

National Tax Agency, Japan

Mutual Agreement Procedures Report 2023

When international double taxation arises from transfer pricing adjustments or other issues, 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”) to ensure the taxpayers’ predictability and promote the proper and smooth administration of transfer pricing taxation.

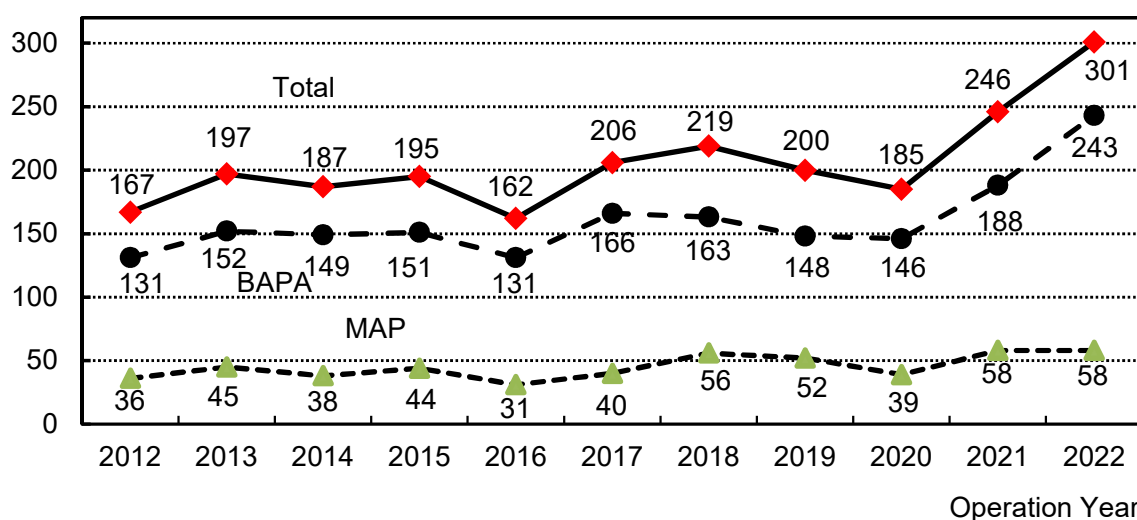
1. MAP/BAPA requests received

- During the 2022 operation year, the NTA received 301 requests, of which 243 were BAPA requests (81% of all requests) and 58 were MAP requests (19% of all requests).
- The total number of requests received in the 2022 operation year increased by 22% from the 2021 operation year.

(Note) Please see Attachment 1 for the types of cases.

Chart 1: MAP/BAPA 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 requests received is the sum of the number of requests that the NTA received from taxpayers and the number of requests that the NTA received through foreign tax authorities. Due to the abolishment of the consolidated tax return filing system under the 2020 tax reform, the format of MAP/BAPA requests has been changed from consolidated basis to an entity basis. The number of the requests after February 2022 contains the increased number of requests due to the change of the format of the requests.
 3. MAP requests received include requests related to permanent establishments (PEs) or withholding taxes as well as transfer pricing adjustment.

