外資導入関係資料

2	発信用	執務用	計
主信	4	1	5
附属	甲	当室で保管中	
(別添紙)			

記録分類

懸案

経済局
総務参事官

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主管	国際協力局
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日附	昭和卅壱年四月卅日
主任	国連書記官
起案者	高橋 3318
	昭和31年4月25日起案
受信人名	大蔵事務次官 通産事務次官
写送付先	経済企画庁次長 日本銀行総裁
発信人名	外務事務次官
到着期限	月 日までに必着のこと（この欄は至急信にのみ使用のこと）
発信係	
浄書係	
校査係	（原稿） （浄書）

附属物同封

国際協力局 31.5.4

件名　エカフェ事務局刊行「アジアおよび極東諸国の外資導入関係法令」修正に関する件

公信案（甲）

今般、エカフェ事務局から、別添写のとおり、四月十七日付書簡をもって、同事務局が一九五一年に刊行した「アジアおよび極東諸国の外資導入関係法令」をエカフェ第十二回総会で承認された事業計画に従って修正するため必要につき、右「法令」中わが国に関する部（右書簡写附属）を最近の事実に基いて検討修正の上、返送方要請こした。

外国商社支店登録の部は通産省、他は大蔵省で検討方依頼済

ついては、委細右書簡写にて御了知の上、右修

外務省

記 106

回覧番号	
協力国	48

正コピイを二部、六月二十日までに当省あて
送付方煩わしたい。

公信案

外務省

RB'-0372

UNITED NATIONS NATIONS UNIES

ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST
SANTITHAM HALL
RAJADAMNERN AVE.
BANGKOK, THAILAND.

TELEPHONE: 24635-9
CABLES: ECAFE BANGKOK

RP/43/9205

17 April 1956

Sir,

Foreign Investment Laws and Regulations

I have the honour to inform you that, in accordance with the work programme of the Commission, project 02-04, the Secretariat study on "Foreign Investment Laws and Regulations of the Countries of Asia and the Far East", first published in 1951 (ST/ECAFE/1), is now being revised on the basis of information available, looking toward early completion and with publication planned to take place in 1956. In this connection I have the honour to transmit herewith four copies of a draft chapter on Japan and shall be grateful if your ministries of Finance and Commerce, planning secretariat, central bank or other government departments and agencies especially concerned will kindly examine this draft text with a view to incorporating latest information and ensuring accuracy of the facts presented. It will be greatly appreciated if a copy or copies, marked to show any necessary amendments, can be returned to us by air at an early date, preferably not later than the end of June.

Accept, Sir, the assurances of my highest consideration.

P.S. Lokanathan
Executive Secretary

The Minister for Foreign Affairs
Ministry of Foreign Affairs
Tokyo
Japan

国際協力局

31.4.23

295

記

RB'-0372

	発信用	執務用	計
主信	1	1	2
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懸案

公信案(甲)

文書課長

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主任 国連書記官

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起案者 高橋 3318

協外第二二一号

昭和卅壱年七月四日附

昭和31年7月2日起案

受信人名 在タイ澁沢大使

発信人名 重光大臣

写送付先

到着期限 月 日までに必着のこと (この欄は至急信にのみ使用のこと) 4 42

件名 エカフェ事務局刊行「アジアおよび極東諸国の外資導入関係法令」修正に関する件

先般、エカフェ事務局から、四月十七日付書簡(RP/53/9205)をもって、同書簡附属の本件「法令」中、わが国に関する部を最近の事実に基いて検討修正の上返送方要請こした。

ついては、右修正コピイおよび同コピイ十二頁および十四頁引用 Outline of National Tax in Japan, 1956 を別添送付するから、同事務局に提出ありたい。

外務省

回覧番号

記了

付属物郵便

No.	Page	Line	Item	Original	Correction
(1)	3	24	2.C.	the Japanese foreign investment law	the Law concerning Foreign Investment
(2)	4	欄 外		Article 6 (and Canadian dollar)	Article 8 (, Canadian dollar, German Mark, and Swedish Krona)
(3)	8	13	3.a.i.	1890	1899
(4)	9	12	3.a.ii.	the Bond Transaction	the Securities and Exchange Law
(5)	10	6 - 9	3.b.ii.	Law	別掲(1)のように全文修正
(6)	10	14	3.b.iii. (a)	commodities	commodities designated by the Cabinet Order
(7)		20	(b)	1951.	1946, as amended.
(8)		21		high capacity	such special character as is designated by the Minister of Finance
(9)		22		Can.	can since 1951.
(10)		27		1952	1951
(11)	11	1		in the 32	in certain
(12)		9	its full extent →		90 per cent of the purchase price of the equipment
(13)		13		of mining rights and one-half	cancel
(14)	12	18	4.a.i.	the following rates:	the following rates on different brackets of income:
(15)		14		42 per cent	not more than ¥500,000 35 per-cent more than ¥500,000 40 per-cent
(16)		19		46 per cent	45 per cent
(17)		23	ii.	every source.	every source.1/

1/ (a) The special tax treatments, including so called "one-half deduction" hitherto provided, had expired on December 31, 1955. But in the case of special earned

income, special tax relief is given in respect of the part of income earned in Japan and paid abroad, as the temporary measures for the taxable year 1956 through 1960, to an alien wage earner, who has no domicile but residence for one year or more in Japan, and who falls under the specific category as are designated to contribute to the economic and cultural benefit of Japan. (Special tax treatments on alien and foreign corporation are explained in Outline of National Tax in Japan, 1956, Taxation Bureau, Ministry of Finance.)
(b) Iterest income receivable from on and after July 1, 1955 until March 31, 1957 is exempt from income tax.

No.	Page	Line	Item	Original	Correction
(18)	13	2		¥70,000	¥80,000
		10		20,000 20,000 70,000 120,000 200,000 300,000 500,000 1,000,000	30,000 60,000 80,000 150,000 300,000 500,000 800,000 1,200,000
(19)		21		10 or 20 per cent	20 per cent as a principle
(20)	14	10	4.b.	Norway and the Netherlands	Norway, the Netherlands and Germany
(21)		margin.		1954. pp. 5-6	1956. 別掲(2)
(22)	14	23	5.b.	Under the Trust Business Law of 1922, a trust....	
(23)	15	12	5.c.	reserve liabilities	liability reserves (including claim reserves)

MINISTRY OF FINANCE
THE JAPANESE GOVERNMENT

別掲 (1)

There is no particular import tariff such as surtax especially designed for protecting domestic industries against foreign competition in Japan other than the standard tariff. However, comparatively high rates of import duties on luxury and some other items automatically offer a margin of protection for some industries.

As the result of the accession of Japan to GATT, lower rate of tariff is now applied to some items imported from member countries of GATT.

別掲 (2)

Trust business is governed by the Trust Business Law of 1922 or the Law concerning the concurrent engagement of savings business or trust business of ordinary banks and the others of 1943. (Every trust company is required to obtain a licence from the government.)

Trust company is also required to deposit with the government ....

Foreign Investment Laws and Regulations of the Countries of Asia and the Far East
(Draft version)
Japan
(Ref. RP/43/9205 17 April 1956)

June 1956

The Japanese Government

MINISTRY OF FINANCE

THE JAPANESE GOVERNMENT

c o p y

Foreign Investment Laws and Regulations of the Countries of Asia and the Far East
(Draft version)

JAPAN

1. **General government policy on private and public enterprise, including nationalization of industries**

The following industries are under complete public ownership and management: tobacco, alcohol, salt and camphor (Japan Monopoly Corporation); telegraph and telephone (Telegraph and Telephone Corporation); and postal service. A large part of the railways in Japan is owned and operated by the National Railway Corporation which is a public body, but some local lines are owned and operated by private companies.

Nationalization of any industry is not under consideration at present. Full protection is accorded to property legally owned by foreigners in Japan.

2. **Government policy on foreign investment**

The Law concerning Foreign Investment was passed in May 1950 and amended in January 1951 and April and July 1952. The basic government policy is seen in Articles 1 and 2 of this Law which are quoted below:

"Article 1. The purpose of this Law is to create a sound basis for foreign investment in Japan, by limiting the induction of foreign investment to that which will contribute to the self-support and sound development of the Japanese economy and to the imprivement of the international balance of payments, by providing for remittances arising from foreign investment, and by providing adequate protection for such investments."

"Article 2. Foreign investment in Japan shall be permitted to be as free as possible, and the system of validation and filing of reports pursuant to the provisions of this Law shall be relaxed and eliminated gradually as the necessity for such measures decreases."

