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1 Tax

(1) Life and tax

People who live in Japan for more than one year, even when they are foreigners, are required to pay taxes in the same way as Japanese nationals, if they have a certain level of income (earnings). First of all, learn about how taxes work in Japan.

(2) Types of taxes

Japanese taxes can be broadly divided into two types: national taxes which are paid to the state, and local taxes which are paid to the prefecture or municipality. The most representative national tax is income tax; the most representative local taxes are local inhabitants tax and motor vehicle tax. In addition, both national taxes and local taxes are each divided into two types: direct taxes and indirect taxes. Income tax and local inhabitants tax are examples of direct taxes, and consumption tax is an example of an indirect tax.

		Direct taxes	Indirect taxes
Natio	onal taxes	Income tax, corporation tax, inheritance tax, gift tax etc.	Consumption tax, alcohol tax, tobacco tax, customs, stamp tax etc.
Local		Prefectural inhabitants' tax, business tax, motor vehicle tax etc.	Local consumption tax, prefectural tobacco tax, golf course use tax etc.
taxes	, indinoipai	, ,	Municipal tobacco tax, bathing tax etc.



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2 National tax

Taxes paid to the state are called national taxes, a term applying to income tax and consumption tax.

2-1 Income tax

(1) What is income tax?

Income tax is the tax levied on all income you earn between 1 January and 31 December of the year in question, and the income tax returns must be filed between 16 February and 15 March of the succeeding year (please refer to (2) Filing income tax returns). However, the scope of the tax and the taxation rate differ between residents and non-residents, even for foreigners.

Residents and non-residents

A "resident" is an individual who has an address in Japan or who is currently living in Japan and has lived continuously for more than one year. As a general principle, a foreigner who is a resident will be taxed at the same rate as Japanese nationals in general, according to his or her income.

A "non-resident" is an individual who does not fit into the resident category. As a general principle, he or she will be taxed at a rate of 20% of income.

How to pay (filing income tax returns and withholding tax)

Persons running businesses must calculate their own income, necessary expenses, amount of tax etc., and file this at their direct tax office. This is called "filing income tax returns."

By contrast, people who receive salaries and bonuses from companies (salaried workers etc.) (salary income earners) do not need to file income tax returns. The company of a salary income earner carries out payment of tax by automatically deducting income tax from his or her salary each month, which constitutes tax payment. This is called "withholding tax."



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(2) Filing income tax returns

What is filing income tax returns?

People such as independent business proprietors, farmers and freelancers must calculate their fixed income for the income earned over the one-year period from 1 January to 31 December of the preceding year, calculate the amount of tax to be levied on this sum and file their income tax returns. However, this is not necessary for the majority of salary income earners.

However, salary income earners too will have to file income tax returns in the following cases.

- In cases where the person's yearly income from his or her salary is more than 20 million yen
- · In cases where the person's salary is paid at more than two places

A copy of the income tax returns can in some cases be necessary when extending or changing status of residence, so you should keep hold of a copy.

* In the event that you have a dependent in your own country, you can receive a deduction for dependents. Therefore, even if you are a salary income earner but are not receiving a deduction for dependents, you should file your income tax returns and then receive a tax refund.

Reference: Hamamatsu City "Canal Hamamatsu" URL:

https://www.city.hamamatsu.shizuoka.jp/hamaj/index.html (Japanese)

https://www.city.hamamatsu.shizuoka.jp/hamapo/index.html (Portuguese)

https://www.city.hamamatsu.shizuoka.jp/hamaEng/index.html (English)



