

Key Points of the Protocol Amending Tax Convention with Sweden

1. Reduction or Exemption of Taxes on Investment Income

Taxation on investment income (dividends, interest and royalties) in the source country is reduced or exempted as follows:

	Dividends		Interest	Royalties
	Between parent and subsidiary companies (shareholding requirement, etc.)	Others		
Current Convention	Exemption (at least 25% and listed company, etc.) 5% (at least 25%)	15%	10%	10%
Amended Convention	Exemption (at least 10%)	10%	Exemption in principle	Exemption

2. Introduction of Provisions for Preventing Tax Avoidance

Considering that the expansion of exemption from taxes in the source country could increase the risk of tax avoidance by abusing the Convention, provisions such as the following are introduced to prevent such abuses:

(1) Provisions concerning the limitation on benefits

Persons who are entitled to the benefits of the Convention are limited to those who satisfy specified conditions.

(2) Provisions concerning transactions for the purposes of abusing the Convention

No benefits of the Convention shall be granted if transactions are considered to be abusive of the Convention in light of its purpose.

3. Introduction of Arbitration Proceeding in Mutual Agreement Procedure

With respect to the mutual agreement procedure concerning taxation which is not in accordance with the provisions of the Convention, the Protocol introduces arbitration proceedings to resolve the case by the decision of an arbitration panel composed of third parties at the request of the taxpayer if the case has not been resolved by the consultation between the

tax authorities of the two countries within three years.

4. Reinforcement of Exchange of Information

The Protocol makes it possible for the tax authorities of the two countries to exchange to each other information concerning all national and local taxes of the two countries.

5. Reinforcement of Assistance in Collection of Taxes

While the scope of assistance in the collection of taxes is limited to cases of abuse of the Convention in the current Convention, it will be expanded by this amendment so that the assistance will apply to delinquent revenue claims in general. For Japan, the assistance in the collection of taxes covers the income tax, the corporation tax, the special income tax for reconstruction, the special corporation tax for reconstruction, the consumption tax, the inheritance tax and the gift tax.