

Comparison of Japan branch vs. Japanese subsidiary

Visionary International Accounting Firm

Japan side	In case of Japan branch	pros and cons	In case of Japanese subsidiary	pros and cons
Opening the bank account	Need additional document relating to head office	△	Normal procedure	○
Company's credit	Low	△	High	○
Remittance	Remittance from Japan branch to head-office is no taxable	○	Remittance (Dividend) from Japanese corporation to head office is taxable, however, tax exemption/reduced tax rate is applicable due to the tax treaty	△
Accounting	Normally accounting is based on the accounting rule of head office, so GAAP adjustment should be needed for Japanese statutory tax filing.	△	Japan GAAP is applicable	○
Accounting Firm's fee for year-end closing and filing of tax return	Relatively high due to GAAP adjustment, etc.	△	Normal price	○
Corporate tax				
Tax rate	Depending on capital amount of head office	-	Depends on capital amount of Japanese corporation	-
Head-office overhead expenses/Management service fee	Head office direct overhead expenses can be charged to the Japan branch	-	Allowable	-
Attachment of head office's F/S	Necessary to attach F/S of head office	△	No need to attach F/S of head office	○
Tax filing	Extension until year-end closing of head office is available	-	One month extension is available	-
Local tax				
Tax rate	Depending on capital amount of head office	-	Depending on capital amount of Japanese corporation	-
Size-based local corporate tax	In the case where capital amount of head office is more than 100 million yen, size-based local corporate tax should be taxed.	-	In the case where capital amount of Japanese corporation is more than 100 million yen, size-based local corporate tax should be taxed.	-
Consumption tax	In the case where capital amount of head-office is 10million yen or more, consumption tax return should be filed from the year that the Japan branch is established.	-	In the case where capital amount of Japanese corporation is 10million yen or more, consumption tax return should be filed from the year that the Japanese corporation is established.	-
Social insurance	Applicable	-	Applicable	-
Labor insurance	Applicable	-	Applicable	-
Head office	In case of Japan branch	pros and cons	In case of Japanese subsidiary	pros and cons
Accounting	Consolidating head office/Branch account and eliminating the internal profit/loss	△	Accounting is separate from Japanese corporation	○
Foreign tax credit	FTC is available (Tax treaty country)	△	No FTC	○
Others	In the case where Japan branch is in loss position, branch loss can be net against head office profit.	○	Loss of Japanese corporation cannot be net against head office profit.	△