

National Tax Agency, Japan

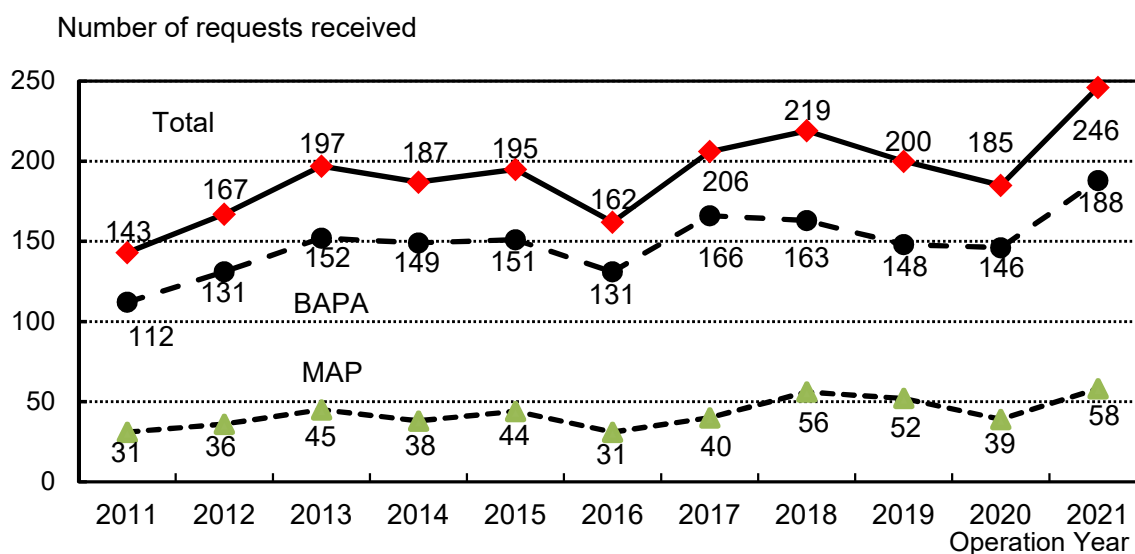
Mutual Agreement Procedures Report 2022

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 2021 operation year, the NTA received 246 requests, of which 188 were BAPA requests (76% of all requests) and 58 were MAP requests (24% of all requests).
 - The total number of requests received in the 2021 operation year increased to 133% from the 2020 operation year.
- (Note) Please see Attachment 1 for the types of cases.

Chart 1: MAP/BAPA 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. In some countries or regions, taxpayers make a request separately with respect to each taxation year for which an adjustment was made. In addition, under the tax reform of fiscal 2020, the consolidated tax return filing system was abolished and replaced with the group aggregation system. Following this change, the procedures for requesting a MAP/BAPA have been changed since 14 February 2022. Counting such requests collectively, the total number of requests received in the 2021 operation year was 217.
 - 3 MAP requests received include requests related to permanent establishments (PEs) or withholding taxes as well as transfer pricing adjustment.

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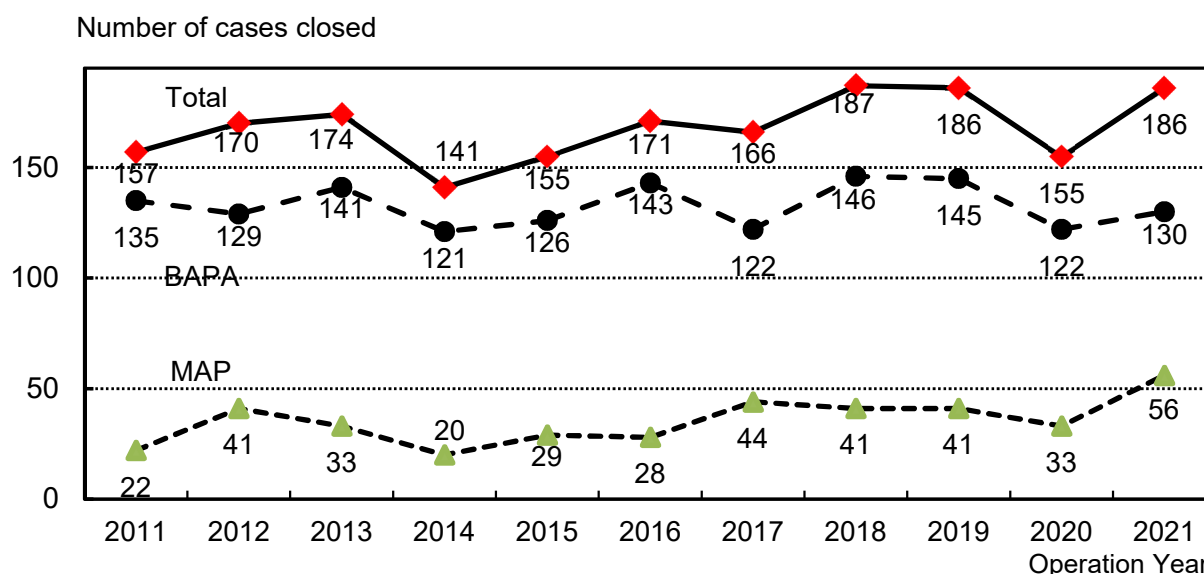
2. MAP/BAPA cases closed

