

JAPAN 2008

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Introduction

Tax-benefit policy “country chapters” are made available as part of the OECD series *Benefits and Wages*. They provide detailed descriptions of tax and benefit rules in a consistent format across countries and summarize recent policy changes.

Country chapters for other countries and years are available on the Internet at www.oecd.org/els/social/workincentives.

Reference date for all information is **July 1st 2008**

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1. Overview of the tax-benefit system

Unemployed people can receive unemployment insurance benefit (basic allowance) for a period that varies according to the reasons for leaving employment, age and the duration of insured employment. Subject to certain conditions, social assistance, including housing assistance, is also available for people with limited means. Income tested family benefits are offered, as well as means-tested lone parent benefits. Income-adjusted child-care costs are paid for children between 0 and 6 years old prior to entering elementary schools. Central and local government taxation is separate.

1.1. Average Worker wage (AW)

The national currency is the Yen (JPY). In 2008 JPY 118.2368 was equal to USD 1. In that year, the average worker is assumed to earn JPY 5 000 499.

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2. Unemployment insurance

2.1 *Conditions for receipt*

Eligibility depends on the reasons for leaving employment whether or not the person left voluntarily. There are three difference benefit duration - for more detail please refer to item 2.4..

In order to obtain the basic allowance, he or she must carry out job-seeking activities at least twice during the period in which they are receiving the benefit. Examples of job seeking activities are as follows:

- a) Application for a job offer
- b) Undergoing a consultation, job matching services, seminar or lecture etc. offered by an MHLW-authorized private employment services (PES) or another public organisation.
- c) Taking an examination towards a qualification that is conducive to re-employment

2.1.1 *Employment conditions*

The applicant must have carried out a minimum of 6 months insured work in the last 12 months, with a minimum of 14 days of work per month.

Before October 2007

Normal workers: more than six months (worked more than 14 days in a month) of UI membership in 2 years.

Part-time workers: more than twelve months (worked more than 11 days in a month) of UI membership in 2 years

After October 2007

Normal cases: more than twelve months (worked more than 11 days) of UI membership in 2 years.

Dismissal, bankruptcy: six months (worked more than 11 days) of UI membership in 2 years. This normally does not include the refusal of renewal of fixed term contracts. But if the employer had shown their willingness to renew the fixed term contract but did not actually renew it, six months of membership is enough. In the OECD calculations are used this case.

After April 2009

In the case of the refusal of fixed term contracts, six months of membership is enough.

2.1.2 *Contribution conditions*

	Employers	Employees	Total
Premiums for unemployment benefits	$\frac{6}{1,000}$	$\frac{6}{1,000}$	$\frac{12}{1,000}$
Premiums for Two Services	$\frac{3}{1,000}$	None	$\frac{3}{1,000}$

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Total	9 1,000	6 1,000	15 1,000
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2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The basic allowance is calculated from the daily amount of wages (DAW). DAW is the amount obtained by dividing the total amount of wages, excluding bonuses, paid over the previous 6 months, by 180 days.

The benefit ratio is calculated as below.

A benefit ratio (BR) is calculated for those less than 60 years old using the following formula:

- i) If $2080 \leq \text{DAW} < 4100$ $\text{BR} = 0.8\text{DAW}$
- ii) If $4100 \leq \text{DAW} < 11870$ $\text{BR} = 0.8 - [(0.3 \times (\text{DAW}-4100)) / (11870 - 4100)]$
- iii) If $11870 \leq \text{DAW} < \text{Maximum Amount}$ $\text{BR} = 0.5\text{DAW}$
- iv) If $\text{DAW} < 2080$ or $\text{DAW} \geq \text{Maximum Amount}$.

The daily amount of basic allowance is fixed at 2080×0.8 and the Maximum Amount is calculated by multiplying the age-dependent figures below by 0.5..

The maximum amount of DAW

Age	In JPY
- 29	12790
30 - 44	14200
45 - 59	15620

The BR for recipients who are between 60 and 65 is calculated using the following formula:

- i) If $2080 \leq \text{DAW} < 4100$ $\text{BR} = 0.8\text{DAW}$
- ii) If $4100 \leq \text{DAW} < 10640$ $\text{BR} = 0.8 - [(0.35 \times (\text{DAW}-4100)) / (10640 - 4100)]$
- iii) If $10640 \leq \text{DAW} < 15130$ $\text{BR} = 0.45\text{DAW}$
- iv) If $\text{DAW} < 2080$ or $\text{DAW} \geq 15130$
The daily amount of basic allowance is fixed at 2080×0.8 and 15130×0.45 respectively.

