

National Tax Agency, Japan

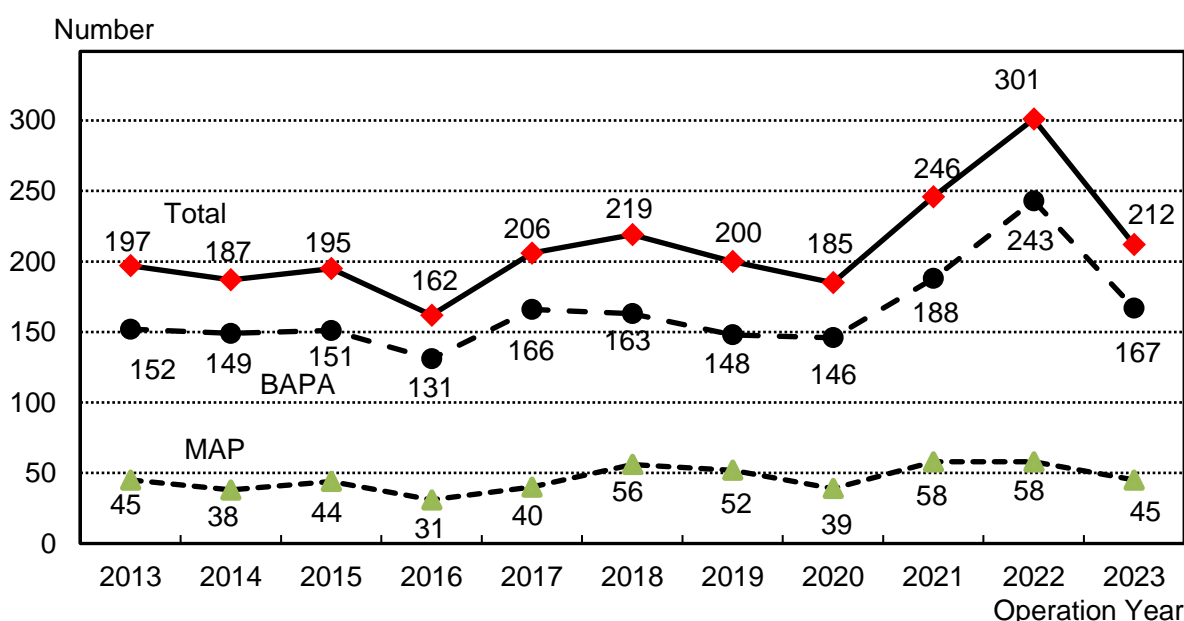
Mutual Agreement Procedures (MAP) and Bilateral Advance Pricing Arrangements (BAPA) Report 2024

The National Tax Agency (“NTA”), upon request from a taxpayer regarding international double taxation such as transfer pricing adjustments, enters into Mutual Agreement Procedure (“MAP”) with relevant foreign tax authorities under the provisions of applicable tax treaties to resolve such double taxation. 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 rule.

1. MAP/BAPA requests received

- During the 2023 operation year, the NTA received 212 requests, of which 167 were BAPA requests (79% of all requests) and 45 were MAP requests (21% of all requests).
(Note) Please see Attachment 1 for the detailed number of cases.

Chart 1: MAP/BAPA requests received



- (Notes)
- Each operation year runs from 1 July until 30 June in the following year.
 - The number of requests received is the sum of the number of requests that the NTA received from taxpayers and through foreign tax authorities.
 - MAP requests received include requests related to permanent establishments (PEs) or withholding taxes as well as transfer pricing adjustment.

