A Simple Guide to Japanese Taxes and System of Certified Public Tax Accountants <FY2026 Edition>

Tokyo Certified Public Tax Accountants’ Association

Contents

PREFACE

Looking back on Japan's tax system and tax administration, before World War II it was widely thought that, even if a certain aspect of administration did not function well, it could be compensated by an ex-post facto remedy. In 1942, the Tax Practitioners Law was enacted, giving birth to the system of publicly licensing the profession of tax practitioners to assist taxpayers, but the emphasis was rather on its institutional role to support the tax administration.

In 1947, along with the postwar wave of democratization, Japan introduced a self-assessment system under which taxpayers pay taxes by filing returns based on their own calculation of their incomes, replacing the existing system of official assessment. Further in 1949, the Shoup Mission, a U.S. tax advisory mission, visited Japan to conduct surveys on the Japanese tax system and presented the Japanese government with a set of recommendations for its modernization, known as the "Shoup Report," a comprehensive proposal for tax reform aimed at establishing a permanent and stable tax structure. The recommendations called for a tax structure that was direct tax-oriented as opposed to the then-existing indirect tax-oriented structure, and proposed the strengthening of the system of self-assessed taxation.

Certified Public Tax Accountants Law was enacted in 1951 to replace the Tax Practitioners Law, certified public tax accountants were entrusted with the mission of supporting the self-assessment tax system as independent and impartial professionals specializing in tax matters. Furthermore, based on the Shoup recommendations, the present tax structure consists of direct taxes such as income tax and corporate tax as its center, complemented by indirect taxes.

As the title of this pamphlet indicates, its purpose is to provide non-Japanese with an easy-to-understand explanation of Japan's current tax system. At the same time, it presents a simple outline of the Japanese system under which certified public tax accountants act as agents for taxpayers and support the country's tax administration. Japan's tax system as it applies to foreign nationals can be complex, as it varies depending on the application of tax treaties between Japan and other countries. For corporations, additional rules such as the transfer pricing taxation, the low capitalization taxation, and the controlled foreign corporation (CFC) tax regime may also apply. In such complicated cases, please feel free to consult a certified public tax accountant.

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1. Tax Administration System

The tax administration in Japan is classified into national tax and local tax, depending on the taxing body. National and local governments each carry out administrative work for various tax items as outlined below.

(1) Structure of National Tax

Under the National Tax Agency, an external bureau of the Ministry of Finance, there are eleven Regional Taxation Bureaus nationwide (Sapporo/ Sendai/ Kanto-koshinetsu/ Tokyo/ Kanazawa/ Nagoya/ Osaka/ Hiroshima/ Takamatsu/ Fukuoka/ Kumamoto) in addition to the Okinawa Regional Taxation Office, under which 524 tax offices operate to conduct tax administrative work. Taxpayers are required to file returns and pay national taxes such as personal income tax, corporate tax, and consumption tax to the local tax office that has jurisdiction over their local area.

(2) Structure of Local Tax

Local Taxes are administered by the Local Tax Bureau of the Ministry of Internal Affairs and Communications, which is responsible for planning local taxes such as prefectural tax and municipal tax and for determining the allocation of taxing authority. However, the actual taxation work is conducted by each local government with the right of taxation. For prefectural taxes, the relevant Prefectural Tax Office serves as the point of contact. For municipal taxes, the point of contact is the tax division of the city hall, ward office, or village office, depending on the municipality with jurisdiction.

(3) Principle of No Taxation Without Law

Article 30 of the Japanese Constitution rules that “The people shall be liable to taxation as provided by law.” Article 84 states that “No new taxes shall be imposed or existing ones modified except by law or under such conditions as the law may prescribe,” thereby declaring the state’s principle of no taxation without law. This clarifies the thinking that since taxation is a means to transfer a portion of the people’s wealth to the state’s coffers to procure funds for public services, levying and collecting taxes must be conducted based on the law.

(4) Self-Assessed Taxation System

1) Methods for Establishing Tax Liability

With respect to the methods by which tax liabilities are established, in addition to the self-assessment method and the official assessment method, there are also taxes for which the tax liability becomes fixed automatically at the time it arises.

Under the self-assessment method, the amount of tax to be paid is generally determined based on the taxpayer’s declaration, and is applied to most major taxes: national taxes such as personal income tax, corporate tax, consumption tax, inheritance tax, gift tax, and local taxes such as corporate inhabitant tax and enterprise tax.

The official assessment system is a method under which the amount of tax payable is determined by an administrative disposition of the tax authorities. This system applies to national taxes such as additional taxes (tax penalties) and to local taxes such as the fixed asset tax and the automobile tax. In addition, for taxes such as withholding income tax and stamp tax, the amount of tax payable is determined automatically at the same time that the tax liability arises, without the need for any special procedures.

