

Cross Border Business Law Blog

Leaving Japan Has Also Become Expensive With Its New 'Exit Tax'

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Japan has always been a rather expensive place to live. Now, *leaving* Japan became expensive as well.

As of the first of this month, Japan has instituted an “exit tax.” People who have resided in Japan for more than five years out of the preceding ten years who leave Japan will now face a deemed-disposition type tax upon their departure, if they own certain types of financial assets that exceed 100 million yen.

Interestingly, this tax can apply even if the Japanese resident doesn’t leave Japan – it can apply when a resident of Japan gifts or bequeaths assets to a nonresident of Japan. This can make it more costly for family members in the U.S. or elsewhere in the world to inherit or receive gifts of certain financial assets from Japanese residents.

This tax is in effect as of July 1, but there is still some planning opportunity available for non-Japanese citizens who reside in Japan. The government has announced that they will not “start the clock” on the five-year rule until July 1, 2015. Thus, for foreign nationals living in Japan, this tax does not begin to apply until June 30, 2020.