JAPAN
2004

1. Overview of the system

Unemployed persons can receive an unemployment insurance benefit (basic allowance) for a period varying with the reason of job separation, the age and the employment record of the claimant. As long as they satisfy certain conditions, 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 means-tested lone parent benefits. Income-related child-care costs are paid for children under 6. Central and local government taxation is individual.

1.1. Average worker wage (AW)

The 2004 AW earnings level is JPY 4 927 177. 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

As described in section 2.1.1.

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 during the last 6 months by 180 days.

Benefit ratio is calculated as below since August.

A benefit ratio (BR) is then calculated for those under 60 years old, with the following formula:

i) If 2 110<= DAW < 4 160 BR = 0.8

ii) If 4 160<= DAW < 12 060 BR = 0.8 + [(0.3 * (4 160- DAW)) / (12 060– 4 160)]

iii) If 12 060<= DAW < Maximum Amount BR = 0.5

iv) If DAW < 2 110 or DAW >= Maximum Amount.
The daily amount of basic allowance is fixed at 2 110*0.8 and the Maximum Amount*0.5 respectively.

The maximum amount of DAW

Age	In JPY
- 29	13 060
30 - 44	14 510
45 - 59	15 960

BR for recipients who are equal to or over 60 but under 65 is calculated with the following formula:

i) If 2 110<= DAW < 4 160 BR = 0.8

ii) If 4 160 <= DAW < 10 810 BR = 0.8 + [(0.35 * (4 160- DAW)) / (10 810– 4 160)]

iii) If 10 810<= DAW < 15 370 BR = 0.45

iv) If DAW < 2 110or DAW >= 15 370
The daily amount of basic allowance is fixed at 2 110*0.8 and 15 370*0.45 respectively.

2.2.2 Income and earnings disregards

It is not means-tested, and the benefit stops when the recipient gets employed or starts his/her own job. Means-tested social assistance can complement the unemployment benefit.

2.3 Tax treatment of benefit and interaction with other benefits

Tax treatment of benefit : Not taxable.

Interaction with other benefits : None.

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 360 days according to the period of employment insured, the age of the recipient and the reason of job separation, as follows:

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 in the unemployment benefit system is the re-employment allowance: a lump-sum amount is paid to an unemployment benefit recipient, whose remaining duration of benefits of basic allowance is one-third or more of the prescribed duration of benefit and 45 days or more, and who takes up steady employment or starts his/her own job. The amount of this allowance is equal to the remaining benefit period × 0.3× 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 since August.

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 the same as that of recipients under 30 years old.

2.5.3 Others if applicable

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

3.2.2 Income and earnings disregards

3.3 Tax treatment of benefit and interaction with other benefits

3.4 Benefit duration

3.5 Treatment of particular groups

3.5.1 Young persons

3.5.2 Older workers

3.5.3 Others if applicable

4. Social assistance

Social assistance consists of eight types of aids provided for those who are unable to provide minimum living standards. These are: livelihood aid, housing aid, medical aid, long-term care 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	14970
1 - 2	21790
3 - 5	26950
6 - 8	32030
9 - 11	36450
12 - 14	44010
15 - 17	47310
18 - 19	42010
20 - 40	39970
41 - 59	38180
60 - 69	36100
70	32340

- 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)	43430	48070	53290	57980+ 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.

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

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).

	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

4.2.2 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 – 240000	22 570 – 33190
240000+	33190

4.3 Tax treatment of benefit and interaction with other benefit

Tax treatment of benefit : Not taxable.

Interaction with other benefits : None.

4.4 Benefit duration

As long as the conditions are fulfilled.

4.5 Treatment of particular group

None.

4.5.1 Young persons

4.5.2 Older workers

4.5.3 Others if applicable

5. Housing benefits

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

5.3 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

6. Family benefits

6.1 Conditions for receipt

The benefit is income-tested. It is paid for a child yet to pass through third-grade age of elementary school. Since April 2004, the age limit was raised to 9 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.

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 3.01 million (JPY 4.6 million for employees) plus JPY 380 000 per dependent.

6.3 Tax treatment of benefit and interaction with other benefits

Tax treatment of benefit : Not taxable.

Interaction with other benefits : None

6.4 Treatment of particular groups

None

6.4.1 Young persons

6.4.2 Older workers

6.4.3 Others if applicable

7. Childcare for pre-school children

Day-care centres are available for the children whose parents are unable to look after their children because of work, illnesses, etc. The children who are in that condition can use day-care centres from 0 to 6 years old before entering elementary schools. In Japan, compulsory schooling starts in April after children become 6 years old.

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. But total cost for full-time formal centre-based care is covered not only with the fees paid by parents working 40 hours per week. Public sector including the nation bears about 60 % of the cost.

The fees for day care depend on parents' previous income tax or municipal tax. The nation presents the standard classification of accounts that shows the fees for day care. (see the list held at section 7.2.2.1.) Each municipal government configures the fee according to the list.

Childcare fees are not tax deductive, but they are exempt from the fees when they are eligible to social assistance under Public Assistance Law.

