

Order for the Enforcement of the Corporation Tax Act (Limited to the provisions related to foreign corporations)

(Cabinet Order No. 97 of March 31, 1965)

Part II Corporation Taxes for Domestic Corporations

Chapter I Corporation Taxes on Income for Each Business Year

Section 3 Refunds

(Production of Documents for Refunds of Income Tax)

Article 152 When refunding taxes pursuant to the provisions of Article 78, paragraph (1) (Refunds of Income Tax, etc.) of the Act, a district director can, when it is found to be necessary, request the domestic corporation that is to receive the refund to produce or submit documents or books that prove the amount to be deducted pursuant to the provisions of Article 68 and Article 69 (Tax Credit) of the Act.

Chapter I-2 Corporation Tax on Consolidated Income for Each Consolidated Business Year

Section 1 Calculation of the Amount of Consolidated Income for Each Consolidated Business Year

Subsection 1 Amount of Individual Gross Income or Individual Tax Deductibles

(Provisions on Exclusion from Calculation of the Amount of Individual Gross Income or Individual Tax Deductible)

Article 155 The provisions specified by Cabinet Order prescribed in Article 81-3, paragraph (1) (Inclusion of the Amount of Individual Gross Income or Individual Tax Deductible in Gross Income or Tax Deductibles) of the Act in the case of calculating the amount of individual gross income prescribed in the same paragraph (hereinafter referred to as the "amount of individual gross income" in this Chapter) are to be those of Article 26, paragraph (2) (Exclusion of Refunds from Foreign Taxes from Gross Income), Article 28 (Inclusion of a Foreign Subsidiary's Foreign Tax That Is Credited Against the Corporation Tax in Gross Income) and Article 61-13 (Adjustment of Profits and Losses on Transactions between Consolidated Corporations in the Business Year, etc. Prior to a Company Split, etc.) of the Act, and the provisions specified by Cabinet Order prescribed in Article 81-3, paragraph (1) of the Act in the case of calculating the amount of individual tax deductibles prescribed in the same

paragraph (hereinafter referred to as the "amount of individual tax deductibles" in this Chapter) are to be those of Article 40 (Exclusion of Income Tax to Be Credited Against the Corporation Tax from Tax Deductibles), Article 41 (Exclusion of Foreign Taxes Credited Against the Corporation Tax from Tax Deductibles), Articles 57 to 58 (Carry Forward, etc. of Losses in a Business Year when a Blue Return Has Been Filed) and Article 61-13 of the Act.

Part III Corporation Taxes for Foreign Corporations

Chapter I Domestic Source Income

(Income from Business Conducted in Japan)

Article 176 (1) In the case of a corporation that conducts a business consisting of operations both in and outside Japan, the income listed in each of the following items for the case listed in the relevant item is treated as the corporation's income from a business conducted in Japan as prescribed in Article 138, item

(i) (Domestic Source Income) of the Act:

(i) where the corporation transfers, in Japan, inventories (limited to movables; hereinafter the same applies in this Article) that were transferred to it outside Japan, without conducting any manufacturing, processing or breeding or any other act aimed at adding value to the inventories (hereinafter referred to as an "manufacturing, etc." in this Article) outside Japan (including the case where the corporation carries out manufacturing, etc. with regard to the inventories in Japan, and then transfers inventories acquired through the manufacturing, etc.): All income arising from the transfer conducted in Japan;

(ii) where the corporation carries out manufacturing, etc. (including extraction; hereinafter the same applies in this item) in or outside of Japan, and then transfers into or out of Japan or into Japan, inventories acquired through manufacturing, etc. (including the case where the corporation additionally conducts other manufacturing, etc. in or outside Japan, with regard to the inventories, and then transfers inventories thus acquired): The portion of all its income arising from the transfer which, if the operations performed by the corporation in the course of carrying out the transfer or manufacturing, etc. were divided into those performed in Japan (hereinafter referred to as "domestic operations" in this Article) and those performed outside Japan (hereinafter referred to as "overseas operations" in this Article) and the overseas operations were performed by a person other than the corporation and the inventories were transferred from the relevant other person to the corporation under ordinary trade terms, and vice versa, should have arisen from the domestic operations;

(iii) where the corporation concludes a contract for, or procures personnel or

materials necessary for, construction, installation, assembly or any other work outside Japan, and carries out the work in Japan: All income arising from the work;

- (iv) where the corporation has a transportation business consisting of operations both in and outside Japan using vessels or aircrafts: The portion of all of its income arising from the business which should be determined as that arising from the corporation's domestic operations based on the revenue arising in relation to passengers or cargos taken on board in Japan in the case of a business wherein transportation is done by vessel, or on the revenue arising or expenses incurred in relation to the domestic operations, the value of the fixed assets used for the domestic operations, or any other factor by which the degree of contribution of the domestic operations to the generation of the income from the transportation business can be sufficiently estimated in the case a business wherein the transportation is done by aircraft;
 - (v) where the corporation has a non-life insurance or life insurance business consisting of operations both in and outside Japan: The portion of all of its income arising from the business from insurance contracts concluded via a business office for the business located in Japan or via a person who acts as an agent for conclusion of insurance contracts in Japan;
 - (vi) where the corporation has a publishing or broadcasting business, and provides advertising services consisting of operations both in and outside Japan for another person: The portion of all of its income arising from the advertising services which arises from the revenues from the advertising conducted in Japan;
 - (vii) where the corporation conducts any business (including an act conducted as a part of a business) that consists of operations both in and outside Japan and that falls under none of the categories listed in the preceding items: The portion of all of its income arising from the business from the domestic operations if the operations performed in the course of conducting the business were divided into domestic operations and overseas operations, and these operations were performed by different independent business operators, and transactions were then made between these operators under ordinary trade terms, and vice versa, or which should be determined as that arising from the domestic operations based on the revenue arising from or expenses incurred in relation to the domestic operations, the value of the fixed assets used for the domestic operations, or any other factor by which the degree of contribution of the domestic operations to the generation of the income of the business can be sufficiently estimated.
- (2) Where a corporation transfers inventories out of Japan that were transferred to it in Japan, without conducting any manufacturing, etc. with regard to the

inventories in Japan, income from the transfer is not to be included in the corporation's income from a business conducted in Japan prescribed in Article 138, item (i) of the Act.

- (3) Where a corporation prescribed in paragraph (1) carries out any of the following acts, the provisions of the same paragraph apply by deeming that no income has arisen from that act:
 - (i) advertisement, provision of information, market research, basic research or any other act which is carried out by the corporation outside or in Japan and which plays an auxiliary function for the implementation of the business conducted by the corporation in or outside Japan, respectively;
 - (ii) act of using money, industrial property rights or any other assets which belong to the business conducted by the corporation in or outside Japan, for the business conducted by the corporation outside or in Japan, respectively.
- (4) Where any of the following facts exist with regard to inventories prescribed in paragraph (1), item (i) or item (ii) or paragraph (2), these provisions apply by deeming that the transfer of the inventories has been conducted in Japan:
 - (i) immediately prior to the delivery to the transferee, the inventories to be delivered were located in Japan or managed through the business conducted in Japan by the corporation that is the transferor (meaning the company's business conducted in Japan at a certain place for conducting a business as prescribed in Article 141, item (i) (Foreign Corporations With a Permanent Establishment in Japan) of the Act or a business prescribed in item (ii) or item (iii) of the same Article);
 - (ii) a contract on the transfer has been concluded in Japan;
 - (iii) an essential part of the receipt of an order, negotiation or any other act for concluding the contract on the transfer has been performed in Japan.
- (5) Income arising from a money loan, investment or any other act equivalent thereto conducted vis-à-vis a person who is outside Japan by a corporation prescribed in paragraph (1) via a place prescribed in Article 141, item (i) of the Act that the corporation holds in Japan, if it is attributable to the business conducted at that place, is treated, notwithstanding the provisions of paragraph (1), as the corporation's income from a business conducted in Japan as prescribed in Article 138, item (i) of the Act; provided, however, that this does not apply where the corporation has attached, to its tax return, a document proving the fact that, in the foreign state where that act has been conducted (excluding the state where the corporation's head office or principal office is located), foreign corporation tax prescribed in Article 141, paragraph (1) (Scope of Foreign Corporation Tax) has been imposed or is to be imposed on any income from that act.
- (6) Even if a corporation has filed a tax return without the document set forth in the proviso of the preceding paragraph attached thereto, the district director

may, when finding any unavoidable reason for the corporation's failure to attach the document, apply the provisions of the proviso of the same paragraph, only after the document has been submitted.

