CHAPTER XV

Securities Taxation

1. Transitions in Securities Taxation (1)

The income tax system of Japan is fundamentally based on comprehensive taxation (taxation on the total income). It traces its origin to the Shoup Recommendation on Japanese Taxation made soon after the war. Under the Shoup taxation system implemented in 1950, capital gains from the sales of securities, as well as interest and dividends, were subject to comprehensive taxation in full (capital losses were fully deductible). After the end of the Allied military occupation, however, the Japanese government authorized separate taxation on interest and, in principle, exempted from tax capital gains from the sale of securities primarily from a policy standpoint to encourage accumulation of capital, with the result that the ideal of comprehensive taxation on income rapidly collapsed. It was a sweeping reform of the taxation system carried out in 1987–1989 that helped the basic framework of the current income tax system to take shape. At that time, the structure of income taxation which consisted of 15 brackets (10.5%–70%) was changed to a flat system consisting of five brackets (10%–50%). In addition, the financial income taxation system was comprehensively overhauled, including the introduction of uniform separate withholding taxation on interest income; the abolition of the tax-exempt savings system, in principle; and separate taxation, in principle, on capital gains from the sale of securities. The structure of income tax rates was amended to four brackets (10%–37%) in the fiscal 1999 tax reform and to six brackets (5%–40%) in the fiscal 2006 tax reform. Under the fiscal 2013 tax reform, a 45% tax rate was established for taxable income exceeding ¥40 million. Furthermore, as part of the fiscal 2023 tax reform, measures were introduced to adjust the tax burden on extremely high levels of income. Based on the fiscal 2016 tax reform, the basic corporate income tax rate was reduced to 23.4% from 23.9% in FY2016, and was further reduced to 23.2% in FY2018. As a result, the tax rate for national and local income combined (the effective corporate tax rate) became 29.74% in FY2018.

Looking at major trends in Japan's securities taxation system during the late 1990s and early 2000s, the government established taxation systems for

Table XV-1. Securities Taxation Evolution Timeline (1949−2002)

Year	Major amendments	Income tax brackets
1949	Shoup recommendation	
1950	A comprehensive taxation of interest, dividends, and capital gains from the sale of securities is enforced.	8 brackets (20%−55%)
1951	The optional separate withholding tax (50%) on interest is revived.	
1952	The withholding tax on dividends (20%) is revived.	
1953	Securities capital gains are exempted from income tax, in principle. The securities transaction tax is instituted (0.15% of the value of stock transaction). A uniform separate withholding tax on interest (10%) is instituted.	11 brackets (15%−65%)
1954	The withholding tax on dividends is reduced (from 20% to 15%).	
1955	Interest is exempted from income tax. The withholding tax on dividends is lowered (from 15% to 10%).	
1957	The separate withholding tax only on interest on short-term savings is revived (10%).	13 brackets (10%−70%)
1959	The separate withholding tax on interest on long-term savings is revived (10%).	
1961	Securities capital gains tax is levied on certain large-lot transactions.	
1962		15 brackets (8%−75%)
1963	The withholding tax rate on interest and dividends is lowered (from 10% to 5%).	
1965	The withholding tax rate on interest and dividends is raised (from 5% to 10%). The system of not requiring declaration and the optional separate withholding tax on dividends (15%) are introduced.	
1967	The withholding tax on interest and dividends is raised (from 10% to 15%). The optional withholding tax on dividends is raised (from 15% to 20%).	
1969		16 brackets (10%−75%)
1970		19 brackets (10%−75%)
1971	The optional separate withholding tax on interest (20%) is revived.	
1973	The optional withholding tax on interest and dividends is raised (from 20% to 25%). The securities transaction tax is raised (from 0.15% to 0.3%).	(The taxable income applicable to tax rate brackets is raised in 1971 and again in 1974.)
1976	The optional withholding tax on interest and dividends is raised (from 25% to 30%).	
1978	The withholding tax rate on interest and dividends is raised (from 15% to 20%). The optional withholding tax rate on interest and dividends is raised (from 30% to 35%). The securities transaction tax is raised (from 0.3% to 0.45% for stocks, etc.).	
1981	The securities transaction tax is raised (from 0.45% to 0.55%).	
1984		15 brackets (10.5%−70%)
1987	A sweeping tax reform	12 brackets (10.5%−60%)
1988	- The *maruyu* system is abolished, in principle.	
1989	- Uniform separate withholding tax on interest (20%) (products similar to financial instruments are also subject to the uniform separate withholding tax). - Securities capital gains are taxed, in principle (introduction of a separate withholding tax of 1% of the stock transaction value). - The securities transaction tax is lowered (from 0.55% to 0.3%).	5 brackets (10%−50%)
1995		(In 1995, the taxable income applicable to tax rate brackets is raised.)
1996	Securities capital gains tax is normalized (from 5% of deemed capital gains to 5.25%). The securities transaction tax is lowered (from 0.3% to 0.21%).	
1998	The securities transaction tax is lowered (from 0.21% to 0.1%).	
1999	The securities transaction tax and exchange tax is abolished.	4 brackets (10%−37%)
2001	A tax exemption system is launched for small-amount capital gains from the sale of stocks held long term (abolished after the 2003 tax system reform). An emergency investment tax break is established.	
2002	The special account system is established (implemented January 2003).	

stock options, specific-purpose companies, and corporation-type investment trusts in 1998. Effective April 1999, it abolished the securities transaction tax and the exchange tax (imposed on futures and options trading), which had long been issues of concern. Further measures followed with the enhancement of the Angel Tax System in 2000 and the introduction of the tax-exemption system for profits on small sales amounts of stocks being held for the long term (a ¥1 million special tax exemption on stocks, etc., held for more than one year) and an emergency investment tax break (a tax exemption on up to ¥10 million of principal) in 2001. The introduction of the Specified Account System was included in the tax revisions for fiscal 2002, and the system was launched on January 1, 2003. During the same period, the government reorganized its tax-exempt small-amount savings system for the elderly, etc. (*Maruyu* savings system for the elderly, etc.), converting it into a tax-exempt small-amount savings system for persons with disabilities, etc. (*Maruyu* savings system for persons with disabilities, etc.).

