

National Tax Agency, Japan

Mutual Agreement Procedures Report 2021

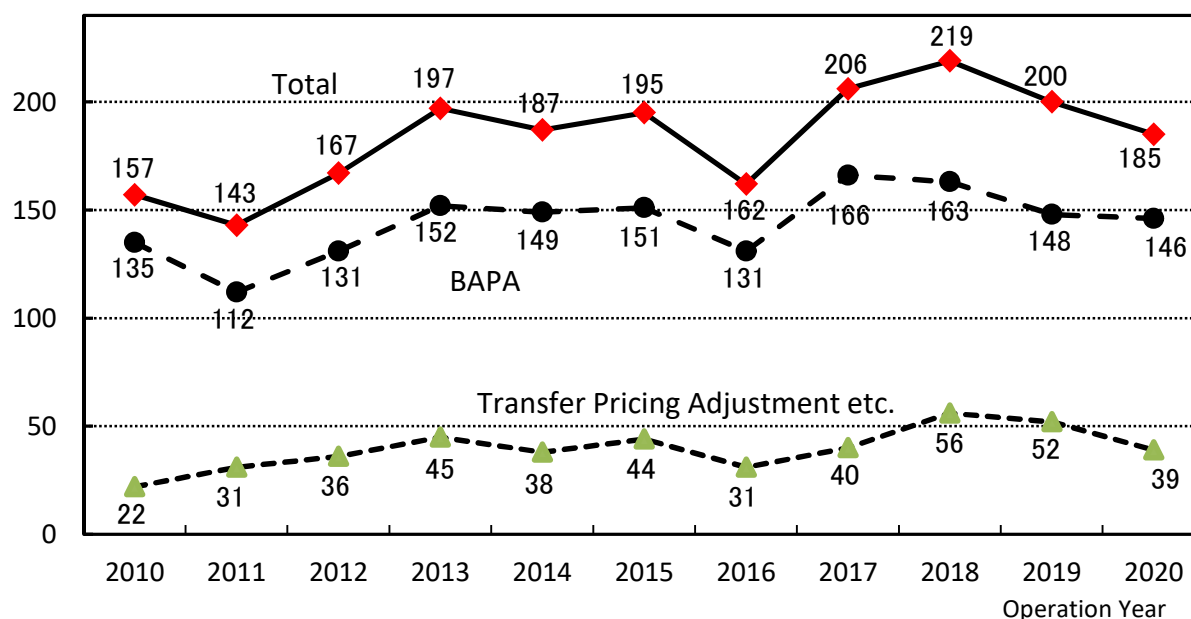
When international double taxation arises from transfer pricing adjustments or other, the National Tax Agency (“NTA”) enters into Mutual Agreement Procedures (“MAP”) with relevant foreign tax authorities under the provisions of applicable tax treaties to resolve such double taxation upon request from taxpayers. The NTA also enters into Bilateral Advance Pricing Arrangements (“BAPA”) in order to ensure the predictability of taxpayers and promote the proper and smooth administration of the transfer pricing taxation.

1. MAP requests received

- During the 2020 operation year (from July 2020 to June 2021), the NTA received 185 MAP requests (146 (79%) for BAPA and 39 (21%) for Transfer pricing adjustment etc.).
- The number of MAP requests received decreased to 93% from the 2019 operation year. (Note) Please see Attachment 1 for the details of type of MAP cases.

Chart 1: MAP requests received

Number of requests received



- (Notes)
- 1 Each operation year runs from 1 July until 30 June in the following year.
 - 2 The number of MAP requests received consists of both cases where the NTA received requests from taxpayers and cases where the NTA received requests through foreign tax authorities. In some countries or regions, taxpayers make a request separately with respect to each taxation year for which an adjustment was made. Counting such requests collectively, the number of MAP requests received during the 2020 operation year would be 183.
 - 3 “Transfer pricing adjustment etc.” includes cases related to permanent establishments (PEs) or withholding taxes.

