Finance

Japan’s Multilateral Convention Against Base Erosion and Profit Shifting Signed

On June 16, 2017, Japan signed the “Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (‘MLI’).” The MLI is a part of the OECD’s Base Erosion and Profit Shifting (“BEPS”) project. Following the counteraction by advanced countries to avoid the shifting profits and is intended to be an implementation of the BEPS project, Japan submitted the relevant materials (i.e., a Notification Project) that is designed for a multilateral, rather than a country-by-country, solution.

The MLI is an amended version of the BEPS proposals. The MLI may be used as an alternative for the provisions in existing tax treaties. The framework may be used in as many as 70 to 80 existing tax treaties. However, as many as 37 countries have decided to do so and 10 countries have not.

Accordingly, one must read each country's decision with required (i) or (ii) above in order to see how each existing treaty will be affected by the MLI.

The following are the main provisions of the MLI that provides Japan will not be enforced in principle to the right to evaluate the following.

1. The MLI is adapted to the existing tax treaties in as far as other existing treaties will be subject to the agreement.

2. The MLI is adapted to the existing tax treaties in as far as other existing treaties will be subject to the agreement.

3. The MLI is adapted to the existing tax treaties in as far as other existing treaties will be subject to the agreement.

4. The MLI is adapted to the existing tax treaties in as far as other existing treaties will be subject to the agreement.

5. The MLI is adapted to the existing tax treaties in as far as other existing treaties will be subject to the agreement.

The following are some of the MLI provisions that Japan so far has not reserved the right to exclude the following.

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Law

Enactment of Private Residence Lodging Business Act

The “Private Residence Lodging Business Act” (“Act”) was enacted on June 9, 2017, and promulgated on June 16, 2017. Given that the law related to Japan’s private residence lodging business (that is, the home-sharing business) was introduced to mitigate the following: (i) notification requirement for home-sharing service operators and a notification requirement for the correction of orders to remove pollution; (ii) the ability to conduct an investigation in certain circumstances; (ii) establishing a system to issue orders for the correction of orders to remove pollution; and (iii) streamlining the regulations relating to the risks, including mitigating notification obligations in the event of change in the land’s characteristics if there is no related orders to remove pollution. This Amendment will come into force no later than two years from the date of promulgation.

The Act establishes a system that certifies business operators that can properly and reliably secure and proper use of anonymized medical data. For medical institutions, it will become possible to submit or change the plans, considering that there is no measure currently in existence that allows medical institutions to provide medical data to certified agencies. This Act will come into force within one year from the date of promulgation.