



Year End Tax Filing Information Session

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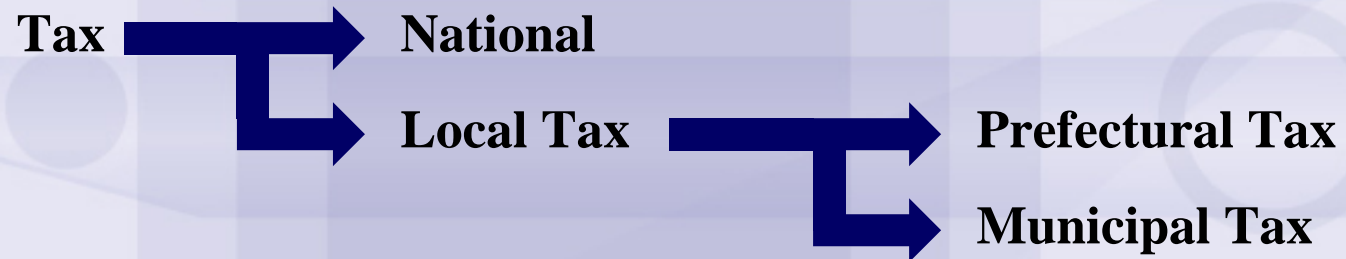


What is
Nenmatsu Chosei?
(Year End Tax Adjustment)

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Tax Structure



Direct Tax

Tax paid directly by taxpayers

Indirect Tax

Tax paid indirectly by the institutions concerned

Income Tax

How to Pay the Income Tax

Employment Income Earner

System of deduction at source and special tax collection

Income tax is automatically deducted from the monthly salary of each company, and the total amount is paid by the company at the end of the fiscal year. The company's then deduct the amount from the employees' salaries. This system is called **Gensen choshu** or **Tokubetu choshu** system.

Industry/Commerce Enterprisers

Self-assessed taxation system

People who are industrial or commercial enterprisers must calculate their income once a year to file a final tax return and pay the due amount of tax to the local tax office. This system is called **Kakutei shinkoku**.

Income Tax

How to Pay the Income Tax

■ Industrial and commercial enterprisers who receive income during the period from January 1 to December 31 must calculate the amount of their annual income and the corresponding amount of tax for that period. This must be reported anytime from February 16 to March 15 of the following year in order to pay the income tax. This system is called **Kakutei shinkoku**.

■ People who receive their salary or bonus from one single company (Employment Income Earners) do not have to do this, because the companies calculate the amount of their employees' income tax and pay them, then deduct the amount from the employees' salaries.

■ **There are some instances when Employment Income Earners must do Kakutei shinkoku:**

- 1.) Workers whose annual income is over twenty million yen.
- 2.) Workers who receive their salary from one single company but also have non-employment or non-retirement income that is more than 200,000 yen.
- 3.) Workers who receive a salary from two or more companies.

Nenmatsu Chosei (Year End Tax Adjustment)

■ Employment Income Earners whose income tax is deducted from their salary must complete a **Nenmatsu Chosei**. This is because the deducted tax is a mere estimation that must be adjusted at the end of each year. Foreign Employment Income Earners in Japan who are subject to year end tax adjustment are classified as “inhabitants.”

*Inhabitants are individuals who have their own residence in Japan or who currently have had a temporary residence in Japan continuously for over one year. (Income Tax Act, the 2nd Clause, 3)

Are you an inhabitant?

Is your work period in Japan less than one year in accordance with your employment contract?



Is your work period in Japan more than one year in accordance with an alteration of employment contract?

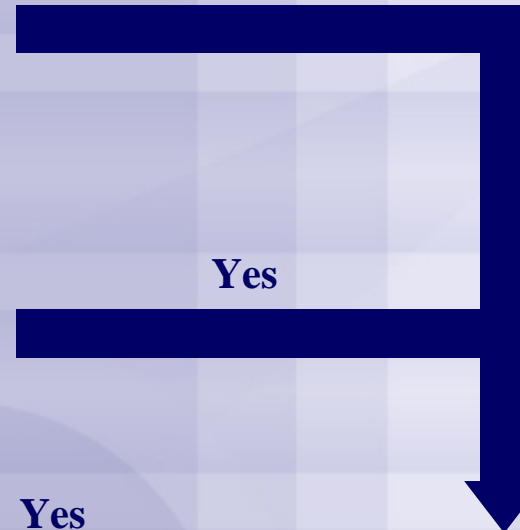


Has more than one year passed since you entered Japan?



Non-inhabitant

No



Yes



Inhabitant

Who can be the target of the Nenmatsu Chosei?

- People who are employed at one company for more than one year
- People who started working during the year up until the end of the year
- Retired people who match certain requirements
- People who recently became inhabitants

- **Exceptions: People described below have to do the Kakutei shinkoku.**
 - People with salaries over 20 million yen
 - People who earn salary from more than two companies and have not turned in the form of deduction for dependents
 - People who receive levy extension according to the law of remission of disaster

How to calculate the amount of taxation?