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2. MAP cases closed

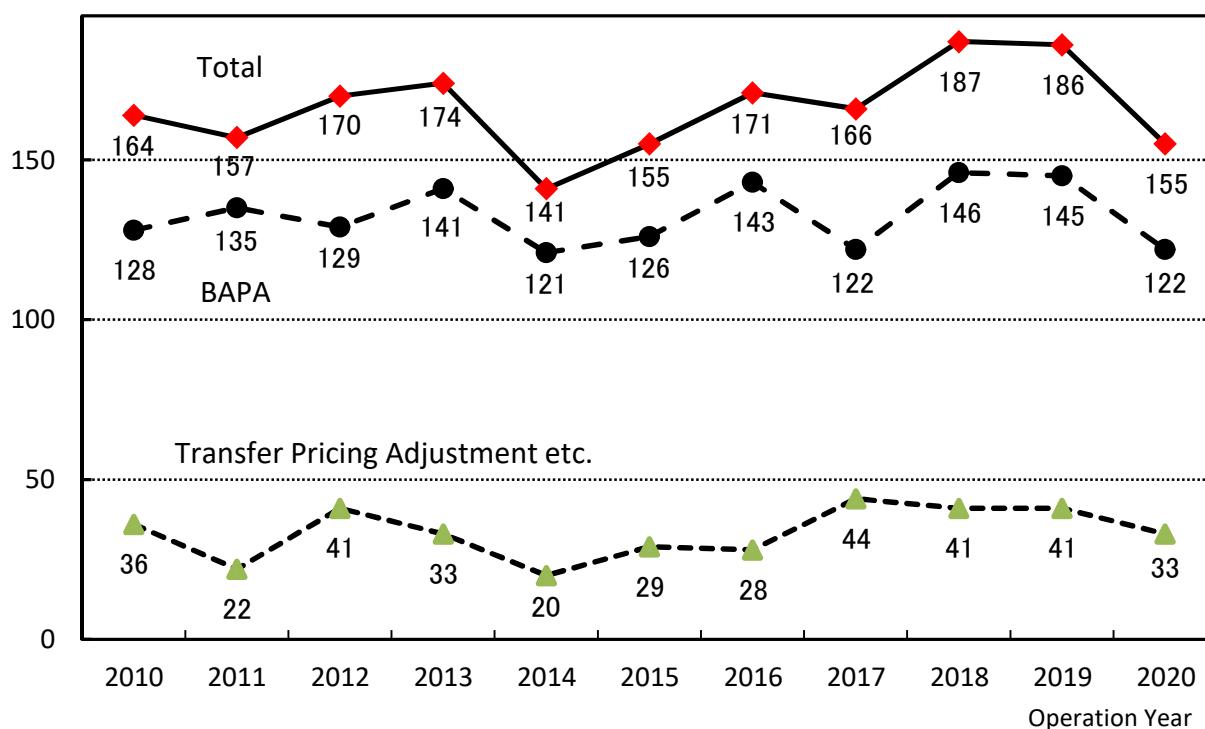
2.1 The number of MAP cases closed

- The number of MAP cases closed during the 2020 operation year amounted to 155 (122 (79%) for BAPA and 33 (21%) for Transfer pricing adjustment etc.), which has decreased to 83% from the 2019 operation year.

(Note) Please see Attachment 1 and Attachment 3 for the details of type of MAP cases.

Chart 2: MAP cases closed

Number of cases closed



- (Notes) In some countries or regions, taxpayers make a request separately with respect to each taxation year for which an adjustment was made. Counting such requests collectively, the number of MAP cases closed during the 2020 operation year would be 146.

2.2 Average time to close a MAP case

- The average time to close a MAP case closed in the 2020 operation year was 30.3 months (29.4 months in the 2019 operation year).
- The average time to close a BAPA case closed was 29.2 months (30.7 months in the 2019 operation year).
- The average time to close a case of transfer pricing adjustment etc. was 34.4 months (24.9 months in the 2019 operation year).