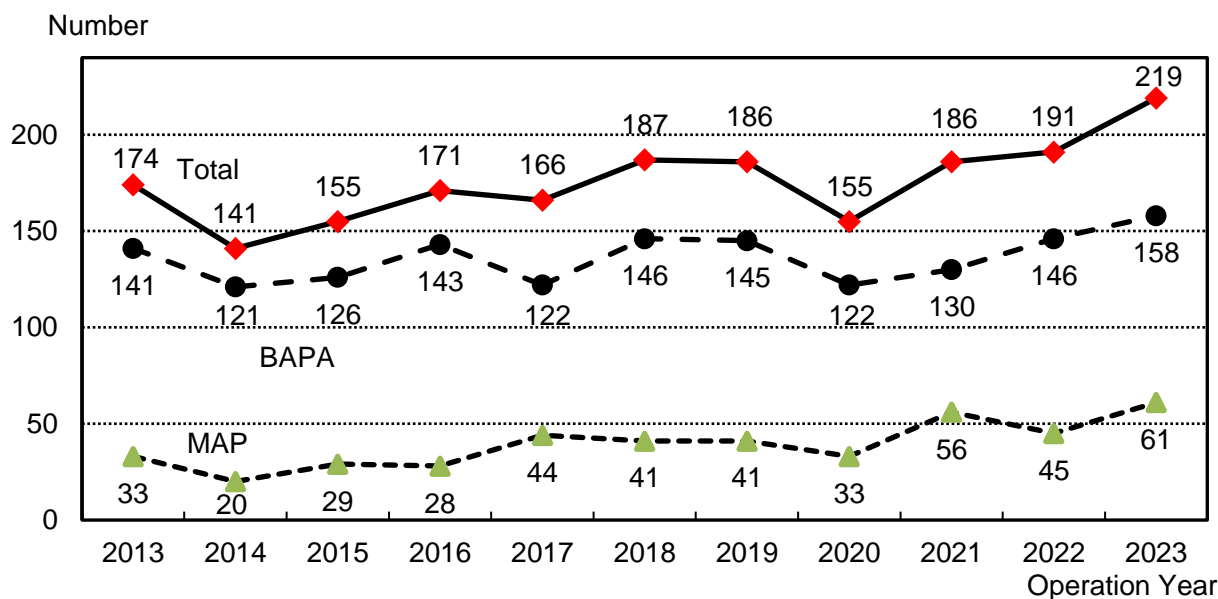
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2. MAP/BAPA cases closed

2.1 The number of MAP/BAPA cases closed

- During the 2023 operation year, a total of 219 cases were closed, of which 158 were BAPA cases (72% of all cases closed) and 61 were MAP cases (28% of all cases closed).
(Note) Please see Attachment 1 for the detailed number of cases.

Chart 2: MAP/BAPA cases closed



2.2 Average time to close a MAP/BAPA case

- The overall average time to close all cases in the 2023 operation year was 31.8 months (30.2 months in the 2022 operation year).
- The average time to close a BAPA case was 35.8 months (30.5 months in the 2022 operation year) and the average time to close a MAP case was 21.5 months (29.2 months in the 2022 operation year).

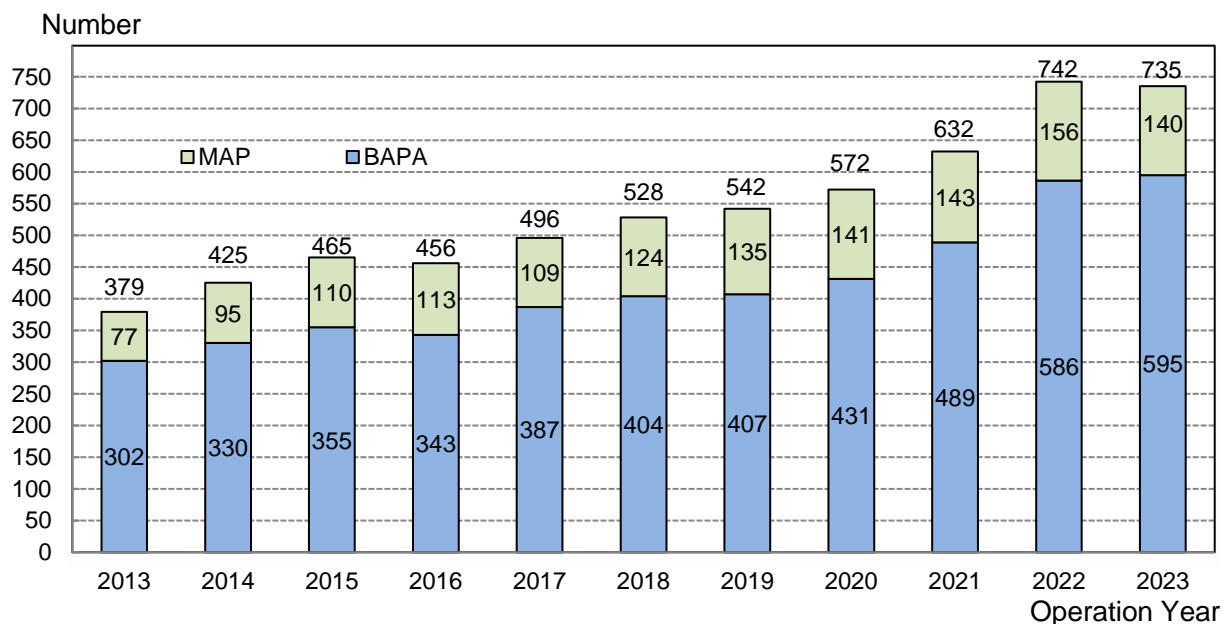
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3. Year-End Inventory

3.1 The number of MAP/BAPA cases in the Year-End Inventory

- Since the number of cases closed was larger than the number of requests received, the number of cases in the inventory at the end of the 2023 operation year decreased from the year before.
(Note) Please see Attachment 1 for the detailed number of cases.

