
Japan Branch

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

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, but instead is deemed to be within the umbrella of corporate status of the parent company outside of Japan. At the time of registration of a branch in Japan thus there is no requirement to establish statutory officers / management body such as directors, auditors, but a branch office only needs a **“A Representative in Japan**. Branch office can register max. 2 (two) **“Representative in Japan”** but one must be a **“Resident in Japan”**. Minimum requirement for establishing a **“Branch Office”** in Japan is to have a **local physical address** (not PO Box) for registered office and a **“Representative in Japan”**

P.S. “Resident in Japan”: Either a Japanese or a foreign national, but in case of a foreign national the person must have an appropriate status of residence as per immigration law.

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

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

In terms of the range of business activities allowed, there are no basic differences between a branch office and a domestic corporation.

A branch office in Japan is obliged to submit corporate tax return to local authority within two months from the date of its closing of fiscal year and fiscal year of branch office is registered in Japan as per the parent company's fiscal year in home country. Tax applies on the net income generated in Japan branch office as per local regulation and rates applied are same as of 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. In such instances, however, the branch office's assets may be passed on to the subsidiary through investment in kind.

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