

The NIC Guide to Residence Tax

All residents of Japan, including foreign residents, are required to pay Residence Tax. The municipality in which you were residing in on January 1 2011 is the municipality that will administer your Residence Tax bill. The amount of Residence Tax to be paid, this includes Prefectural Residence Tax and Municipal Residence Tax, is determined by the amount of income received between January and December of the previous year, and the number of dependents you have. If, on **January 1 2011**, you had lived in Japan continuously for one year or more, or if your occupation requires you to live in Japan for one year or more, then under the eye's of the law, you are a resident and therefore are required to pay Residence Tax this year. If the above applies to you, then June's arrival of the Residence Tax bill in your mail box should not come as a surprise to you.

Even if you were living in another city in Japan on January 1st and have recently moved to Nagoya, then your previous municipal office will issue you a bill to your Nagoya address. Alternatively if you were living in Nagoya on January 1st but have recently moved to another city in Japan, then the Nagoya Municipal Tax Office will issue you a bill to your new address. If you are new to Japan this year, you won't get a bill this time and you can breathe a sigh of relief until next June...

★How and Where do I pay?

Either your employer will deduct tax payments from your salary each month from June to May and then pays the tax to the Ward Office for you. Or you will receive payment slips in the mail directly from the Nagoya Municipal Tax Office. The payment slips are issued in June, August, October and January. If you fail to pay your taxes by the deadline, a delinquency charge will be added. Residence Tax can be paid at a bank, a post office, convenience store, ward office / city hall, or directly to at the issuing Municipal Tax Office. If you move out of Nagoya or permanently leave Japan, you must pay any remaining balance you have, or appoint a proxy to pay the remaining balance to your the Municipal Tax Office.

★Q. How is Resident's Tax calculated?

Income Tax has 6-tier system (5%, 10%, 20%, 23%, 33%, & 40%) depending on your income and circumstances – all of it going to the central government. Residence Tax has one flat rate of 10% (9.4% for Nagoya City); it goes to your local governments and is divided between your city and prefecture. All the key numbers are on your income tax withholding statement which you received from your place of employment in January. An income tax withholding statement and explanation is on the NIC website.

To put it simply (taxes are never simple),

Residence Tax = Your Total Taxable Income (課税所得 kazei-shotoku) x 10%.

And Your Total Taxable Income is your Total Annual Income *minus* your Employment Income Deduction (see Note 1) *minus* your Total fixed-rate exemptions (see Note 2).

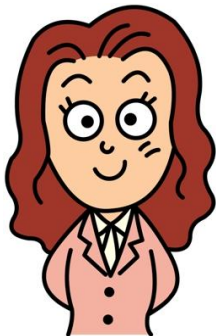
Let's look at Jane Smith's example. In Jane's case her net income in 2011 was 5 million Yen.

★ Note 1: Employment Income Deduction (Table 1)

In Jane's case her net income in 2011 was 5 million Yen.

Therefore her Employment Income Deduction is $5,000,000 \times 0.2 + 540,000$.

A total of **1,540,000 Yen**.



Annual Income (Yen)	Employment Income Deduction
Up to 1,625,000	650,000 Yen
1,625,001 to 1.8 million	Annual Income x 0.4
1,800,0001 to 3.6 million	Annual Income x 0.3 + 180,000 Yen
3,600,0001 to 6.6 million	Annual Income x 0.2 + 540,000 Yen
6,600,0001 to 10 million	Annual Income x 0.1 + 1.2 million Yen
Over 10 million	Annual Income x 0.05 + 1.7 million Yen

★Note 2: Total fixed-rate exemptions

Everyone gets a basic allowance of 380,000 for income tax. Taxpayers with dependents or individuals with certain circumstances may, in some cases, be eligible for additional tax exemptions.

In Jane's case she gets a **600,000 Yen** exemption for her Social Welfare Insurance contributions, a **100,000** exemption for her life insurance payments, a **330,000** exemption for her dependant spouse, a **660,000** exemption for her other dependants, and a basic deduction of **380,000**.

In all a deductible total of **1,955,000 Yen**.

★Putting it all together

Jane's Total Taxable Income is

5,000,000 Yen minus **1,540,000 Yen** minus **1,955,000 Yen** = 1,505,000 Yen.

So Jane's Residence Tax for 2011 is $1,505,000 \text{Yen} \times 10\% = \mathbf{150,500 \text{ Yen}}$.

※ If Jane lived in Nagoya - here Residence Tax bill would be at a lower total of 135,600 Yen.

★Payment

Jane's Residence Tax is not deducted from her salary by her company and so receives a bill directly from Sakae Municipal Tax Office. She receives her first bill in June and can either pay the whole year in one lump sum or just pay the first installment. She will receive further bills in August, October and the following January.

★Key Vocabulary

- Income Tax Withholding Statement = kyuyo-shotoku-gensen-choshu-hyo 給与所得源泉徴収票
- Residence Tax = jumin-zei 住民税
- Prefectural Residence Tax = kenmin-zei 県民税
- Municipal Residence Tax = shimin-zei 市民税
- Total Annual Income = kyuyo-shunyu 給与収入
- Employment Income Deduction = kyuyo-shotoku-kojo 給与所得控除
- Total fixed-rate exemptions = shotoku-kojo 所得控除
- Income after employment income deduction = kyuyo shotoku 給与所得
- Total Taxable income = kazei-shotoku 課税所得