



Some Basic differences between Opening a Branch and Establishing a Domestic Corporation in Japan

In terms of the range of business activities allowed, there are no basic differences between branch offices and domestic corporations. But regardless of the firm being foreign or not, some companies, depending on the category of business, are required to secure authorisation of the supervisory ministries at the time of founding.

A Branch office is not regarded as an independent legal entity, but as acting on the basis of decisions and instructions from the head office to provide services and carry out business activities, including purchasing, importing, and sales. In transactions with other businesses, the branch office concludes contracts as the representative of its head office.

Some major differences between a branch office and A domestic Japanese corporation

Either a branch office or a corporation may enter into business activities by its own name as an entity. Tax rates are also fundamentally the same for a branch office or a corporation.

- 1) A new management body need not be set up for a branch and there is no detailed statutory requirement for the management of a branch. While a corporation must have statutory officers or a management body such as directors, auditors, board of directors meetings and shareholders meetings, a branch needs a representative only.
- 2) Dividends paid by a corporation to a foreign shareholder are subject to withholding tax, while remittance of branch profits after tax to its head office is not subject to withholding tax.
- 3) Expenses incurred by the head office for its branch may be allocated to its branch.
- 4) Interest or royalty paid by the head office for activities of its branch, may be deducted by its branch although such interest or royalty is subject to withholding tax.