

# Japan Tax Bulletin

## Amendments on Assets and Liabilities Report

### May 2022

From 2023 tax year onwards, following amendments is scheduled to take effect with regard to Assets and Liabilities Report (*Zaisan Saimu Chosho*) and Overseas Assets Report (*Kokugai Zaisan Chosho*).

#### 1. *Who is required to file?*

##### (1) Assets and Liabilities Report

Currently, when an individual who is required to file an income tax return or an individual who can claim refund by filing an income tax return meets both of the following criteria, he/she is required to file Assets and Liabilities Report.

(a) Total amount of various net income excluding retirement income for the year exceeds JPY 20 million.

(b) Total value of the assets amounts to JPY 300 million or more or total value of assets subject to Exit Tax (Note 1) amounts to JPY 100 million or more as of December 31 of the year.

Effective 2023 tax year, in addition to the above individuals, in case a tax resident individual holds assets worth JPY 1 billion or more in total as of December 31 of the year, he/she is required to file Assets and Liabilities Report even if he/she is not required to file an income tax return for that year. As a result, for example, a tax resident individual who is not required to file an income tax return, but who were gifted or inherited assets valued over JPY 1 billion would be required to file Assets and Liabilities Report (and Overseas Assets Report if assets are overseas) alone.

##### (2) Overseas Assets Report

If a Resident (excluding Non-Permanent Resident (Note 2)) holds overseas assets worth JPY 50 million or more as of December 31 of the year, he/she is required to file Overseas Assets Report. No amendment is announced with regard to this point.

#### 2. *When is it due?*

Effective 2023 tax year, deadline of March 15 will be extended to June 30 of the following year for both Assets and Liabilities Report and Overseas Assets Report.

#### 3. *What if filed after the due date?*

Currently when an individual files an Assets and Liabilities Report or Overseas Assets Report after its original due date, such reports shall be deemed timely filed only if such reports were filed without anticipating correction or determination to be made due to tax examinations by a tax office.

The amendment clarifies that the above rule shall be applicable only if such reports are filed before the notification of tax examination by a tax office. Taxpayers who have fallen behind on complying with Assets and Liabilities and/or Overseas Assets Report are encouraged to take necessary actions before they are selected by the tax office for examination.

This amendment is applicable to Assets and Liabilities Report and Overseas Assets Report to be filed on or after January 1, 2024.

#### 4. *Amendment of the treatment on what should be reported*

In light of challenges encountered by taxpayers to value household goods and other relatively minor assets, effective 2023 tax year, for both Assets and Liabilities Reports and Overseas Assets Reports, an acquisition cost of a privately owned movable assets that are allowed to be omitted from such reports should be less than JPY 3 million, an increase from JPY 1 million that is currently in effect.

(Note 1) Assets subject to the Exit Tax are financial assets such as stocks, bonds, unsettled derivative transactions, etc.

(Note 2) A Non-Permanent Resident is an individual who does not have Japanese nationality and who has had a domicile or a residence in Japan for not more than five years in total within the past ten years.

(Note 3) Please note that detailed application is subject to change depending on further legislations.