



ATLAS
BY BNP PARIBAS

CASH MANAGEMENT

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Japan is the world's fourth largest economy. Its GDP reached USD 5,712 bn USD (purchasing power parity) in 2019. The economy has been significantly impacted by the COVID-19 pandemic, as real GDP contracted by 4.7%. The country has also struggled to ramp up its vaccination programme in 2021. Japan has one of the largest financial systems in the world. The country experienced remarkable growth after WW2, which ended with the bursting of the asset price bubble in the early 1990s. It was followed by a period known as the 'lost decade'. Real economic growth dropped and inflation started to inch down, turning negative in the latter half of the 1990s. Fiscal stimulus and loose monetary policy were not successful in reviving the economy, but resulted in huge government debt. Given the COVID-19 shock and the fiscal policy response, the public debt-to-GDP ratio has reached 256% of GDP in 2020.

The election of Shinzo Abe in 2012 has led to a reinforcement of loose monetary and fiscal policy to reinvigorate the economy, that the current administration is pursuing. The so-called Abenomics strategy is built around three pillars (i) fiscal stimulus, (ii) a very loose monetary stance and (iii) structural reforms. The Bank of Japan has been buying financial assets, mainly Japanese government bonds in order to expand the monetary base, and its balance sheet equals roughly 130% of national GDP today. Mr. Yoshihide Suga became Prime Minister in September 2020 to replace Mr. Abe, but resigned in September 2021.

Progress on structural reforms needs to be further intensified to raise the economy's potential growth and tackle significant demographic challenges. Progress has been made, for example, in increasing women's participation in the workforce. However, one of Japan's most serious structural problems is the rapidly ageing population. In 2018, almost 28% of the population was 65 and above, against the 17% OECD average. According to official projections, the Japanese population could shrink by over 25% in the next 40 years. This would have a significantly negative impact: in addition to negative effects on productivity and potential growth, for example a rise in the dependency ratio will reduce the tax base and limit the reduction of the primary deficit.

Summary

BNP Paribas presence

BNP Paribas has been present in Japan since 1867 with over 800 BNP Paribas specialists based in the Tokyo headquarters. The bank offers domestic and cross-border cash and liquidity management services and international trade finance solutions to both Japanese corporations and multinational corporations with a presence in Japan.

Currency

Currency

- Japanese yen (JPY).

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: JPY per USD	108.793	112.166	110.423	109.010	106.77

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The Japanese central bank is the Bank of Japan (BOJ - www.boj.or.jp).

Bank supervision

- Japanese banks are licensed and supervised by the Financial Services Agency (FSA – www.fsa.go.jp).

Bank accounts

Resident / non-resident status

- A company is considered resident in Japan if its principal or head office is located in the country, with the exception of companies considered resident in countries with which Japan has a double-tax treaty.

Bank accounts for resident entities

	Within JAPAN	Outside JAPAN
Local Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
Foreign Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible

Bank accounts for non-resident entities

	Within JAPAN	Outside JAPAN
Local Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
Foreign Currency	Permitted without restriction, fully convertible	• Not applicable

Lifting fees

- Percentage-based lifting fees are applied on payments between resident and non-resident accounts.

BNP Paribas Cash Management Capabilities

Collections

Cash collections	●
Cheque collections	✓
Direct debit collections	●
Domestic incoming transfers	✓
Virtual IBAN	●

Virtual accounts	✓
International incoming transfers	✓
Card acquiring	●

Payments

Cash withdrawals	●
Cheque payments	●
Direct debit payments	●
Domestic outgoing transfers	✓
Commercial cards	●
Virtual cards	✓
International outgoing transfers	✓
SWIFT gpi	●
Real-time international payments through BNP Paribas' network	●
Card issuing	●

Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

There is a strong preference for cash in Japan; government statistics indicate that it has a cashless ratio below 20% versus 96% in South Korea, for example. The government has set a target of doubling the percentage of cashless payments by 2025 to reduce the country's dependency on cash. Most recently, it has proposed reforms that would enable companies to pay salaries digitally.

MoneyTap is a P2P cash transfer app and enables real-time settlement for domestic payments in JPY or foreign currency 24/7/365 via a bank account, phone number or QR code. In 2020, the volume and value of e-money transactions decreased 5.0% to 5,923 million on 2019. Value increased 4.9% to JPY 6.0 trillion.

