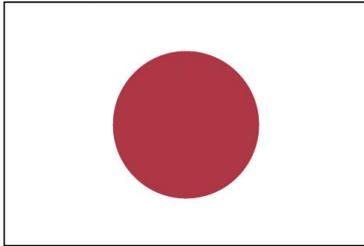


THE OECD TAX-BENEFIT MODEL FOR JAPAN

Description of policy rules for 2018



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Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2018**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Japan: Policy rules in 2018

1. Reference wages

The 2018 average wage [AW] is JPY 5 246 705.¹

The minimum wage [MIN] as of 1 January 2018 is JPY 848 per hour, which corresponds to an annual earnings level for a full-time worker of JPY 848 x 40 x 52 = 1 763 840.²

2. Unemployment benefits

2.1. Employment insurance (*Koyo hoken*)

Variable name:³ [UI_p; UI_s]

Unemployed people can receive employment insurance benefit (basic allowance) for a period that varies according to the reasons for leaving employment, age and the duration of insured employment.

This is an unemployment insurance benefit. It is contributory, not means-tested and not taxable. 

2.1.1. Eligibility conditions

Age: 18 years old and over.

Contribution/employment history: The applicant must have been insured for a period of more than 12 months, with more than 11 days per month, over 2 years before unemployment. Applicants who are unemployed as a result of bankruptcy or dismissal must have been insured for a period of more than 6 months over 1 year before unemployment. In the case of the non-renewal of fixed term contracts, six months of membership is enough to qualify.

Behavioural requirements and related eligibility conditions:  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.⁴ These conditions are that the benefit claimant has to carry out job-seeking activities at least twice during the period in which they are receiving the benefit. Examples of job seeking activities include:

¹ AW refers to the Average Wage estimated by the [Centre for Tax Policy and Administration](#). For more information on methodology see the latest [Taxing Wages publication](#).

² The regional minimum wage per hour in Japan is set by each prefecture, and the minimum wage varies from prefecture to prefecture. [MIN] is the nationwide weighted average of the regional minimum wage.

³ The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.

⁴ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

- making a job application,
- undergoing a consultation, job matching services, seminar or lecture etc. offered by an MHLW-authorized private employment services (PES) or another public organisation.
- taking an examination towards a qualification that will aid re-employment

2.1.2. Benefit amount

Calculation base:

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.

Benefit amount:

The daily amount of basic allowance (DABA) is calculated for those less than 60 years old using the following formula:

- i) If $DAW < 4940$, $DABA = 0.8DAW$
- ii) If $4940 \leq DAW < 12140$, $DABA = DAW \times BR1$
 where $BR1 = 0.8 - [(0.3 \times (DAW - 4940)) / (12140 - 4940)]$
- iii) If $12140 \leq DAW$, $DABA = 0.5DAW$

Note that DAW must be between JPY 2470 and the maximum amount as shown in the table below.

The maximum amount of DAW

Age	In JPY
Under 30	13 420
30 - 44	14 910
45 - 59	16 410

The DABA for recipients who are between 60 and 64 is calculated using the following formula:

- i) If $DAW < 4940$ $DABA = 0.8DAW$
- ii) If $4940 \leq DAW < 10920$ $DABA = \min\{DABA1, DABA2\}$

where

$$DABA1 = DAW \times BR2$$

$$BR2 = 0.8 - [(0.35 \times (DAW - 4940)) / (10920 - 4940)]$$

$$DABA2 = 0.05DAW + (10920 \times 0.4)$$

- i) If $10920 \leq DAW$ $DABA = 0.45DAW$

Note that DAW must be between JPY 2 470 and JPY 15 650.

2.1.3. Benefit duration

The benefit is paid on a four-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. A claimant can become eligible once they again meet the requirements.