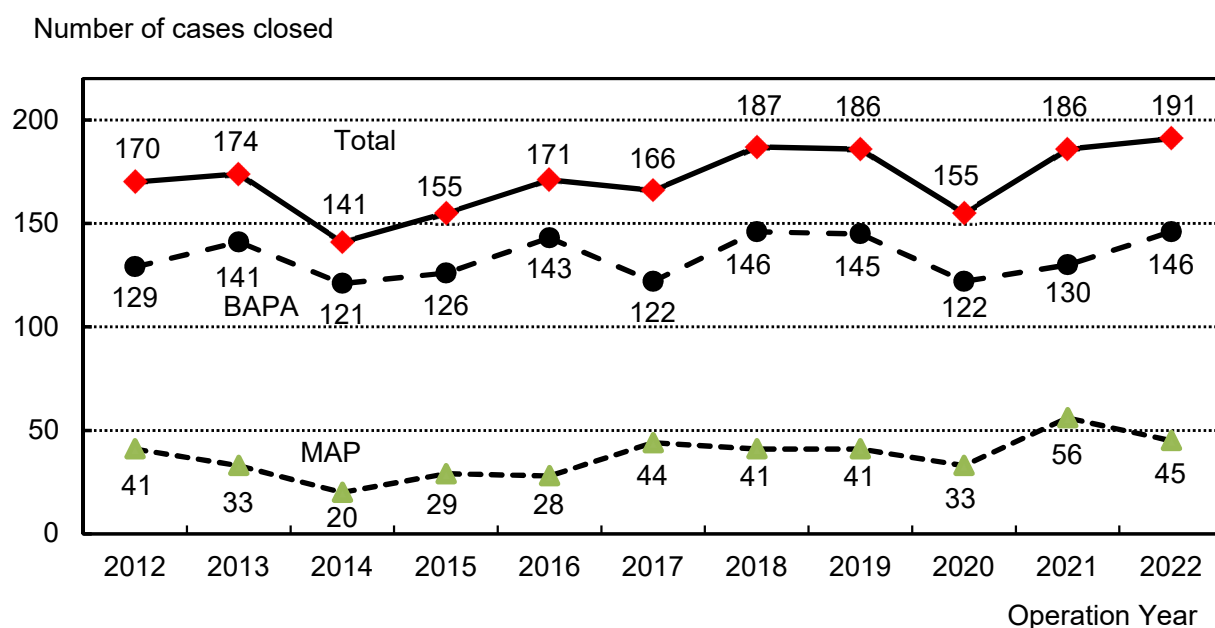
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2. MAP/BAPA cases closed

2.1 The number of MAP/BAPA cases closed

- During the 2022 operation year, of 191 cases were closed, 146 of which were BAPA cases (76% of all cases closed) and 45 of which were MAP cases (24% of all cases closed).
 - The total number of cases closed during the 2022 operation year has increased by 3% from the 2021 operation year.
- (Note) Please see Attachment 1 for the types of cases.

Chart 2: MAP/BAPA cases closed



2.2 Average time taken for closing a MAP/BAPA case

- The overall average time taken for closing all cases in the 2022 operation year was 30.2 months (31.6 months in the 2021 operation year).
- The average time taken for closing a BAPA case was 30.5 months (31.6 months in the 2021 operation year) and the average time taken for closing a MAP case was 29.2 months (31.5 months in the 2021 operation year).

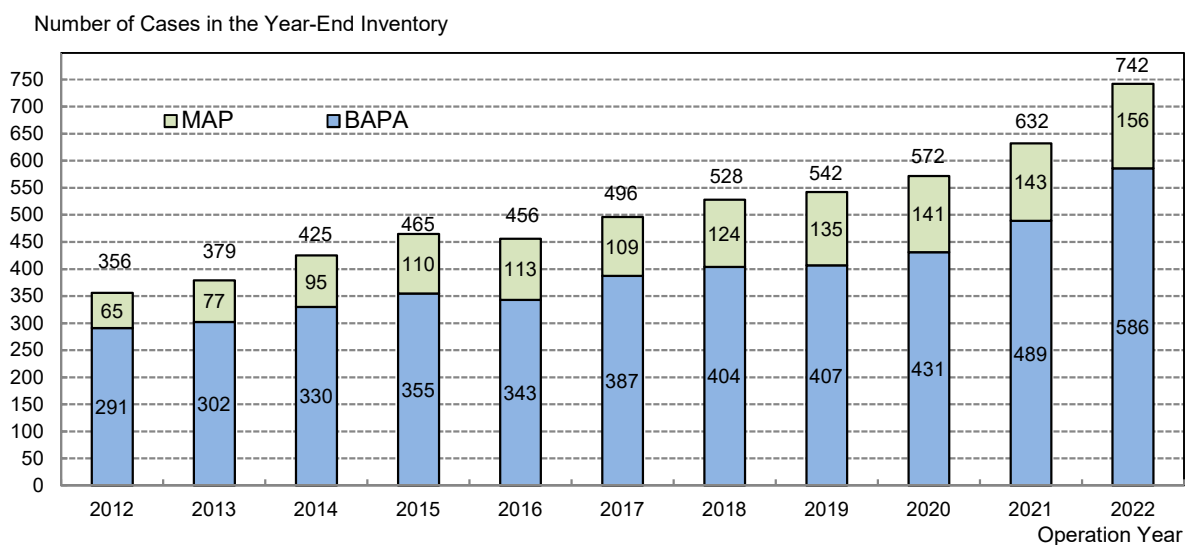
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3. Year-End Inventory

3.1 The number of MAP/BAPA cases in the Year-End Inventory

- Since the number of requests received was larger than the number of cases closed, the number of cases in the inventory at the end of the 2022 operation year increased from the year before.
(Note) Please see Attachment 1 for the types of cases.