Electronic banking services are available from all banks. There is no national electronic banking standard in Japan, so companies use banks' proprietary services.

Companies use Answer Network System for Electronic Requests (ANSER) to see balance records across a variety of bank accounts. Zengin can then be used to initiate domestic and foreign-currency transfers between these accounts. Foreign companies sometimes operate separate electronic banking systems due to the difficulty in translating characters used in Japanese data to a readable format.

Payment Systems

BOJ-NET	Type	<ul style="list-style-type: none">• Real-time gross settlement.
	Participants	<ul style="list-style-type: none">• 494 direct.
	Transaction types processed	<ul style="list-style-type: none">• High-value (in excess of JPY 100 million) and urgent JPY-denominated interbank transfers.• Net obligations from the FXYCS, Zengin and BCCS payment systems.
	Operating hours	<ul style="list-style-type: none">• 08:30–21:00 JST, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none">• Payments are cleared and settled in real time.• BCCS payments cut-off time = 17:00 JST.• Zengin payments cut-off time = 16:30 JST.• FXYCS payments cut-off time = 15:00 JST.

	System holidays	<ul style="list-style-type: none"> • BOJ-NET is closed on all Japanese bank holidays • Japan's bank holidays are: • 2nd half 2021: July 19, August 11, September 20, 23, October 11, November 3, 23, December 31. • 2022: January 1-3, 10, February 11, 23, March 21, April 29, May 3-5, July 18, August 11, September 19, 23, October 10, November 3, 23, December 31. •
FXYCS	Type	<ul style="list-style-type: none"> • Real-time gross settlement.
	Participants	<ul style="list-style-type: none"> • 27 direct. 173 indirect.
	Transaction types processed	<ul style="list-style-type: none"> • JPY-denominated cross-border electronic payments. • JPY-denominated non-resident payments. • JPY-denominated bond transactions.
	Operating hours	<ul style="list-style-type: none"> • 08:30-15:00 Simultaneous Settlement Payment Instructions. • 08:30-21:00 Ordinary Settlement Payment Instructions. • 09:00-15:00 Exchange hours for payment instructions.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are cleared and settled in real time. • Payment instruction cut-off time = 14:00 JST. • Final settlement via BOJ-NET = 17:00 JST.
	System holidays	<ul style="list-style-type: none"> • FXYCS is closed on all Japanese holidays. (Dates as above)
Zengin	Type	<ul style="list-style-type: none"> • Designated time net settlement.
	Participants	<ul style="list-style-type: none"> • 1, 195. • 1,168 More Time System.
	Transaction types processed	<ul style="list-style-type: none"> • JPY-denominated electronic payments.
	Operating hours	<ul style="list-style-type: none"> • 08:30–15:30 JST, Monday to Friday. (07:30–16:30 on the last business day of each month). • The More Time System has extended operating hours, enabling intraday interbank funds transfers of less than JPY 100 million to be made to the account of the receiving bank on a real-time basis 24 hours a day, 365 days a year.

	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payment instruction cut-off time: 15:30 JST. • Payments in excess of JPY 100 million are settled via BOJ-NET in real time. • Payments with a value of JPY 100 million or less are settled via BOJ-NET at 16:15 JST.
	System holidays	<ul style="list-style-type: none"> • Zengin is closed on all Japanese holidays. (Dates as above)
BCCS	Type	<ul style="list-style-type: none"> • Designated time net settlement.
	Participants	<ul style="list-style-type: none"> • 105 direct and 198 indirect (Tokyo Clearing House).
	Transaction types processed	<ul style="list-style-type: none"> • Paper-based payments (cheques and promissory notes).
	Operating hours	<ul style="list-style-type: none"> • Monday to Friday.
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • Settlement takes place on a same-day basis. • Payments are settled via BOJ-NET at 12:30 JST. • Access to cleared funds is available on a next-day basis after 13:00 JST.
	System holidays	<ul style="list-style-type: none"> • The BCCS is closed on all Japanese holidays (Dates as above).

