

National Tax Agency, Japan

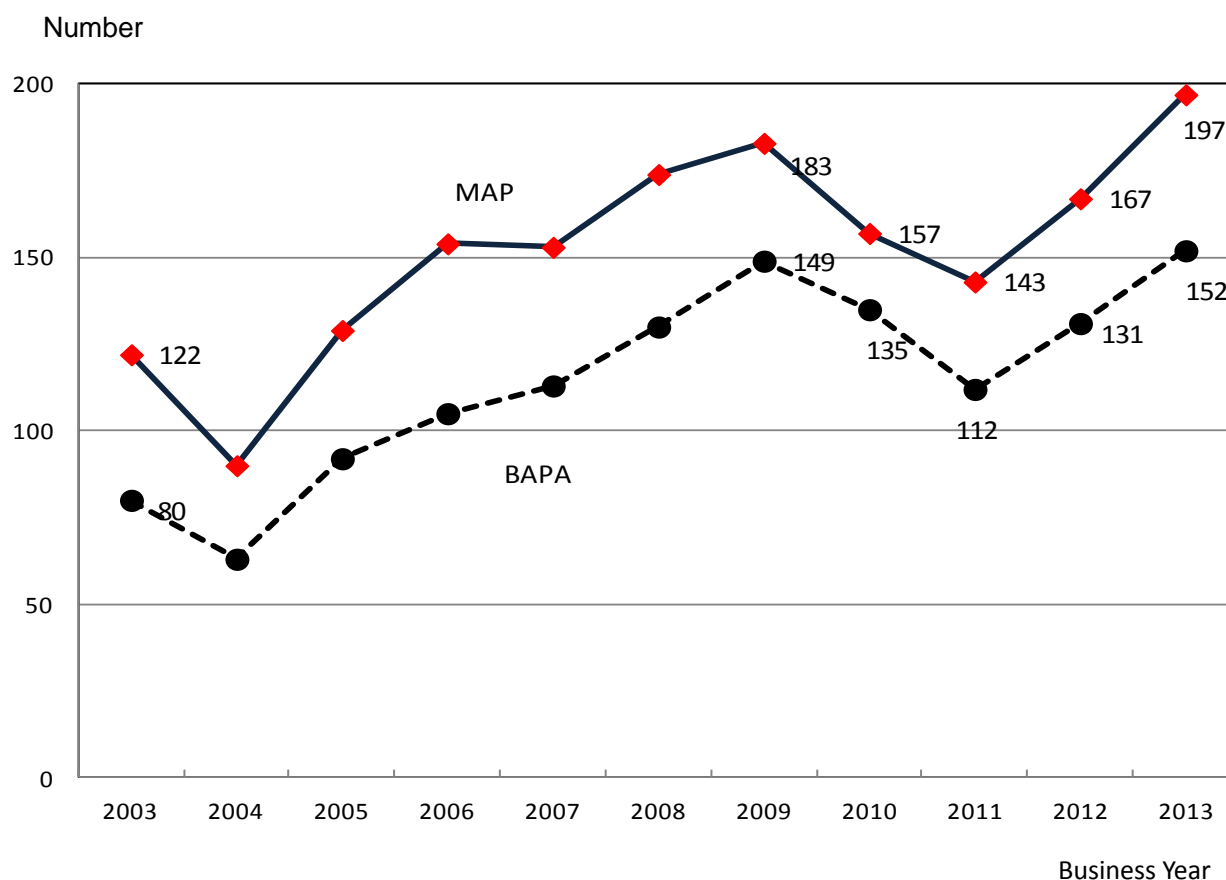
MAP (Mutual Agreement Procedures) Report 2014

When international double taxation arises from transfer pricing adjustments or other tax adjustments, 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. Also, the NTA enters into a Bilateral Advance Pricing Arrangement (“BAPA”; an APA accompanied by MAP) 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 2013 business year (from July 2013 to June 2014), the NTA received 197 MAP requests, of which 152 were for BAPA.
- The number of MAP requests is on the increase. During the 2013 business year, the NTA received the most MAP requests since its commencement of MAP operation.
- BAPA accounts for approximately 80% of total MAP requests.

Chart 1: Trends in the number of MAP and BAPA requests received



- (Notes)
- 1 The business year runs from 1 July to 30 June in the following year.
 - 2 The number of MAP requests consists of both cases where the NTA received such requests from taxpayers and cases where the NTA received such requests from foreign tax authorities.