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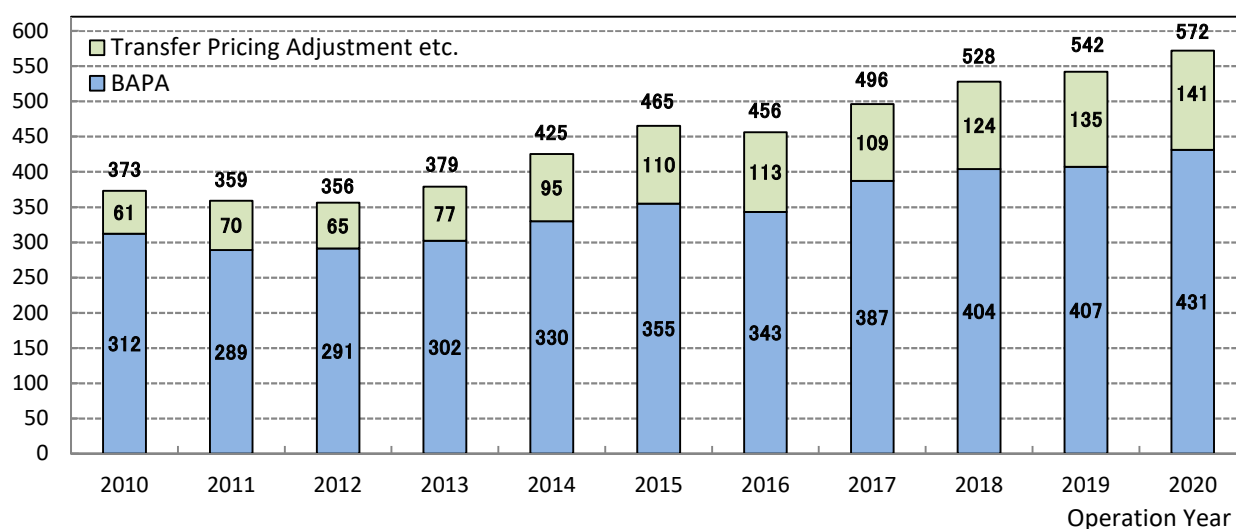
3. Year-End Inventory

3.1 The number of cases in the Year-End Inventory

- Since the number of MAP requests received was larger than the number of MAP cases closed, the number of cases in the inventory at the end of the 2020 operation year increased from the year before.
(Note) Please see Attachment 1 for the details of type of MAP cases.

Chart 3: Year- End Inventory

Number of cases in the Year-End inventory



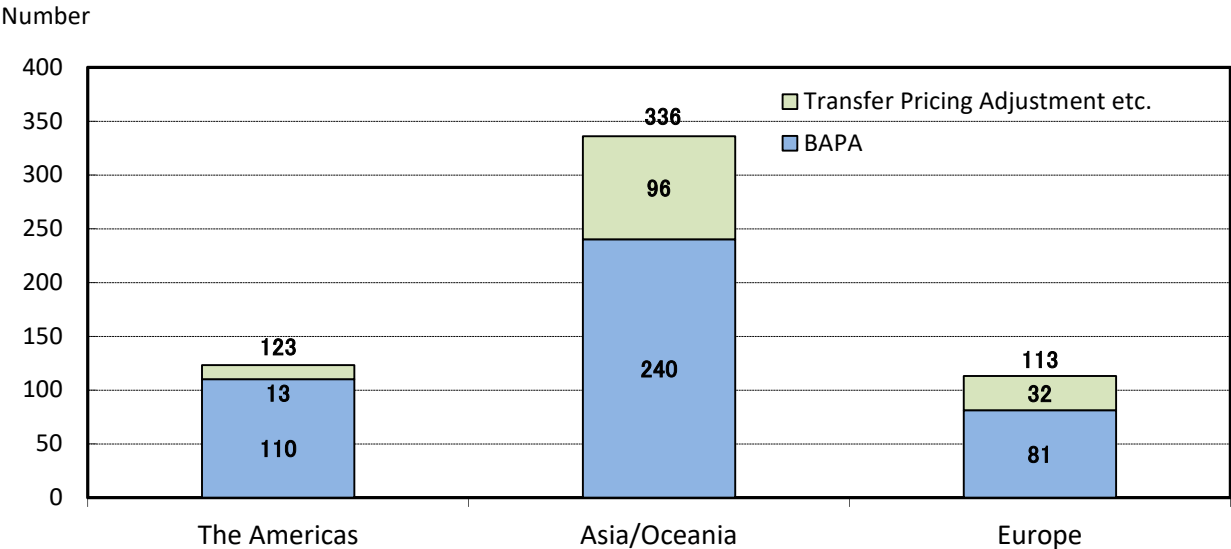
- (Notes) In some countries or regions, taxpayers make a request separately with respect to each taxation year for which an adjustment was made. Count such requests collectively, the number of cases in the inventory at the end of the 2020 operation year would be 522.