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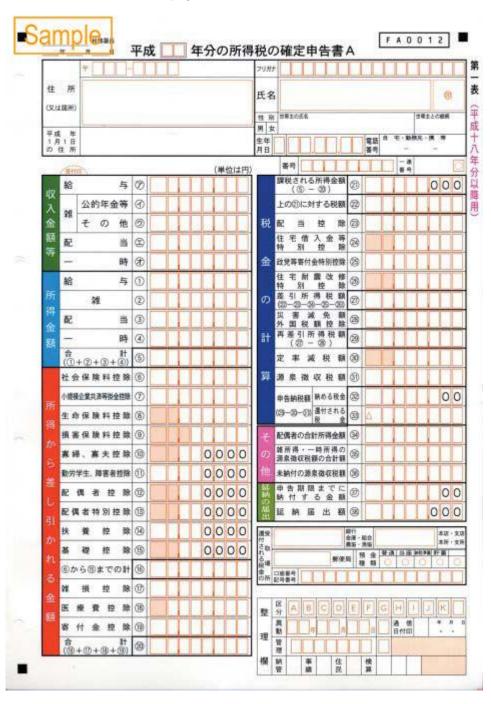
Necessary documents for income tax returns

Necessary documents	Place to submit	From when/until when	Fee
 Income tax returns form (available at your tax office) Item proving your income over the preceding year (certificate of income and withholding tax, or proof of payment form) Items proving your personal identity (Residence Card, special permanent resident certificate, etc.) Items necessary to receive a deduction for dependents (birth certificate of dependent in your own country, proof of remittance of money etc.) Items necessary for insurance premium deduction (Proof of insurance deduction) Personal seal or signature etc. 	Tax office	From 16 February to 15 March of the year in question	Free



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Income tax returns form, A, page 1



Source: National Tax Agency



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Income tax returns form, A, page 2



Source: National Tax Agency



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2 National tax

(3) Withholding tax and certificate of income and withholding tax

When your company, at the time of paying you your salary, deducts income tax according to the level of income and pays this income tax to the state, this is called "withholding tax." The document recording the total amount of the your salary paid between 1 January and 31 December of the year in question at your place of work, and the amount of income tax which has been taxed at source is called the certificate of income and withholding tax. In around January of the succeeding year, the company where you work will hand you this document directly. The certificate of income and withholding tax is a very important document proving things such as your salary income, and is an essential document for times such as when you carry out procedures for extending your status of residence. You should keep this document carefully.



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Certificate of income and withholding tax for salary income

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(4) Final returns

What is final returns?

It is usual for there to be a discrepancy between the amount of income tax levied on your total salary income over the one-year period and the total of the amounts of tax which have been taxed at source from your monthly salary payments etc. Therefore, the procedures for adjusting any overcharging or undercharging when the final salary payment of the year in question is made are called "final returns," and are carried out by the company where you work.

In the event that a child is born or you enter into insurance during the period between final returns and 31 December of the year in question, it is possible for you to have the final returns readjusted until 31 January of the succeeding year.

Tax refunds

Persons who are paying high medical fees, who have had an increase in the number of dependents due to a child being born, or whose income over the one-year period has been low (at the level of a casual part-time job), even when they are salary income earners, there are cases where they can receive a refund of part of their taxes backdated over the proceeding five years when they file their tax returns at their tax office.



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2 National tax

2-2 Consumption tax

Consumption tax is a tax levied on a variety of goods, such as the items purchased in supermarkets, and on services. The consumption tax rate is 8% (as of February 2018). Prices displayed on goods or services in Japan are either with or without consumption tax.

However, the following transactions are exempt from consumption tax:

- · Rent for residences
- · Government administrative costs
- Long-term care insurance services, social welfare businesses etc.
- Certain school tuition fees, school enrollment fees, school entrance examination fees, facility maintenance fees etc.



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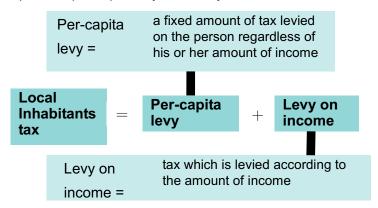
3 Local tax

Local taxes are the taxes which are calculated based on your income over the preceding year, paid to the prefecture or municipality where you are living as of 1 January of the year in question, consisting of local inhabitants tax, fixed asset tax, and the motor tax which is levied on owners of motor vehicles as of 1 April of the year in question.

