

Comprendre la fiscalité des résidents au Japon
Understanding the taxation of residents in Japan

L’UFE Japon

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01

Tax residency in Japan



Tax residency in Japan
Non-resident, Non-permanent resident and Permanent resident

1. No. 3, Section 1, Article 2 of the Income Tax Act of Japan defines ‘resident’ as person having address in Japan, or abode in Japan for one year or more.

2. With respect to ‘address’, No. 2-1 of the Income Tax Administrative Guidance of the National Tax Agency explains that the address means the principal place of living, which is decided by facts and circumstances.

3. A Q&A of the National Tax Agency also explains that factors to decide the principal place of living will include housing, occupation, the location of assets, the location of family members and nationality.

4. If non-resident, only Japan sourced income is subject to Japanese personal income tax.

Cf. National Tax Agency: https://www.nta.go.jp/taxes/shiraberu/taxanswer/shotoku/2010.htm

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Tax residency in Japan
Your Tax Exposure Changes After 5 Years

A resident taxpayer is considered a permanent resident if he/ she has lived in Japan for **more than five years in the last ten years.**

≤5 years in Japan: Non-permanent resident
Taxed on Japan sourced income, and foreign income **only if remitted into Japan**

>5 years: Permanent tax resident
Taxed on **worldwide income**, even if not remitted into Japan

Note: An individual with Japanese citizenship is automatically considered a permanent resident taxpayer from day one, regardless of their length of stay in Japan.

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Tax residency in Japan
Your Tax Exposure Changes After 5 Years

		Japan sourced income		Foreign sourced income	
		Paid in Japan	Paid abroad	Paid in Japan	Paid abroad
Resident	Non-permanent resident	**Taxable**	**Taxable**	**Taxable**	**Taxable (portion deemed remitted to Japan)**
	Permanent resident				**Taxable**
Non-resident		**Taxable in principle**		**Non-Taxable**	

Source: National Tax Agency: https://www.nta.go.jp/taxes/shiraberu/taxanswer/shotoku/2010.htm

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02

Taxpayer obligations & annual filing calendar



Taxpayer obligations & annual filing calendar
Who Must File an Income Tax Return in Japan?

- Most salaried employees and directors who receive a remuneration from a Japanese company do not need to file (if employer does year-end adjustment)

- You must file if:
  - You have additional income (freelance, rental, investments)
  - You have multiple employers
  - Your income exceeds 20 million JPY
  - You want to claim deductions not included in the year-end adjustment

- Filing allows you to claim refunds or correct underpayments

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Taxpayer obligations & annual filing calendar
Year-End Adjustment vs Self-Assessment Filing

Year-End Adjustment (Nenmatsu Chosei):

- Done by employers for most salaried workers
- Includes tax withheld monthly + reconciliation in December

Self-Assessment (Kakutei Shinkoku):

- Individuals file directly
- For freelancers, high-income earners, or with additional income
- Requires documents (Gensen Choshu-hyo, receipts, etc.)

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Taxpayer obligations & annual filing calendar
Key Dates in the Annual Tax Calendar

- **January**: Gensen Choshu-hyo (withholding slip) issued by employer
- **Mid-February to March 15**: Filing period for self-assessment
- **March 15**: Deadline for income tax return (filing and payment)
- **March 31**: Deadline for local inhabitant tax filing (if needed)
- **June 30**: Deadline for the first installment of the inhabitant tax (if applicable). Subsequent installments are due in August, October, and January of the following year.
- **July 31**: Deadline for the first installment of the estimated income tax of the current year (if applicable). The second installment is due in November
- **December**: Year-end tax adjustment by employers

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Taxpayer obligations & annual filing calendar
Introduction to My Number System and e-Tax Portal

- **My Number System**
  - 12-digit ID for all residents
  - Required for:
    - Tax filings
    - Employment
    - Opening bank accounts
  - Can also be used as a health insurance card (with registration)
  - Keep secure – used for identity verification



- **e-Tax Portal**
  - Japan's official online tax filing system
  - File from home using My Number card + IC reader/smartphone
  - Used for income tax returns, refunds, and payments
  - Mainly in Japanese (some English help pages)



03

Special topics for French Expats in Japan



Special topics for French Expats in Japan

Reporting Foreign Income – What Must Be Declared?