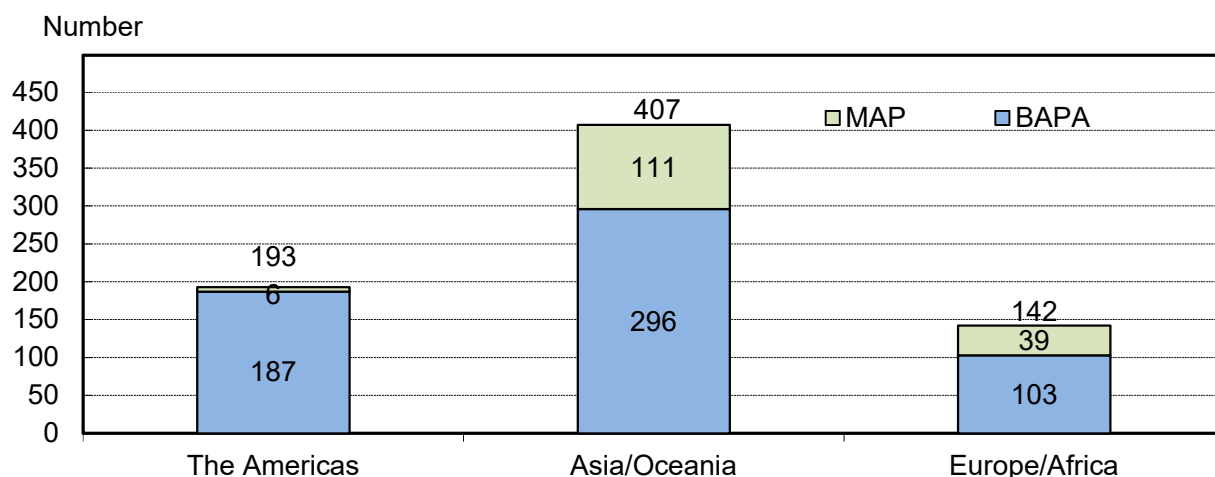
Chart 3: Year-End Inventory



3.2 Region-by-region Inventory

- The number of cases with Asia/Oceanian countries accounted for the largest part in the whole year-end inventory of the 2022 operation year.
- In the year-end inventory of the 2022 operation year, cases with the United States (23%) are the most, followed by India (15%), China (14%), Korea (8%), and Germany (6%).
(Note) Please see Attachment 2 for the list of countries and regions with which the NTA has inventory at the end of the 2022 operation year.

