



# Japanese Tax System

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## INCOME, RESIDENT TAXES, AND TAX EXEMPTION

*Participants exempted from taxes in Japan based on a treaty between Japan and the Participant's home country are not necessarily exempted from tax obligations in their home countries. Please note that it is the responsibility of individual participants to clarify such obligations prior to their departure for Japan. Each Participant is responsible for the payment of any obligatory home country taxes.*

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# 1. Tax Status

*\*The information here is meant to be used as a rough outline. Shigaku Zaidan accepts no responsibility for any financial loss incurred or any legal action taken against anyone as a result of information contained in or omitted from this article. Please confirm the information provided by your CO, regional tax office, and/or home country tax authority.*

Your tax status in Japan depends largely on your nationality, the length of your period of stay, and your job type in Japan.

Depending on tax exemption treaties between Japan and your home country, there are cases where first and second year ALTs maybe exempt from taxes.

ALTs of the following nationalities may be exempt from taxes: Ireland, Korea, Germany, Philippines (up to two years), and China (up to three years).

- As of April 2023, ALTs of the following nationalities are not eligible for the tax exemption: U.S., U.K., Canada, Jamaica, Singapore, Trinidad and Tobago, Australia, New Zealand, Barbados, South Africa etc.
- For U.S. nationals, on 30 August 2019 the “Protocol Amending the Tax Convention with the United States” was signed into effect, making U.S. JET ALTs subject to income tax withheld at the source starting from 1 November 2019.

## 2. Income Tax (所得税, *Shotoku Zei*)

[Supervisory authority: The National Tax Agency]

### A) How to pay

Income tax is levied on your income and deducted from your salary (Gensen Choshu, Withholding Tax System). Your CO handles the payment to the National Tax Agency on your behalf. It also handles tax filing and refunds on your behalf except for special deductions. Unless you want to file for special deductions such as medical expenses\*, donations\*\* etc., it is not necessary for JET ALTs to file taxes in Japan, however, it's your responsibility to confirm if your CO correctly understand your tax status and file necessary documents to the relevant agencies. Do not hesitate to ask your CO to explain the contents of your pay slip.

If you want to file for special deductions, you need to submit Kakutei Shinkoku (income tax report) to the tax office by yourself in March. To submit Kakutei Shinkoku, you must keep all the relevant receipts.

Reference: NTA website [https://www.nta.go.jp/english/taxes/individual/pdf/incometax\\_2022/12.pdf](https://www.nta.go.jp/english/taxes/individual/pdf/incometax_2022/12.pdf)

\*The medical expenses deduction can be applied if you spend ¥100,000 or more after reimbursed amount by insurance is deducted within a calendar year. Please see P. 39 [13-1 Deduction for medical expenses of the reference].

\*\*Where to donate is specifically described. Please see P. 41 [14 Deduction for donations of the reference].

## B) How to calculate

The amount of the monthly deduction would be around ¥6,000 - ¥9,000.

Employers deduct roughly calculated amount from your salary every month, then in December, once your net income, and deducted amounts (paid pension, insurances, and taxes) for a calendar year are fixed, the amount of your income tax for the year is finally calculated.

In most cases, you receive an income tax refund in December.

### 1<sup>st</sup> year JET Salary

Your Salary (1<sup>st</sup> year ¥280,000/month)

- Pension approx. ¥23,000\*
- Health Insurance approx. ¥12,000
- Employment Insurance approx. ¥1,500
- Income tax approx. ¥7,000
- Resident tax ¥0 ⇨ ¥2,000 from next June

**Approx. ¥230,000/month**

## C) *Gensen Chōshūhyō* or State of Earnings

Employers provide a gensen chōshūhyō (State of Earnings) in January to their employees. The gensen chōshūhyō details your previous year's income (January-December), tax you pay, and how much you contribute to Social Insurance and Pension.

Be sure to keep your gensen chōshūhyō or Statement of Earnings. JET Program

Participants who must file tax returns in their home country need this slip, as do all reappointed JET Program Participants who apply for an extension on their Status of Residence. A Statement of Earnings is also needed when your tax or your Status of Residence changes.

## D) Paperwork to do

COs prepare necessary documents for basic deduction for you. Once you start working, you will be asked to fill in your name, address and stamp your seal on the “Application for Basic Exemption of Employment Income Earner” (Please see Appendix 1).