Permanent Residents must:

- **Declare foreign income**, including but not limited to:
  - **Dividends**
  - **Rental income**
  - **Pensions**

  Filed via **the annual tax return** (kakutei shinkoku)
  Japan - France tax treaty may apply

- **Disclose foreign assets** if value > ¥50M including but not limited to:
  - Bank accounts
  - Securities
  - Real estate

  Filed via **Form 16** ("Foreign Assets Report") submitted with the regular annual tax return.

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Special topics for French Expats in Japan
Stock Options & Capital Gains – What to watch for

- **Stock options**
  - Non-qualified Stock Options (most common for foreign companies)
    - Taxed at exercise on the difference between the FMV and the strike price
    - Usually treated as employment income
    - Progressive tax rate (5% to 45%) + inhabitant tax (10%) => Up to 55% (before reconstruction tax)
    - Often your responsibility to declare this income properly (income tax return)
    - Taxed again on capital gains when sold

  - Qualified Stock Options:
    - Preferential tax treatment but must meet strict criteria under Japanese tax law
    - Foreign stock options usually do not qualify

- **Restricted Stock Units (RSUs)**
  - Taxed as employment income at vesting, based on the FMV of the shares
  - Taxed again on capital gains when sold

- For non-permanent tax residents, the income may be partially taxable in Japan (split and allocation between time worked abroad and time worked in Japan)

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Special topics for French Expats in Japan
Stock Options & Capital Gains – What to watch for

- Capital gains are taxed on certain transactions (**shares**, **real estate, etc.)**
- For shares, the gains are taxed when you sell the shares on the difference between the sale prices and the FMV on exercise date

- Tax rate: 15% national + 5% local + special reconstruction tax => 20.315%

- Reporting rules:
  - Required if you sell overseas assets for a gain
  - Includes **French stock portfolios**, **real estate sales**

- No deduction for capital loss against salary income

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Special topics for French Expats in Japan
Stay Compliant & Plan Ahead

- Know when your tax residency status changes
- Track and report all foreign income and asset sales
- Keep documentation: tax certificates, brokerage statements, remittance records
- Register for e-Tax to simplify filing
- Consult a tax advisor with experience in Japan – France treaties

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Inheritance Tax

Inheritance Tax in Japan and France

	Japan	France
Taxation system	Tax based on the legal share of inheritance	Tax on the acquisition of inheritance
Minimum tax rate	10%	5% (children, 4 different schedules depending on family relationship)
Maximum tax rate	55%	45% (children, 4 different schedules depending on family relationship)
Tax rate notches	8	7
Basic allowances	JPY 30 million +(JPY 6 million*number of successors) Spouse allowances	Spouse: exempt Children: EUR 100,000
Accumulation of gift	Gift prior to up to 7 years added to inheritance	Gift prior to 15 years added to inheritance

Source: 河本光博『図説日本の税制(令和5年度版）』財経詳報社 pp 346-347.

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Inheritance Tax
Inheritance Tax and Residents-Non-Residents

- Whilst in principle, assets located both in and outside Japan can be subject to inheritance tax, there are cases where only assets located in Japan are subject to inheritance tax.

- Both the deceased and successor have to satisfy the following conditions:

  1) Deceased is either of foreign nationality or Japanese who has not had address in Japan for 10 years.

  2) Successor is a) temporary resident, b) of foreign nationality without address in Japan or c) of Japanese nationality without address in Japan for 10 years.

- If 1) and 2) are not satisfied, in principle assets located both in and outside Japan can be subject to inheritance tax.

Source: National Tax Agency: https://www.nta.go.jp/taxes/shiraberu/taxanswer/sozoku/4138.htm

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Gift Tax
Basics of Gift Tax

1) When an individual receives gift from an individual, it is subject to gift tax.

2) There are two gift tax payment systems: yearly tax payment and settlement at the time of inheritance. The recipient of gift can elect which system, depending on the giver of gift.