Chart 4: Year-End Inventory by region



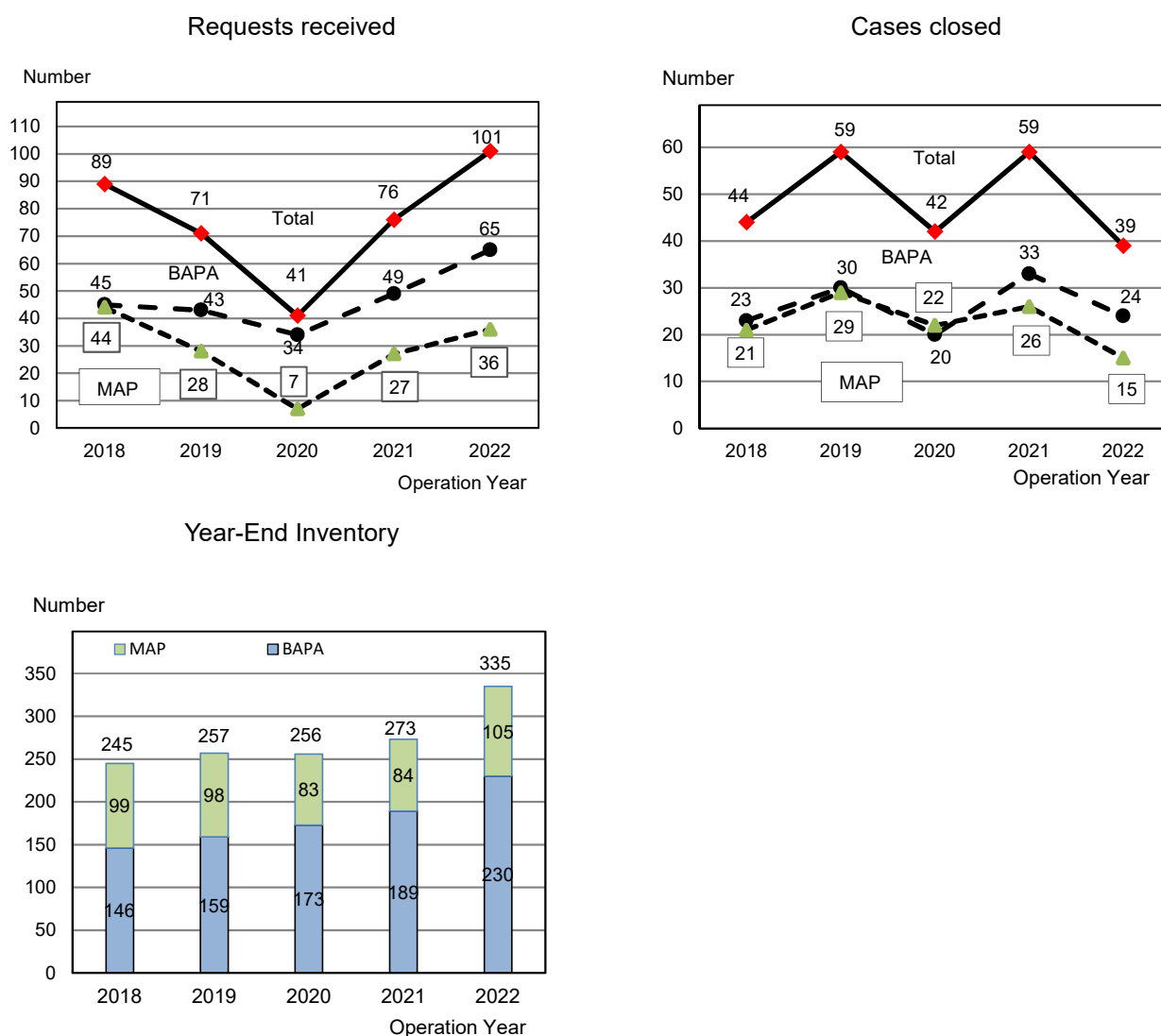
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4. Cases with non-OECD economies

4.1 The number of MAP/BAPA cases

- In the 2022 operation year, as for the MAP/BAPA cases with non-OECD economies, 101 requests were received and 39 cases were closed.
- The number of MAP/BAPA cases with non-OECD economies in the year-end inventory was 335, accounting for 45% of all cases (742 cases).

Chart:5: MAP/BAPA cases with non-OECD economies



4.2 Average time taken for closing a case with non-OECD economies

- The overall average time taken for closing all cases with non-OECD economies in the 2022 operation year was 51.3 months (44.0 months in the 2021 operation year).
- The average time taken for closing a BAPA case with non-OECD economies was 58.2 months (43.5 months in the 2021 operation year) and the average time taken for closing a MAP case with non-OECD economies was 40.4 months (44.6 months in the 2021 operation year).

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(Attachment 1)

The number of cases in the last three years

Operation Year		BAPA	Transfer Pricing Adjustment	Others	Total
2020	Requests Received	146	34	5	185
	Cases Closed	122	30	3	155
	Year-End Inventory	431	123	18	572
2021	Requests Received	188	49	9	246
	Cases Closed	130	42	14	186
	Year-End Inventory	489	130	13	632
2022	Requests Received	243	47	11	301
	Cases Closed	146	36	9	191
	Year-End Inventory	586	141	15	742

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

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(Attachment 2)

Countries/regions with which the NTA has inventory at the end of the 2022 operation year