2.2.2 Income and earnings disregards for benefit recipients and those starting a new job

Unemployment benefit is not means-tested, and the benefit stops when the recipient is employed or starts his/her own business. Means-tested social assistance can be used to complement the unemployment benefit.

2.3 *Tax treatment of benefit and interaction with other benefits*

Tax treatment of benefit : Not subject to taxation.

Interaction with other benefits : None.

2.4 *Benefit duration and waiting periods*

It is paid on a weekly basis, following a seven-day waiting period, for a period that varies from 90 to 360 days according to the period of insured employment, the age of the recipient and the reason for leaving employment, as outlined below. One can become eligible once he/she meets requirements again.

Duration of benefits for the ordinary unemployed					
Classification	Insured period (in years)				
	Less than 1	1 to 4	5 to 9	10 to 19	20 or more
All ages	90 days		90 days	120 days	150 days

Duration of benefits for persons difficult to re-employ					
Age	Insured period (in years)				
	Less than 1	1 to 4	5 to 9	10 to 19	20 or more
Younger than 45	150 days	300 days			
45 – 64		360 days			

Duration of benefits for the unemployed as a result of bankruptcy, dismissal, etc.

Age	Insured period (in years)				
	Less than 1	1 to 4	5 to 9	10 to 19	20 or more
Younger than 30	90 days	90 days	120 days	180 days	–
30 – 34	90 days	90 days	180 days	210 days	240 days
35 – 44	90 days	90 days	180 days	240 days	270 days
45 – 59	90 days	180 days	240 days	270 days	330 days
60 – 64	90 days	150 days	180 days	210 days	240 days

A unique feature of the unemployment benefit system is the re-employment allowance: a lump sum is paid to a recipient of unemployment benefit who acquires steady employment or starts his/her own business with more than one-third of the remaining prescribed duration of benefit (a period which must be

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greater than 45 days). The amount of this allowance is equal to the remaining benefit period $\times 0.3 \times$ the daily amount of basic allowance.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

When older workers equal to or over 65 lose their job, the benefits for them are paid as a lump sum.

Insured employment (years)	The benefit amount (JPY)
Less than 1	30 daily benefit of basic allowance
1—	50 daily benefit of basic allowance

The daily amount of basic allowance is calculated in the same way as that of recipients under 30 years old.

2.5.3 *Others if applicable*

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3. Unemployment assistance

None

3.1 *Conditions for receipt*

3.1.1 *Employment conditions*

3.1.2 *Contribution conditions*

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

3.2.1.1 *Irregular additional payments* [NEW ITEM]

3.2.1.2 *Obligations of family members* [NEW ITEM]

3.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

3.3 *Tax treatment of benefit and interaction with other benefits*

3.4 *Benefit duration and waiting periods*

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

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3.5.2 *Older workers*

3.5.3 *Others if applicable*

4. Social assistance

Social assistance consists of eight types of support offered to those who are unable to provide minimum living standards. These are: livelihood assistance, housing assistance, medical assistance, long-term care assistance, occupational assistance, education assistance, maternity assistance and funeral assistance. Only livelihood assistance and housing assistance are considered here. The selected rates are classified as Grade 1-1, as paid in Tokyo.

Social assistance is provided to a certain extent to supplement the shortage of the people in need of protection based on demand gauged by the standards fixed by the Minister of Health, Labour and Welfare. The standards should be sufficient one to satisfy the minimum demands of their livelihood by means of considering the circumstances according to the age, gender, family members, regions and nature of means of assistance, but besides which it should not be exceeded.

4.1 *Conditions for receipt*

Social assistance is based on gross earned income. The difference between the amount of gross earnings of the household and the amount of standard will be provided.

