

Japan Branch Office

Foreign companies willing to engage in commercial business operations in Japan must establish a "branch office" or a local "subsidiary company" as a legal entity in Japan.

The simplest model for a foreign company to establish a legal entity for commercial business operations in Japan is to set up a branch office. A Branch office can start business operations as soon as registration is completed with the local authority and all post-registration mandatory notifications to relevant local authorities are submitted.

A branch office of a foreign company carries commercial transactions in Japan as per the decision/instruction of the parent company and usually is not expected to independent decision-making.

A branch office does not have its own independent local legal corporate status. Instead, it is deemed to be within the umbrella of the parent company's corporate status outside of Japan. At the time of registration of a branch office in Japan thus there is no requirement to establish statutory officers/management bodies such as directors, auditors, but a branch office only needs an "A Representative in Japan. **A Branch office can register a maximum of 2 (two) "Representatives in Japan," but one must be a "Resident in Japan."**

In general, therefore, the branch office's foreign parent company is ultimately responsible for all debts and credits generated by its Japan branch office activities.

However, a branch office can open a company bank account(s) and lease real estate in its name and carry commercial activities as per corporate objectives derived from parent co, once it's registered in Japan.

There are no fundamental differences between a branch office and a domestic corporation in terms of the range of business activities allowed.

A branch office in Japan is obliged to submit a corporate tax return to the local authority within two months from the date of its closing of the fiscal year and fiscal year of the branch office is registered in Japan as per the parent company's fiscal year in the home country. The Tax applies to the net income generated in the Japan branch office as per local regulation, and the rates used are the same as a domestic company.

The procedures for closing a branch office must be completed when upgrading a branch office to a subsidiary company. Because a branch office cannot be directly reorganized into a joint-stock corporation (Kabushiki-Kaisha {K.K.}) or a limited liability company (Godo-Kaisha {LLC}), the branch office closure procedures and the subsidiary company establishment procedures must be carried out simultaneously. However, in such instances, the branch office's assets may be passed on to the subsidiary company through investment in kind.

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