- (7) Where a corporation prescribed in paragraph (1) (limited to a foreign corporation listed in Article 141, items (i) to (iii) of the Act) has conducted any of the acts listed in the items of Article 188, paragraph (2) (Calculation of the Amount of a Foreign Corporation's Income That Is Domestic Source Income) with regard to the parent corporation's shares managed in a domestic business, as defined in Article 188, paragraph (7), held by the corporation, that act is not to be included in the scope of acts listed in paragraph (3), item (ii).

(Income from Assets Located in Japan)

Article 177 (1) Income arising from the utilization or holding of the following assets is treated as income arising from the utilization or holding of assets located in Japan prescribed in Article 138, item (i) (Domestic Source Income) of the Act:

- (i) Japanese national government bonds, Japanese local government bonds, bonds issued by a domestic corporation or promissory notes listed in Article 2, paragraph (1), item (xv) (Definitions) of the Financial Instruments and Exchange Act, all of which fall under the category of public and corporate bonds prescribed in Article 2, paragraph (1), item (ix) (Definitions) of the Income Tax Act (referred to as "public and corporate bonds" in item (iii) of the following paragraph);
 - (ii) claims pertaining to loans to residents prescribed in Article 2, paragraph (1), item (iii) of the Income Tax Act (hereinafter referred to as "residents" in this Chapter) which are other than those pertaining to operations performed by the residents;
 - (iii) the right to receive the payment of insurance or distribution of surpluses (including those equivalent thereto) based on a life insurance contract or any other similar contract concluded via a business office, office or others equivalent thereto (referred to as a "business office" in the following paragraph) or a person who acts as an agent for the conclusion of contracts in Japan.
- (2) Income arising from the transfer of the following assets is treated as income arising from the transfer of assets located in Japan prescribed in Article 138, item (i) of the Act:
- (i) rights established by a license, permission or other similar dispositions based on Japanese laws and regulations;
 - (ii) the securities prescribed in Article 2, paragraph (1) of the Financial Instruments and Exchange Act or the rights listed in item (i), item (ii), or item (iv) of Article 11 (Scope of Those Equivalent to Securities) (excluding

- rights listed in the following item) which are listed as follows:
- (a) those that are transferred in a financial instruments exchange market prescribed in Article 2, paragraph (17) of the Financial Instruments and Exchange Act;
 - (b) those that are transferred via a business office located in Japan;
 - (c) securities or rights for which certificates, instruments, or documents proving the rights were located in Japan immediately prior to the time when the transfer became obligatory based on a contract or other terms;
- (iii) the following public and corporate bonds or equities:
- (a) national government bonds registered pursuant to the provisions of the Act on National Government Bonds (Act No. 134 of 1906);
 - (b) public and corporate bonds entered or recorded in the transfer account book prescribed in the Act on Book-Entry Transfer of Company Bonds, Shares, etc.;
 - (c) equities listed in Article 11, item (iii) which pertain to domestic corporations;
- (iv) shares, etc. prescribed in Article 187, paragraph (1), item (iii) (Taxable Income of Foreign Corporations Without a Permanent Establishment) whose transfer yields the income falling under (a) or (b) of the same item;
- (v) shares, etc. prescribed in Article 187, paragraph (1), item (iv) whose transfer yields the income falling under the same item;
- (vi) where owning the shares or capital contributions of a corporation pertaining to the ownership or management of a golf course located in Japan is required so that the owner becomes a person entitled to use the golf course continuously under advantageous terms compared to general users, those shares or capital contributions;
- (vii) the right concerning deposits or savings prescribed in Article 2, paragraph (1), item (x) of the Income Tax Act, installment savings, or installments prescribed in Article 2, paragraph (4) (Definitions, etc.) of the Bank Act which have been received by a business office located in Japan, or the right concerning jointly managed money trusts prescribed in Article 2, paragraph (1), item (xi) of the Income Tax Act (excluding loan trusts prescribed in item (xii) of the same paragraph) which have been entrusted to a business office located in Japan;
- (viii) the claims pertaining to loans prescribed in Article 138, item (vi) of the Act or item (ii) of the preceding paragraph;
- (ix) the right to receive a pension prescribed in Article 138, item (ix) of the Act or the right listed in item (iii) of the preceding paragraph;
- (x) the claims pertaining to a contract prescribed in Article 138, item (x), (c) of the Act;
- (xi) the right to receive the distribution of profit prescribed in Article 138, item

- (xi) of the Act;
- (xii) the business right pertaining to a business conducted in Japan;
- (xiii) the right concerning the utilization of golf courses or any other facilities located in Japan;
- (xiv) beyond assets listed in the preceding items, assets that had been located in Japan immediately prior to the time when the transfer of the assets became obligatory based on a contract or other terms (excluding movables that are inventories).

(Income with a Domestic Source)

Article 178 The income specified by Cabinet Order prescribed in Article 138, item (i) (Domestic Source Income) of the Act is to be the income listed as follows (excluding income falling under items (ii) to (xi) of the same Article):

- (i) income pertaining to insurance, compensation, or monetary damages (including income similar thereto) that is to be received for operations performed in Japan or assets located in Japan;
- (ii) income arising from receiving a gift of assets that are located in Japan;
- (iii) income pertaining to items that were hidden in the ground and that were discovered in Japan or lost property that was found in Japan;
- (iv) income pertaining to money and goods or any other economic benefits that were received as a prize based on a prize competition solicited in Japan;
- (v) beyond what is listed in the preceding items, income pertaining to economic benefit that is given with regard to operations performed in Japan or assets located in Japan.

(Scope of Business That Has as Its Main Content the Provision of Personal Services)

Article 179 The business specified by Cabinet Order prescribed in Article 138, item (ii) (Domestic Source Income) of the Act is to be the business listed as follows:

- (i) a business that has as its main content the provision of the services of motion picture or theater actors, musicians and any other entertainer or professional athletes;
- (ii) a business that has as its main content the provision of the services of attorneys, certified public accountants, architects or any other professional services;
- (iii) a business that has as its main content the provision of services carried out by persons who have expert knowledge or specialist skills in science and technology, business management or any other fields, by utilizing the knowledge or skills (excluding a business conducted in association with the principal operations of a person who engages in sales and other businesses

concerning machinery and equipment, and a business that is mainly intended to provide services for directing and supervising construction, installation, assembly or any other work as prescribed in Article 141, item (ii) (Tax Base for a Foreign Corporation's Corporation Tax) of the Act).

(Interest Attributed to Business Conducted in Japan)

Article 179-2 The interest specified by Cabinet Order prescribed in Article 138, item (iv), (b) (Domestic Source Income) of the Act is to be an interest listed as follows:

- (i) interest on bonds issued by a foreign corporation listed in Article 141, item (i) (Foreign Corporations With a Permanent Establishment in Japan) of the Act that is attributed to the foreign corporation's business conducted in Japan at a certain place for conducting business prescribed in the same item;
- (ii) interest on bonds issued by a foreign corporation listed in Article 141, item (ii) or item (iii) of the Act that is attributed to the foreign corporation's business prescribed in the same items.

(Interest on Loans Pertaining to Domestic Operations)

Article 180 (1) The interest specified by Cabinet Order prescribed in Article 138, item (vi) (Domestic Source Income) of the Act is to be the interest on the following claims for which the period between the day of their occurrence and the day on which the obligation is to be performed (for claims for which that period is scheduled to be extended substantially by an extension of the period or in any other means (hereinafter referred to as an "extension, etc. of the period" in this paragraph), the extended period; hereinafter referred to as the "period until due date" in this paragraph) does not exceed six months (including claims during the original period until due date before the extension, etc. of the period in the case where the period until due date of the claims, whose original period until due date at the time of coming into effect did not exceed six months, has come to exceed six months by the extension, etc. of the period):

- (i) claims pertaining to a consideration for the transfer of assets or provision of services for a person who carries out operations in Japan;
 - (ii) claims which a financial institution holds against a person who carries out operations in Japan with regard to the settlement of the consideration prescribed in the preceding item.
- (2) The interest prescribed in the preceding paragraph is not to be included in the income arising from the utilization or holding of assets located in Japan under Article 138, item (i) of the Act, but is to be included in the income arising from a business conducted in Japan under the same item.
- (3) With regard to the application of the provisions of Article 138, item (vi) of the

Act, loans provided for a domestic corporation or a resident for the purpose of purchasing a vessel or aircraft to be used for operations by the domestic corporation or the resident are to be treated as loans falling under the provisions of the same item, and loans provided for a foreign corporation or a nonresident prescribed in Article 2, paragraph (1), item (v) (Definitions) of the Income Tax Act (hereinafter referred to as a "nonresident" in this Chapter) for the purpose of purchasing a vessel or an aircraft to be used for the operations by the foreign corporation or the nonresident are to be treated as loans other than those falling under the provisions of Article 138, item (vi) of the Act.