Then, your CO will ask you to fill in “Application for Deduction for Insurance Premiums” in December (Please see Appendix 2). If you pay certain insurances, you can get deductions.

### **\* Pension Lump-Sum Withdrawal Payments**

You are required to enroll in Japanese pension system but will be able to get pension partially refunded by applying for the Lump-Sum Withdrawal Payments after you have left Japan.

### 3. Resident Tax (住民税, *Jumin Zei*)

#### [Supervisory authority: Your local municipality]

Resident taxes are calculated based on your previous 1 January to 31 December income earned in Japan, and are levied by the municipality you live in as of 1 January of the current year.

The tax includes a par capita amount and an income-based amount.

Par capita amount: The same amount per person regardless of income.

Income based-amount: Calculated according to the income earned during the previous year.

#### A) How to pay

Tax can be deducted monthly from your salary, or you will receive a bill around June from your local municipality.

If you arrive in August 2022, you will first receive a bill or the deduction starts in June of 2023.

#### B) How to calculate

Regarding the tax rate, there are slight differences between municipalities, but it's roughly 10% of the **taxable income**.

The amount will be as follows;

1<sup>st</sup> calendar year: zero

2<sup>nd</sup> calendar year from June to next May: approx. ¥2,000 - ¥3,000 per month

3<sup>rd</sup> calendar year or above from June to next May: approx. ¥13,000 - ¥15,000 per month

This is the case for August arrivals. The amount differs depending on your commuting allowance and the total income you earn within a calendar year.

*If you are eligible for income tax exemption, you may also be eligible for an exemption from resident taxes. **Please note that you will need to apply for them separately.***

### 4. Tax Exemption Treaty (租税条約, *Sozei Jyoyaku*)

#### [Supervisory authority: The National Tax Agency]

#### A) The Tax Exemption Form

If you are eligible and wishing to apply for tax exemption in Japan, please inform your CO as early as possible and ask them for help filling out the application form.

The form must be submitted **in duplicate** to your CO, and the CO files them both to the tax office, and the tax office keeps the original and returns the duplicate to CO **with their reception stamp** on it. This procedure should be completed by the day before the payment of the

remuneration is made.

Please note that you need to submit a copy of the application form to your local municipal office when filing for resident tax exemption.

The form can be downloaded from the National Tax Agency website:

<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/annai/joyaku/annai/pdf2/257.pdf>

For details, please read the instructions attached to the above form.

## **B) Home Country Tax Liabilities**

Tax liability in your home country for your Japanese income depends on certain factors including the nationality of the participant as well as the existence and content of a tax treaty between the participant's home country and Japan. Please be aware that it is the responsibility of each individual JET participant to seek information via his or her home country tax agency regarding tax obligations in his or her home country as well as the necessary procedures. Your supervisor, contracting organization, Prefectural Advisor (PA), Shigaku Zaidan and CLAIR are not able to provide guidance on your home country tax liability.

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## **Inquiries regarding income tax and tax exemption:**

Tokyo Regional Taxation Bureau English Information

TEL: +81-3-3821-9070

## **Inquiries regarding resident taxes:**

Tax affairs section of your local municipality

## **References:**

CLAIR, General Information Handbook (GIH, 2023) page.63 & 65

[https://jetprogramme.org/wp-content/MAIN-PAGE/COMMON/publications/%E2%98%852023GIH\\_E.pdf](https://jetprogramme.org/wp-content/MAIN-PAGE/COMMON/publications/%E2%98%852023GIH_E.pdf)

2022 INCOME TAX AND SPECIAL INCOME TAX FOR RECONSTRUCTION GUIDE

[https://www.nta.go.jp/english/taxes/individual/incometax\\_2022.htm](https://www.nta.go.jp/english/taxes/individual/incometax_2022.htm) (National Tax Agency website)

➤Deductions from income > [https://www.nta.go.jp/english/taxes/individual/pdf/incometax\\_2022/12.pdf](https://www.nta.go.jp/english/taxes/individual/pdf/incometax_2022/12.pdf)

➤Calculating your tax > [https://www.nta.go.jp/english/taxes/individual/pdf/incometax\\_2022/13.pdf](https://www.nta.go.jp/english/taxes/individual/pdf/incometax_2022/13.pdf)



