

International Tax × Customs Import Transaction Risk Review (Summary)

Can you explain that purchase price to both the tax authorities and Customs?

We review the import transactions of foreign-affiliated companies from both an international tax and a customs perspective. Transfer pricing, corporate tax and consumption tax are considered together with customs valuation, consistently and by the same professional.

One price, two authorities.

When you buy goods from an overseas affiliate, that single price is examined by two authorities looking in opposite directions.

Tax authorities — “Is it too high?”	Customs — “Is it too low?”
If the Japanese subsidiary's profit is low, transfer pricing rules invite the suspicion that income is being shifted out of Japan.	Customs examines whether the intercompany relationship has influenced the price, from the standpoint of customs valuation.

Take a year-end price adjustment. A downward adjustment made under a transfer pricing policy is the correct treatment for transfer pricing purposes, but in customs practice a refund based on a post-importation price reduction is very rarely granted, and an upward adjustment requires an amended declaration. **Adjustments run one way only. Unless customs is built in at the design stage, that cost never comes back.**

The same type of issue is present throughout import transactions: royalties added to the customs value, the treatment of assists provided free of charge, the classification of commissions, the choice of importer of record. Transfer pricing specialists do not know customs valuation; customs specialists do not know transfer pricing. Caught in that gap, it is the company alone that carries both risks.

What sets our firm apart

- **Dedicated to foreign-affiliated companies.** Since our founding we have confined our practice to tax and accounting for foreign-affiliated companies, and we keep that expertise current.
- **Examined from both sides.** Our representative is a certified public tax accountant (zeirishi) who has also passed the Registered Customs Specialist examination “(Japan's national customs clearance qualification)” (59th examination, 2025). Corporate tax, consumption tax and transfer pricing on one side, and customs valuation, rules of origin and clearance practice on the other, are considered by one and the same person.
- **Worked backwards from the audit, handled by the representative to the end.** We propose documentation capable of withstanding both a tax audit and a customs post-clearance audit. The same person handles your matter from the first consultation through to implementation, so nothing is lost in a handover.

Three services

Service	What it covers
01 Customs valuation × transfer pricing consistency review	We reconcile your transfer pricing policy against the values actually declared on importation and assess the risks from both perspectives: the customs value of related-party transactions, royalty additions, assists provided free of charge, the classification of commissions and year-end price adjustments. Standard duration: three weeks.
02 Dual-audit support	Advance defense with both a tax audit and a customs post-clearance audit in view. We reconcile the documents to be submitted, prepare for internal interviews, estimate how a finding on one side would carry over to the other, and report to your headquarters in English.
03 Japan market entry and structuring	Who becomes the importer of record? Will inventory be held in Japan? From that decision through permanent establishment risk, the deductibility of import consumption tax and the issues specific to cross-border e-commerce, we design the tax and customs sides as one.

How we work together Initial consultation (60 min., chargeable) → Quick review → Proposal and fee quote → Engagement

Who we work with

Japanese subsidiaries of foreign-affiliated companies and foreign corporations with a branch in Japan / foreign companies considering entry into Japan or the start of imports / cross-border e-commerce operators selling into Japan / tax teams at overseas headquarters, and accounting, finance and logistics leads at the Japanese site.

* We do not accept bookkeeping services or general tax advisory work for purely domestic companies. * Because the right of tax representation in customs matters is restricted by law, our involvement takes the form of advice, document preparation, consistency verification and attendance support; the declaration procedures themselves are handled in cooperation with a partner customs broker. * Fees vary with transaction size, the number of items and the complexity of the supply chain. We always provide a quotation before any work begins.

Contact We are currently accepting initial consultations, in English or Japanese.