(Royalties Pertaining to Domestic Operations)

Article 181 (1) The tools specified by Cabinet Order prescribed in Article 138, item (vii), (c) (Domestic Source Income) of the Act are to be vehicles, carriers, industrial tools, apparatuses and equipment.

(2) With regard to the application of the provisions of Article 138, item (vii) of the Act, royalties for the assets prescribed in (b) or (c) of the same item which are used in a vessel or aircraft used for the business of a domestic corporation or a resident are treated as royalties falling under the provisions of the same item, and royalties for the assets which are used in a vessel or aircraft used for the business of a foreign corporation or a nonresident are treated as royalties other than that falling under the provisions of the same item.

(Monetary Award for Business Advertisement)

Article 182 The monetary award specified by Cabinet Order prescribed in Article 138, item (viii) (Domestic Source Income) of the Act is to be money and goods or any other economic benefits that are paid as a prize for the advertisement of a business conducted in Japan.

(Scope of Contracts for Pensions)

Article 183 The contracts specified by Cabinet Order prescribed in Article 138, item (ix) (Domestic Source Income) of the Act are to be a life insurance contract, a non-life insurance contract or a contract for mutual aid similar thereto which specify the payment of pensions.

(Scope of Agreements Equivalent to a Silent Partnership Agreement)

Article 184 The agreement specified by Cabinet Order prescribed in Article 138, item (xi) (Domestic Source Income) of the Act is to be an agreement in which one party promises to make a capital contribution to the business of the counterparty and the counterparty promises to allocate profits arising from the business thereto.

Chapter II Corporation Tax on Income for Each Business Year
Section 1 Tax Base and Calculation of the Amount of Tax

(Branch Offices or Any Other Certain Places Where a Foreign Corporation
Conducts Business)

Article 185 (1) The places specified by Cabinet Order prescribed in Article 141, item (i) (Tax Base for a Foreign Corporation's Corporation Tax) of the Act are to be the places listed as follows:

- (i) branch offices, local offices or any other places of business or offices, factories, or warehouses (limited to those used by warehousemen for their businesses);
- (ii) mines, quarries, or any other places where natural resources are extracted;
- (iii) any other certain places for conducting a business equivalent to the places listed in the preceding two items.

(2) The following places are not to be included in the places referred to in the preceding paragraph:

- (i) any certain places used by a foreign corporation only for the purpose of operations to purchase assets;
- (ii) any certain places used by a foreign corporation only for the purpose of retaining its assets;
- (iii) any certain places used by a foreign corporation only for the purpose of carrying out advertising, provision of information, market research, basic research or any other act which plays an auxiliary function for the implementation of its business.

(Agents Retained by Foreign Corporations)

Article 186 The person specified by Cabinet Order prescribed in Article 141, item (iii) (Tax Base for a Foreign Corporation's Corporation Tax) is to be a person listed as follows (where, in the course of the business, the person performs operations for a foreign corporation prescribed in the relevant item independently and by an ordinary method, excluding the person):

- (i) a person who is authorized to conclude, on behalf of a foreign corporation, contracts regarding its business (excluding a contract which enables the foreign corporation to purchase assets; hereinafter the same applies in this Article) and regularly exercises the authority (excluding a person who conducts the same or a similar business as that of the foreign corporation and carries out operations for concluding the contract on behalf of the foreign corporation from an indispensable necessity based on the nature of its business);
- (ii) a person who retains, on behalf of a foreign corporation, a certain amount of assets for responding to ordinary requests from customers and delivers the

- assets to customers at their request;
- (iii) a person who regularly performs, on behalf of, either solely or mainly, a single foreign corporation (including major shareholders, etc. of the foreign corporation or other persons who have special relationships with the foreign corporation) an essential part of the receipt of an order, negotiation or any other act for concluding contracts for its business.

(Taxable Income of Foreign Corporations without a Permanent Establishment)

Article 187 (1) The domestic source income specified by Cabinet Order prescribed in Article 141, item (iv) (Tax Base for a Foreign Corporation's Corporation Tax) of the Act is to be the income listed as follows:

- (i) income arising from the transfer of a right on real estate located in Japan, a mining right pursuant to the provisions of the Mining Act, or a right of quarrying pursuant to the provisions of the Quarrying Act;
- (ii) income arising from the cutting or transfer of ownership of forests located in Japan;
- (iii) the following income arising from the transfer of shares issued by a domestic corporation (including the right to be a shareholder, the right to receive an allotment of shares, and the right to receive a share option and an allotment of share option) or any other equities of a contributory to a domestic corporation (excluding equities of a contributory to a specific former special purpose company prescribed in Article 230, paragraph (1) (Transitional Measures upon Partial Revision under the Act for the Partial Revision of the Act on Securitization of Specific Assets by Special Purpose Companies) of the Act on the Development of Related Acts Associated with the Enforcement of the Companies Act; hereinafter those shares or any other equities are referred to as "shares, etc." in this paragraph and paragraph (4)):
- (a) income arising from collecting the same issues of shares, etc. of a domestic corporation and transferring the shares, etc., by using the position as the owner thereof, to the domestic corporation or its specially-related persons or under an agreement made by the domestic corporation or its specially-related persons or a person commissioned by them;
- (b) income arising from the transfer of shares, etc. of a domestic corporation by a foreign corporation which is a specially-related shareholder, etc. of the domestic corporation;
- (iv) income arising from the transfer of shares (including capital contributions; the same applies in paragraph (8) and paragraph (10)) of a real estate corporation;
- (v) income arising from the transfer of shares, capital contributions, or rights listed in Article 177, paragraph (2), item (vi) or item (xiii) (Income Arising

- from the Transfer of Assets Located in Japan);
- (vi) income prescribed in Article 178 (Income with a Domestic Source).
- (2) The collection of shares, etc. prescribed in item (iii), (a) of the preceding paragraph is to be a collection in the case where a financial instruments exchange (meaning a financial instruments exchange prescribed in Article 2, paragraph (16) (Definitions) of the Financial Instruments and Exchange Act; the same applies in paragraph (9)) or the approved financial instruments firms association prescribed in paragraph (13) of the same Article has requested a member thereof (including a trading participant prescribed in paragraph (19) of the same Article) to submit a report or materials with regard to the details of the buying and selling as there has been or is suspected to have been a collection of a considerable number of shares that may cause fluctuations in the value of specified issues of shares or other abnormal movements in trading status, or another collection similar thereto.
- (3) The specially-related persons prescribed in paragraph (1), item (iii), (a) are to be an officer or a major shareholder, etc. of a domestic corporation (including a person who will become a major shareholder, etc. of the domestic corporation by obtaining shares, etc. prescribed in (a) of the same item from a person who has collected the shares, etc.) referred to in (a) of the same item, a relative of those persons, a corporation managed by those persons, a major business client of the domestic corporation or any other person who has equivalent special relationships to the domestic corporation.
- (4) The specially-related shareholder, etc. prescribed in paragraph (1), item (iii), (b) is to be a person listed as follows:
- (i) the sole shareholder, etc. of the domestic corporation referred to in paragraph (1), item (iii), (b);
- (ii) a person with a special relationship prescribed in Article 4 (Scope of Persons or Corporations Affiliated with Basic Shareholders) or other equivalent relationship to the sole shareholder, etc.;
- (iii) a person who will fall under the category of a shareholder, etc. with regard to the shares, etc. of a domestic corporation referred to in paragraph (1), item (iii), (b) which are a part of the partnership property under a partnership agreement (including the following partnership agreements) concluded with the sole shareholder, etc. (excluding persons listed in the preceding two items):
- (a) a partnership agreement concluded by a partnership (including those similar thereto; hereinafter the same applies in this paragraph) that was established through a partnership agreement concluded with the sole shareholder, etc.;
- (b) a partnership agreement concluded by a partnership that was established through a partnership agreement concluded as listed in (a) or (c);

