



# JTAX | JAPAN NOMINEE DIRECTOR GUIDE

**YOUR TRUSTED PARTNER  
in Japan**

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A black and white photograph of a skyscraper, likely the Tokyo Skytree, viewed from a low angle looking up. The building's distinctive tiered structure and observation decks are visible against a sky filled with soft, white clouds. The image occupies the entire background of the page.

# PART I

# INTRODUCTION

**“JTAX Understands Your  
Requirements...”**

## ABOUT JTAX

JTAX is a member of the Accounting Asia Group, a leader in Asia focused professional services.

Tracing its roots to 2001, JTAX's team of Japanese and foreign professionals has assisted hundreds of foreign clients to establish and run their businesses in Japan. Our management is drawn from the Big 4 and has extensive experience responding to the requirements of clients ranging in size from listed multinationals to start-ups.


JTAX recognizes the practical difficulties associated with operating a business in Japan and our aim is to provide clients with one-stop assistance. Our team therefore provides a comprehensive range of services including tax advisory, tax compliance, incorporation, accounting, cash management / expense payment, payroll / HR, Japan resident nominee directors, and work visas. In addition to the convenience of dealing with a single service provider, JTAX ensures that its services are handled in a coordinated manner. For example, Japan work visas may be dependent on having a properly incorporated company and an appropriate tax structure, etc.

In addition to working directly with clients, JTAX is also able to assist foreign law firms and accounting firms whose clients require assistance in Japan.

Please **Contact Us** for more information about any of our services.

## JTAX MANAGEMENT

### Dean Page – Administrative Partner



Dean Page is JTAX's administrative partner. He is a leading expert on Japanese and international tax and on doing business in Japan.

Dean worked for seven years in the Big 4, most recently as a partner at Ernst & Young (E&Y). At E&Y he served as the inbound account leader in which role he had responsibility for overseeing the delivery of services to E&Y Japan's foreign clients.

At PricewaterhouseCoopers ("PwC") Dean headed the Pathfinder Group, a team that specializes in assisting foreign clients to establish operations in Japan.

Since 2001, Dean has co-headed the International Tax Education Program (ITEP) and acted as an Adjunct Professor at the Beasley School of Law, Temple University, Japan Campus. He is the author of numerous articles related to Japanese and international tax.

Dean is admitted as both an attorney (England / Wales) and as a CPA (USA, California).





## JTAX SERVICES

JTAX recognizes the practical difficulties associated with operating a business in Japan and our aim is to provide clients with *one-stop assistance*. JTAX key services include

- Tax Consulting and Compliance
- Tax Services
- Accounting & Bookkeeping
- Bank Account Management & Expense Payment
- Payroll & HR
- Japan Work Visas
- Japan Incorporations
- Japan Nominee Directors
- Japan Registered Address & Virtual Office Solutions
- Due Diligence & Deal Integration Services
- Outsourcing Solutions including Finance, Tax, Accounting, and Payroll & HR
- Real Estate Advisory Services

Please **Contact Us** for more information about any of our services.

A black and white photograph of a skyscraper, likely the Tokyo Skytree, viewed from a low angle looking up. The building's distinctive tiered structure and antenna-like top are visible against a sky with scattered clouds. The image serves as the background for the entire page.

## PART II

# JTAX JAPAN NOMINEE DIRECTOR SERVICE

**“JTAX Understands Your  
Requirements...”**



## JTAX Japan Nominee Director Service

The purpose of this brochure is to introduce JTAX Japan Nominee Director Service and the benefits to foreign companies utilizing our service.

JTAX prides itself on offering truly comprehensive one-stop services to its clients.

As part of that commitment, JTAX is able to provide qualified nominee directors to select clients in Japan.

The establishment of any entity in Japan requires the appointment of a Japan resident individual to act as the representative. As a result, our **Japan Nominee Director Service** covers all of the following:

- Japan Nominee Representative Directors for Kabushiki Kaisha (“KK”).
- Japan Nominee Executive Managers for Godo Kaisha (“GK”).
- Japan Nominee Branch Managers for the Japan Branches of foreign companies in Japan.
- Japan Nominee Representatives for Japan representative offices of foreign companies.

A black and white photograph of a skyscraper, likely the Tokyo Skytree, viewed from a low angle looking up. The building's distinctive tiered structure and observation decks are visible against a sky filled with soft, white clouds. The image serves as the background for the entire page.