Calculate the Total Income



Do the Deduction of Income



Multiply the Tax Rate and calculate the Amount of Taxation



Do the Deduction of Taxation



Get the Amount of Taxation you have to pay

Total Income = Salary minus Deduction of Income and 10 other things

Deductions of income can be filed for basic, spouse, dependents, social insurance, life insurance, and so on.

Tax rate = Total Income minus Deduction of Income

There is a special deduction for house loans, etc.

There are some deductions that can be done only at **Kakutei shinkoku**:

Deduction for medical care, miscellaneous losses, and first deduction for house acquisition

Procedure for the Nenmatsu Chosei

Form for deduction at source from the previous job

Tally up the Total Income and the Taxation

Calculate the income after the Deduction of Income (A)

Form for deduction for dependents, social insurance, and spouse.

Calculate the amount of Deduction of Income (B)

Calculate the amount of money that is taxable (A - B)

Calculate the taxation for the year (C)

Form for special deduction for house loans, etc.

Special deduction for house loans, etc. (D)

Taxation after the deduction (C - D)

Refund or collect after the adjustment

Check list

■ **Form for deduction for dependents (Employment Income Owner)**

Are the names and birth dates for you and your family correct?

Did someone get married, have children, or become employed?

Did you write a rough estimate for your income?

Did you specify whether you care for an inmate or disabled person?

■ **Form for deduction for spouse (Employment Income Earner)**

Are you married? If not, you do not need this form.

Is your spouse's amount of income correct?

■ **Form for deduction for social insurance (Employment Income Earner)**

Are you paying for insurance such as life insurance and pension? Attach certificate.

Are you paying for damage insurance? Attach certificate.

Are you paying for national pension or national health pension other than the insurance deducted from your salary?

Are you a member of a benefit society for small enterprises?

■ **Others**

Will you receive a special deduction for house loans? Attach form for house loans and certificate for year end balance of loans.

Did you have a previous job for this year? Attach form for deduction at source from your previous job.

What is the form for deduction for dependent?

■ This is an important form you use to declare to your company your status for spouse and dependent relatives. You must hand in this form by the day of your first salary payment. For the year end adjustment, this form is returned to employees so that they can make modifications about their status.

■ Spouses who are qualified for a deduction are ones whose total income is less than 380 thousand yen or whose employment income is less than 1,030 thousand yen.

■ Dependent relatives are people who live together for a lifetime and whose total income is less than 380 thousand yen. If this person is over 65 years old he or she is qualified for a deduction for the old. If the person is over 70, he or she is qualified for a deduction for spouse and the old.

What is the form for special deduction for spouse?

■ This form is required in order to calculate the special deduction for spouse. Fill in the amount of your spouse's income on the back side of this form. You can easily calculate the amount of deduction by using the reckoner of special deduction for spouse. You will have to write the amount that is calculated there.

■ Special deduction for spouse is different from the standard deduction for spouse according to the spouse's total income. Spouses who qualify for the special deduction for spouse must have total income between 380 thousand yen and 760 thousand yen. In other words, the spouse's employment income must be between 1,030,001 yen and 1,409,999 yen.

■ Workers who **DO NOT** qualify for the special deduction for spouse include: full-time employees for blue-collar business, full-time employees for white-collar businesses, and employees whose income is over 10 million yen.

What is the form for deduction for insurance?

■ On the form for deduction for insurance, you can calculate the amount of deduction by filling in the insurance premium information. These can include deductions for:

1. life insurance
2. damage insurance
3. social insurance
4. benefit society for small enterprises

■ **Important points to remember are:**

1. Attach certificate for deduction sent from the insurance company.
2. Make sure the amount you wrote here matches the certificate for deduction.
3. Make sure the contract for this insurance is made out to either yourself or your lifetime relatives.
4. Mention if you are paying for national pension or national health pension other than the insurance premium deducted from your salary.

Annotation

- **Deduction for life insurance**

If you paid for life insurance or insurance for national pension, you can receive a deduction for income.

- **Deduction for damage insurance**

If you paid for damage insurance or benefit society for damage, you can receive a deduction for income.

- **Deduction for social insurance**

If you paid for social insurance for yourself, spouse, or lifetime relatives, you can receive deduction for income.

- **Deduction for benefit society for small enterprises**

Company executives may be members of these benefit societies. All incomes are eligible for this deduction.

What is the form for deduction for house loans, etc.?

- Deduction for house loans are available to people who bought a house using house loans. This deduction is made from income tax by calculating the year end balance.
- For the first year, you will have to do the **Kakutei shinkoku**, so the **Nenmatsu Chosei** could not be applied.
- Requirements vary from year to year. So for more information, please refer to the booklet. (**Nenmatsu Chosei no shikata**)