- (c) a partnership agreement concluded by a partnership that was established through a partnership agreement concluded as listed in (b).
- (5) The partnership agreement prescribed in the preceding paragraph and paragraph (10) is to be an agreement listed as follows, and the partnership property prescribed in these provisions is to be what is prescribed in the following items in accordance with the agreement categories listed in those respective items:
- (i) a partnership agreement prescribed in Article 667, paragraph (1) (Partnership Agreements) of the Civil Code: Partnership property prescribed in Article 668 (Joint Ownership in Partnership Property) of the same Act;
 - (ii) a partnership agreement under a limited partnership for investment prescribed in Article 3, paragraph (1) (Partnership Agreements under Limited Partnerships for Investment) of the Act on Limited Partnerships for Investment: Partnership property prescribed in Article 668 of the Civil Code which is applied mutatis mutandis pursuant to Article 16 (Mutatis Mutandis Application of the Civil Code) of the Act on Limited Partnerships for Investment;
 - (iii) a limited liability partnership agreement prescribed in Article 3, paragraph (1) (Limited Liability Partnership Agreements) of the Limited Liability Partnership Act: Partnership property prescribed in Article 668 of the Civil Code which is applied mutatis mutandis pursuant to Article 56 (Mutatis Mutandis Application of the Civil Code) of the Limited Liability Partnership Act;
 - (iv) any agreement similar to the agreements listed in the preceding three items in a foreign state (hereinafter referred to as a "partnership agreement in a foreign state" in this item): Property similar to the partnership property prescribed in the preceding three items pertaining to the partnership agreement in a foreign state.
- (6) The transfer of shares, etc. prescribed in paragraph (1), item (iii), (b) is to be limited to the transfer of shares or capital contributions prescribed in item (ii) in the business year containing the date of the transfer by the foreign corporation referred to in item (iii), (b) of the same paragraph (hereinafter referred to as the "business year containing the date of transfer" in this paragraph and paragraph (9)) in the case satisfying the following requirements:
- (i) at any time within three years prior to the final day of the business year containing the date of transfer, a specially-related shareholder, etc. of the domestic corporation referred to in paragraph (1), item (iii), (b) owned the domestic corporation's issued shares or capital contributions (referred to as "issued shares, etc." in the following item and following paragraph) which are equivalent to 25 percent or more of the total number or total amount of the

domestic corporation's issued shares or capital contributions (in the case where the specially-related shareholder, etc. is a person listed in paragraph (4), item (iii), those issued shares or capital contributions are limited to those that belong to partnership property; the same applies in the following item and following paragraph);

(ii) in the business year containing the date of transfer, a specially-related shareholder, etc. of the domestic corporation referred to in paragraph (1), item (iii), (b), including the foreign corporation referred to in (b) of the same item, transferred shares or capital contributions which are equivalent to five percent (in the case where the business year is less than one year, the rate calculated by dividing by 12 the figure obtained by multiplying five percent by the number of months of the business year) or more of the total number or total amount of the domestic corporation's issued shares, etc. immediately prior to the first transfer of the domestic corporation's shares or capital contributions.

(7) In the case falling under any of the following items, the provisions of the preceding paragraph apply by deeming that a specially-related shareholder, etc. of the domestic corporation referred to in paragraph (1), item (iii), (b) including the foreign corporation referred to in (b) of the same item has transferred shares or capital contributions prescribed in item (ii) of the preceding paragraph that satisfy the requirements listed in the same item:

(i) where the foreign corporation referred to in paragraph (1), item (iii), (b) has received the delivery of shares or any other assets of a succeeding corporation due to a company split by split-off conducted by the domestic corporation referred to in (b) of the same item which had issued shares or capital contributions that the foreign corporation owns, when the rate obtained by multiplying the rate pertaining to the company split by split-off prescribed in Article 119-8, paragraph (1) (The Amount of Transfer Value and Transfer Costs in a Company Split by Split-Off) by the rate of the number or amount of the domestic corporation's shares or capital contributions which the specially-related shareholder, etc. of the domestic corporation including the foreign corporation had owned immediately prior to the company split by split-off among the total number or total amount of the domestic corporation's issued shares, etc. immediately prior to the company split by split-off is five percent or more;

(ii) where the foreign corporation referred to in paragraph (1), item (iii), (b) has received the delivery of money or any other assets as the return of the capital prescribed in Article 24, paragraph (1), item (iii) (The Amount Deemed to Be Dividends, etc.) of the Act or distribution of part of the residual assets through dissolution (hereinafter referred to as the "return, etc." in this item) of the domestic corporation referred to in paragraph (1), item (iii), (b) which

- had issued shares or capital contributions that the foreign corporation owns, when the rate obtained by multiplying the rate pertaining to the return, etc. prescribed in Article 119-9, paragraph (1) (The Amount of Transfer Costs of Shares in a Return, etc. of Capital) by the rate of the number or amount of the domestic corporation's shares or capital contributions which the specially-related shareholder, etc. of the domestic corporation including the foreign corporation had owned immediately prior to the return, etc. among the total number or total amount of the domestic corporation's issued shares, etc. immediately prior to the return, etc. is five percent or more.
- (8) The real estate corporation prescribed in paragraph (1), item (iv) is to be a corporation for which the rate of the sum of the values of the following assets accounts for 50 percent or more of the total amount of its gross assets:
- (i) land, etc. located in Japan (meaning land or the right on land, buildings and facilities attached thereto, or structures; hereinafter the same applies in this paragraph);
 - (ii) shares of a corporation for which the rate of the sum of the values of land, etc. located in Japan accounts for 50 percent or more of the total amount of its gross assets;
 - (iii) shares (excluding those falling under shares listed in the preceding item) of a corporation which owns shares listed in the preceding item or the following item (limited to a corporation for which the rate of the sum of the values of land, etc. located in Japan and shares listed in the preceding item, this item, and the following item among the total amount of its gross assets is 50 percent or more);
 - (iv) shares (excluding those falling under shares listed in the preceding two items) of a corporation which owns shares listed in the preceding item (limited to a corporation for which the rate of the sum of the values of land, etc. located in Japan and shares listed in the preceding two items and this item among the total amount of its gross assets is 50 percent or more).
- (9) The transfer of shares prescribed in paragraph (1), item (iv) is to be limited to the transfer of shares or capital contributions listed as follows:
- (i) the transfer of shares or capital contributions in the case where a specially-related shareholder, etc. of the real estate corporation referred to in paragraph (1), item (iv) pertaining to the shares or capital contributions (limited to those listed in a financial instruments exchange or others specified by Ministry of Finance Order as being similar thereto; referred to as "listed shares, etc." in the following item) had owned, on the previous day of the first day of the business year containing the date of transfer, the number or amount of shares or capital contributions accounting for five percent or more of the total number or total amount of the real estate corporation's issued shares or capital contributions (excluding shares that it

holds in itself or capital contributions that the real estate corporation owns; referred to as "issued shares, etc." in the following item) and the person who transferred the shares or capital contributions is the specially-related shareholder, etc.;

- (ii) the transfer of shares or capital contributions in the case where a specially-related shareholder, etc. of the real estate corporation referred to in paragraph (1), item (iv) pertaining to the shares or capital contributions (excluding listed shares, etc.) had owned, on the previous day of the first day of the business year containing the date of transfer, the number or amount of shares or capital contributions accounting for two percent or more of the total number or total amount of the real estate corporation's issued shares, etc. (in the case where the specially-related shareholder, etc. is a person listed in item (iii) of the following paragraph, limited to those that belong to partnership property referred to in the item) and the person who transferred the shares or contributions is the specially-related shareholder, etc.
- (10) The specially-related shareholder, etc. prescribed in the preceding paragraph is to be a person listed as follows:
- (i) the sole shareholder, etc. of the real estate corporation referred to in paragraph (1), item (iv);
 - (ii) a person with a special relationship prescribed in Article 4 or other equivalent relationship to the sole shareholder, etc.;
 - (iii) a person (excluding those listed in the preceding two items) who will fall under the category of a shareholder, etc. with regard to shares of the real estate corporation referred to in paragraph (1), item (iv) which belong to partnership property pertaining to a partnership agreement (including those listed as follows) concluded with the sole shareholder, etc.:
 - (a) a partnership agreement concluded by a partnership (including those similar thereto; hereinafter the same applies in this paragraph) that was established through a partnership agreement concluded with the sole shareholder, etc.;
 - (b) a partnership agreement concluded by a partnership that was established through a partnership agreement concluded as listed in (a) or (c);
 - (c) a partnership agreement concluded by a partnership that was established through a partnership agreement concluded as listed in (b).
- (11) The number of months referred to in paragraph (6) is to be calculated based on the calendar and lengths of time less than one month are deemed to be one month.