National Tax Agency, Japan

2. MAP cases closed

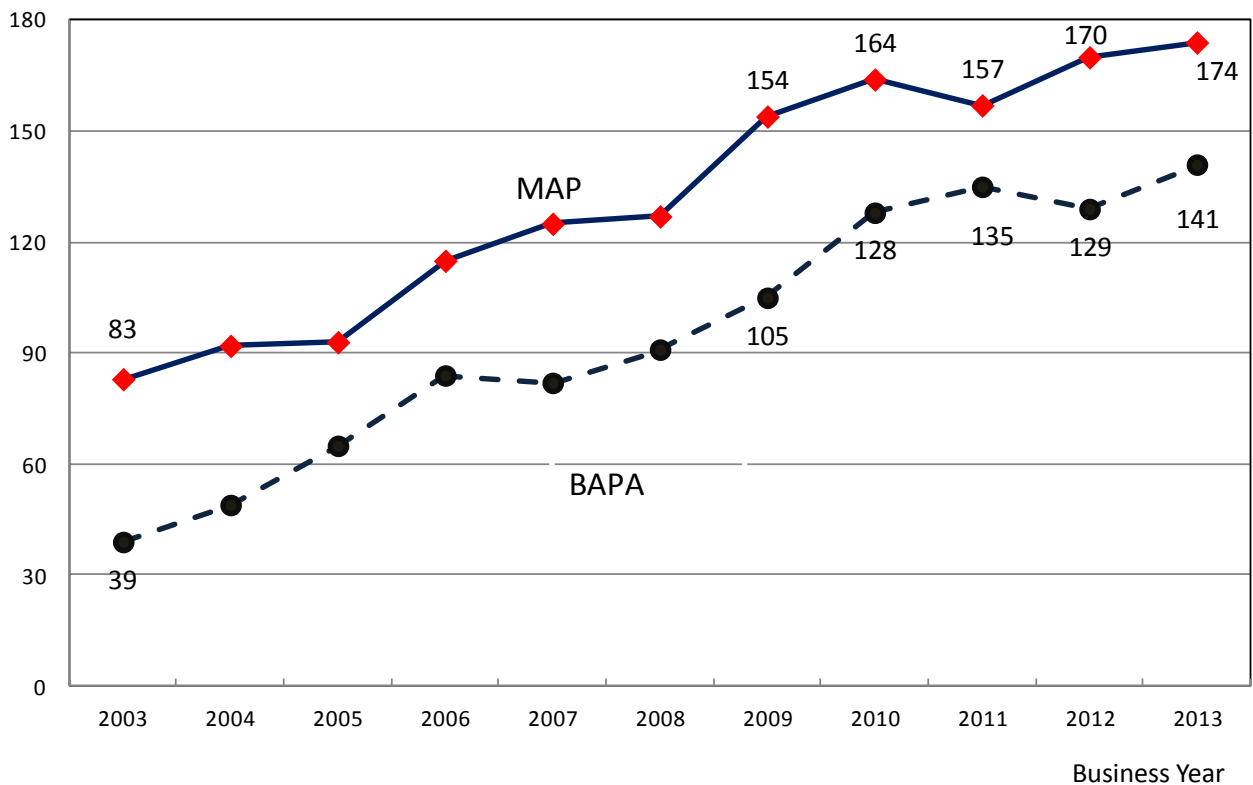
2.1 The number of MAP cases closed

- The NTA has been striving to expedite MAP processes. The number of MAP cases closed in the 2013 business year was 174, hitting a record high.
- Out of the overall number of MAP cases closed, the number of BAPA cases closed was 141.

(Note) Please see Attachment 1 for the trend in the number of year-end inventories.

Chart 2: Trends in the number of MAP and BAPA cases closed

Number



2.2 Average processing time on a MAP case

- The average processing time on a MAP case closed in the 2013 business year was 22.6 months (29.3 months in the 2012 business year).
- Of which, the average processing time on a BAPA case was 20.9 months (29.6 months in the 2012 business year).