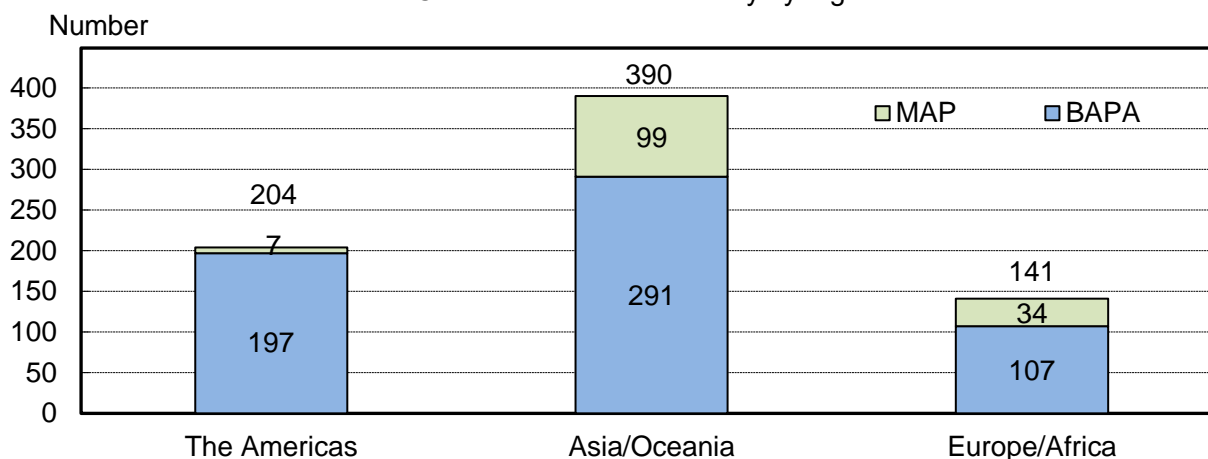
Chart 3: Year-End Inventory



3.2 Region-by-region Inventory

- The number of cases with Asian/Oceanian countries/regions accounted for the largest part in the whole year-end inventory of the 2023 operation year.
- In the year-end inventory of the 2023 operation year, cases with the United States (24%) are the most, followed by China (14%), India (14%), Korea (8%), and Germany (5%).
(Note) Please see Attachment 2 for the list of countries and regions with which the NTA has inventory at the end of the 2023 operation year.