2. Transitions in Securities Taxation (2)

Since 2003, the reforms in the securities taxation system have focused mainly

Table XV-2. Securities Taxation Evolution Timeline (Since 2003)

Year	Major amendments	Income tax brackets
2003	Consolidation of taxation of gains on transfer of securities into a single separate tax on tax declaration The tax exemption system for small-amount capital gains from the sale of stocks held long term is abolished	
2004	Preferential tax rate on dividends and capital gains from publicly offered stock investment trusts is introduced Tax rate on capital gains is reduced from the sale of unlisted stock (from 26% to 20%).	
2007	The expiration date of application for a preferential tax rate is extended for a year for dividends and capital gains of listed stocks, etc.	6 brackets (5%−40%)
2009	Mechanism is introduced enabling netting of dividends and capital gains and losses from listed stocks, etc. Preferential tax rate on dividends and capital gains of listed stocks, etc. is extended for three more years	
2011	Preferential tax rate on dividends and capital gains of listed stocks, etc. is extended for two more years	
2014	Nippon Individual Savings Account (NISA) is introduced	
2015		7 brackets (5%−45%)
2016	Tax system for bonds, etc. is changed and scope of profit and loss netting expanded Junior NISA is introduced	
2018	Introduction of installment-type NISA	
2020	Measures to adjust double taxation on investment trusts (foreign tax amount reduction) introduced.	
2024	Introduction of the Tsumitate NISA Introduction of measures to address double taxation (foreign tax credit) on publicly offered investment trusts and similar products Fundamental expansion and permanent implementation of NISA	

Table XV-3. Direction of the Doubling Asset-based Income Plan

3. Direction of the Plan
According to a survey by the Financial Services Agency, the most common reason inexperienced people have for not investing is "I don't have spare funds" (56.7%). The second is: "I don't have knowledge about asset management" (40.4%), while the third is: "Because I feel uneasy about purchasing/holding investments" (26.3%)

This survey shows the importance of simple, easy-to-understand and easy-to-use systems and the significance of allowing small-scale investments (100 yen to 1,000 yen), and that the effectiveness of long-term accumulation and diversification is not widely understood. In addition, in order to support households with financial asset formation so as to eliminate the lack of knowledge and dispel concerns, it is necessary to establish a neutral and trustworthy advisory system for consumers. Based on this, the following seven pillars will be promoted as part of an integrated effort toward doubling asset-based income.

(1) Radical expansion of and making permanent NISA to shift household financial assets from savings to investment
(2) Reform of the iDeCo system, such as raising the eligibility age
(3) Creation of a system to encourage the provision of neutral and reliable advice to consumers
(4) Enhancing asset formation for employees
(5) Enhancing financial and economic education to spread the importance of stable asset formation
(6) Realization of an international financial center open to the world
(7) Ensuring customer-oriented business conduct

Tax measures will be considered as part of future tax reforms.

Source: Extract from "Doubling Asset-based Income Plan" by the Council of New Form of Capitalism Realization.

on revisions in the preferential tax system for dividends and capital gains on listed stocks, etc., expanding the scope of offsetting losses against gains, and revisions concerning the tax exemption system.

In terms of the revisions relating to the preferential tax rate, in the fiscal 2003 tax reform, the government introduced a non-declaration requirement system that imposed only a fixed withholding tax of 20% (15% in income tax and 5% in local inhabitant tax) on dividends and capital gains from listed stocks, etc., and distributions of gains from publicly offered stock investment trusts. At the same time, the government introduced a preferential tax rate of 10% on a limited-time basis. In the fiscal 2004 tax reform, the government extended this preferential tax rate to cover taxable gains from publicly offered stock investment trusts. Then, in the fiscal 2007 tax reform, the government extended the preferential tax rate applicable to dividends and capital gains from the sale of listed stocks, etc. for another year. Furthermore, the fiscal 2009 tax reform extended the application period for the preferential tax rate by three years. The preferential tax rate was extended for another two years as part of the fiscal 2011 tax reform and ultimately remained in effect

until the end of 2013. To help fund the restoration of the areas stricken by the Great East Japan Earthquake, a special income tax for reconstruction is being levied from 2013 to 2037.

Looking at revisions to the scope of netting of losses against gains, the fiscal 2003 tax reform made it possible for investors to offset losses on redemptions (termination of agreement) of publicly offered stock investment trusts against capital gains on stocks, etc. The fiscal 2004 tax reform added a tax deduction carryforward system (three years) for capital losses on publicly offered stock investment trusts. To reduce the risk of investing in equities for individual investors, the fiscal 2008 tax reform also added a mechanism allowing investors to offset capital losses on listed stocks, etc., against dividends beginning in 2009. Although the application of this mechanism was limited in 2009 to investors who chose separate taxation on their dividend income from listed stocks, etc., it became possible to also do so using a withholding tax account from 2010. Furthermore, the fiscal 2013 tax reform enforced changes to the taxation method for bonds, etc., making it possible to offset income against losses for interest and capital gains on specified bonds, etc., and income from listed stocks starting in 2016.

With regard to the tax exemption system, NISA was introduced in 2014, followed by Junior NISA in 2016 and installment-type (Tsumitate) NISA in 2018. In response to the "Doubling Asset-based Income Plan" formulated by the Outline of the Grand Design and Action Plan for a New Form of Capitalism on November 28, 2022, the NISA program was fundamentally expanded and made permanent as part of the fiscal 2023 tax reform. Furthermore, as a result of the fiscal 2025 tax reform, the contribution limit for defined contribution pension plans has been raised, and the eligibility age for iDeCo was increased.

3. Taxation of Interest

Under the fiscal 2013 tax reform, changes were made to the taxation system regarding interest income to go into effect in 2016. The outline of the current system is as follows.

Interest on specified public and corporate bonds, as well as income distributions from publicly offered bond investment trusts and investment trusts managing publicly offered bonds, etc., are subject to withholding tax at a rate of 20% (20.315% including the special income tax for reconstruction) and separate taxation at the same rate (20% or 20.315% including the special income tax for reconstruction); however, taxpayers may also choose not to file a tax return for this income. Specified bonds are certain bonds, such as government bonds, local government bonds, foreign government bonds, publicly

Table XV-4. Interest Taxation System

Classification	Outline
Interest on specified bonds, as well as income distributions from publicly offered bond investment trusts and investment trusts managing publicly offered bonds, etc.	Separate taxation on the basis of self-assessment or no declaration necessary (20% withholding tax including 5% inhabitant tax)
Interest on deposits and savings, interest on bonds other than specified bonds, and income distributions from jointly managed investment trusts and privately placed bond investment trusts (Note 1)	Separate withholding tax (20% including 5% inhabitant tax)
Tax-exempt savings system	・Tax-exempt interest income earned from a small-amount deposit by persons with disabilities, etc. (on principal of up to ¥3.5 million) ・Tax-exempt interest income earned from a small-amount investment in public bonds by persons with disabilities, etc. (on principal of up to ¥3.5 million) ・Tax-exempt system for the workers' property accumulation savings for house construction plan and the workers' property accumulation savings plan (on principal of up to ¥5.5 million)

Notes: 1. Excluding interest on corporate bonds issued by a family company the payment of which is received by a corporate executive, etc. of the family company either directly or through a related company.
2. Special income tax for reconstruction is levied from 2013 to 2037.
Source: Compiled from materials made by National Tax Administration Agency.

offered bonds, and listed bonds.

Withholding tax at a flat rate of 20% (20.315% including the Special Income Tax for Reconstruction) applies to interest on savings and deposits and public corporate bonds other than specified public corporate bonds, as well as income distributions from jointly invested trust accounts and privately placed bond investment trusts. In addition, income from similar financial products (including benefits from fixed-term deposits, benefits based on agreements covered by Article 2, paragraph 4 of the Banking Act, interest on mortgage securities paid under specific contracts, profit on gold investment accounts, foreign exchange gains on foreign currency investment accounts, gains on policies such as single premium endowment or non-life insurance accounts that meet certain requirements) is uniformly subject to withholding tax at a rate of 20% (20.315% including the special income tax for reconstruction).

