

**Recommendations**  
**of the**  
**EU-Japan Business Dialogue Round Table**  
**to the Leaders of the EU and Japan**

Tokyo, 3 - 4 July 2008

**Working Party 2**  
**Tax and Accounting Issues**

**ACCOUNTING ISSUES**

**2 - EJ - 1**

**KEY POINTS OF RECOMMENDATION**

We ask the public authorities to ensure continuing wide-ranging dialogue among IASB, FASB and ASBJ with respect to the convergence of accounting standards.

In addition, we call for cooperation of regulatory authorities such as security regulators in EU and Japan for the international competitiveness of financial and capital markets.

**2 - J- 1**

**KEY POINTS OF RECOMMENDATION**

Increased consistency and transparency brought by the move to IFRS would be beneficial for all market participants. Although situations in some countries (notably the US) might affect the decision of Japan in some degree, we ask Japanese regulators to, at least, allow the option to prepare financial statements in accordance with IFRS in the future.

**2 - EJ - 2**

**KEY POINTS OF RECOMMENDATION**

We ask IASB, under enhanced governance framework, to pay more attention to the practical needs of market participants, including preparers, users and regulators, in order not to develop standards that are too theoretical. In this respect, IASB should not focus only on publication of comprehensive income (should not eliminate net income) and, in addition, should ensure wide consultation on further application of fair value accounting.

## 2 - EJ - 3

### **KEY POINTS OF RECOMMENDATION**

The Governments of Japan and Europe should ensure that dividend payments from subsidiaries to parent companies and royalty and interest payments between related [parties/companies](#) are, to the greatest possible extent, exempted from withholding taxes. We hope that the EU Member States and Japan will enter into common agreements on tax issues in order to fully enjoy the benefits of the single market.

## 2 - J - 2

### **KEY POINTS OF RECOMMENDATION**

We repeatedly ask the Government of Japan to reform the consolidated tax system as quickly as possible to allow carrying forward tax losses in subsidiaries which incurred before the system came into effect, to exempt revaluation of subsidiaries at fair value at the initiation, and to allow including donation between consolidated corporations in expenses.

## 2 - EJ - 4

### **KEY POINTS OF RECOMMENDATION**

We ask the tax administration of Japan to secure transparency in executing transfer-price taxation in order for companies to carry out international business expansion smoothly. From a viewpoint of international common understanding, we request that the tax administration of Japan revert to an international common model such as the OECD model.

In addition, we recommend the establishment of a joint forum between EU Member states and Japan to harmonise and simplify interpretation and documentation requirements, and to make the conclusion of bilateral and multilateral APAs (advance price agreements) easier and cheaper by improving procedures.

## 2 - J - 3

### **KEY POINTS OF RECOMMENDATION**

With the progress of convergence of Accounting Standards, new deviations arise between corporate accounting and tax practice. We ask that the Government of Japan respond flexibly to the deviations.

## 2 - J - 4

### **KEY POINTS OF RECOMMENDATION**

We suggest the Japanese tax authority review the criteria rate for tax haven regulation, or expand the exemptions, such that companies in countries with tax treaties with Japan can be exempted from tax haven regulations.

**2 - J - 5**

**KEY POINTS OF RECOMMENDATION**

To increase cash return from foreign subsidiaries, we suggest the Japanese tax authority establish a new tax regime in which foreign dividends paid to Japanese corporations would be exempt from Japanese tax.

**2 - J - 6**

**KEY POINTS OF RECOMMENDATION**

We request the tax administration of Japan to consider reducing corporate tax rates.

**2 - J - 7**

**KEY POINTS OF RECOMMENDATION**

We ask the Japanese tax authority to establish a specific tax-advantaged scheme to encourage the development of individual preparation for retirement.