



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 succeeding year (please refer to [\(2\) Filing income tax returns](#)). 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.) (salary income earners) do not need to file income tax returns. The company of a salary income earner carries out payment of tax by automatically deducting income tax from his or her salary each month, which constitutes tax payment. This is called “withholding tax.”