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3.2 Region-by-region inventory

- The number of MAP cases with Asia/Oceania accounted for the largest part in the whole Year-End inventory of the 2020 operation year.
 - In the Year-End inventory of the 2020 operation year, cases with the United States (19%) are the most, followed by China (17%), India (15%), Korea (11%) and Germany (7%).
- (Note) Please see Attachment 2 for the list of treaty partners with which the NTA has MAP inventory as of June 30, 2021.

Chart 4: Year-End Inventory by region



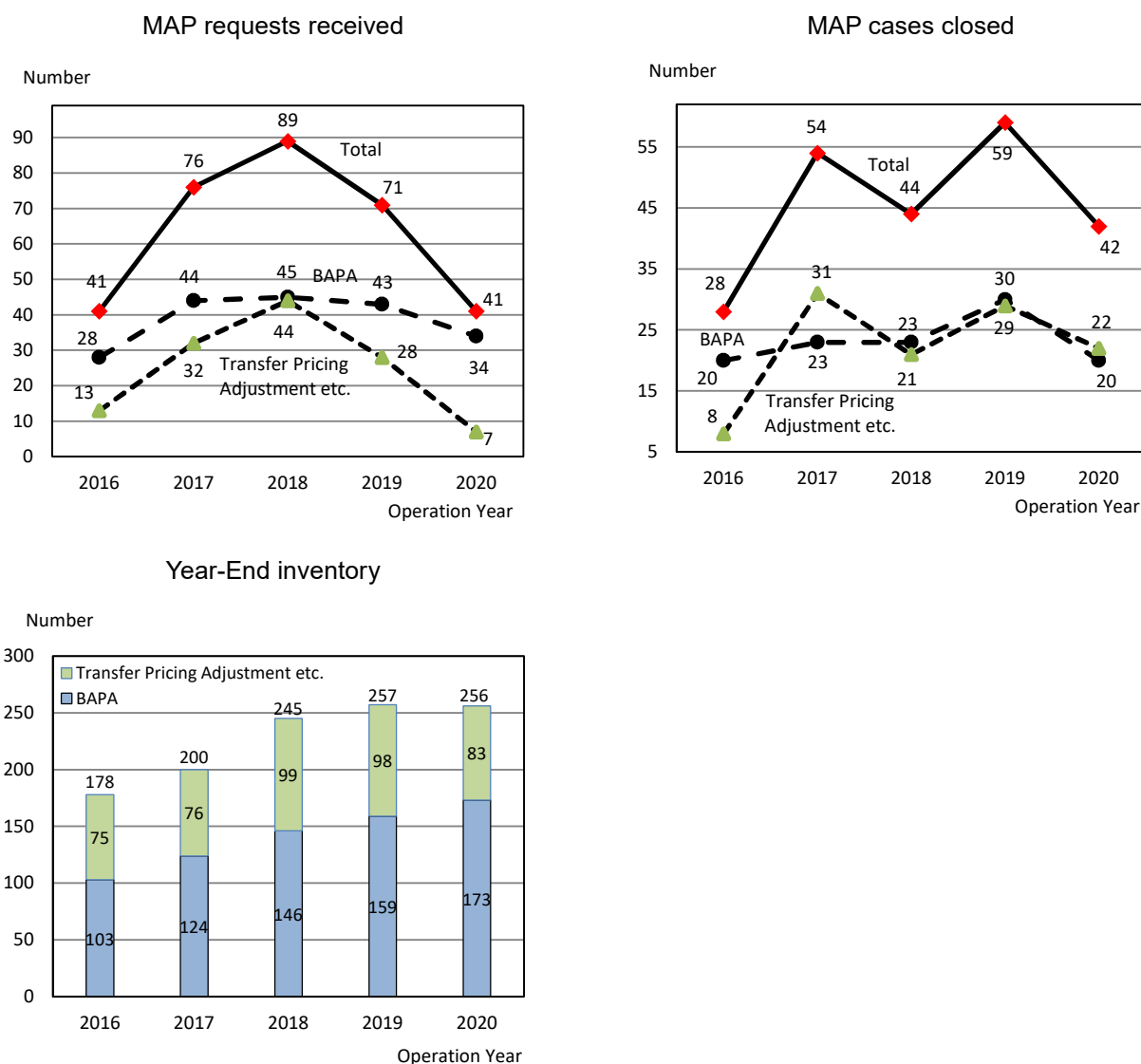
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4. MAP cases with non-OECD economies

