



Non-Japanese citizens and tax

Non-Japanese citizens under the following conditions must pay tax in Japan:

- Persons who earn income in Japan;
 - As a rule, individual income tax is imposed on income.
- Persons who have a registered address in Japan as of January 1.
 - Individual Inhabitant Taxes are also imposed. (The amount of the tax varies in accordance with your income in the prior year.)

Consumption tax is also imposed when you stay at a hotel or eat at a restaurant, etc.

Key Point:

National Tax and Local Tax

Japanese taxes are divided into National and Local Taxes, depending on to whom the tax is paid.

- Taxes paid to the national government, such as Individual Income Tax, are called National Taxes.
- Taxes paid to the prefectural or municipal government, such as Individual Inhabitant Tax, are called Local Taxes.

1

Individual Income Tax

Individual Income Tax is a tax imposed on personal income earned in a year starting from January 1 through December 31.

The tax is calculated as follows:

- i. Gross income – Expenses, etc. = Net income (A)
- ii. Net income (A) – Deductions (see 1-3) = Taxable income (B)
- iii. Taxable income (B) × tax rate

The tax rate gradually rises along with the increase taxable income (B).

1-1

Taxpayer and scope of personal taxable income

The scope of individual income tax varies according to the following types of residence:

(1) Residents

Persons who have a registered address ("domicile") in Japan, or who have had a residence for over a year until the present (except (2) Non-Permanent Residents) are termed Residents.

→ All worldwide income of Residents that is earned inside and outside of Japan is subject to income tax.

Key Point:**"Domicile" and "Residence"**

- "Domicile" refers to the principal base and center of one's life. It is judged objectively by the circumstances, such as if a person works or has a family in Japan.
- "Residence" refers to a location in which an individual continually resides for a certain time but which does not qualify as a base and center of one's life.

(2) Non-Permanent Residents

Within the term "Residents" as defined in (1) above, those who do not have Japanese nationality and for whom the time they have had a domicile or residence in Japan within the period of past 10 years is five years or less in total are termed Non-Permanent Residents.

→ ① Their income other than earned outside Japan, and ② their income earned outside Japan as long as it is paid within Japan or is remitted to Japan is subject to income tax.

(3) Non-Residents

Those who are not classified as "Residents" or "Non-Permanent Residents," including those who have an address abroad, are considered "Non-Residents."

→ Only their income earned within Japan, such as salary, wages, other payments given for your work, etc. is subject to income tax.

1-2**Filing a tax return and payment**

Income tax is self-assessed, with the annual income and the tax to be imposed on it calculated. Taxpayers submit a tax return to the tax office to determine the tax obligation while adjusting the withheld amount (see 1-4) within the due date. This procedure is called filing a tax return.

(1) Persons who need to file a tax return

The majority of persons who receive salaries and wages do not need to file a tax return, since their tax obligations are determined by their income tax being withheld (see 1-4) and later adjusted in the final salary paid to them in a calendar year (see 1-4).

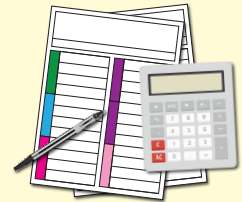
However, in principle, persons to whom any of the following apply must file a tax return:

- Persons who have one employer and their total amount of their income other than salary income and severance allowance exceeds 200,000 yen;
- Persons who have more than one employer and the total amount of salary income which has not been adjusted in their year's final salary and income other than salaries and severance allowance exceeds 200,000 yen; or
- Persons who have income from business or stock trading and are required to pay income tax according to the calculation.

If there is any tax to pay, taxpayers have to pay such amount in full by the due date. (The tax office will not send any notifications regarding this.)

The following methods can be used to pay tax:

- i. Automatic account transfer from your domestic bank account
- ii. Online payment via Direct Payment (automatic account transfer by e-Tax) or Internet banking
- iii. Online payment with your credit card; or
- iv. Payment via smartphone payment apps
- v. Over-the-counter payment with a tax payment slip (service window at banks, post offices, convenience stores or tax offices)

**(2) Persons who are eligible for a tax refund by filing a tax return**

- If it is found out that you are eligible for a deduction (see 1-3) from your withheld tax (see 1-4), you can receive a refund of the tax you have overpaid by filing a tax return. The refund will be remitted to your account at a post office or a bank.
- If you have not overpaid income tax due to withheld tax or the like, you cannot receive a tax refund.

(3) When to file a tax return and pay tax

Income tax consultation and payments for every tax year must be done between February 16 and March 15 of the following year.