As described above, the self-assessment system forms the foundation of Japan's tax system.

Under the self-assessment system, taxpayers are responsible for calculating and paying their own taxes. This system can be regarded as the embodiment, in the field of taxation, of the principles of the Constitution of Japan, which stipulates the principle of popular sovereignty.

2) Filing Tax Returns and Request for Correction

The following are the classifications for filing tax returns.

a) Filing Returns within the Fixed Time Limit

Taxpayers paying taxes under the self-assessment system must file tax returns by the statutory due date. Returns filed according to this provision are called tax returns filed within the fixed time limit.

b) Filing Returns After the Fixed Time Limit

Those who have failed to file returns within the fixed time limit may file returns after the due date if the decision by the District Director of the Tax Office has not yet been made.

c) Filing Amended Returns

Those who have filed a tax return or who have been subject to a reassessment by the tax authorities may file amended returns if the amount on the original tax return was understated, as long as it is before the District Director of the Tax Office issues a reassessment with respect to that return.

d) Request for Correction

Those who have filed a tax return where the tax amount exceeds the correct tax amount, may make a request for a correction of the tax amount to the District Director of the Tax Office within five years of the statutory filing due date.

3) The Blue Return System

By filing for returns using the Blue form, taxpayers who have completed a required set of books and records will be entitled to various privileges in filing for personal income tax and/or corporate tax, upon approval by the District Director of the Tax Office. This system is offered to encourage the penetration of the self-assessment system and to promote the practice of bookkeeping.

4) e-file

Taxpayers may choose to use the e-Tax electronic filing system to submit tax returns, make tax payments, and file applications, notifications, and other tax-related documents for national taxes via the Internet.

(5) Tax Inspection and the Relief System

1) Tax Inspection and Corrections/ Decisions

Under the self-assessment system, a taxpayer's tax liability is, in principle, finalized on the basis of the taxpayer's own tax return. However, where the tax return is found to be improper, the District Director of the Tax Office conducts an examination, and, based on the results of that examination, determines the correct amount of tax by issuing a reassessment.

Accordingly, where the District Director of the Tax Office deems it necessary, an examination of the taxpayer's books, records, and other relevant documents is conducted in accordance with the applicable provisions of the law.

If a person who has failed to file a tax return is found, as a result of such an examination, to have an outstanding tax liability, the District Director of the Tax Office will issue a determination establishing the amount of tax payable.

In addition, where a person who has filed a tax return is found, as a result of an examination, to have underreported the amount of tax payable, the District Director of the Tax Office will issue a reassessment.

Where additional tax is imposed as a result of a reassessment or determination, the taxpayer will be subject to the applicable additional tax as a penalty.

2) System for Filing Complaints and Judicial Action

If a taxpayer has an objection to a reassessment or determination made by the District Director of the Tax Office, the taxpayer may file a request for reinvestigation with the District Director of the Tax Office.

If the taxpayer remains dissatisfied with the decision made regarding the request for reinvestigation, the taxpayer may file a request for review with the Commissioner of the National Tax Tribunal.

At the taxpayer's option, a request for review may be filed directly without first submitting a request for reinvestigation.

Furthermore, if the taxpayer remains dissatisfied with the ruling issued in response to the request for review, the taxpayer may bring an action before the court.

2. System of Certified Public Tax Accountants in Japan

Corporations, business owners, and certain groups of income earners are obliged to file returns on their own. However, since the Japanese taxation system is complicated, most generally retain the services of certified public tax accountants or tax corporations for tax returns and other tax-related work.

(1) Services Provided by Certified Public Tax Accountants (Article 2-2 of the Certified Public Tax Accountant Act)

As tax professionals, certified public tax accountants perform their duties from an independent and impartial standpoint. In accordance with the principles underlying the self-assessment system, their mission is to meet the trust placed in them by taxpayers and to contribute to the proper realization of tax obligations as prescribed by tax-related laws and regulations.

1) Tax Accountant Services

   a) Act as agent on behalf of the taxpayer (in filing returns, in making assertions or statements to the tax authorities on their inspections and penalties).

   b) Preparation of tax-related documents (such as tax returns, application forms, and application forms for formal protests).

   c) Tax consultation.

2) Supplementary Services

   Provide services conducted in connection with tax accountant services, such as preparation of financial documents, account bookkeeping, and other finance-related clerical work.

3) Litigation Assistance Services

   Assist in aiding the recovery of profits and protecting taxpayers' legitimate rights in tax litigation, appear in court with the lawyer in counsel, and provide a statement (court statement).

