

Japan Tax Bulletin

Taxation of the Tokyo Olympic and Paralympic Games

April 2020

The Tokyo Olympic and Paralympic Games (“the Games”) have been postponed until the summer of 2021 due to the worldwide COVID-19 outbreak. Special tax exemption rules, as provided for in the Act on Special Measures Concerning Taxation, will apply to non-resident athletes, game officials and foreign corporations involved in the Games.

1. Tax exemption for foreign corporations

1.1 Exemption from corporate income tax

Normally, foreign corporations are subject to corporate income tax on business income attributable to a Permanent Establishment (PE) in Japan and certain types of Japan-source income. In relation to the Games, the following foreign corporations are exempt from corporate income tax on business income attributable to PE in Japan, if any:

- A. Business income earned in relation to preparation and operation of the Tokyo Olympic Games
 - i. The International Olympic Committee (IOC)
 - ii. Foreign corporations that provide audio and visual images of the games through the Internet and are wholly-owned by a foreign corporation set up by the IOC.
- B. Business income earned in relation to preparation and operation of the Tokyo Paralympic Games
 - i. The International Paralympic Committee (IPC)
- C. Business income earned in relation to preparation and operation of the Tokyo Paralympic Games and the Tokyo Olympic Games (the Games).
 - i. Foreign corporations that produce, or are engaged in the overall management of the production of, audio and visual images of the Games, and are wholly-owned by a foreign corporation set up by the IOC .
 - ii. Foreign corporations that provide timing measurements, process and display the results of the competitions at the competition venues.
 - iii. Foreign corporations that are engaged in arbitration and mediation of disputes in the Games.
- D. Business income earned in relation to the Games.
 - i. Foreign corporations that dispatch teams to the Games and assist the teams.
 - ii. Corporations that dispatch referees to the Games
 - iii. Foreign corporations that hold broadcasting rights for the Games under agreements with the corporations in A or B (broadcasting rights holding corporations) and foreign corporations whose

financial statements are consolidated with those of the broadcasting rights holding corporations.

- iv. Foreign corporations that the Minister of Education, Culture, Sports, Science and Technology designates in consultation with the Minister of Finance.

1.2 Exemption from withholding tax on royalties

Normally, foreign corporations that receive royalties on intangibles used in Japan, but not attributable to a PE in Japan, are subject to withholding tax at 20.42%. The withholding tax rate may be reduced under tax treaties concluded between Japan and the country the corporation is resident in. The following foreign corporations are exempt from the withholding tax in relation to the Games:

- Foreign corporations described in 1.1.A.i, for royalties received in relation to operating the Tokyo Olympic Games;
- Foreign corporations described in 1.1.B.i, for royalties received in relation to operating the Tokyo Paralympic Games;
- Foreign corporations described in 1.1.C.ii, for royalties received from corporations engaged in operating the Games in relation to those operations; and
- Foreign corporations, which the Minister of Education, Culture, Sports, Science and Technology designates in consultation with the Minister of Finance, for royalties received from corporations or individuals engaged in operating the Games in relation to those operations.

2. Tax exemption for non-resident athletes and game officials etc.

Non-residents athletes who compete in Japan are subject to personal income tax in Japan on their earnings in Japan. Game officials and other individuals are subject to personal income tax in Japan for their services in Japan unless otherwise provided for in a tax treaty. There are tax exemption rules for individuals involved in the Games.

Non-residents that qualify for the exemptions include the following non-residents:

- A. Athletes - salaries and other benefits earned in relation to participation in the Games or performance results;
- B. Individuals in Olympic teams - salaries earned in relation to instructions or assistance to athletes.
- C. Referees - salaries earned in relation to refereeing the competitions including training or preparation in Japan;



- D. Individuals who receive salaries from the following foreign corporations - salaries earned in relation to preparation or operation of the Tokyo Olympic Games in Japan.
 - i. The IOC;
 - ii. Foreign corporations that manage broadcasting rights of visual images or audio in relation to the Games;
 - iii. Foreign corporations that maintain goods and equipment for the Olympic Games and operate facilities to exhibit them; or
 - iv. Foreign corporations that plan drug testing under the law concerning anti-doping.
- E. Individuals who receive salaries from the IPC in relation to preparation or operation of the Tokyo Paralympic Games in Japan;
- F. Individuals who receive salaries from foreign corporations described in 1.1.C.i above, in relation to preparation or operation of the Games in Japan;
- G. Individuals who receive salaries from foreign corporations as described in 1.1.A.ii above, in relation to the Tokyo Olympic Games in Japan;
- H. Individuals who receive salaries from the following foreign corporations in relation to the Games in Japan:
 - i. Foreign corporations described in 1.1.C.ii above; or
 - ii. Foreign corporations that certify domestic corporations engaged in analyzing specimens collected from athletes for anti-doping purposes.
- I. Individuals who receive salaries from the entities described in 1.1.D.i and ii above in relation to the Games in Japan.
- J. Individuals who receive salaries from the entities described in 1.1.D.i and ii above in relation to the Games in Japan.
- K. Individuals who receive salaries from foreign corporations described in 1.1.D.iii above in relation to the Games in Japan.
- L. Individuals who receive salaries from foreign corporations that the Minister of Education, Culture, Sports, Science and Technology designates in consultation with the Minister of Finance.

Contact us for any enquiry on our services;

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