- * Tax office do not accept, as a general rule, consultations or the submission of tax return on days they are closed (weekends, national holidays, etc.).

The due date for income tax payment is March 15.

* If this due date (March 15) falls on weekends or national holidays, it will be extended to the following business day.

(4) When you leave Japan

- If you leave Japan and unregister your Japanese address, your income tax must be adjusted in your year's final salary while you are in Japan.
- If you need to file a tax return due to one of cases in (1) applying to you, you have to do so and pay any tax you owe before you leave Japan.
- If you carry out any procedures relating to tax payment after you leave Japan, you have to appoint a tax agent who resides in Japan and send a "Declaration Naming a Person to Administer the Taxpayer's Tax Affairs for Income Tax and Consumption Tax" to the tax office with jurisdiction. The agent will take care of the procedures after you leave Japan.

1-3 Major tax deductions

Taking each individual's circumstances into consideration, a certain amount of deductions is applicable on your income tax calculation (see the formula in 1 above) if you fulfill the following:

In case of a Non-Resident (see 1-1 (3)), only limited types of deductions are applicable.

(1) If you give economic support to your family;

- In the case where you financially support a family member, and the total income of such dependent is 480,000 yen or less (380,000 yen or less in or before 2019), you can receive a certain amount of income deduction on your income tax calculation.
- If your dependent family member is Non-Resident (see 1-1(3)), you need to attach the following documents to a tax return form or show them when you submit your tax return form at a tax office:
 1. Family registration (a copy of your family's *koseki*); and
 2. Remittance slips or other documents to certify that you support your non-resident family member.
- After 2023, in the case where the age of your dependent family member is from 30 to 69 and do not fall under any of the mentioned below, he/she shall not be eligible for receiving income deduction:

- i. The dependent family member no longer lives in Japan due to overseas education;
 - ii. The dependent family member is the disabled; and
 - iii. Within the fiscal year, you pay 380,000 yen or more as cost of living or education fees for the dependent family member.

(2) If you are married;

- If you are married and satisfy certain requirements, a certain amount of deduction is applicable to your income.
- If your spouse is Non-Resident (See 1-1(3)), you have to attach the following documents to a tax return form or show them when you submit the tax return form at a tax office:
 1. A marriage certificate (a copy of family registration, etc.); and
 2. Remittance slips or other documents to certify that you support your non-resident spouse.

(3) If you pay social insurance;

If you pay social insurance (Health insurance, National Pension, Employee's pension insurance, etc.) for yourself, your spouse and other family members who depend on you for their livelihood, you can receive an income deduction depending on the amount of the insurance premiums.

(4) If you pay life insurance premiums; or

If you pay a certain amount of life insurance premiums, long term medical care insurance premiums and/or pension insurance premiums, you can receive a certain amount of income deduction.

(5) If you have spent a significant amount of medical expenses;

If the total amount of medical expenses spent by a taxpayer, his/her spouse and/or other family members who depend on such taxpayer for their livelihood exceeds a certain amount, you can receive an income deduction depending on the amount of the medical expenses.

1-4

Withholding and year-end adjustment

- Persons who receive salaries and wages pay income tax in the withholding tax system. When their salaries or wages are paid, income tax is subtracted (withheld) from them by their employer.
- Tax is adjusted in the final salary or wage in a calendar year (year-end adjustment).
- A withholding record with the annual gross salary printed on it is issued by an employer and provided to the salary receiver.

1-5

Special cases by Income Tax Convention

If your country and Japan have concluded an income tax convention, your income tax may be relieved by fulfilling certain requirements.

2

Individual Inhabitant Taxes



2-1

Definition of Individual Inhabitant Taxes

- This is a tax you are obliged to pay to the prefectural and municipal offices with jurisdiction over your address as of January 1.
- Individual Inhabitant Taxes consist of an income-graded component which is assessed on your income for the preceding year and a flat-rate component whose amount is regardless of your amount of income.
- The Individual Inhabitant Taxes to be paid to your prefecture will be paid to your municipal government together with the one for your municipality.

2-2

How to pay the Individual Inhabitant Taxes

- There are two ways of paying:
 - Special collection:** The company that employs you withholds your Individual Inhabitant Taxes from your salary and pays it to your municipal government. As a rule, employees themselves do not need to pay the taxes to the municipal office.
 - Ordinary collection:** When you receive a written tax demand from your local government, go to the government office yourself with the demand you have received and the amount of taxes indicated on it. (*)

(*) The document you receive from your local government will describe the method of payment.