Tax-exempt systems of interest income include the tax-exempt small-amount savings system for persons with disabilities, etc. and the tax-exempt

Table XV-5. The Status of Taxation on Interest Income, Etc. (2023)

(millions of yen)

Classification	Amount paid		Withholding tax amount
		Taxable amount	
Public bonds	9,158,799	60,461	9,248
Corporate bonds	2,003,432	304,770	46,632
Deposits (banks)	815,337	675,651	102,103
Interest on deposits and savings at non-bank financial institutions	339,136	93,121	14,073
Interest on other deposits, including those held with the employer	65,014	64,790	9,598
Income distributions from jointly managed investment trusts	16,974	11,120	1,704
Income distributions from bond investment trusts, etc.	71,129	51,783	6,976
Interest on specified bonds, etc. (special withholding tax cases)	691,458	162,299	24,840
Benefits from fixed term deposits	63,332	60,964	9,244
Other	1,104,554	944,438	191,118
Total	14,329,163	2,429,396	415,537

Notes: 1. Taxable amount includes not only that paid to individuals but also that to corporations.
2. Interest on specified bonds, etc. (special withholding tax cases) refers to special cases whereby the payment processor withholds tax and pays it to the government on behalf of the income payer.
3. As fractions were rounded to the nearest whole number, the figures may not add up to the actual total amounts.

Source: Compiled based on the data available on the website of the National Tax Agency of Japan.

system of interest income for workers' asset accumulation savings plan (tax-exempt system for property accumulation).

The tax-exempt small-amount savings system for persons with disabilities includes a tax-exempt system for interest income on small-sum savings for persons with disabilities (commonly known as *Maruyu* savings for persons with disabilities, etc.) and one for interest income on small-amount public bonds for persons with disabilities (commonly known as special *Maruyu* for persons with disabilities, etc.). Both of these systems have a tax-exempt upper limit of ¥3.5 million of principal. Therefore, by utilizing all of these options, returns on a principal amount of up to ¥7 million per person become tax-exempt. The government abolished the previously available tax-exempt system for interest income on postal savings for persons with disabilities, etc., after the privatization of postal services. Qualified persons with disabili-

ties include persons with a physical disability certificate, persons who receive a disability pension, wives who receive survivors' basic pension benefits or a widow's pension.

The tax-exempt system for property accumulation includes the workers' property accumulation savings plan for house construction and the workers' property accumulation pension savings plan. These savings plans are designed to encourage workers below 55 years of age to buy houses and ensure stability in retirement, with interest not taxed on a combined principal of up to ¥5,500,000. However, workers' property accumulation savings plans investing in life insurance, property insurance, etc., have a nontaxable upper limit of ¥3,850,000.

4. Taxation of Dividends

In principle, not taking into consideration the special income tax for reconstruction, dividends, income distributions from publicly offered stock investment trusts, and other applicable income earned by stockholders or investors are subject to comprehensive taxation after the payment of 20% withholding tax. When comprehensive taxation is levied on dividend income, the Income Tax Act allows the deduction of a certain percentage of dividend income (tax credits for dividends) to avoid double taxation.

For income distributions from publicly offered stock investment trusts and for dividends paid on listed stocks other than those paid on large shareholdings (those paid to a shareholder who holds 3% or more of the outstanding shares of a corporation), the taxpayer has the option of comprehensive taxation, separate taxation on the basis of self-assessment, or non-declaration of dividend income (withholding tax only on their dividend income). For a limited period, stockholders and investors enjoyed a preferential tax rate of 10% (10.147% in 2013) on this income. However, from 2014 to 2037, the rate is 20.315%, after which a tax rate of 20% will be applied. For a limited period, stockholders and investors have enjoyed a preferential tax rate of 10% (10.147% in 2013) even for separate taxation on the basis of self-assessment. However, from 2014 to 2037, the rate is 20.315%, after which a tax rate of 20% will be applied. Choosing separate taxation on the basis of self-assessment became an option from 2009. Moreover, from 2010, investors have been able to combine dividends, etc., from listed stock, etc., in their withholding tax accounts. The term "listed stock, etc.," refers to shares that are listed on domestic and foreign stock exchanges, as well as ETFs (exchange-traded funds) and specified bonds.

Meanwhile, dividends on stocks other than listed stocks (unlisted stocks) and those received by large individual shareholders are subject to compre-

Table XV-6. An Outline of Dividend Income Taxation

<table>
<tr><th colspan="3">Classification</th><th>Outline</th></tr>
<tr><td colspan="3">Distributions from publicly offered stock investment trusts, etc.</td><td rowspan="2">・Comprehensive taxation
Dividend on listed stocks, etc. (5% to 45% income tax; 10% inhabitant tax)
(Dividend deduction applicable)
・Select either separate taxation on the basis of self-assessment
Dividend on listed stocks, etc. (15% income tax; 5% inhabitant tax)
(non-declaration is also possible)</td></tr>
<tr><td rowspan="3">Dividend of surplus, dividend of profits, distribution of surplus, etc.</td><td colspan="2">Dividend on listed stocks, etc. (excluding large shareholdings) (Note 1)</td></tr>
<tr><td colspan="2">Other than above</td><td>Comprehensive taxation (tax credits for dividends)
(5% to 45% income tax, 10% inhabitant tax)
(20% withholding)
(20% income tax)</td></tr>
<tr><td>Dividend paid at one time is no more than:
¥100,000 × $\frac{\text{Dividend computational period}}{12}$
Items below</td><td>No declaration necessary
(20% withholding)
(20% income tax)</td></tr>
</table>

Notes: 1. For dividends on listed stocks, etc., dividends paid to large shareholders (those whose who hold 3% or more of the total number or total amount of issued shares or capital) are subject to 20% withholding tax (income tax) as well as, in principle, comprehensive taxation. The same applies to any person who receives dividends of listed stocks, etc. on or after October 1, 2023, and who together with any company that is classified as a family company if that person is taken as the shareholder for the basis for the categorization, accounts for 3% or more of the total number of issued shares or capital.

2. In addition, from January 2013 to December 2037, a 2.1% special income tax for reconstruction is levied against the amount of income tax as a time-limited measure.

Source: Based on the web site of the Ministry of Finance.

hensive taxation after paying 20% withholding tax (20.42% from 2013 to 2037). In this case, shareholders may choose not to file a tax return if the amount of dividends paid at one time does not exceed the amount obtained by prorating ¥100,000 over the dividend computation period. However, local inhabitant tax is subject to comprehensive taxation.

With regard to income distributions from publicly offered equity mutual funds, a dividend deduction is allowed if the comprehensive taxation system is chosen; however, the dividend deduction rate varies depending on the proportion of foreign currency-denominated assets and non-equity assets held by the equity mutual fund. For example, a dividend deduction is not allowed if at least one of the following exceeds 75%: the proportion of foreign currency-denominated assets or the proportion of non-equity assets. Income distributions from privately placed stock investment trusts of the contractual type (see section 10 below) are, in principle, subject to comprehensive taxation after withholding tax (dividend deductions are allowed).

