

JAPAN 1999

1. Overview of the system

Unemployed persons can receive an unemployment insurance benefit for a period varying with the age and the employment record of the claimant. Social assistance is also available for persons with limited means; it includes a housing aid. Income tested family benefits can be obtained, as well as non means-tested lone parent benefits. Income-related child-care costs are paid for children under 5. Central and local government taxation is individual. The 1999 APW earnings level is JPY 4 217 380. It is assumed that 80 per cent of this amount is in standard earnings, and 20 per cent is in the form of an annual bonus.

2. Unemployment insurance

2.1 *Conditions for receipt*

2.1.1 *Employment conditions*

Minimum of 6 months of insured work in the last 12 months, with minimum 14 days of work per month.

2.1.2 *Contribution conditions*

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The basic benefit is calculated from the daily amount of wages (DAW). DAW are amount obtained by dividing the total amount of wages paid during the last 6 months by the number of days working during the said last 6 months.

A benefit ratio (BR) is then calculated, with the following formula:

$$BR = 0.8 + [(0.2 * (4\ 290 - DAW)) / (10\ 370 - 4\ 290)]$$

The total basic benefit is calculated from the daily amount of wages, the benefit ratio, and the number of days the basic benefit is paid during the year:

$$\text{The total basic benefit} = \text{DAW} * \text{BR} * \text{the duration of benefits (90-300days)}$$

The maximum benefit is JPY 3 195 000.

2.2.2 *Income and earnings disregards*

It is not means-tested, the benefit stops when income is earned from work. Means-tested social assistance can complement the unemployment benefit.

2.3 *Tax treatment of benefit*

Not taxable.

2.4 *Benefit duration*

It is paid on a 7-day week basis, after a 7-day waiting period, for a period that varies from 90 to 300 days according to the period of employment insured and the age of the recipient, as follows:

Unemployment benefit duration (in days, 7 days per week)				
Insured employment (years)	Age of recipient			
	- 29	30-44	45-59	60-64
Less than 1	90	90	90	90
1 – 4	90	90	180	240
5 – 9	90	180	210	300
10 – 19	180	210	240	300
20+	180	210	300	300

A unique feature in the unemployment benefit system is the re-employment benefit: a lump-sum amount is paid to an unemployment benefit recipient who gets steady employment earlier than one third way of the payment duration (or 45 days) (see table below):

Total duration of unemployment (days)	Remaining duration (days)	Daily lump sum benefit (JPY)
300	200-300	120
	150-199	70
	100-149	30
240	160-240	90
	120-159	50
	80-119	30
210	140-210	85
	105-139	50

	70-104	30
180	120-180	80
	90-119	50
	60-89	30
90	60-90	45
	45-59	30

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

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

Insured employment (years)	The benefit amount (JPY)
Less than 1	30 * basic benefit
1 – 4	60 * basic benefit
5 –	75 * basic benefit

3. **Unemployment assistance**

None.

4. **Social assistance**

Social assistance consist of seven parts or aids, provided for those who are unable to provide minimum living standards. These are: livelihood aid, housing aid, medical aid, occupational aid, education aid, maternity aid, and funeral aid. Only livelihood aid and housing aid are considered here. The selected rates are classified as Grade 1-1, as paid in Osaka and Tokyo.

4.1 *Conditions for receipt*

It is tested against gross earned income.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

Livelihood aid is composed of two types of benefit:

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

Age	Benefit amount for region (Grade 1-1) (JPY per month)
0	15 140
1 - 2	22 030
3 - 5	27 250
6 - 8	32 380
9 - 11	36 850
12 - 14	44 500
15 - 17	47 830
18 - 19	42 470
20 - 40	40 410
41 - 59	38 610
60 - 69	36 500
70	32 690

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

Number of family members	1	2	3	4 + X
Basic amount (in JPY per month)	43 780	48 460	53 720	58 450 + 440 X

The maximum amount of livelihood aid is calculated by summing up amounts of Category 1 for each family member and amounts of Category 2.

A housing aid is also available, it covers housing costs up to JPY 13 000 per month.

4.2.2 Income and earnings disregards

Earnings net of tax and social security contributions up to JPY 8 340 per month are disregarded. From this level, social assistance is reduced by earnings net of tax and social security contributions exceeding a threshold which increases with earnings. The monthly disregard 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 - 248 000	22 570 - 33 560

4.3 Tax treatment of benefit

Not taxable.

4.4 Benefit duration

As long as the conditions are fulfilled.

4.5 Treatment of particular groups

None.

5. Housing benefits

See social assistance in Section 4.

6. Family benefits**6.1 Conditions for receipt**

The benefit is income-tested. It is paid for a child under 3 years old.

6.2 Calculation of benefit amount**6.2.1 Calculation of gross benefit**

JPY 5 000 per month per child for the first two children, and JPY 10 000 per month per child for the third and subsequent children (until they are 3).

6.2.2 Income and earnings disregards

It is paid if the annual gross income minus the employment income deduction (see Section 10.1) is lower than JPY 1 700 000 plus JPY 380 000 per child.

6.3 Tax treatment of benefit

Not taxable.

6.4 *Treatment of particular groups*

As long as the conditions are fulfilled.

7. **Child-care benefits**

There are no child-care benefits, but a system of income mainly related child-care costs exists.

7.1 *Conditions for paying*

To have a child under 5 years old. The cost/contribution is income related: it increases with local and central income tax (see tax system in Section 10).