Age	Insured period (in years)				
	Less than 1	1 to 4	5 to 9	10 to 19	20 or more
(1) Duration of benefits for the ordinary unemployed (other than those difficult to re-employ)					
All ages	—	90 days	90 days	120 days	150 days
(2) Duration of benefits for persons difficult to re-employ					
Younger than 45	150 days	300 days			
45 – 64		360 days			
(3) Duration of benefits for the unemployed as a result of bankruptcy, dismissal, etc (other than those difficult to re-employ)					
Younger than 30	90 days	90 days	120 days	180 days	—
30 – 34	90 days	120days	180 days	210 days	240 days
35 – 44	90 days	150 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

The number of unemployment benefit days for fixed-term workers who are unable to renew their contracts is, in principle, set out in panel (1) “Duration of benefits for the ordinary unemployed”, but the regulations in panel (3) “Duration of benefits for the unemployed as a result of bankruptcy, dismissal, etc” will apply until the end of FY2021. In the TaxBEN model, the case of unemployment as a result of bankruptcy or dismissal (panel 3) is assumed.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

The benefit is not taxable.

2.1.6. Interactions with other components of the tax-benefit system

The basic allowance is not reduced when an insured person receives other benefits. The basic allowance is taken into account in the means test for Public Assistance.

2.1.7. *Combining benefit receipt and employment/starting a new job*

The basic allowance is not paid when an insured person is employed and work at least 20 hours per week. It is reduced by the amount of earnings when an insured person does paid work for less than 4 hours per day.

3. Social assistance and housing benefits

3.1. *Public assistance (Seikatsu hogo)*

Variable name: [SA]

This is a non-contributory benefit, it is means-tested and is not taxable.

Public 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 simulated in the TaxBEN model. The selected rates are classified as Grade 1-1, as paid in Tokyo.

Public assistance is provided to a certain extent to supplement the shortfall experienced by 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 to satisfy the minimum demands of the claimant's livelihood given their circumstances (age, gender, family members, regions and nature of means of assistance), but should not exceed this level.

3.1.1. *Eligibility conditions*

Public assistance covers people who are classified as being 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.

3.1.2. *Benefit amount*

Public assistance is based on net income. The difference between the household's net income and the minimum living standard is provided. Public assistance is made up of livelihood assistance, housing assistance, supplementary child assistance and supplementary lone parent assistance. These are calculated as follows:

Livelihood assistance is made up of two types of benefit:

1. Livelihood assistance that correspond to personal expenses (Category 1) related to the age of each family member:

Age	Basic Amount (1) (JPY per month)	Basic Amount (2) (JPY per month)
0-2	21,510	26,660
3-5	27,110	29,970
6-11	35,060	34,390
12-19	43,300	39,170
20-40	41,440	38,430
41-59	39,290	39,360
60-69	37,150	38,990
70-	33,280	33,830

2. And household expenses (Category 2) related to the number of family members:

Number of family members	Basic Amount (1) (JPY per month)	Basic Amount (2) (JPY per month)
1	44,690	40,800
2	49,460	50,180
3	54,840	59,170
4	56,760	61,620
5	57,210	65,690
6	57,670	69,360
7	58,120	72,220
8	58,570	75,080
9	59,020	77,940
10 and more amount to add per 1 increase	450	2,860

Livelihood assistance is calculated by adding together the amounts in Category 1 for each family member and the amounts in Category 2.

Calculating the standard amount of living expenses is done using the following steps:

The standard amounts of living expenses are calculated on a household basis and the amount is obtained using the following formula. Any fractional part of less than 10 yen is rounded up to the nearest multiple of 10 yen.

The following amount prescribed in the table for temporary assistance for term end will be added for the standard amount of December:

$$(A * 0/3) + (B * 3/3) + C, \text{ where}$$

A is the sum of the following amounts (a) and (b):

a) multiply the sum of each family member's standard amount (1) stipulated in the table of category 1 by the following rate (1) corresponding to the number of the family members stipulated in the table of diminishing rates below.

b) the standard amount (1) stipulated in the table of category 2

B is the sum of the following amounts (c) and (d), except if the total sum is less than 90% A by 0.9. In that case B is this latter amount (i.e., $A \times 0.9$).

c) multiply the sum of each family member's standard amount (2) stipulated in the table of category 1 by the following rate (2) corresponding to the number of the family members stipulated in the table for diminishing rate.

d) the standard amount (2) stipulated in the table of category 2.