Sakashita International Tax Accountant Co. YFL Building 2F, 3-38-5 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
TEL +81-3-6434-9713 MAIL Sakashita@bygonex-tax.com WEB <https://bygonex-tax.com/>

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International Tax × Customs: Import Transaction Risk Review

For finance and logistics managers at foreign-owned companies in Japan

- Can you explain that purchase price to both the tax authorities and customs? -

A risk review of the import transactions of foreign-owned companies, from both an international tax and a customs perspective. Transfer pricing, corporate tax, consumption tax and customs valuation, examined as one.



THE PROBLEM

One price, two authorities.

When you buy goods from an overseas affiliate, that price is examined by two authorities looking in opposite directions.

National Tax Agency

“Isn’t it too high?”

If the Japanese subsidiary’s margin is thin, the transfer pricing rules raise the suspicion that income is being shifted out of Japan.

Customs

“Isn’t it too low?”

Customs tests, from a customs valuation standpoint, whether the special relationship between parent and subsidiary has influenced the price.

The same single invoice becomes a price you want to bring down for one authority and a price you must not bring down for the other. Many companies go on filing, month after month, while carrying that contradiction.

Take a year-end price adjustment.

In line with the transfer pricing policy, the payment to the parent is adjusted downward at the year-end, and the Japanese subsidiary’s income lands within an arm’s length range. For transfer pricing purposes this is the correct treatment.

For customs purposes, however, reducing the customs value on the basis of a post-importation price reduction and claiming a refund of duty is, in practice, extremely difficult to have accepted. An upward adjustment, conversely, requires an amended declaration.

The adjustment runs one way only. Unless customs duty is built into the design of the transfer pricing arrangement, that cost never comes back.

The same kind of issue is hidden throughout import transactions: additions of royalties to the customs value, the treatment of goods supplied free of charge, the classification of commissions, the choice of importer of record, and more.

Transfer pricing specialists do not know customs valuation, and customs specialists do not know transfer pricing. Caught in that divide, it is the company alone that carries the double risk.

OUR APPROACH

We specialize in foreign-owned companies

Sakashita International Tax Accountant Co. is a certified tax accountant corporation specializing in the Japanese tax and accounting affairs of foreign-owned companies. Many of these companies import goods from overseas affiliates and sell them in the Japanese market, which means customs clearance arises on every shipment. We resolve the issues specific to foreign-owned companies comprehensively.

We examine both sides

Beyond corporate tax and consumption tax, our representative, who holds knowledge equivalent to that of a licensed customs specialist, personally examines transfer pricing, customs valuation, rules of origin and customs clearance practice as a single exercise. Transfer pricing policies are tested from the customs valuation angle, and the effect that duty-saving measures have on corporate tax, consumption tax and transfer pricing is considered at the same time. The explanation given to the tax authorities and the one given to customs never diverge.

We work backwards from the audit

Both tax audits and customs post-clearance audits reach back into past periods. We propose documentation that will hold up whenever an audit arrives.

The representative handles your matter throughout

From the first consultation through to implementation, the representative handles the engagement personally. Nothing is lost in a handover between staff.

Three services

01 Customs Valuation × Transfer Pricing Consistency Review

We reconcile your transfer pricing policy with the values actually declared on importation and assess the risk from both perspectives.

02 Dual Audit Support

Advance defence and on-site support designed with both the tax audit and the customs post-clearance audit in view.

03 Japan Market Entry and Structuring

From the choice of importer of record to PE risk and consumption tax, we design the tax and customs position as one.



Who we work with

- Japanese subsidiaries of foreign-owned groups, and foreign corporations with a branch in Japan
- Foreign companies considering entry into Japan or the start of imports
- Cross-border e-commerce businesses selling into Japan
- Overseas head office tax teams, and the finance directors and logistics managers of the Japanese operation

Please note that we do not accept bookkeeping services or general tax advisory work for domestic Japanese companies. By limiting our practice to the cross-border transactions of foreign-owned companies, we maintain our depth of expertise.