4.1 The number of MAP cases

- In the 2020 operation year, as for the MAP with non-OECD economies, 41 requests were received and 42 cases were closed.
- The number of MAP cases with non-OECD economies in the Year-End inventory was 256, accounting for 45% of all cases.

Chart 5:



4.2 Average time to close a MAP case with non-OECD economies

- The average time to close a MAP case with non-OECD economies closed in the 2020 operation year was 43.2 months (32.9 months in the 2019 operation year).
- The average time to close a BAPA case with non-OECD economies was 42.8 months (43.2 months in the 2019 operation year).
- The average time to close a case of transfer pricing adjustment etc. was 43.5 months (22.2 months in the 2019 operation year).

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(Attachment 1)

The number of MAP cases in the last three years

Operation Year		BAPA	Transfer Pricing Adjustment	Others	Total
2018	Requests Received	163	54	2	219
	Cases Closed	146	37	4	187
	Year-End Inventory	404	111	13	528
2019	Requests Received	148	44	8	200
	Cases Closed	145	36	5	186
	Year-End Inventory	407	119	16	542
2020	Requests Received	146	34	5	185
	Cases Closed	122	30	3	155
	Year-End Inventory	431	123	18	572

- (Notes)
- 1 Each operation year runs from 1 July until 30 June in the following year.
 - 2 The number of MAP requests received consists of both cases where the NTA received requests from taxpayers and cases where the NTA received requests through foreign tax authorities.
 - 3 MAP requests for compensating adjustments or amendments with respect to previously agreed APAs are included in the year when such requests were made.
 - 4 MAP cases closed includes cases of which MAP requests are withdrawn by taxpayers as well as cases resolved through the agreements with treaty partners.
 - 5 "Others" includes cases related to permanent establishments (PEs) or withholding taxes.

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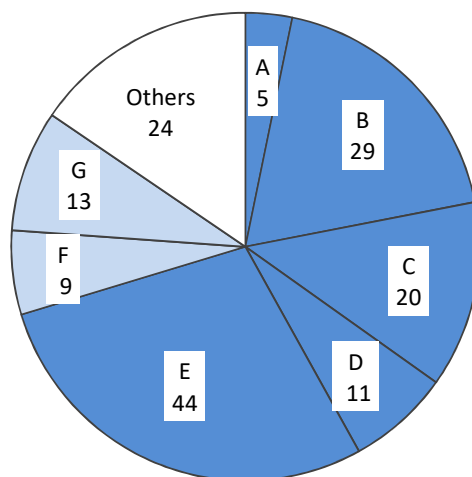
(Attachment 2)

Treaty Partners with which the NTA has MAP inventory (as of June 30, 2021)

Europe	Asia/Oceania	The Americas	Total
(OECD countries)			
Belgium Czech Republic Denmark Finland France Germany Hungary Ireland Italy Netherlands Portugal Sweden Switzerland United Kingdom	Australia Korea New Zealand	Canada Mexico United States	20partners
(Non-OECD economies)			
	China Hong Kong India Indonesia Malaysia Singapore Taiwan Thailand Vietnam		9 partners
14 partners	12 partners	3 partners	29 partners

