

A foreign national who meets certain conditions is required to pay taxes. For example, if you gain an income by working in Japan, you are as a general rule obliged to pay an income tax. In addition, persons having a domicile in Japan as of January 1 must pay an inhabitant tax levied on the income earned the previous year.

Furthermore, even a foreign national with no fixed address in Japan, if staying in a hotel while traveling, etc. or having a meal, is obligated to pay a consumption tax.



Classification of taxes in Japan

Japan has two tax classifications with a view to payment of taxes:

The tax to be paid to the national government is referred to as a “national tax.” A representative example is the “income tax.” The tax to be paid to the governments of prefectures and municipalities where you live is referred to as a “local tax.” A representative example is the “inhabitant tax.”

Who pays the tax:

In cases where the person who makes the payment of the tax is the same as the person who bears the burden of the tax, the tax is called “direct tax.” It includes “income tax” and “inhabitant tax.”

In cases where the person who must pay tax to the government differs from the person who bears the burden of the tax, the tax is called “indirect tax.” It includes “consumption tax.”

1 Income tax

Income tax is a tax levied on an individual’s income arising from January 1 to December 31. The amount of income tax is calculated by multiplying the amount of taxable income (calculated by subtracting the various deductions (see 1-3) from the amount of income (calculated by subtracting expenses, etc. from earnings)) by the relevant tax rate. The tax rate is designed to progressively increase as taxable income increases.

Note: From 2013 to 2037, both inclusive, special reconstruction income tax, which is 2.1% of the amount of income tax for each year, shall be filed and paid, together with income tax, for the purpose of securing financial resources necessary to implement measures for reconstruction following the Great East Japan Earthquake. Hereinafter, income tax and special reconstruction income tax are collectively referred to as “income tax, etc.”

1-1 Taxpayers and scopes of taxable income

The scope of taxable income varies depending on the classification of residence.

(1) Residents

Residents are persons having a domicile in Japan or having a residence continuously in Japan for one year or more. As for residents other than non-permanent residents set forth in Item (2), all income including foreign source income is subject to taxation.

Note: “Domicile” as used above refers to the principal base and center of an individual’s life and whether it is qualified as a base and center of an individual’s life is determined based on objective facts including having a job in Japan and a spouse or other relative living in Japan who shares a means of livelihood.

“Residence” as used above refers to a place where a person resides continuously for a reasonable period but which does not qualify as a base and center of his or her life.

(2) Non-permanent residents

Residents who do not hold Japanese citizenship and have been domiciled or resident in Japan for a total of no more than five of the past ten years are termed non-permanent residents.

As for non-permanent residents, incomes other than foreign source incomes and foreign source incomes paid in Japan or remitted to Japan from abroad are subject to taxation.

(3) Non-residents

Persons not qualifying as residents are termed non-residents.

As for non-residents, only domestic source incomes including salaries arising from work carried out in Japan and compensations arising from provision of personal services in Japan are subject to taxation.

1-2 Filing final returns

The income tax system in Japan adopts the practice of taxpayers themselves calculating the amount of taxable income and income tax, etc. on income depending on the classification of residence, filing a final return by the due date of the following year, and settling the excess or shortage with the amount of tax withheld (see 1-4), regarding the income earned during the relevant year. This procedure is called a final return.

(1) Those who are required to file a final return

Most of salary earners do not need to file a final return because income tax, etc. withheld at the source (see 1-4) are settled through the year-end adjustment (see 1-5) by their employers.

However, persons described below are required to file a final return:

- Persons whose total amount of salary income exceeds ¥20 million
- Persons whose total amount of income except for the employment income and the retirement income exceeds ¥200,000 when the salary is received from one source only and all of the salary is subject to the Japanese withholding.
- Persons whose sum of the total amount of income except for the employment income and the retirement income and the total amount of earnings from the salary not subject to the year-end adjustment exceeds ¥200,000 when the salary is received from two or more sources and all of the salary is subject to the Japanese withholding.
- Persons such as employees of foreign diplomatic establishment located in Japan and household employees, who are to receive payment of their salaries without income tax, etc. withheld at source.
- Persons who receive payment of salaries overseas, etc.