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax payments and treasury payments.
- High-value (with a value greater than JPY 100 million) and urgent domestic JPY-denominated credit transfers are either processed and settled in real time via BOJ-NET.
- Low-value (with a value of JPY 100 million or less) and non-urgent domestic JPY-denominated credit transfers are processed via Zengin and settled on a same-day basis via BOJ-NET
- Non-resident or high-value JPY-denominated cross-border credit transfers can be settled in real time via the FXYCS.
- Low-value credit transfers involving non-residents are processed via the FXYCS on a same-day basis. Final settlement is via BOJ-NET.
- Cross-border transfers can also be made via SWIFT and settled through correspondent banks abroad.
- The MoneyTap system enables real-time settlement for domestic payments in JPY or foreign currency 24/7/365 via a mobile app.
- The volume and value of credit transfers processed increased 2.7% and 0.5% respectively in 2019 on 2018 figures, to 1,691 million, with a value of JPY 2,931 trillion.

Direct debits

- Direct debits are used for low-value regular payments, such as utility bills.
- Direct debit payments are settled via banks' networks. Banks employ semi-manual processes for direct debit transactions. Settlement times can be over a week.

Cheques

- The cheque remains an important cashless payment instrument, although its use is in decline as electronic payment methods increase in popularity. Cheques are used primarily by companies.
- Cheques are processed via the BCCS and settled on a next-day basis via BOJ-NET.
- The volume and value of cheques processed fell by 6.3% and 29.5% respectively in 2019 on 2018 figures, to 48 million, with a value of JPY 184 trillion.

Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were approximately 456 million debit cards in circulation at the end of 2020. In the three months to December 2020, there were 138 million debit card transactions totaling JPY 618 billion.
- There are more than 292 million credit cards in circulation.
- J-Debit is Japan's national debit card service.
- Visa, MasterCard, American Express, Diners Club and JCB-branded payment cards are the most widely issued.
- Domestic card schemes such as Nicos, UC or the UFJ Card are also available.
- Debit card payment transactions are processed via the Credit and Finance Information System (CAFIS) and cleared via the Zengin System.
- Credit card payment transaction are processed via CAFIS and cleared via the card-issuing schemes.

ATM/POS

- There are approximately 134,000 ATMs in Japan.
- There are approximately 1.9 million POS terminals in Japan.
- The Multi Integrated Cash Service (MICS) connects Japan's nine private ATM networks. Japan Post also operates an ATM network

Electronic wallet

- There are approximately 447 million e-money instruments in circulation in Japan (44 million mobile phones have e-money functionality). There are also approximately 5.2 million e-money terminals.
- In 2020, the volume and value of e-money transactions decreased 5.0% to 5,923 million on 2019. Value increased 4.9% to JPY 6.0 trillion.
- J-Coin Pay digital wallet payments are processed via an app using a QR barcode, a phone number or a Line messenger personal ID number. J-Coin Pay enables users to make payments, send and receive transfers on their smartphones.
- The dominant electronic wallet schemes are: Edy, ICOCA, Kitaca, nanaco, PASMO, SUGOCA, Suica, WAON and densai.net.
- Mobile payment schemes are also available, including Apple Pay and Google Pay.
- In April 2020, the JPQR unified code for payments was rolled out nationally. The JPQR standard is compatible with 11 QR codes.
- E-money payments are settled via the individual schemes.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted although rare. It is possible to sweep surplus balances into interest-bearing overnight accounts.

Demand deposits

- Demand deposits denominated in JPY or major foreign currencies are available for terms ranging from overnight to one year.

Time deposits

- Time deposits are available in JPY or major foreign currencies for terms ranging from one month to ten years.

Certificates of deposit

- Domestic banks issue certificates of deposit with terms ranging from overnight to five years. Terms of three months are most common.
- Certificates of deposit are issued paying fixed interest.

Treasury (government) bills

- The Japanese government issues Treasury bills to corporations through bi-monthly auctions for terms of three, six and 12 months.
- T-bills of JPY 10,000 are issued to retail investors with a three-year fixed-rate, five-year fixed-rate and ten-year floating-rate.

Commercial paper

- Domestic commercial paper is issued by companies for terms of up to one year. Terms of three months are most common.
- The minimum investment amount is JPY 100 million.

Money market funds

- Domestic money market funds are popular short-term investment instruments.

