TWO ARTICLES

PANAMA PAPERS: Japanese firms seek out tax havens to spur China business

THE ASAHI SHIMBUN

April 27, 2016 at 17:40 JST

This building accommodates law firm Mossack Fonseca from which documents called the "Panama Papers" were leaked. (Tsuyoshi Tamura)

Japanese companies listed in the Panama Papers set up firms in the British Virgin Islands and Anguilla, tax havens in the Caribbean, mainly to grease business in China, The Asahi Shimbun has learned.

The documents also show that many Japanese citizens also set up companies there to manage their assets.

The Panama Papers, which revealed that government leaders or their relatives used tax havens to hide their assets from public scrutiny, were obtained by the German newspaper Sueddeutsche Zeitung and shared with the International Consortium of Investigative Journalists (ICIJ).

The ICIJ is scrutinizing the documents along with partner media organizations around the world, including The Asahi Shimbun.

The Asahi Shimbun, which has been scrutinizing Japan-related portions of the Panama Papers, contacted Japanese companies and citizens whose names crop up in the documents to ascertain their reasons for registering in tax havens.

Many replied that they set up companies there to transfer their assets or profits or sidestep Chinese government regulations. At least one company tried to keep Chinese consumers from learning it is a Japanese business.

The president of a major beverage concern became a shareholder of two firms registered in the Virgin Islands in 2000.

“The purpose was not to avoid taxes,” a company spokesperson said, adding, “We are disclosing the information sought by Japanese tax authorities.”

The names of two founders of a security service company are also described in the Panama Papers. The two became shareholders of separate firms in the Virgin Islands in 1992.

“They did not avoid paying taxes. They became shareholders after getting advice from legal experts. There are no problems from a legal standpoint,” said a company official.

The Asahi Shimbun also learned that a listed engineering firm set up a joint company for a gas processing plant project in the Virgin Islands at the behest of its Iranian partner. However, the project was aborted after the United States ramped up its sanctions against Iran. Eventually, the investment did not materialize and the joint company's registration was canceled.

A listed trading house registered three companies in the Virgin Islands.

“As it is easy to set up firms or liquidate them there, we can operate our businesses efficiently,” said a representative of the trading house.

It is not illegal to establish companies in tax havens. As the procedures can be done easily online, there are numerous cases in which companies apparently lent their names to set up entities. There are also cases of names being used without permission.

The Panama Papers document more than 200,000 entities created by Panamanian law firm Mossack Fonseca. The files contain more than 370,000 names, including those of shareholders and beneficiaries, in more than 200 countries and regions.

Of the 370,000 names, about 400 had addresses in Japan. With the exception of duplicative names and those of foreigners, at least 20 companies were Japanese, and about 230 individuals were apparently Japanese citizens.

Revelations to date show that 140 people holding or having held public office in around 50 countries were involved in entities located in tax havens. They include 12 incumbent or former top leaders.

In Japan, however, no one in public office has been confirmed.

The ICIJ plans to release the names of the more than 200,000 entities and the identities of the individuals involved at 3 a.m. on May 10 Japan time.

http://www.asahi.com/ajw/articles/AJ201604270061.html

PANAMA PAPERS: Japanese firms advised to buy shell companies in tax havens

THE ASAHI SHIMBUN

April 27, 2016 at 19:00 JST

The Panama Papers list Japan-related companies registered in a Caribbean tax haven. (The Asahi Shimbun)

Japanese firms doing business in China buy shell companies registered in tax havens to get around the country's raft of regulations, often at the advice of experts.

That, at least, is one explanation offered by the president of a Japanese trading company that features in the Panama Papers.

“It makes it easy to make inroads in China and also to pull out at any time,” says the 44-year-old businessman, whose company owns an entity in the British Virgin Islands, a tax haven in the Caribbean.

When companies try to invest in China, “they have to set up a firm in each region (of the country)," he said. "Accounting standards and tax systems are also different from those in Japan. As labor laws are also complicated, they cannot pull out whenever they feel like it.”

As a result, Japanese companies and businesspeople rely on acquiring shell companies to do business.

“Accountants and lawyers in Hong Kong also advise companies to do so,” the president said.

Hong Kong has many firms that resell already-registered paper companies. One advantage is that it is often possible to talk with the firms in Japanese.

A 62-year-old man in western Japan who imported furniture purchased a company registered in the British Virgin Islands in 2011 for less than 200,000 yen ($1,800). The man did so at the request of his business partner in China. That allowed him to open a bank account in Hong Kong that his partner could use to receive funds.

The man went online looking for firms that offered paper companies with accounts at major banks. He looked at several and chose one.

“I only bought a company for remittance purposes. Since it cost a lot to set up a company in Hong Kong, taking the tax haven route seemed to be the cheaper option,” he said.

A 64-year-old self-employed man in the Kansai region was asked by an executive of a Chinese state-run company in 2011 to set himself up as an import agent. According to the man, the executive planned to remit money to the import agent as a mediation fee when he purchased heavy oil from Russia, and later pocket the money.

The Japanese man went online and purchased a paper company in the Virgin Islands for about 100,000 yen. The executive said he would travel to Hong Kong to receive funds.

Due to the slowdown of the Chinese economy, however, the plan to import heavy oil was aborted.

A beauty care group based in Tokyo registered a company in Anguilla, also a British overseas territory in the Caribbean, in October 2015 when it was preparing to open its first Chinese outlet in Beijing.

“We feared that if Chinese people became aware that our outlet is Japanese, they could target it for attack when ant-Japan sentiment flared,” an official said.

The group eventually gave up opening the outlet because of opposition from its employees.

“As a result, only the company's registration remains in Anguilla,” the official said.

A licensed tax accountant who is well versed in overseas tax systems said, “After the collapse of the asset-inflated economy (in the early 1990s), wealthy people in Japan set up companies in tax havens to protect their assets.

Recently, however, tax authorities have begun to keep a stricter watch on overseas assets as seen by the fact that member countries of the OECD (Organization for Economic Cooperation and Development) have embarked on sharing information on accounts held by foreigners. Thus, the benefits (from using tax havens) are shrinking.”

http://www.asahi.com/ajw/articles/AJ201604270068.html