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Tax Update

NATIONAL TAX AGENCY – BEPS2.0 RELATED INFORMATION

On 30 June 2025, the National Tax Agency (hereinafter the ‘NTA’) released the following information related to BEPS2.0:

1. Revised Guidelines for Preparation of GloBE Information Return

By virtue of the 2023 tax reform, new tax measures equivalent to the Income Inclusion Rule (hereinafter the ‘J-IIR’), which is one of the parts of the Global Anti-Base Erosion Rule of ‘Pillar 2’ agreed by the OECD/G20 Inclusive Framework on BEPS (hereinafter the ‘IF’), were enacted^{(*)1}. In addition, by virtue of the 2025 tax reform, new tax measures equivalent to other two rules, the Undertaxed Profits Rule (hereinafter the ‘J-UTPR’) and Qualified Domestic Minimum Top-up Tax (hereinafter the ‘J-QDMTT’), were established^{(*)2}.

In line with the establishment of the J-IIR, the GloBE Information Return System (hereinafter the ‘Reporting System’) was also established, which requires a Japanese company belonging to the specified Multinational Enterprise (MNE) group, etc. to report certain matters related to the specified MNE group, etc. (hereinafter the ‘Reporting Matters’) to the competent tax office^{(*)1}. The Reporting System has been established based on the model rules and commentary approved by the IF, and international agreement requires that the Reporting Matters must be provided in an internationally uniform format. In light of these circumstances, on 28 June 2024, the NTA published the guidelines for preparation of the Reporting Matters (Japanese only) for reference^{(*)3}.

On 30 June 2025, the NTA published the revised guidelines (Japanese only) based on the ‘Annex A1. Data points’ and ‘Annex A2. Explanatory guidance’ of GloBE Information Return, which was approved by the IF in January 2025^{(*)4}.

The Reporting Matters must be prepared in accordance with the revised guidelines from the applicable fiscal year beginning on or after 1 April 2024.

^{(*)1} We set out an outline of the J-IIR and Reporting System in the Tax Newsletter [‘Outline of the 2023 Tax Reform Proposals’](#) issued on 22 December 2022. (The Reporting System was amended under the 2025 tax reform^{(*)2}.)

- (^{*2}) We set out an outline of the J-UTPR and J-QDMTT and the above amendment of the Reporting System in the Tax Newsletter '[Outline of the 2025 Tax Reform Proposals](#)' issued on 26 December 2024.
- (^{*3}) We set out the information regarding the publication of the first version of the guidelines in the e-Tax News No.310 '[Information Published by the NTA, etc.](#)' issued on 2 July 2024.
- (^{*4}) OECD '[Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return \(January 2025\)](#)' (15 January 2025)

2. FAQ on Simplified and Streamlined Approach to the Application of Transfer Pricing Rules

On 19 February 2024, the OECD/G20 Inclusive Framework on BEPS (hereinafter the 'IF') agreed on the simplified and streamlined approach to the application of transfer pricing rules(^{*}), which was incorporated into the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022.

As a result, jurisdictions that have chosen to apply the simplified and streamlined approach will be able to apply the simplified and streamlined approach to eligible transactions from fiscal years beginning on or after 1 January 2025.

In Japan, the simplified and streamlined approach will not be implemented for the time being. However, since there is a possibility that the simplified and streamlined approach will be implemented in the jurisdictions where related overseas companies (subsidiaries, etc.) of Japanese companies are located, the NTA released the FAQ summarizing the Japanese tax treatment related to the simplified and streamlined approach.

For example, this FAQ clarifies the following:

- Since Japan does not implement the simplified and streamlined approach, it is necessary to calculate arm's length prices using the arm's length pricing methods prescribed in the Japanese tax law regardless of the application status of the simplified and streamlined approach in the jurisdictions where the related overseas companies are located.
- Since Japan does not implement the simplified and streamlined approach, it is NOT possible to request an Advance Pricing Agreement (hereinafter 'APA') in which the outcome from the application of the simplified and streamlined approach is treated as arm's length prices of the transactions with related overseas companies located in jurisdictions where the simplified and streamlined approach has been implemented. It is necessary to request APA in which the arm's length pricing methods prescribed in the Japanese tax law are used.
- In cases where taxation by the application of the simplified and streamlined approach in a jurisdiction where the related overseas company is located resulted in double taxation and there is a tax treaty between the jurisdiction and Japan, the Mutual Agreement Procedure (hereinafter 'MAP') is applicable under the tax treaty.

Note that the Amount B guidance ([Pillar One – Amount B](#)) released by the IF states that the outcome from the application of the simplified and streamlined approach by a jurisdiction where a related overseas company is located should be respected by the jurisdiction where the transaction counterparty is located as far as it is acceptable under domestic legislation and administrative practices of the transaction counterparty's jurisdiction, in case where the related overseas company's jurisdiction is a covered jurisdiction and has a tax treaty with the transaction counterparty's jurisdiction. Therefore, MAP will also be applied in accordance with this as far as it is acceptable under Japanese legislation and administrative practices.

- Since Japan does not implement the simplified and streamlined approach, transfer pricing documents prepared based on the application of the simplified and streamlined approach in the jurisdictions where the related overseas companies are located will NOT be considered as those in line with the reporting format for the documentation of Japanese transfer pricing rules. Therefore, it is necessary to prepare, preserve, and submit (at the request of the tax authorities) transfer pricing documents in which the arm's length prices are calculated using the arm's length pricing methods prescribed in the Japanese tax law in accordance with the provisions of the documentation of the Japanese transfer pricing rules.
- (*) The simplified and streamlined approach to the application of transfer pricing rules refers to the so-called 'Amount B', which intends to simplify and streamline the application of transfer pricing rules to transactions with related overseas companies engaging in baseline marketing and distribution activities that meet certain criteria.

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