3-1 Local inhabitants tax

(1) What is local inhabitants tax?

Local inhabitants tax is the fee for living as a "inhabitant" in the region where you live. Local inhabitants tax is made up from a per-capita levy and a levy on income.



In the case of the 23 wards which make up Tokyo, local inhabitants tax is made up of a combination of "special ward inhabitants tax" and "metropolitan inhabitants tax."

In other regions, local inhabitants tax is made up of a combination of "prefectural inhabitants tax" and "metropolitan inhabitants tax."

(2) File for local inhabitants tax

As a general principle, persons with an address in a given municipality must file for local inhabitants tax at the administrative office between 16 February and 15 March. However, those persons who are applicable to the following instances do not need to file for local inhabitants tax.

- Persons who are salary income earners or pension recipients, and who have not source of income in the preceding year other than salary or pension
- Person who have filed for income tax returns



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• Persons who are exempt under other municipal ordinances

(3) How to pay local inhabitants tax (special tax collection and ordinary collection)

There are two ways to pay local inhabitants tax: special tax collection and ordinary tax collection.

	tax	In this method, the tax is paid at source through deduction (withholding) from your salary. The company which is the place of work for the salary income earner will deputize the payment. The company deducts the amount of tax from the monthly salary, and pays the monthly taxation amounts before the 10th day of the month following the month in question.
ı	Ordinary tax	People such as independent business proprietors, farmers and freelancers pay the tax in four installments over the course of a year through a tax notice which is issued by their municipal administrative office in June. The payment is carried out at the person's nearest bank, post office etc. The person can also use bank transfer (automatic payment) which will debit the amount from his or her bank account or post office account.



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4 Motor vehicle tax and light motor vehicle tax

4-1 Motor vehicle tax

The motor vehicle tax is a tax levied on persons who possess a motor vehicle as of 1 April of each year. When a tax notice arrives from your prefectural administrative office, pay this tax through the post office or bank etc. before the due date.

4-2 Light motor vehicle tax

The light motor vehicle tax is a tax levied on persons who possess an engine-powered cycle (moped), a small-sized special motor vehicle, a light motor vehicle, or a two-wheeled compact motor vehicle. When a tax notice arrives from your prefectural administrative office, pay this tax through the post office or bank etc. before the due date.

4-3 Other taxes

In terms of taxes relating to motor vehicles, apart from local taxes such as the motor vehicle tax and light motor vehicle tax, there also exists the motor vehicle tonnage tax which is a national tax.

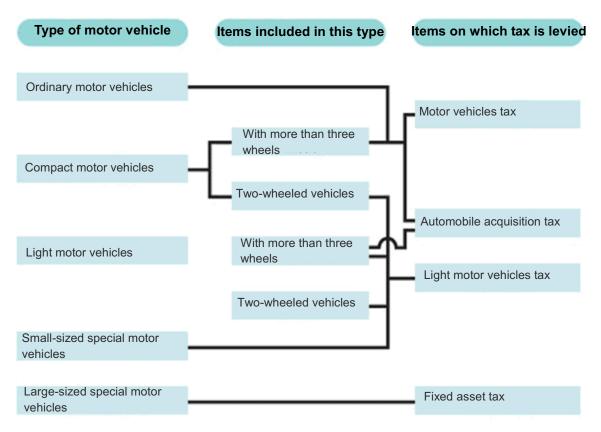
4-4 Registration procedures

The motor vehicle tax and light motor vehicle tax are levied on persons who possess a motor vehicle as of 1 April of each year. If you have passed a motor vehicle or light motor vehicle of yours onto another person, disposed of your vehicle, or had it stolen, be sure to undertake the procedures for registering a change of name, or disposal of a vehicle at your nearest transportation bureau. If you do not carry out the procedures for the change of name or disposal, you will continue to be taxed permanently for the vehicle.