Diminishing rate:

Number of family members	Rate (1)	Rate (2)
1	1.0000	1.0000
2	1.0000	0.8850
3	1.0000	0.8350
4	0.9500	0.7675
5	0.9000	0.7140
6	0.9000	0.7010
7	0.9000	0.6865
8	0.9000	0.6745
9	0.9000	0.6645
10 and more amount to add per 1 increase	0.9000	0.6645

Temporary assistance for term end:

Number of family members	Amount (JPY per month)
1	13,890
2	22,650
3	23,340
4	26,260
5	27,370
6	31,120
7	33,060
8	35,010
9	36,670
10 and more amount to add per 1 increase	1,670

And Cis the Winter Supplementary Assistance for districts according to the table of category 2. Winter Supplementary Assistance (in Tokyo, in JPY per month) is provided 5 months a year (from November to March). Note that Winter Supplementary Assistance is added to household expenses (Category 2).

Number of family members	2018
1	2580
2	3660
3	4160
4	4490
5	4620
6	4910
7	5120
8	5280
9	5450
10 and more amount to add per 1 increase	170

Housing assistance is also available for those with rental costs:

The amount depends on household size as set out in the table below, but cannot exceed the actual rent paid.

Number of family members	Basic amount (in JPY per month)
1	53,700
2	64,000
3-5	69,800
6	75,000
7-	83,800

Supplementary child assistance is available:

10,000 or 15,000 yen per month is paid to those who take care of children. It is paid for each child until the 31 March following their 15th birthday. Amounts vary by the age of the child as follows:

- a) Under 3 years old: JPY 15,000 per month.
- b) Over 3 years old and prior to elementary school graduation (for the first two children): JPY 10,000 per month.
- c) Over 3 years old and prior to elementary school graduation (for the third and subsequent children): JPY 15,000 per month.
- d) Junior high school students: JPY 10,000 per month.

Supplementary lone-parent assistance is available:

The gross benefit amounts for a lone parent family are as follows:

- One child 22 790 per month
- 2 children 24 590 per month
- 3 or more children 24 590 + 920*(n-2) per month

*n = the number of children

* before the 1st of April following their 18th birthday, and for children under 20 years who are recipients of supplementary disability assistance.

3.1.3. Benefit duration

No limit.

3.1.4. Means test 

The final assistance amount is the minimum living expenses calculated above minus the family's income appropriation amount. This includes employment income, social security benefits including pensions, family benefits and unemployment benefits, and assistance from relatives.

There is a disregard for employment income. Earnings before tax up to JPY 15 200 per month are disregarded. For subsequent earnings, public assistance reduces progressively according to the net amount earned. The monthly exemption increases proportionally with gross earnings. The monthly amounts as for personal gross earnings are as follows:

Monthly gross earnings X (JPY)	Monthly threshold Y (JPY)
0 – 15,199	0 – 15,199
15,200-18,999	15,200
19,000+	15,600+400 for each additional 4,000 ^a

^a When net earnings exceed JPY 19 000, JPY 400 is added to the exemption amount for each additional 4 000 yen.

3.1.5. Tax treatment

Not taxable.

3.1.6. Interaction with other components of the tax-benefit system

Other social security benefits including pensions, family benefits, unemployment benefits, and assistance from relatives are considered as income in the means test.

3.1.7. Combining benefit receipt and employment/starting a new job

No restriction, but earnings above a disregard are taken into account in the means test as described above.

3.2. Housing benefit (provision of benefits for securing housing)

Variable name: [\[HB\]](#)

This is a non-contributory benefit, means-tested and not taxable.

The housing benefit system was introduced as a special emergency measure. This was introduced in October 2009, and ended at the end of fiscal year 2014. The provision of benefits for securing housing who lost or likely to lose residence because of poverty due to unemployment had been institutionalized by Act for self-reliance of poor persons from April 2015. In this section, we describe the latter measure.

