

## Overview of personal tax system (resident in Japan)

### 1. Income tax on salary income

Income tax is levied by gradual taxation on personal income that a taxpayer earns on a yearly basis from January to December. Those who have a taxable income exceeding certain amount have to file their final return during the designated period (i.e. between February 16 and March 15 of the year following the taxable year) except that they have already discharged their tax liabilities through year-end adjustment.

### 2. Tax rates

The tax rates for self-assessed income tax on salary income for the residents are as shown below. (Unit: JPY)

Salary income after salary income deductions		Tax rates	
Over	Equal or under	National tax excluding special restoration tax	Inhabitant tax
-	1,950,000	Salary income x 5%	10%
1,950,000	3,300,000	Salary income x 10% -97,500	10%
3,300,000	6,950,000	Salary income x 20% -427,500	10%
6,950,000	9,000,000	Salary income x 23% -636,000	10%
9,000,000	18,000,000	Salary income x 33% -1,536,000	10%
18,000,000		Salary income x 40% -2,796,000	10%

(Note)

(1) Inhabitant taxes consist of Prefectural tax at 4% + Municipal tax at 6%, of which total is 10%.

(2) Salary income is the salary amount less the following salary income deductions (Hypothetical expenses for salary).

(3) From 2015(Heisei year 27), the following basket will be added on the above;

Salary income after salary income deductions		Tax rates	
Over	Equal or under	National tax excluding special restoration tax	Inhabitant tax
18,000,000	40,000,000	Salary income x 40% -2,796,000	10%
40,000,000	-	Salary income x 45% -4,796,000	10%

### 3. Salary income deductions

(Unit: JPY)

Salary		Salary income deductions
From	Equal or under	
-	1,625,000	650,000
1,625,000	1,800,000	Salary income x 40%
1,800,000	3,600,000	Salary income x 30% + 180,000
3,600,000	6,600,000	Salary income x 20% + 540,000
6,600,000	10,000,000	Salary income x 10% + 1,200,000
10,000,000	15,000,000	Salary income x 5% + 1,700,000
15,000,000		2,450,000

### 4. Withholding income tax

The withholding income tax for residents salary income varies on the number of dependents and monthly payment amounts. For the details, please contact us.

### 5 Filing and payment

The persons of which total income does not exceed total deductions and persons who receive salary income subject to withholding tax at source (year-end adjustment) from only one payer not exceeding JPY 20 million in that year and who have no other income exceeding 200,000 yen do not, as a rule, need to file individual income tax return.

### 6. Special restoration tax on income tax

From January 1, 2013, to December 31, 2037, salary, professional fees and others are subject to 2.1% special restoration tax on the amount of withholding income tax.

For example, the tax rate for withholding tax on tax accountant fee is 10%, to which will be added special restoration tax of 0.21% (10% x 2.1%), resulting in 10.21% in total as follows;

(Example)

- (1) Fee for tax accountant: JPY 200,000
- (2) Withholding tax rate: 10% (JPY 20,000)
- (3) Withholding special restoration tax rate: 0.21% (JPY 420)
- (4) Total withholding taxes: JPY 20,420 (2)+(3)
- (5) Net payment due: JPY 179,580 (1)-(4)