MINISTRY OF FINANCE

THE JAPANESE GOVERNMENT

a. **Fields of activity allowed**

Under the Mining Law, foreign nationals or juridical persons are not entitled to acquire mining rights. Under the Treaty of Friendship, Commerce and Navigation concluded by Japan with the United States, which became effective on 30 October 1953, both countries may restrict foreign participation in the fields of public utilities, ship-building, air or water transport, banking that involves depository or fiduciary functions, and the exploitation of land and other natural resources. The treaty provides for national and most-favoured-nation treatment with respect to the conduct of business and investment in Japan on the part of US nationals.1/

The standards for validating foreign investment contracts are prescribed in the Law concerning Foreign Investment (Art.8) to be:

i. Directly or indirectly contributing to the improvement of the international balance of payments,

ii. Directly or indirectly contributing to the development of essential industries or public enterprises, or

iii. Necessary for continuation of existing technological assistance contracts concerning essential industries or public enterprises or for the alternation of the articles in these contracts such as renewal.

The Law covers four forms of foreign investment: 1) technological assistance contracts,2/ 2) stock or proprietary interest,3/ 3) beneficiary ~~certificate~~ 1/

1/ A temporary limitation on national treatment with respect to foreign investment permits Japan to continue to apply existing restrictions on the purchase by aliens with yen domestically acquired, of outstanding stock in Japanese corporations during a period of three years after the coming into force of the treaty.

2/ 'Technological assistance contracts' are defined to mean contracts concerning the transfer of patent or utility model rights or technology, licence agreements thereof, assistance concerning technical and factory management and other designated contracts.

3/ 'Proprietary interest' is defined to mean the proprietary interest of the member of the <u>gomei-kaisha</u> (unlimited partnership), <u>goshi-kaisha</u> or <u>yugen-kaisha</u> (limited partnership) and other proprietary interests of juridical persons.

certificate 1/ and 4) debentures or claimable assets arising from loans.

The types or kinds of technological assistance which Japan most desires to induce are announced quarterly in the official gazette and similar publications.

In order to review and deliberate on important matters concerning foreign investment, the Foreign Investment Council is established in the Ministry of Finance and the members are nominated from the personnel of relevant administrative organizations or selected from men of knowledge and experience. If the competent Minister of the Minister of Finance decides to grant validation, designation or confirmation, the Minister of Finance is required to obtain the views of the Foreign Investment Council except for minor cases.

Other types of foreign investment, such as opening of branch offices or subordinate factories of foreign corporations, etc., are subject to the same laws and regulations that are applicable to Japanese investors.

b. Discrimination in favour of or against foreign capital

There is no discrimination against foreign capital except the restriction on the purchase by aliens, with yen domestically acquired, of outstanding stock (old stock) in Japanese corporations for a period of three years beginning 30 October 1953.

c. Provisions on withdrawal of capital and remittance of profits

As the ~~Japanese foreign investment law~~ Law concerning Foreign Investment applies only to investment in Japanese corporations, the remittance of profits and repatriationoof capital of branch offices by foreign firms are not guaranteed at present.

Under the Law concerning Foreign Investment, all purchases of stocks, bonds, or investment trust certificates require prior approval by the Japanese

1/ 'Beneficiary certificate' is defined to mean the beneficiary certificate of the securities investment trust as mentioned in Article 2 of the Securities Investment Trust Law (1951) or of the loan trust as mentioned in Article 2 of the Loan Trust Law (1952).

Government if subsequent remittance of income or principal is desired. Likewise, contracts for technological assistance must be approved to assure remittance of compensation.

i. Technological assistance contracts

If it is desired that compensation be remitted abroad, and if the period of contract or the period of payment of compensation for the contract is longer than one year, conclusion of technological assistance contracts is subject to validation. If a technological assistance contract has been validated, remittance of compensation shall be gurenteed.

ii. Stock or proprietary interest

(a) Validation of acquisition

If a foreign investor wants to buy on a securities exchange stock which has already been issued (old stock), the transaction must be validated, irrespective of whether he desires that compensation be remitted abroad or not. Buying of old stock with yen is not approved. Validation of acquisition of new stock is required if guarantee of remittance is desired. If the guarantee is not desired, post fact report of the acquisition is sufficient and you may be used for payment.

(b) Payment for acquisition

If validation is required, stock can be bought only with foreign currency 1/ or with proceeds arising from the sale of the remittance-guaranteed stock, etc., that is, stock, proprietary interest or beneficiary certificate acquired with foreign currency.

1/ Foreign currency means 'foreign currency' as defined in Article 6 of the Foreign Exchange and Foreign Trade Control Law (US dollar, Sterling pound, Swiss franc, ~~and~~ Canadian dollar~~s~~, German Mark and Swedish krona.)

(c) Transfer and reinvestment

As mentioned above, if one receives money from the sale of stock which was obtained subject to validation, it is possible to transfer to, or reinvest in, other stock, proprietary interest, beneficiary certificate, debentures or claimable assets arising from loans. However, transfer of proceeds from debentures or claimable assets arising from loans to stock is not permitted.

(d) Designation and confirmation

The guarantee of remittance as provided for in the Law concerning Foreign Investment is generally granted together with the validation. However, when the acquisition of stock or proprietary interest is due to transfer between foreign investors, inheritance, bequest or amalgamation, remittances are not automatically guaranteed at the time of validation. In such a case, if the guarantee of remittance is desired, the designation shall be obtained within three months from the date of acquisition. Remittances are guaranteed to those so designated.

The foreign investor who acquired the proceeds arising from the sale of the remittance-guaranteed stock, etc. due to inheritance, bequest or amalgamation may have the remittance thereof guaranteed if confirmed.

(e) Remittance

Remittance, not only of dividends but also of principal, such as proceeds or surplus assets distributed, is guaranteed when derived from stock which was acquired with validation, or if designation was obtained.

The entire amount of dividends may be remitted immediately, but there are limitations on the period of investment and the amount of

principal which may be remitted each year. Stock must be kept at least two years before sale. 1/ The maximum yearly remittance of proceeds from the sale of stock is one-fifth of the stock owned on the day exactly two years from the date on which the stock was acquired. If a company is dissolved within two years from the day the stock was bought, the surplus assets distributed may be transferred like ordinary proceeds or deposited in Foreign Investors Deposit Account until the two-year period is completed, when they may be withdrawn in five yearly instalments.

iii. Beneficiary certificates

Guarantee of remittance of distributed income or redeemed principal is given to beneficiary owners who had their holdings validated. The proceeds arising from the sale of beneficiary certificates are not remittable but may be transferred. No investment period is set for beneficiary certificates, but remittance is guaranteed as soon as maturity is reached. If the amount redeemed is larger than the original investment, the capital gains are also remittable, but the amount remittee per year is limited to one-fifth of the amount held at maturity, as in the case of stock.

iv. Debentures or claimable assets arising from loans. 2/

Remittance of the interest and the redeemed principal is guaranteed for those debentures or claimable assets arising from loans which had been validated. No investment period or limitation on the remittable amount is set, and the entire amount of the principal may be remitted as soon as maturity is reached.

1/ Whether or not the sale is made before or after the elapse of two years, it is possible to make transfers to stock, proprietary interest, beneficiary certificate debentures or claimable assets arising from loans. In such a case remittance abroad is guaranteed only after two years' investment period is completed.

2/ The acquisition of debentures or claimable assets arising from loans of which the period is not longer than one year, or which are acquired for the settlement of short-term commercial transactions, is not subject to validation because no guarantee of remittance covering the longer period is necessary. The acquisition of debentures floated abroad with payment made abroad is also not subject to validation.

v. Foreign Investors Deposit Account

The amount of proceeds or surplus assets distributed from stock, proprietary interest or principal withdrawn from a beneficiary certificate which may not be remitted at one time is deposited in this Account 1/ after a certain period. Thus, only money deposited in this Account is guaranteed remittance.

vi. Protection of foreign capital

(a) Should the government or local public entities expropriate or compulsorily purchase the properties legally owned in Japan by foreign investors, remittance of the proceeds is guaranteed.

(b) The foreign investor may transfer rights to subscribe to new stock, irrespective of the provisions of the Commercial Code.

(c) The Ministerial Council must include appropriations to fulfil obligations to foreign investors within their foreign exchange budget.

The remittance abroad of interest and principal, for which validation under the Law is not given, is generally subject to approvals under the Foreign Exchangen and Foreign Trade Law, which are given on a strictly selective basis.

d. Regulations on joint domestic and foreign capital

There is no restriction on majority ownership and control by foreign capital.

e. Regulations on nationality of directors and managers and on employment of foreign experts and technicians

There is no restriction on these matters.