Table XV-7. Taxation of Dividend Income (withheld at source) (2023)

(millions of yen)

Classification	Amount paid			Withholding tax amount
		Taxable amount	Tax-exempt amount	
Dividends of surplus or profits, distributions of surplus, distributions of interest on funds, and dividends, etc. on investment units of specified investment corporations	42,887,762	27,176,986	15,710,777	4,922,260
Income distributions from investment trusts and specified beneficiary certificate-issuing trusts	3,195,164	1,394,982	1,800,181	275,939
Dividends, etc. received in withholding tax accounts	2,806,099	2,806,099	−	424,315
Total	48,889,025	31,378,067	17,510,958	5,622,514

Notes: 1. Bond investment trusts and investment trusts managing publicly offered bonds, etc., are not included in "investment trusts"
2. "Taxable amount" includes not only that paid to individuals but also that to corporations.
3. As fractions were rounded to the nearest whole number, the figures may not add up to the actual total amounts.

Source: Compiled from the National Tax Agency website.

For the purpose of computing the amount of dividend income, interest paid on a debt incurred to acquire stocks, etc., may be deducted from the taxable income. However, this is allowed only when the investor files a tax return.

5. Adjustment of Double Taxation Relating to Dividends

Profits generated by a business corporation through its business activities should, basically, be returned to the owners of that corporation. However, corporate income is usually taxed twice: corporate income tax and individual income tax (dividend tax and capital gains tax). Considering that, ultimately, it is the individuals who ultimately bear the tax burden, some adjustments have to be made to avoid double taxation. This is the question of consolidating corporate tax and an individual's income tax. Ideally, all forms of double taxation of corporate income—be it retained earnings or dividends—should be adjusted. However, adjustments are chiefly made to the dividend portion.

In Japan, in the case of individual shareholders, a dividend tax credit system is applied under which 10% of dividend income from sources such as distribution from surplus ("dividend income") (and 2.8% for inhabitant tax)

Table XV-8. Dividend Taxation and Double Taxation Adjustment in Major Countries

(As of January 2023)

	Taxation system	Reconciliation with income tax
Japan (Note 2)	Choice between separate taxation and comprehensive taxation [Separate taxation] 20.3% or [Comprehensive taxation] 10–55.9% *It is also possible to choose the "no filing required" option with withholding tax only (20.3%).	Dividend income tax credit method (If comprehensive taxation is selected)
United States (Note 3)	Separate taxation Tiered taxation (federal tax) 3 levels: 0%, 15%, and 20% (Note 4) + Comprehensive taxation (state and local taxes) (Note 5) (In New York City, 7.1–14.8%)	No adjustments
United Kingdom	Separate taxation Tiered taxation 3 levels 8.8, 33.8, and 39.4% (Note 6)	Partial deduction method for dividend income (Deduction of £2,000 from dividend income)
Germany	No need to file a tax return (withholding tax) *Comprehensive taxation is also possible (Note 7) 26.4%	No adjustments
France (Note 8)	Choice between separate taxation and comprehensive taxation [Separate taxation] 30% or [Comprehensive taxation] 17.2–62.2%	Partial deduction method for dividend income (60% of dividends received are included in the shareholder's taxable income) *If comprehensive taxation option is selected

Notes: 1. Tax rates are rounded to two decimal places.
2. This refers to dividends on listed stocks, etc. (other than those paid to large shareholders).
3. This applies to qualified dividends.
4. Income is accumulated in the order of employment income, dividend income, and long-term capital gains, and the applicable tax rate is determined for each type of income. In addition, if gross income exceeds the threshold amount, an additional 3.8% tax is levied on net investment income, up to the amount of the excess.
5. Tax rates and other provisions vary by state and local governments.
6. Income is accumulated in the order of employment income, interest income, and dividend income, and the applicable tax rate is determined for each type of income.
7. Comprehensive taxation can be applied by filing a tax return if this is more advantageous to the taxpayer than not filing a tax return. However, if the taxpayer is disadvantaged by choosing comprehensive taxation after filing a tax return, the tax authorities will treat the capital income as if it had not been declared, and only withholding tax at the rate of 26.375% will be imposed (the same treatment as if no tax return had been filed).
8. As a limited-time measure from January 2012 until the fiscal deficit is resolved, an additional 3–4% tax will be imposed on the amount by which taxable income, after adding back certain deductions and other adjustments, exceeds the threshold amount.

Source: Compiled from the Ministry of Finance website.

is deducted from the tax liability. However, in the case of those whose taxable income exceeds ¥10 million, 5% of such part of their dividend income that pushes their taxable income over and above ¥10 million (and 1.4% for inhabitant tax) is deductible. For instance, when individual shareholders have a total taxable income of ¥13 million (¥9 million in general income and ¥4 million in dividend income), they are entitled to a tax deduction of 5% of such part of their dividend income that pushes their taxable income over and above ¥10 million, which is ¥3 million (=¥13 million − ¥10 million), and 10% of other part of their income, which is ¥1 million. Therefore, they are entitled to a tax deduction of ¥250,000 (¥150,000 (=(¥13 million − ¥10 million) × 0.05) + (¥100,000 (=(¥10 million − ¥9 million) × 0.1).

In the US and Germany, no adjustment measures are used. In the UK and France, the partial dividend income deduction method is used. In foreign countries, the imputation method was broadly adopted as a method to adjust for double taxation. In this method, dividends including corporate income tax are included in taxable income for the purposes of calculating income tax, and then the amount equivalent to corporate income tax is deducted from the calculated tax amount. The dividend tax credit (dividend-received deduction) employed in Japan and the partial imputation method employed in the UK are both types of imputation methods. Other methods used to adjust for double taxation include the dividend paid deduction method (which authorizes deduction of dividends paid on the corporate level from corporate taxable income) and the comprehensive business income tax method (CBIT). Interest and dividends are not deductible from taxable income on the corporate level, and such interest and dividends received by individuals are not subject to income tax.

6. Capital Gains Taxation

In 2003, the system of opting for a separate withholding tax or for separate taxation on the basis of self-assessment for gains on the sale of listed stocks, etc., was abolished, and these taxes were unified into the latter system of separately filing an income tax return. In other words, not taking into account the special income tax for reconstruction, a 20% tax rate (a 15% income tax and a 5% inhabitant tax) is applied to an amount of income arrived at by deducting the cost of acquiring or selling the security and interest paid on the fund used for the purchase of such security from the proceeds of such security. The capital gains from the sale of listed stocks, etc. may be treated so as to deal with issues related to taxable income based on withholding tax only using a specified account which will be discussed later. Previous to 2003, capital losses from the sale of stocks, etc., were deductible only from capital

Table XV-9. Outline of the Capital Gains Taxation System for Stocks, Etc.

