

Japan Tax Bulletin

Inheritance tax obligations

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1. Introduction

Japan operates an Inheritance Tax system supplemented by a Gift Tax system. Inheritance Tax is levied on the transfer of property from a decedent and the Gift Tax system applies to prevent the reduction of the Inheritance Tax base through transfers during a taxpayer's lifetime

2. Obligation and scope

Inheritance tax (IHT) is levied on individuals, or deemed individuals using a self-assessment system, so that the taxpayers prepare a tax return and pay the tax amount on shown on the tax return.

3. Taxable assets

3.1 Tax payer and taxable assets is shown in the following chart.

Decedent \ Successor		Domicile in Japan		No domicile in Japan	
		Temporarily domiciled foreign national*	Japanese national		Foreign national
			Domiciled in Japan within the past 10 years	No domicile in Japan within the past 10 years	
Domicile in Japan	Temporarily domiciled foreign national*	JAPAN assets		JAPAN assets	
	Domiciled in Japan within the past 10 years	Worldwide assets			
No domicile in Japan	Long-term domiciled foreign national **				
	Short-term domiciled foreign national ***	JAPAN assets	JAPAN assets		
	No domicile in Japan within the past 10 years	JAPAN assets	JAPAN assets		

*Temporarily domiciled foreign national

Visa status from Appendix Table 1 (other than Permanent resident and Spouse of Japanese national) and domiciled in Japan for fewer than 10 years of previous 15 years

**Short-term domiciled foreign national

Non-Japanese national, and domiciled in Japan fewer than 10 years of previous 15 years

***Long-term domiciled foreign national

Non-Japanese national, and domiciled in Japan for more than 10 years of previous 15 years

3.2 Unexpected liability

For example, if the recipient of an inheritance resides in Japan, they are taxed on all property they receive regardless of its location and regardless of whether the decedent lived in Japan or not.

For "long-term" foreign nationals, after they leave Japan, their heirs might still have an IHT liability in Japan on overseas property received. If the expatriate was domiciled in Japan for more than 10 years of the previous 15 years, then overseas assets are out of the scope of the inheritance tax in Japan, but Japan assets are still subject to the tax in Japan.

If temporary domicile criteria are met, the scope of Japan's inheritance tax will narrow. It would apply only to Japan assets rather than worldwide assets.

4. Location of the asset

Japan's IHT Law provides for the location of assets as shown below:

- 1) Real property and rights of real property are considered to be situated where the property is located.
- 2) Ships or aircraft are considered to be situated in the country of registration.
- 3) Mining concession rights are considered to be in the country where the mining lot is located.
- 4) Fishing concession rights are considered to be in the country whose coast is nearest to the fishing ground.
- 5) Deposits with a bank are considered to be situated in the country where the office in which the account was opened is situated.
- 6) Insurance payments are considered to be situated in the country where head office of the insurance company office is located.
- 7) Retirement allowances and other similar such compensation are considered to be situated in the country where the address, head offices or principal place of business of the person making payment of said compensation is situated.
- 8) Loans are considered to be situated in the country where the debtor is domiciled or has its head office.
- 9) Securities such as shares, bonds etc. are considered to be situated in the country where the issuer of the securities has its head office or principal place of business.
- 10) Japan national or local bonds are considered to be situated in Japan.
- 11) Mutual fund or other securities investment trusts are considered to be situated in the country where the office of the business is situated.
- 12) Patent and other industrial intangible rights are considered to be situated in the country where the right is registered.
- 13) Copyrights and neighboring rights are considered to be situated in the country where the publisher's place of business is located.
- 14) Other rights regarding business are considered to be situated in the country where the office of the business situated.
- 15) Other rights or properties are considered to be situated in the country where the decedent was domiciled.

5. Tax rate

The tax rate of inheritance tax is progressive up to 55%.

Total taxable amount after exemptions(JPY)	Inheritance tax rate (%)	Deduction (JPY)
10 million or less	10	0
30 million or less	15	500,000
50 million or less	20	2 million
100 million or less	30	7 million
200 million or less	40	17 million
300 million or less	45	27 million
600 million or less	50	42 million
More than 600 million	55	72 million



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