3.2.1. Eligibility conditions

Three conditions must be met in order to receive benefits:

1. Income condition (see Section 3.2.3).
2. Property condition: The deposit savings amount of the household at the time of application must be no more than 6 times the base amount (1/12 of revenue for which inhabitant tax on per capita basis are not taxable^{(*)5}), and less than 1 million yen). Note that it is assumed that this condition is met in the TaxBEN model.
3. Job seeking condition
 - While receiving the benefit, the beneficiary should receive support such as job consultations at the Public Employment Security Office (at least twice a month) or

⁵ Note that this value differs by region.

interviews by municipal staff to secure housing and employment (at least four times a month).

- Make an employment application at least once a week.

Note that it is assumed that this condition is met in the TaxBEN model.

3.2.2. *Benefit amount*

The maximum benefit amount is the actual rent paid for accommodation, up to a maximum benefit amount set regionally. These amounts are the same as the maximum amounts of housing assistance in public assistance outlined in Section 3.1.2 above. The TaxBEN model uses the rates for Tokyo.

benefit = rent amount - (household income for the month – base amount)

where the maximum allowed rent is the housing assistance for public assistance (see section 3.1.2).

If net income is less than the base amount, the benefit provided is the full rent amount.

3.2.3. *Benefit duration*

The basic benefit duration is three months, and the duration can be extended up to nine months, provided certain requirements are met. Requests for extension should be filed every three months.

3.2.4. *Means test*

Household income for the month of application must be less than or equal to the base amount (1/12 of the income level for which the inhabitant tax on a per capita basis are not taxable plus the rent amount (up to the housing assistance component in public assistance). Note that this value differs by region.

The base amount for Tokyo (the example used in the TaxBEN model) are in the table below:

Number of family members	Base amount (JPY per month)
1	84,000
2	130,000
3	172,000

3.2.5. *Tax treatment*

The benefit is not taxable

3.2.6. *Interaction with other components of the tax-benefit system*

If the person is eligible for employment-related benefits, these take precedence over the provision of benefits for securing housing.

3.2.7. *Combining benefit receipt and employment/starting a new job*

When the beneficiary gets stable employment, such as a permanent or fixed-term contract of not less than six months, and their income exceeds the income threshold, the benefit provision is ended (as of the month that the income exceeds the threshold.)

4. Family benefits

Variable name: **[FB]**

4.1. *Child Allowance (Jido teate)*

This is a non-contributory benefit, not means-tested and not taxable.

4.1.1. *Eligibility conditions*

The benefit is available for children until graduation from junior high school. Those with incomes no less than this amount receive a lower Special Interim Allowance (stipulated in the supplementary provisions of the Child Allowance Act) as specified below.

4.1.2. *Benefit amount*

A monthly payment is available for each child until 31 March following their 15th birthday.

1. For persons earning incomes below the income threshold, per-child benefit amounts are as follows:
 - a) Under 3 years-old: JPY 15,000 per month.
 - b) Over 3 years old and prior to elementary school graduation (for the first and second children): JPY 10,000 per month
 - c) Over 3 years old and before elementary school graduation (for the third and subsequent children): JPY 15,000 per month
 - d) Junior high school students: JPY 10,000 per month
2. For persons earning incomes no less than the income threshold, the per-child benefit amount is as follows:
 - Special Interim Allowances: JPY 5,000 per month for each child until 31 March following their 15th birthday.

4.1.3. *Benefit duration*

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

4.1.4. *Means test*

The benefit is not means-tested tested as such, but there is an income threshold above which families receive a lower Special Interim Allowance. The income threshold is based on gross annual income minus the employment income deduction (see Section 8.1) minus JPY 80 000 - the amount paid towards public and private insurance premiums. In couples, this is generally the higher earner. The income threshold depends on the number of dependents (see the following table).

Number of dependents	Income threshold (JPY million)
Zero	6.22
1	6.60
2	6.98
3	7.36
4	7.74
5	8.12

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

None.

