

Recommendations
of the
EU-Japan Business Dialogue Round Table
to the Leaders of the EU and Japan

Berlin, 3 - 4 June 2007

Working Party 2
Tax and Accounting Issues

ACCOUNTING ISSUES

2 - EJ - 1

KEY POINTS OF RECOMMENDATION

We ask the public authorities to ensure continuing wide-ranging dialogue among IASB, FASB and ASBJ.

In addition, we call for cooperation of regulatory authorities such as security regulators in EU and Japan for the international competitiveness of financial and capital markets.

2 - E - 1

KEY POINTS OF RECOMMENDATION

Faced with the environmental threats relating to CO2 emissions, we ask the public authorities to ensure early development of accounting treatment for emission rights.

2 - E - 2

KEY POINTS OF RECOMMENDATION

We ask the public authorities to ensure that accounting treatment of business combination, especially goodwill, should be developed in accordance with the types of buyers, such as financial buyer and strategic buyer.

2 - E - 3

KEY POINTS OF RECOMMENDATION

Standards bodies and public authorities should ensure wide consultation on proposals for the elimination of net income.

2 - EJ - 2

KEY POINTS OF RECOMMENDATION

We hope that the EU Member States will enter into common agreements on tax issues with the Government of Japan in order to enjoy fully the benefits of the single market.

2 - J - 1

KEY POINTS OF RECOMMENDATION

We repeatedly ask that the Government of Japan quickly reforms the consolidated tax system to allow the carrying forward of tax losses in subsidiaries incurred before the system came into effect, exempting revaluation of subsidiaries at the initiation, and allowing inclusion of donation between consolidated corporations in expenses.

2 - EJ - 3

KEY POINTS OF RECOMMENDATION

We ask the tax administration of Japan to secure transparency of tax execution in order for companies to carry out international expansion smoothly.

From a viewpoint of international common understanding, we request the tax administration of Japan to revert to an international common model such as the OECD model.

2 - J - 2

KEY POINTS OF RECOMMENDATION

With the progress of convergence, since new deviations arise between corporate accounting and tax practice, we ask that the Government of Japan respond flexibly to the deviations.

2 - J - 3

KEY POINTS OF RECOMMENDATION

We ask the tax administration of Japan to review the tax haven rules. We suggest that Japan's tax authority reviews the criteria rate for tax haven regulation, or expand the exemptions, such that companies in countries with tax treaties with Japan can be exempted from tax haven regulations.

2 - J - 4

KEY POINTS OF RECOMMENDATION

We request the tax administration of Japan to think the reduction of tax rates.