Social assistance covers people who are classed as in poverty, despite receiving several kinds of social security measures, and having made use of all available assets, such as real estate, and all capacities to work

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

Livelihood assistance is made up of two types of benefit:

- Personal expenses (Category 1) related to the age of each family member:
-

Age	Benefit amount for region (Grade 1-1) (JPY per month)
0-2	20900
3 - 5	26350
6 - 11	34070
12 - 19	42080
20 - 40	40270
41 - 59	38180
60 - 69	36100
70	32340

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- Household expenses (Category 2) related to the number of family members:

Number of family members	1	2	3	4 + X
Basic amount (in JPY per month)	43430	48070	53290	55160+ 440 X

The maximum amount of livelihood assistance is calculated by adding together the amounts in Category 1 for each family member and the amounts in Category 2.

Housing assistance is also available.

Number of family members	1	2-	7-
Basic amount (in JPY per month)	53700	69800	83800

Supplementary child assistance is available:

For the first and the second child	For children under 3 years of age.	10,000 yen/ month
	For children aged 3-12 years old (until March 31 st after their 12 th birthday).	5,000yen /month
For the third and subsequent children	For children who have not finished elementary school.	10,000yen/month

Supplementary lone-parent assistance is available:

one child 7750 per month

2 children 8360 per month

3 or more children 8360 + 310* (n-2) per month

* n= the number of children

* before the 1st of April following their 15th birthday, and for children under 20 years that are recipients of supplementary disability assistance.

4.2.1.1 Irregular additional payments

Winter supplementary assistance (in Tokyo, in JPY per month) is provided 5 months in a year (from November to March).

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	year	1 person	2	3	4	5 and more amount to add per 1 increase
13	2001	3,130	4,060	4,840	5,490	200
14	2002	3,130	4,060	4,840	5,490	200
15	2003	3,090	4,010	4,780	5,420	200
16	2004	3,090	4,000	4,770	5,410	200
17	2005	3,090	4,000	4,770	5,410	200
18	2006	3,090	4,000	4,770	5,410	200
19	2007	3,090	4,000	4,770	5,410	200
20	2008	3,090	4,000	4,770	5,410	200
21	2009	3,090	4,000	4,770	5,410	200

4.2.1.2 *Obligations of family members*

4.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

Earnings net of tax and social security contributions up to JPY 8 340 per month are disregarded. For subsequent earnings, social assistance reduces progressively according to the net amount earned. The monthly exemption is assumed to increase proportionally with gross earnings. The monthly amounts are as follows for the same region (Grade 1-1) as for personal expenses:

Monthly gross earnings X (JPY)	Monthly threshold Y (JPY)
0 – 8 340	0 – 8 340
8 340 – 92 000	8 340 – 22 570
92 000 – 240000	22 570 – 33190
240000+	33190

4.3 *Tax treatment of benefit and interaction with other benefits*

Tax treatment of benefit : Not taxable.

Interaction with other benefits : None.

4.4 *Benefit duration and waiting periods*

If conditions are fulfilled after the end of the benefit period, he/she can re-apply.

4.5 *Treatment of particular group*

None

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4.5.1 *Young persons*

4.5.2 *Older workers*

4.5.3 *Others if applicable*

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5. Housing benefits for rented accommodation

None.

5.1 *Conditions for receipt*

5.2 *Calculation of benefit amount*

5.2.1 *Calculation of gross benefit*

5.2.2 *Income and earnings disregards*

5.2.3 *Costs eligible for housing benefits*

5.3 *Tax treatment of benefit and interaction with other benefits*

5.4 *Treatment of particular groups*

5.4.1 *Young persons*

5.4.2 *Older workers*

5.4.3 *Others if applicable*

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6. Family benefits

6.1 *Conditions for receipt*

The benefit is income-tested. It is available for children prior to their graduation from elementary school.

6.2 *Calculation of benefit amount*

6.2.1 *Calculation of gross benefit*

From 1 April 2007, a monthly payment of JPY10 000 is available for children under the age of three, and JPY 5 000 for the first and second child from the age of three until the first March after the age of twelve; for the third and any subsequent children, a monthly payment of JPY 10 000 is available from the age of three until the first March after the age of twelve.

6.2.1.1 *Irregular additional payments*

6.2.2 *Income and earnings disregards*

Gross annual income(※) minus the employment income deduction (see section 10) must be lower than JPY 4.6 million (JPY 5.32 million for employees), plus JPY 380 000 per dependent, to be eligible for the benefit.

(※) = income of the person who mainly supports children eligible for the benefit.

(ex. income of either parents whose income is higher than the other)

6.3 *Tax treatment of benefit and interaction with other benefits*

Tax treatment of benefit : Not taxable.