Repurchase agreements

- Repurchase agreements with maturities ranging from overnight to one week are commonly available to companies.
- The use of 'gensaki' repos is increasing. Gensaki transactions are available for any maturity dates up to one year, but most agreements are within three months or less.

Banker's acceptances

- Banker's acceptances are not used in Japan.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
	●
	●

- BNP Paribas Global Trade Solutions' (GTS) team in Japan is made up of 4 trade professionals, offering a comprehensive range of trade finance and supply chain management solutions. BNP

Paribas' GTS team in Japan has been gaining momentum with corporates headquartered in, and operating in Japan with its export letters of credit offering and its connections into GTS' extensive international network.

International trade

General trade rules

- As a member of the Asia-Pacific Economic Cooperation (APEC) forum, Japan has agreed to liberalise trade and investment rules between member states.

Trade agreements

- Japan has signed a Comprehensive Economic Partnership Agreement with the Association of Southeast Asian Nations (ASEAN).
- In November 2020, Japan and 14 other Asia-Pacific countries signed the Regional Comprehensive Economic Partnership (RCEP). It is expected for the terms of the trade deal will come into effect at the start of 2022.
- Japan has signed free trade agreements (FTAs) with ASEAN, Australia, Brunei, Chile, the EU, India, Indonesia, Malaysia, Mexico, Peru, Mongolia, the Philippines, Singapore, Switzerland, Thailand and Vietnam.
- Japan is a signatory of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- In October 2019, Japan and the USA signed a limited trade deal.
- The trade agreement between Japan and the UK formally came into effect on 1 January 2021.
- Japan is negotiating agreements with Canada, Colombia, the Gulf Cooperation Council (GCC) countries (Bahrain, Oman, Qatar, Saudi Arabia, UAE and Kuwait), and Turkey. It is also in negotiations for a three-party FTA between both China and South Korea.

Imports / exports

Imports	Crude petroleum	Natural gas	Integrated circuits	Semiconductors	Coal
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Primary Import sources	China (23.0%)	USA (11.0%)	Australia (6.0%)		
Exports	Cars and vehicle parts	Integrated circuits	Personal appliances	Ships	
Export markets	USA (19.0%)	China (18.0%)	South Korea (6.0%)	Taiwan (6.0%)	

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD bn	636	689	736	695	631
	- services USD bn	176	187	194	209	162
Imports	- goods USD bn	585	645	725	694	603
	- services USD bn	187	193	203	219	197
Current account as % GDP		3.8	4.2	3.5	3.6	3.3

Source: IMF, International Financial Statistics, June 2021.

Trade finance - Imports

Documentation

- The following documentation is required in order to import goods into Japan:

- commercial invoice
- bill of lading
- packing list
- customs import declaration certificate
- cargo dispatch document.

Import licences

- Licences are required when importing certain items that impact on public safety, morals and health.
- Licences are issued by the Ministry of Economy, Trade and Industry (METI).

Import taxes and tariffs

- Tariffs ranging from 3% to a maximum 60% are set over five categories: general, WTO, preferential, least developed country and temporary.
- A consumption tax of 8% is levied on imports.
- Japan operates two free trade zones: Okinawa and Naha.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- Prohibited imports are published on a negative list.

- Japan prohibits the import of certain items in order to protect fauna and flora, intellectual property rights, and/or for national security.

Trade finance - Exports

Documentation

- The following documentation is required in order to export goods from Japan:
 - customs declaration
 - commercial invoice
 - bill of lading.

Export licences

- Licences are required when exporting raw materials for overseas processing and re-importation.
- Licences are issued by the METI.

Export taxes and tariffs

- None

Financing requirements

- None

Risk mitigation

- Japan Bank for International Cooperation (JBIC), Japan's national export credit agency, provides state-supported export credit insurance and financing.
- Export credit insurance is also available from the privately owned Nippon Export and Investment Insurance (NEXI) agency.
- Export financing is available privately from commercial banks.

Prohibited exports

- Japan prohibits the export of certain items in line with UN Security Council resolutions.

Regulatory requirements

Reporting regulations

- Non-trade related transactions between resident accounts and accounts held by non-residents exceeding JPY 30 million must be reported to the BOJ on a monthly basis.
- All capital transactions of JPY 100 million or above between resident and non-resident bank accounts must be reported. Non-residents may be subject to other reporting requirements, if capital transactions exceed JPY 100 million. Other reporting requirements may apply to non-residents.

