

# KPMG Japan e-Tax News



## TAX UPDATES

### TOKYO – PROPOSAL FOR LOCAL TAX RATES APPLICABLE FOR FISCAL YEARS BEGINNING ON OR AFTER 1 APRIL 2017

Under the 2016 tax reform, local tax rates (business tax rates and inhabitant tax rates) were amended. Consequently, although the Tokyo Metropolitan Government determined its business tax rates applicable for fiscal years beginning on or after 1 April 2016 ([KPMG Japan e-Tax News No.105](#), released on 1 April 2016), its business tax rates and inhabitant tax rates to be applied for fiscal years beginning on or after 1 April 2017 were not yet determined and the government stated that they will be proposed in the second ordinary session (from 1 June to 15 June) of fiscal year 2016 of the Tokyo Metropolitan Assembly.

On 25 May 2016, the Tokyo Metropolitan Government released the tax rates to be proposed in the second ordinary session of fiscal year 2016 of the Tokyo Metropolitan Assembly.

We have set out below tax rates for a company which is liable for size-based business taxes (broadly, a company whose stated capital is over JPY100 million).

#### ■ Business Tax Rates (income component)

The reason for the amendment to business tax rates for fiscal years beginning on or after 1 April 2017 is that the special local corporation tax will be abolished for such fiscal years. As shown below, the proposed tax rates applied for fiscal years beginning on or after 1 April 2017 will be the same as the tax rates including special local corporation tax for fiscal years beginning from 1 April 2016 to 31 March 2017.

Fiscal years beginning in the periods indicated in right columns		from 1 April 2016 to 31 March 2017	(Proposal) from 1 April 2017
Taxable base (taxable income)	under JPY4 million	1.995% (0.395%)	1.995%
	from JPY4 million to JPY8 million	2.835% (0.635%)	2.835%
	over JPY8 million	3.78% (0.88%)	3.78%

- Tax rates shown in parentheses do not 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.

### ■ Inhabitant Tax Rates (on corporation tax)

As the local corporation tax rate will be increased for fiscal years beginning on or after 1 April 2017, inhabitant tax rates for such fiscal years will be decreased. As shown below, the total of such two taxes will remain the same.

Fiscal years beginning in the periods indicated in right columns	2014/10/1 ~ 2017/3/31	2017/4/1 ~
Inhabitant tax	16.3%	10.4% (Proposal)
Local corporation tax	4.4%	10.3%
Total	20.7%	20.7%

### ■ Effective Corporate Tax Rates

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

Fiscal years beginning in the periods indicated in right columns	from 1 April 2016 to 31 March 2017	(Proposal) from 1 April 2017 to 31 March 2018	(Proposal) from 1 April 2018
	30.86%	30.86%	30.62%

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