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KPMG Japan tax newsletter

New Requirements for Income Deductions for Non-Resident Family Members



Under the 2015 tax reform, where an individual resident taxpayer claims income deductions for non-resident family members, the taxpayer will be required to submit or present 'documents proving family members' and 'documents for money transfer' from 2016.

This amendment was made considering the fact that tax administrations have difficulties in confirming whether non-resident family members are qualified for income deductions for Japanese income tax purposes, although it is possible to confirm this for family members living in Japan in cooperation with local governments, such as municipalities.

We have set out in this newsletter the main points to be aware of in order to claim income deductions for non-resident family members under the new rules.

1. New Requirements for Income Deductions for Non-Resident Family Members

Where an individual resident taxpayer claims income deductions for non-resident family members, the taxpayer will be required to submit or present 'documents proving family members' and 'documents for money transfers' from 2016. Details of the new requirements will be discussed below in (1) payroll calculations and year-end adjustments and (2) individual income tax returns.

Please note that the income deductions discussed in this newsletter are explained in [\[Related information-1\]](#) on page 4.

(1) Payroll calculations and year-end adjustments

Where an individual resident taxpayer receiving salary in Japan claims income deductions for non-resident family members, the taxpayer will be required to submit or present the following documents to the payer of the salary (i.e. their employer).

Procedures	Income deductions	Documents		How to submit/present
		Documents proving family members	Documents for money transfers	
Payroll calculations (withholding tax calculations)	<ul style="list-style-type: none"> Dependent deductions Spouse deductions Disabled person deductions 	Required	-	To be submitted or presented together with a 'declaration form for dependents,' which the taxpayer must submit to the payer of the salary (i.e. their employer) prior to the first salary payment of each year
Year-end adjustments	<ul style="list-style-type: none"> Dependent deductions Spouse deductions Disabled person deductions 	-	Required	To be submitted or presented when the year-end adjustment is processed
	<ul style="list-style-type: none"> Special spouse deductions 	Required	Required	To be submitted or presented together with a 'declaration form for special spouse deductions' when the year-end adjustment is processed

This amendment will be applied to salaries to be paid on or after 1 January 2016.

(2) Individual income tax returns

Where an individual resident taxpayer claims income deductions for non-resident family members in an individual income tax return, the taxpayer will be required to submit or present the following documents to the competent tax office.

Procedure	Income deductions	Documents		How to submit/present
		Documents proving family members	Documents for money transfers	
Filing an individual income tax return	<ul style="list-style-type: none"> Dependent deductions Spouse deductions Disabled person deductions Special spouse deduction 	Required	Required	To be submitted by attaching to an individual income tax return or to be presented when an individual income tax return is filed

If relevant documents are already submitted or presented in the processes discussed in (1), such documents are not required to be submitted nor presented again when an individual income tax return is filed.

This amendment will be applied to 2016 income onwards.

2. 'Documents Proving Family Members' and 'Documents for Money Transfers'

We have set out in this section the definitions of 'documents proving family members' and 'documents for money transfers' and points to be considered based on guidance published by the Ministry of Finance and the National Tax Agency.

Please note that translations of documents will be required if they are prepared in foreign languages.

(1) 'Documents proving family members'

'Documents proving family members' are defined as documents listed below that prove that a non-resident family member of an individual resident taxpayer is a relative of the taxpayer.

'Documents proving family members'	Points to be noted
A copy of the supplementary family register or any other similar document issued by the Japanese government or a local government AND A copy of the passport of the non-resident family member	<ul style="list-style-type: none"> Generally, for cases where the non-resident family member has Japanese nationality A copy of the page including identification matters, such as the name and the birthday of the non-resident family member is appropriate as 'a copy of the passport.'
A document issued by a foreign government or a foreign local government, indicating the name, birthday and address or domicile of the non-resident family member	<ul style="list-style-type: none"> Generally, for cases where the non-resident family member does not have Japanese nationality For example, a 'transcript of the family register,' a 'birth certificate' or a 'marriage certificate' may be appropriate. Where a single document does not include all of the mandatory information (i.e. the name, birthday and address or domicile of a non-resident family member) or where a single document is not enough to prove that the non-resident family member is a relative of the taxpayer, multiple documents should be submitted or presented.