2.1 The number of MAP/BAPA cases closed

- During the 2021 operation year, a total of 186 cases were closed, 130 of which were BAPA cases (70% of all cases closed) and 56 of which were MAP cases (30% of all cases closed).
- The total number of cases closed during the 2021 operation year has increased to 120% from the 2020 operation year.

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

Chart 2: MAP/BAPA cases closed



(Note) When applying the same counting method as note 2 in section 1, the number of cases closed during the 2021 operation year is 176.

2.2 Average time to close a MAP/BAPA case

- The average time to close all cases in the 2021 operation year was 31.6 months (30.3 months in the 2020 operation year).
- The average time to close a BAPA case was 31.6 months (29.2 months in the 2020 operation year) and the average time to close a MAP case was 31.5 months (34.4 months in the 2020 operation year).

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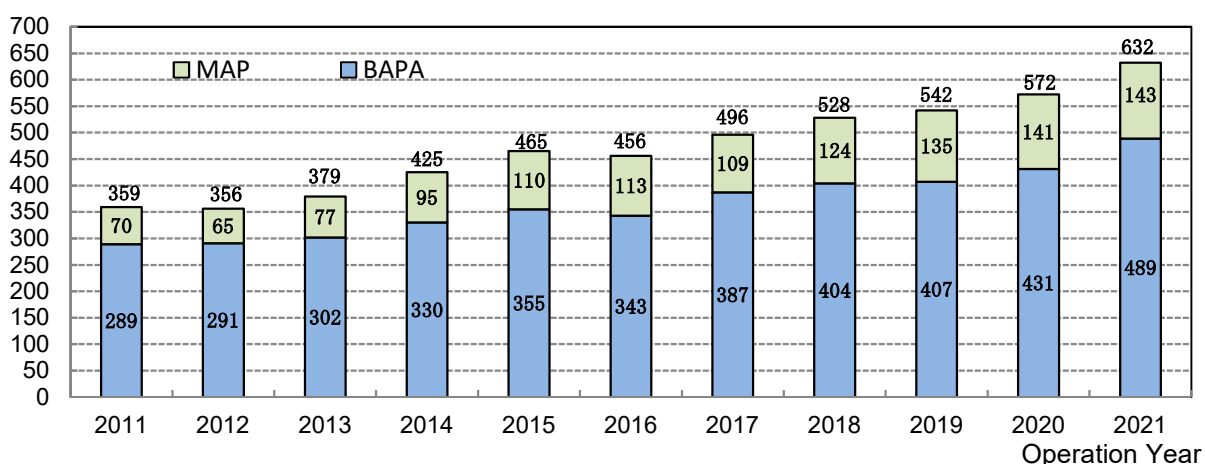
3. Year-End Inventory

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 2021 operation year increased from the year before.
(Note) Please see Attachment 1 for the types of cases.

Chart 3: Year-End Inventory

Number of Cases in the Year-End Inventory



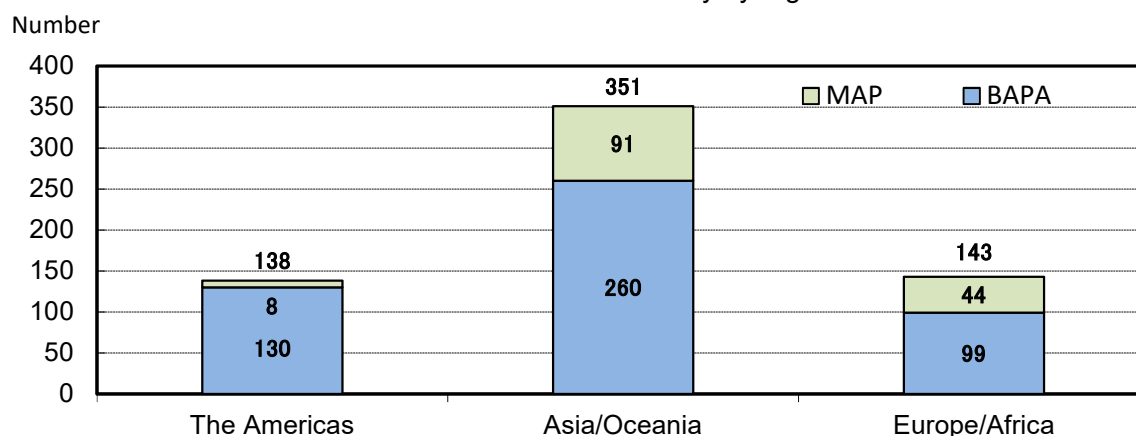
(Note) When applying the same counting method as note 2 in section1, the number of cases in the inventory at the end of the 2021 operation year is 556.