1/ The Foreign Investors Deposit Account shall be a special deposit account with the authorized Foreign Exchange Bank expressed in national currency. The interest arising from this Deposit may be remitted, but may not be credited to the principal.

f. Bilateral agreements

An agreement was signed on 16 April 1954 between Japan and United States regarding the guranted of investments made by American nationals, pursuant to the provisions of section III (b) (3) of the US Economic Co-operation Act of 1948, as amended. The USA-Japan Treaty of Friendship, Commerce and Navigation, which was signed in April 1953 and entered into effect on 30 October 1953, deals in considerable detail with the private foreign investment.

3. Government controls and assistance with respect to investment in general

a. Selected control measures

i. Registration

The basic law governing organization of business enterprises is the Commercial Code of Japan, of 1899, as amended. The types of business organization permissible under the Code are the single enterpreneur gomei-kaisha(unlimited partnership), goshi-kaisha (limited partnership) and kabushiki-kaisha (joint stock company). A company may be formed by registration of the articles of incorporation and supply of certain required information. For example, for registration of kabushiki-kaisha, the following information is required: (1) object of the business; (2) trade name; (3) total number of shares authorised to be issued; (4) par value of each share, if shares having par value are issued; (5) statement as to the existence, restriction, or exclusion of the pre-emptive rights of share-holders, or the extension thereof to third persons; (6) total number of shares authorized to be issued at the time of incorporation, whether with or without par value, and the minimum issue price; (7) place of principal office and each branch office; (8) manner in which the company is to give its public notices; and (9) full name and permanent residence of each promoter. Registration of a kabushiki-kaisha must be made within two weeks after completion of formalities stipulated in article 188 of the Commercial Code.

Branches of foreign corporations are subject to the same provisions of the Commercial Code as are companies formed in Japan. A foreign company which intends to engage in commercial transactions as a continuing business in Japan must appoint a representative in Japan and establish an offices.

A branch office of a foreign corporation may not engage in commercial transactions on a continuing basis in Japan until it has registered and given public notice of the formation of a branch office.

ii. Control on capital and bond issue

Under the Securities and Exchanges Law of 1948, as amended, subscription to new bonds or sale of outstanding bonds cannot be undertaken until the Ministry of Finance has been notified of the subscription or the sale and the notification has become valid.

iii. Control on payment of dividends, etc.

There are no statutory ceilings or restrictions on the payment of dividends. However, joint-stock companies are required to put aside, out of profits before the payment of dividends, certain amount in the legal reserve fund. In the case of a bank, at least ten per cent of profits must be put aside in the reserve fund until that fund becomes equal to the total capital.

b. Selected aids.

i. Financial aid and loans

There are several government-owned banks through which government funds flow to certain fields of industry. The Japan Development Bank, the Export-Import Bank of Japan, the Smaller Enterprises Finance Bank

and the Agriculture, Forestry and Fishery Finance Bank make long-term loans to Japanese natural or juridical persons in certain fields of industry with the purpose of supplementing the credit operation of private financial institutions.

ii. Protective tariff

There is no particular import tariff such as surtax especially designed for protecting domestic industries against foreign competition in Japan other than the standard tariff. However, comparatively high rates of import duties on luxury and some other items automatically offer a margin of protection for some industries.

As the result of the accession of Japan to GATT, lower rate of tariff is now applied to some items imported from member countries of GATT.

iii. Special tax exemptions

(a) Tax exemptionon important products

Special exemption from the income tax and the corporation tax is given to individuals and corporations engaged in the manufacturing and mining of commodities designated by the Cabinet Order during the initial and following three years of the commencement or the expansion of business (Article 20 of the Income Tax Law and Article 6 of the Corporate Tax Law).

(b) Special depreciation for designated machinery, etc.

Under the provisions of the Law concerning Special Taxation Measures of 1946, as amended, in case a corporation or individual has obtained equipment or machinery or ocean-going vessels of a such special character as is designated by the Minister of Finance, the corporation or individual can, since 1951 for three years after obtaining it, enjoy depreciation at 50 per cent higher than the official depreciation rate.

Under the Law concerning Promotion of Rationalization of Enterprises and the Law concerning Special Taxation Measures, it has been possible since 1951 for any equipment of such special character as is designated by the Minister of Finance, to be obtained by a corporation or individual in certain leading industries including iron and coal mining for the purpose of rationalization of the enterprise, to enjoy a special depreciation rate up to 50 per cent of the purchase price of the equipment concerning for the calender or business year in which it is obtained.

Under the Law concerning Promotion of Rationalization of Enterprises, equipment of a specially designated character obtained for research purposes regarded as of urgent need since 1952 may be depreciated to 90 per cent of the purchase price of the equipment during the three years following its acquisitions.

Under the Law concerning Special Taxation Measures, since 1954, one-half of the acquisition cost of the machinery for prospecting new mines and of the excavating expenses for discovery of, or acquisition cost of mining rights on, new mining beds, have been allowed to be deducted as expenses.

4. <u>The tax system as it affects investment</u>

a. <u>Specific taxes</u>

i. <u>Corporate tax</u>

Corporate income is subject to the corporation tax; it is further subject to the income tax when distributed to the stockholders, etc.

Corporations are classified into two groups; those with unlimited tax liability and those with limited tax liability. The former are corporations with head offices or principal places of business in Japan, and are liable to tax to an unlimited extent in that the corporation tax is imposed on their net income. The latter are corporations with neither head office nor principal place of business but with assets or enterprises in Japan, and are liable to tax to a limited extent in that

they are subject to the corporation tax only in so far as their incomes are derived from the assets located, or business carried on within Japan, and that they are not subject to any tax on their aggregate earned incomes.

The taxable basis is the net income for each accounting period, and net income is the excess of total income over total expense. In Computing net income, depreciation of fixed assets, carry-over and carry back of the loss incurred in a certain period and the amounts transferred to the bad debt reserve account, to the price fluctuation reserve account, to the retirement allowance reserve account, to the special repair reserve account and to the export loss reserve account, etc. are counted as business expenses.

The corporation tax is levied at the following rates on different brackets of income:

Income for each accounting period	not more than ¥500,000	35 per cent
	more than ¥500,000	40 per cent
Liquidation income		
(1) A Part of liquidation income which is composed of reserve and non-taxable income		20 per cent
(2) A Part of liquidation income which is composed of the amount other than (1)		45 per cent

ii. <u>Income tax</u>

An individual domiciled or resident for one year or more in Japan is called an unlimited taxpayer, and must pay the income tax on all his income from every source.1/ An individual not domiciled or not

1/ (a) The special tax treatments, including so called "one-half deduction" hitherto provided, had expired on December 31, 1955. But in the case of special earned income, special tax relief is given in respect of the part of income earned in Japan and paid abroad, as the temporary measures for the taxable year 1956 through 1960, to an alien wage earner, who has no domicile but residence for one year or more in Japan, and who falls under the specific category as are designated to contribute to the economic and cultural benefit of Japan. (Special tax treatments on alien and foreign corporation are explained in <u>Outline of National Tax in Japan 1956</u>, Taxation Bureau, Ministry of Finance.)
(b) Interest income receivable from on and after July 1, 1955 until March 31, 1957 is exempt from income tax.

resident for one year or more in Japan is called a limited taxpayer, and must pay income tax on his income only when: (a) he has income derived from property or business in Japan, (b) he has received interest dividend or royalty income from sources within Japan, or (c) he had received wage, salary, pension, bonus or retirement remuneration paid for the services rendered within Japan.

In computing the taxable income,1/ the following deductions and exemptions are allowed: (1) basic exemption of Y. 80,000; (ii) exemption for dependents, Y. 40,000 for first dependent, Y. 25,000 for second and third dependent, Y. 15,000 each for fourth dependent onward;2/ and (iii) life and social insurance premium, medical expense, losses of assets from earthquake, storm, fire, etc.

Income tax is levied at the following progressive rates on different branckets of income:

Income (in yen)		per cent
Not more than	30,000	15
More than	30,000	20
More than	80,000	25
More than	150,000	30
More than	300,000	35
More than	500,000	40
More than	800,000	45
More than	1,200,000	50
More than	2,000,000	55
More than	3,000,000	60
More than	5,000,000	65

For a "limited taxpayer", the special rate of 20 per cent as a principle is, in lieu of the progressive tax rate, applied to the interest income, dividend income, earned income, retirement income, royalty for patent

1/ Comprising in addition to income in the usual sense retirement income and forestry income.
2/ The term dependent is defined as the spouse, child, grandchild, parent or grandparent living together with an unlimited taxpayer in one household and having an income of less than Y.40,000.

right or copyright, etc., and his income tax is withheld at the time of payment. The tax rate on dividends or shares of stock acquired legally through the offer of foreign means of payment, and on royalty for patent rights paid by a corporations which is necessitated to introduce foreign investment, is reduced from 20 per cent to 10 per cent.

iii. Other taxes

Besides the corporate and personal income tax, various taxes are levied on income, on properity, on consumption and on transfer of goods, by national and local governments.1/

b. Double taxation relief

Two conventions are signed on 16 April 1954 between Japan and the United States, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on (1) income and (2) estates, inheritance and gifts. There are agreements between Japan and the United States, Denmark, the United Kingdom, Canada, France, Norway, the Netherlands and Germany for the avoidence of double taxation on income arising from shipping (1924).

