



Hello Okaya

Okaya International Center

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This newsletter is distributed four times a year by the Okaya International Center, with the aim of providing local foreign residents with information necessary for daily life, as well as insight into aspects of Japanese culture. Please feel free to contact us with your feedback or any questions you may have.

1. What is tax and why pay?

2. Japanese traditions.

3. Tax and daily life.

4. Defaulting on payments.

What Is Tax and Why Pay?

Tax is money that is used to maintain and improve our standard of living, and both Japanese and foreign residents have an obligation to pay it. Take for example public facilities which are built by the national, regional, and local governments so that we can lead comfortable, healthy lives. Examples of public facilities are schools, parks, police stations and boxes, fire stations, roads, traffic lights, and many other such things. National, regional, and local governments finance the building of these facilities and over half of the money comes from tax that we pay. Tax is used for a multitude of different purposes around us and in short is a kind of cost that we all share.

What is tax used for?

★For our safety

Policemen and police cars - for keeping people safe.

Firefighters and fire trucks - for when there are fires.

Ambulances - for carrying injured and other such people hastily to hospital.

Garbage collection trucks and incineration facilities - for keeping towns and cities clean.

★For our education

Tax is used for textbooks, desks, chairs, school repair and maintenance, science experiment apparatus, microscopes, and the majority of other items found in schools.

★For our health

Medical checks, vaccinations, etc...

★For our peace of mind

Pensions for the elderly, medical expenses, etc...



Japanese Traditions ~One point Japanese culture~



Doll's Festival

In Japan when a girl is born parents prepare dolls. In addition to taking on misfortune in place of the daughter, these dolls convey the parents' wish for their daughter to grow up healthily and as happily as a princess. Doll's Festival derives from the tradition of *hina asobi*, meaning playing with dolls, and from the old custom of using dolls to exorcise misfortune, known as *joshisetsu* held in late March on *mi no hi*. Doll's Festival is also sometimes referred to as *momo no sekku* as it occurs during peach blossom season and peach blossom was believed to ward off evil.



White Day

White Day is a chance for men that receive gifts on Valentine's day to send return gifts to women. White Day is a custom originating in Japan and is unique in that the date for responding to valentines is fixed. The custom of returning gifts and favours is common in Japan, and it would appear that men felt bad simply receiving gifts from women. For this

reason, the confectionary industry established White Day as a chance to return valentines. White takes place on March 14th one month after Valentine's Day.



Tax (Zeikin)

1 Tax

(1) Life and tax

People who live in Japan for more than one year, even when they are foreigners, are required to pay taxes in the same way as Japanese nationals, if they have a certain level of income (earnings). First of all, it's necessary to learn how taxes work in Japan.

(2) Types of taxes

Japanese taxes can be broadly divided into two types: national taxes which are paid to the state, and local taxes which are paid to the prefecture or municipality. The most representative national tax is income tax; the most representative local taxes are residence tax and motor vehicle tax. In addition, both national taxes and local taxes are each divided into two types: direct taxes and indirect taxes. Income tax and residence tax are examples of direct taxes, and consumption tax is an example of an indirect tax.

2 National tax

Taxes paid to the state are called national taxes, a term applying to income tax and consumption tax.

2-1 Income tax

(1) What is income tax?

Income tax is the tax levied on all income you earn between 1 January and 31 December of the year in question, and the income tax returns must be filed between 16 February and 15 March of the following year. However, the scope of the tax and the taxation rate differ between residents and non-residents, even for foreigners.

● Residents and non-residents

A "resident" is an individual who has an address in Japan or who is currently living in Japan and has lived continuously for more than one year. As a general principle, a foreigner who is a resident will be taxed at the same rate as Japanese nationals in general, according to his or her income.

A "non-resident" is an individual who does not fit into the resident category. As a general principle, he or she will be taxed at a rate of 20% of income.

● How to pay (filing income tax returns and withholding tax)

Persons running businesses must calculate their own income, necessary expenses, amount of tax etc., and file this at their direct tax office. This is called "filing income tax returns."

By contrast, people who receive salaries and bonuses from companies (salaried workers etc) do not need to file income tax returns. The company carries out payment of tax by automatically deducting income tax from the salaried worker's salary each month, which constitutes tax payment. This is called "withholding tax."

3 Local tax

Local taxes are the taxes which are calculated based on your income over the preceding year, paid to the prefecture or municipality where you are living as of 1 January of the year in question. These consist of residence tax, fixed asset tax, and motor tax which is levied on owners of motor vehicles.

3-1 Residence tax

(1) What is residence tax?

Residence tax is the fee for living as a "resident" in the region where you live. Residence tax is made up from a per-capita levy and a levy on income.

In the case of the 23 wards which make up Tokyo, residence tax is made up of a combination of "special ward residence tax" and "metropolitan residence tax."

In other regions, residence tax is made up of a combination of "prefectural residence tax" and "metropolitan residence tax."

(2) Filing for residence tax

As a general principle, persons with an address in a given municipality must file for residence tax at the



administrative office between 16 February and 15 March. However, those persons who meeting the criteria below do not need to file for residence tax.

- Persons who are salary income earners or pension recipients, and who have no source of income in the preceding year other than their salary or pension
- Person who have filed for income tax returns

4 Motor vehicle tax and light motor vehicle tax

4-1 Motor vehicle tax

The motor vehicle tax is a tax levied on persons who possess a motor vehicle as of 1 April each year. When a tax notice arrives from your prefectural administrative office, pay this tax through the post office or bank before the due date.