(Calculation of the Amount of a Foreign Corporation's Income That Is Domestic Source Income)

Article 188 (1) When calculating the amount of a foreign corporation's income

that is categorized as domestic source income prescribed in Article 142 (Calculation of the Amount of Income Categorized as Domestic Source Income) of the Act pursuant to the provisions of the Act listed in the following items under the provisions of the same Article, the provisions of those respective items are applicable:

- (i) Article 22 (Calculation of the Amount of Income for Each Business Year) of the Act: The selling expenses, general administrative expenses, and any other expenses for the business year prescribed in paragraph (3), item (ii) of the same Article are to be limited to the portion of the foreign corporation's expenses for the business year which are allocated to its operations in Japan based on the foreign corporation's amount of revenue, or expenses pertaining to domestic source income prescribed in Article 138 (Domestic Source Income) of the Act, value of fixed assets, or any other rational standards, and the loss for the business year prescribed in item (iii) of the same paragraph are to be limited to the loss incurred with regard to the foreign corporation's operations in Japan or assets located in Japan;
- (ii) Article 23 (Exclusion of Dividends Received, etc. from Gross Income) of the Act: The interest on debts prescribed in paragraph (4) of the same Article is to be limited to the interest on the debts pertaining to the business that the foreign corporation conducts in Japan;
- (iii) Article 29 (Calculation of the Cost, etc. of Sales of Inventories and Methods of Valuation Thereof) of the Act: The inventories prescribed in paragraph (1) of the same Article are to be limited to the foreign corporation's inventories located in Japan;
- (iv) Article 31 (Calculation of the Depreciation Allowance of Depreciable Assets and Depreciation Method) of the Act: The depreciable assets prescribed in paragraph (1) of the same Article are to be limited to the foreign corporation's depreciable assets located in Japan;
- (v) Article 32 (Calculation of the Depreciation Allowance of Deferred Assets and Depreciation Method) of the Act: The deferred assets prescribed in paragraph (1) of the same Article are to be limited to the foreign corporation's deferred assets attributed to the business that the foreign corporation conducts in Japan or those pertaining to the foreign corporation's assets located in Japan;
- (vi) Article 33 (Exclusion of Asset Valuation Losses from Tax Deductibles) of the Act: The assets prescribed in paragraph (2) of the same Article are to be limited to the assets of the foreign corporation that are located in Japan;
- (vii) Article 34 (Exclusion of Remuneration for Officers from Tax Deductibles) of the Act: The employees prescribed in paragraph (1) of the same Article are to be limited to the foreign corporation's employees who work full-time in Japan for the business that the foreign corporation conducts in Japan;

- (viii) Article 37 (Exclusion of Contributions and Donations from Tax Deductibles) of the Act: The amount of stated capital, etc. prescribed in paragraph (1) of the same Article is to be the amount calculated by multiplying the amount of the foreign corporation's stated capital, etc. by the rate of the value of all of the foreign corporation's assets located in Japan (in the case of a foreign corporation which conducts a business in Japan, including its assets located outside Japan that pertain to the business conducted in Japan) of the value of all of the foreign corporation's assets in the world, and the amount of income prescribed in the same paragraph is to be the amount of income categorized as domestic source income prescribed in Article 142 of the Act;
- (ix) Article 38 (Exclusion of the Amount of Corporation Tax, etc. from Tax Deductibles) of the Act: The corporation tax prescribed in paragraph (1) of the same Article and the tax listed in each item of paragraph (2) of the same Article (hereinafter referred to as "corporation tax, etc." in this item) are to include those equivalent to corporation tax, etc. imposed by a foreign public and a local public entity of that state;
- (x) Article 40 (Exclusion of Income Tax to Be Credited Against the Corporation Tax from Tax Deductibles) of the Act: The amount equivalent to the amount to be deducted or refunded as prescribed in the same Article is to include the amount to be deducted or refunded in the case of receiving the application of the provisions of Article 68, paragraph (1) (Income Tax Credit) of the Act which is applied mutatis mutandis pursuant to Article 144 (Mutatis Mutandis Application to Foreign Corporations) of the Act, or the provisions of Article 78, paragraph (1) (Refund of Income Tax, etc.) of the Act or Article 133, paragraph (1) (Refund of Income Tax, etc. Due to a Reassessment Related to a Tax Return or a Consolidated Tax Return) of the Act which are applied mutatis mutandis pursuant to Article 145 (Mutatis Mutandis Application to Foreign Corporations) of the Act or Article 147 (Mutatis Mutandis Application to Foreign Corporations) of the Act, and the amount equivalent to the income tax which is imposed, pursuant to the provisions of Article 178 (Tax Base for a Foreign Corporation's Income Tax) and Article 179 (Tax Rate for a Foreign Corporation's Income Tax) of the Income Tax Act, with regard to dividends, etc. prescribed in Article 190 (Dividends, etc. With No Applicable Income Tax Credit) among domestic source income listed in Article 141, item (i) (Tax Base for a Foreign Corporation's Corporation Tax) of the Act of the foreign corporation listed in the same item;
- (xi) Article 47 (Inclusion of the Depreciated Amount of Fixed Assets, etc. Acquired with Insurance Monies, etc. in Tax Deductibles) of the Act: The substituted assets prescribed in paragraph (1) and paragraph (2) of the same Article (in the case where improvements have been made to damaged fixed

- assets owned as prescribed in paragraph (1) of the same Article, the fixed assets are included) are to be limited to the substituted assets that have been located in Japan at the time of acquisition, improvements or delivery prescribed in these provisions;
- (xii) Article 50 (Inclusion of the Depreciated Amount of Assets Acquired through Exchange in Tax Deductibles) of the Act: The assets acquired and assets transferred prescribed in paragraph (1) of the same Article are to be limited to the fixed assets that have been located in Japan at the time of exchange prescribed in the same paragraph;
- (xiii) Article 52 (Reserves for Bad Debts) of the Act: The monetary claim prescribed in paragraph (1) and paragraph (2) of the same Article is to be limited to a monetary claim pertaining to a business which a foreign corporation conducts in Japan, and each business year prescribed in these paragraphs is not to include a business year containing a day on which a corporation falling under any of the foreign corporations listed in items (i) to (iii) of Article 141 of the Act came to fall under the category of a foreign corporation listed in item (iv) of the same Article or a corporation falling under a foreign corporation listed in the same item abolished a business prescribed in Article 138, item (ii) of the Act which had been conducted in Japan (hereinafter referred to as a "business year abolishing domestic business" in this paragraph);
- (xiv) Article 53 (Reserves for Loss on Returned Goods) of the Act: The sales of inventories pertaining to the business prescribed in paragraph (1) of the same Article are to be limited to the sales of the inventories pertaining to the relevant business prescribed in the same paragraph which a foreign corporation conducts in Japan (excluding inventories pertaining to long-term installment sales, etc. prescribed in Article 63, paragraph (6) (Long-Term Installment Sales, etc.) of the Act, for which the provisions of the main clause of paragraph (1) or the main clause of paragraph (2) of the same Article have been applied regarding the amount of profits and expenses thereof), and each business year prescribed in Article 53, paragraph (1) of the Act is not to include the foreign corporation's business year abolishing domestic business;
- (xv) Article 55 (Exclusion of Costs, etc. Pertaining to Wrongdoing, etc. from Tax Deductibles) of the Act: The amount listed in the items of paragraph (3) of the same Article is to include the amount equivalent to the amount listed in those respective items which is imposed by a foreign public and a local public entity of that state;
- (xvi) Article 60 (Inclusion of Insurance Companies' Dividends on Policyholders in Tax Deductibles) of the Act: The insurance contract prescribed in paragraph (1) of the same Article is to be limited to the insurance contract

concluded via a foreign corporation's business office located in Japan or a person who acts as an agent for the conclusion of contracts;

(xvii) Article 61-2, paragraph (2), paragraph (4) and paragraph (9) (Inclusion of Capital Gains or Losses on Securities in Gross Income or Tax Deductibles) of the Act: Where a corporation which issued old shares prescribed in these provisions is a domestic corporation, shares (including capital contributions; hereinafter the same applies in this Article) of a corporation which has relationships specified by Cabinet Order prescribed in these provisions are not to include shares of a foreign corporation (excluding the parent corporation's shares managed in a domestic business which have been issued for a foreign corporation listed in items (i) to (iii) of Article 141 of the Act);

