

How to purchase Real Estate Property in Japan

~ procedure, tax and regulations ~

FORET HOLDINGS, INC

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1. Can foreigners purchase real estate property in Japan?

- Yes, basically foreigners can purchase real estate property in Japan as Japanese do.
- Whatever they have the right of permanent residency or not, or no matter what kinds of VISAs they have, they can inquire real estate property in Japan
- Also, they have to pay taxes relating to real estate property as Japanese do.
- However, there are some differences or something impossible for foreigners' owners comparing with Japanese; to be noted later

2. How much will be the Cost/Expense; what kinds of taxes or other expenses

- Besides property price itself, there are some expenses; listed below.
- The total expenses will be approximately 8% of property price.
- List of Expenses;
 - Documentary Stamp tax (Sales Agreement)
 - Real Estate acquisition tax
 - Registration and License tax
 - Commission for Brokerage Company
 - Insurance; Fire Insurance/ Earthquake Insurance, etc.
 - Settlement Money for Fixed Assets Tax[※]
 - Settlement Money for Administrative Fee

※Settlement Money for Fixed Assets Tax: Fixed Assets Tax shall be paid by Seller of Property, and it is imposed to Seller on the date of Jan. 1st of each year. Therefore, in case that Buyer purchases Property on Jul. 1st, 2019, from Seller, a half amount of fixed assets tax of Property shall be paid by Buyer. However, because the total amount of fixed assets tax has already been imposed to Seller on Jan. 1st, 2019, Buyer shall pay applicable money to Seller as Settlement Money for Fixed Assets Tax.

3. How can foreigners do funding/financing? ①

There are three options; 1). Overseas Remittance, 2). Mortgage, and 3). Check

- 1). Overseas Remittance

If foreigners do not have bank account(s) in Japan, they need to pay via overseas remittance through financial/ banking institutions in overseas. In order for smooth procedure of purchasing, foreigners are required to make remittance into real estate property company's depository/ custodial account in advance of settlement.

※Points to be noted

For risk management, foreigners must receive the followings:

- Before Remittance: Company-sealed Remittance Statement Documents;
- After Remittance: Foreign Exchange Documents via the institutions in overseas.

3. How can foreigners do funding/ financing? ②

2). Mortgage

Financing/ Banking institutions in Japan allow foreigners to loan money via its mortgage **Basically ONLY IF they have right of permanent residency in Japan** because the institutions want to check whether they may stay in Japan during payment period or not.

✂Two exceptions are the followings:

- A). When the financing/ banking institutions in overseas have their branches in Japan, it is possible for foreign investors to loan money from there;
- B). Some Japanese institutions allow them to loan.
(e.g. please refer the URL below and see “Home mortgage”)

https://www.tokyostarbank.co.jp/service/foreign_customers/en/index.html

3. How can foreigners do funding/ financing? ③

3). Check

Cashier's Check is only available for purchasing real estate property. However, **encashment of check might sometimes take long time** and it means you cannot complete payment even though you want to complete it immediately. Therefore, **in order to avoid any troubles with Seller, it is strongly advised that you need to discuss with Seller in advance** when you want to pay via Cashier's Check.

4. What kinds of documentations are required for foreigners to purchase it? ①

1). For foreigners (Individual) living OUTSIDE of Japan:

- A). Documents substitute for Certificate of Residence of Japan
- B). Passport
- C). Documents substitute for Certificate of Seal Impression of Japan
- D). Private Seal

details are the followings:

- A). Documents substitute for Certificate of Residence of Japan;
(choosing one document from the followings)
 - Resident Registered Certificate (issued in foreigners' nation)
 - Notary-certified Affidavit (issued in foreigners' nation)
 - Affidavit certified by Consular Section of the Embassy
of the foreigners' nation in Japan

※ Affidavit certified by the Embassy is the most favorable:
confirmation to the Embassy to be required

- B). Passport: strongly advised to take a photo copy;

4. What kinds of documentations are required for foreigners to purchase it? ②

C). Documents substitute for Certificate of Seal Impression of Japan;
(choosing one document from the followings)

- Foreigners receiving Affidavit (issued and sent by Judicial Scrivener in Japan) then signing in front of and certified by Notary Public of foreigners' nation (If foreigners not in Japan)
- Foreigners signing on the Registration Letter of Attorney (issued by Judicial Scrivener in Japan) then certified by Consular Section of the Embassy of the foreigners' nation in Japan (If foreigners in Japan)

✕ Signing on the Registration Letter of Attorney and certified by the Embassy is the most favorable: confirmation to the Embassy to be required

D). Private Seal: recommended to make it in Japan.