2-3

Miscellaneous

- Please note the following regarding Individual Inhabitant Taxes:
 - The taxes must be paid to the municipality where you have had your registered address on January 1. Even if you leave Japan on January 2 or after, you still have an obligation to pay the tax.
 - When those who pay the taxes by special collection (see 2-2 i) terminate their employment, the outstanding tax balance must be paid by ordinary collection (see 2-2 ii). However, there is another way to pay them to your municipality, namely, requesting that the company that employed you withhold the taxes from any salary or severance allowance that would be paid to you.
 - If you cannot pay your Individual Inhabitant Taxes before you leave Japan, you must appoint a tax agent who resides in Japan and will pay the tax for you, and notify the municipal office of such person.

3

Consumption Tax

The Consumption Tax at the rate of 10% (Standard tax rate) is applied to the purchase of goods and services in Japan. In the case of the purchase of food and drink excluding alcoholic drink and dining out, the rate of 8% (Reduced tax rate) is applied.



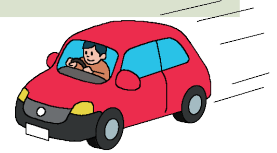
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Tax on your automobile

4-1

Automobile Tax / Light Motor Vehicle Tax

(1) Automobile Tax / Light Motor Vehicle Tax with an environmental performance-based tax reduction



When you purchase an automobile or a light automobile

When you purchase an automobile or a light automobile, you have to pay Automobile Tax or Light Motor Vehicle Tax with an environmental performance-based tax reduction.

(The amount of the environmental performance-based tax reduction is determined according to an automobile's or light automobile's fuel efficiency and other elements.)

(2) Automobile Tax / Light Motor Vehicle Tax and tax reduction according to engine size

If you have an automobile

Persons who have an automobile (engine size over 660 cc) as of April 1, are obliged to pay Automobile Tax, a tax reduction will be applied according to its engine size. (*)

(The amount of the tax reduction is calculated based on the engine size and other elements.)

* Instructions regarding the tax amount and payment method are given on a letter sent to you by the prefectural government.

If you have a light automobile

Persons who have a light automobile as of April 1 whose engine size is 660 cc or less are obliged to pay Light Motor Vehicle Tax, a tax reduction will be applied according to its engine size. (*)

(The tax amount is calculated based on the engine size, etc.)

* Instructions regarding the tax amount and payment method are given on a letter sent to you by the municipal office.

4-2

Vehicle Weight Tax

When you have your automobile or light automobile inspected

Vehicle Weight Tax is imposed according to the weight of your vehicle when it is inspected.

5

Property Tax

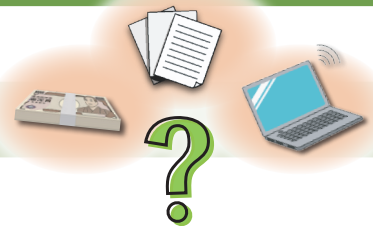
- You are obliged to pay property tax if you have any of the following as of January 1 each year:
 - i. Land; ii. Buildings; or iii. Depreciable assets.
- You have to declare the depreciable assets you have.
- The amount to pay will be calculated by the municipal office based on the values of the assets.
- Pay the tax to the municipal office where your asset is located.

6

Inquiries about tax

6-1

National Taxes



(1) By Telephone (Call center)

English speakers will answer general inquiries about National Taxes at the following Tax Payment Call Centers:

- | | |
|-----------------------------------|---------------------|
| • Tokyo Regional Taxation Bureau | 03-3821-9070 |
| • Osaka Regional Taxation Bureau | 06-4965-8298 |
| • Nagoya Regional Taxation Bureau | 052-971-2059 |

(2) Tax Answers (FAQ on taxes)

You can find FAQs and general answers to them via the link below:

<https://www.nta.go.jp/english/taxes/index.htm>



(3) National Tax Agency website

This website provides useful information on filing and paying national taxes.

Click the link below or scan the QR code for further information:

<https://www.nta.go.jp/english/index.htm>



6-2

Inquiries on Local Tax

For inquiries about local tax, please use the following:

- (1) Ministry of Internal Affairs and Communications website

Guidance on individual inhabitant tax for foreign residents:

https://www.soumu.go.jp/main_sosiki/jichi_zeisei/czaisei/czaisei_seido/individual-inhabitant-tax.html



- (2) Ask at a prefectural or municipal office in the area you live in for more details.