

46

FN 16 BRAZ JAPAN

Treasury
9-570
9-67

INCOMING TELEGRAM Department of State

6-2
Action
TRSY
Info
SP
SG
L
H
ARA
EA
P
USIA
INR
CIA
NSA
AID
COM
FRB
XME
R/R

UNCLASSIFIED

NN00ZQ11B638A302 OTA760
PP RUEHC
DE RUALOT 5570 0400530
ZNR UUUUU
P 090510Z FEB 67
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY
STATE GRNC
BT
UNCLAS TOKYO 5570

1967 FEB 9 007857 AM 146

PASS TREASURY FOR GORDON FROM MACK

SUBJ: JAPAN-BRAZIL TAX TREATY

REF: STATE 131777

FN 16 BRAZ JAPAN

1. COPY OF 1967 INCOME TAX TREATY BETWEEN BRAZIL AND JAPAN WILL NOT BE AVAILABLE UNTIL TWO OR THREE WEEKS FROM NOW.

2. OFFICIAL OF MINISTRY OF FINANCE, WHO IS NOT TAX EXPERT, OBTAINED FOLLOWING INFORMATION REQUESTED IN REFTEL FROM TAX SECTION OF MINFIN INDICATING TREATY DOES CONTAIN TAX-SPARING CREDITS OF TWO TYPES. FIRST IS TAX CREDIT BY GOJ TO JAPANESE RESIDENTS ON INCOME FROM INTEREST, DIVIDENDS AND ROYALTIES FROM THEIR GENERAL INVESTMENTS IN BRAZIL, SO THAT IN HYPOTHETICAL EVENT THIS INCOME IS REGULARLY TAXED IN BRAZIL AT 30

PAGE 2 RUALOT 5570 UNCLAS
PERCENT BUT INSTEAD IS SPECIALLY TAXED BY BRAZIL AT 10 PERCENT, GOJ WOULD GIVE JAPANESE RESIDENT CREDIT AS IF 30 PERCENT TAX HAD BEEN PAID. IN SECOND INSTANCE, TREATY COVERS INCOME OF BRANCHES AND SUBSIDIARIES OF JAPANESE CORPORATIONS IN UNDER-DEVELOPED AREAS OF BRAZIL (NORTHERN, NORTHEASTERN AND AMAZON). WHERE BRAZIL CUTS TAX IN THESE CASES FROM AN APPARENTLY ACTUAL 50 PERCENT TO 25 PERCENT, TREATY PROVIDES THAT GOJ TREAT JAPANESE CORPORATIONS AS THOUGH THEY HAD PAID 50 PERCENT.

3. THE JAPANESE TAX RATE OF JAPANESE CORPORATIONS, NATIONAL AND LOCAL TAKEN TOGETHER, WAS REPRESENTED, ON NON-EXPERT BASIS, AS TOTALING 45 PERCENT WITH NATIONAL ALONE RANGING BETWEEN 36 AND 42 PERCENT. JAPANESE

UNCLASSIFIED

MICROFILMED BY NS/R

①

DECLASSIFIED
Authority NND 969000

UNCLASSIFIED

-2- Tokyo 5570, 090510Z FEB 67

CORPORATIONS ARE ALLOWED, ACCORDING TO SAME NON-EXPERT SOURCE, TO COMBINE THEIR TAX BILLS ON A WORLD-WIDE BASIS, SO THAT THEY CAN GET FULLER ADVANTAGE OF TAX-SPARING ARRANGEMENTS BY APPLYING ANY UNUSED CREDIT FROM TAX INCENTIVE SITUATIONS AGAINST TAX SITUATIONS WHERE THEIR TAX BILLS ARE HIGHER THAN IN JAPAN.

4. MINFIN OFFICIAL VERY HELPFULLY SUGGESTED THAT, IN VIEW OF TECHNICAL NATURE OF SUBJECT MATTER, HE WOULD HAVE TAX SECTION PREPARE WRITTEN REPLY TO TAX-SPARING QUESTION WHICH WOULD BE READY FEBRUARY 13.

5. FINANCIAL ATTACHE PROPOSES TO SEND BRIEF CABLE TO WASHINGTON VERIFYING DESCRIPTION IN PARAGRAPH 2 ABOVE OF TAX-SPARING PROVISIONS AFTER WRITTEN REPLY RECEIVED FROM MINFIN. WILL ALSO POUCH MINFIN REPLY AND, WHEN RECEIVED AND TRANSLATED, FULL TEXT OF TREATY.

6. THE JAPAN ECONOMIC JOURNAL (NIHON KEIZAI) CARRIED FOLLOWING BRIEF STORY ON TREATY HIGHLIGHTS. QUOTE A JAPAN-BRAZIL TAX TREATY FOR ENSURING MUTUAL TAXATION PRIVILEGES, ESPECIALLY FOR HELPING PROMOTE JAPAN'S INDUSTRIAL INVESTMENTS IN BRAZIL AS WELL AS ELIMINATION OF DOUBLE TAXATION, RECENTLY WAS SIGNED IN TOKYO. IT IS THE FIRST OF ITS KIND TO BE CONCLUDED BY JAPAN WITH A LATIN AMERICAN NATION. THE TREATY WAS SIGNED BY JAPANESE FOREIGN MINISTER TAKEOMIKI AND HIS BRAZILIAN COUNTERPART, JURACY MONTENEGRO MAGALHAES, DURING THE LATTER'S RECENT FIVE-DAY GOODWILL VISIT TO JAPAN. THE TREATY WILL COMPLETELY EXEMPT FROM THE PRESENT TAXATION IN BOTH COUNTRIES ALL EARNINGS OF SHIPPING AND AIRLINE SERVICES BETWEEN THE TWO NATIONS. ALL PERMANENT FACILITIES OF EACH NATION'S BUSINESS ENTERPRISES IN THE OTHER COUNTRY WILL CONTINUE TO BE TAXED ON THEIR EARNINGS BUT ONLY WHEN SUCH INCOMES ACCRUE FROM LOCAL ACTIVITIES OF SUCH FACILITIES. THE PRESENT TAX RATES IN EACH COUNTRY ON LOCALLY-ACCRUED DIVIDEND, INTEREST, BUSINESS ROYALTY AND FEE EARNINGS OF THE OTHER'S NATIONALS OR FIRMS WILL BE LIMITED TO A MAXIMUM OF 10 PERCENT IN CASE OF PAYMENTS FROM SUBSIDIARY OR AFFILIATE FIRMS TO PARENT FIRMS, INTERBANKING ORGAN PAYMENTS UP TO CERTAIN LIMITS, AND ALL GENERAL ROYALTIES AND FEES WHICH EXCLUDE MOVIE FILM AND OTHER SPECIFIC CHARGES. THE PACT IS DUE TO TAKE EFFECT 30 DAYS AFTER RATIFICATION INSTRUMENTS ARE EXCHANGED. UNQUOTE
JOHNSON

BT

UNCLASSIFIED

DECLASSIFIED
Authority NND 969000