(xviii) Article 62-4 (Transfer of Assets, etc. by Way of Qualifying Contribution in Kind Based on Book Value): The qualifying contribution in kind prescribed in paragraph (1) of the same Article (hereinafter referred to as a "qualifying contribution in kind" in this paragraph and paragraph (8)) is to be limited to a qualifying contribution in kind in which a foreign corporation listed in Article 141, item (i) of the Act (hereinafter referred to as a "capital contributing foreign corporation" in this item and the following item) transfers assets or liabilities to a domestic corporation, and where the value of the transferred assets and liabilities at the time of the qualifying contribution in kind exceeds the book value of the transferred assets and liabilities immediately prior to the qualifying contribution in kind as prescribed in Article 62-4, paragraph (1) of the Act, the qualifying contribution in kind is to be limited to one in which the following requirements are satisfied:

- (a) the contributing foreign corporation continually satisfies the requirements for continuing a business (meaning that it continually falls under the category of a foreign corporation listed in Article 141, item (i) of the Act; hereinafter the same applies in this paragraph and paragraph (8)) during the period between the day of the qualifying contribution in kind and the final day of the business year containing the day of qualifying contribution in kind (referred to as a "business year in which the qualifying contribution in kind was made" in (b)) and will also continue to satisfy the requirements for continuing a business thereafter;
- (b) the contributing foreign corporation continually satisfies the requirements for managing shares (meaning that the contributing foreign corporation's representative person in Japan manages shares acquired in the qualifying contribution in kind as assets pertaining to its business conducted in Japan; hereinafter the same applies in this item) during the period between the day of qualifying contribution in kind and the final day of the business year in which the qualifying contribution in kind was made,

and will also continue to satisfy the requirements for managing shares thereafter;

(xix) Article 62-5 (Transfer of Assets, etc. at a Fair Value as a Result of a Qualified Post-Formation Acquisition and Inclusion of Gains or Losses on the Book Value Adjustment of Shares in Gross Income or Tax Deductibles) of the Act: The qualified post-formation acquisition prescribed in paragraph (1) of the same Article (hereinafter referred to as the "qualified post-formation acquisition" in this item) is to be limited to a qualified post-formation acquisition in which a contributing foreign corporation transfers assets or liabilities to a domestic corporation, and where there are book value adjustment losses prescribed in the same paragraph (referred to as "book value adjustment losses" in paragraph (8)), the qualified post-formation acquisition is to be limited to one in which the following requirements are satisfied:

(a) the contributing foreign corporation continually satisfies the requirements for continuing a business during the period between the day of the qualified post-formation acquisition and the final day of the business year containing the day of the qualified post-formation acquisition (referred to as a "business year in which the qualified post-formation acquisition was implemented" in (b)) and will also continue to satisfy the requirements for continuing a business thereafter;

(b) the contributing foreign corporation continually satisfies the requirements for managing shares (meaning that the contributing foreign corporation's representative person in Japan manages shares acquired in the qualified post-formation acquisition as assets pertaining to its business conducted in Japan; hereinafter the same applies in this item) during the period between the day of the qualified post-formation acquisition and the final day of the business year in which the qualified post-formation acquisition was implemented, and will also continue to satisfy the requirements for managing shares thereafter;

(xx) Article 63 of the Act: The long-term installment sales, etc. prescribed in paragraph (1) of the same Article are to be limited to long-term installment sales, etc. pertaining to a business which a foreign corporation conducts in Japan, and each business year in and after the business year containing the day of delivery or provision of objects or services pertaining to the sales, etc. of its assets prescribed in the same paragraph and each business year in and after the business year containing the day of lease transfer prescribed in paragraph (2) of the same Article is not to include the foreign corporation's business year abolishing a domestic business;

(xxi) Article 64-2 (Calculation of the Amount of Income Related to Lease Transactions) of the Act: The lease transactions prescribed in paragraph (1)

of the same Article are to be limited to lease transactions pertaining to a business conducted by a foreign corporation in Japan or a foreign corporation's assets located in Japan.

(2) Where a foreign corporation listed in items (i) to (iii) of Article 141 of the Act has conducted any of the following acts with regard to the whole or a part of the parent corporation's shares managed in a domestic business that it owns, the amount of the foreign corporation's income categorized as domestic source income prescribed in Article 142 of the Act is calculated by deeming that the parent corporation's shares managed in a domestic business pertaining to those acts were transferred at the time when those acts were conducted based on the value at that time. In this case, with regard to the application of the provisions of Article 61-2, paragraph (1) of the Act, in accordance with which the calculations are to be made, the amount listed in item (i) of the same paragraph is to be the value of the parent corporation's shares managed in a domestic business pertaining to those acts at the time when those acts were conducted:

- (i) the foreign corporation ceases to manage them as assets pertaining to a business conducted in Japan;
- (ii) the foreign corporation transfers them to its head office, office, place of business or any other place equivalent thereto located outside Japan;
- (iii) the foreign corporation ceases to manage them at any other permanent establishments (meaning any certain places for conducting a business as prescribed in Article 141, item (i) of the Act, construction work, etc. prescribed in item (ii) of the same Article which is carried out for more than one year, or agent, etc. prescribed in item (iii) of the same Article; the same applies in the following paragraph) located in Japan.

(3) Where a foreign corporation listed in items (i) to (iii) of Article 141 of the Act does not manage the whole or a part of the parent corporation's shares managed in a domestic business as assets pertaining to a business conducted in Japan or at any permanent establishments located in Japan, when receiving the issuance thereof, the foreign corporation is deemed to have managed the portion that it does not actually manage among the parent corporation's shares managed in a domestic business, as assets pertaining to a business conducted in Japan or at a permanent establishment located in Japan, at the time of the issuance and immediately thereafter have conducted acts listed in the items of the preceding paragraph.

(4) Where the same issues of shares which a foreign corporation listed in items (i) to (iii) of Article 141 of the Act owns contain both the parent corporation's shares managed in a domestic business and other shares, when acts listed in the items of paragraph (2) have been conducted, the provisions of the same paragraph apply by deeming that the acts were first conducted with regard to

the parent corporation's shares managed in a domestic business among the same issues of shares pertaining to the acts.

- (5) Where a foreign corporation listed in items (i) to (iii) of Article 141 of the Act received the issuance of the parent corporation's shares managed in a domestic business, the foreign corporation must submit documents stating names of the issue and the number of the parent corporation's shares managed in a domestic business that it owns at the end of the business year containing the day of receiving the issuance and any other matters specified by Ministry of Finance Order to the competent district director having jurisdiction over the place of tax payment, within two months from the following day of the final day of the business year containing the day of receiving the issuance.
- (6) Where there has been any increase or decrease in the number of the parent corporation's shares managed in a domestic business (in the case of capital contributions, the amount of capital contributions; hereinafter the same applies in this paragraph) that a foreign corporation listed in items (i) to (iii) of Article 141 of the Act owns in each business year after the business year containing the day of receiving the issuance of the parent corporation's shares managed in a domestic business, the foreign corporation must submit documents stating names of the issue and the number of the parent corporation's shares managed in a domestic business that have increased or decreased and any other matters specified by Ministry of Finance Order to the competent district director having jurisdiction over the place of tax payment, within two months from the following day of the final day of the business year containing the day of the increase or decrease.
- (7) The parent corporation's shares managed in a domestic business prescribed in the preceding items are to, in the case where a foreign corporation listed in items (i) to (iii) of Article 141 of the Act owns shares that it manages as assets pertaining to a business conducted in Japan and at a permanent establishment in Japan (hereinafter referred to as "shares managed in a domestic business" in this paragraph), be the shares, etc. of merging parent corporations issued for the foreign corporation depending on the shares managed in a domestic business by way of a merger prescribed in Article 61-2, paragraph (2) of the Act (limited to that carried out by a domestic corporation), a company split by split-off without provision of money, etc. prescribed in paragraph (4) of the same Article (limited to that carried out by a domestic corporation), or a share exchange prescribed in paragraph (9) of the same Article (limited to that carried out by a domestic corporation) (those shares of merging parent corporations means shares of a corporation which has relationships specified by Cabinet Order prescribed in paragraph (2) of the same Article (limited to a foreign corporation), shares of a parent corporation prescribed in paragraph (4) of the same Article (limited to a foreign corporation), or shares of a corporation

which has relationships specified by Cabinet Order prescribed in paragraph (9) of the same Article (limited to a foreign corporation)).