Types of MAP cases closed during the 2020 operation year

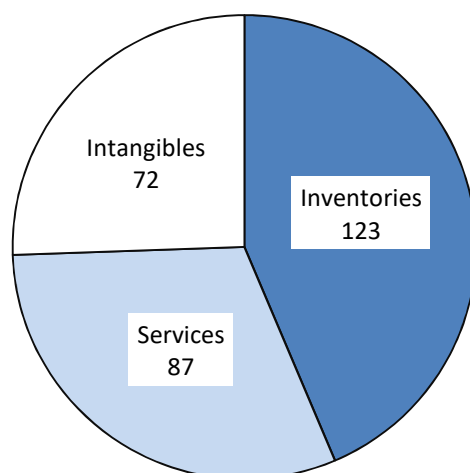
Industry



Manufacturing	109	(70%)
Wholesale/Retail	22	(14%)
Others	24	(15%)
Total	155	(100.0%)

- A: Manufacturing (consumer electric equipment, instruments, and bulbs)
- B: Manufacturing (transport equipment and instruments)
- C: Manufacturing (industrial electric equipment and instruments)
- D: Manufacturing (machineries and equipment)
- E: Manufacturing (others)
- F: Trading (import/export)
- G: Other wholesale/retail

Type of transaction

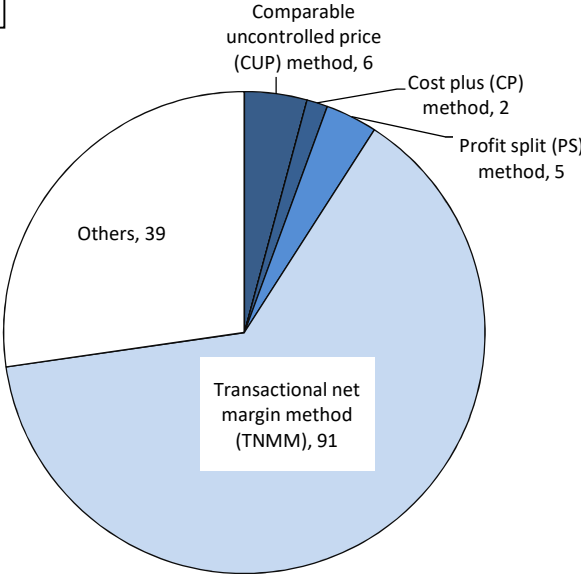


(Notes)

1. The sum of the numbers in the chart above does not correspond to the total number of MAP cases closed (155), as some cases are counted for each type of transaction when multiple types of transaction were covered.
2. MAP requests for compensation adjustments or amendments with respect to previously agreed APAs are counted as the same transaction in the original APA agreement.

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Transfer pricing method



(Notes)

1. The sum of the numbers in the chart above does not correspond to the total number of MAP cases closed (155), as some cases are counted for each transfer pricing method when multiple methods were applied.
2. MAP requests for compensating adjustments or amendments with respect to previously agreed APAs are counted as the same transfer pricing method applied in the original APA agreement.

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(Reference)

Terminologies

Mutual Agreement Procedures (MAP) are a formalized set of procedures between tax authorities of treaty partners which are provided in tax treaties. The NTA enters into MAP when taxpayers consider that international double taxation arise or will arise from transfer pricing adjustments or others, or when taxpayers request bilateral APA.

(Note 1)

72 tax treaties that Japan has concluded (which covers 81 countries/regions as of the end of June 2021) contain the provisions of the Mutual Agreement Procedures.

(Note 2)

An Advance Pricing Arrangement (APA) is an arrangement whereby, based on an application from a taxpayer, the tax administration confirms in advance a set of criteria such as methods, comparables and adjustments thereto, and critical assumptions as to future events for the determination of the transfer pricing for transactions between the taxpayer and its foreign-related entity/entities over a fixed period of time. The tax administration will refrain from adjusting the transfer pricing set by the taxpayer if such taxpayer files its tax returns in accordance with the confirmed APA conditions for the years covered by the APA.