4) Accounting Advisor Services for Corporations

   According to the provisions of the Companies Act, serve as accounting advisor and provide services such as creation of financial statements together with the directors of the company.

5) Social Contribution

   Contribute to the local community by utilizing the knowledge and experience of a certified public tax accountant.

   ・Provide free tax consultation services on occasions such as "Tax Accountant Day" and "Tax Consideration Week".

   ・Actively participate in the courts' civil and family mediation systems and the adult guardianship system.

   ・Promote and support tax education initiatives.

6) External Audits of Local Public Authorities

   Participate in the proper and sound administration of local public authorities as an external auditor.

(2) Experts of Tax and Accounting (Certified Public Tax Accountants)

Certified public tax accountants are private tax experts who are granted a license in accordance with the Certified Public Tax Accountants Act. The license is given to those who pass the certified public tax accountant examination or who are recognized as having equivalent capabilities. At present, there are approximately 82,000 registered certified public tax accountants nationwide, providing various services such as preparation of tax returns, on-site assistance at tax inspections, tax consultations and bookkeeping, upon requests from taxpayers. In Japan, it is forbidden by law for one without a license to provide tax accountant services.

(3) Certified Public Tax Accountants' Association (Articles 18 and 49 of the Certified Public Tax Accountants' Act)

Certified public tax accountants are required to be registered members of a regional association of certified public tax accountants. The Japan Federation of Certified Public Tax Accountants Associations comprises fifteen regional associations located throughout Japan. In Tokyo, there is the Tokyo Certified Public Tax Accountants' Association, under which several branches have been established. Each branch covers an area which corresponds to the area's local tax office.

The Certified Public Tax Accountants' Associations provide guidance, communication, and supervision to the branches and their members. The Associations also provide study programs and lectures on taxes for their members.

3. Major Taxes in Japan

	National Taxes	Local Taxes	
		Prefectural Taxes	Municipal Taxes
Taxes on Income	Income Tax Corporate Tax	Prefectural Inhabitant Tax Enterprise Tax	Municipal Inhabitant Tax
Taxes on Gifts and Inheritances	Gift Tax Inheritance Tax		
Taxes on Property	Automobile Weight Tax	Automobile Tax	Property Tax Special Land Ownership Tax City Planning Tax Light Motor Vehicle Tax Business Facilities Tax
Taxes on Consumption	Consumption Tax Tobacco Tax Liquor Tax	Local Consumption Tax Prefectural Tobacco Tax Golf Course Usage Tax	Municipal Tobacco Tax Bathing Tax
Taxes on Transaction	Stamp Tax Registration and License Tax	Real Estate Acquisition Tax	

4. Taxes on Income

(1) Taxes on Personal Income

In Japan, there are three types of taxes levied on personal income: income tax, inhabitant tax, and enterprise tax, which is imposed on individuals who conduct their own businesses.

1) Income Tax

a) Income refers to the total amount of revenue earned in a year minus expenses required in obtaining that revenue. Income is classified into ten types: interest, dividend, real estate, business, salary, retirement, forest and land, transfer, temporary, and miscellaneous.

Individuals who earn income are subject to the self-assessment tax system, under which they calculate their income and tax liability for each calendar year, and pay the taxes due. However, salaried employees are generally not required to file tax returns, as their tax obligations are settled through withholding at the source and the year-end adjustment process.

Those required to file final returns are as follows:

・those whose annual income exceeds 20 million yen;

・those whose income from one source, other than salary and retirement income, exceeds 200,000 yen;

・those who earn salaries from two or more sources and whose secondary salary income not subject to year-end adjustment, together with income other than salary income and retirement income, exceeds 200,000 yen.