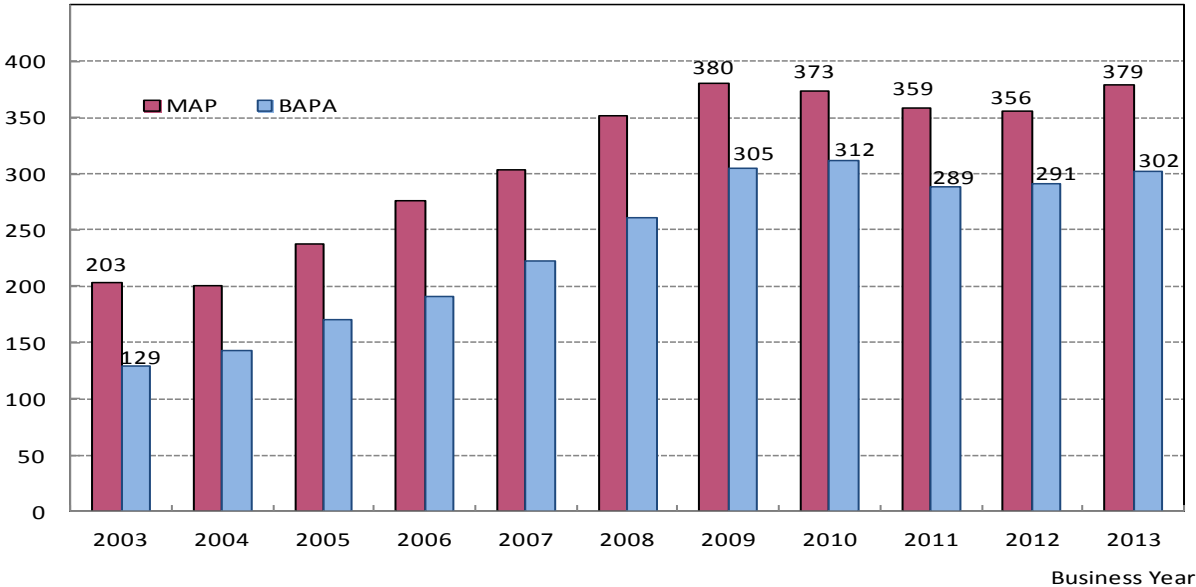
National Tax Agency, Japan

3. Year-End Inventories

3.1 The number of Year-End Inventories

- The overall number of year-end inventories increased in the 2013 business year for the first time in four years due to the considerable rise in the number of requests in the same year.

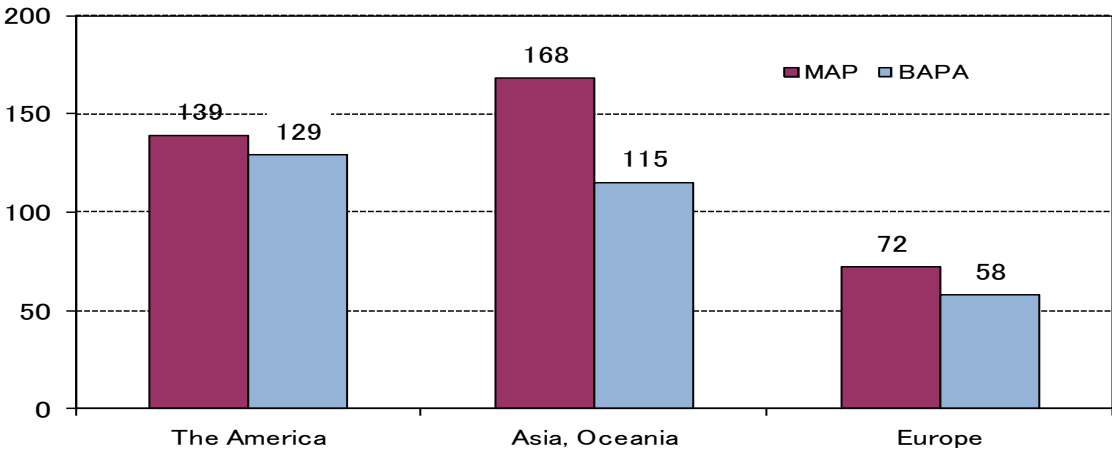
Chart 3: Trends in the number of Year- End Inventories of MAP and BAPA cases



3.2 Breakdown by region

- In respect of the regional breakdown of year-end inventories in the 2013 business year, the number of cases from Asia-Oceania is the largest, followed by the Americas and Europe.
- By country, the treaty partner with which the NTA has the largest year-end inventories is the United States, followed by China, South Korea, India and Germany.