4-2 Light motor vehicle tax

The light motor vehicle tax is a tax levied on persons who possess an engine-powered cycle (moped), a small-sized special motor vehicle, a light motor vehicle, or a two-wheeled compact motor vehicle. When a tax notice arrives from your prefectural administrative office, pay this tax through the post office or bank before the due date.

4-3 Other taxes

In terms of taxes relating to motor vehicles, apart from local taxes such as the motor vehicle tax and light motor vehicle tax, there also exists the motor vehicle tonnage tax which is a national tax.



4-4 Registration procedures

The motor vehicle tax and light motor vehicle tax are levied on persons who possess a motor vehicle as of 1 April of each year. If you have passed a motor vehicle or light motor vehicle of yours onto another person, disposed of your vehicle, or had it stolen, be sure to undertake the procedures for registering a change of name, reporting it stolen, or disposing of it, at your nearest transportation bureau. If you do not carry out the necessary procedures you will continue to be taxed for the vehicle.

5 Tax payment certificate and proof of earnings

When you change your status of residence, enter your child into nursery school, or apply to move into public subsidized housing, you may need a tax payment certificate and proof of earnings. If you need these documents, please apply to the administrative office of the municipality where you are residing as of 1 January of the year in question (a fee will be charged).

The following items constitute proof of income: a copy of your income tax return, a certificate of income and withholding tax.

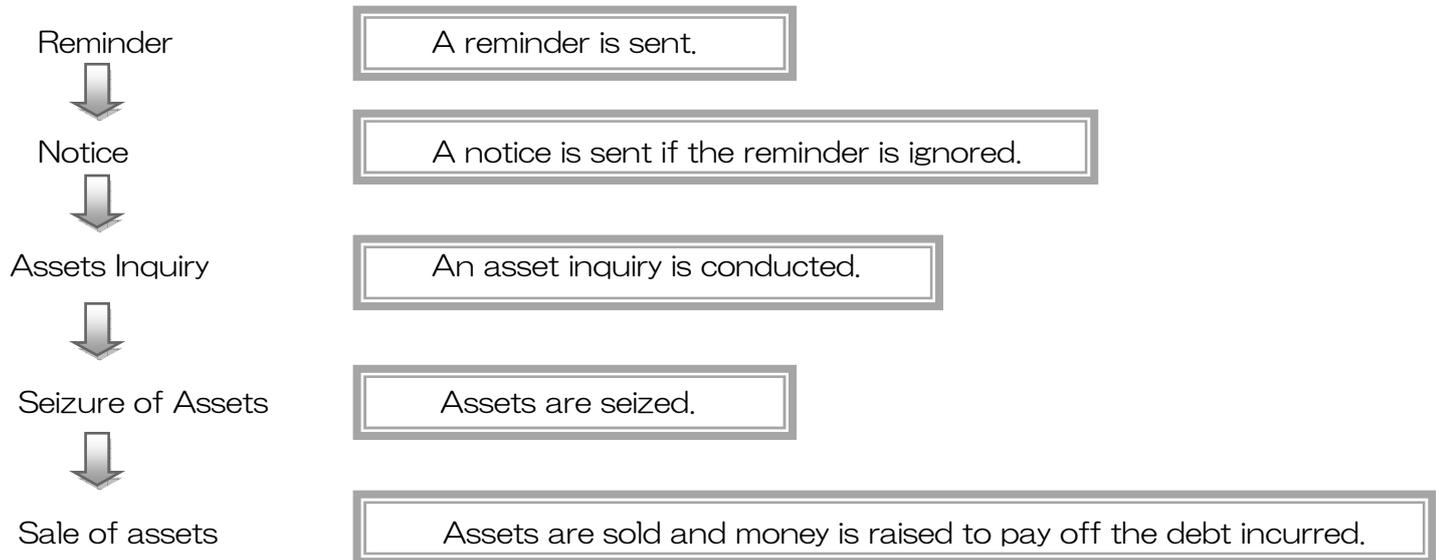
5-1 Procedures for avoiding double taxation

There are many cases where funds earned through working in Japan are used to start up a business or used to purchase land in the person's own country. There is a risk that in such cases double taxation could occur, whereby a large amount of tax is demanded by your own country. For this reason, Japan has signed bilateral tax treaties with the United States, China, South Korea, Brazil, Indonesia, the Philippines, Thailand and other countries to avoid double taxation. By proving that you paid tax on your income in Japan, you can avoid double taxation when you return to your own country.



Defaulting on Payments

★Defaulting - A Flow Chart★



Defaulting on Payments

If you do not pay tax by the due date, you must pay late payment charges and handling fees for reminders that are sent. If you continue to default on payment, your assets can be seized and you can forcibly be made to pay.

Seizure of Assets

Assets which can be seized are as follows:

- ★Real estate - land and property.
- ★Salary - salary and bonuses
- ★Pension - money paid as part of a public pension plan.
- ★Key money and deposit - Key money and deposits for apartments, offices, etc...
- ★Personal belongings - Cars, motor bikes, decorative ornaments, electrical items, securities, cash, and anything discovered during a search of one`s office or home.

Seized assets are then sold to raise money to pay off the debt.

Consult Your Local Tax Division

In the following instances it is possible to pay in installments and extend due dates, provided that you consult with the cities tax division.

- ★If you become unable to work due to illness or injury.
- ★If you lose your job or become unable to sustain yourself as a result of other such circumstances.
- ★If you have been a victim of theft or have been affected by a disaster.