

Japan Tax Bulletin

Remittance Taxation for Non-permanent Residents

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1. Non-permanent residents

In accordance with the Japanese Income Tax Law, individuals are classified into two categories for tax residency status, namely residents and non-residents. Residents are classified further into permanent residents and non-permanent residents. Non-permanent residents are individuals who do not have Japanese nationality and have had a residence or address in Japan for less than five years in the past 10 years. Taxable income subject to income tax is different depending on individuals' tax residency status.

2. Income subject to tax for non-permanent residents

Non-permanent residents are subject to income tax on their (a) Japan source income, (b) foreign source income paid in Japan and (c) foreign source income paid abroad which is deemed to be remitted into Japan from abroad. Income deemed to be "remitted into Japan from abroad and subjected to income tax" is known as "Remittance Taxation".

Classification		Japan Source Income	Foreign Source Income	
			Paid in Japan	Paid Abroad
Residents	Permanent Residents	Taxable		
	Non-permanent Residents	Taxable	Only the portion deemed remitted to Japan is taxable.	

3. Meaning of remittance

In addition to the general concept of remittance resembled by a wire transfer of money from an individual's bank account abroad to his/her bank account in Japan, remittance for purposes of Remittance Taxation includes the following acts

(1) Carrying or sending precious metals, public bonds, share certificates or other valuables into Japan, which are deemed to be made in lieu of ordinary remittances. Borrowing or receiving advance payments in Japan and using one's own cash deposits abroad to settle the advance, which are deemed to have been carried out in lieu of an ordinary remittance.

(2) Purchasing goods and services within Japan using a credit card issued by a financial institution abroad whereby settlement occurs within an bank account abroad.

4. Example

Example below shows a non-permanent resident's annual income of 1,000 in the current year being broken down into various sources. Under the Remittance Taxation, taxability of this individuals' remittance of 260 from his/her own savings account held abroad into his/her bank account in Japan is examined as follows.

Japan Source Income (750)		Foreign Source Income (250)	
Paid in Japan [A]	Paid Abroad [B]	Paid in Japan [C]	Paid Abroad [D]
500	250	150	100

The amount "remitted to Japan from abroad" means, among the amount remitted by non-permanent residents from abroad into Japan each year, "the amount exceeding Japan source income paid abroad" in that year.

In the case where a non-permanent resident remits 260 from abroad into Japan, 250 (B) is first deemed to be remitted into Japan. Note, this 250 is subject to income tax irrespective of Remittance Taxation as it is income sourced in Japan. The amount exceeding Japan source income or 10 (260-250) is subject to income tax in Japan due to application of Remittance Taxation. Note further that 150 (C) is also subject to income tax irrespective of Remittance Taxation as while it is foreign source income, it is paid in Japan.

Source: National Tax Agency, "2022 INCOME TAX AND SPECIAL INCOME TAX FOR RECONSTRUCTION GUIDE" pp.7