4.1.7. Combining benefit receipt and employment/starting a new job

No restrictions.

4.2. Child rearing allowance (*Jido fuyo teate*)

This is a non-contributory benefit, means-tested and not taxable.

4.2.1. Eligibility conditions

The benefit is available to mothers with custody of, or other guardians (grandparents, etc.), who are caring for their children (until the first March 31 after their 18th birthday or with specific disabilities younger than 20) but who receive no contribution towards living expenses from the father. It is also available to fathers with custody of and sharing living expenses with children that do not receive a contribution towards living expenses from the mother.

4.2.2. Benefit amount

Claimants can receive either a full benefit, or a partial benefit depending on their income (see section 4.2.4 below). Amounts for the full benefit over time are as follows:

Change date	Benefit amount (in JPY per month) One child	Two child	Additional amount for the third child and after
2002.8	42,370	5,000	3,000
2003.10	42,000		
2004.4	41,880		
2006.4	41,720		
2011.4	41,550		
2012.4	41,430		
2013.10	41,140		
2014.4	41,020		
2015.4	42,000		
2016.4	42,330		
2016.8	42,330	10,000	6,000
2017.4	42,290	9,990	5,990

The rates and withdrawal rates for the partial payment over time are as follows:

	One child		Two child		Additional amount for the third child and after	
Change date	The case of partial payment	coefficient	The case of partial payment	coefficient	The case of partial payment	coefficient
2002.8	42,360	0.0187052	5,000	-	3,000	-
2003.10	41,990	0.0185434				
2004.4	41,870	0.0184913				
2006.4	41,710	0.0184162				
2011.4	41,540	0.0183410				
2012.4	41,420	0.0182890				
2013.10	41,130	0.0181618				
2014.4	41,010	0.0181098				
2015.4	41,990	0.0185434				
2016.4	42,320	0.0186879				
2016.8	42,320	0.0186879	9,990	0.0028844	5,990	0.0017283
2017.4	42,280	0.0186705	9,980	0.0028786	5,980	0.0017225

4.2.3. Benefit duration

No limit, as long as the conditions are fulfilled.

4.2.4. Means test

The benefit is means-tested. Those with incomes above the threshold for the full benefit may receive a partial benefit, and those with incomes above the threshold for the partial benefit receive nothing.

The income measure used is gross annual income minus the employment income deduction (see Section 8.1) minus JPY 80 000 - the amount paid towards public and private insurance premiums.

Income thresholds are based on the number of dependents (see the following table):

Number of dependants	Applicant	
	Income-tested threshold of full benefit	Income-tested threshold of partial benefit
0	190 000	1 920 000
1	570 000	2 300 000
2	950 000	2 680 000
3	1 330 000	3 060 000
4	1 710 000	3 440 000
5	2 090 000	3 820 000

The amount of partial benefit is calculated as follows:

For families with one child,

Benefit amount = 42,290 – {(Amount of income – “Income –tested threshold of full benefit”) × 0.0186705 + 10}

The additional amount for the second child is calculated as follows:

Benefit amount = 9,990 – {Amount of income – “Income –tested threshold of full benefit”) × 0.0028786 + 10}

And the additional amount for the third and subsequent children as follows:

Benefit amount = 5,990 – {(Amount of income – “Income –tested threshold of full benefit”) × 0.0017225 + 10}

4.2.5. Tax treatment

The benefit is not taxable.

4.2.6. Interaction with other components of the tax-benefit system

Child rearing allowance is taken into account in the means test for social assistance.

4.2.7. Combining benefit receipt and employment/starting a new job

No restrictions, but earnings are taken into account in the means test as described above.

5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **January 1, 2018**.

Day-care centres are available for children whose parents need childcare as a result of work, illness, job seeking, etc. In such cases, day-care centres accept children between 0 and 6 years old prior to elementary school. In Japan, compulsory schooling starts on the 1st of April following a child’s 6th birthday.

5.1. Gross childcare fees

Variable name: `[JPcc_cost]`

The cost of childcare is estimated by the national government. A certain share of the cost is born by users and the rest is publicly funded. In the TaxBEN model, the gross childcare fee is set at the maximum fee paid by users.

