JONES DAY

ONE FIRM WORLDWIDE®

ASIA

Jones Day Tax Controversy & Litigation: Asia

The Trends

Tax authorities across Asia are aggressively adopting technology and cross-border data sharing, shifting toward risk-based audits and demanding proof of economic substance rather than relying on form-based assessments. In certain jurisdictions, tax disputes can carry criminal sanctions, including custodial sentences. We set out below some of the trends we are seeing in practice:

- **China.** The State Tax Administration ("STA") is leveraging digital tax collection tools to pursue a wider range of taxpayers, with increasing audit revenue from multinational and domestic enterprises as well as high-net-worth individuals. Key focus areas include high-net-worth individuals and fraudulently obtained tax incentives and fiscal subsidies, covering R&D super deductions, SME preferential policies, and export VAT refunds. Further, the STA is strengthening cross-regional data sharing to pursue historically exempt or refunded taxes.

- **Japan.** The National Tax Agency ("NTA") is enhancing its investigation capabilities through digital transformation, AI, and personnel increases in its international tax sections. Key focus areas include the J-CFC tax regime, where increasing complexity has led to inadvertent noncompliance. The NTA also actively exercises anti-avoidance powers to deny the use of net operating losses in corporate reorganizations and group relief where deemed abusive, and broader transfer pricing documentation requirements have heightened audit risk for intangible assets and financial transactions.

How We Can Help

Jones Day has dedicated tax dispute professionals across Asia—including former tax authority officials—who work alongside local counsel (where local law, court rule, or licensing requirements make that appropriate) to deliver cohesive, strategic defense in complex disputes. We can help with:

- **Risk Assessment and Early Intervention.** We perform risk assessments, review documentation, and develop audit response plans to position clients for favorable outcomes before disputes escalate.

- **Examination Defense and Support.** We craft persuasive factual narratives, coordinate expert analyses, and negotiate issue resolutions directly with tax officials to achieve favorable audit conclusions.

- **Strategic Resolution.** We advise throughout the life cycle of a tax dispute. Our experience allows us to understand the tax authorities' settlement drivers and provide insights to inform an effective negotiating strategy to achieve settlement.

- **Cross-Border Disputes.** We capitalize on Jones Day's global network to provide a one-stop service for cross-border transactions and international corporate reorganizations.

Who Will Be Impacted?

Any taxpayer with a significant presence in Asia, including multinational corporate groups, financial institutions, technology companies, and high-net-worth individuals, faces potential examination.

Key Contacts

For further information regarding our Asian tax controversy & litigation practice, please contact your principal Firm representative or one of the lawyers listed below.

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