- (8) When calculating a foreign corporation's amount of income categorized as domestic source income prescribed in Article 142 of the Act pursuant to the provisions of Article 62-4 or Article 62-5 of the Act under the provisions of Article 142 of the Act, if any situation listed in the following items occurs, the provisions of those respective items apply:
- (i) when the foreign corporation has become unable to satisfy either of the requirements for continuing a business or the requirements for managing shares prescribed in paragraph (1), item (xviii) (hereinafter referred to as the "requirements for managing shares" in this item) in a business year after the business year making a qualifying contribution in kind prescribed in the same item: The following provisions apply:
 - (a) the amount equivalent to the difference between the value of the transferred assets and liabilities at the time of a qualifying contribution in kind and the book value of the transferred assets and liabilities immediately prior to the qualifying contribution in kind as prescribed in Article 62-4 of the Act is included in gross income when calculating the amount of the foreign corporation's income for the business year containing the day on which it first became unable to satisfy the requirements;
 - (b) it is deemed that the book value of the shares of the foreign corporation increased by the amount equivalent to the amount included in gross income pursuant to the provisions of this item immediately prior to the time when the foreign corporation first became unable to satisfy the requirements for continuing a business or the requirements for managing shares (in the case of the requirements for continuing a business, on the day when foreign corporation first became unable to satisfy the requirements);
 - (ii) when the foreign corporation has become unable to satisfy either of the requirements for continuing a business or the requirements for managing shares prescribed in paragraph (1), item (xix) (hereinafter referred to as the "requirements for managing shares" in this item) in a business year after the business year in which the qualified post-formation acquisition was implemented as prescribed in the same item: The following provisions apply:
 - (a) the amount equivalent to the book value adjustment losses pertaining to the transferred assets and liabilities is included in gross income when calculating the amount of the foreign corporation's income for the business year containing the day on which it first became unable to satisfy the requirements;
 - (b) it is deemed that the book value of the shares of the foreign corporation increased by the amount equivalent to the amount included in gross

income pursuant to the provisions of this item immediately prior to the time when the foreign corporation first became unable to satisfy the requirements for continuing a business or the requirements for managing shares (in the case of the requirements for continuing a business, on the day when the foreign corporation first became unable to satisfy the requirements).

- (9) When calculating the amount of a foreign corporation's income categorized as domestic source income prescribed in Article 142 of the Act pursuant to the provisions of Chapter I, Section 1 of the preceding Part (Calculation of the Amount of Income for Each Business Year of a Domestic Corporation) under the provisions of the same Article, the terms listed in the middle column of the following table in the provisions listed in the left-hand column of the same table are deemed to be replaced with the terms listed in the right-hand column of the same table, respectively.

Article 22, paragraph (1), item (i) (The Amount of Interest on Liabilities Related to Shares, etc.)	balance sheet	balance sheet of a business conducted in Japan or pertaining to assets located in Japan
Article 28, paragraph (1) (Valuation Methods for Inventories)	are to be methods listed as follows:	are to be methods listed as follows. In this case, when the inventories contain assets that a foreign corporation owned outside Japan but has now transferred to Japan (hereinafter referred to as "transferred assets" in this paragraph), the provisions of this Division and the following Division apply to the transferred assets by deeming that the foreign corporation acquired the transferred assets at the time of the transfer:
Article 29, paragraph (2), item (i) (Selection of a Valuation Method for Inventories)	A newly established domestic corporation:	A corporation which has come to fall under the category of any of the foreign corporations listed in items (i) to (iii) of Article 141 (Tax Base of for a Foreign Corporation's Corporation Tax) of the Act:
	The date of establishment:	The day on which it came to fall under any of them;

Article 29, paragraph (2), item (ii)	A domestic corporation which has newly commenced a profit-making enterprise:	A foreign corporation which has earned domestic source income listed in the items of Article 141 of the Act for the category of foreign corporations listed in the relevant items, which has arisen from a profit-making enterprise:
	The day on which it newly commenced a profit-making enterprise:	The day on which it earned that income:
Article 29, paragraph (2), item (iv)	after establishment (for a domestic corporation listed in item (ii), after newly commencing a profit-making enterprise, and for a domestic corporation listed in the preceding item, after coming to fall under the category of an ordinary corporation or cooperative, etc.)	after the day listed in item (i) or item (ii)
	has commenced	has commenced in Japan
Article 32, paragraph (1), item (i) (Acquisition Costs for Inventories)	Inventories (Inventories (including transferred assets prescribed in Article 28, paragraph (1) (Valuation Methods for Inventories) that were purchased outside Japan and
Article 32, paragraph (1), item (iii)	Inventories	Inventories (including transferred assets prescribed in Article 28, paragraph (1) that are other than those prescribed in item (i))

<p>Article 48, paragraph (1) and Article 48-2, paragraph (1) (Depreciation Methods for Depreciable Assets)</p>	<p>are to be the methods prescribed in those respective items:</p>	<p>are to be the methods prescribed in those respective items. In this case, when the depreciable assets contain assets that a foreign corporation owned outside Japan but has now transferred to Japan (hereinafter referred to as "transferred assets" in this paragraph), the provisions of this Division to Division 7-2, Article 133 (Inclusion of Acquisition Costs for Small Amounts of Depreciable Assets in Tax Deductibles), and Article 133-2 (Inclusion of Lump-Sum Depreciable Assets in Tax Deductibles) apply to the transferred assets by deeming that the foreign corporation acquired the transferred assets at the time of the transfer:</p>
<p>Article 51, paragraph (2), item (i) (Selection of a Depreciation Method for Depreciable Assets)</p>	<p>A newly established domestic corporation:</p>	<p>A corporation which has come to fall under the category any of the foreign corporations listed in items (i) to (iii) of Article 141 (Tax Base for a Foreign Corporation's Corporation Tax) of the Act or a corporation falling under the category of a foreign corporation listed in item (iv) of the same Article that has commenced a business prescribed in Article 138, item (ii) (Compensation for the Provision of Personal Services) of the Act (hereinafter referred to as the "provision of personal services") in Japan, or has earned domestic source income listed in Article 141, item (iv) of the Act that is other than compensation listed in Article 138, item (ii) of the Act</p>
	<p>The date of establishment:</p>	<p>The day on which it came to fall under any of those categories, commenced that business, or earned that income;</p>
<p>Article 51, paragraph (2), item (ii)</p>	<p>a domestic corporation which has newly commenced a profit-making enterprise:</p>	<p>a foreign corporation which has earned domestic source income listed in the items of Article 141 of the Act for the category of foreign corporations listed in the relevant items, which has arisen from a profit-making enterprise</p>

	The day on which it newly commenced a profit-making enterprise:	The day on which it earned that income
Article 51, paragraph (2), item (iv)	after establishment (for a domestic corporation listed in item (ii), after newly commencing a profit-making enterprise, and for a domestic corporation listed in the preceding item, after coming to fall under the category of an ordinary corporation or cooperative, etc.)	after the day listed in item (i) or item (ii)
Article 51, paragraph (2), item (v)	A domestic corporation which has newly established a place of business:	A foreign corporation which has newly established a place of business in Japan (excluding those falling under item (i))
Article 54, paragraph (1), item (vi) (Acquisition Costs for Depreciable Assets)	Depreciable assets acquired	Depreciable assets (including transferred assets prescribed in Article 48, paragraph (1) and transferred assets prescribed in Article 48-2, paragraph (1)) acquired
Article 81, item (ii) (Reversal of Gains on National Subsidies, etc. in Special Accounts) and Article 90, item (iii) (Reversal of Gains on Insurance Claims, etc. in Special Accounts)	Where a corporation has dissolved (excluding the case of a dissolution due to a merger)	Where a corporation has dissolved (excluding the case of a dissolution due to a merger), where a corporation falling under the category of any of the foreign corporations listed in items (i) to (iii) of Article 141 (Tax Base for a Foreign Corporation's Corporation Tax) of the Act has ceased to fall under any of the categories of foreign corporations listed in these items, or where a corporation falling under the category of a foreign corporation listed in item (iv) of the same Article has abolished a personal services business conducted in Japan