Reporting method

- Monthly reports of individual transactions are submitted directly to the BOJ by companies via the BOJ's online reporting system (BOP).
- Resident entities are ultimately responsible for compliance.

Exchange controls

- Although the majority of Japan's exchange controls have been relaxed, some residual exchange controls remain. These controls are administered by the Ministry of Finance, the Ministry of Economy, Trade and Industry and the Bank of Japan.
- Prior declaration is required for outward direct investment in certain industry sectors such as arms manufacturing, narcotics, leather products and fisheries.
- Under revisions to the Foreign Exchange and Foreign Trade Act (FEFTA), overseas investors are required to submit a prior notification of stock purchases to the government via the BOJ, if they plan to acquire a stake of 1% or more in listed Japanese companies in 12 sectors: oil, railways, utilities,

arms, space, nuclear power, aviation, telecoms and cybersecurity. The previous threshold was set at 10%.

Taxation

Resident / non-resident

- A company whose principal office or head office is located in Japan is considered to be a Japanese resident, unless it is regarded as resident in another country under a Japanese double tax treaty. Local management is not required.

Financial instruments

- Japan has no specific rules for the taxation of financial instruments.

Interest and financing costs

Earnings stripping

- Where net interest payments to related persons (i.e. interest payments to related persons, less relevant interest income,) exceed 50% of adjusted taxable income in a fiscal year, the excess portion is non-deductible. For these purposes, 'related persons' is broadly defined, and includes similar controlling and affiliate relationships to those discussed under 'Thin capitalisation'. The rules also can apply to interest payments to certain third parties (e.g. where a third party provides a loan that is guaranteed by a related person). To summarise, 'adjusted taxable income' is taxable income without applying certain provisions (including offsetting brought-forward tax losses, the dividends received deduction, the foreign dividend exemption, etc.), and adding back net interest payments to related persons and certain other expenses. De minimis exceptions to the application of the earnings stripping rules exist for:
 - Net interest payments to related parties not exceeding JPY 10 million, or
 - Net interest payments to related parties that are not more than 50% of the total interest expenses.
- Where both the earning stripping and the thin capitalisation rules are applicable, the larger of the two potential disallowances will apply. To the extent the application of the above rules gives rise to non-deductible related party interest, such interest expense may be carried forward and deducted (within the limitation) against taxable income arising during the following seven fiscal years.

Foreign exchange

- Income for corporate tax purposes must be calculated in Japanese yen. Revenue and expenses realised in foreign currencies during a fiscal period should be converted into yen using the exchange rate that is in effect at the time of the receipt of the income or the payment of an expense.
- In general, non-JPY denominated assets/liabilities are treated as follows.
 - To the extent that the asset/liability is short-term in nature (i.e. the maturity date is within one year from the year-end), the company can make a tax election regarding the translation method to determine the unrealised forex gain/loss that should be taxed – this can be the year-end current exchange rate or the historical rate. If an election is not filed, then the default translation method (for Japanese corporate income tax purposes) for a short-term item is to use the current rate that is in effect at the end of the fiscal year.
 - To the extent that the asset/liability is long-term in nature (i.e. the maturity date is over one year from the year-end), the company can also make an election to select the translation method that should apply for tax purposes by filing an application to use the year-end current rate or the historical rate. The default method for a long-term item (for Japanese corporate income tax purposes) is the historical rate.
 - It should be noted that the elections will apply to all short-term assets/liabilities (and/or long-term assets/liabilities), including account receivables as well as account payables. An election can be made in respect of the categories of short-term foreign assets/liabilities and long-term assets/liabilities on each foreign currency basis, i.e. an election can be made in relation to short-term assets/liabilities denominated in one currency, and a different methodology can apply for the short-term assets/liabilities denominated in another currency.
 - The due date for an election corresponds to the due date for the corporate income tax return (including any extension, if received). An election cannot be changed for at least three years.

Advance tax ruling availability

- Japan has a limited advance ruling system. Written rulings generally are available to the public and the availability of a ruling is subject to certain restrictions (e.g. no hypothetical cases).