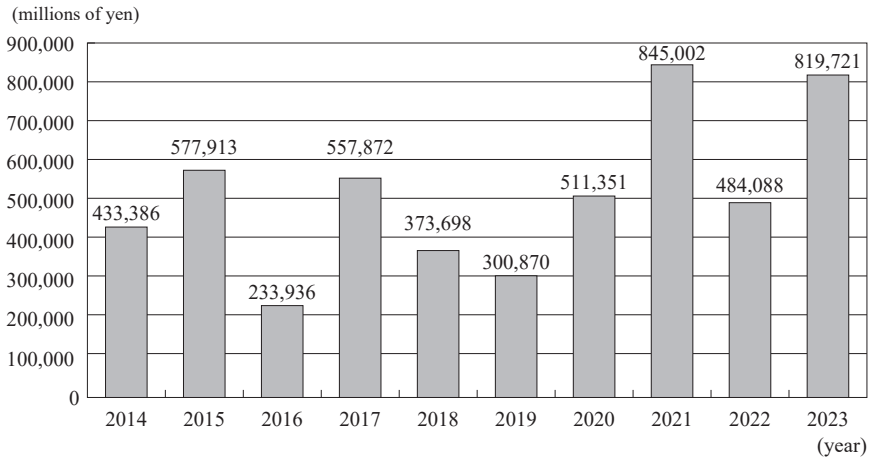
	Outline
Listed stocks, etc. ・Listed stocks ・ETF ・Publicly offered investment trusts ・Specified bonds, etc.	Separate taxation on the basis of self-assessment Capital gains on listed stocks, etc. × 20% (15% income tax: 5% inhabitant tax) *Special exception on no declaration necessary for withholding tax account For income maintained in a withholding account (specified account selected for tax withholding purpose) from the sale of listed stocks, etc. taxable-income-related issues may be completed based on withholding tax only. *Gain/loss offset and carrying-forward of unused deductible losses relating to listed stocks, etc. Losses from the sale of listed stocks, etc. may be deducted from the amount of dividend income, etc. on listed stocks, etc. for the same year. For unused deductible losses relating to unlisted stocks, etc., the investor may carry it forward for a three-year period starting from the following year as deduction from the amount of capital gains from listed stocks, etc. (Note 3) and the amount of dividend income, etc. from listed stocks, etc.
General stocks, etc. (Stocks, etc. other than listed stocks)	Separate taxation on the basis of self-assessment Capital gains on general stocks × 20% (15% income tax, 5% inhabitant tax)

Note: From January 2013 to December 2037, a 2.1% special income tax for reconstruction is separately levied against the amount of base income tax as a time-limited measure.
Source: Compiled based on information available on the website of the Ministry of Finance.

gains from the sale of other stocks, etc., if any, made during the same year, and it was not permissible to carry forward any unused losses. However, since 2003, investors have been able to carry forward capital losses from the sale of listed stocks, etc., for three years, starting with the year following their occurrence. Also, since 2009, investors have been able to deduct capital losses on listed stocks, etc., from dividends, etc., received from listed stocks, etc. Furthermore, starting in 2016, based on the change in the taxation method for bonds, etc., it became possible to offset income against losses for interest and capital gains from specified bonds, etc., and income from listed stocks, etc. Separate self-assessment taxation shall apply to general shares, etc.

Along with the abolition of the separate withholding tax system, the authorities have sought to lessen the reporting burden on investors by establish-

Chart XV-1. Withholding Taxes on Capital Gains on the Sale of Listed Stock, Etc., Managed in Special Brokerage Accounts



Source: Based on the website of the National Tax Agency of Japan.

ing a Specified Account System. Under this type of account, a securities company computes capital gains or losses, as the case may be, for its client from the sale of shares of a listed stock, etc., made through a special brokerage account. The account is divided into two categories: the withholding tax account (account with tax withholding) and the simplified reporting account (account without tax withholding). When an investor sells their shareholdings through the withholding tax account, the securities company withholds the tax, obviating the need for the investor to file an income tax return. Furthermore, from 2010, it became possible for the securities company to deposit dividends from listed stocks, etc. of clients that are subject to withholding tax into the withholding tax account set up for the clients. However, if an investor using such an account also files a final return, the investor is also allowed to include capital gains or to offset capital losses from the sale of such shares through another account. When an investor opts for the income tax withholding account and does not file a final return, the spousal deduction is not affected. If an investor opts for the simplified income tax return account, they will be able to make a simple declaration using the annual statement of stock trading under a special brokerage account received from their securities company (From April 1, 2019, it is not required to attach this statement). Currently, securities companies must send an annual statement of stock trading to the client and the tax office no matter what type of special brokerage account is selected by the client. Additionally, due to changes in the taxation

method for bonds, etc. starting in 2016, the scope of application of the special account has expanded.

7. The Angel Tax System

The Angel Tax System refers to tax incentives for individual investors designed to encourage investment in startups and was established as part of the fiscal 1997 tax reform. The term "angel" refers to individual investors who have invested in specified small and medium-sized companies (including specified small and medium-sized companies, specified joint stock companies, and specified new small and medium-sized companies). A "specified small or medium-sized company" refers to a corporation or other entity such as the following. (1) A joint stock company that falls under the category of specified new small to mid-sized company as defined in Article 6 of the Small and Medium-sized Enterprises Business Enhancement Act, etc.; (2) A Japanese corporation that is a joint stock company and is less than 10 years old since incorporation (limited to those that qualify as a small and medium-sized enterprise as listed in each item of Article 2, paragraph 1 of the Basic Act on Small and Medium-Sized Enterprises and meet certain other requirements); (3) A Japanese corporation that is a designated company as defined in Article 57-2, paragraph 1 of the Act on Special Measures for the Promotion and Development of Okinawa and is designated pursuant to the provisions of that paragraph between April 1, 2014, and March 31, 2027.

As shown on the right-hand page, the preferential measures under the current system consist of tax deferral or tax exemption at the time of investment, and the carryover deduction of capital losses at the time of the sale of the shares.

The fiscal 2023 tax reform created tax exemption measures for reinvestment in startups. This new measure meant that when an investor sells shares and reinvests in a self-funded startup or a startup at the pre-seed or seed stage, capital gains on the reinvested portion are not subject to tax, and this applies to reinvestments made on or after April 1, 2023. The upper limit of capital gains was ¥2 billion, with taxation on the amount over the limit able to be deferred. At the same time, the requirements for investment in self-funded startups and pre-seed/seed-stage startups were relaxed.

Under the fiscal 2024 tax reform, if certain requirements are met when acquiring shares through exercising stock options, the amount paid to acquire those stock options may now be included in the acquisition cost of the shares for tax purposes.