In addition, persons who acquire incomes other than salary through conducting business, stock transactions, etc. need to file a final return if calculating the income tax imposed on his or her total amount of income results in additional payment of the tax required to be made.

(2) Those who may receive a tax refund by filing a final return

If the computation of income tax, etc. based on the application of deductions (see 1-3) reveals that you have overpaid the income tax etc. as a result of the withholding system (see 1-4), the excess of the amount of tax paid will be returned through a final return for receiving the tax refund.

If there is no overpayment of tax due to withholding, no tax money will be returned.

(3) Departure from Japan

Departure from Japan in this case means a person ceases to be domiciled or reside in Japan without submitting a notification of tax agent which is a notification appointing a person to conduct tax procedures on behalf of the taxpayer to the tax authority. In such a case, he or she shall be subject to a year-end adjustment (see 1-5) of his or her salary generated during that year before the departure. However, those who are required to file a final return as provided for in Item (1), need to do so and pay any tax due before departure.

Moreover, if you are to initiate procedures for filing a final return and making tax payment after your departure from Japan, please appoint a tax agent residing in Japan to submit a notification of tax agent to the tax office which has jurisdiction over your place for tax payment.

(4) Due date for final returns and tax payment

Regarding income tax, etc. for each year, consultation for final tax returns and acceptance of final return forms are conducted at tax offices from February 16 to March 15, both inclusive, of the following year.

However, on days on which the tax office is closed including Saturdays, Sundays and national holidays, consultation and acceptance of final return forms are not conducted at the tax office.

In addition, final return forms for a refund may be submitted to the tax office even before February 15. The due date for payment of income tax, etc. for filing final returns is March 15.

* If the above-mentioned due date falls on a Saturday, Sunday or a national holiday, the day following such day is to be the deadline.

1-3 Main deductions

Japan has an income deduction and exemption system for income tax, which is established to take the private conditions of each taxpayer into consideration when calculating the amount of taxable income.

If you meet the requirements for each income deduction or exemption, the total amount of income deductions and exemption in each class is subtracted from the total amount of income in each class.

The amount of income tax is calculated based on the remaining amount after the deduction (the amount of taxable income).

If the taxpayer is a non-resident (see 1-1), the types of deductions and exemptions to be applied is limited.

(1) Basic exemption

A basic exemption amounting to ¥380,000 is applicable to all taxpayers, instead of being granted if certain requirements are satisfied.

(2) Dependent exemption

If a taxpayer has any dependents who are eligible under the Income Tax Act, he or she is entitled to a certain amount of income exemption.

If a dependent exemption of a relative who is a non-resident is applied, it is necessary to attach a certain document to the final return form or present it to the tax officer at the time of filing the final return form.

(3) Exemption for a spouse or special exemption for a spouse

If a taxpayer has a spouse who is eligible under the Income Tax Act, he or she is entitled to a certain amount of income exemption.

A spouse covered by the exemption means the person who meets the requirements including being the spouse defined in the provisions of the Civil Code (a common-law wife or husband is not a qualified spouse), the total amount of annual income of the spouse is ¥380,000 or less, and the total amount of income of the taxpayer himself or herself to whom the exemption is applied is ¥10 million or less.

In addition, even if the total income of the spouse exceeds ¥380,000, there can be a case in which, according to his or her total income, a certain amount of exemption from income may be applied.

The requirements in this case include being the spouse defined in the provisions of the Civil Code (a common-law wife or husband is not a qualified spouse), the total amount of annual income of the spouse is anywhere over ¥380,000 up to ¥1,230,000, the total income amount for the relevant year of the taxpayer himself or herself to whom the exemption is applied is ¥10 million or less.

In addition, if a exemption for a spouse or special exemption for a spouse applies to a spouse who is a non-resident, it is necessary to attach a certain document to the final return form or present the document at the time of filing the final return form.

(4) Social insurance premium deduction

If a taxpayer paid a social insurance premium borne by himself or herself, the spouse or any other relative sharing a means of livelihood with the person, he or she is entitled to an income deduction for the amount paid.

The social insurance premiums covered by the deduction include premiums of health insurance, national pension and employees' pension insurance which are borne by the insured, national health insurance premiums and labor insurance premiums which are borne by the insured.