3) When an individual receives gift from company, it is subject to personal income tax.

4) Gift tax is to be declared and paid from 1st February to 15th March of the following year when a taxpayer receives gift.

5) Basic allowances of gift tax is JPY 1.1 million. Therefore annual gift amount up to JPY 1.1 million will not be subject to gift tax.

6) Maximum tax rate of gift tax is 55%.

Source: National Tax Agency: https://www.nta.go.jp/publication/pamph/koho/kurashi/html/05_4.htm

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Gift Tax
Gift Tax and Residents-Non-Residents

- Conditions for gift tax to be imposed only for assets located in Japan are the same as those for inheritance tax.

- Both the donor and recipient have to satisfy the following conditions:

  1) Donor is either of foreign nationality or Japanese who has not have address in Japan for 10 years.

  2) Recipient is a) temporary resident, b) of foreign nationality without address in Japan or c) of Japanese nationality without address in Japan for 10 years.

- If 1) and 2) are not satisfied, in principle assets located both in and outside Japan can be subject to gift tax.

Source: National Tax Agency: https://www.nta.go.jp/taxes/shiraberu/taxanswer/zoyo/4432.htm

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Local Inhabitant Tax
Key Mechanism

In addition to a national personal income tax, a Japanese resident can be subject to a local inhabitant tax, which is based on income and imposed by a municipality.

The taxability of local inhabitant tax is decided on whether a person has an address in a municipality at the time of 1st January (Article 318 of the Local Tax Act).

If a person has an address in Japan on 1st January, a local inhabitant tax will be imposed based on the income of the previous year.

For the payment of local inhabitant tax, if salary is paid by a Japanese entity, the Japanese entity could deduct inhabitant tax and pay to a municipality. If salary is not paid by a Japanese entity, a municipality will issue an assessment and payment notice to a taxpayer about June each year. The taxpayer is expected to pay inhabitant tax to a municipality based on the notice, where typically payment due dates are in June, August, November and January next year (Article 320 of the Local Tax Act).

Cf. Ministry of Internal Affairs and Communications : https://www.soumu.go.jp/main_sosiki/jichi_zeisei/czaisei/czaisei_seido/individual-inhabitant-tax.html

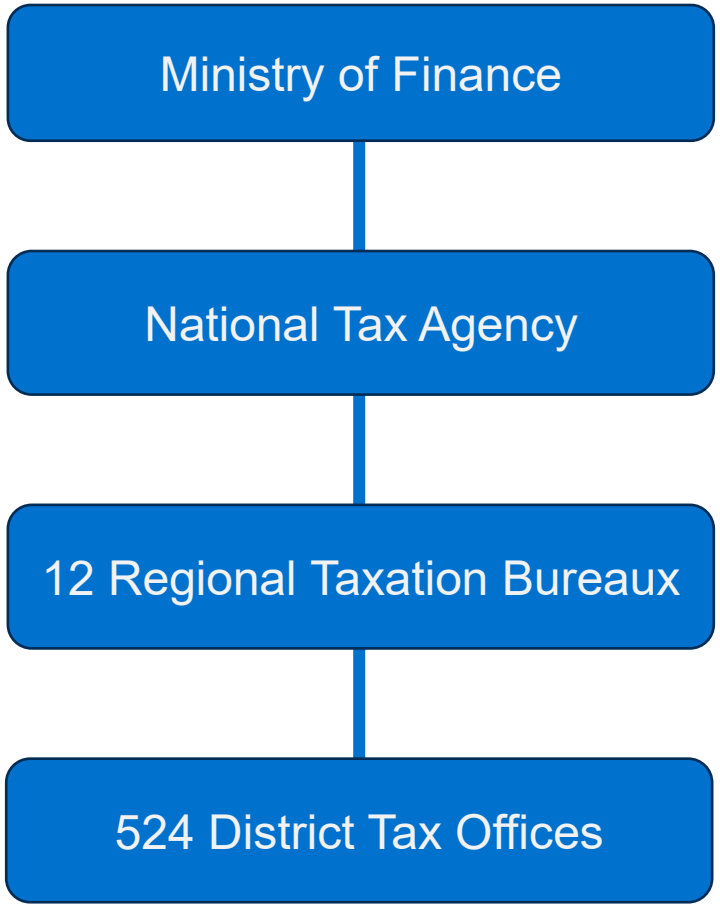
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04