7.2 Child-care benefits

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

7.2.1 Conditions for receipt

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)

7.2.1 Conditions for application

They can apply to use day-care centres if they have preschool children and are in the condition not to be able to care their children due to work, illness and so on. The cost is income related: 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

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:

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	- 64 000	30 000	Actual cost (< 27 000)
5	64 000 - 160 000	44 500	Actual cost (< 41 500)
6	160 000 - 408 000	61 000	Actual cost (< 58 000)
7	408 000 +	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

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

7.2.3 Tax treatment of benefit and interaction with other benefits

The implicit benefit is not taxable.

It isn’t charged consumption tax to enjoy the services of formal day-care centres. And using a day-care centre has no interaction with other benefits.

7.2.4 Treatment of particular groups

A child of a single parent is taken into consideration to be given priority for entering a day-care centre. A Child of a family needed a special assistance is also given priority consideration.

8. Employment-conditional benefits

Re-employment allowance (see section 2.4).

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.

8.1 Conditions for receipt

Re-employment allowance is paid to an unemployment benefit recipient, whose remaining duration of basic allowance of unemployment benefit is one-third or more of the prescribed duration of benefit and 45 days or more, and who takes up steady employment or starts his/her own job.

8.2 Calculation of benefit amount

8.2.1 Calculation of gross benefi

The amount of re-employment allowance is equal to the remaining unemployment benefit period × 0.3× 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.

When re-employment allowance is paid to an unemployment benefit recipient, the benefit for older job-seekers (see section 2.5.2) is not paid to him/her.

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

8.5.2 Older workers

8.5.3 Others if applicable

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 31 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)	41 880	46 880+ 3 000 X

9.2.2 Income and earnings disregards

Means-tested.

For female lone parents and foster parents(*) whose earnings of the previous year were less than JPY 1.30 million, monthly allowance is granted of JPY 41 880 in case of one child, JPY 46 880 in case of two children, and for third child and up additional JPY 3 000 for each child. For such persons(**) whose earnings of the previous year were more than JPY 1.30 million but less than JPY 3.65 million, monthly allowance is reduced between JPY 10 and 32,000 according to income.

＊foster parents : persons who foster children(live with them, look after them and make their living) ,in case they have no mothers or their mothers don't look after them.
＊＊such persons : female lone parents and foster parents (in the first sentence)

If the income of the previous year exceeds JPY 3.65 million , the allowance of the year will not be paid.

[From the National Institute of Population and Social Security Research, Japan.]

9.3 Tax treatment of benefit and interaction with other benefits

Not taxable.

9.4 Benefit duration

As long as the conditions are fulfilled.

9.5 Treatment of particular groups

None.

9.5.1 Young persons

9.5.2 Older workers

9.5.3 Others if applicable

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits for central government income tax

10.1.1.1 Standard allowances

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

- *Basic allowance:* a taxpayer may deduct JPY 380 000 as basic allowance from his or her income
- *Allowance for spouse*: allowance equal to JPY 380 000 is given to a resident taxpayer who has a spouse, provided certain requirements are met
- *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 the income in calculating taxable income:
  a) If income received does not exceed JPY 1 800 000 the deduction is 40 per cent of salaries etcetera, but the minimum amount deductible is JPY 650 000.
  b) If income received exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 180 000 plus 30 per cent of salaries etc..
  c) If income received exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 540 000 plus 20 per cent of salaries etc..
  d) If income received exceeds JPY 6 600 000, but not JPY 10 000 000, the deduction is JPY 1 200 000 plus 10 per cent of salaries etc..
  e) If income received exceeds JPY 10 000 000, the deduction is JPY 1 700 000 plus 5 per cent of salaries etc..

10.1.1.2 Standard tax credits

10.1.2 Income tax schedule

Taxable income (million JPY per year)	Marginal tax rate (%)
0 – 3.3	10
3.3 – 9	20
9 – 18	30
18 +	37

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

10.1.3 State and local income taxes

The tax allowances are as follows:

- Basic exemption: JPY 330 000.
- Spouse exemption: JPY 330 000 if dependent spouse.
- Dependent exemption: JPY 330 000 for each dependant (or JPY 380 000 for each elderly dependant; JPY 450 000 for each dependant aged 16-23).

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

- Prefectural: it is JPY 1 000 per adult plus:

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

- Municipal: The standard per capita tax rate of Municipal inhabitants' tax is JPY 3 000 plus:

Taxable income (million JPY per year)	Marginal tax rate (%)
0 – 2	3
2 – 7	8
7 +	10

Proportional tax reduction for prefectural and municipal taxes: 15 per cent 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

- Pension: 6.79 per cent of gross earnings up to JPY 7 440 000.
- Sickness: 4.1 per cent of gross earnings up to JPY 11 760 000.
- Unemployment: 0.7 per cent of gross earnings.

10.4 Treatment of particular group

10.4.1 Young persons

10.4.2 Older workers

10.4.3 Others if applicable

11. Part-time work

11.1 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

None.

12.1 Policy changes introduced during the previous year

12.2 Policy changes announced