

Issues and Requests Relating to Foreign Trade and Investment - G. Britain

Category	No	Issue	Issue Details	Requests	References
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Import Licence	- <u>Export licence is required in Japan under CITES to export to U.K. crocodile-skin watchband (CSW). In addition, importers must obtain import licence. It takes much time and work to export CSW to U.K.</u>	- It is requested that GOU: -- <u>repeals the requirement for import licence in U.K. for import of CSW, so that export licence issued in Japan suffices, and</u> -- <u>dispenses with export/import licence requirement for samples under ATA Carnets.</u>	- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
12 Exchange Controls	(1)	Rapid Exchange Fluctuations	- <u>As it stands, member firm's subsidiary (MFS) benefits from exchange gain on a direct export transaction in yen. Nevertheless, negotiation for raise in price is difficult. In a transaction with its parent company, the prevailing Yen depreciation enables MFS to offer special prices to its customers. However, MFS runs on a thin margin, so that if the exchange rate swings toward appreciation of Yen, it will instantly show operational loss: such is the severity of the fluctuation band.</u>	- It is requested that GOP takes step to: -- <u>stabilise foreign exchange fluctuations, and</u> -- <u>holds the fluctuation band within a few percents in 6-months.</u>	
14 Taxation Systems	(1)	Withholding Tax Levy on Interest	- British Government (GOU) levies withholding tax of 10% on interest. (Reference) - The reduced tax rates under the tax treaty are; Interest: 10%, Dividends: 10% (General), 0% (between Parent/Subsidiary with more than 50% share ownership), and 5% (between Parent/Subsidiary with 10-50% share ownership and satisfying certain conditions), Royalties: 0%. The application of the reduced tax rates is subject to prior approval of the taxation authority. With the purposes of promoting the bilateral exchange of investment and preventing international tax evasion/avoidance, the both countries have negotiated further amendment of the tax treaty, and reached agreement in principle on the draft amendment on 21 March 2013. The pending amendment, will effect further reduction in income on investment (dividends and interests), introduce arbitration clause on bilateral negotiation and mutually collect tax of the other country. (http://ec.europa.eu/taxation_customs/taxation/company_tax/transfer_pricing/index_en.htm)	- It is requested that GOJ and GOU amend the Japan-U.K. Tax Treaty to make it comparable to the Japan-U.S. Tax Treaty.	- The Japan-U.K. Tax Treaty
	(2)	Double taxation risk under TPTS	- <u>Particularly under TPTS, due to the inconsistent rules in each country, its interpretation varies. The member firm is faced with the risk of double taxation as a group of companies.</u>	- It is requested that GOV and GOJ work toward developing the world standard TPTS (in the form of guidelines, for example).	

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	(3)	<u>Issues on Resolving Double Taxation under Tax Treaty</u>	<p>- <u>For avoidance of double taxation, the going legislation requires "exercise of best efforts" upon authorities of both countries in resolving and excluding double taxation. In EU, taxation authority has introduced "mutual acceptance procedures" for 3-years to expel double taxation, making insufficient "exercise of best efforts" provisions under Japan/U.K. agreement.</u></p>	<p>- <u>It is requested that both GOU and GOJ institute multi-national measures under OECD BEPS (Base Erosion and Profit Shifting) initiative. This multi-national arrangement will obviate the need for re-negotiation on tax treaty, expediting the entire process.</u></p>	<p>- <u>Various laws in each EU country and Japan</u></p>
16	Employment	(1) Difficulty in Acquisition and Extension of Work Visa	<p>- <u>For enterprises operating internationally, it is indispensable to obtain expatriates' visas promptly. It takes much time and a lot of labour for acquisition of work/stay permits.</u></p> <p>- Implementation of Visa Acquisition / Renewal system is stringent. (Example) Basically visa validity is for 5-years as regards expatriates despatched by Japanese enterprises. It is extendable up to 9-years only when the annual income exceeds GBP150,000.</p> <p>- It takes much time to obtain Certificate of Sponsorship before an expatriate assumes new responsibility in U.K. after the decision is made for despatch. The governing rules for visa acquisition is complex, defying comprehension.</p> <p>- <u>GOU executes in the Philippines Immigration Formalities (documental examination, entry clearance issuance, etc.). However, the scheduling for the expatriate's departure is uncertain, for the length of time required for mail, and the varying examination periods.</u></p> <p>- <u>Allowable extension period for Tier 2 (Intra-Company Transfer) Visa is for five-years maximum, and for 9-years maximum for applicant with annual revenue exceeding GBP150,000. However, depending upon position and job title of the applicant, a longer stay is necessary. Therefore, the minimum annual revenue requirement should be removed to allow the visa validity in excess of 5-years.</u> <u>First of all, it does not stand to reason for both countries to set the cap on the stay period for an (intra-company transfer) expatriate, whose status is guaranteed by the employer.</u></p>	<p>- <u>It is requested that GOU simplifies and expedites the acquisition of work/stay permits.</u></p> <p>- It is requested that GOU deregulates the Rules on Work Visa Acquisition / Renewal.</p> <p>- It is requested that GOU streamlines the rules.</p> <p>- It is requested that GOU takes steps to: -- <u>implement documental examination in Tokyo, and</u> -- <u>define clearly the requisite documents and the contents thereof.</u></p> <p>- It is requested that GOU takes steps to: -- <u>remove the annual revenue requirement</u> -- <u>loosen standards of extension period.</u></p>	<p>- UK Border Agency - Immigration Rules - UK Immigration Act</p>

