

Exemption for Non-resident Dependent Relatives

This issue provides an overview of the amended tax legislation on exemption of non-resident dependent relatives that takes effect from January 1, 2023.

■ Background

Taxpayers in Japan are allowed to take an exemption for dependents from their income. Such dependents are defined as the 16 years of age or older relatives other than spouse, AND (1) blood relatives within the sixth degree and relatives by affinity within the third degree, and (2) who share the same livelihood with taxpayer and whose annual income does not exceed ¥480,000 (gross receipts ¥1,030,000 in the case of salary only). Japanese Tax Office can examine the above conditions for resident dependents in Japan, but hardly could check for non- resident dependents.

In the 2016 tax reform, a revision was made for a taxpayer to submit or present” Documents concerning relatives” to verify that a non-resident dependent is the taxpayer’s relative, and “Documents concerning remittance” to confirm that the taxpayer paid the living or educational expenses of the relatives. The remittance should be made by each dependent and verified individually. Since the income limit for the exemption has been based on Japanese domestic source income only, a problem has still remained for the non-resident dependents who receive a large amount of income abroad, but no income in Japan. In order to overcome the problem, the 2020 tax reform (effective January 1, 2023) more narrowly revised the category of applicable non-resident dependents.

■ Revision From 2023

1) Category of the applicable dependents

Principally, in the case of a non-resident dependent whose age is at least 30 years but not yet 70 years, the tax exemption for the dependent will not be allowed.

2) Exceptions

The exceptions of the above principle are as below. These are subject to the Exemption of Dependents as they would less likely earn income without supports.

- ① Persons no longer having a domicile or residence in Japan due to studying abroad.
- ② Disabled persons
- ③ Persons who received from taxpayer more than ¥380,000 to cover living or educational expense during the year.

3) Documents required

From January 1, 2023 if taxpayers apply for the Exemption of Dependent with regard to their non-resident dependent, they should submit or present the following documents:

Category of age etc. of non-resident relative		When submitting Dependent Declaration Form	When submitting year-end tax adjustment documents
16 or older /under 30, or 70 and above		Documents concerning relatives	Documents concerning remittances
30 or older under 70	① studying abroad	Documents concerning relatives and Documents concerning Visa for studying abroad	Documents concerning remittances
	② disabled person	Documents concerning relatives	Documents concerning remittances
	③ ¥380,000 remittance recipient	Documents concerning relatives	380,000 yen remittance documents
Person other than ① ② ③		Not qualified for exemption of dependents	