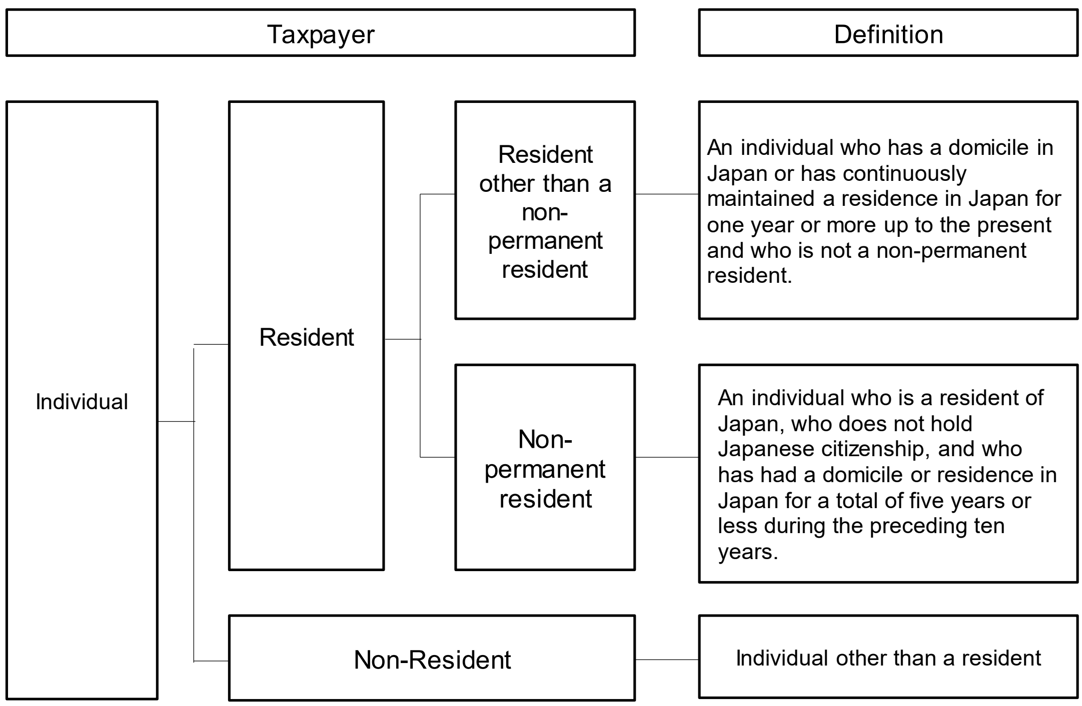
Filing period: February 16th to March 15th of the following year.

(In a case where one is leaving the country mid-year without appointing a tax agent, the deadline is the day of departure from Japan.)

b) Classification of Taxpayers

Taxes are levied on individuals according to their residential status. Residential status is classified as follows.

Classification of Taxpayers



・If a person who has begun residing in Japan has an occupation that normally requires the person to reside in Japan continuously for one year or more, that person is presumed to have a domicile in Japan.

c) Extent of Taxable Income

<table>
<tr><th colspan="2" rowspan="2">Classification of Income / Residency Status</th><th colspan="2">Income Other Than Foreign-Source Income</th><th colspan="3">Foreign-Source Income</th></tr>
<tr><th>Domestic-Source Income</th><th></th><th>Paid in Japan</th><th>Remitted to Japan</th><th>Paid Outside Japan</th></tr>
<tr><td rowspan="2">Resident</td><td>Resident other than a non-permanent resident</td><td colspan="5">taxed</td></tr>
<tr><td>Non-permanent resident</td><td colspan="4">taxed</td><td></td></tr>
<tr><td colspan="2">Non-resident</td><td>taxed</td><td colspan="4"></td></tr>
</table>

d) Taxation Method

<table>
<tr><th colspan="3">Residency Status, etc.</th><th>Taxation Method</th></tr>
<tr><td rowspan="2">Resident</td><td colspan="2">Resident Other Than a Non-Permanent Resident</td><td rowspan="3">Comprehensive Taxation (Self-Assessment)</td></tr>
<tr><td colspan="2">Non-Permanent Resident</td></tr>
<tr><td rowspan="3">Non-Resident</td><td rowspan="2">Person with a PE</td><td>Income Attributable to a PE</td></tr>
<tr><td>Income Other Than Income Attributable to a PE</td><td rowspan="2">Comprehensive Taxation (Self-Assessment)
or
Separate Withholding Taxation</td></tr>
<tr><td colspan="2">Person Without a PE</td></tr>
</table>

・A PE (Permanent Establishment) refers to a branch or other fixed place of business, a construction site, or an agent, among other forms.

・For non-residents, the only income deductions available are the casualty loss deduction, donation deduction, and basic deduction. The only tax credits available are the dividend credit and foreign tax credit.

e) Rate of Income Tax

Classification of Taxable Income		Rate of Taxation
Over (thousand Yen)	Under (thousand Yen)	%
—	1,950	5
1,950	3,3000	10
3,300	6,950	20
6,950	9,000	23
9,000	18,000	33
18,000	40,000	40
40,000	—	45

However, income earned between January 1st, 2013, and December 31st, 2037, will be levied a special income tax for reconstruction which will amount to an additional 2.1% of existing income tax amount.

2) Inhabitant Tax

Prefectural inhabitant tax and municipal inhabitant tax are collectively referred to as inhabitant tax. Those with a domicile are levied inhabitant taxes on a per-capita basis and an income basis, and those without a domicile but who own an office or house are levied taxes on a per-capita basis, based on their situation as of January 1st. Inhabitant tax is calculated based on income earned in the previous year; the tax rate for the income-based portion is 10% across the board, and tax for the per-capita portion is a flat rate of 4,000 yen per annum.

