



# Transfer Pricing News



## **New requirements to maintain documentation for Intercompany Transactions within a Corporate Group**

April 2026

### **In brief**

In Japan, the FY2026 Tax Reform Outline introduces new special provisions concerning requirements to maintain documentation for intercompany transactions within a corporate group (On 31 March 2026, FY2026 Tax Reform Bill passed into law.). Under these new special provisions, in cases where a Japanese domestic corporation conducts a 'Specified Transaction' with a related party, such as the provision of certain services or the transfer or loan of industrial property rights, the Japanese domestic corporation would now be obligated to obtain or prepare, and retain additional documentation if existing documentation does not contain information or records which detail how the payments to the related party are calculated.

This newsletter provides an overview of the new special provisions and explains the practical implications for multinational corporate groups. Failure to comply with these documentation retention requirements under these special provisions may result in revocation of the eligibility for filing the Japanese corporate tax return under the blue return system. Therefore, it is crucial that multinational corporate groups review and carefully manage their intra-group transactions.

### **In detail**

#### **1. Overview of the system**

Under the FY2026 Tax Reform Outline, in cases where a Japanese domestic corporation conducts a 'Specified Transaction' with a related party, separate documentation must be obtained or prepared and retained (including electronic records) if existing documentation relating to the Specified Transaction does not also include the details of services or assets provided, and the details of how the payment amount paid by the Japanese domestic corporation is calculated.

The term 'related party' as described in these new special provisions is the same 'related party' as defined in the Japanese transfer pricing regime; however, since these special provisions do not specifically refer to a 'foreign related party', it should be understood that Japanese domestic related parties are also subject to these special provisions. Since the group corporate tax system applies to transactions between domestic corporations having 100% capital relationships in Japan, these special provisions are presumed to primarily target the Japanese subsidiary of foreign enterprises.

## **2. ‘Specified transactions’ subject to the provisions**

‘Specified transactions’ subject to these special provisions includes the following transactions conducted by Japanese domestic corporations with their related parties, that generate selling expenses, general and administrative expenses, or other costs:

(1) Transfers or loans of industrial property rights, etc.

This category includes transfers or loans of industrial property rights, etc. to domestic corporations by their related parties (including the establishment of rights and other acts by the related parties that allow the domestic corporation to use industrial property rights, etc.).

‘Industrial property rights, etc.’ mentioned in these provisions includes industrial property rights and other technology-related rights, special technological production methods or equivalent methods, copyrights (including publishing rights, neighboring rights and similar rights), and program copyrights.

(2) Provision of certain services to domestic corporations by their related parties

The following services provided to a Japanese domestic corporation by a related party are subject to the provisions:

- a) Activities based on a contract or an agreement between a Japanese domestic corporation and their related party and performed by the related party, such as research and development, advertising, promotion, and other activities performed using the management resources of the related party, including industrial, commercial, or academic knowledge and experience; acts that allow the domestic corporation to use ‘dedicated assets’ (i.e., assets intended exclusively for use in the business of the domestic corporation and the related party); and maintenance and management of such dedicated assets
- b) Management control or guidance, information and other services provided for a domestic corporation by their related party based on the industrial, commercial, or academic knowledge and experience of the related party
- c) Services similar to a) and b) above

## **3. Transaction-related documents, etc. and other key considerations**

The term ‘transaction-related documents, etc.’ under these special provisions refers to purchase orders, contracts, invoices, receipts, quotations, and similar documents received or issued in connection with the transaction, or electronic records containing information typically recorded in such documents, that must be retained under the Corporate Tax Act in Japan and related laws and regulations.

When these transaction-related documents do not contain the details necessary to calculate the amount of payment (such as details of assets or services provided, or details of the calculated amount of payment), the domestic corporation must proactively obtain or prepare, and retain documents (including electronic records) that clarify such details.

It should be noted that failure to retain documents in accordance with legal requirements constitutes grounds for revocation of the eligibility for filing the blue return. In other words, the special provisions are not merely best efforts, but are legally binding retention requirements. Therefore, non-compliance may result in significant tax disadvantages.