3.2 Region-by-region Inventory

- The number of cases with Asia/Oceania countries accounted for the largest part in the whole year-end inventory of the 2021 operation year.
- In the year-end inventory of the 2021 operation year, cases with the United States (20%), followed by China (16%), India (14%), Korea (9%), and Germany (7%).

(Note) Please see Attachment 2 for the list of countries and regions with which the NTA has inventory at the end of the 2021 operation year.

Chart 4: Year-End Inventory by region



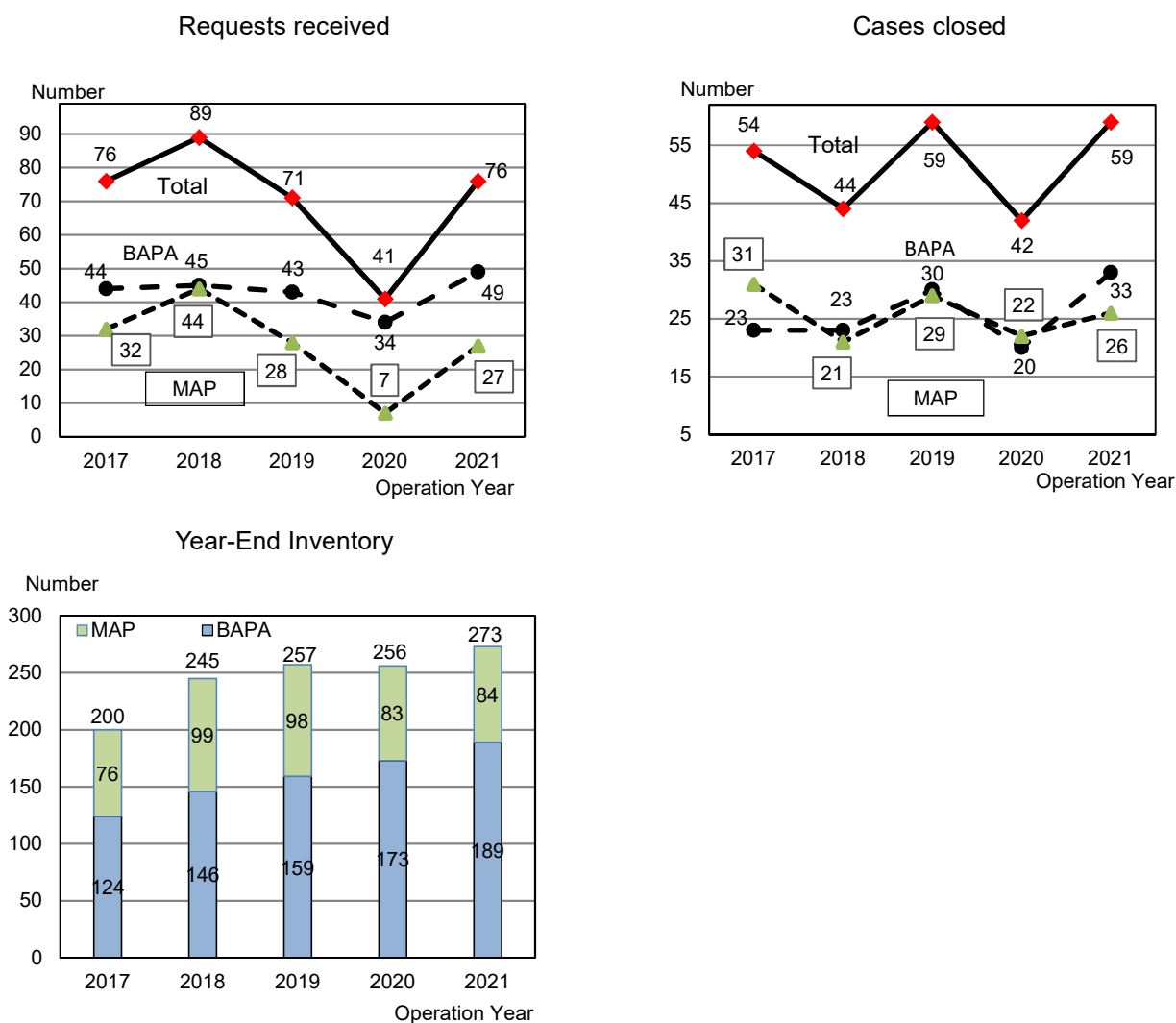
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4. Cases with non-OECD economies

4.1 The number of MAP/BAPA cases

- In the 2021 operation year, as for the MAP/BAPA cases with non-OECD economies, 76 requests were received and 59 cases were closed.
- The number of MAP/BAPA cases with non-OECD economies in the year-end inventory was 273, accounting for 43% of all cases.

