3. As regards the provisions of this Agreement concerning customs matters, this Agreement also applies to those areas of the customs territory of the United Kingdom not covered by subparagraph 1(a).

4. Notwithstanding subparagraph 1(a) and paragraph 2, for the United Kingdom, the Protocol on Mutual Recognition applies to its customs territory.

5. To the extent that application of this Agreement is not provided for under paragraphs 1 to 4, at the time of entry into force of this Agreement, or at any time thereafter, this Agreement, or specified provisions of this Agreement, may be extended to such territories for whose international relations the Government of the United Kingdom is responsible, as may be agreed between the Governments of the Parties in an exchange of diplomatic notes.

6. At any time after an extension in accordance with paragraph 5, the United Kingdom may notify Japan that this Agreement shall no longer apply to a territory for whose international relations the Government of the United Kingdom is responsible. To this end, the procedure set out in paragraph 2 of Article 24.4 shall apply, *mutatis mutandis*.

ARTICLE 1.4

Taxation

1. For the purposes of this Article:

(a) "residence" means residence for tax purposes;

(b) "tax agreement" means an agreement for the avoidance of double taxation or any other international agreement or arrangement relating wholly or mainly to taxation to which a Party is party; and

(c) "taxation measure" means a measure in application of the tax legislation of a Party.

2. This Agreement applies to taxation measures only in so far as such application is necessary to give effect to the provisions of this Agreement.

3. Nothing in this Agreement shall affect the rights and obligations of a Party under any tax agreement. In the event of any inconsistency between this Agreement and any such tax agreement, the tax agreement shall prevail to the extent of the inconsistency. With regard to a tax agreement between the Parties, the relevant competent authorities under this Agreement and that tax agreement shall jointly determine whether an inconsistency exists between this Agreement and the tax agreement.

4. Any most-favoured-nation obligation in this Agreement shall not be applicable with respect to an advantage accorded by a Party pursuant to a tax agreement.

5. The Joint Committee established pursuant to Article 23.1 may decide on a different scope of the application of dispute settlement under Chapter 22 with respect to taxation measures.

6. Subject to the requirement that taxation measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between the Parties where like conditions prevail, or a disguised restriction on trade and investment, nothing in this Agreement shall be construed to prevent the adoption, maintenance or enforcement by a Party of any taxation measure aimed at ensuring the equitable or effective imposition or collection of taxes such as measures:

(a) distinguishing between taxpayers who are not in the same situation, in particular with regard to their place of residence or the place where their capital is invested; or

(b) preventing the avoidance or evasion of taxes pursuant to the provisions of any tax agreement or domestic tax legislation.