Interaction with other benefits : None

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6.4 *Treatment of particular groups*

All groups are eligible as long as the conditions are fulfilled.

6.4.1 *Young persons*

None

6.4.2 *Older workers*

None

6.4.3 *Others if applicable*

None.

7. Childcare for pre-school children

Day-care centres are available for children whose parents are unable to look them due to work, illness, etc. In such cases, day-care centres accept children between 0 and 6 years old prior to elementary school. In Japan, compulsory schooling starts in the April following a child's 6th birthday.

The number of children in childcare:

0 years old: 88,189

1~2 years old: 588,401

3~5 years old: 1,345,583

(Data valid on 1/4/2008)

7.1 *Out-of-pocket childcare fees paid by parents*

The amount of the payment of each user varies each other because the fee for day care is calculated according to parents' previous income tax or municipal tax. However, 60% of the total cost for full-time formal centre-based care is covered by the state, even for parents in full time employment (40 hours per week).

The fees for day care depend on parents' previous income tax or municipal tax. The state provides a standard classification of fees for day care. (see the list held at section 7.2.2.1.) Each municipal government configures its fees according to the list.

Childcare fees are not tax deductible, but people eligible for social assistance under Public Assistance Law are exempt from the fees.

7.2 *Child-care benefits*

Whilst there is no such thing as child-care benefit, there is a system of primarily income-related reimbursement of child-care costs.

7.2.1 *Conditions for receipt*

Candidates can apply to use day-care centres if they have pre-school children and are unable to take care of their children due to work, illness etc.. The amount of support is related to income: it increases with local and central income tax (see tax system in section 10).

7.2.2 *Calculation of benefit amount*

7.2.2.1 Calculation of gross benefit

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Municipal child-care is available. The following is used as the standard for calculating the amount of government subsidy in each municipality. The more income tax a family pays, the bigger the contribution to child-care costs:

Standard child-care cost per child (JPY per month)

Category*	Income tax position (JPY per year)	Age of child (in years)	
		< 3	3 <
1	Eligible to social assistance	0	0
2	No local tax	9 000	6 000
3	Local tax	19 500	16 500
	Central tax		
4	- 40000	30 000	Actual cost (< 27 000)
5	40000 - 103000	44 500	Actual cost (< 41 500)
6	103000 - 413000	61 000	Actual cost (< 58 000)
7	413000 +	Actual cost (< 80 000)	Actual cost (< 77 000)

* Categories 2, 3 exclude cases which fall into categories 1, 4-7.
Categories 4-7 exclude cases which fall into category 1.

7.2.2.2 Income and earnings disregards

As local and central income tax is taken into consideration, there are no exemptions.

7.2.3 Tax treatment of benefit and interaction with other benefits

The implicit benefit is not taxable and consumption tax is not applied to formal day-care centres.

Use of a day-care centre has no effect on eligibility for other benefits.

7.2.4 Treatment of particular groups

Children of single parents or families in need of special assistance are given priority access to day-care centres.

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8. Employment-conditional benefits

Re-employment allowance (see section 2.4).

Please note that removal expenses are covered for people who have to move due to a job or training found by the Public Employment Security Office.

8.1 *Conditions for receipt*

Re-employment allowance is paid to an unemployment benefit recipient who acquires steady employment or starts his/her own business with more than one-third of the remaining prescribed duration of benefit (a period which must be greater than 45 days).

8.2 *Calculation of benefit amount*

8.2.1 *Calculation of gross benefit*

The amount of re-employment allowance is equal to the remaining unemployment benefit period \times $0.3 \times$ the daily amount of basic allowance of unemployment benefit.

8.3 *Tax treatment of benefit and interaction with other benefits*

Re-employment allowance is not taxable.

8.4 *Benefit duration*

Re-employment allowance is paid as a lump sum.

8.5 *Treatment of particular group*

None.

8.5.1 *Young persons*

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8.5.2 *Older workers*

8.5.3 *Others if applicable*

9. Lone-parent benefits

9.1 *Conditions for receipt*

To be eligible for the benefit, candidates must be a lone parent with a child who has not yet reached his/her 18th birthday by 31st March of the given year.