(2) Taxes on Corporate Income

Taxes levied on corporations in Japan include corporate tax, which is a national tax, and corporate inhabitant tax and corporate enterprise tax which are local taxes.

1) Corporate Tax

a) Corporate tax is levied on corporate income. Corporations are divided into domestic corporations and foreign corporations, where domestic corporations refer to corporations with head offices in Japan, and foreign corporations are corporations that are not domestic corporations. Subsidiaries and affiliates established in Japan by foreign firms are considered domestic corporations, while branch offices, factories, and other permanent establishments of foreign firms are considered foreign corporations.

b) Classification of Taxpayers

Domestic corporations are subject to taxation on both domestic-source income and foreign-source income, whereas foreign corporations are subject to taxation when they have "specified domestic-source income."

c) Extent of Taxable Income

Domestic corporations are levied corporate tax on income for each fiscal year and on liquidation income. Foreign corporations are levied corporate tax on the part of the income each fiscal year that is attributable to specified domestic-source income.

d) Fiscal Year

A fiscal year is a period of time used as the accounting period for calculating a corporation's profit or loss, as specified in the corporation's articles of incorporation, etc.

e) Rate of Taxation

The standard corporate income tax rate is 23.2%. However, for small and medium-sized corporations with capital of 100 million yen or less, a rate of 19% applies to taxable income of up to 8 million yen per year. For taxable income up to 8 million yen attributable to fiscal years beginning between April 1, 2012, and March 31, 2027, the rate is further reduced to 15%. In addition, a Local Corporation Tax is imposed at a rate of 10.3% of the corporate income tax amount.

Furthermore, beginning with fiscal years commencing on or after April 1, 2026, a Special Defense Corporation Tax will be introduced. This tax is calculated by applying a rate of 4% to the amount obtained by deducting 5 million yen per year from the base corporate income tax amount. These taxes are calculated and reported together when the corporation files its corporate tax return.

f) Final Tax Return

Final tax returns must be filed within two months from the day after the end date of each fiscal year. However, if certain requirements are met, the filing deadline may be extended by one month, upon application, allowing the return to be filed within three months after the end of the fiscal year.

g) Place of Payment

For a domestic corporation, the place of payment is the location of its head office. For a foreign corporation, the place of payment is the location of its office, place of business, or other equivalent establishment related to its business (so-called Permanent Establishment).

h) Group Taxation

A system under which each corporation within a corporate group consisting of a parent corporation and its subsidiaries that are under the parent corporation’s complete control is treated as a separate taxpayer. Each corporation independently calculates and files its corporate income tax return, while adjustments such as the offsetting of profits and losses within the group are made among the group companies.

i) Corporate Reorganization Taxation

When a corporation carries out a corporate reorganization, such as a merger, company split, in-kind contribution, in-kind distribution, share exchange, or share distribution, and certain requirements are satisfied, the transferred assets and other property are treated for tax purposes as having been transferred at their tax book value, thereby allowing any gain or loss on the transfer to be deferred.

j) Group Corporation Taxation

The Group Corporation Taxation System is a tax system introduced in October 2010 that treats a group of corporations with a 100% capital relationship as a single economic entity for corporate income tax purposes. Under this system, the taxation of transfers of certain assets, such as land and securities, within the corporate group is deferred until those assets are transferred outside the group.

k) Transfer Pricing Taxation

In corporate transactions with foreign affiliates, when the price of the payment to be received is less than the arm's-length price, or when the price of payment to be paid exceeds the arm's-length price, the transaction with the foreign affiliate is assumed to have taken place at the arm's-length price.

l) Thin Capitalization Rules

When the average outstanding balance of liabilities with interest to the overseas parent company is over three times the equity interest in the Japanese subsidiary, the amount of liability interest to be paid to the overseas parent company in the fiscal year which corresponds with this excess is excluded from expenses for corporate taxation purposes.

m) Excessive Interest Expense Limitation Rules

To prevent tax avoidance through the payment of excessive interest relative to the amount of income, this system provides that the portion of interest payments exceeding a specified amount is not deductible for corporate tax purposes.

n) Foreign Subsidiary Income Inclusion Taxation System

To prevent tax avoidance through the use of foreign subsidiaries, this system provides that, when certain requirements are met, the income of a foreign subsidiary is included in the income of its Japanese parent company and taxed accordingly.

2) Corporate Inhabitant Tax

Corporate inhabitant tax is a prefectural tax or municipal tax levied on corporations holding offices or business facilities in Japan, and consists of a corporate income tax levy and a per capita levy.