The upper limit of the cost born by a user is set by the national government, depending on the residence tax of the user which is imposed based on the household income. The actual fee that a user pays is decided by the municipal government within the limit.

5.1.1. Discounts for part-time usage (not modelled)

See Section 5.2.2.

5.2. Fee discounts and free provision

5.2.1. Eligibility

In order to use day-care centres, parents should be recognized to be in need of childcare service for reasons such as in order to work.

5.2.2. Amount of discount or free provision

The upper limits of monthly cost born by users set by the national government are as follows:

		for children aged 3 and over		for children younger than 3 years old	
		for full- time workers	for part-time workers	for full-time workers	for part-time workers
1	Household income less than the public assistance threshold	0 yen	0 yen	0 yen	0 yen
2	Household income less than residence tax thresholds	For the first child 6000 yen For the second child and after 0 yen	For the first child 6000 yen For the second child and after 0 yen	For the first child 9000 yen For the second child and after 0 yen	For the first child 9000 yen For the second child and after 0 yen
		※single parent family 0 yen for all children			
3	Earnings related residence tax Less than 48,600 yen	16500 yen	16300 yen	19500 yen	19300 yen
		※for single parent family For the first child: 6000yen For the second child and after: 0 yen		※for single parent family For the first child: 9000 yen For the second child and after: 0 yen	
4	Earnings related residence tax Less than 57,700 yen	27000 yen	26600 yen	30000 yen	29600 yen
		※for single parent family For the first child 6000yen For the second child and after 0 yen		※for single parent family For the first child 9000yen For the second child and after 0 yen	
	Earnings related residence tax Less than 97,000 yen	27000 yen	26600 yen	30000 yen	29600 yen
5	Earnings related residence tax Less than 169,000 yen	41500 yen	40900 yen	44500 yen	43900 yen
6	Earnings related residence tax Less than 301,000 yen	58000 yen	57100 yen	61000 yen	60100 yen
7	Earnings related residence tax Less than 397,000 yen	77000 yen	75800 yen	80000 yen	78800 yen
8	Earnings related residence tax 397,000 yen or more	101000 yen	99400 yen	104000 yen	102400 yen

When two or more children use day-care centres at the same time, the fee for the second child is halved and for the third child and after, the service is provided free of charge.

For families whose earnings related residence tax is less than 57,700 yen, the fee for the childcare service for the second child is halved and for the third child and after, the service is free all the time, even after older children have entered elementary school.

5.2.3. Variation by income

See Section 5.2.2 above.

5.3. Childcare benefits for formal centre-based care

None.

5.3.1. Eligibility

5.3.2. Benefit amount

5.3.3. Benefit duration

5.3.4. Means test

5.3.5. Tax treatment

5.3.6. Interaction with other benefits

5.3.7. Combining benefit receipt and employment/starting a new job

5.4. Childcare allowance for children not using day-care centres

None.

5.5. Tax concessions for childcare expenditures

None.

5.5.1. Eligibility

5.5.2. Maximum amount

5.5.3. Variation by income

5.5.4. Impact on overall income tax calculation

6. In-work benefits

Variable name: **[IW]**

Re-employment allowance is contributory, not means-tested and not taxable.

6.1. Re-employment allowance (*Saisyusyoku teate*)

6.1.1. Eligibility conditions

Re-employment allowance is a lump sum paid to an unemployment benefit recipient who acquires steady employment or starts their own business with more than one-third of their available benefit duration remaining.

6.1.2. Benefit amount

The amount of re-employment allowance is equal to the remaining unemployment benefit period multiplied by either 0.6 or 0.7 times the daily basic allowance of unemployment benefit. The amount of the allowance varies according to the remaining benefit period as follows:

Condition	Amount
More than two-thirds of the prescribed duration of benefit remaining	The remaining benefit period \times 0.7 \times the daily amount of basic allowance
More than one-third of the prescribed duration of benefit remaining	The remaining benefit period \times 0.6 \times the daily amount of basic allowance

6.1.3. Benefit duration

Re-employment allowance is paid as a lump sum.