Chart 5:



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

- The average time to close all cases with non-OECD economies in the 2021 operation year was 44.0 months (43.2 months in the 2020 operation year).
- The average time to close BAPA case with non-OECD economies was 43.5 months (42.8 months in the 2020 operation year) and the average time to close a MAP case with non-OECD economies was 44.6 months (43.5 months in the 2020 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
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
2021	Requests Received	188	49	9	246
	Cases Closed	130	42	14	186
	Year-End Inventory	489	130	13	632

- (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 2021 operation year

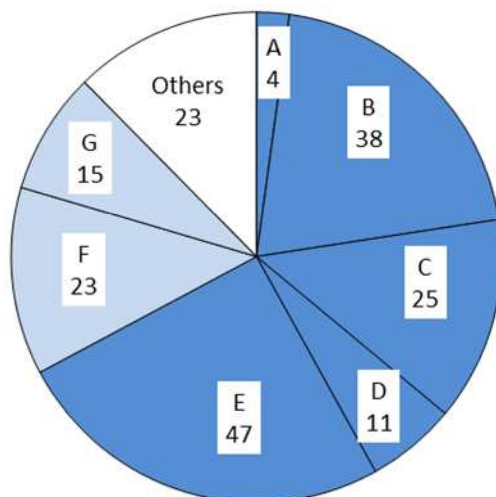
Europe/Africa	Asia/Oceania	The Americas	Total
(OECD countries)			
Belgium Finland France Germany Ireland Italy Luxembourg Netherlands Portugal Spain Sweden Switzerland United Kingdom	Australia Korea New Zealand	Canada Mexico United States	19 countries
(Non-OECD economies)			
Republic of South Africa Romania	China Hong Kong India Indonesia Malaysia Singapore Taiwan Thailand Vietnam		11 countries / regions
15 countries	12 countries / regions	3 countries	30 countries / regions

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(Attachment 3)

Types of cases closed during the 2021 operation year

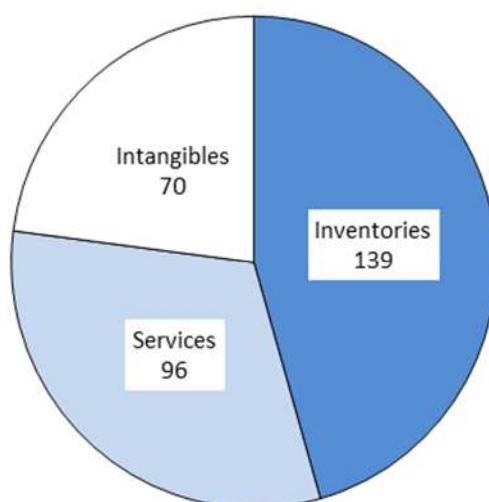
Industry



Manufacturing	125	(67%)
Wholesale/Retail	38	(20%)
Others	23	(13%)
Total	186	(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 (machinery and equipment)
- E: Manufacturing (others)
- F: Trading (import/export)
- G: Other wholesale/retail

Type of transaction

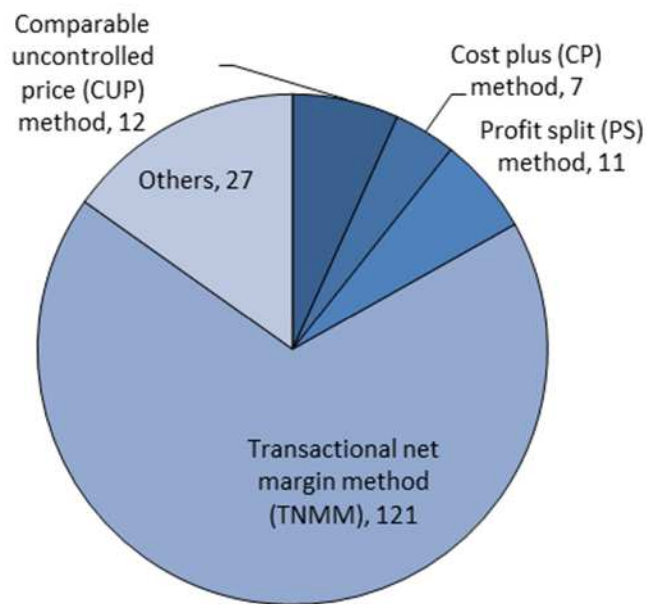


(Notes)

1. The sum of the numbers in the chart above does not correspond to the total number of cases closed. 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. 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 that are provided in 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)

76 tax treaties that Japan has concluded (which cover 84 countries/regions at the end of the 2021 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 administration 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 administration 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.