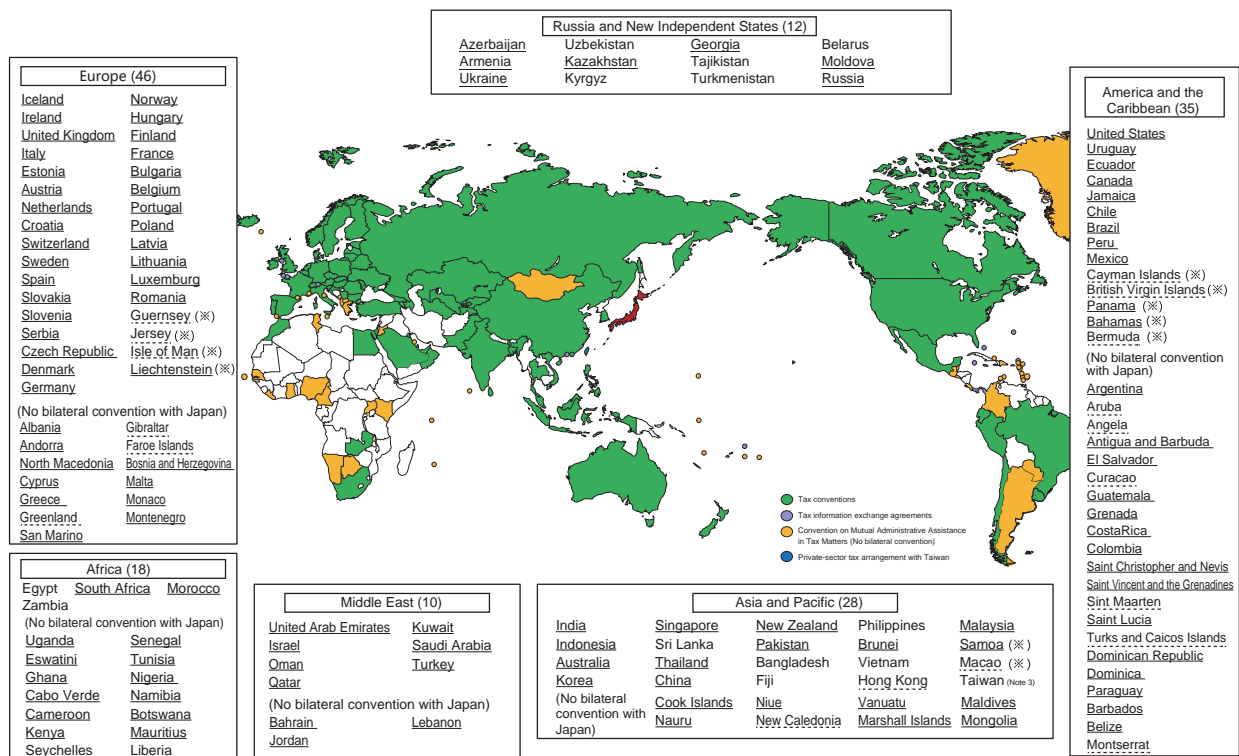


Japan has concluded **tax conventions** with other jurisdictions to eliminate double taxation and promote investment and economic exchanges with those jurisdictions. Tax conventions provide the measures against international tax avoidance and the avoidance of tax collection through a framework for cooperation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

Japan holds 83 taxation treaties with 149 countries and regions as of June 1, 2022.

Japan's Tax Convention Network

《83 conventions, etc. applicable to 149 jurisdictions; as of June 1, 2022》



(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); 70 conventions applicable to 78 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 118 jurisdictions (not including Japan) (These jurisdictions are underlined above) and applicable to 136 jurisdictions due to the extension of the application of the Convention (Jurisdictions to which the Convention is extended are underlined above with dotted lines). 59 jurisdictions out of 136 do not have a bilateral convention with Japan.
- Private-sector tax arrangement with Taiwan; 1 convention applicable to 1 jurisdiction.

(Note 3) As for Taiwan, a framework equivalent to a tax treaty has been established as a whole through a private-sector tax arrangement between the Interchange Association (Japanese side) and the Association of East Asian Relations (Taiwanese side) and the laws and regulations to implement such arrangement in Japan. (Currently, these associations have been renamed as the Japan-Taiwan Exchange Association (Japanese side) and the Taiwan-Japan Relations Association (Taiwanese side).)