3) Corporate Enterprise Tax

Corporate enterprise tax is a prefectural tax levied on businesses by corporations, and can be corporate income based, value added tax based on pro forma standards, or capital based.

(3) Withholding Income Tax

When corporations make payments of a certain amount to individuals or corporations, they must withhold income tax and special tax for reconstruction from the payment amount and pay taxes to the appropriate Tax Office. The extent of income tax withheld and taxation rates differ between residents (including domestic corporations) and non-residents (including foreign corporations). For residents, income where income tax is withheld includes income from interest, dividends, salary, retirement allowance, and remuneration.

[Overview of Taxation System of Corporate Tax and Special Tax for Reconstruction for Non-Residents]

<table>
<tr><th colspan="3" rowspan="2">Non-Resident Classification
Type of Income</th><th colspan="2">Corporations holding permanent facilities in Japan</th><th rowspan="2">Corporation Without a Permanent Establishment (PE)</th><th rowspan="2">Withholding Tax</th></tr>
<tr><th>Income Attributable to the Permanent Establishment (PE)</th><th>Other Domestic-Source Income</th></tr>
<tr><td rowspan="14">Domestic-Source Income</td><td colspan="2">(Business Income)</td><td rowspan="14">(1) Income Attributable to a Permanent Establishment (PE)
[Corporate Income Tax]</td><td colspan="2">[Not Subject to Tax]</td><td>None</td></tr>
<tr><td colspan="2">(2) Management or holding of assets located in Japan
(Excluding those falling under items (7) through (14) below.)</td><td colspan="2" rowspan="11">[Corporate Income Tax]</td><td>None</td></tr>
<tr><td rowspan="7">(3) Transfer of assets located in Japan
(Limited to the assets specified on the right.)</td><td>Transfer of real property located in Japan</td><td rowspan="2">None
(Note 1)</td></tr>
<tr><td>Transfer of rights, etc. over real property located in Japan</td></tr>
<tr><td>Logging or transfer of forests located in Japan</td><td rowspan="5">None</td></tr>
<tr><td>Transfer of shares in a domestic corporation acquired through bulk purchases</td></tr>
<tr><td>Transfer of shares substantially equivalent to a transfer of a business</td></tr>
<tr><td>Transfer of shares in a real estate-related corporation</td></tr>
<tr><td>Transfer of shares in a corporation that owns or operates a golf course in Japan, etc.</td></tr>
<tr><td colspan="2">(4) Consideration for the provision of personal services in Japan</td><td>20.42%</td></tr>
<tr><td colspan="2">(5) Rentals, etc. of real property located in Japan</td><td>20.42%</td></tr>
<tr><td colspan="2">(6) Other domestic-source income</td><td>None</td></tr>
<tr><td colspan="2">(7) Interest on bonds, etc.</td><td colspan="2" rowspan="2">[Withholding Tax Only]</td><td>15.315%</td></tr>
<tr><td colspan="2">(8) Dividends, etc.</td><td>20.42%</td></tr>
</table>

	(9) Interest on loans			20.42%
	(10) Royalties, etc.			20.42%
	(11) Prizes awarded for advertising a business			20.42%
	(12) Annuities, etc. under life insurance contracts			20.42%
	(13) Amounts paid as interest or other benefits on installment savings, etc.			15.315%
	(14) Distributions of profits under silent partnership agreements, etc.			20.42%
Income Other Than Domestic-Source Income		[Not Subject to Tax]		None

・Withholding tax at a rate of 10.21% is imposed on the consideration received from the transfer of land.

・The categories of domestic-source income listed in items (7) through (14) are categories prescribed under the Income Tax Act. The Corporation Tax Act does not provide for these categories of domestic-source income.

As of April 1, 2026, Japan has tax treaties in force with 157 countries and jurisdictions. Under these tax treaties, the applicable withholding tax rate may be reduced or the tax may be exempted, depending on the treaty with the relevant country. To claim such treaty benefits, the recipient of the payment must submit a "Notification Form for the Application of the Income Tax Convention" to the competent tax office through the payer.

5. Taxes on Gifts and Inheritances

(1) Determination of Taxpayer Status

Both gift tax and inheritance tax are taxes imposed on individuals who acquire property when an individual's property is transferred to another individual without consideration.

For gift tax and inheritance tax purposes, taxpayers are classified as unlimited taxpayers residing in Japan, unlimited taxpayers residing outside Japan, limited taxpayers residing in Japan, or limited taxpayers residing outside Japan, based on factors such as their address at the time the property is acquired and whether they hold Japanese citizenship. The scope of property subject to gift tax or inheritance tax differs according to the applicable classification.