Chart 4: The number of Year-End Inventories by region



National Tax Agency, Japan

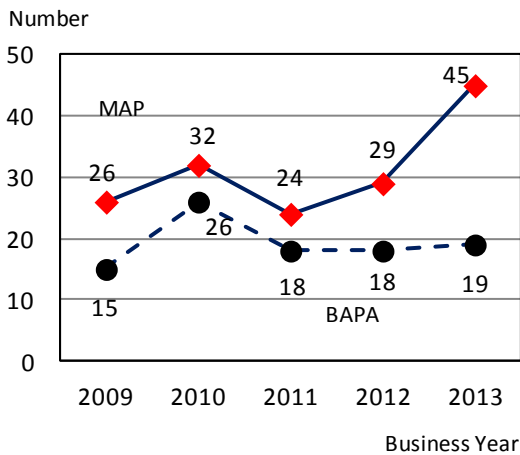
4. The number of MAP cases with non-OECD economies

4.1 The number of MAP cases

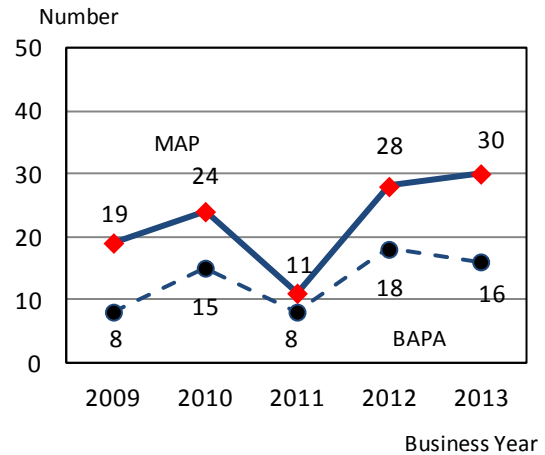
- The share of MAP cases with non-OECD economies is on the increase. In the 2013 business year, non-OECD economies accounted for 23% of the overall MAP requests received and 29% of the overall year-end inventories.

Chart 5:

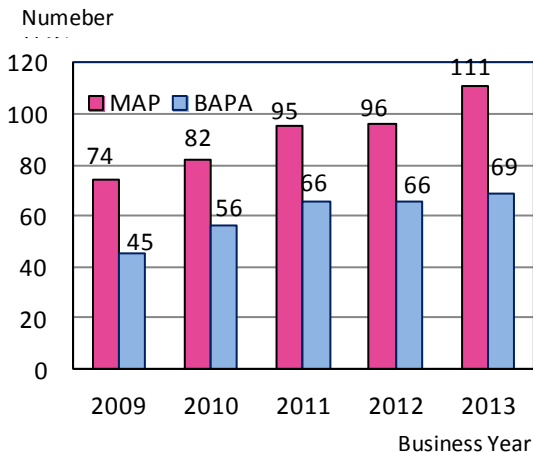
Trends in the number of MAP requests received concerning non-OECD economies



Trends in the number of MAP cases closed with non-OECD economies



Trends in the number of year-end inventories concerning non-OECD economies



4.2 Average processing time on a MAP case with non-OECD economies

- As far as non-OECD countries are concerned, the average processing time on a MAP case in the 2013 business year was 40.0 months (42.5 months in the 2012 business year).
- Of which, the average processing time on a BAPA case was 33.2 months (40.5 months in the 2012 business year).

National Tax Agency, Japan

(Attachment 1)

The number of MAP cases in recent years

Business Year		BAPA	Transfer Pricing Adjustment	Others	Total
2011	Requests Received	112	21	10	143
	Cases Closed	135	15	7	157
	Year-End Inventories	289	51	19	359
2012	Requests Received	131	28	8	167
	Cases Closed	129	33	8	170
	Year-End Inventories	291	46	19	356
2013	Requests Received	152	37	8	197
	Cases Closed	141	21	12	174
	Year-End Inventories	302	62	15	379

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

National Tax Agency, Japan

(Attachment 2)

Treaty Partners with which the NTA has MAP inventories (as of June 30, 2014)

Europe	Asia/Oceania	The Americas
(OECD countries)		
Belgium France Germany Ireland Italy Luxembourg Netherlands Sweden Switzerland United Kingdom	Australia Korea	Canada United States
(Non-OECD countries)		
	China Hong Kong India Indonesia Singapore Thailand	
10 countries	8 countries	2 countries

- (Notes) 1 As of June 30 2014, the number of treaty partners with which the NTA had MAP inventories was 20.
- 2 The number of treaty partners with which the NTA has MAP inventories generally continued to be the same for the last five years (from 21 in 2009 to 20 in 2013).