(5) Life insurance premium deduction

If a taxpayer paid certain premiums of life insurance, medical care insurance or private pension insurance, he or she is entitled to a certain amount of income deduction.

(6) Medical expenses deduction

In the case where a taxpayer paid medical expenses himself or herself, his or her spouse or any other relative sharing a means of livelihood with the person, if the medical expenses paid exceed a certain amount, he or she is entitled to an income deduction for the amount calculated based on the amount of medical expenses.

1-4 Withholding at source

When salary is paid, income tax, etc. imposed on the salary are deducted (withheld at the source) by the employer (salary payer).

In addition, residents must submit an "Application for Exemption for Dependents of Employment Income Earner" to the salary payer no later than the day preceding the day on which the first salary is received every year.

Note that, with respect to the final payment of salary for the relevant year, a "Withholding Slip" stating the amounts including the payment and the amount of income taxes, etc. withheld thereon shall be delivered by the salary payer to the recipient of the payment no later than January 31 of the following year.

1-5 Year-end adjustment

When a resident receives the last salary paid in the relevant year, the difference between the total amount of income taxes, etc. withheld at the source for the year by the salary payer and the amount of income tax, etc. to be paid for the total amount of annual salary (annual amount due) is settled. This procedure is called “year-end adjustment.”

At the time of the year-end adjustment, if you seek the application of an exemption for a spouse or insurance premium deduction, you must submit a prescribed application form to the salary payer.

However, most people who receive salary payments do not need to file a final return (see 1-2) as the settlement of income tax, etc. is made through the year-end adjustment.

1-6 Others

(1) Special tax treatment under tax conventions

When a tax convention has been concluded between your home country and Japan, you may be granted a reduction or exemption from the payment of income tax, etc. If you seek the reduction or exemption from the payment of income tax, etc., you need to submit a prescribed application form, etc. to the tax office via the payer of incomes.

(2) Payment of national taxes

Even if you are to pay national tax as, for example, filing a final return reveals that you need to make payment of income tax, etc., the tax office will not notify you of such due tax payment. Please, note that you must pay the tax by yourself before the due date for payment.

2 Resident Tax

2-1 What is Resident Tax?

Resident tax is a tax collected by the 47 prefectures of Japan and local municipalities. Any person residing in Japan as of January 1st is subject to resident tax. Prefectural tax and municipal tax combined are referred to as “resident tax”, and are collected together by municipalities.

Resident tax is composed of a (per capita) fixed amount levied from all residents, and an (income-based) amount adjusted for your prior year’s income. The method for calculating the tax amount for the income-based levy is the same as the calculation for income taxes.

2-2 Payment of Resident Tax

(1) General Collection

In accordance with the Notification of Tax issued by municipalities, taxes are divided into four payments throughout the year.

(2) Special Collection

Identical to income tax withholding, business operators (a person who has paid remuneration) on behalf of their employees (taxpayer) must deduct resident tax from the monthly wages paid to employees.

2-3 In the case of leaving Japan

Resident tax is levied by the municipality of your residence for the income of the prior year for those residing as of January 1st. Therefore, residents are still subject to pay that fiscal year's resident tax, even if you depart from Japan during that fiscal year. In the case that resident tax has been deducted from the wages paid by your workplace during your move from Japan to overseas, there is a way (lump collection) to deduct the remaining unpaid tax amount all at once from your final paycheck.

Additionally, in the case that resident tax could not be collected before you move from Japan to overseas, please designate someone living in Japan as a 'tax agent (someone who pays tax on behalf of the taxpayer)' and notify the municipality of your residence before you depart the country. Your tax agent will be notified of any unpaid taxes.

3 Other Taxes

3-1 Consumption Tax & Local Consumption Tax

Consumption tax is a taxation on the sale of goods or the provision of services. The tax is levied on the purchaser of the goods or recipient of the services and is collected by provider of the goods or services.

The tax rate of consumption tax (including local consumption tax.) is 8%. From October of 2019, the tax rate will increase to 10%. However, on the same date, the tax rate reduction system will be implemented, subjecting the purchase of food items, excluding alcohol and the food service industry; and the purchase of newspaper subscription contracts with newspapers delivered more than twice a week to an 8% tax rate.

