(aa) has an agreement in force containing provisions for the exchange of information on tax matters with the Contracting State from which the income is derived; and

(bb) treats the entity or arrangement as wholly fiscally transparent under the tax law of that third jurisdiction.

3. This Convention shall not affect the taxation, by a Contracting State, of its residents except with respect to the benefits granted under paragraph 2 of Article 9 and Articles 19, 20, 23, 24, 25 and 28.

ARTICLE 2
TAXES COVERED

1. This Convention shall apply to taxes on income imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of any property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

3. The existing taxes to which this Convention shall apply are:

(a) in Japan:

(i) the income tax;

(ii) the corporation tax;

(iii) the special income tax for reconstruction;

(iv) the local corporation tax; and

(v) the local inhabitant taxes

(hereinafter referred to as "Japanese tax"); and

(b) in Peru:

the income taxes imposed under the Income Tax Act (Ley del Impuesto a la Renta) and under the Legislative Decree that creates the Micro and Small Businesses Income Tax Regime (Decreto Legislativo que crea el Regimen MYPE Tributario del Impuesto a la Renta)

(hereinafter referred to as "Peruvian tax").

4. This Convention shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes referred to in paragraph 3. The competent authorities of the Contracting States shall notify each other of any significant changes that have been made in their taxation laws.

ARTICLE 3
GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:

(a) the term "Japan", when used in a geographical sense, means all the territory of Japan, including its territorial sea, in which the laws relating to Japanese tax are in force, and all the area beyond its territorial sea, including the seabed and subsoil thereof, over which Japan has sovereign rights in accordance with international law and in which the laws relating to Japanese tax are in force;

(b) the term "Peru" means the Republic of Peru and, for the purposes of determining the geographical scope of application of the Convention, means the mainland territory, the islands, the maritime areas and the air space above them, under sovereignty or sovereign rights and jurisdiction of Peru, in accordance with the provisions of the Political Constitution of Peru (Constitución Política del Perú) and other relevant domestic law and international law;

(c) the terms "a Contracting State" and "the other Contracting State" mean Japan or Peru, as the context requires;

(d) the term "person" includes an individual, a company and any other body of persons;