Terminologies

【Mutual Agreement Procedures (MAP)】

Mutual Agreement Procedures (MAP) are a formalized set of procedures between tax authorities of treaty partners which are provided in tax treaties to resolve international tax disputes such as those represented by double taxation cases arising as a result of taxation not in accordance with the applicable tax treaties imposed or to be imposed on the taxpayers. 56 tax treaties that Japan has concluded with treaty partners (67 countries/regions are covered as of the end of June 2014) include the provisions on the Mutual Agreement Procedures.

【Advance Pricing Arrangement (APA)】

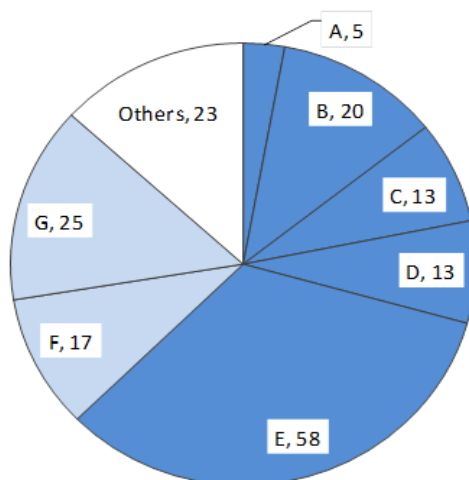
An Advance Pricing Arrangement (APA) is an arrangement whereby, based on an application from a taxpayer, the tax administration confirms in advance an appropriate set of criteria such as methods, comparables and appropriate adjustments thereto, and critical assumptions as to future events for the determination of the transfer pricing for transactions between the taxpayer and its foreign-related entity/entities over a fixed period of time. It is often the case that APAs are agreed bilaterally or multilaterally among tax-treaty partners to ensure the predictability for the taxpayer of the tax consequence in respect of its transfer pricing practices and the elimination of potential double taxation through MAP process. The tax administration will refrain from adjusting the transfer pricing set by the taxpayer if the taxpayer files its tax returns in accordance with the confirmed APA conditions for the years covered by the APA.

National Tax Agency, Japan

(Reference 2)

Breakdown of MAP cases in the 2013 business year

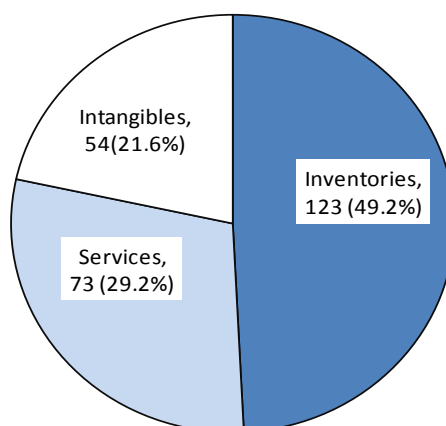
By industry



Manufacturing	109	(62.7%)
Wholesale/Retail	42	(24.1%)
Others	23	(13.2%)
Total	174	(100.0%)

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

By type of transaction

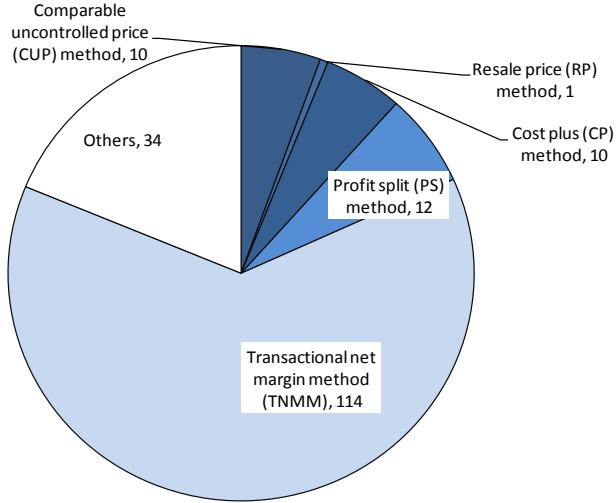


(Notes)

1. Total number of MAP cases closed does not correspond to the sum of the numbers in the chart above, as some cases are counted for multiple types of transactions when applicable.
2. In the case of MAP related to compensation adjustments and amendments to previously agreed APAs, only transactions in the original APA agreements are included in the chart above.

National Tax Agency, Japan

By transfer pricing method



(Notes)

- 1. Total number of MAP cases closed does not correspond to the sum of the numbers in the chart above, as some cases are counted for multiple transfer pricing methods when applicable.
- 2. In the case of MAP related to compensating adjustments and amendments to previously agreed APAs, only transfer pricing methods applied in the original APA agreements are included in the chart above.