Chart 4: Year-End Inventory by region



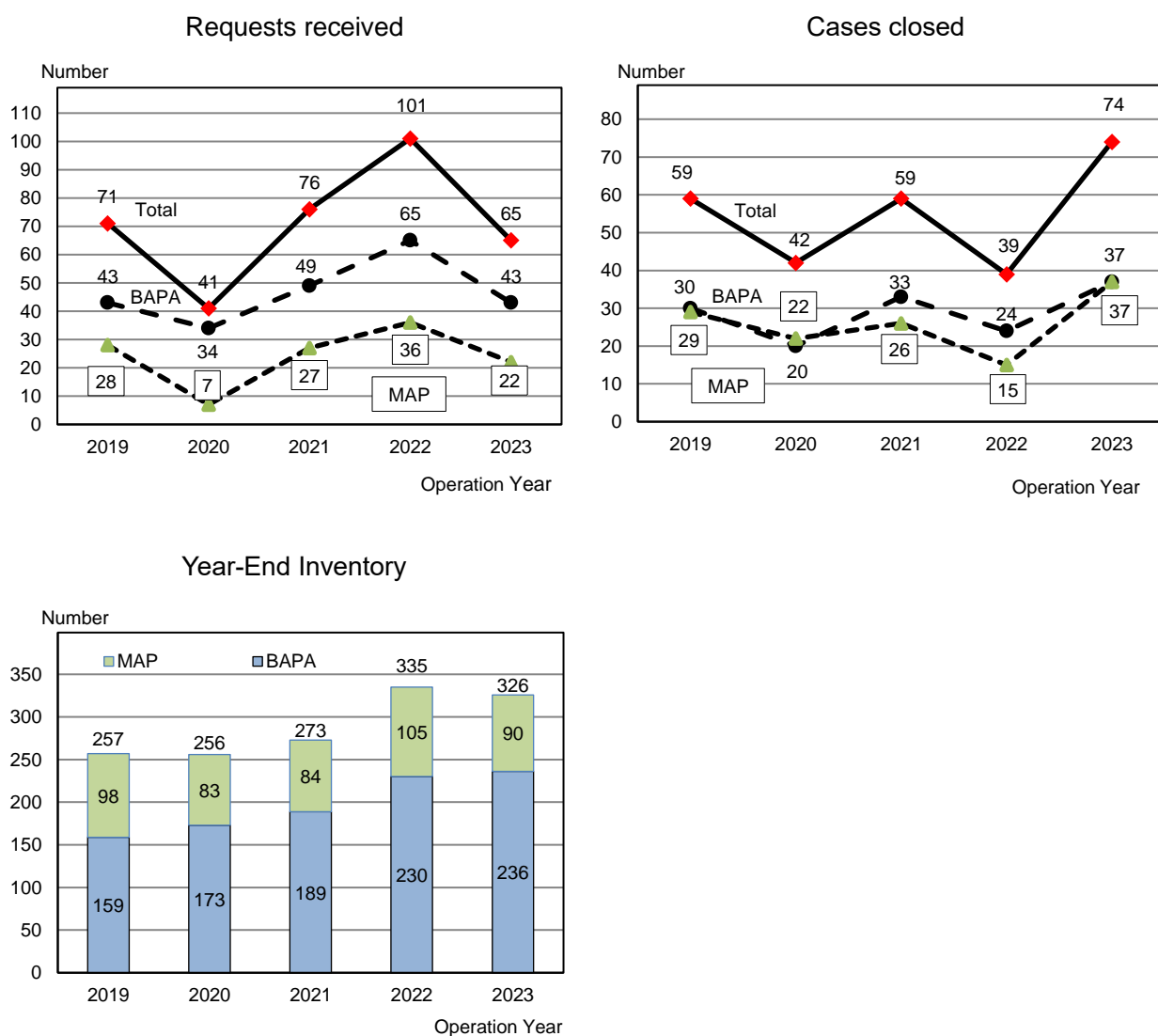
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4. Cases with non-OECD countries/regions

4.1 The number of MAP/BAPA cases

- In the 2023 operation year, as for the MAP/BAPA cases with non-OECD countries/regions, 65 requests were received and 74 cases were closed.
- The number of MAP/BAPA cases with non-OECD countries/regions in the year-end inventory was 326, accounting for 44% of all cases (735 cases).

Chart:5: MAP/BAPA cases with non-OECD countries/regions



4.2 Average time to close a case with non-OECD countries/regions

- The overall average time to close all cases with non-OECD countries/regions in the 2023 operation year was 42.2 months (51.3 months in the 2022 operation year).
- The average time to close a BAPA case with non-OECD countries/regions was 63.5 months (58.2 months in the 2022 operation year) and the average time to close a MAP case with non-OECD countries/regions was 20.8 months (40.4 months in the 2022 operation year).

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(Attachment 1)

The detailed numbers of cases in the last three years

Operation Year		BAPA	Transfer Pricing Adjustment	Others	Total
2021	Requests Received	188	49	9	246
	Cases Closed	130	42	14	186
	Year-End Inventory	489	130	13	632
2022	Requests Received	243	47	11	301
	Cases Closed	146	36	9	191
	Year-End Inventory	586	141	15	742
2023	Requests Received	167	36	9	212
	Cases Closed	158	53	8	219
	Year-End Inventory	595	124	16	735

- (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 through foreign tax authorities.
 3. Requests for compensating adjustments or amendments with respect to previously agreed BAPAs 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 2023 operation year

(Alphabetical order)

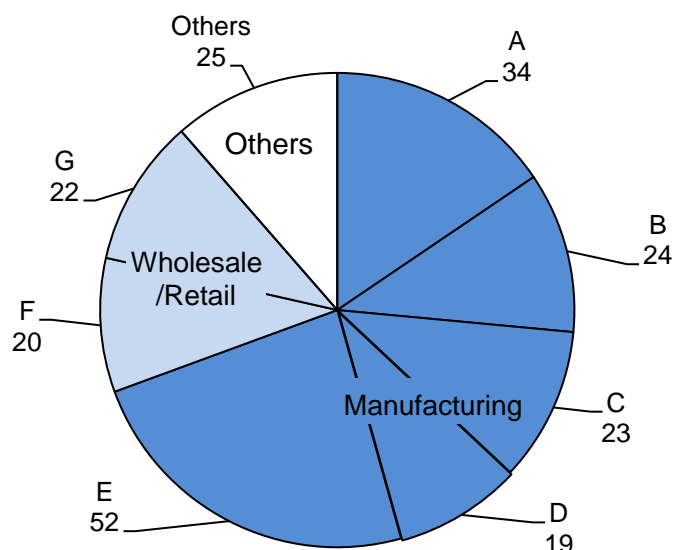
Europe/Africa	Asia/Oceania	The Americas	Total
(OECD countries)			
Belgium Denmark Finland France Germany Hungary Ireland Israel Italy Luxembourg Netherlands Spain Sweden Switzerland United Kingdom	Australia Korea	Canada Mexico United States	20 countries
(Non-OECD countries/regions)			
Republic of South Africa Romania	China Hong Kong India Indonesia Malaysia Singapore Taiwan Thailand Vietnam		11 countries / regions
17 countries/regions	11 countries / regions	3 countries	31 countries / regions