6.1.4. Means test

Not means-tested.

6.1.5. Tax treatment

Not taxable.

6.1.6. Interaction with other components of the tax-benefit system

The re-employment allowance is not reduced when an insured person receives other benefits. It is taken into account in the means test for social assistance.

7. Social security contributions and payroll taxes

7.1. Social security contributions (*Syakai hoken ryo*)

7.1.1. Contributions payable by employees and benefit recipients

Code in the OECD tax-benefit model: [\[SOCSEC_p; SOCSEC_s\]](#)

Social security contributions in Japan paid by employees are as follows (note that contributions are paid only on earnings, so benefit recipients do not pay any contributions if they have no earnings):

- Pension: 9.15% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of pensionable remuneration is JPY 620,000 and the insurable ceiling of the standard amount of bonus is JPY 1,500,000.

- **Sickness:** 5.00% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of standard remuneration is JPY 1,390,000 and the insurable ceiling of the yearly amount of standard bonus is JPY 5,730,000. Self-employed persons, irregular workers, pensioners, etc. are enrolled in National Health Insurance and pay contributions with a different premium rate.
- **Unemployment:** 0.3% of total remuneration except for businesses in the agriculture, forestry and fisheries, and construction sectors and those in the rice wine brewing business, where the rate is 0.4%. These exceptions are not simulated in the TaxBEN model.
- **Work injury and family allowance:** None. (Contributions payable only by employers).

Some low-earning secondary earners working less than full time are exempt from the pension and sickness contributions. To qualify for the exemption, a worker must have a higher-earning partner, be earning less than JPY 1 300 000 per year and work less than three-quarters of a full-time work week, unless certain eligibility requirements for Employees' Pension Insurance for part-time workers are not satisfied (note that it is assumed these requirements are met in the TaxBEN model).

7.1.2. Contributions payable by employers

Variable names: `[SSCR_p; SSCR_s]`

- **Pension:** 9.15% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of pensionable remuneration is JPY 620,000 and the insurable ceiling of the standard amount of bonus is JPY 1,500,000.
- **Sickness:** 5.00% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of standard remuneration is JPY 1 390 000 and the insurable ceiling of the yearly amount of standard bonus is JPY 5 730 000.
- **Unemployment:** 0.6% of total remuneration except for businesses in the agriculture, forestry and fisheries and construction sectors and those in the rice wine brewing business. The rate is 0.7% for businesses in the agriculture, forestry and fisheries sector and those in the rice wine brewing business, and 0.8% for businesses in the construction sector. These exceptions are not simulated in the TaxBEN model.
- **Work injury:** 0.25% to 8.8% 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. The minimum rate is used in the TaxBEN model.
- **Family allowance:** 0.29% of total remuneration.

8. Taxes

Japan has individual income taxation, though there are some joint elements as there are additional allowances for those who have a low-income spouse.

8.1. *Income tax (Shotoku zei)*

Variable names: [**INCTAX_p** ; **INCTAX_s**]

8.1.1. *Tax allowances*

Tax allowances in Japan are as follows:

- *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 whose income does not exceed JPY 10 000 000 who lives with a spouse whose income does not exceed JPY 380 000.
- *Special allowance for spouse*: the allowance included in the following table is given to a resident taxpayer who lives with a spouse:

Spouse's income	Amount
0-380,000	0
380,001-850,000	380,000
850,001-900,000	360,000
900,001-950,000	310,000
950,001-1,000,000	260,000
1,000,001-1,050,000	210,000
1,050,001-1,100,000	160,000
1,100,001-1,150,000	110,000
1,150,001-1,200,000	60,000
1,200,001-1,230,000	30,000
1,230,001 or more	0

- *Allowance for dependents*: if a resident taxpayer has children and other relatives whose income does not exceed JPY 380 000 and who are aged 16 and over, an allowance of JPY 380 000 is given for each dependent.
- *Special allowance for dependents*: if a resident taxpayer has dependents whose income does not exceed JPY 380 000 and who are between 19 and 22 years old, an allowance of JPY 630 000 is given for each dependent instead of the allowances for dependents mentioned above (not modelled).
- *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 earnings, 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 earnings.
- 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 earnings.
- 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 earnings.
- If gross employment income exceeds JPY 10 000 000, the deduction is fixed at JPY 2 200 000.

