



KPMG AEOI Updates & Tracking Service CRS Alert



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Japan: Issued Updated CRS Guidance FAQs

On 09 April 2024, the National Tax Agency of Japan published an updated version of the Common Reporting Standard (CRS) Frequently Asked Questions (FAQs). The FAQ was updated to revise Q.5, “Please provide an overview of the reporting system for automatic exchange of financial account information regarding non-residents”.

The revised overview includes the following additional guidance:

- Specified transactions conducted by Foreign Reporting Financial Institutions (FRFIs) as defined under the Act 10-6(1) and the Ordinance 6-14(1), are generally not required to be reported. However, if it is uncertain whether the Financial Institution (FI) qualifies as an FRFI, the transaction must be reported.
- In addition, contracts related to specific transactions conducted by a Reporting Financial Institution (RFI) which has a jurisdiction of residence in Japan are not reportable.
- Per the fiscal year 2020 tax reform, any person (including related party of the person) conducting a specified transaction with an RFI or the RFI engages in actions intended to circumvent reporting requirements, those actions will be disregarded.
- Under the Citizenship or Residence by investment (CBI/RBI) schemes, individuals obtain residency rights, including citizenship, temporary residency, and permanent residency, by investing or paying fees in a specific jurisdiction. These schemes may be used to avoid reporting of financial account information to the tax authorities. The OECD portal lists the CBI/RBI

Japan Contacts:



Taro Nakayama
Director

taro.nakayama@jp.kpmg.com



Ryukichi Kunori
Managing Director

ryukichi.kunori@jp.kpmg.com

schemes, along with the countries and regions in which the schemes are used.

- The OECD guidance reminds that if an RFI cannot trust a claimed tax residency on a new notification form, particularly if the claim involves a country or jurisdiction where the CBI/RBI schemes are used, the RFIs should verify the information on the notification form by asking follow-up questions, as provided under the OECD guidance:
 - Did you obtain residence rights under an CBI/RBI scheme?
 - Do you hold residence rights in any other jurisdiction(s)?
 - Have you spent more than 90 days in any other jurisdiction(s) during the previous year?
 - In which jurisdiction(s) have you filed personal income tax returns during the previous year?
- Those who fail to submit a new notification form, or make false entries in the new notification form, or submit information to the RFIs with the primary purpose of avoiding the reporting shall be subject to imprisonment of up to 6 months or fines of up to ¥ 500,000.
- In addition, failure to provide accurate reporting information by the deadline, submitting false information, or engaging in acts primarily intended to avoid reporting shall be subject to imprisonment of up to 6 months or fines of up to ¥ 500,000.

Reference (Japanese): [CRS FAQs](#) [PDF 692KB]

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For more information on KPMG AEOI Updates & Tracking Service, please see [here](#).

For additional summaries of the latest AEOI developments, please visit KPMG's TaxNewsFlash-FATCA/IGA/CRS Insights page, [here](#).

Contact us



Cyrus Daftary
Principal

T: +1 212 954 6096
E: cdaftary@kpmg.com



Laurie Hatten-Boyd
Principal

T: +1 206 213 4001
E: lhattenboyd@kpmg.com

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