5. Special regulations applying to certain industries

a. Banking

Banking is governed by the Banking Law, the Long-Term Loan Bank Law or the Foreign Exchange Bank Law. (Every bank is requied to take out a licence and to have a certain minimum capital).

Every foreign bank desirous of establishing a branch office or an agency in Japan is required, in addition to obtaining a licence from the government, to appoint a representative for each such office. The government may impose on its business such restrictions as may be deemed necessary when issuing the licence.

b. Trust companies

Trust business is governed by the Trust Business Law of 1922 or the

1/ For further details, see Taxation Bureau, Ministry of Finance, Outline of National Tax in Japan, ~~pp. 5-6~~. 1956

Law concerning the concurrent engagement of savings business or trust business of ordinary banks and the others of 1943. (Every trust company is required to obtain a licence from the government.) Trust company is also required to deposit with the government not less than one-tenth of its authorized capital but not exceeding one million yen in government bonds as security of indemnification for losses that may be suffered by beneficiaries on account of the trustee's neglect of duty.

c. Insurance

Insurance business is controlled by the Insurance Business Law of 1939; the business of foreign insurance companies is governed by the Law Concerning Foreign Insurers (Law No. 184 of 1949). Every foreign insurance company is required to obtain a licence from the government.

A foreign insurer is required, before commencing business in Japan, to deposit with the government a sum of 10 million yen in cash or in government bonds or other approved securities. A further additional deposit may be required in particular cases, if considered necessary.

A foreign life insurer is required to hold in Japan, in the form of assets, an amount, to be expressed in Japanese yen, corresponding to the liability reserves (including claim reserves) in respect to those life insurance contracts in Japanese currency arising out of its life insurance contracts written in Japan. A foreign non-life insurer is required to hold in Japan, in the form of assets, an amount, to be expressed in Japanese yen, corresponding to the unearned portion of premiums, less reinsurance premiums, in respect of those non-life insurance contracts in Japanese currency arising out of its non-life insurance contracts written in Japan. A foreign insurer is also required to obtain the approval of the government for writing insurance contracts for amounts in foreign currencies.

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Outline of National Tax in Japan

1956

Taxation Bureau
Ministry of Finance

This publication is a brief guidebook concerning Japanese national tax (excludes customs duty) in force as of June 1, 1956.

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OUTLINE OF NATIONAL TAX IN JAPAN

CHAPTER I
INTRODUCTION

Section 1 Pre-war Tax System

Generally speaking, pre-war national tax structure of Japan had been balanced in the central axis of indirect taxes, except for the period of the middle of Meiji in which the land tax had occupied more than 50% of total tax revenue. For example, in the period of 1934~36 which is the basic period for "pre-war level" of various economical statistics, etc., the revenue from indirect taxes was 57.1% of total national tax revenue or 700 million *yen*, but the comparable proportion of the direct taxes was 34.8% or 427 million *yen*. At the same period the income tax revenue did not reach 20% of it and was almost as much as the revenue from liquor tax, tobacco monopoly profit or customs duty.

However, as result of substantial tax revision in 1940, Japanese tax system was changed into a system in which the income tax occupied a heavy weight. Thus, the percentages which direct tax and indirect tax occupied in the total tax revenue became reverse to those in the preceding years: i.e. the former increased to 64% and the latter decreased to 30%. The old income tax system had consisted of the first class income tax (corporation income tax), the second class income tax (income tax on interest) and the third class income tax (personal income tax other than the second class), but in 1940 the first class income tax was separated from income tax system into corporation tax. At the same time, tax rate on corporate normal income was raised up to 18% from 12.25% (foreign corporation; to 28% from 22.5%). Moreover, business tax of 1.5% on net income and the temporary profit tax at the average rate of 44% was newly imposed on corporate temporary profit.

The method of assessment in which tax liability is determined on the basis of actual income in the previous year was wholly introduced by the revised personal income tax. The incomes were divided into six schedules, and different tax rates were applied to the incomes under each schedule; the lowest 4% for interest on national bond and the highest 10% for dividend or interest.

Moreover, an individual who had gross income over 5,000 *yen* was subject to income tax at the progressive rates from 10% to 65%.

The tax reform as mentioned above resulted 2 times increase both in number of taxpayers and amount of tax revenue, and income tax revenue amounted to 40% of total tax revenue.

In addition, the business tax of 1.5% was imposed on the net income of business, and the temporary profit tax was imposed on corporate and individual temporary profit exceeding the average profit during the basic period (1934~36). Except for the above, the succession tax, land tax and house tax were the other principal direct taxes, but the business tax, land tax and house tax were granted to the local governments as the shared tax. This shared tax system was established in this year to balance the local finance and correct the difference in tax burden between local bodies.

The proceeds of liquor tax had gradually decreased, but it still remained as important as ever. And in addition, there were such excises as textile excise at 10%, commodity tax at 10% to 20%, admission tax at 10% to 30%, sugar excise and soft drinks tax, etc..

Section 2 Post-war Tax System

The said tax system established in 1940 had been maintained till 1946 immediately after the end of the World War II. Of course, year by year, the tax rates were gradually raised and taxable scopes were extended to meet the increasing expenditures for the War, especially the personal income tax rate were remarkably raised up, the tax for luxurious consumption became heavily burdensome. However, the tax system itself had been maintained without large changes as a whole. In March 1946, the extention of allowances and tax exempt point and the adjustments of tax rates were taken for the personal income tax, business tax, amusement, eating & drinking tax and admission tax for the emergency financial measures and the new price policy was taken in the same year. And in October~November, war indemnities special tax and capital levy were newly introduced.

The capital levy was imposed to prevent inflation and equalize the distribution of wealth. And also the war indemnities special tax was adopted to cancel the enormous indemnities for munitions in the form of taxation.

The most noticeable point in the tax revision of 1947 was the change in the method of assessment. The old income tax had been assessed by the Government on the basis of actual income in the previous year, but instead of this method, so-called "estimated self-assessment system" as it prevails in United States was newly introduced. In other hand, the increased income tax was

established as the transitory measures for this change of tax system, and the scheduled income tax system was abolished.

At the same time, the excess profit tax was reduced and the succession tax was simplified while the gift tax on the property transferred to other persons was newly established as the supplementary taxation of succession tax.

The land tax, house tax, business tax, mine lot tax and amusement, eating & drinking tax were transferred to the local governments for the source of local expenditures. Other direct and indirect taxes were, as a whole, maintained in the former system.

In the first Diet after the War, some tax revisions were adopted, and it was noticeable that the non-war sufferer special tax was adopted with the aim to correct unbalance of wealth between war sufferers and the others. In 1948, the admission tax was transferred to the local authorities, while the transaction tax was introduced as national tax. This transaction tax, a kind of sales tax, was imposed at the rate of 1% on the amount of sales at each stage of transactions.

The rationalization of tax system by the Recommendation of Shoup Mission became effective in the year 1950 on the background of the Dodge Plan with the role to prevent the inflation, to bring the economical stability and to maintain the balanced budget.

As for the income tax, basic exemption and dependency exemption were increased to 25,000 *yen* and 12,000 *yen* respectively and the top rate was reduced to 55%. At the same time, the method of imposing income tax on the accumulated incomes of the family was repealed. As for the corporation tax, the taxation on excess profits and liquidation income was eliminated, so that the corporation tax was consisted of only the tax on normal income at 35% and the tax on reserve at 2% (family corporation at 7%). On the other hand, the revaluation for assets was enforced for the purpose of arranging the business management and capital structures impaired by inflation. This revaluation was applied to not only corporations but individuals, especially individual was compelled by the law to take the revaluation in the computation of capital gains and forestry income. As a result of this measures, taxpayers could legally avoid the income tax on the nominal income, but instead of this, they were subject to the revaluation tax at the rate of 6% on such nominal income. And, in the former succession tax, the decedent or donor was liable to the tax burden, however, in revised system, a person who acquired the properties (successor or donee) became liable to the tax. The net worth tax with the rate from 0.5% to 3% on the people having properties more than 5 million *yen* was established to supplement the income tax for the rich people subject to the income tax rate lower than before and to stimulate the private investment. The textile excise and transaction tax were abolished, and the soft drinks tax was combined to the commodity tax. The liquor tax and sugar excise followed the former system, except for some adjustments.

