

# Japan Tax Bulletin

## Taxation of Non-Permanent Residents

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### 1. *Taxpayer status*

Under Income Tax Law, a taxpayer is classified as a resident or a non-resident. A resident who satisfies certain conditions is treated as a non-permanent resident. Residents (excluding non-permanent residents) are taxed on worldwide income. A non-permanent resident is taxed on all income except foreign source income that is not paid in, remitted or effectively remitted to Japan. A non-resident is taxed only on Japan source income. Foreign workers assigned to Japan are usually classified as non-permanent residents.

#### 1.1 Resident

A resident is an individual who has a domicile or has had a residence continuously for one year or more in Japan.

#### 1.2 Non-Permanent Resident

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.

#### 1.3 Non Resident

A non-resident is an individual who is not a resident of Japan.

#### 1.4 Domicile

Domicile can be considered as an individual's center of living. An individual who satisfies the following conditions is deemed to have domicile in Japan.

- The individual has an occupation, which usually requires him/her to reside in Japan for one year or more.
- The individual has Japanese nationality and there are facts, under which the individual is presumed to reside in Japan continuously for one year or more. The facts include a spouse or other family members residing in Japan, the occupation of the individual, the location of assets owned etc.
- The spouse or dependent family members who are in the same household as the individual have residence in Japan.

An individual who satisfies the following conditions is deemed not to have domicile in Japan:

- The individual has an occupation, which usually requires him/her to reside outside of Japan for one year or more.
- The individual has foreign nationality or a permanent residence permit in a foreign country and there are not sufficient facts, under which the individual is presumed to return to and reside in Japan continuously for one year or more. The facts include a spouse or other family members in the same household as the individual, not residing in Japan, the occupation of the individual, the location of assets owned etc.
- The spouse or dependent family members who are in the same household with the individual have residence outside of Japan.

### 2. *Foreign source income paid in or remitted to Japan*

#### 2.1 Remittance from foreign countries received by a non-permanent resident

When a non-permanent resident receives a remittance from a foreign country, the remittance is deemed to be made from foreign source income paid overseas. However, where the non-permanent resident has income other than foreign source income paid in foreign countries, the remittance is deemed to be made from such income first.

#### 2.2 Remittance

The definition of remittance is broader than the ordinary meaning of remittance and includes the following:

- Carrying or delivering precious metal, stock certificates, bonds certificates or others into Japan.
- Repayment of loans or advances obtained in Japan out of bank deposits etc. in foreign countries.