

KPMG Japan e-Tax News



Tax Updates

2016 Tax Reform – Tokyo Business Tax Rates

The Tokyo Metropolitan Ordinance for Prefectural Taxes to amend the Tokyo business tax rates for a company which is liable for size-based business taxes (broadly, a company whose stated capital is over JPY100 million) was promulgated on 31 March 2016. Note that Tokyo tax rates to be applied for fiscal years beginning on or after 1 April 2017 have not been determined yet since the amendments to such tax rates are slated to be proposed in the second ordinary session or later ordinary sessions of fiscal year 2016 of the Tokyo Metropolitan Assembly.

We have set out below the effective corporate tax rates (based on standard tax rates and Tokyo tax rates) under the 2016 tax reform and Tokyo business tax rates.

Note that the 2016 tax reform bills were passed by the National Diet on 29 March and the amended tax laws were promulgated on 31 March 2016.

1. Effective Corporate Tax Rates

By virtue of the amendments, the effective corporate tax rates for a company which is liable for size-based business taxes will be reduced as follows:

	Before amendment	After amendment		
		from 1 April 2016 to 31 March 2017	from 1 April 2017 to 31 March 2018	from 1 April 2018
Fiscal years beginning in the periods indicated in right columns	from 1 April 2015 to 31 March 2016	from 1 April 2016 to 31 March 2017	from 1 April 2017 to 31 March 2018	from 1 April 2018
Standard tax rates	32.11%	29.97%	29.97%	29.74%
Tokyo tax rates	33.06%	30.86%	not determined yet	not determined yet

2. Tokyo Business Tax Rates

The Tokyo business tax rates for a company which is liable for size-based business taxes are as follows:

Tokyo - business tax rates (income component)

		Before amendment	After amendment	
Fiscal years beginning in the periods indicated in right columns		from 1 April 2015 to 31 March 2016	from 1 April 2016 to 31 March 2017	from 1 April 2017
Taxable base (taxable income)	under JPY4 million	1.755% (3.255%)	0.395% (1.995%)	not determined yet
	from JPY4 million to JPY8 million	2.53% (4.83%)	0.635% (2.835%)	not determined yet
	over JPY8 million	3.4% (6.3%)	0.88% (3.78%)	not determined yet

- 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.

Tokyo - size-based business tax rates

	Before amendment	After amendment
Fiscal years beginning in the periods indicated in right columns	from 1 April 2015 to 31 March 2016	from 1 April 2016
Added value component	0.756%	1.26%
Capital component	0.315%	0.525%

The following back issue of the [=B? 9 <SbS` fSj ` W eWfWd](#) includes more details of the items of the 2016 tax reform:

[Outline of the 2016 Tax Reform Proposals \(18 December 2015\)](#)

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