Under the fiscal 2025 tax reform, the reinvestment period for shares eligible for Preferential Treatment B and the special provisions for pre-seed and

Table XV-10. Summary of Angel Taxation System

<table>
<tr><td colspan="7">1) Time of investment</td></tr>
<tr><td>Type of measure</td><td>Deductible items</td><td>Recipient of deductions</td><td>Details</td><td>Maximum deduction</td><td>No. of years since establishment</td><td>External capital ratio</td></tr>
<tr><td>Special provisions for starting a business</td><td>Full amount invested with own funds at the time of company establishment</td><td>Deduction from stock transfer profits for the year</td><td>Tax exempt</td><td>No upper limit (tax exempt up to ¥2 billion investment, any amount exceeding that is deferred taxation)</td><td>Less than 1 year</td><td>1/100 or more</td></tr>
<tr><td>Preferential treatment A</td><td rowspan="2">(Full amount invested in target company −¥2,000)</td><td rowspan="2">Deducted from total income for that year</td><td rowspan="3">Deferred taxation</td><td rowspan="2">Gross income ×40% or ¥8 million, whichever is lower</td><td rowspan="2">Less than 5 years</td><td>1/6 or more</td></tr>
<tr><td>Preferential treatment A-2</td><td>1/20 or more</td></tr>
<tr><td>Preferential treatment B</td><td rowspan="2">Full amount invested in target company</td><td rowspan="2">Deduction from stock transfer profits for the year</td><td>No upper limit</td><td>Less than 10 years</td><td>1/6 or more</td></tr>
<tr><td>Pre-seed/seed stage special case</td><td>Tax exempt</td><td>No upper limit (tax exempt up to ¥2 billion investment, any amount exceeding that is deferred taxation)</td><td>Less than 5 years</td><td>1/20 or more</td></tr>
<tr><td colspan="7">▼</td></tr>
<tr><td colspan="7">2) At time of stock sale: Deduction for transfer loss carried forward</td></tr>
<tr><td colspan="7">Not only can losses incurred from the sale of unlisted venture company shares be aggregated (offset) with other gains from the transfer of shares in the same year, but any losses not aggregated (offset) in any given year can be aggregated (offset) with gains from the transfer of shares successively over the following three years.

* Losses can be carried forward over the following three years if the startup company loses value due to bankruptcy, dissolution, etc., without being listed.
* If the investor received preferential treatment in the year of investment in a startup company, the loss on sale is calculated by subtracting the tax-deferred portion of the tax-deductible amount from the acquisition price.</td></tr>
</table>

Source: Ministry of Economy, Trade and Industry website.

seed-stage investment has been extended to the end of the year following the year in which the capital gains from the sale of the shares were realized. In addition, a holding period until the end of the year following the year of acquisition has been established for shares eligible for tax exemption under the

special provisions for pre-seed and seed-stage investment. If the shares are transferred during this holding period, the tax exemption will not apply, and the treatment switches to tax deferral. These measures apply to shares acquired on or after January 1, 2026.

8. NISA

Based on the fiscal 2013 tax reform, NISA was introduced in January 2014. NISA is the nickname for a small amount investment tax-exemption scheme, the tax exemption measure on dividends and capital gains on small investments in listed stocks, etc., in tax-free accounts. NISA is modeled on the Individual Savings Account (ISA) — a preferential tax system for investments and savings introduced in the U.K. in 1999 — and it was initially referred to as the Japanese version of the ISA. The "N" in NISA stands for NIPPON (Japan). Following the introduction of the Junior NISA in April 2016 and Tsumitate NISA in January 2018, the original instrument is referred to as the General NISA.

As of 2023, there were three types of NISA: General NISA, Tsumitate NISA and Junior NISA. The tax-exempt holding period of the General NISA is five years, with an annual tax exemption limit of ¥1.2 million, and the investments that can be held are listed stocks and publicly offered stock investment trusts. In contrast, the tax-exempt holding period of the Tsumitate NISA is 20 years, with an annual tax exemption limit of ¥400,000, and the investments that can be held are certain investment trusts suitable for long-term accumulation and diversification. The two NISAs cannot be held in combination and only one of them can be selected. The tax-exempt holding period of Junior NISA is five years, with an annual tax exemption limit of ¥800,000, and the investments that can be held are the same as those for the General NISA. In principle, no withdrawals are allowed until the holder turns 18 years old. The Junior NISA was abolished at the end of 2023 under the 2020 tax reform, and new purchases will not be allowed after 2024.

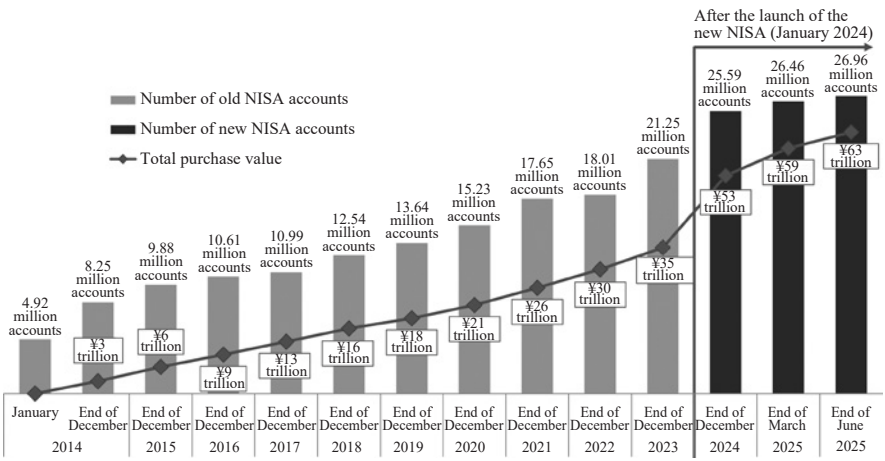
As a result of the fiscal 2023 tax reform, a new system came into effect in January 2024. From 2024, a Tsumitate investment quota and a Growth investment quota were implemented, and these can be used simultaneously. The annual investment limit is ¥1.2 million for the Tsumitate quota and ¥2.4 million for the Growth quota. Therefore, the effective annual contribution limit is ¥3.6 million. The combined upper tax-exempt holding limit for the two quotas is ¥18 million (including a ¥12 million limit for the Growth Investment quota), and unused capacity may be reused. The tax-exempt holding period is unlimited and the period during which an account can be opened is indefinite. The investments covered under the Tsumitate quota are the

Table XV-11. NISA from 2024 (New)

	Tsumitate quota	Growth quota
Utilization of systems	Can be used in combination	
Annual investment limit	¥1.2 million	¥2.4 million
Tax-exempt holding period	Indefinite	Indefinite
Limit of tax-exempt holding (Total limit)	¥18 million (Limit can be reused)	
		¥1.2 million (within Growth quota limit)
Account opening period	Permanent	Permanent
Investment products	Certain investment trusts suitable for long-term accumulation and diversification	Listed stocks/investment trusts, etc
Eligible age	18 years and upward	18 years and upward
Relationship to old system	Products invested in the General NISA and the Tsumitate NISA by the end of 2023 are tax-exempt under the old system and outside the new system (rollover from old system to new system not allowed).	

Source: Compiled from FSA website.

Chart XV-2. NISA Usage



Note: Figures up to the end of December 2023 (“Number of Old NISA Accounts” and “Total Purchase Value”) represent the combined totals for the General NISA and Tsumitate NISA.
Source: FSA “Trends in NISA usage (Graph)”.

same as for the Tsumitate NISA, namely specified investment trusts suitable for long-term accumulation and diversification. The Growth quota covers listed stocks and investment trusts. Rollover from the old system to the new system is not allowed.

The government has set a target of 34 million NISA accounts and ¥56 trillion in NISA purchases by the end of December 2027. As of the end of March 2025, the number of accounts stood at 26.46 million, and the total purchase amount was ¥59 trillion, indicating that the purchase target has been achieved ahead of schedule.