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Types of motor vehicle and items on which tax is levied



Source: Tokyo Metropolitan Government Bureau of Taxation



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5 Tax payment certificate and proof of earnings

When you change your status of residence, enter your child into nursery school, or apply to move into public subsidized housing, you may need a tax payment certificate and proof of earnings. If you need these documents, please apply to the administrative office of the municipality where you are residing as of 1 January of the year in question (a fee will be charged).

Furthermore, the following items also constitute proof of income etc.: a copy of the income tax returns(please refer to 2-1(2)), the certificate of income and withholding tax(please refer to 2-1 (3)).

5-1 Procedures for avoiding double taxation

There are many cases where funds earned through working in Japan are used to start up a business or used to purchase land in the person's own country. There is a risk that in such cases double taxation could occur, whereby a large amount of tax is demanded by your own country. For this reason, Japan has signed bilateral tax treaties with the United States, China, South Korea, Brazil, Indonesia, the Philippines, Thailand and other countries (please refer to the following chart) to avoid double taxation; by proving that you paid tax on your income in Japan, you can avoid double taxation when you return to your own country.



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Chart listing countries and regions with which Japan has signed bilateral treaties As of February 2018

Asia and	India Indonesia Australia South Korea Singapore Sri Lanka Thailand China New Zealand Pakistan Bangladesh Fiji Philippines Brunei	Europe	(Convention on Mutual Administrative Assistance in Tax Matters only) Iceland Albania Andorra Estonia Cyprus Greece Greenland Croatia San Marino Gibraltar Faroe Islands Malta Monaco Lithuania Edypt	Russia / Former Soviet Union	Azerbaijan Armenia Ukraine Uzbekistan Kazakhstan Kyrgyz Georgia Tajikistan Turkmenistan Belarus Moldova Russia
Oceania	Vietnam Hong Kong Malaysia Samoa* Macau* Taiwan** (Convention on Mutual Administrative Assistance in Tax Matters only) Cook Islands Nauru Niue Marshall Islands	Africa	Zambia South Africa (Convention on Mutual Administrative Assistance in Tax Matters only) Uganda Ghana Cameroon Seychelles Senegal Tunisia Nigeria Mauritius UAE	North America	United States Canada
		East	Israel Oman	Central -	Chile



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			Qatar	South	Brazil								
	Ireland		Kuwait	America &	Mexico								
	UK		Saudi Arabia	Caribbean	Panama*								
	Italy		Turkey		Bahamas*								
	Austria				Bermuda*								
	Netherlands		(Convention on Mutual		Cayman Islands*								
	Switzerland		Administrative Assistance in		British Virgin								
	Sweden		Tax Matters only)		Islands*								
	Spain		Lebanon										
	Slovakia				(Convention on Mutual								
	Slovenia				Administrative Assistance in								
	Czech Republic				Tax Matters only)								
	Denmark				Argentina								
	Germany				Alba								
	Norway				Anguilla								
Europe	Hungary				Uruguay								
	Finland				Curacao								
	France				Guatemala								
	Bulgaria				Costa Rica								
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	Portugal				Saint Christopher								
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	Latvia				Saint Vincent and								
	Luxemburg				the Grenadines								
	Romania				Saint Martin								
	Bailiwick of				Saint Lucia								
	Guernsey*				Turks and Caicos								
	Jersey*				Islands								
	Isle of Man*				Barbados								
	Liechtenstein*				Belize								
					Montserrat								
				(12	23 Countries / Regions)								

^{*} Mainly exchange of information related to taxation.

Source: Ministry of Finance

^{**} In regard to Taiwan, as a whole, the framework equivalent to the tax treaty has been established, based on the taxation agreement between the Interchange Association (Japanese side) and the Association of East Asian Relations (Taiwanese side) and the ordinance to implement such agreement in Japan (currently both associations have been renamed to the Japan-Taiwan Exchange Association (Japanese side) and the Taiwan-Japan Relations Association (Taiwanese side)).