01 Customs Valuation × Transfer Pricing Consistency Review

Your transfer pricing policy, and the values you actually declare to customs. We test whether the two are inconsistent, against both bodies of law.

Does any of this sound familiar?

- Transfer pricing documentation is in place, but no one has checked it against the customs declarations
- Price adjustments are booked every period, but their customs treatment has never been considered
- Royalties are paid separately, but no one has determined whether they are dutiable
- The parent supplies tooling or materials free of charge, but it is unclear whether this is reflected in the declarations
- Customs clearance is left entirely to the forwarder, and no one internally can explain the basis of the declared value

The main issues we examine

- **Customs value in related-party transactions** Where buyer and seller are related, can it be said that the relationship did not influence the price? If it cannot, which valuation method should be applied?
- **Additions for royalties and technical assistance fees** Are the licence fees you pay “related to the imported goods” and “a condition of sale”? We isolate the portion that must be added.
- **Goods and services supplied free of charge (assists)** Tooling, materials, design, technology. We establish whether items provided by the parent free of charge or at a reduced price should be added to the customs value.
- **Classification of commissions** Buying commissions are not dutiable; selling commissions are. We judge which applies from the substance of the transaction, not the wording of the contract.
- **Year-end price adjustments** We quantify the customs consequences of upward and downward adjustments in monetary terms and revisit the design of the adjustment mechanism itself.
- **Consistency between advance rulings and APAs** An advance ruling request to customs, and an APA application to the tax authorities. We align the position in advance so that the two do not contradict each other.

Process and deliverables

- Submission of documents (invoices, import permits, contracts, TP policy, local file)
- Detailed interviews to identify the issues and rank them by size of risk
- Preparation of a report and a walkthrough of its contents, with recommendations
- Delivery of the final report (in Japanese, English or both)

02 Dual Audit Support

Both a tax audit and a customs post-clearance audit reach back into past periods. And an explanation given to one can become damaging evidence in the other.

Why the two have to be considered together

Suppose customs asserts on a post-clearance audit that a price is too low, and you agree to an increase in the customs value. That fact means the Japanese subsidiary's cost of goods was in reality higher. From a transfer pricing perspective, it becomes grounds for asking you to explain why the subsidiary's profit was correspondingly thin.

The reverse is equally true. Respond to each audit in isolation and your own positions gradually begin to contradict one another. Preventing that means putting both on the same table from the outset.

What our support covers

- **Advance defence** We reconcile the documents filed with the tax authorities against those filed with customs and close off contradictions and unexplained items before they are raised.
- **Preparing for interviews with your staff** Who will the examiners ask, and what? We brief sales, logistics and accounting personnel in advance so that no one gives an account at odds with the facts.
- **Support during the audit itself** We prepare explanatory materials for the authorities, organize the issues and advise on the response strategy.
- **Quantifying the impact of proposed adjustments** Before deciding whether to accept a finding or contest it, we estimate how accepting it on one side would carry over to the other.
- **Reporting to head office** We prepare English-language materials giving the overseas head office the information it needs for progress reporting and for judging whether a provision is required.

A note on our scope of work

Because rights of tax representation in customs matters are restricted by law, our involvement extends to advice, preparation of documentation, consistency checks and attendance in support. The declaration procedures themselves are handled in cooperation with our partner customs brokers. We explain the precise scope of work clearly at the first consultation.

03 Japan Market Entry and Structuring

There are decisions to be made before import transactions begin. Who will be the importer of record? Where will inventory be held? Those choices largely determine the tax burden that follows.