Unlimited taxpayers residing in Japan and unlimited taxpayers residing outside Japan are subject to gift tax or inheritance tax on all property acquired, whether located in Japan or overseas. In contrast, limited taxpayers residing in Japan and limited taxpayers residing outside Japan are subject to gift tax or inheritance tax only on property acquired that is located in Japan, i.e., within the territory to which the Inheritance Tax Act applies.

<table>
<tr><td colspan="6" rowspan="6">Heirs and Donees
Decedents and Donors</td><td colspan="5">Domiciled In Japan</td></tr>
<tr><td colspan="2">Yes</td><td colspan="3">No</td></tr>
<tr><td rowspan="4"></td><td rowspan="4">Temporary Resident</td><td colspan="3">Has Japanese Citizenship</td></tr>
<tr><td colspan="2">Yes</td><td rowspan="3">No</td></tr>
<tr><td colspan="2">Had a domicile in Japan within 10 years prior to the commencement of inheritance</td></tr>
<tr><td>Yes</td><td>No</td></tr>
<tr><td rowspan="5">Domicile in Japan</td><td rowspan="2">Yes</td><td colspan="4"></td><td rowspan="5">Unlimited taxpayer residing in Japan</td><td></td><td rowspan="5">Unlimited taxpayer residing outside Japan</td><td colspan="2"></td></tr>
<tr><td colspan="4">Foreign Decedent
Foreign Donor</td><td>Limited taxpayer residing in Japan</td><td colspan="2">Limited taxpayer residing outside Japan</td></tr>
<tr><td rowspan="3">No</td><td rowspan="3">Had a domicile in Japan within 10 years prior to the commencement of inheritance</td><td rowspan="2">Yes</td><td rowspan="2">Has Japanese Citizenship</td><td>Yes</td><td></td><td colspan="2"></td></tr>
<tr><td>No</td><td rowspan="2">Limited taxpayer residing in Japan</td><td colspan="2" rowspan="2">Limited taxpayer residing outside Japan</td></tr>
<tr><td>No</td><td colspan="2">Non-Resident Donor
Non-Resident Decedent</td></tr>
</table>

・Temporary Residents are individuals who hold a status of residence at the time of inheritance or gift (i.e., a status of residence listed in the upper section of Appended Table 1 of the Immigration Control and Refugee-Recognition Act) and who have had a domicile in Japan for a total of 10 years or less during the 15 years preceding the commencement of the inheritance.

・Foreign Inheritance Decedents / Foreign Donors are individuals who, at the time of inheritance or gift, hold a status of residence listed in the upper section of Appended Table 1 of the Immigration Control and Refugee-Recognition Act and have had a domicile in Japan.

・Non-Resident Inheritance Decedents / Non-Resident Donors are individuals who did not have a domicile in Japan at the time of inheritance or gift and who either had a domicile in Japan at some point during the 10 years preceding the commencement of the inheritance, but did not hold Japanese citizenship at any such time; or have never had a domicile in Japan during the 10 years preceding the commencement of the inheritance.

(2) Gift Tax

Those who acquired property subject to gift tax must file a return for and pay gift tax at the tax office with jurisdiction over the place of tax payment. The return for gift tax must be filed between February 1st and March 15th of the following year after receipt of the gift. The system of taxation for settlement at time of inheritance, where the taxpayer pays a certain percentage of gift tax upon receipt of the gift, and then calculates inheritance tax on the sum of the gift property and inheritance property at the time of death of the giver, can also be employed.

[Taxable Value and Rate of Taxation]

<table>
<tr><th colspan="2">Gifts other than those stated to the right</th><th colspan="2">Gifts from lineal ascendant (parents/grandparents) of age twenty and above</th></tr>
<tr><td colspan="2">Taxable value</td><td colspan="2">Taxable value</td></tr>
<tr><td>Taxable value (thousand Yen)</td><td>Tax rate (%)</td><td>Taxable value (thousand Yen)</td><td>Tax rate (%)</td></tr>
<tr><td>2,000 and below</td><td>10</td><td>2,000 and below</td><td>10</td></tr>
<tr><td>3,000 and below</td><td>15</td><td rowspan="2">4,000 and below</td><td rowspan="2">15</td></tr>
<tr><td>4,000 and below</td><td>20</td></tr>
<tr><td>6,000 and below</td><td>30</td><td>6,000 and below</td><td>20</td></tr>
<tr><td>10,000 and below</td><td>40</td><td>10,000 and below</td><td>30</td></tr>
<tr><td>15,000 and below</td><td>45</td><td>15,000 and below</td><td>40</td></tr>
<tr><td>30,000 and below</td><td>50</td><td>30,000 and below</td><td>45</td></tr>
<tr><td rowspan="2">Above 30,000</td><td rowspan="2">55</td><td>45,000 and below</td><td>50</td></tr>
<tr><td>Above 45,000</td><td>55</td></tr>
</table>

Taxable value is the value after deductions such as basic deductions (1.1 million yen) and deduction for spouses (20 million yen).

