No. 6888

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
and
JAPAN

Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. Signed at Tokyo, on 4 September 1962

Official texts: English and Japanese.

Registered by the United Kingdom of Great Britain and Northern Ireland on 27 August 1963.

ROYAUME-UNI DE GRANDE-BRETAGNE ET D'IRLANDE DU NORD
et
JAPON

Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu. Signée à Tokyo, le 4 septembre 1962

Textes officiels anglais et japonais.

Enregistrée par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 27 août 1963.

No. 6888. CONVENTION[1] BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF JAPAN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME. SIGNED AT TOKYO, ON 4 SEPTEMBER 1962

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Japan;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income;

Have agreed as follows :

Article I

(1) The taxes which are the subject of the present Convention are :

(*a*) In the United Kingdom of Great Britain and Northern Ireland :
The income tax (including surtax) and the profits tax (hereinafter referred to as " United Kingdom tax ");

(*b*) In Japan :
The income tax and the corporation tax (hereinafter referred to as " Japanese tax ");

and the local taxes referred to in Articles V and XVII of the present Convention.

(2) The present Convention shall also apply to any other taxes of a character substantially similar to those referred to in the preceding paragraph imposed in the United Kingdom or Japan subsequently to the date of signature of the present Convention.

Article II

(1) In the present Convention, unless the context otherwise requires :

(*a*) the term " United Kingdom " means Great Britain and Northern Ireland;

(*b*) the term " Japan ", as used in a geographical sense, means all the territory in which the laws relating to Japanese tax are enforced;

[1] Came into force on 23 April 1963, the date of the exchange of the instruments of ratification at London, in accordance with article XXIII.

(*c*) the terms " one of the Contracting States " and " the other Contracting State " mean the United Kingdom or Japan, as the context requires;

(*d*) the term " tax " means United Kingdom tax or Japanese tax, as the context requires;

(*e*) the term " United Kingdom corporation " means any body corporate which is managed and controlled in the United Kingdom and which is not a Japanese corporation, and the term " Japanese corporation " means any corporation or other association having juridical personality or any association without juridical personality which has its head or principal office in Japan; and the terms " corporation of one of the Contracting States " and " corporation of the other Contracting State " mean a United Kingdom corporation or a Japanese corporation, as the context requires;

(*f*) the terms " resident of the United Kingdom " and " resident of Japan " mean respectively any individual who is resident in the United Kingdom for the purposes of United Kingdom tax and not resident in Japan for the purposes of Japanese tax, and any individual who is resident in Japan for the purposes of Japanese tax and not resident in the United Kingdom for the purposes of United Kingdom tax, and the terms " resident of one of the Contracting States " and " resident of the other Contracting State " mean a resident of the United Kingdom or a resident of Japan, as the context requires;

(*g*) the terms " United Kingdom enterprise " and " Japanese enterprise " mean respectively an industrial or commercial enterprise or undertaking carried on by a resident or corporation of the United Kingdom and an industrial or commercial enterprise or undertaking carried on by a resident or corporation of Japan, and the terms " enterprise of one of the Contracting States " and " enterprise of the other Contracting State " mean a United Kingdom enterprise or a Japanese enterprise, as the context requires;

(*h*) the term " industrial or commercial profits " includes manufacturing, mercantile, agricultural, fishing, mining, financial and insurance profits, but does not include income in the form of dividends, interest, rent, a royalty as defined in paragraph (2) of Article VIII, a sum of the kind referred to in paragraph (3) of that Article, a royalty or other amount of the kind referred to in paragraph (6) of that Article, gains derived from the alienation of capital assets or remuneration for personal services;

(*i*) (i) The term " permanent establishment " means a fixed place of business in which the business of the enterprise is wholly or partly carried on

(ii) A permanent establishment shall include especially :

(*aa*) a place of management;

(*bb*) a branch;
(*cc*) an office;
(*dd*) a factory;
(*ee*) a workshop;
(*ff*) a mine, quarry or other place of extraction of natural resources;

(*gg*) a building site or construction or assembly project which exists for more than twelve months.

(iii) The term " permanent establishment " shall not be deemed to include :

(*aa*) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(*bb*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(*cc*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(*dd*) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

(*ee*) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(iv) An enterprise of one of the Contracting States shall be deemed to have a permanent establishment in the other Contracting State if

(*aa*) it carries on supervisory activities in that other Contracting State for more than twelve months in connection with a construction, installation or assembly project which is being undertaken in that other Contracting State;

(*bb*) it carries on a business which consists of providing the services of public entertainers referred to in paragraph (5) of Article X in that other Contracting State.

(v) A person acting in one of the Contracting States on behalf of an enterprise of the other Contracting State—other than an agent of an independent status to whom sub-paragraph (*i*) (vi) applies—shall be deemed to be a permanent establishment in the former Contracting State if

(*aa*) he has, and habitually exercises in the former Contracting State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise; or (*bb*) he maintains in the former Contracting State a stock of goods or merchandise belonging to the enterprise from which he regularly fills orders on behalf of the enterprise.

(vi) An enterprise of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other Contracting State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

(vii) The fact that a corporation of one of the Con tracting States controls or is controlled by a corporation which is a corporation of the other Contracting State, or which carries on business in that other Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either corporation a permanent establishment of the other.

(*j*) the term " taxation authorities " means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative; in the case of Japan, the Minister of Finance or his authorised representative; and in the case of any territory to which the present Convention is extended under Article XXII, the competent authority for the administration in such territory of the taxes to which the present Convention applies.

(2) Where the present Convention provides (with or without other conditions) that income from sources in one of the Contracting States shall be exempt from tax of, or taxed at a reduced rate by, that Contracting State if it is subject to tax in the other Contracting State, and under the law in force in that other Contracting State the said income is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the exemption or reduction of tax to be allowed under the present Convention in the former Contracting State shall apply only to so much of the income as is remitted to or received in the other Contracting State.

(3) In the application of the provisions of the present Convention by one of the Contracting States, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws in force in that Contracting State relating to the taxes which are the subject of the present Convention.

Article III

(1) (*a*) The industrial or commercial profits of a United Kingdom enterprise shall not be subject to Japanese tax unless the enterprise carries on a trade