Tax audit process in Japan



National Tax Agency
Organisation



Tax Policy Planning

Tax Administration Planning

Supervision of District Tax Offices
Large Business and Criminal Cases

Small and Medium-Sized
Enterprises and Individuals

Sources: National Tax Agency Report 2024

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Tax Audit

Triggering Tax Audit

Key Targets of Personal Income Tax Audit by a District Tax

1) High Net Worth Individuals: Owning a large amount of shares and real properties and high regular income.

2) Active overseas investment and owning a large amount of overseas assets.

3) Business transactions via the Internet: Sales via the Internet, sharing economy business such as airbnb, transactions of crypt currencies.

4) Not filing personal income tax returns

5) Those filing the refund of consumption taxes

6) Illegal refund of personal income tax: refund claim such as based on falsified withholding tax or allowances.

Sources: National Tax Agency https://www.nta.go.jp/information/release/kokuzeicho/2024/shotoku_shohi/pdf/shotoku_shohi.pdf

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Tax Audit

Process of Tax Audit

1) Field Tax Audit: typically tax auditors visit a taxpayer's premise, and conduct field tax audit. After field tax audit, discussions with the tax auditors may continue based on the findings of the field tax audit.

2) Prior to field tax audit, a notification of tax audit will be made to a taxpayer (or a certified tax accountant). At the notification, tax auditors will explain the purposes of tax audit and tax items covered by the tax audit. (Article 74-9 of the National Tax Procedure Act)

3) Documents and information to be prepared for tax audit will also be advised in advance. These documents and information will typically include tax returns, general ledgers, invoices, receipts, contracts, bank account information, information explaining business activities, and other supporting documents related to tax returns.

Tax Audit

How to prepare and respond to tax audit

1) As daily process, supporting documents, including those on overseas transactions, should be preserved in an appropriate fashion in anticipation of tax audit.

2) For contracts, it should be borne in mind that there is a possibility that tax auditors may pass their eye during tax audit.

3) In the process of transactions, if there is a question on tax risk, consult with a tax adviser. If stake is large, a taxpayer may consult with a district tax office.

Tax Audit
During tax audit

1) Field audit tends to be conducted at the premise of a taxpayer; for tax auditors would like to see the premise of the taxpayer.

2) Tax auditors will interview about business activities in general, beyond figures in tax returns; tax auditors would also like to see a taxpayer's personality.

3) Tax auditors may visit a transaction counter party of a taxpayer, i.e. a supplier and a customer, in order to verify the accuracy of a transaction, without telling the taxpayer.

4) Bear in mind that information and documents submitted to tax auditors can not be retracted.

5) Tax auditors tend to request a large volume of information. As a background, field tax auditors alone cannot decide on a tax assessment. Tax auditors need to collect evidence in order to justify a tax assessment. In other words, it is effective to make rebuttal based on tax law and rules.

Q&A session



Presenters
Profile



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Celine has over twenty years of professional experience in auditing and accounting, gained in international contexts. She holds CIA and CISA certifications and is fluent in French, English, and Japanese.
Since 2016, she has been assisting numerous international companies with their establishment and development in Japan.
She has in-depth knowledge of the Japanese business environment, local and international regulations and accounting standards, enabling her to provide ongoing operational and strategic support.



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With a career in tax administration and consulting, Satoru has served as Assistant Regional Commissioner at the National Tax Agency of Japan, Senior Administrator at the OECD (Paris), and Director of Corporate Taxation at one of the Big Four accounting firms.
A certified public accountant in Japan, his expertise covers tax planning, including cross-border reorganizations, tax litigation management in Japan and abroad, and international tax issues, including global minimum taxation rules.
He is also involved in consultations with public tax authorities on the interpretation of laws.

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