9.2 *Calculation of benefit amount*

9.2.1 *Calculation of gross benefit*

Number of children	1	2 + X
Basic amount (in JPY per month)	41720	46 720+ 3 000 X

9.2.1.1 *Irregular additional payments [NEW ITEM]*

9.2.2 *Income and earnings disregards*

The benefit is means-tested.

For female lone parents and fosterers (*) whose earnings of the previous year were less than JPY 1.30 million, a monthly allowance of JPY 41 720 is granted for one child, JPY 46 720 for two children; an additional JPY 3000 is granted for the third and each subsequent child. For such people** whose income from the previous year was more than JPY 1.30 million but less than JPY 3.65 million, the monthly allowance is reduced by JPY 10 - 31,870 according to income.

* fosterer : a person who fosters children (lives with them, looks after them and provides for them) who do not have a mother or if their mother is unable to look after them.

**female lone parents and fosterers

Candidates are not eligible for the allowance that year if the income of the previous year exceeds JPY 3.65 million.

9.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

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9.4 *Benefit duration*

As long as the conditions are fulfilled.

9.5 *Treatment of particular group*

None

9.5.1 *Young persons*

None

9.5.2 *Older workers*

None

9.5.3 *Others if applicable*

None

10. Tax system

10.1 Income tax

10.1.1 Tax allowances and credits

Each individual is taxed separately.

10.1.1.1 Standard allowances

- *Basic allowance:* a taxpayer may deduct JPY 380 000 as a basic allowance from his or her income.
- *Allowance for spouse:* allowance equal to JPY 380 000 is given to a resident taxpayer who lives with a spouse whose income does not exceed JPY 380 000.
- *Allowance for dependents:* if a resident taxpayer has children and other relatives who meet the same requirements as for a spouse mentioned above, an allowance of JPY 380 000 is given for each dependent.
- *Special allowance for dependents:* if a resident taxpayer has dependents who meet the requirement mentioned above and who are between 16 and 22 years old, an allowance of JPY 630 000 is given for each dependent instead of the allowances for dependents mentioned above.
- *Deduction for social insurance premiums:* the amount of social insurance premiums for a resident taxpayer or his/her dependents shall be deducted from his/her income without any ceiling.
- *Employment income deduction:* the following amounts may be deducted from employment income in calculating taxable income:
 - If gross employment income does not exceed JPY 1 800 000 the deduction is 40 per cent of salaries (etc.), but the minimum amount deductible is JPY 650 000.
 - If gross employment income exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 180 000 plus 30 per cent of salaries.
 - If gross employment income exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 540 000 plus 20 per cent of salaries.
 - If gross employment income exceeds JPY 6 600 000, but not JPY 10 000 000, the deduction is JPY 1 200 000 plus 10 per cent of salaries.
 - If gross employment income exceeds JPY 10 000 000, the deduction is JPY 1 700 000 plus 5 per cent of salaries.

10.1.1.2 Standard tax credits

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10.1.2 *Income tax schedule (central government income tax)*

Taxable Income (JPY) (*)		Tax Rate (%) (A)	Deductible Amounts for Each Bracket (JPY) (B)
Over	Not over		
	1 950 000	5	--
1 950 000	3 300 000	10	97 500
3 300 000	6 950 000	20	427 500
6 950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000		40	2 796 000

(*) The fraction of taxable income that is less than JPY 1 000 is rounded down.

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

$$7\,000\,000 \times 0.23 \text{ (A)} - 636\,000 \text{ (B)} = \text{JPY } 974\,000.$$

10.1.3 *State and local income taxes*

General description of the system

State and local income taxes in Japan consist of prefectural inhabitants tax levied by prefectures and municipal inhabitants tax levied by cities, towns and villages. The prefectural inhabitants tax is collected together with the municipal inhabitants tax by cities, towns and villages.

Tax base

The base for prefectural and municipal inhabitants' taxes is taxable income augmented by a fixed per capita amount. The taxable income is similar to the one computed for the purpose of the previous year's national income tax (see below).

Note: Calculation of income for prefectural and municipal inhabitants' taxes is slightly different from the one for the national income tax. For example, the amount of Basic Allowance, Allowance for Spouse, Allowance for Dependants is JPY 330 000, the amount of Special Allowance for dependants is JPY 450 000, etc.

