Key Points of Protocol Amending Tax Convention with Switzerland

1. Taxation on Business Profits

The business profits attributable to a permanent establishment (such as a branch) of an enterprise of one of the two countries situated in the other country which may be taxed in that other country shall be calculated by comprehensively recognizing internal dealings between its head office and branches and by strictly applying the arm's length principle.

2. Taxation on Investment Income

Taxation on investment income (dividends and interest) in the source country will be subjected to the reduced maximum rates or exempted as follows:

	Existing Convention	Amended Convention
Dividends	Exempted (holding for 6 months at least 50% of: where paid by a company of Japan, voting power; where paid by a company of Switzerland, capital or voting power.) 5% (holding for 6 months at least 10% of: where paid by a company of Japan, voting power; where paid by a company of Switzerland, capital or voting power.) 10% (others)	Exempted (holding for 365 days at least 10% of: where paid by a company of Japan, voting power; where paid by a company of Switzerland, capital or voting power.) 10% (others)
Interest	Exempted (beneficially owned by the Government, financial institutions, and recognised pension funds etc.) 10% (others)	Exempted

3. Prevention of Abuse of the Convention

In order to prevent abuse of benefits under the Convention, any benefit under the Convention will not be granted if it is reasonable to conclude that obtaining such a benefit was one of the principal purposes of any transaction.

4. Arbitration Proceedings in Mutual Agreement Procedure

Where taxation not in accordance with the provisions of this Convention has not been resolved through the consultation between the tax authorities of the two countries within three years, the unresolved issue will be resolved pursuant to a decision of an arbitration panel composed of third parties.