The revision of tax system based on the Recommendation of Shoup Mission was performed broadly in national taxes as well as local taxes. It was a principle of the revision that the autonomy of local tax system should be secured to foster the ground of local self-government and at the same time the combined tax burden of national and local taxes should be rationalized and impartialized. For this purpose, increase of property tax and income tax by local bodies, reduction of excises and local enterprise tax and adjustment of miscellaneous taxes were undertaken. The power of local bodies to determine on taxable basis and tax rate was expanded with the object of securing the local tax system. In addition, the prefectural tax and municipal tax were separated from each other for the purpose of clarifying the responsibility for tax administration. In 1951, the following revisions were performed, as the continuous measures for rationalization based on the second Recommendation of Shoup Mission: that is, increasing the amount of deduction; reducing the rate of income tax; establishing the special deductions for individual; repealing the taxation on reserve other than family corporation (reducing the tax rate for the family corporation to 5%); allowing the amortization for certain machine and equipment; carrying out the second revaluation and adjusting the rate of indirect taxes. In 1952, more revisions were performed mainly in the fields of income tax and corporation tax; increasing the basic exemption and dependency exemption; reducing the tax on retirement income; restoring the withholding on dividend; raising the rate of corporation tax to 42% and rationalizing the depreciation methods.

In 1953, revisions were performed in respect to every tax in the same direction as in the previous year continuously. At first, with respect to income tax and corporation tax, the following revisions were performed; increasing the basic exemption and dependency exemption; raising the tax rate for higher earners; suspending the comprehensive taxation on interest income with any other income; repealing the taxation on capital gains of securities and establishing the taxation on corporate liquidation income. With respect to other direct tax, the old accessions tax was divided into two parts, that is, inheritance tax and gift tax, and the net worth tax was repealed. Moreover, the third assets revaluation was carried out. Secondly, with respect to indirect tax, the liquor tax law was fundamentally revised and the securities transaction tax was newly introduced, in lieu of the taxation on capital gains of securities.

In 1954, the following revisions were performed in respect to every tax. As for the income tax; increasing the basic exemption, dependency exemption

and the exemption for retirement income; rationalizing the taxation on forestry income; reducing withholding tax rate on the dividend income; introducing the pre-payment system in order to simplify the self-assessment system; and so on. As for the corporation tax; introducing the special measures for reducing tax when corporation increased its capital under the certain condition; repealing the accumulation tax system for the reserves of family corporations and imposing tax on their new reserves over the certain limit at 10%; rationalizing the price fluctuation reserve system; putting a limitation on the entertaining expenses which were recognized as business expenses of a corporation. As for the inheritance tax; increasing the amount of deduction for the proceeds of life insurance and retirement income and reducing the tax rate. With respect to the indirect tax, the tax rates of liquor tax, sugar excise, commodity tax, gasoline tax and playing-set tax were raised up a little and the admission tax other than the tax for the use of certain amusement facilities was transferred to national tax from local tax. Finally, the convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to the income tax and the inheritance tax was concluded between Japan and U. S. A. and it was effective from January 1, 1955.

In 1955, the following reforms were performed to reduce direct tax burden. At the same time, the local road tax was newly established so as to finance local road. The major tax reforms of 1955 are as follows.

As for the income tax: raising the amount of the basic exemption; raising the amount of the earned income relief; reducing the tax rate for the lower income brackets; raising the maximum of the deduction for life insurance premium; exempting the interest income; reducing the withholding rate on dividends; raising the amount of the dividend credit; enlarging the special benefits for "blue return," and introducing the optional deduction for social insurance premium, medical expense, and casualty losses. As for the corporation tax; reducing the tax rate on the amount not more than 500,000 *yen* of corporate income and also reducing the tax rate on the liquidation income; increasing the depreciation rate for the newly-built house to rent. As for registration tax; exempting or reducing the tax in certain cases for the encouragement of dwelling-house building. As for the travel tax; reducing the tax on air-craft passengers. As for the sugar excise; adjusting the tax rates on certain kinds of sugar. And finally, the local road tax was newly imposed on motor-fuels for the improvement of local road, and the rate of the gasoline tax was reduced to some extent in accordance with the enforcement of the local road tax.

Along with the principle of the "Intermediate Report" of the Temporary Taxation Enquiry Commission, appointed in August 1955, in order to equalize the tax burden, in 1956 the following revision was performed. That is, reducing the income tax burden of the wage earner by way of raising the amount of the earned income relief, and in computing the corporate income, intensifing the restriction on the amount to be transferred to the retirement allowance reserve account and reducing the limit of social expenses to be allowed as a deduction, for making up a gap caused by raising the said earned income relief; and reducing the custom duty on sugar. At the same time, two local earmarking taxes created: i.e. light-oil trade tax and city planning tax, concurrently with the partial revision of many other local taxes.

The work of Temporary Taxation Enquiry Commission to examine the suitability of the present system of taxation with reference to the prevailing economic conditions of Japan is continued even now. In 1957, the drastic tax revision throughout the national and local, following with the "Final Report" of the said Commission, will be expected to perform.

Section 3 Present Tax System

In the present tax system of Japan, the income taxation is important as compared with other taxes.

The income tax is playing the leading role among all taxes, and such taxes on income as municipal inhabitants' tax, enterprise tax, etc. are attached to it. Moreover, nominal property taxes such as municipal property tax, supplement the function of income tax. However, such taxation on income alone is insufficient and therefore the excises, such as liquor tax, tobacco monopoly profit, etc., are also important revenue sources.

The present tax system of Japan is classified into four groups—i.e. taxes on income, on property, on consumption and on transfer of goods:

(1) Tax on income:

National tax.....Income tax, corporation tax;

Local tax........Prefectural inhabitants' tax, enterprise tax, hunter tax, municipal inhabitants' tax, mineral product tax:

(2) Tax on property:

National tax.....Inheritance tax, revaluation tax;

Local tax........Automobile tax, mine lot tax, municipal property tax, bicycle & cart tax, city planning tax;

(3) Tax on consumption:

National tax.....Liquor tax, sugar excise, gasoline tax, commodity tax, playing-set tax, travel tax, admission tax, local road tax, customs duty, monopoly profit;

Local tax........Prefectural tobacco consumption tax, local entertainment tax, amusement, eating & drinking tax; municipal tobacco consumption tax, electricity & gas tax, mineral bath taking tax;

(4) Tax on transfer of goods:

National tax.....Securities transaction tax, registration tax, stamp tax, bourse tax, tonnage dues;

Local tax........Tax on acquisition of real property, timber trade tax, light-oil trade tax;

According to the national budget for 1956, the revenue from taxes on income is the largest among four groups, i.e. about 664 billion *yen* or 49% of total tax revenue, taxes on consumption is 39%, taxes on property is 10% and taxes on transfer is remaining 2%.

CHAPTER II

INCOME TAX

Section 1 Structure of Income Tax

The income tax is imposed on the individual's income while the corporation tax under the Corporation Tax Law is imposed on the corporate income. Though they are both income taxation, there are marked differences in the procedure of taxation between the two.

Under the Income Tax Law it is provided that a corporation is also liable to pay the income tax if a corporation receives interest, dividend and some other incomes. But this means that the income tax is withheld only for the convenience of tax collection by applying special rate. The income tax withheld is regarded as the advance payment of corporation tax and is credited against the corporation tax in the computation of corporation tax amount. In this chapter only the individual income tax is summarized and the corporate income tax (corporation tax) is explained in the next chapter.

In Japan, estimated taxation and self-assessment system were, as they are prevailing in the United States, introduced in the Income Tax Law in 1947. Before 1947 the taxation office determined each taxpayer's income tax amount based on the actual income in the previous year and ordered him to pay such determined tax amount (so-called "assessment system"). Under the new system it is provided that a taxpayer must estimate his income in the taxable year, compute the income tax liability for himself, file the declaration and pay estimated tax. Then the difference between his estimated tax liability and the tax liability computed exactly on the actual result is settled in the final return. Under the recent revision, however, the pre-payment system based on the amount of income tax for the previous year is introduced in order to simplify the self-assessment system.

Though the income tax is based on the self-assessment system, withholding of income tax or collection at source is carried out in a broad scale. That is to say, the payer of such kinds of income as specified below must subtract the amount of tax under the Income Tax Law from his payment at the time of the payment and turn it over to the Government:

(1) earned income such as salary, wage and bonus, and retirement income;
(2) interest income, dividend income and royalty;
(3) business income such as manuscript fee, remuneration for broadcasting and royalty of copyright.

