



KPMG Japan e-Tax News

No.125 30 November 2016



TAX UPDATE

JAPAN-TAIWAN TAX AGREEMENT – GUIDANCE AND APPLICATION FORMS ARE RELEASED

Japan has maintained its relationship with Taiwan on the basis of non-governmental, working-level relations through the Interchange Association (Japanese side) and the Association of East Asian Relations (Taiwanese side). These associations signed the 'Agreement between the Interchange Association and the Association of East Asian Relations for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income' (Tax Agreement) on 26 November 2015 and the Tax Agreement entered into force on 13 June 2016.

(Please see [KPMG e-Tax News No. 102](#) (released on 26 November 2015) for the main points of the Tax Agreement and [KPMG e-Tax News No. 109](#) (released on 16 June 2016) for the effective date of the Tax Agreement.)

Under the 2016 tax reform, the 'Mutual Exemption Law for Income of Foreign Nationals Related to International Transportation Business' was amended and renamed the 'Mutual Exemption Law for Income of Foreign Residents' in order to implement measures provided for under the Tax Agreement in Japan. The Act will be effective on 1 January 2017.

Consequently, a framework equivalent to that for tax treaties was established between Japan and Taiwan and Japanese withholding tax will be exempt or reduced by submitting application forms in a similar way to applying tax treaties.

On 30 November 2016, the National Tax Agency released the following information:

- [Guidance on Amendment to Withholding Taxes \(PDF: 587KB\)](#)
(Japanese only)

This is a pamphlet including an explanation of the exemption or reduction measures applied to Japanese source income derived by Taiwanese residents under the Mutual Exemption Law for Income of Foreign Residents.

- Application Forms for the Mutual Exemption Law for Income of Foreign Residents

Where a Taiwanese resident wants to apply for exemption or reduction with respect to Japanese withholding tax on Japanese source income in accordance

with the Mutual Exemption Law for Income of Foreign Residents, the following forms should be submitted to the competent tax office through the payers of the income:

- Form 1: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Dividends](#) (PDF: 305KB)
- Form 1-2: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Dividends of Listed Shares](#) (PDF: 275KB)
- Form 2: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Interest](#) (PDF: 367KB)
- Form 3: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Royalties](#) (PDF: 292KB)
- Form 4: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Remuneration Derived from Rendering Personal Services](#) (PDF: 275KB)
- Form 5: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Remuneration Earned by Professionals, Entertainers or Sportsmen](#) (PDF: 267KB)
- Form 6: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Payments Received by Students or Business Apprentices](#) (PDF: 247KB)
- Form 7: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Retirement Allowances, Annuities, etc.](#) (PDF: 246KB)
- Form 8: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Income listed in Article 161, paragraph 1, item 7 to 11, 13, 15 or 16 of the Income Tax Law](#) (PDF: 256KB)
- Form 9: [Application form for the Mutual Exemption Law for Income of Foreign Residents—Discount Bonds which are Subject to Withholding Tax at the Time of Issue](#) (PDF: 369KB)
- Form 10: [List of the Members of Foreign Company or List of the Partners of Entity](#) (PDF: 202KB)
- Form 11: [Application form for the Mutual Exemption Law for Income of Foreign Residents— Distribution of Business Profits from Partnership Agreements](#) (PDF: 263KB)

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