Issues to settle before entry

- **Who should be the importer of record** The overseas head office, the Japanese subsidiary, or the customer? The choice determines who is liable for customs duty and who can recover import consumption tax. Where a non-resident acts as importer, a customs administrator in Japan must be appointed.
- **Whether to hold inventory in Japan** DDP terms or a consignment warehouse mean holding inventory in Japan. If that arrangement is treated as a permanent establishment (PE), Japanese corporate tax may arise. A warehouse chosen purely for logistics reasons giving rise to a tax issue is a classic example.
- **Branch or subsidiary** We compare the tax treatment, the set-up and maintenance costs, and the suitability as importer of record for each.
- **Recoverability of import consumption tax** Whether the consumption tax paid at importation can be credited depends on whose name the goods were imported in. Get this wrong and the consumption tax stays on the books as an unrecoverable cost.
- **The transfer pricing policy at the start of trading** Losses in the early years after entry are normal. We record, in a form that can be explained later, whether those losses stem from starting up the business or from a distortion in transfer pricing.
- **Cross-border e-commerce** We work through the issues particular to e-commerce: the treatment of low-value shipments, sales through platforms, the handling of returns and so on.

Why it pays to consult us before you enter

Reworking a structure once it is in place means renegotiating contracts, modifying systems and changing customs clearance practice, and the cost escalates. Consulting us before the logistics flow is fixed is by far the most efficient course.

Deliverables

- Recommended structure: business form, importer of record and flow of goods and title
- Estimates of the tax burden under each option
- Review and assessment of PE risk and other issues, together with proposed improvements
- A schedule of the filings and registrations required after entry
- An English summary for head office approval

HOW WE WORK

Start by showing us where you stand.

A handful of invoices and import permits is usually enough to show a good deal about where the risk lies.

It is perfectly fine to come to us at the stage where you do not yet know what the problem is.

STEP 1	Initial consultation, JPY 50,000 (60 minutes, in person, oral advice). We go through the transaction flow, the import arrangements and an outline of the transfer pricing policy. Online meetings available on request.
STEP 2	Quick diagnostic. We review the documents and report back on where the risk lies and how it should be prioritized. Offered at a fixed fee.
STEP 3	Proposal and quotation. We set out the scope of work and the fee, whether as a one-off engagement or a retainer.
STEP 4	Implementation. We support you throughout: review, documentation and dealings with the authorities.

We provide a quotation before starting any engagement. Should the work required go beyond what was anticipated, we will always discuss it with you in advance.

PRINCIPAL

Hiroko Sakashita

Certified Public Tax Accountant / Passed the Registered Customs Specialist Examination (59th examination, 2025)

Why I sat the customs specialist examination, and passed it

For the past 25 years I have worked without interruption on the tax and accounting affairs of foreign-owned companies. Alongside corporate tax and consumption tax filings, I have also prepared transfer pricing documentation such as local files. Supporting clients across a wide range of industries, I came to notice how often the questions put to me concerned customs. When a client's finance director asked about a price adjustment, for example, I could answer on the transfer pricing consequences, but gave no thought at all to the effect on customs, which lay outside my field. Yet there is no reason to think about tax and customs separately for one and the same transaction, and being able to advise on both can only be better. I was also asked frequently to support customs post-clearance audits, and concluded that I should understand the subject properly and systematically. So I sat the registered customs specialist examination and passed. I am now able to examine a single transaction comprehensively from the corporate tax, consumption tax, transfer pricing and customs angles, and I work at it every day in the hope of serving my clients that little bit better.

Career

1996	Passed all five subjects of the Certified Public Tax Accountant examination
1996	Joined Enomoto Tax and Accounting Office
1998	SoftBank Corp., Internal Audit Department
2000	Joined Ota Showa Ernst & Young (now EY Tax Co.) International Tax Consulting Department Advising foreign-owned companies on international tax
2005	Joined Sakashita International Tax Accountant Co. as a partner Specializing since its founding in tax and accounting services for foreign-owned companies
2025	Passed the Registered Customs Specialist Examination (59th)

Qualifications and memberships

- Certified Public Tax Accountant (registration no. 96687)
- Member, Shibuya Branch, Tokyo Certified Public Tax Accountants' Association
- Passed the Registered Customs Specialist Examination (59th, 2025)



Contact

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