

# Income Tax (所得税) A Simplified Guide for Foreign Residents

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## What is an income tax?

It is the tax levied on all your earnings for the whole year (January 1 to December 31). The amount that an individual or company has to pay is based on its taxable income.

**Taxable income = Total income** - **Exemptions** - **Deductions**  
(dependents, etc.) (insurance premiums, etc.)

Tax rates are based on taxable income before city and prefectural taxes are deducted.

(An additional 2.1% tax will be imposed as Special Reconstruction Income Tax from January 1, 2013 to December 31, 2037)

An income tax return must be filed between February and March of the following year (call tax office for specific date). Business owners, farmers, and freelancers must calculate and file an income tax return on their own while companies often do this in behalf of their employees by deducting tax payments from their salaries (withholding tax system). However, you need to file an income tax return on your own if 1 or more of the conditions listed below applies to you:

| Taxable Income Bracket<br>(yen) | Tax Rate (%)*                      |
|---------------------------------|------------------------------------|
| Less than 1.95 million          | 5%                                 |
| 1.95 million . 3.3 million      | 10%                                |
| 3.3 million . 6.95 million      | 20% of base exceeding 3.3 million  |
| 6.95 million . 9 million        | 23% of base exceeding 6.95 million |
| 9 million . 18 million          | 33% of base exceeding 9 million    |
| 18 million . 40 million         | 40% of base exceeding 18 million   |
| More than 40 million            | 45% of base exceeding 40 million   |

1. if your employer does not withhold tax payments
2. if you leave Japan before the end of the tax year
3. if you resigned from work before the end of tax year and was not able to find a new job
4. if your total income within 1 tax year exceeds 20 million yen
5. if your income from sources other than your salary exceeds 200,000 yen
6. salary was paid at more than 2 places (more than 1 employers)
7. if you have obtained a mortgage to buy real estate in Japan during the past year
8. if you have overseas dependents

## When to pay?

Prepayments for national income taxes are prepaid in July and November of the current tax year and must be fully paid by March 15 of the following year (or April 15 if paying by automatic bank transfer). Failure to pay your taxes on time will result to additional charges.

## How to file a tax return?

To file your tax return, you must submit the following to your local National Tax Office:

1. duly filled in forms
2. residence card (original and photocopy of both sides)
3. passport
4. bankbook
5. My Number card (original and photocopy of both sides)
6. inkan/personal seal (if you have one)
7. withholding tax certificate
8. other documents showing other sources of income
9. if you have overseas dependents: proof of relationship (birth certificate, marriage certificate, etc.) and bank statement/statement of remittance
10. for medical expense exemptions: all medical statements and receipts
11. for housing loan exemption: all relevant loan documents

## How to receive a tax refund when leaving Japan?

1. If your employer performs year-end tax adjustments, your company will forward any tax returns paid to you.
2. If you did not file a tax return before leaving, appoint a representative to file on your behalf, accept, and forward any tax refunds granted to you.
3. If you filed a tax return before leaving and due to receive a tax refund, appoint a representative to receive the tax refund on your behalf by submitting letter of attorney before leaving; your appointed representative must present a copy of your residence card or passport when claiming your refund.

Note: This document is for reference purposes only. For more details, please contact us or the City tax Division