

The Effects of Japan’s My Number Reporting Requirements on Dependent Deduction Claims*

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January 30, 2026

Abstract

This paper examines how the mandatory reporting of the national individual ID, called My Number, in the Dependent Deduction section of personal income tax returns affected filing behavior. Using administrative records of Final Tax Returns for 2014–2020, we exploit the 2016 reform as a natural experiment. Claims for the Dependent Deduction fell by about JPY 4,000 per filer after the reform, implying a total reduction of roughly JPY 100 billion and about 120 thousand fewer claimed dependents. Because the number of tax audits did not change markedly, the main channel appears to be deterrence-driven improvements in voluntary compliance rather than intensified field audits. Using the Statistical Survey of Actual Status for Salary in the Private Sector (SSPS), we also find a decline in the number of co-resident elderly dependents claimed through the End-of-Year Adjustment in 2016, suggesting similar behavioral responses among wage earners. A back-of-the-envelope calculation based on the marginal tax rate distribution implies revenue increases of about JPY 8 billion for Final Tax Return filers and about JPY 7 billion for wage earners.

*This study is a part of “Joint Statistical Research Program” conducted in collaboration with the National Tax College(NTC), under the approval of the National Tax Agency (NTA), in accordance with “Guideline on the Utilization of National Tax Data in the Joint Statistical Research Program.” This study is also a part of the project “Heterogeneity of Economic Agents and Challenges for the Japanese Economy” conducted at the Research Institute of Economy, Trade and Industry (RIETI). The views expressed herein are those of the authors and do not necessarily reflect the views of NTC, NTA, or RIETI.

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