The amount of tax withheld is the advance payment of the tax liability to be paid by a taxpayer.

For a wage earner the adjustment is made with respect to the year-end difference between the amount of tax withheld and the exact tax amount to be collected at the time when the last payment in the year is held. And if the wage earner has no other kind of income or has those not exceeding 30,000 *yen*, the withheld tax is deemed as his final tax amount to be paid for the year, and consequently he need not pay more tax. Thus, taxpayers are classified into two groups; namely, those who must file the return and those who need not file the return.

Section 2 Taxpayer

The taxpayers of income tax are classified into limited taxpayers and unlimited taxpayers:

(1) Unlimited taxpayer

An individual domiciled or resident for one year or more in Japan is the unlimited taxpayer who must pay the income tax on all his income from both within and without Japan.

(2) Limited taxpayer

An individual not domiciled or not resident for one year or more in Japan is the limited taxpayer who must pay the income tax on his income, only when:

(a) he has income derived from property or business in Japan;
(b) he has received interest, dividend or royalty income from sources within Japan;
(c) he has received wage, salary, pension, bonus or retirement remuneration paid for the services rendered within Japan.

The income under (b) is distinguished from (a) and (c), namely, the amount of withheld tax is enough to discharge the tax liability on the income under (b), while the individual who has the income under (a) and (c) must file the return and pay the tax if there remains deficit.

In principle, the Japanese income tax is merely imposed on the individual income, but a corporation is also liable to pay the income tax in such cases as follows:

(a) a corporation having its head office or principal place of business in Japan receives interest, dividend or some other incomes in Japan;
(b) a corporation having neither head office nor principal place of business in Japan receives interest, dividend, royalty for industrial proprietary or copyright, interest on loan for enterprise, rent on assets for business or some other incomes in Japan.

Section 3 Taxable Income and Method of Taxation

1. Taxable income

Under the Income Tax Law the income derived from all sources is classified into the following 10 kinds, and 7 kinds of income, which are excluded retirement income, interest income and forestry income, are summed up as "total income" (hereinafter, "total income" does not include retirement income, interest income and forestry income). Retirement income, interest income and forestry income, in computing income tax, are treated separately from other incomes.

(1) Interest income: as for the interest on public bonds, corporate debentures and deposits, and profits of a joint operation trust, . . . the receipts in the year.

(Note) Interest income receivable from on and after July 1, 1955 until March 31, 1957 is exempt from income tax.

(2) Dividend income: as for the dividend of profits or interest during construction, or the distribution of surpluses, to be receivable from corporations, and distribution of gains from securities investment trust, . . . the receipts in the year minus interests on the indebtness paid or incurred for the acquisition of the principal.

(3) Real estate income: as for the income derived from the lease of rights on real estate or ships, . . . the gross receipts in the year minus the necessary expenses.

(4) Business income: as for the income derived from commerce, manufacture, farm, fishery, medical service, authorship or other consecutive business operated for the production of income, . . . the gross receipts in the year minus the necessary expenses.

(5) Earned income: as for the income of salaries, pensions, bonuses, etc., . . the receipts in the year minus 20% thereof (maximum: 80,000 *yen*).

(6) Retirement income: as for the retirement allowance,. . . a half of the receipts after substracting a special deduction in the year according to the years of service (10 years or less. . .200,000 *yen*; more than 10 years. . . 200,000 *yen* plus 20,000 *yen* for the each year exceeding over 10 years; more than 25 years . . . 500,000 *yen*).

(7) Forestry income: as for income derived from the lumbering or transfer of timbers, ... the receipts after deducting 150,000 *yen* from the gross receipts in the year minus expenses for afforestation, acquisition, management and lumbering of the forest and other necessary expenses.

(8) Capital gains: as for the income derived from the transfer of assets (excluding business income and forestry income),... the gross receipts in the year minus costs for acquisition and expenses for installation, improvement and transfer of the assets.

(9) Temporary income: as for income not similar in quality to the compensation for labor or personal service other than those as enumerated in each of the preceding items and other than those derived from the consecutive acts aiming at profits,... the gross receipts in the year minus the amount of expenditure required for the acquisition of the temporary income.

(10) Miscellaneous incomes: as for incomes other than those as enumerated in the preceding items,... the gross amount of receipts in the year minus the necessary expenses.

With respect to capital gains and temporary income, taxable income is a half of the total amount of those incomes after deducting 150,000 *yen*.

2. Non-taxable income

The following incomes are exempt from the income tax by the Law:

(1) pensions and annuities to the bereaved family;

(2) travelling expense, educational fund and legal sustainance allowances;

(3) interest on postal saving;

(4) income derived from the transfer of securities, and of such furniture, clothes, etc. as are necessary for daily life;

(5) insurance benefits under the Health Insurance Law, etc., specified lottery prizes, etc..

Moreover, an individual engaged in producing gold metal, nickel metals, etc., fertilizer, synthetic fibre, vinyle products and electricity, etc. or engaged in mining or collecting the gold, oil and coal is exempt from the income tax for the opening year and for three years thereafter with respect to the income derived from these business. If such person expanded facilities, he is exempt from the income tax for the year as expansion and for three years thereafter with respect to the income derived from such expanded facilities.

3. Methods of accounting

The income is computed under the "accrual basis" method. In computing the income, the receipts mean the amount of money to be received. The expenses to be deducted from the gross receipts mean the ones necessary for the acquisition of gross receipts, excluding the cost of living, income tax and inhabitants' tax.

4. Losses

If a net loss was incurred during the preceding three years and a taxpayer has filed the blue return (see Section 4 of this chapter) in the year in which such loss was incurred and thereafter, that portion of loss which was not deducted yet in the preceding taxable years is deducted in computing the total income.

5. Deductions and Exemptions

In computing the taxable total income, taxable retirement income or taxable forestry income, the following deductions and exemptions from the total income, retirement income, or forestry income are allowed to a taxpayer. In this case, these deductions and exemptions are made firstly from the total income (not includes retirement income and forestry income) and secondly from the forestry income and finally from the retirement income if there remains any.

(1) Deduction for losses from casualty

If an unlimited taxpayer suffers a loss of assets (excluding the inventory assets) due to the earthquake, storm, fire, etc., or theft and that portion of such a loss which is not covered with the insurance proceeds, etc., exceeds 10% of the sum of total income, retirement income or forestry income, the excess is deducted from the total income or the retirement income, or the forestry income. The same deduction is allowed to a limited taxpayer if he incurs a loss on his assets located in Japan.

As to losses incurred during the preceding three years and subtractive as losses from casualty, that portion of losses which were not deducted yet in the preceding years is deducted in computing the total income amount, even if the taxpayer has failed to file the blue return.

(2) Deduction for medical expense

If an unlimited taxpayer paid the expense for medical or dental treatment relating to himself or his dependents and the amount of such expense (excluding the part covered with insurance proceeds) exceeds 5% of the sum of his total income, retirement income, and forestry income, the excess is deducted from his total income or retirement income or forestry income (maximum: 150,000 *yen*).

(3) Deduction for social insurance premium

If an unlimited taxpayer paid social insurance premium for himself or for his dependents, the amount of such premium paid is deducted from his total income, retirement income or forestry income.

(4) Optional deduction for casualty losses, medical expenses and social insurance premium

The taxpayer who is entitled to any or all of the three deductions which are explained above, the deduction for casualty losses, the deduction for medical expenses and the deduction for social insurance premium, may take the deduction equal to 5% of his gross income (as to earned income, gross receipt), in lieu of taking each of the three deductions respectively. But this optional deduction can not exceed 15,000 *yen*. Once the taxpayer elects an optional deduction, he is not allowed to deduct the deductions mentioned (1), (2) or/and (3) above.

(5) Deduction for life insurance premium

If an unlimited taxpayer paid the insurance premium on life insurance contract in which the recipient of insurance proceeds is himself or his spouse or other relatives who are supported by him, the amount of such premium paid (maximum: 15,000 *yen*) is deducted from the sum of his total income, retirement income or forestry income.

(6) Exemption for dependent

An exemption from total income, retirement income or forestry income of 40,000 *yen* for the first dependent, 25,000 *yen* for the second and the third dependent, 15,000 *yen* per capita from the fourth dependent is allowed for each dependent who is qualified as such at the end of a taxable year. The term "dependent" is defined as the spouse or other relative (blood-relationship in the sixth degree of consanguinity and relatives in the third degree of affinity) living together with an unlimited taxpayer in one household and having the income less than 40,000 *yen*.

(7) Basic exemption

An unlimited taxpayer or a limited taxpayer is entitled to a exemption of 80,000 *yen* from the sum of his total income, retirement income and forestry income.

