



OFFICE OF THE JUDGE ADVOCATE GENERAL LEGAL ASSISTANCE POLICY DIVISION



DEPENDENT EMPLOYMENT – JAPAN

This guide will touch upon employment options, procedures, and tax implications under the Treaty of Mutual Cooperation and Security Between the United States of America and Japan, Status of Forces Agreement (SOFA), reference (a) Articles I, XIII, IX, and XV. SOFA status applies to active-duty personnel of the U.S. armed forces who are in the territory of Japan. It also applies to their dependents who accompany their sponsors, but only as defined by the terms of the SOFA below, which may vary from other Department of the Army directives and instructions. View SOFA at <https://www.mofa.go.jp/region/n-america/us/q&a/ref/2.html>

Article I also applies to:

- **Civilian component:** Civilian persons of U.S. nationality who are in the employ of, serving with, or accompanying the U.S. armed forces in Japan. *For the purposes of this Agreement only, dual nationals, Japanese and United States, who are brought to Japan by the United States shall be considered as United States nationals.*
- **Dependents:** Spouse, and children under 21 and Parents, and children over 21, if dependent for over half their support upon a member of the United States armed forces or civilian component.

EMPLOYMENT OPTIONS AVAILABLE

1. Employment with the U.S. Government:

a. A dependent with SOFA status may apply to work at a variety of positions on the installation, including employment directly with the U.S. Government in either an appropriated funded or nonappropriated funded position. Please consult www.usajobs.gov, your installation's family readiness center, or other community job boards for available postings and additional resources on seeking employment with the U.S. Government or within a U.S. installation.

b. **Taxes:** A dependent with SOFA status who is also an employee of an Armed Forces post-exchange; social clubs such as officer or enlisted, theaters, or similar instrumentality of the U.S. Government, is paid by the U.S. Government. Income received because of employment with the U.S. Government is not subject to taxation by the government of Japan. Any income earned while working for the U.S. Government would still be subject to U.S. federal income taxation and potentially state income taxation, depending on the dependent's state of residency. See reference (a), Articles XIII and XV. If you have questions, please talk to your employer to clarify your tax status. NOTE: If a dependent chooses to claim Japanese residency under the Foreign Earned Income Exclusion for U.S. federal income tax purposes, this could subject them to taxation from the government of Japan.

2. Private Employment in the United States (Remote Work):

a. A dependent with SOFA status who is otherwise authorized to work within the U.S., can work remotely for a U.S.-based company regardless of whether they reside on a U.S. or off a U.S. installation.

b. Taxes: A dependent with SOFA status who does not derive any income from a Japanese source will likely not be subject to taxation from the government of Japan. Income derived from a Japanese source could be from investment income, interest earned from a Japanese bank account, or income earned from selling goods or services to a company in Japan, or establishment of a physical presence in Japan for 183 days over a 12-month period. This generally means remote work for a U.S.-based company where income is paid in U.S. dollars and deposited into a U.S. bank account, would likely not be subject to taxation from the government of Japan unless the dependent has a physical presence in Japan for more than 183 days during a 12-month period. Any income earned while working remotely would still be subject to U.S. federal income taxation and potentially state income taxation, depending on the dependent's state of residency. NOTE: If a dependent chooses to claim Japanese residency under the Foreign Earned Income Exclusion for U.S. federal income tax purposes, this could subject them to taxation from the government of Japan. See reference (a), Article XIII.

3. Private Employment in Japan (Local Economy):

a. A dependent with SOFA status is not required to have a work visa from the government of Japan to engage in commercial activities or private employment in Japan. See reference (a), Article IX. However, a dependent with SOFA status desiring to engage in commercial activities or private employment in Japan must individually request, in writing, prior approval from their sponsor's service component commander, or designee. For each request submitted by a dependent, the sponsor's concurrence on the request is required. Please follow all the guidance provided under reference (b), USFJ INST 36-1001, and local installation guidance for processing these requests.

b. Taxes: A dependent with SOFA status must pay Japanese taxes on income derived from Japanese sources, such as working at a Japanese business; selling goods or services to a company in Japan; selling goods or services in the Japanese marketplace, income earned on investment income, or interest from a Japanese bank account. See reference (a), Article XIII. Additionally, any income earned by a U.S. citizen worldwide is still subject to U.S. federal income taxation and potentially state income taxation, depending on the dependent's state of residency.

4. Commercial Activities (Self Employment):

a. A dependent with SOFA status is not required to have a work visa from the government of Japan to engage in commercial activities in Japan. See reference (a), Article IX. However, a dependent under SOFA status desiring to engage in commercial activities in Japan such as a home-based business, either on or off a U.S. installation, must individually request in writing, prior approval from their sponsor's service component commander, or designee. For each request submitted by a dependent, the sponsor's concurrence on the request is required. Please follow all the guidance provided under USFJ INST 36-1001, reference (b) and local installation guidance for processing these requests.

b. Taxes: A dependent with SOFA status who does not derive any income from a Japanese source will not be subject to taxation from the government of Japan. Income derived from a Japanese source could be from investment income, interest earned from a Japanese bank account, or income earned from selling goods or services to a company in Japan. Any income that is derived solely from selling goods and services on-installation such as a home-based business, would likely not be subject to taxation from the government of Japan. Any income earned while working for a home-based business would still be subject to U.S. federal income taxation and potentially state income taxation, depending on the dependent's state of residency. NOTE: If a dependent chooses to claim Japanese residency under the Foreign Earned Income Exclusion for U.S. federal income tax purposes, this could subject them to taxation from the government of Japan. See reference (a), Article XIII.

If you have additional questions, please seek legal assistance from your nearest installation's legal office.

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