Furthermore, there are stores where foreign travelers, etc. visiting Japan can purchase goods with a tax exemption (Tax-free stores). However, foreign nationals who maintain residence in Japan are not eligible for this tax exemption.

3-2 International Tourist Tax

In principle, the International Tourist Tax is a tax added onto the ticket prices of shipping and aviation companies which is levied on anyone departing (travelers) Japan and collected by the nation. Regardless of your purpose for leaving Japan, a 1,000 yen tax will be levied per every departure leaving Japan.

(Note) 'departure' here refers to exiting the territorial waters or airspace of the nation of Japan.

3-3 Automobile Weight Tax

The Automobile Weight Tax is a tax amount levied in accordance with a vehicle's weight during a vehicle inspection. The tax amount varies depending on the type and weight of the automobile. For example, in the case of a new private car (1.5 tons, valid 3 years on first inspection), the tax amount would be 36,900 Yen.

Additionally, in the interest of promoting the spread of eco-friendly vehicles (low-emission, fuel-efficient, etc.), a special exception reducing the Automobile Weight Tax (Eco-Car Tax Reduction) is being established for vehicles that have reached a set level of environmental performance.

3-4 Automobile Acquisition Tax

The Automobile Acquisition Tax is a tax levied at the time of the purchase of a vehicle or light vehicle depending on the vehicle's purchase price. The tax amount is 3% or 2% depending on the vehicle's type and use.

Additionally, in the interest of promoting the spread of eco-friendly vehicles (low-emission, fuel-efficient, etc.), a special exception for the Automobile Acquisition Tax (Eco-Car Tax Reduction) is being established for vehicles that have reached a set level of environmental performance.

Furthermore, from October 1st of 2019, the Automobile Acquisition Tax will be abolished, and a new tax with a set, eco-friendly based tax rate depending on how environmentally friendly vehicles and light-vehicles are will be introduced.

3-5 Automobile Tax

A tax levied on automobile owners to be paid to their prefecture of residence during May by any person owning a normal automobile as of April 1st. The tax amount varies depending on your vehicle's emission rate.

Additionally, to further promote the spread of eco-friendly vehicles (low-emission, fuel-efficient, etc.), a special exemption (Green tax system (light taxation)) is being established; Vehicles that reach a set level of environmental performance will have their tax rate reduced the year after purchase; and, vehicles that reach a fixed number of years from their initial new car registration date will be subject to higher tax.

3-6 Light Vehicle Tax

A tax levied on owners of light vehicles and motor-driven bicycles to be paid to their prefecture of residence during April by any person owning a light vehicle or motor-driven bicycle as of April 1st.

The tax amount varies depending on your light vehicle's emission rate.

Additionally, to further promote the spread of eco-friendly vehicles (low-emission, fuel-efficient, etc.), a special exemption (Green tax system (light taxation)) is being established. Light vehicles that reach a set level of environmental performance will have their tax rate reduced the year after purchase. Additionally, a special exemption (Light Vehicle Annual Special Increase (tax increase)) is being established, subjecting light vehicles that reach a fixed number of years from their initial new car registration date to higher tax rate (Heavy taxation on aging vehicles).

3-7 Property Tax

Every year, persons who own land, houses and depreciable assets as of January 1st will pay a tax amount calculated based on the price of these assets to the municipalities where the assets are located.

4 Where to Address Tax Related Inquiries

4-1 Where to Address National Tax Related Inquiries

(1) Phone Consultation Center

For general consultation about national tax, the following *phone consultation centers* can accept English consultations.

- Tokyo National Tax Agency Phone Consultation Center 03-3821-9070
- Osaka National Tax Agency Phone Consultation Center (will be forwarded from the dialed number)
06-6941-5331
- Nagoya National Tax Agency Phone Consultation Center 052-971-2059

(2) Tax Answer (FAQ)

You can look up general answers to common tax questions by tax type
<https://www.nta.go.jp/english/taxes/index.htm>

(3) National Tax Agency Homepage Link

Useful information available on filing, payment, etc. pertaining to national taxes
<https://www.nta.go.jp/english/index.htm>

National Tax Agency Japan

検索



4-2 Where to Address Local Tax Related Inquiries

Please inquire to your local prefecture or municipality.