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Japan



Japan taxes Japanese residents on their worldwide income.

Current Trends

The National Tax Agency (NTA) sees under-reporting of overseas assets as a serious problem. To strengthen enforcement, Japan will work with the 34 members of the OECD. The NTA will receive information on deposits, brokerage accounts and other types of financial accounts, through treaty exchange of information requests, as a part of its initiative.

Also, Japan will provide other countries with information on Japanese accounts held by their respective residents.

If an individual has an obligation to file their income tax return and their total income exceeds JPY20 million for a year and, their asset value is 300 million yen or more, or their financial asset value is 100 million yen or more at the end of a calendar year, the individual must submit a "Statement of Assets and Liabilities" together with their income tax return to declare the type and value of assets and amount of liabilities as of the end of the calendar year.

Japanese permanent residents who own overseas assets valued at over JPY50 million at the end of a calendar year must submit a "Statement of Overseas Assets" to report their overseas assets.

In addition, if the amount of an overseas remittance transaction is over JPY1 million, financial institutions must submit a "Statement of Remittances to/from foreign countries" and, their asset value is 300 million yen or more, or their financial asset value is 100 million yen or more at the end of a calendar year.

FATCA

Japan has entered into a Model 2 IGA with the US under the FATCA rules. US persons banking in Japan can expect an annual report on their Japanese account activity to the US tax authorities. This IGA is non-reciprocal.

CRS

Japanese persons with bank accounts in participating countries should expect that their banking affairs will be the subject of an annual report under the governing bilateral agreement. This automatic reporting regime is reciprocal and, therefore, also applies to non-residents with accounts in Japan.

Exit Tax

For Japan residents with financial assets in excess of JPY 100 million, an "Exit Tax" will be imposed on unrealized gains upon departure from Japan (termination of residence). This new tax commences in 2015.

Direct and Indirect Ownership of Investment Accounts

Both the US FATCA regime and the OECD CRS regime require reporting of accounts held directly by the individual taxpayer and indirectly, through personal investment companies, trusts or foundations. Japan also has provisions to tax income of controlled foreign corporations at the shareholders level, under certain circumstances.

Amnesty and Voluntary Disclosure Regimes

For voluntary disclosures of overseas asset, even if the assets are not included in the initial tax return filing, the penalty is reduced by 5%.

Applicable Tax Transparency Regime		
US FATCA	✓	Japan has signed a non-reciprocal Model 2 IGA, for compliance with the US FATCA regime
UK CDOT	n/a	
EUSD	n/a	
OECD CRS	✓	Reciprocal CRS reporting of 2017 account information, to be filed in 2018, and thereafter, between Japan and CRS-participating countries
Tax Treaty Information Exchange	✓	Reciprocal exchange of information between Japan and numerous countries, upon request

Other Tax-Related Considerations		
Voluntary Disclosure Program?	Yes	Voluntary disclosures are eligible for Penalty reduction and relief from criminal liability
Residents taxed on worldwide income?	Yes	Income of controlled foreign corporations may also be taxed at shareholder level

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