(3) Inheritance Tax

When a person inherits property upon someone’s death or acquires property through a will, the beneficiary must file an inheritance tax return at the tax office with jurisdiction over the place of tax payment and pay the inheritance tax.

The deceased person is referred to as the decedent, and a person who inherits property through succession is referred to as an heir.

If the decedent had a fixed domicile in Japan and the heir inherits property located in Japan, the inheritance is subject to Japanese inheritance tax, even if the heir does not hold Japanese citizenship.

Furthermore, the scope of property subject to inheritance tax varies depending on the heir’s taxpayer classification.

The deadline for filing an inheritance tax return and paying the tax is, in principle, within 10 months from the day following the date on which the taxpayer became aware of the commencement of the inheritance.

[Taxable Value and Rate of Taxation]

Taxable value (thousand Yen)	Tax rate (%)
10,000 and below	10
30,000 and below	15
50,000 and below	20
100,000 and below	30
200,000 and below	40
300,000 and below	45
600,000 and below	50
Above 600,000	55

The basic exemption deducted from the taxable estate is calculated as follows:

30 million yen + 6 million yen × the number of statutory heirs.

6. Taxes on Property

(1) Automobile Weight Tax/ Automobile Tax/ Light Motor Vehicle Tax

1) Automobile Weight Tax

This is a national tax levied according to the weight of the automobile at the time of vehicle inspection.

2) Automobile Tax

This is a prefectural tax paid by the owner of the automobile at the main location where the automobile is regularly stored.

3) Light Motor Vehicle Tax

This is a tax paid by owners of motorized bicycles, light motor vehicles, small-sized special motor vehicles, and two-wheeled small-sized motor vehicles, at the municipality where their vehicles are regularly stored.

(2) Property Tax/ City Planning Tax

1) Property Tax

This is a municipal tax paid by individuals and corporations possessing land, buildings, and machinery/equipment used for business. The rate of taxation is determined by each municipality by law, where the standard rate is 1.4%.

2) City Planning Tax

This is a municipal tax paid by individuals and corporations possessing land and buildings, aimed at funding city planning projects and land re-zoning projects. The rate of taxation is 0.3% of the value of the land and buildings (statutory maximum rate).

(3) Business Facilities Tax

Corporations and individuals conducting businesses in large cities such as government ordinance designated cities are required to pay this tax based on the floor space of their business facility and the sum of salaries paid to their employees.

7. Taxes on Consumption

(1) Consumption Tax

Consumption tax is imposed on transactions conducted in Japan, such as the sale of goods, leasing, and provision of services, and the businesses that conduct these transactions are generally liable for the tax. However, the tax is not ultimately borne by the business; it is passed on to customers through the prices of goods and services, meaning that the final burden is borne by consumers. Imported goods are subject to consumption tax, while exports are tax-exempt.

In principle, individuals and corporations that are taxable businesses must calculate the difference between the consumption tax they received on taxable transactions and the consumption tax they paid on purchases and other transactions during the taxable period, and file a return and pay the resulting amount to the tax office.

The consumption tax rates are:

Standard rate: 10% — national consumption tax 7.8% + local consumption tax 2.2%

Reduced rate: 8% for certain items, such as food and beverages — national consumption tax 6.24% + local consumption tax 1.76%.

(2) Tobacco Tax/ Prefectural Tobacco Tax/ Municipal Tobacco Tax

These taxes are levied on tobacco consumption.

(3) Liquor Tax

This is a national tax levied on liquor containing one percent or more alcohol.

(4) **Golf Course Usage Tax**

This is a prefectural tax paid when using golf courses.

8. Taxes on Transactions

(1) Stamp Tax

This is a national tax imposed on certain taxable documents, such as contracts and receipts.

(2) Registration and License Tax

1) Real Estate Registration

This is a national tax paid by corporations and individuals registering possession of land and buildings.

2) Commercial Registration

This tax is paid when carrying out commercial registrations such as registration of company establishment, registration of capital increase, registration of a branch, registration of changes of directors and other officers, registration of changes in trade name. It is also required to pay registration and license tax when registering patent rights, copyrights, and licenses.

(3) Real Estate Acquisition Tax

This is a prefectural tax paid by corporations and individuals acquiring land and buildings.

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