6. Tax rates

The income tax due is the total amount computed by classifying the taxable total income, taxable retirement income or taxable forestry income (after deductions and exemptions) into the following brackets and by applying the tax rate thus classified:

Not more than	30,000 *yen*	15%
More than	30,000 "	20%
"	80,000 "	25%
"	150,000 "	30%
"	300,000 "	35%
"	500,000 "	40%
"	800,000 "	45%
"	1,200,000 "	50%
"	2,000,000 "	55%
"	3,000,000 "	60%
"	5,000,000 "	65%

In order to make the computation of tax amount easy, the "simplified tax computation tables" have been prepared for the taxable income or the taxable retirement income not more than 650,000 *yen*. The tax due is the amount of money which is figured in such tables according to the taxable total income or the taxable retirement income classified therein.

And similarly, in order to compute the tax on the taxable forestry income (not more than 650,000 *yen*) easily, the special table is prepared.

The following special rate is, in lieu of the progressive tax rate, applied to the income of limited taxpayer, and his income tax is withheld at the time of payment[1]:

(1) Individual

Dividend 10%

Earned income, retirement income, royalty for patent right or copyright, etc 20%

(2) Corporation

Dividend 10%

Royalty for patent right or copyright 20%

But the tax rate on dividend on shares of stock acquired legally on the offer of the foreign means of payment, and on royalty for patent right paid by a corporation which is necessitated to introduce foreign investment, is reduced to 10%.

7. Credits

Under the present Income Tax Law, the following credits are adopted:

(1) Special credit against income tax on dividend.

If the total income includes the dividend income received from the corporation having its head office or principal place of business in Japan, 30% of such dividend may be credited against income tax amount.

(2) Credit for foreign taxes.

If an unlimited taxpayer was imposed foreign income taxes (or tax equivalent to Japanese income tax) under the foreign law, with respect to his income having its sources without Japan, the foreign tax paid is credited against his Japanese income tax amount.

(3) Credit for a physically handicapped person.

If an unlimited taxpayer is a physically handicapped person or has a dependent physically handicapped person, 5,000 *yen* is credited against his income tax.

Note [1] The interest income which was withheld is to be exempt from the income tax on and after July 1, 1955.

(4) Credit for an old aged person, widow or working student.

If an unlimited taxpayer is an old aged person, widow or working student, 5,000 *yen* is credited against his or her income tax.

8. **Taxation on forestry income**

If a taxpayer has an income from forestry the amount of income of this kind is separated and divided by five, applying the said tax rates to the each part.

9. **Averaging taxation on fluctuating income**

If a taxpayer has an income from fishing, compensation of manuscript and musical composition, royalty of copyright, (hereinafter referred to as "fluctuating income") among his total income and the total amount of such fluctuating income is 20% or more of his total income, the amount of tax on his total income may, at his option, be computed by excluding four fifth of the said fluctuating income from the ordinary taxable income and by applying the same tax rate to the said four fifth as is available to the ordinary taxable income which includes the remaining one fifth of the said fluctuating income. The aim of such averaging taxation on fluctuating income is to avoid the irregular tax burden resulting from applying progressive tax rates to these special incomes in one year.

Section 4 Return and Taxpayment

1. **Declaration**

In accordance with introduction of pre-payment system in the income tax, a taxpayer need not more to file a declaration as a rule from 1954.

Under this system, beforehand in July and November respectively (in the case of farmer, in November), a taxpayer may pay each amount equal to one third (in the case of farmer, one half) of the tax amount assessed for the preceding year in order to appropriate to his taxpayment for the taxable year without declaration, and the balance between the tax amount in such prepayment and the actual tax amount for the year concerned is adjusted by the final return. There are, however, some exceptions in this rule; details are given as follows:

(1) July declaration

An individual, who commenced the business from January 1 of the year and is estimated to be liable to the income tax as of July 1, has to file a July declaration. However a farmer need not to file it, if his farm income accruing on or after September 1 of the year is estimated to be exceed 70% of his total farm income in the year as of July 1.

An individual, whose estimated tax amount in self-assessment for the year is over the basic tax amount of pre-payment as of July 1, can file a July declaration in order to make the payment of his income tax for the year easy.

(2) November declaration

An individual, who commenced the business from January 1 of the year and is estimated to be liable to the income tax as of November 1, has to file a November declaration. Also a farmer, who need not have filed a July declaration as mentioned above, must file a November declaration, if he is under an obligation to file a declaration.

An individual, whose estimated tax amount in self-assessment for the year is over the basic tax amount of pre-payment as of November 1, can file a November declaration, excepting the case where he is under an obligation of pre-payment in the first term (July).

(3) Revised declaration

An individual, who is subject to the pre-payment system or filed a July declaration, can file a revised declaration in November, if his tax amount estimated as of November 1 exceeds the basic amount of pre-payment or estimated tax amount in July declaration. But, on the other hand, if his tax amount estimated as of November 1 is less than the basic amount of prepayment of estimated tax amount in July declaration, he can make a request for correction from 1st to 15th of November.

2. **Return**

(1) Return

An individual whose total income amount during a taxable year is over the total of 80,000 *yen* plus exemption amount for his dependents must file a return during the period from February 16 to March 15 of the next year.

However, an individual whose earned income is paid from one payer of whose income derived from other sources is zero or not exceeding 30,000 *yen* need not file a return.

(2) Loss return

In case there incurs net loss during a taxable year or in case total income amount become to be not over the total of 80,000 *yen* plus exemption amount for his dependents, a taxpayer can file loss return during the period from February 16 to March 15 of the next year.

(3) Revised return

An individual who has filed a return or loss return may file respectively a revised return or revised loss return. But if his total income or income tax amount is less than the amount already reported, he may make a request for correction same as in case of declaration.

(4) Quasi-return

In case an individual who died in the course of a taxable year and who falls under the requirements for filing return, etc., a successor has to file a quasi-return of the dead, and in case an individual who had his domicile or residence in Japan but has become not to have domicile or residence therein falls under the requirements for filing return, he has to appoint a manager for tax payment to conduct the business concerning the taxpayment or must file a quasi-return.

3. **Blue return system**

An individual having business income, real state income, forestry income or capital gains, who keeps, in principle, a certain entry books may file a return of blue form, if he get the approval of the Government on the filing of bule return.

In case a return has been filed on the blue form, the Government can not make the correction unless he has investigated the books and records kept by individual having filed the blue return. And it is allowed to carry over the net loss through three years and to carry back for one year, in a case of blue return. In addition, with respect to an individual filing a blue return on his business income such amount transferred into bad debt reserves as not exceeding a certain amount is deemed necessary expense in computing the income for the purpose of income taxation. Moreover, the allowances for family works (including one's spouse) are approved under this system.

4. **Taxpayment**

An individual, who is subject to the pre-payment system, has to pay the amount equal to one third of the basic tax amount of pre-payment (total tax amount minus amount of tax withheld for the preceding year) in July and November respectively (in the case of farmer, one half in November).

In this case, if his estimated tax amount for the year as of June 1 (in the case of farmer, October 1) is less than the basic tax amount of pre-payment, he can get the government approval of reduction of the basic tax amount in June (in the case of farmer, October).

5. **Withholding**

Any person who receives the following incomes is withheld the income tax at the time of payment:

kind of income	*tax rate*
Interest income	Exempt
Dividend income	10%
Earned income	on "Simplified tax computation table"
Wage of daily laborer	"
Retirement income	"
Remuneration or charge to canvasser or bill collector, etc.	10%
Remuneration for writing, fee for lecture, etc.	15%
Royalty for patent right or copyright for limited taxpayer only	20%
Profits of anonymous association	20%

Special rules for taxation on alien's income are stated in Appendix I.

Section 5 Reassessment and Additional Tax

(1) Provisional assessment against declaration

In case the amount of estimated income or estimated tax entered in declaration differs from the amount of income or tax investigated by the Government, the Government corrects provisionally the amount of income or tax estimated by taxpayer (provisional correction). And in case an individual deemed to have to file a declaration or a revised declaration has not filed the declaration, or has not done the pre-payment by the due date the Government may provisionally assess the tax on the basis of its own investigation (provisional determination).

In this case, the Government collects the interest on the deficit tax amount at the rate of 3 *sen* per 100 *yen* per diem.

(2) Reassessment against return

The Government may, in case the income amount or income tax amount entered in a return differs from the amount investigated by the Government, reassesses the tax amount on the basis of its own investigation (correction). And in case an individual deemed to have to file a return has not filed the return, the Government may assess the tax on the basis of its own investigation (determination). In this case, the Government collects the interest on deficit tax amount at the rate of 3 *yen* per 100 *yen* per diem.