8.1.2. Tax base

For the purposes of the TaxBEN model, only earnings are taxed: there are no taxable benefits or other forms of private income included in the model.

8.1.3. Income tax schedule

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	40 000 000	40	2 796 000
40 000 000		45	4 796 000

(*) 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:

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

In addition, a taxpayer is required to file tax returns and make tax payments for additional 2.1% of the base income taxes from 2013 through 2037 annually together with the regular income tax of respective years.

8.1.4. Tax credits

8.2. Local income taxes (Jyumin zei)

Variable names: `[LOCTAX_p; LOCTAX_s]`

Local taxes in Japan (personal inhabitant's taxes) consist of prefectural inhabitant's tax levied by prefectures and municipal inhabitant's tax levied by cities, towns and villages. The prefectural inhabitant's tax is collected together with the municipal inhabitant's tax by cities, towns and villages.

Local taxes (prefectural and municipal inhabitant's taxes) consist of two parts; one is proportional taxable income and the other is a fixed per capita amount. The taxable income of personal inhabitant's taxes is computed on the basis of the previous year's income.

8.2.1. Tax allowances

The main difference from the central income tax is the amount of some income reliefs. Specifically, the amount of Basic Allowance, Allowance for Spouse, Allowance for Dependents is JPY 330 000 rather than JPY 380 000, and the specified allowance for dependants is JPY 450 000 rather than JPY 630 000. The Special Allowance for a Spouse is also lower, as follows:

Spouse's income	Amount
0-380,000	0
380,001-449,999	330,000
450,000-499,999	310,000
500,000-549,999	260,000
550,000-599,999	210,000
600,000-649,999	160,000
650,000-699,999	110,000
700,000-749,999	60,000
750,000-759,999	30,000
760,000 or more	0

8.2.2. Tax base

The tax base for local taxes is the same as for the central government tax, see Section 8.1.2 above.

8.2.3. Income tax schedule

- The standard fixed (annual) per-capita amount of Prefectural inhabitants tax is JPY 1 500.
- The standard fixed (annual) per-capita amount of Municipal inhabitants tax is JPY 3 500.

- The standard rate of the Prefectural and Municipal inhabitants tax is a flat rate of 10 per cent (Prefectural inhabitants tax: 4 per cent, Municipal inhabitants tax: 6 per cent). (This represents a country-wide average rate).

8.2.4. Tax credits

In 2006, 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	Tax credit amount
JPY 2 000 000 or less	5 per cent of the lesser of: <ul style="list-style-type: none"> • total amount of differences in personal reliefs between those for national income tax purposes and for local income tax purposes; or • taxable income for local income tax purposes
More than JPY 2 000 000	((total amount of differences in personal reliefs between those for national income tax purposes and for local income tax purposes) – (taxable income for local income tax purposes – JPY 2 000 000)) * 5%. The minimum credit is JPY 2 500

Note that local authorities do not levy the per-capita rate and the proportional rate on a taxpayer whose previous year's income does not exceed a certain amount. For example, in special wards of Tokyo, the example used in the TaxBEN model, this threshold is calculated as follows:

- per-capita rate: $(1 + \text{number of spouse and dependent(s) qualified for the allowance for spouse/dependents}) * 350,000 (+ 210,000 \text{ in case the taxpayer has a qualified spouse or dependent(s)})$
- proportional rate: $(1 + \text{number of spouse and dependent(s) qualified for the allowance for spouse/dependents}) * 350,000 (+ 320,000 \text{ in case the taxpayer has a qualified spouse or dependent(s)})$

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Japan that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Employment insurance for older workers

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

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