Capital gains tax

- Capital gains are taxable as ordinary income. Capital losses generally are deductible.

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	0%/20%	20%	20%	20%

Non-resident entities	15%/20%	15%/20%%	20%	20%
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From 1 January 2013 to 31 December 2037 an additional special reconstruction income tax of 2.1% is applicable to the withholding tax levied on certain payments made by Japanese companies to non-residents. This increases the withholding tax rate on dividends, loan interest, royalties or technical service fees paid to a non-resident to e.g. 20.42% (i.e. $20\% + (20\% \times 2.1\%)$). If a reduced withholding tax rate or exemption is available under a tax treaty, that treaty rate is unchanged (see below).

Tax treaties / tax information exchange agreements (TIEAs)

- Japan has concluded 78 income tax treaties.
- The OECD MLI entered into force for Japan on January 1, 2019.

Thin capitalisation

- Japan's thin capitalisation rule primarily restricts the deductibility of interest payable (including certain guarantee fees) by a Japanese corporation, and a foreign corporation liable to pay corporation tax in Japan, to its foreign controlling shareholder (or certain third parties) if the interest is not subject to Japanese tax in the hands of the recipient. A foreign controlling shareholder is defined as a foreign corporation or non-resident individual that:
 - Directly or indirectly owns 50% or more of the total outstanding shares of the Japanese corporation (i.e. a parent-subsidiary relationship);
 - Is a foreign corporation in which 50% or more of the total outstanding shares are directly or indirectly owned by the same shareholder that directly or indirectly owns 50% or more of the shares of the relevant Japanese entity (i.e. brother-sister relationship); or
 - Otherwise exercises control over the Japanese entity.
- This rule also is applicable in situations involving certain third parties, including situations where:
 - A third party provides a loan to the Japanese entity that is funded by a back-to-back loan arrangement with the foreign controlling shareholder;
 - A third party provides a loan to the Japanese entity that is guaranteed by a foreign controlling shareholder; or
 - A third party provides a loan to the Japanese entity based on arrangements involving bonds and certain repo transactions.
- There is a debt-to-equity safe harbour ratio of 3:1 (2:1 for certain repo transactions). This effectively means that there will be a restriction only if the debt from the foreign controlling shareholder (or specified third party) exceeds three times the amount of net equity the shareholder/third party owns and the total debt exceeds three times the equity. In such a situation, interest expenses calculated on the excess debt are treated as non-deductible expenses for Japanese corporate income tax purposes. If the taxpayer can demonstrate the existence of comparable Japanese corporations that have a higher debt-to-equity ratio, that higher ratio may be used.

Transfer pricing

- The prices of goods and services exchanged between internationally affiliated entities must be consistent with arm's-length principles. Internationally affiliated entities are defined, among others, as those with a relationship consisting of a direct or indirect foreign shareholding of 50% or more, or a 'control in substance' relationship. The burden is on the taxpayer to demonstrate that the pricing is reasonable. Failure to do so may give rise to a transfer pricing adjustment, at the discretion of the tax authorities.
- Advance pricing agreements on the reasonableness of the taxpayer's methodology and results may be obtained from the tax authorities.
- Japan has adopted a three-tiered approach to transfer pricing documentation – country-by-country (CbC) reporting, a master file and a local file – which is consistent with action 13 of the OECD BEPS project. The master file and Notification for Ultimate Parent Entity must be submitted annually for groups with prior year revenue equal to or greater than JPY 100 billion.
- New hard-to-value intangibles (HTVI) rules apply for income years beginning on or after April 1 2020.
- As from income years beginning on or after April 1, 2020, the discounted cash flow method is formally allowed as a pricing method, and the statute of limitations relating to transfer pricing is extended to seven years from six.

Stamp duty

- Where there is a transfer of land, buildings or businesses or certain notes and agreements, there is a stamp duty on the seal that is placed on the agreement. Stamp duty can range from JPY 200 to JPY 600,000.

Cash pooling

- There are no specific tax rules relating to cash pooling arrangements.

Financial transactions / Banking services tax

- There is no specific financial transactions tax. However, stamp duty could be applicable to certain documents.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 (www.deloitte.com)



BNP PARIBAS

The bank
for a changing
world