

# GMS Flash Alert



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## Japan - National Pension Insurance: Revised Upper Limit on Salary Base

The Japanese government passed legislation revising the terms of the Employees' Pension Insurance Law with respect to setting the standard classification of the monthly remuneration to which the national pension charge applies. The new law, and the change in the upper limit of the monthly standard salary, came into effect as of September 1, 2020.<sup>1</sup>

### WHY THIS MATTERS

Though more employees will see a greater portion of their monthly salary subject to pension insurance, the changes will help ensure the financial stability of the pension insurance regime. Employers and payroll administrators should waste no time in making the necessary adjustments so that they are in compliance with this change in the rules. Employees will begin feeling the effects of the change in the October payroll.

### Background

Pension insurance is one of the three components of the social insurance program in Japan. Any individual who meets the prescribed conditions is expected to participate in the system as an insured person regardless of his or her nationality, unless there is a totalization agreement between Japan and the expatriate's home country.

### KPMG NOTE

It is important to note that not all totalization agreements cover all three components of Japan's social insurance program. Accordingly, employers should review the agreements closely to understand which components are covered.

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## Revision of the Upper Limit

As of September 1, 2020, the upper limit of the monthly standard salary for employee's pension insurance has changed from 31<sup>st</sup> grade/JPY 620,000 (approximately USD 5,800<sup>2</sup>) to 32<sup>nd</sup> grade/JPY 650,000 (approximately USD 6,165).

(unit: JPY)

Monthly Grade	Monthly Standard Remuneration	Monthly Remuneration	Monthly Insurance Premium	
			Whole amount	Employee's portion
			18.3%	9.150%
31 <sup>st</sup> Grade	620,000	Over 605,000 but not exceeding 635,000	113,460	56,730
32 <sup>nd</sup> Grade	650,000	635,000 and up	118,950	59,475

Source: KPMG Tax Corporation, Japan

[JPY 1 = USD 0.0095 | JPY 1 = EUR 0.008 | JPY 1 = GBP 0.0074 | JPY 1 = AUD 0.0134]

No notification is required from the employer regarding this revision. Furthermore, a revision notice will be sent from the Japan Pension Service to an employer who has a new class of insured person, at the end of September 2020.

## FOOTNOTES:

1 Additional information on this revision can be found at:

<https://www.nenkin.go.jp/oshirase/taisetu/2020/202009/20200901.html> (Japanese only).

2 At USD 1.00 = JPY 105.42.

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## Contact us

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**The information contained in this newsletter was submitted by the KPMG International member firm in Japan.**

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