Key Points of the Protocol Amending Tax Convention with the United Kingdom

1. Reduction or Exemption of Taxes on Investment Income

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

	Dividends		Interest
	Between parent and subsidiary companies (shareholding requirement)	Others	
Current Convention	Exemption (at least 50%) 5% (at least 10%)	10%	Exemption (financial institutions, etc.) 10%(others)
Amended Convention	**Exemption (at least 10%)**	**10%**	**Exemption in principle**

2. Introduction of a New Article Concerning Taxation on Business Profits

In light of the revision of the OECD model tax convention in 2010, the Protocol introduces new provisions concerning taxation on business profits attributable to a permanent establishment of a foreign enterprise, under which business profits are calculated by recognizing internal dealings between head office and branch and by applying Arm's Length Principle.

3. Introduction of Arbitration Proceeding in Mutual Agreement Procedure

With respect to the mutual agreement procedure concerning taxation 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 two years.

4. Introduction of Assistance in the Collection of Taxes

The Protocol introduces provisions which allow the tax authorities of the two countries to lend assistance to each other in the collection of revenue claims. For Japan, the assistance in the collection of taxes covers as a general rule 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.