



KPMG Japan Tax Newsletter

29 May 2019



TOKYO — PROPOSAL FOR BUSINESS TAX RATES APPLICABLE FOR FISCAL YEARS BEGINNING ON OR AFTER 1 OCTOBER 2019

By virtue of the 2019 tax reform, from 1 October 2019, a part of the business tax will be separated out of the total business tax and a new national tax named special business tax will be created as a permanent measure for the improvement in the gaps in local tax revenue among local governments by the reallocation of special business tax revenue from the Japanese national government to local governments. As a result, business tax rates applicable for fiscal years beginning on or after 1 October 2019 were amended.

The Tokyo Metropolitan Government stated that its business tax rates to be applied for fiscal years beginning on or after 1 October 2019 will be proposed in the second ordinary session (from 4 June to 19 June) of fiscal year 2019 of the Tokyo Metropolitan Assembly.

On 28 May 2019, the proposals for the Tokyo business tax rates were released on the website of the Tokyo Metropolitan Government Bureau of Taxation.

We have set out below the proposed Tokyo business tax rates and the Tokyo effective corporate tax rates based on the proposals.

I. Business Tax Rates

The proposed Tokyo business tax rates applicable for fiscal years beginning on or after 1 October 2019 are as follows:

[Ordinary companies with stated capital in excess of JPY100 million
(companies subject to size-based business tax)]

Fiscal years beginning in the periods indicated in right column		from 1 April 2016 to 30 September 2019	from 1 October 2019	
			Before amendment	Proposal
Taxable base (taxable income)	under JPY4 million	0.395% (1.995%)	1.995%	0.495%
	from JPY4 million to JPY8 million	0.635% (2.835%)	2.835%	0.835%
	over JPY8 million	0.88% (3.78%)	3.78%	1.18%

[Ordinary companies with stated capital of JPY100 million or less]

Fiscal years beginning in the periods indicated in right column		from 1 April 2016 to 30 September 2019	from 1 October 2019	
			Before amendment	Proposal
Taxable base (taxable income)	under JPY4 million	3.65% (5.25%)	5.25%	3.75%
	from JPY4 million to JPY8 million	5.465% (7.665%)	7.665%	5.665%
	over JPY8 million	7.18% (10.08%)	10.08%	7.48%

(The above rates indicate the maximum tax rates.)

- Tax rates shown in parentheses include special local corporation tax.
- The reduced tax rates for taxable income of JPY8 million or less are not applicable to companies that have offices in three or more different prefectures and have a total stated capital of JPY10 million or more.
- Special business tax will be imposed on business tax (income component) calculated by standard tax rates for fiscal years beginning on or after 1 October 2019. Applicable tax rates of special business tax are 260 percent for ordinary companies with stated capital in excess of JPY100 million (companies subject to size-based business tax) and 37 percent for ordinary companies with stated capital of JPY100 million or less, respectively.

II. Effective Corporate Tax Rates

The Tokyo effective corporate tax rates based on the proposed Tokyo business tax rates will be as follows:

(As the objective of the above amendment to tax rates is to improve the gaps in local tax revenue among local tax governments, it gives little impact to the effective corporate tax rates.)

Fiscal years beginning in the periods indicated in right columns	from 1 April 2018 to 30 September 2019	from 1 October 2019	
		Before amendment	Proposal
Ordinary companies with stated capital in excess of JPY100 million (companies subject to size-based business tax)	30.62%	30.62%	30.62%
Ordinary companies with stated capital of JPY100 million or less	34.59%	34.60%	34.59%

(The above effective corporate tax rates take into account the tax deductibility of business tax, special local corporation tax and special business tax payments, and are calculated using the maximum tax rates applied to taxable income over JPY8 million.)

The following back issue of the KPMG Japan tax newsletter includes more details of the items of 2019 tax reform:

[Outline of the 2019 Tax Reform Proposals](#) (19 December 2018)

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