7.2 *Calculation of cost amount*

7.2.1 *Calculation of gross cost*

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

Category*	Standard child-care cost per child (JPY per month)		
	Income tax position (JPY per year)	Age of child (years old)	
		< 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	- 80 000	30 000	Actual cost (< 27 000)
5	80 000 - 200 000	44 500	Actual cost (< 41 500)
6	200 000 - 510 000	61 000	Actual cost (< 58 000)
7	510 000 +	Actual cost (< 80,000)	Actual cost (< 77 000)

* Category 2, 3, 4 exclude cases which fall into category 1, 5, 10.
Category 5-10 exclude cases which fall into category 1.

7.2.2 *Income and earnings disregards*

Local and central income tax are taken into consideration, there are no disregards.

7.3 Tax treatment of cost

The implicit benefit is not taxable.

7.4 Treatment of particular groups

None.

8. Employment-conditional benefits

None.

Note that removal expenses are provided for persons who have to move after having obtained a job or a training introduced by the Public Employment Security Office.

9. Lone-parent benefits

9.1 Conditions for receipt

To be a lone parent, and to have a child who has not yet reached his/her 18th birthday by March 31st 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)	42370	47370+ 3 000 X

9.2.2 Income and earnings disregards

Not means-tested.

9.3 Tax treatment of benefit

Not taxable.

9.4 Treatment of particular groups

None.

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits for Central Government income tax

There are no tax credits. The tax allowances are as follows:

- basic exemption: JPY 380 000;
- spouse exemption: JPY 380 000 if dependent spouse;
- special spouse exemption: JPY 380 000;
- dependent exemption: JPY 480 000 per dependent child under 16.
- social security contributions: see Section 10.3;
- employment income deduction: regressive with gross annual earnings. The minimum of JPY 650 000 is granted when the allowance is calculated to be less than this amount:

Gross earnings (JPY per year)	Marginal rate (%)
0 - 1 800 000	40
1 800 000 - 3 600 000	30
3 600 000 - 6 600 000	20
6 600 000 - 10 000 000	10
10 000 000 +	5

10.1.2 The definition of taxable income

It is the gross income minus the above tax allowances.

10.1.3 Tax schedule for Central government tax:

Taxable income (JPY per year)	Marginal tax rate (%)
0 – 3 300 000	10
3 300 000 - 9 000 000	20
9 000 000 - 18 000 000	30
18 000 000 +	37

Proportional Tax Reduction (granted as from 1999): After applying the schedule, 20% of calculated amount (ceiling: JPY 250 000).

10.1.4 State and Local tax (Prefectural and Municipal)

Tax allowances:

- Basic allowance: JPY 330 000
- Dependent spouse: JPY 660,000 if the spouse has no income.
- Per dependent child: JPY 330 000

On taxable income after allowances, prefectural and municipal taxes are as following:

- prefectural: it is JPY 1000 per adult plus:

Taxable income (JPY per year)	Marginal tax rate (%)
0 – 7 000 000	2
7 000 000 +	3

- municipal: for a city of more than 500 000 persons, it is JPY 3 000 per adult (for a city of between 50 000 and 500 000 persons, it is JPY 2 500 per adult, and for a city of less than 50 000, it is JPY 2 000 per adult) plus:

Taxable income (JPY per year)	Marginal tax rate (%)
0 - 2 000 000	3
2 000 000 - 7 000 000	8
7 000 000 +	12

Proportional tax reduction for prefectural and municipal taxes: 15% of the result of applying the schedule, with a ceiling (jointly for both local taxes) of JPY 40 000

10.2 Treatment of family income

The tax unit is the individual, couples are taxed separately.

10.3 Social security contribution schedule (To confirm – to revise. See DAF and programs – different formula)

Annual gross earnings can be split in 80 per cent of standard earnings, and 20 per cent of bonuses:

- pension: 8.675 per cent of standard earnings + 0.50 per cent of bonuses;
- sickness: 4.25 per cent of standard earnings + 0.30 per cent of bonuses;
- unemployment: 0.4 per cent of gross earnings (including bonuses).

11. Part-time work

11.1 Special benefit rules for part-time work

Minimum of 12 consecutive months of insured work in the last 24 months (with minimum 20 hours of work per week) 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 the last year

None.

12.2 Policy changes announced

None.

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**The annual tax/benefit position of an unemployed single person
1999
(in yen)**

	Unemployment insurance ^(*)	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	1 166 280
Non-means tested benefits		
Unemployment insurance	2 376 398	0
Total non-taxable benefits	2 376 398	1 166 280

D. Net income out of work (A-B+C)	2 376 398	1 166 280
E. Net income in work	3 537 085	3 537 085
F. Net replacement rate (D/E) (per cent)	67	33

(*)Maximum duration: 300 days.

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The annual tax/benefit position of an unemployed married couple with two children (6 and 4 years old)

1999
(in yen)

	Unemployment insurance ^(*)	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Child benefits	0	0
Social assistance	0	2 542 800
Non-means tested benefits		
Unemployment insurance	2 376 398	0
Total non-taxable benefits	2 376 398	2 542 800
D. Net income out of work (A-B+C)	2 376 398	2 542 800
E. Net income in work	3 734 277	3 734 277
F. Net replacement rate (D/E) (per cent)	64	68

(*)Maximum duration: 300 days.

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**The annual tax/benefit position of a lone parent
with two children (6 and 4 years old)**

1999
(in yen)

	Unemployment insurance ^(*)	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Total taxable benefits	0	0
 B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
 C. Non-taxable benefits		
Means-tested benefits		
Child benefits	0	0
Social assistance	0	2 001 120
Non-means tested benefits		
Unemployment insurance	2 376 398	0
Lone parent benefits	568 440	568 440
Total non-taxable benefits	2 944 838	2 569 560
 D. Net income out of work (A-B+C)	2 944 838	2 569 560
 E. Net income in work	4 213 867	4 213 867
 F. Net replacement rate (D/E) (per cent)	70	61

(*)Maximum duration: 300 days.