

Japan Tax Update

December 2009, Issue 48

PwC Japan Tax Newsletter

The Tax Practice of PricewaterhouseCoopers Japan (Zeirishi-Hojin PricewaterhouseCoopers) is one of the largest professional tax corporations in Japan with about 560 people. In addition to tax compliance services our tax professionals are experienced in providing tax consulting advice in all aspects of domestic/international taxation including financial and real estate, transfer pricing, M&A, group reorganization, global tax planning, and the consolidated tax system to clients in various industries.

The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

This Newsletter is provided for general guidance only, and does not constitute the provision of advice or professional consulting of any kind. Before making any decision or taking any action, you should consult your usual PwC contact with all the pertinent facts relevant to your particular situation.

Zeirishi-Hojin PricewaterhouseCoopers
Kasumigaseki Bldg., 15F
2-5 Kasumigaseki 3-chome
Chiyoda-ku, Tokyo 100-6015
Telephone: 81-3-5251-2400
<http://www.pwc.com/jp/tax>

*connectedthinking

Dutch Japan Tax Treaty

On 18 December 2009 the Japanese Minister of Finance and the Dutch State Secretary of Finance announced that they have reached in principle agreement on an amended tax treaty as a successor to the existing treaty between Japan and the Netherlands that was signed in 1970.

In announcing the accomplishment, the Dutch State Secretary of Finance mentioned that this is an important milestone in the 400 year trade relationship between Japan and the Netherlands, while both governments indicated that a key objective of the new treaty is to stimulate investment and reinforce the economic ties between the Netherlands and Japan. The new tax treaty will have a balance between reduction or exemption of withholding taxes and rules that should counter avoidance of taxation.

We believe that the latter remark may refer to the likely inclusion of a limitation on benefits article that may apply to the exemption of withholding taxes and capital gains realised upon the disposals of shares. This would be in line with Japan's tax treaty policy and with the recent tax treaties concluded by Japan. It is further expected that the tax treaty will include anti-avoidance provisions with respect to so-called tokumei kumiai (silent partnership) or TK structures.

The press releases include the following withholding tax percentages.

	Dividends parent-subsidiary dividend	Other dividends	Interest	Royalties
Current tax treaty	5% (25% or more)	15%	10%	10%
New tax treaty	0% (50% or more) 5% (10% or more)	10%	0%*	0%

* amongst other interest paid to financial institutions

The Dutch press release notes that it is anticipated that the new tax treaty will be signed mid-2010 by the responsible officials from the Netherlands and Japan, at which stage the tax treaty will be published. We understand that it is intended that the tax treaty will be effective from 1 January 2011.

If you have any questions or comments, please do not hesitate to contact your PwC contact person or someone from the Dutch Japan desk in Japan or the Netherlands.

Zeirishi-Hojin PricewaterhouseCoopers
Kasumigaseki Bldg. 15F
2-5 Kasumigaseki 3-chome
Chiyoda-ku, Tokyo 100-6015
Telephone: 81-3-5251-2400
<http://www.pwc.com/jp/tax>

Senior Manager Arno Groenewoud 813-5251-2933 arno.a.groenewoud@jp.pwc.com

PricewaterhouseCoopers Belastingadviseurs N.V.
De Entree 201 P.O.Box 22733
1100 DE Amsterdam Zuidoost
Telephone: 31-20-568-4148
<http://www.pwc.com/nl/nl/index.jhtml>

Partner Paul van Overloop 31-20-568-6937 paul.van.overloop@nl.pwc.com
Manager Takashi Murakami 31-20-568-5161 takashi.murakami@nl.pwc.com