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(Attachment 3)

Number of cases closed by type during the 2023 operation year

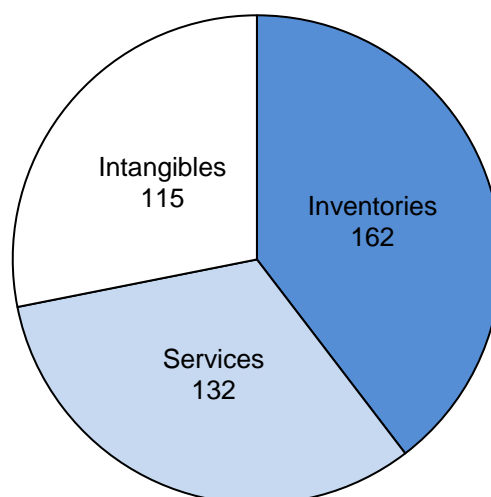
Industry



Manufacturing	152	(69%)
Wholesale/Retail	42	(19%)
Others	25	(12%)
Total	219	(100%)

A: Manufacturing (transport equipment and instruments)
 B: Manufacturing (machinery and equipment)
 C: Manufacturing (consumer electric equipment and instruments)
 D: Manufacturing (industrial electric equipment and instruments)
 E: Manufacturing (others)
 F: Wholesale/Retail (import/export)
 G: Wholesale/Retail (others)

Transaction

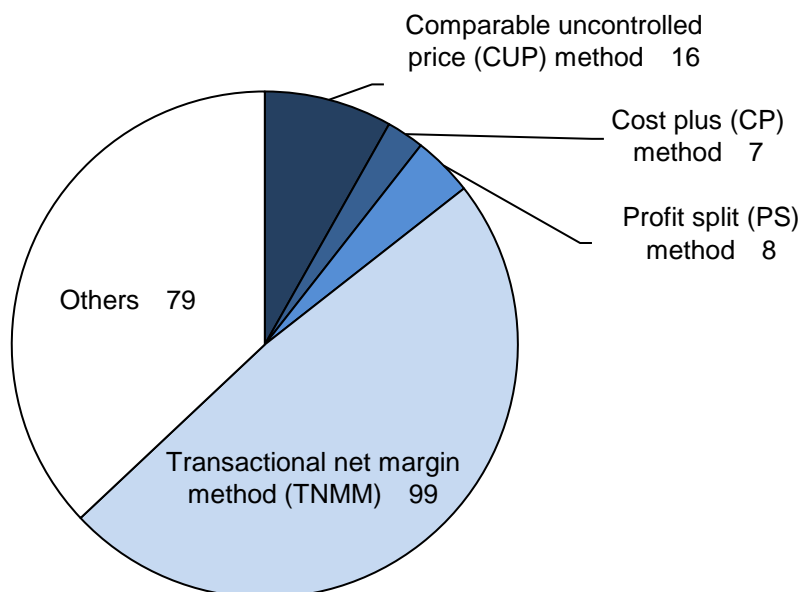


(Notes)

1. The sum of the numbers in the chart above does not correspond to the total number of cases closed. This is because 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 BAPAs are counted as the same types of the transaction in the original BAPA 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. This is because some cases are counted for each type of transfer pricing method when multiple methods are applied.
2. Requests for compensating adjustments or amendments with respect to previously agreed BAPAs are counted as the same types of the transfer pricing method applied in the original BAPA agreement.

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(Reference)

Terminologies

Mutual Agreement Procedures (MAP) are a formalized set of procedures between treaty partners' tax authorities pursuant to the provisions of 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)

79 tax treaties that Japan has concluded (which cover 86 countries/regions at the end of the 2023 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 authority 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 authority 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.