9. Taxation of Nonresidents

The Income Tax Act of Japan divides individuals into residents and nonresidents. Residents are individuals who have a domicile in Japan or a temporary residence at which they have been living for one year or more. All individuals other than residents are deemed nonresidents. Of the residents, individuals who do not have Japanese citizenship and who have or have had a domicile in Japan or a temporary residence at which they lived for a total of no more than five years in the past 10 years are referred to as non-permanent residents. The entire income (worldwide income) of residents other than non-permanent residents is subject to income tax. For non-permanent residents, income other than foreign-source income and foreign source income (limited to income earned in Japan or income remitted to Japan) is taxable. For nonresidents, tax is imposed on their domestic source income only. The method of imposition of income tax for nonresidents, i.e. whether the comprehensive taxation applies or the separate withholding tax applies, varies depending on the type of domestic source income, whether the nonresident has a permanent establishment (PE) in Japan or not, and whether the domestic source income is traced to the PE. A permanent establishment (PE) refers to: (1) a branch PE (a place in Japan where a non-resident, etc. manages a business, a branch, office, factory, or workshop, mine, oil or natural gas well, quarry or other place where natural resources are extracted); (2) a construction PE (a long-term construction site, etc. in Japan for nonresidents, etc.); (3) an agent PE (agents, etc. based in Japan on behalf of nonresidents, etc. who meet certain requirements).

For example, looking at the taxation system for interest and dividends, of the domestic source income of a nonresident, etc., income attributable to a permanent establishment of the nonresident, etc. (income attributable to PE) is subject to comprehensive taxation after withholding at the source, while income other than that corresponding to income attributable to PE is subject to a separate withholding tax. The withholding tax rate is 15.315% and

Table XV-12. Outline of Matters Related to Taxation of Nonresidents, Etc.

Nonresident category / Type of income	Nonresidents with a permanent establishment in Japan		Nonresidents without a permanent establishment in Japan	Withholding tax
	Income attributable to permanent establishment	Other income sourced in Japan		
(Business income)	[Comprehensive taxation]	[Tax-Exempt Income]		None
(1) Income arising from investment/holding of assets *Excluding those corresponding to (7) through (15) below		[Comprehensive taxation (partial)]		None
(2) Income arising from transfer of assets				None
(3) Distribution of business profit of partnership	[Separate withholding tax followed by comprehensive taxation]	[Tax-Exempt Income]		20.42%
(4) Proceeds from sales of land, etc.		[Separate withholding tax followed by comprehensive taxation]		10.21%
(5) Compensation for personal services				20.42%
(6) Rental income, etc., from real estate				20.42%
(7) Interest, etc.		[Separate withholding tax]		15.315%
(8) Dividends, etc.				20.42%
(9) Loan interest				20.42%
(10) Usage fees, etc.				20.42%
(11) Salary or other remuneration for personal services, public pension income, severance pay, etc.				20.42%
(12) Prize money from business advertising and promotion				20.42%
(13) Annuity income, etc., from life insurance contract				20.42%
(14) Interest payment from investment savings plan				15.315%
(15) Distribution of profit from anonymous partnership, etc.				20.42%
(16) Other income sourced in Japan	[Comprehensive taxation]	[Comprehensive taxation]		None

Notes: 1. Income attributable to permanent establishment may overlap with income sourced in Japan provided in (1) through (16) above.
2. Regarding income generated from by the transfer of assets in Table 2 above, apart from income corresponding to permanent facility-related income, only income listed under Article 281 Paragraph 1, Items 1 to 8 of the Enforcement Ordinance of the Income Tax Act is subject to tax.
3. Based on the provisions of the Act on Special Measures Concerning Taxation, certain income included in the income subject to comprehensive taxation in the above table may be applicable for separate taxation on the basis of self-assessment or separate withholding tax.
4. Based on the provisions of the Act on Special Measures Concerning Taxation, withholding tax rates relating to certain income among the withholding tax rates in the above table may be reduced or exempted in some cases.

Source: Compiled from page 277 of the National Tax Agency's "Withholding Tax Basics FY2026 edition".

20.42%, respectively. If a tax treaty has been concluded between Japan and the country of residence of the nonresident, etc. receiving the payment, the withholding tax rate may be reduced to the rate specified in the treaty.

Japanese government bonds owned by nonresidents are tax-exempt. In other words, interest on government bonds held by a nonresident without a permanent establishment in Japan in an account with a specified central custody and transfer agent or a qualified foreign intermediary is exempt from income tax if it meets certain conditions. In addition, even if interest on book-entry government bonds is not tax-exempt, the withholding tax rate on the interest may be reduced if a tax treaty has been concluded between Japan and the nonresident's country of residence or domicile.

10. Tax Treatment of New Products

(1) New types of investment trusts

Profits received from a privately placed stock investment trust of the contractual type are, in principle, subject to a withholding tax and then are taxed comprehensively together with other income of the recipient. A dividend tax credit is also available. However, when certain requirements are met, the recipient may also choose the non-declaration system. Capital gains from selling beneficiary certificates of such investment trusts are subject to separate taxation on the basis of self-assessment. Income received from an investment trust managing privately placed bonds is subject to a separate withholding tax, while capital gains are subject to separate taxation on the basis of self-assessment. The tax treatment of open-ended investment trusts and closed-end (listed) investment trusts is the same as that of listed stocks. In other words, income distributions are subject to withholding tax at a rate of 20.315%, followed by comprehensive taxation, separate taxation on the basis of self-assessment, or non-declaration. A credit for dividends is not applied when the comprehensive taxation is selected on dividends. Capital gains associated with open-ended corporation type investment trusts are subject to the separate taxation on the basis of self-assessment. On the other hand, dividends received from closed-end (unlisted) or privately placed investment trusts are subject to a withholding tax of 20.42% and then to comprehensive taxation. The non-declaration system may also be selected when certain requirements are satisfied. A credit for dividends is not applied when the comprehensive taxation is selected on dividends. Capital gains associated with open-ended corporation type investment trusts are subject to the separate taxation on the basis of self-assessment. Listed REITs (real estate investment trusts) are closed-end funds, so taxation on income distributions and capital gains is the same as that for listed stocks. However, a credit for dividends is

Table XV-13. Outline of Taxation Framework for New Investment Trusts

Classification				Profit distribution, etc.	Cancellation (redemption) gains		Capital gains
					Dividend (interest) Income portion	Deemed capital gains/losses portion	
Contractual type	Privately placed stock investment trusts			Comprehensive taxation (dividend income for general stocks, etc.)[1]		Separate taxation on the basis of self-assessment (capital gains on general stocks, etc., 20.315%)	
	Investment trusts managing privately placed asset-management trust bonds, etc.			Separate withholding tax (20.315%)		Separate taxation on the basis of self-assessment (capital gains on general stocks, etc., 20.315%)	
Corporation type	Publicly offered	Open-end type		Comprehensive taxation・Separate taxation on the basis of self・assessment (dividend income for general stocks, etc.)[2]		Separate taxation on the basis of self-assessment (capital gains on general stocks, etc., 20.315%)	
		Closed-end type	(Listed)				
			(Unlisted)	Comprehensive taxation (dividend income for general stocks, etc.)[1]		Separate taxation on the basis of self-assessment (capital gains on general stocks, etc., 20.315%)	
	Privately placed						

Notes: 1. Withholding tax at 20.42% at time of receipt. Final income tax return is required except for small dividends.
2. Withholding tax at 20.315% at time of receipt. Taxpayer may choose not to take any further action; neither comprehensive taxation, separate taxation on the basis of self-assessment nor final income tax return.