## **4. Background for the introduction of the special provisions**

In the past, Japanese tax authorities have struggled to confirm facts and details relating to expense payments to foreign related parties during tax audits. The Ministry of Finance’s materials describe a tax audit case where an overseas parent company consolidated various indirect expenses of the group and requested bulk payments to its subsidiaries, including the Japanese domestic corporation. This led the Japanese tax authority to believe these types of bulk payments of indirect costs could be used by foreign corporations to have the Japanese subsidiary bear expenses that it should not be bearing, and therefore potentially transfer a certain amount of income out of Japan.

In this case, despite repeated requests during the tax audit from the examiners, sufficient supporting materials were not provided by the Japanese domestic entity. The Japanese entity insisted that it ‘simply pays the amount invoiced by the parent company and does not have detailed information’, and that; ‘the basis for the cost allocation is held by the parent company, so we can’t provide it’, or that ‘as the Japanese subsidiary, we only have an obligation to prepare documents detailing the calculation of such payments during a tax audit only, and therefore we have no obligation to retain such documentation outside of a tax audit’. As a result, the tax examiners could not verify the details of expenses allocated by the foreign parent company. This case is shown by the Ministry of Finance to demonstrate the importance of establishing these new special provisions for document retention obligations.

Similar documentation requirements and related legislation is also emerging in other jurisdictions as well. Considering this, it is expected that there will continue to be more cases where the tax authorities apply penalties and make assumptive assessments based on these new special provisions and similar rules. The importance of managing related party transactions among group entities is expected to grow even further in the future.

### **The takeaway**

With the introduction of these special provisions, it becomes essential for corporate groups to reexamine their documentation management for related party transactions which may be considered Specified Transactions under these new rules. Particularly for corporate groups engaged in service transactions, shared cost transactions, royalty transactions, and management fee payments, confirmation should be made verifying the status of documentation which can describe the calculation methods for these expenses, and determine deficiencies in order to plan for when more detailed administrative guidance is available.

## Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

### PwC Tax Japan

Otemachi One Tower, 1-2-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

Email: [jp\\_tax\\_pr-mbx@pwc.com](mailto:jp_tax_pr-mbx@pwc.com)

[www.pwc.com/jp/tax](http://www.pwc.com/jp/tax)

Tokyo Otemachi One Tower, 1-2-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan	Osaka Office Grand Front Osaka Tower A 36F, 4-20 Ofukacho, Kita-ku, Osaka-shi, Osaka 530-0011	Nagoya JR Central Towers 38F 1-1-4 Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-6038
Koji Noda Partner (Tokyo)	Goro Mizushima Partner (Tokyo)	Chihiro Takeuchi Partner (Tokyo)
Naoki Hayakawa Partner (Tokyo)	Masatoshi Ohashi Partner (Tokyo)	Takeki Nagafuji Partner (Tokyo)
Kazuhito Inokuchi Partner (Tokyo)	Junko Yamato Partner (Tokyo)	Takayasu Tachibana Partner (Tokyo)
Atsushi Kurosawa Partner (Tokyo)	Ai Yoshida Partner (Osaka)	Kenji Nakamuta Partner (Osaka)
Tadashi Ikegawa Partner (Osaka)	Koichi Funatani Partner (Nagoya)	Natsuki Kato Director (Tokyo)

### Tax News

[View all news](#)

### E-learning

PwC Tax Japan launched a new e-learning program called Tax Academy in October 2022, to support those wishing to develop their skills in the international tax field. For tax professionals outside Japan, the 'Introduction to Japanese taxes' series within Tax Academy provides a basic outline of the Japanese tax system, including corporate tax and consumption tax, and covers key points of international tax practice in English.

Please click here for details and to apply:

[Click here to apply](#)

PwC Tax Japan provides an extensive range of tax advisory services across corporate, international, and M&A tax matters by working seamlessly with the global PwC network. We also empower clients by delivering innovative solutions, including solutions with generative AI. As a strategic business partner, we combine deep tax expertise with advanced technology. This ensures our clients can navigate management challenges and achieve success in today's rapidly evolving business environment.

At PwC, we help clients build trust and reinvent so they can turn complexity into competitive advantage. We're a tech-forward, people-empowered network with more than 364,000 people in 136 countries and 137 territories. Across audit and assurance, tax and legal, deals and consulting we help build, accelerate and sustain momentum.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2026 PwC Tax Japan. All rights reserved.

PwC refers to the PwC network member firms and/or their specified subsidiaries in Japan, and may sometimes refer to the PwC network. Each of such firms and subsidiaries is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.