Tax rate

- The standard fixed (annual) per-capita amount of Prefectural inhabitants tax is JPY 1 000
- The standard fixed (annual) per-capita amount of Municipal inhabitants tax is JPY 3 000
- The standard rate of the Prefectural and Municipal inhabitants tax equals a proportional rate of 10 per cent (Prefectural inhabitants tax: 4 per cent, Municipal inhabitants tax: 6 per cent). (*)

(*) The state and local tax rate and the central government income tax rate were changed by the FY2006 tax reform. Also a new local income tax credit regime was introduced in order to alleviate the tax burden increase arising from the changes in the tax rates and in order to mitigate any increase in the tax burden arising from the difference between the personal reliefs (Basic Allowance, Allowance for Spouse, Allowance for Dependents, Special Allowance for dependents, etc.) for national income tax purposes and for inhabitant tax purposes.

taxable income for local income tax purposes	the tax credit
JPY 2 000 000 or less	5 per cent of the minimum of the difference between

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	taxable income for local income tax purposes and national income tax purposes and taxable income for local income tax purposes
more than JPY 2 000 000	((taxable income for local income tax purposes – taxable income for national income tax purposes) – (taxable income for local income tax purposes – JPY 2 000 000)) * 5%. The minimum credit is JPY 2 500

Tax rate selected for this study

Country-wide rates as described above. The local income tax rates chosen for the purpose of this Report represent a country-wide average.

10.2 Treatment of family income

Each individual is taxed separately.

10.3 Social security contributions and payroll taxes

10.3.1 Contributions payable by employees and benefit recipients

- Pension: 7.498 per cent of total remuneration (standard remuneration and bonuses), up to the insurable ceiling of JPY 620 000 (monthly).
- Sickness: 4.1 per cent of total remuneration (standard remuneration and bonuses) up to the insurable ceiling of JPY 1 210 000 (monthly).
- Unemployment: 0.6 per cent of total remuneration.
- Work injury and family allowance: None.

10.3.2 Contributions payable by employers

- Pension: 7.498 per cent of total remuneration, up to the insurable ceiling of JPY 744 000 (monthly).
- Sickness: 4.1 per cent of total remuneration up to the insurable ceiling of JPY 1 452 000 (monthly).
- Unemployment: 0.9 per cent of total remuneration.
- Work injury: 0.45 per cent to 11.8 per cent of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are twenty-eight rates for fifty-four industrial categories at present.
- Family allowance: 0.13 per cent of total remuneration.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

10.3.3 *Payroll taxes*

10.4 *Treatment of particular group*

10.4.1 *Young persons*

10.4.2 *Older workers*

10.4.3 *Others if applicable*

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

11. Part-time work

11.1 Special benefit rules for part-time work

Minimum of 12 months of insured work in the last 24 months (with minimum 20 hours of work per week and minimum 11 days of work per month) are required to be eligible for unemployment benefits.

11.2 Special tax and social security contribution rules for part-time work

None

12. Policy developments

12.1 Policy changes introduced in 2008

12.2 *Future policy changes announced in 2008*

Revised Day-care Guidance takes effect on 1/4/2009

With a view to improving the quality of care, it is clarified its character as a minimum standard by minister notification.

In order to promote creativity and innovative action in day-care centers, general direction of revision was clarified in the grand plan.

Revision of Unemployment Insurance Law on 31/3/2009

The amended Unemployment Insurance Law was implemented on March 31, 2009. In accordance with this amendment, the following changes were applied to the Employment Insurance System;

- The unemployment insurance premium rate for unemployment benefits (shared equally between employees and employers) was reduced from 1.2% to 0.8%. (temporary measure in place until the end of FY2009)
- The condition required in order to apply for unemployment insurance was relaxed from the “prospect of being employed for more than 1 year” to the “prospect of being employed more than 6 months”.
- The eligibility criterion for fixed-term workers who are unable to renew their contracts was relaxed from “being insured for 12 months during 2 years before their job separation” to “being insured for 6 months during 1 year before their job separation .
- The number of unemployment benefit days for workers who have worked for more than 6 months and are unable to renew their contracts was increased to the same level as laid-off workers. (measure in place until the end of FY2011)
- The number of unemployment benefit days was extended to 60 days in cases of unemployed people who are laid-off or unable to renew their contracts have extreme difficulty in reemployment, considering their age and location. (measure in place until the end of FY2011)

ANNEX

DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.