Source: Compiled based on the information available in "FY2025 Zeikin no Chishiki (knowledge on taxes)" by SMBC Nikko Securities Solution Advisory Division; CHUOKEIZAI-SHA, INC.; pp121 and 128.

Table XV-14. Taxation on Stock Options

	At grant of stock options	At exercise of stock options	At the sale of stocks
Qualified stock options	–	–	Separate taxation on the basis of self-assessment on (selling price - exercise price) (Note)
Non-qualified stock options	–	Comprehensive taxation on (market value of stocks at exercise-exercise price)	Separate taxation on the basis of self-assessment on (selling price - market value of stocks at exercise) (Note)

Note: Taxed as income on the sale of stocks.

not applied when comprehensive taxation is selected on dividends.

(2) Stock options

The stock option system is a system under which a company grants its officers and employees the right to purchase its stocks at a certain price (exercise price) for a certain period (exercise period). The company then pays its officers and employees remunerations linked to any increase in its stock price. Stock options are classified into qualified stock options and non-qualified stock options, depending on whether they satisfy the requirements stipulated in the Act on Special Measures Concerning Taxation or not. The former is not subject to tax on economic benefits gained from its exercise (the difference between the market price and the exercise price). When selling stocks acquired through the exercise of rights, separate taxation on the basis of self-assessment is applied on the difference between the selling price and the exercise price. For the latter non-qualified stock options, comprehensive taxation is imposed on economic benefits gained from their exercise. Separate taxation on the basis of self-assessment is imposed on the selling price of stocks issued on exercise, deducting the market price of the stocks at the time of exercise, when the stocks are sold.

11. Tax treatment of pension-type products

A defined contribution pension plan (the Japanese version of the 401(k) plan) was introduced in October 2001. The defined contribution pension plan is a private pension plan whereby an employee participating in the plan gives instructions about investing their contributions, with the understanding that pension benefits may vary depending on the results of such investment. It is divided into the individual type (iDeCo), in which the individual makes contributions, and the corporate type, in which the company in principle makes contributions on behalf of its employees. In order to encourage the spread of pension products based on such a system and to enhance the efficiency of the management of such plans, it is essential to provide certain tax incentives. And in devising such a taxation system, due care must be exercised in striking a suitable balance between the taxation system for such pension plans and that for other pension plans as well as in the transferability of pension assets when changing jobs. In addition, amendments are scheduled to take effect in December 2026, including an increase in the contribution limit for defined-contribution pension plans and an increase in the age eligibility for iDeCo.

Tax measures for defined contribution plans are as follows.

(1) At the contribution stage: The employer's contribution is treated as an

Table XV-15. Changes in the Contribution Limit for Defined Contribution Pension Plans

	Category I insured persons	Category II insured persons				National Pension Category III insured persons
		(1) Member of corporateDC plan only	(2) Member of corporate DC plan and another plan, such as DB	(3) Member of another plan such as DB only (including civil servants)	(4) Not a member of either a corporate DC plan or another plan, such as DB	
	iDeCo	Corporate-type DC	Corporate-type DC	iDeCo	iDeCo	iDeCo
At the time of establishment Corporate type: October 1, 2001 iDeCo: January 1, 2002	¥68,000 *Combined limit with National Pension Fund, etc.	¥36,000	¥18,000	−	¥15,000	−
On or after October 1, 2004		¥46,000 (+¥10,000)	¥23,000 (+¥5,000)	−	¥18,000 (+¥3,000)	−
On or after January 1, 2010		(¥51,000) (+¥5,000)	¥25,500 (+¥2,500)	−	¥23,000 (+¥5,000)	−
From October 1, 2014		¥55,000 (+¥4,000)	¥27,500 (+ ¥2,000)	−		−
From January 1, 2017		Of which iDeCo ¥20,000	Of which iDeCo ¥12,000	¥12,000		¥23,000
From December 1, 2024		¥55,000 − Amount equivalent to contributions to other plans, such as DB Of which iDeCo ¥55,000 − (monthly employer contributions to the corporate-type DC plan + the equivalent contribution amounts for other plans, such as DB) (However, up to ¥20,000)				

Source: Pension Bureau, Ministry of Health, Labour and Welfare (2024), "Basic Data on the Pension System: July 2024," p. 122.

expense for the company. On the other hand, the employee's contribution is eligible for an income deduction (small enterprise mutual relief deduction). In January 2012, so-called "matching contributions", allowing employees to make additional contributions in corporate pension plans, were introduced. In addition, the "iDeCo plus" payment system was introduced in May 2018 for iDeCo scheme members who work for small and medium-sized businesses.

(2) At the management stage: The balance of reserves for corporate pension plans is subject to a special corporate tax of 1.173% (1% in national tax and 0.173% in local tax). This provision was frozen until March 31, 2026.

(3) At the stage of benefit payment: (i) Old-age pension benefits: The ben-

Table XV-16. Tax Treatment of Defined Contribution Pension Plans

Division			Outline
Contribution stage:			Counted as a loss of the employer
	Portion borne by the employer		
	Premiums paid by employee		Premiums to small-scale company mutual aid association are deducted as a loss (Note)
Management stage:			Special corporate income tax is applied (frozen until the end of Fiscal 2025)
Benefits payment stage:			
	Old-age benefits	Pension	Miscellaneous income (deduction for public pensions is applied)
		Lump sum	Retirement income (deduction for retirement income is applied)
	Disability benefits	Pension	Income and inhabitants' taxes are deductible
		Lump sum	
	Lump-sum payment at the time of death		Taxed as an inheritance income
	Lump-sum payment at the time of withdrawal		Occasional income

eficiary can receive pension benefits from the reserve in five or more annual installments or in a lump sum. Benefit payments made in installments are classified as miscellaneous income and are eligible for the public pension deduction. It has been noted that income deductibility for benefits such as public pensions is overly generous for high-income pensioners. The system came under review in the fiscal 2018 tax reform. Lump-sum payments are treated as retirement income and are eligible for the retirement income deduction. (ii) Benefits for persons with disabilities: When a beneficiary has disabilities of a certain level, the beneficiary can receive the payment of benefits either as a pension or a lump-sum payment, and the benefits are exempted from income tax and inhabitant tax. (iii) Death benefits: Death benefits paid in a lump sum to the survivors when the subscriber died are deemed as inherited property, and up to ¥5 million for each legal heir is exempted from inheritance tax. (iv) Lump-sum withdrawal: Benefits can be paid in a lump sum upon withdrawal from a pension plan if certain criteria are fulfilled and they are subject to income tax and inhabitant tax.