Conclusion: Purchasing Real Estate Property can be done without coming to Japan. However, because some governmental documents are better issued in Japan, we recommend for foreigners to come to Japan in order to issue and being certified required documents.

4. What kinds of documentations are required for foreigners to purchase it? ③

1). For foreigners (Corporation) living OUTSIDE of Japan:

- A). Documents substitute for Certificate of Corporate Registration in Japan
- B). Passport of Representative
- C). Documents substitute for Certificate of Seal Impression of Japan
- D). Private Seal of Corporation

details are the followings:

- A). Documents substitute for Certificate of Corporate Registration in Japan;
(choosing one document from the followings)
 - Corporation Registration Certificate (issued by in-charge of the Ministry/Department of foreigners' nation)
 - Notary/in-charge person from the Ministry/Department-certified Affidavit that declares foreigners truly the representative of Corporation and Corporation truly registered in the nation (issued in foreigners' nation)
- B). Passport of Representative: strongly advised to take a photo copy;

4. What kinds of documentations are required for foreigners to purchase it? ④

C). Documents substitute for Certificate of Seal Impression of Japan;
(choosing one document from the followings)

- Corporate's Representative receiving Affidavit (issued and sent by Judicial Scrivener in Japan) then signing in front of and certified by Notary Public of foreigners' nation (If Rep. not in Japan)
- Corporate's Representative signing on the Registration Letter of Attorney (issued by Judicial Scrivener in Japan) then certified by Consular Section of the Embassy of the foreigners' nation in Japan (If Rep. in Japan)

※ Signing on the Registration Letter of Attorney and certified by the Embassy is the most favorable: confirmation to the Embassy to be required

D). Private Seal: recommended to make it in Japan.

Conclusion: Purchasing Real Estate Property can be done without coming to Japan. However, because some governmental documents are better issued in Japan, we recommend for foreigners to come to Japan in order to issue and being certified required documents.

5. Procedures for Purchasing ①

General Procedures are the followings:

- 1). Inspection of Real Estate Property
- 2). If willing to purchase, submitting Certificate of Offer to Purchase to Seller or Broker
- 3). Confirming of payment method
- 4). Explanation of Matters of Weight from Broker
- 5). Agreement on Contract of Sales
- 6). Billing/Payment
- 7). Settlement/Registration
- 8). Reporting to the Minister of Finance via Central Bank of Japan

details continuing to next pages:

5. Procedures for Purchasing ②

1). Inspection of Real Estate Property

- Highly recommended on-site inspection

2). Submitting Certificate of Offer to Purchase to Seller/Broker

- Certificate of Offer to Purchase means showing will of purchasing to the Seller or Broker
- Certificate of Offer to Purchase includes:
Seller's/Buyer's Asking Price, Earnest Money Deposit,
Price of Mortgage (if loan via mortgage),
Date of Contract, Date of Move-in, Other Requests

5. Procedures for Purchasing ③

3). Confirming of Payment Method

- For further Info. pls. refer to the page 5 thru 7
“How can foreigners do funding/financing?”

4). Explanation of Matters of Weight from Broker

- Matters of Weight includes:
Abstract of Property/Rights/Payment Method/
Rules for Termination of Contract

5). Agreement on Contract of Sale

- When agreement, you need to bring: 1). Document substitute for Certificate of Seal Impression of Japan (Pls. refer to page 9 or 11);
2). Private Seal.
- Also, when agreement, required to pay Documentary Tax and Earnest Money Deposit (Approx. 10% ~ 20% of Purchasing Price)

5. Procedures for Purchasing ④

6). Billing/Payment

- Paying remaining amount after deduction of Earnest Money Deposit

7). Settlement/Registration

- A Judicial Scrivener, one be half of foreigners (new owners), will register the Real Estate Property. When registration, required to pass the followings to a Judicial Scrivener:
 - 1). A document substitute for Certificate of Residence of Japan
 - 2). A document substitute for Certificate of Seal Impression of Japan
 - 3). Private Seal(Pls. refer to page 8 thru 11 for the details)

8). Reporting to the Minister of Finance via Central Bank of Japan

- Report by Judicial Scrivener or Brokerage Company

6. Points to be Noted

1). Receiving Certificate of Title

- About a week later, Certificate of Title will be issued.

Strongly recommended to discuss whether the title will be sent to foreigners or stored in Property Management company prior to receiving it.

2). Administrator of Tax Payment

- Required to set an administrator of Tax Payment in order to pay Real Estate Acquisition Tax, Fixed Assets Tax, etc. Administrator shall be a licensed tax accountant of Japan so strongly recommended to ask brokerage company or property management company to introduce an administrator.

3). Tax Return

- in case of investment, required to fill tax return. Therefore, as same as 2)., strongly recommended to ask it to a licensed tax accountant.