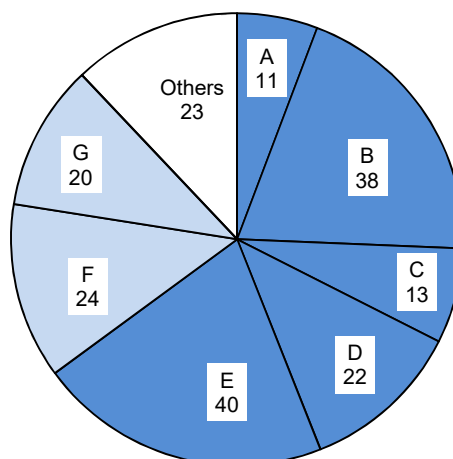
Europe/Africa	Asia/Oceania	The Americas	Total
(OECD countries)			
Belgium Denmark Finland France Germany Ireland Israel Italy Luxembourg Netherlands Spain Sweden Switzerland United Kingdom	Australia Korea New Zealand	Canada Mexico United States	20 countries
(Non-OECD economies)			
Romania	China Hong Kong India Indonesia Malaysia Singapore Taiwan Thailand Vietnam		10 countries / regions
15 countries	12 countries / regions	3 countries	30 countries / regions

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(Attachment 3)

Types of cases closed during the 2022 operation year

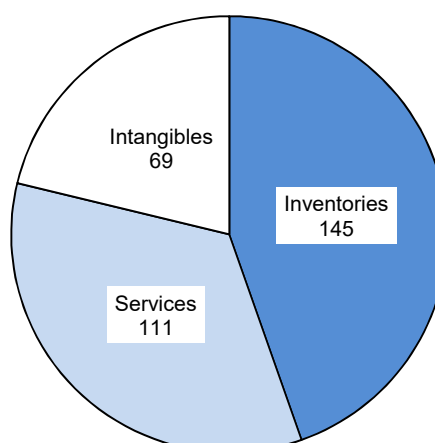
Industry



Manufacturing	124	(65%)
Wholesale/Retail	44	(23%)
Others	23	(12%)
Total	191	(100.0%)

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

Type of transaction

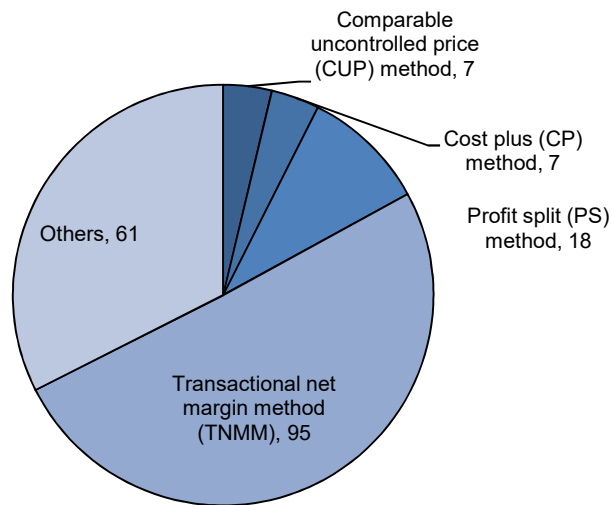


(Notes)

1. The sum of the numbers in the chart above does not correspond to the total number of cases closed. This is because some cases are counted for each type of transaction when multiple transaction types are covered.
2. Requests for compensating 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 cases closed. This is because some cases are counted for each transfer pricing method when multiple methods are applied.
2. 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 treaty partners' tax authorities pursuant to the provisions of tax treaties. The NTA enters into MAP when taxpayers consider that international double taxation arises or will arise from transfer pricing adjustments or others, or when taxpayers request Bilateral Advance Pricing Arrangements (BAPAs).

(Note 1)

77 tax treaties that Japan has concluded (which cover 85 countries/regions at the end of the 2022 operation year) contain the provisions of the Mutual Agreement Procedures.

(Note 2)

An APA is an arrangement whereby, based on an application from a taxpayer, the tax authority confirms in advance a set of criteria such as methods, comparables, adjustments to it, 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 time. The tax authority will refrain from adjusting the transfer pricing set by the taxpayer if it files its tax return in accordance with the confirmed APA conditions for the years covered by the APA.