Article 96, paragraph (2), item (i), (a) (Limit of the Amount of Additions to Credit Reserves for Bad Debts)	A newly established domestic corporation (excluding a domestic corporation established as a result of a qualified merger (excluding a merger in which all merged corporations are corporations in the public interest, etc. that are not engaged in any profit-making enterprise) and	A corporation that came to fall under any of the foreign corporations listed in items (i) to (iii) of Article 141 (Tax Base for a Foreign Corporation's Corporation Tax) of the Act or a corporation falling under the category of a foreign corporation listed in item (iv) of the same Article that began to provide personal services in Japan, or has earned domestic source income listed in the same item other than compensation listed in Article 138, item (ii) Compensation for the Provision of Personal Services) of the Act (excluding
	The date of establishment	The day on which it came to fall under that category, commenced that business, or earned that income
Article 96, paragraph (2), item (i), (b)	a domestic corporation	a foreign corporation that has earned domestic source income listed in the items of Article 141 of the Act for the category of foreign corporations listed in the relevant items which has arisen from a profit-making enterprise
	The day on which it newly commenced a profit-making enterprise	The day on which it earned that income
Article 119, paragraph (1), item (v) (Acquisition Costs for Securities)	Shares of the acquiring corporation or the parent corporation that were issued	Shares of the acquiring corporation or the parent corporation (excluding shares of a parent corporation (limited to a foreign corporation) that were issued for a foreign corporation which is a shareholder, etc. of the acquired corporation through a merger carried out by a domestic corporation (excluding the parent corporation's shares managed in a domestic business prescribed in Article 188, paragraph (7) (Calculation of the Amount of a Foreign Corporation's Income That Is Domestic Source Income) issued for a foreign corporation listed in items (i) to (iii) of Article 141 (Tax Base for a Foreign Corporation's Corporation Tax on Income for Each Business Year) of the Act) issued

Article 119, paragraph (1), item (vi)	Shares of the succeeding corporation or the parent corporation that were issued	Shares of the succeeding corporation or the parent corporation (excluding shares of a parent corporation (limited to a foreign corporation) that were issued through a company split by split-off carried out by a domestic corporation for a foreign corporation which is a shareholder, etc. of the split corporation (excluding the parent corporation's shares managed in a domestic business prescribed in Article 188, paragraph (7) issued for a foreign corporation listed in items (i) to (iii) of Article 141 of the Act)) issued
Article 119, paragraph (1), item (viii)	Shares of the wholly owning parent corporation or the parent corporation that were issued	Shares of the wholly owning parent corporation or the parent corporation (excluding shares of a parent corporation (limited to a foreign corporation) that were issued for a foreign corporation which is a shareholder, etc. of the wholly owned subsidiary corporation through a share exchange carried out by a domestic corporation (excluding the parent corporation's shares managed in a domestic business prescribed in Article 188, paragraph (7) issued for a foreign corporation listed in items (i) to (iii) of Article 141 of the Act)) issued
Article 119-6, paragraph (6) (Procedures for Changing the Method of Calculation for the Unit Book Value of Securities)	the day on which it newly commenced a profit-making enterprise	the day on which it earned domestic source income listed in the items of Article 141 (Tax Base for a Foreign Corporation's Corporation Tax) of the Act for the category of foreign corporations listed in the relevant items which has arisen from a profit-making enterprise
Article 122-6, paragraph (6) (Procedures for Changing the Method of Converting Assets, etc. from a Foreign Currency at the End of Period)	the day on which it newly commenced a profit-making enterprise	the day on which it earned domestic source income listed in the items of Article 141 (Tax Base for a Foreign Corporation's Corporation Tax) of the Act for the category of foreign corporations listed in the relevant items which has arisen from a profit-making enterprise

Article 131-3, paragraph (1) (Calculation of the Amount of Income for Trusts Subject to Corporation Taxation)	balance sheet	balance sheet for a business conducted in Japan or pertaining to assets located in Japan
Article 135 (Inclusion Premiums, etc. under a Defined Benefit Corporate Pension Plan, etc. in Tax Deductibles)	the amount paid	the amount paid (the amount paid by deeming that an employee of a foreign corporation who works full-time in Japan for a business that the foreign corporation conducts in Japan is a recipient of mutual aid, enrolled person, person enrolled in a corporate pension, or beneficiary, etc. of a trust as prescribed in items (i) to (iv), or is a beneficiary, etc. of or or wage earner under a trust as prescribed in item (v))
	the amount specified by Ministry of Finance Order)	the amount specified by Ministry of Finance Order); limited to the portion pertaining to the period of full-time employment in Japan)

(10) Where a foreign corporation that conducts a business consisting of operations both in and outside Japan carries out any of the acts listed in the items of Article 176, paragraph (3) (Secondary Acts, etc.), the amount that the branch of the foreign corporation which performs the operations in Japan receives as expenses related to the acts attributed to that branch or the amount that the branch of the foreign corporation which conducts a business outside Japan pays as expenses related to the acts attributed to that branch is not included in gross income or tax deductibles, respectively, when calculating the amount of the foreign corporation's income categorized as domestic source income prescribed in Article 142 of the Act.

(Companies Equivalent to a Mutual Company)

Article 189 Those specified by Cabinet Order as being equivalent to a mutual company prescribed in Article 143, paragraph (2) (Tax Rate for a Foreign Corporation's Corporation Tax on Income for Each Business Year) of the Act are to be foreign mutual companies prescribed in Article 2, paragraph (10) (Definitions) of the Insurance Business Act.

(Dividends with No Applicable Income Tax Credit)

Article 190 The dividends, etc. specified by Cabinet Order prescribed in Article

144 (Income Tax Credit) of the Act are to be dividends, etc. listed in Article 161, item (v) (Domestic Source Income) of the Income Tax Act which a foreign corporation listed in Article 141, item (i) (Tax Base for a Foreign Corporation's Corporation Tax) of the Act receives other than those attributable to the person's business conducted in Japan at any certain places for conducting a business prescribed in Article 141, item (i) of the Act.

Section 2 Refund by Return

(Refund by Return)

Article 191 With regard to matters for the application of the provisions of Part II, Chapter I, Section 3, Subsection 4 (Refund of a Domestic Corporation's Corporation Tax on Income in Each Business Year) of the Act which are applied mutatis mutandis pursuant to Article 145 (Mutatis Mutandis Application to Foreign Corporations) of the Act, the provisions of Chapter I, Section 3 of the preceding Part (Refund of a Domestic Corporation's Corporation Tax on Income in Each Business Year) apply mutatis mutandis.

Chapter III Corporation Tax on Retirement Pension Funds

(Calculation of a Foreign Corporation's Amount of Retirement Pension Funds)

Article 192 (1) When calculating the amount of a foreign corporation's retirement pension fund as prescribed in Article 145-3 (Calculation of a Foreign Corporation's Amount of Retirement Pension Fund) of the Act pursuant to the provisions of Article 84, paragraph (2), item (ii) (Calculation of the Amount of Retirement Pension Funds) of the Act under the provisions of Article 145-3 of the Act, the term "Article 116, paragraph (1)" in (a) of the same item is deemed to be replaced with "Article 116, paragraph (1) of the same Act which is applied mutatis mutandis pursuant to Article 199 (Mutatis Mutandis Application of Provisions on Operations, etc.)".

(2) When calculating the amount of a foreign corporation's retirement pension, etc. fund prescribed in Article 145-3 of the Act pursuant to the provisions of Chapter II of the preceding Part (Domestic Corporations' Corporation Tax on Retirement Pension Funds) under the provisions of Article 145-3 of the Act, the term "Article 116, paragraph (1)" in Article 158, paragraph (2), item (i), Article 158, paragraph (3) and paragraph (4), Article 158-3, paragraph (1) and paragraph (2) is deemed to be replaced with "Article 116, paragraph (1) of the same Act which is applied mutatis mutandis pursuant to Article 199 (Mutatis Mutandis Application of Provisions on Operations, etc.)".

Chapter IV Reassessment and Determination

(Reassessment and Determination)

Article 193 With regard to matters for the application of the provisions of Article 132 (Rejection of Acts or Calculations by Family-Owned Corporations) or Article 134 (Refund of Interim Payment Due to a Reassessment or Determination Related to Tax Return or a Consolidated Tax Return) of the Act which are applied mutatis mutandis pursuant to Article 147 (Mutatis Mutandis Application to Foreign Corporations) of the Act, the provisions of Chapter IV of the preceding Part (Reassessment and Determination for Domestic Corporations) apply mutatis mutandis.