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Japan – Amendments Made to Reporting under “Statement of Assets/Liabilities”

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In Japan a recent amendment has altered the new rules governing the reporting requirements for individual taxpayers whose income exceeds JPY 20 million (approximately US \$166,000). The new reporting rules, part of the 2015 tax reform legislation, are effective for individual income tax returns relating to 2015 income. These requirements affect individual taxpayers subject to taxation in Japan.

Why This Matters

The recent amendment has resulted in the taxpayer's reporting requirements being eased somewhat. New criteria have been stipulated that effectively raise the threshold in terms of who is required to complete and submit the “Statement of Assets/Liabilities.” However, once taxpayers meet the threshold, they need to disclose more information in detail. Taxpayers and their tax service providers should be aware of the amended rules so that they can take steps to help ensure they are compliant and thereby avoid additional tax penalties that would otherwise be imposed.

To Learn More

For the full details, see the [October 2015 report](http://www.kpmg.com/jp/en/knowledge/article/japan-tax-newsletter/pages/statement-assets-liabilities-201510.aspx) prepared by the KPMG International member firm in Japan: *Requirement to Report Assets/Liabilities* (<http://www.kpmg.com/jp/en/knowledge/article/japan-tax-newsletter/pages/statement-assets-liabilities-201510.aspx>).

Background

On 31 March 2015, the Diet, Japan's parliament, passed the 2015 Tax Reform Proposals.¹

This tax reform plan included the introduction of a so-called “exit tax” starting July 2015, which applies to the gains of certain residents moving out of Japan who have “financial assets” of JPY 100 million or more. (For prior coverage, see [GMS Flash Alert 2015-056](#), 27 April 2015.) Some amendments were also made to the “Statement of Assets/Liabilities” pertaining to reporting requirements for taxpayers lodging Japanese income tax returns with total income exceeding JPY 20 million -- before the 2015 tax reform, individuals were already required to file a “Statement of Assets/Liabilities” with their income tax returns if their income exceeded JPY 20 million. The new reporting requirements for assets/liabilities start from 1 January 2016. Individual income tax returns for 2015 income will be subject to the new rules.

Amendment to the Reporting Rules Applicable Starting 1 January 2016

An important amendment for individuals' reporting requirements in respect of the “Statement of Assets/Liabilities” is shown in the table on the following page.

Criteria for Submission of “Statement of Assets/Liabilities”

Before amendment	Total income exceeds JPY 20 million for a calendar year
After amendment	When meeting the following two criteria: (1) Total income exceeds JPY 20 million for a calendar year; and (2) (a) Total value of assets as of the end of the calendar year is JPY 300 million or more OR (b) Total value of eligible assets for exit tax purposes* as of the end of the calendar year is JPY 100 million or more
* “Eligible assets for exit tax purposes” means securities stipulated in the Income Tax Law, contributions under a Tokumei-Kumiai agreement, unsettled derivative transactions, unsettled margin transactions, unsettled when-issued transactions (e.g., trading transactions in advance of shares being issued).	

Therefore, if an individual has an obligation to lodge his or her income tax return and meets the above-noted two criteria, the individual must submit the statement to the competent tax office by 15 March of the following year.

The amendment will be applicable to the “Statement of Assets/Liabilities” to be submitted on or after 1 January 2016.

Footnote:

1 For an English-language version of the tax reform plan from Japan’s Ministry of Finance, see: http://www.mof.go.jp/english/tax_policy/tax_reform/fy2015/tax2015a.pdf .

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