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			<p>- For the purpose of restricting the number of foreign workers entry annually into U.K., GOU exercises restrictions on the total number of work visas issued per annum. It is envisaged that an enterprise may face shortage of the requisite staff. The number of tier-2 visa (the bulk of expatriates from Japan fall under this category) issued annually is 27,000 (April 2013-April 2014). Advance application is necessary for certificate of sponsorship. Otherwise, the receipt of work visa is difficult. Upon reaching the cap of 27,000 applicants, applicants satisfying special requirements (as specified in the list of shortage occupations) shall be given priority. Otherwise, visa receipt will become difficult. Furthermore, maximum stay period under Tier 2 is 5-years (9-years for annual income exceeding GBP50,000). This is a cause for concern, lest the projected plan gets aborted before completion of the Project Plan.</p> <p>(Reference) - Please refer to the web site of UK border agency of the home office at: (http://www.ind.homeoffice.gov.uk).</p>	<p>- It is requested that GOU takes steps to deregulate the work visa issuance requirements for employees of multi-national enterprises.</p>	
	(2)	Frequent Changes in Immigration Scheme	<p>- <u>Due to the frequent changes in the U.K. Immigration Scheme, Enterprises must expend much time and effort to obtain visa and keep up with its changes.</u></p>	<p>- <u>It is requested that GOU maintains the going scheme for a longer period.</u></p>	<p>- Immigration Rules - UK Immigration Act</p>
	(3)	Obligations to continue Employment, accompanying Business Transfer	<p>- <u>Transferee is under obligation to continue employment of the workers under the payroll of transferor. This employment obligation under Transfer of Undertakings Protection of Employment Regulations (TUPE) bars entry of foreign capital investment, accompanying operation with high productivity.</u></p>	<p>- It is requested that GOU: -- <u>repeals TUPE,</u> -- <u>deregulates the terms and conditions.</u></p>	<p>- <u>Transfer of Undertakings Protection of Employment</u> - <u>2001/23/EC</u></p>
19 Industrial Standards, Approval of Safety Standards	(1)	Tobacco Plain Packaging Legislation (TPPL) on Tobacco Products	<p>- <u>Introduction of Tobacco Plain Packaging Legislation (TPPL) on tobacco products introduced in Australia has materially reduced the identification capabilities (between the products), being the essential faculty of trademarks, materially destructing the "brand value", and consequently damaging the sound market competitions. More precise concerns include, without limitation, purchasers unwittingly purchase unintended products from the difficulty of making distinction, move to lower priced products, and finally, closing the door for new entry into the market. In addition, simpler packages facilitate counterfeiting activities, resulting in the growing counterfeits in the market.</u> (Note) TPPL, a measure to standardise configuration, colour, etc., of individual tobacco package, largely restrict the space on the packaging by the mandate to print specifically, "warnings with photo" (in the 75% of the total area front, and 90% back).</p>	<p>- <u>As described in the left column, TPPL infringes upon intellectual property right of business operators, consequently hinders the industrial development through sound market competitions. On the other hand, prevention of juvenile smoking is deemed possible through education, with tightened penalties, etc.</u> - <u>It is therefore requested that GOA implements the regulation based on the principle of proportionate general rules.</u></p>	<p>- <u>the Children and Families Act 2014</u> - <u>Draft Statutory Instrument (Standardised Packaging of Tobacco Products Regulations)</u></p>