Note that the originals or original copies of documents should be submitted or presented, except for 'a copy of the passport.'

(2) 'Documents for money transfers'

'Documents for money transfers' are defined as documents that prove an individual resident taxpayer made payments to their non-resident family members in the year for their living or education expenses. The following are examples of the documents:

'Documents for money transfers'	Points to be noted
Copies of foreign remittance request forms	<ul style="list-style-type: none"> The copies must be those for foreign remittance requests made during the year. When claiming income deductions for two or more non-resident family members, copies of foreign remittance request forms for each member are required. (For example, where the taxpayer makes foreign remittances only to the spouse living outside Japan, even if the remittances include living expenses for both the spouse and their children living with the spouse, the copies of the remittance request forms are treated as 'documents for money transfers' only for the spouse.)

Credit card statements	<ul style="list-style-type: none"> • A credit card statement means a statement of so-called family cards (credit cards issued to non-resident family members of the taxpayer who enters into a contract with a credit card company and pays the credit card bills). • As a statement of a family card is treated as a 'document for money transfers' for the family card holder, when claiming income deductions for two or more non-resident family members, a family card needs to be issued for each non-resident family member and a statement of each family card should be prepared. • A credit card statement is treated as a 'document for money transfers' for the year when the credit card was used.
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[Related information-1]

Details of income deductions discussed in the newsletter are as follows:

Income deductions	Qualified persons			Deductions (JPY)
Dependent deductions	Qualified dependents	Other than specified qualified dependents and elderly qualified dependents		380,000
		Specified qualified dependents (19-22 years of age)		630,000
		Elderly qualified dependents (70 years or older)	Not living with the taxpayer, etc.	480,000
			Living with the taxpayer, etc.	580,000
Spouse deductions	Qualified spouses	Younger than 70 years		380,000
		70 years or older		480,000
Disabled person deductions	Physically handicapped persons			270,000
	Severely physically handicapped persons	Not living with the taxpayer, etc.		400,000
		Living with the taxpayer, etc.		750,000
Special spouse deductions				30,000 – 380,000

- A person is a 'dependent' of an individual resident taxpayer if the following conditions are met:
 - The person is a relative of the taxpayer other than the spouse; i.e. a relative within the sixth degree of consanguinity or a relative by marriage within the third degree of affinity.
 - The person resides in the taxpayer's household.
 - The total income (Goukei-shotoku-kingaku) of the person is JPY380,000 or less.
- A 'qualified dependent' means a dependent of an individual resident taxpayer provided that the dependent is 16 years or older.
- If an elderly qualified dependent is an lineal ascendant of an individual resident taxpayer or the taxpayer's spouse (i.e. parents or grandparents of them) and lives together with the taxpayer or the taxpayer's spouse, the person is eligible for the higher deduction under 'living with the taxpayer, etc.'
- A 'qualified spouse' means the spouse of an individual resident taxpayer provided that the spouse resides in the taxpayer's household and the spouse's total income (Goukei-shotoku-kingaku) is JPY380,000 or less.

- ‘Disabled person deductions’ are applied when a dependent or a qualified spouse of an individual resident taxpayer is disabled, in addition to dependent deductions or spouse deductions.
- If a severely physically handicapped person lives together with the taxpayer, the taxpayer’s spouse or other relatives residing in the taxpayer’s household, the person is eligible for the higher deduction under ‘living with the taxpayer, etc.’
- ‘Special spouse deductions’ in the range of JPY30,000 to JPY380,000 are applied depending on the amount of the spouse’s income, provided that the total income (Goukei-shotoku-kingaku) for an individual resident taxpayer and the taxpayer’s spouse is not over JPY10 million and JPY760,000, respectively.

As explained above, ‘documents proving family members’ and ‘documents for money transfer’ for a dependent under 16 years old are not required since the dependent is not a qualified dependent. However, if such dependent is disabled, ‘documents proving family members’ and ‘documents for money transfer’ for the dependent will be required to claim disabled person deductions.

[Related information-2]

The National Tax Agency has released the following leaflet for the new requirements:

- For Those Applying for an Exemption for Dependents, etc. with Regard to Non-resident Relatives

http://www.nta.go.jp/shiraberu/ippanjoho/pamph/pdf/fuyo_en.pdf

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