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TAX UPDATE

JAPANESE NATIONAL TAX AGENCY CLARIFIED TAX TREATMENT OF US LPS

On 9 February 2017, the Japanese National Tax Agency (NTA) released a statement entitled 'The tax treatment under Japanese law of items of income derived through a U.S. Limited Partnership by Japanese resident partners' on their website.

This was released in response to concerns that a US LPS should be treated as an opaque entity as a consequence of the decision by the Japanese Supreme Court on 17 July 2015 that declared that a US Delaware LPS should be treated as a corporation for Japanese tax purposes.

The NTA clarified in the statement that the NTA treats a US LPS (that has not made an election to be classified as a corporation for US federal tax purposes) as a fiscally transparent entity and for the purposes of applying the US-Japan tax treaty, a Japanese resident that derives an item of income through a US LPS, and that meets all other requirements under the treaty would be eligible to claim tax treaty benefits.

Please see the original statement for more details:

[The tax treatment under Japanese law of items of income derived through a U.S. Limited Partnership by Japanese resident partners](#) (PDF 38KB)

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