PART III

# **BENEFITS OF JTAX JAPAN NOMINEE DIRECTOR SERVICE**

**“JTAX Understands Your  
Requirements...”**

# Benefits of JTAX Japan Nominee Director Service

Use of nominee directors is becoming an increasing common feature of the corporate governance landscape in Japan.

The following are some of the benefits commonly associated with using a Nominee Director, Nominee Executive Manager, or Nominee Branch Manager in Japan:

## 1. Practical Issues

A foreign company that wishes to establish an entity in Japan often has no one appropriate on the ground to fill the director position. In such cases, our **Japan Nominee Director Service** can provide a suitably qualified individual to act on a temporary basis until such time as a Japanese national is hired or a foreign national has obtained an appropriate visa (usually a Japan Investor Visa / Investor Manager Visa).

The Japan nominee director is able to facilitate the incorporation and, once that is complete, assist in obtaining visas for foreign expat staff who will be transferred to Japan.

## 2. Internal Control Issues

The representative director of a Japanese company is considered to have full authority to represent the company. Unfortunately, it can be difficult for even large well organized foreign companies to maintain good internal control in Japan. The Japan operation is often (relatively) small and most source documentation will be written in Japanese.

This combination of factors means that many foreign companies are reluctant to use a Japan based employee in the representative director role.

## 3. Corporate Tax Issues

Structuring director compensation is a significant problem in Japanese companies. In part, this is because bonuses (defined very broadly for Japanese tax purposes) paid to a director are generally NOT deductible for Japanese corporate tax purposes. Non-deductible compensation includes most performance based payments which are typically an important feature of compensation packages in multinational companies.



The possible adverse effect of this non-deductibility is illustrated by the following [very basic] sample calculation:

|   | Recipient is normal employee | Recipient is a Director             |
|---|------------------------------|-------------------------------------|
| Japan Company's Income                                | 100                          | 100                                 |
| Bonus paid  | 25                           | 25                                  |
| Deduction allowed for Japanese Corporate Tax purposes | 25                           | 0<br>[i.e., Non-deductible expense] |
| KK's taxable profit                                   | 75                           | 100                                 |
| CORPORATE TAX PAID [33%]                              | 24                           | 33                                  |

While it is not possible to totally eliminate this corporate deductibility problem, the tax risk may be substantially reduced via the use of a nominee director who receives no bonus payment.

#### 4. Individual Tax Issues

Expat foreign employees may benefit from a reduction in their Japanese taxes based upon days spent outside Japan on business (this is often referred to as the Days-in-Days-out benefit). However, such reduction may not be available to individuals who have director status.

In addition, company provided housing (a key component of Japan-side tax planning for many expats) is significantly less beneficial for directors.

Use of a nominee director may avoid this issue.

#### 5. Japanese Statutory Benefits

A regular employee in Japan is entitled to a range of statutory benefits. An important component of these statutory entitlements is Japanese Labor Insurance. This program provides workers accident compensation and unemployment insurance protection.

Individuals who act as director of a Japanese company are typically not eligible for enrolment in the Labor Insurance program in the same manner as a regular employee.

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## PART IV

# NEXT STEPS: UTILIZING JTAX JAPAN NOMINEE DIRECTOR SERVICE

**“JTAX Understands Your  
Requirements...”**

## Next Steps: Utilizing JTAX Japan Nominee Director Service

If you decide to move forward with JTAX's Japan Nominee Director Service the typical steps are as follows:

- Given the responsibility involved in undertaking a nominee director position, we carry out thorough Know your Client (KYC) procedures. This includes clarifying the Japan entities beneficial owners, identifying professional advisors (i.e., lawyers and accountants) and confirming banking relationships. In some cases a bank reference letter may be required.
- A written agreement is put in place with both the foreign parent and the local entity as parties. The agreement includes an indemnity to cover the individual who will undertake the Japan nominee director position.
- It is generally a requirement that an individual from the parent company also act as a director. This person can become either a regular director or a representative director of the Japan entity. In either case, there is no requirement that the additional director be a resident of Japan. This additional director has responsibility for approving important decisions in the Japan entity – for example the decision to enter leases, hire employees, enter into agreements, etc.
- Our fees for acting in this capacity are based on a number of factors including the nature of the proposed structure and the degree of responsibility borne by the nominee director.



# JTAX

JAPAN TAX GROUP

To learn more about how JTAX can help your company succeed in Japan, please contact one of our Japan-based professionals.

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## Learn More About JTAX

Website: [www.JapanTax.com](http://www.JapanTax.com)  
Facebook: [facebook.com/JTAXJAPAN](https://facebook.com/JTAXJAPAN)  
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