(3) Additional tax

(a) Where a taxpayer files a return on the income less than his actual income;

(b) Where a taxpayer fails to file a return;

(c) Where a person who is liable to withhold tax at the source fails to turn over the withheld amount of tax.

The rates are 5% to 25% against the amount of income tax, but if the taxpayer falls under the cases explained above by intent to evade tax, he must pay heavy additional tax, which is as much as 50% of his income tax liability.

CHAPTER III
CORPORATION TAX

Section 1 Principle of Corporation Tax

In our country, the corporate income is exempt from the income tax, but is subject to the corporation tax.

With respect to the philosophy of the taxation on the corporate income, there are two points of view:

(1) as a corporation is in substance nothing but an aggregate of a number of shareholders banded together for the achievement of some common purpose under limited liability, it is sufficient to impose the income tax upon the shareholders, as the income taxation. Accordingly, it is needless to impose the corporation tax upon the corporate income.

(2) as the general law of the land clothes a corporation with a personality of its own and regards it as an entity distinct from the shareholders who are its members, a corporation owes a duty to pay the corporation tax on its income apart from the income tax on the shareholder's income.

Up to 1949, the Japanese corporation tax system had been based on the viewpoint stated in (2). But an idea that the corporate income is nothing but that of the shareholder was introduced in the Recommendation of Shoup Mission, and the tax system suitable for such idea was established in 1950.

Nowadays, the corporate income is, in the first place, subject to the corporation tax and, in the second place, is subject to the income tax when that income is distributed to the shareholders, etc.; provided that, in computing the income tax amount of an individual, such amount paid regarding the advance payment as the corporation tax is credited against the income tax and only deficiency, if any, is collected as income tax.

In addition, the corporation tax which was formerly imposed upon the accumulated reserves was repealed in 1954, instead thereof special sur-charge tax is imposed upon only the retained surplus which is reserved by family corporation.

Section 2 Taxpayer

The corporations subject to the corporation tax are as follows:

(1) Company—joint-stock company, limited partnership, unlimited partnership and limited company.

(2) Special corporation—Agricultural Cooperative Association, Medium and Small-sized Enterprises Cooperative Association and other entities or associations other than company carrying on the economic activities.

(3) Public utility corporation, etc. (incorporated association or foundation, etc.)

The public utility corporation is subject to the corporation tax to the extent that and only if its incomes are derived from profit-making business; provided, that it is not subject to neither income tax nor corporation tax on such incomes derived from the control or management of assets as interest on deposit, dividend or income from the real property, etc..

Those corporations are, just as in the taxpayers of income tax, classified into two groups; that is, corporations with unlimited tax liability and corporations with limited tax liability. The formers are corporations which have their

head offices or principal places of business in Japan, and they are liable for tax to the unlimited extent. This implies that the corporation tax is imposed on their net incomes[1]. The latters are corporations which have neither head offices nor principal places of business but have assets or enterprises in Japan, and they are liable for tax to the limited extent. This implies that they are subject to the corporation tax only if their incomes are derived from the assets located, or business carried on within Japan, and that they are not subject to any tax on the aggregate earned reserves.

To avoid the double taxation on dividend income, following measures are adopted:

(a) a credit of amount equal to 30% of his dividend income for each individual shareholder against his income tax;

(b) an exclusion of all dividends or distributions of surplus received from other domestic corporation from the net taxable income of recipient corporation;

(c) a deduction of income tax withheld on received dividend from corporation tax.

In case where a domestic corporation was imposed foreign corporation tax (or tax equivalent to Japanese corporation tax) under the foreign law, with respect to the income derived from the business or the properties which are located without Japan, the foreign corporation tax is credited against its Japanese corporation tax amount to the extent of amount computed by applying the Japanese tax rate to the income from the business or the properties without Japan.

The corporations exempted from the corporation tax are the state and such local public bodies as *TO, DO, FU* and prefectures, etc., Japan Monopoly Corporation and Japanese National Railways, etc..

Section 3 Taxable Basis

The net income of corporations for each accounting period is the excess of their total income over their total expenses.

The profit derived from disposition of the assets over the book value are, of course, included in the corporate income and on the contrary, if there incurred the losses, those amount of losses are deducted. Different from the case of individual, the appraised profits of the assets, bases on the price-fluctuation held are also subject to the corporation tax, but the appraised losses are deducted.

Note[1] "their net incomes" include the incomes from sources within as well as without Japan, but exclude the non-taxable income and the income exempt from taxation.

Profits or losses are respectively counted in the corporate income or loss of each accounting period under the accrual basis.

The corporations which are engaged in manufacturing gold metals, nickel metals, fertilizer, vinyle and electricity, etc. and in mining gold minerals, oil, and coals, etc. are exempt from corporation tax on their income having accrued from the said business during the accounting period in which the corporations have commenced the said business and during the accounting periods ending within three years from the opening date of the following accounting period.

The corporations as mentioned above are also exempt from the corporation tax on their income having accrued from manufacturing or mining by the expanded equipments. Moreover, in order to promote the increase of capital, if a corporation falling under the prescribed trade or business increases its capital and distributes dividend, a part of dividend is exempted from the corporation tax, provided that the corporation must satisfy the following requirements:

(A) the revaluation amount in the third revaluation is 80% or more of the maximum revaluation amount; and

(B) more than 90% of each years depreciation during the accounting period is written off.

(1) Valuation method of inventory

The valuation methods of inventory fixed by the Law are as follows:

(a) Cost rule

Actual cost method, first-in-first-out method, last-in-first-out method, weighted average method, moving average method, straight average method, recent purchase method or retail method.

(b) Market rule

(c) Cost or market rule

(2) Depreciation of the fixed assets

Depreciation charges are counted in business expenses and computation methods are as follows:

(a) Straightline method

(b) Declining balance method

(c) Product method

The product method is only applied to the fixed assets for mining. With respect to the replacement asset such as rail, points, telegraphic wire, etc., the replacement method besides those mentioned above may be applied. The corporation filing a blue return may be favoured with the accelerated depreciation for newly acquired machines, etc..

(3) Carry-over loss and carry-back loss

The corporation filing a blue return may include the loss amount incurred during the accounting period opening within five years prior to the first day

of each accounting period in business expense in computing corporate income.

If the loss has incurred to the corporation filing a blue return, that corporation may claim the refund of overpaid tax amount computed by carrying back such loss to the income of the accounting period opening within a year prior to the first day of each accounting period.

(4) Bad debt reserve

In case a corporation filing a blue return has transferred a certain amount to its bad debt reserve account in order to appropriate for the recovery of loss resulting from the uncollectibility of the loans for each accounting period, such amount as transferred to the bad debt reserve account is counted in the business expense in computing corporate income. The maximum amount to be counted in the business expense is 0.7% to 2.0% (rate is fixed for each industrial section) of the loans existing at the last day of the accounting period or 20% of the income, whichever is the lower.

(5) Price fluctuation reserve

In case a corporation filing a blue return has transferred a certain amount to the price fluctuation reserve account in order to provide for the loss resulting from the fall in prices of inventories or securities (including national bond), such amount as transferred to that account is counted in the business expense in computing corporate income.

(6) Retirement allowance reserve

In case a corporation filing a blue return has transferred a certain amount to the retirement allowance reserve account, such amount as transferred to that account is counted in the business expense in computing corporate income.

(7) Special repairing reserve

In case a corporation filing a blue return and holding the vessel or furnace, etc. has transferred a certain amount to the special repairing reserve account, such amount as transferred to that account is counted in the business expense in computing corporate income.

(8) Export loss reserve

In case a foreign trade corporation filing a blue return has transferred a certain amount to export loss reserve account in order to make up loss under cancel or claim of export contracts, such amount as transferred to that account is counted in the business expense in computing corporate income.

(9) Special measures to promote the export

By the tax revision in 1953, it is newly allowed to the trade company and manufacturer to deduct 1% of the amount of export contract or 3% of the amounts of sale contract for exporting goods (as for exporting plant, 5%)

delivered to trade company from manufacturer from their taxable income respectively, provided the deducted amount does not exceed 50% of the taxable income.

Section 4 Tax Rate

(1) The corporation tax is imposed at the following rates:

Income for each accounting period

not more than 500,000 *yen* 35%

more than 500,000 *yen* 40%

Liquidation income

(a) a part of liquidation income which is composed of reserve and non-taxable income 20%

(b) a part of liquidation income which is composed of the amount other than (a) 45%

(2) Special rate for family corporation (sur-charge rate):

In the case of family corporation, if the total amount of retained surplus (reserved at each accounting period) and accumulated reserves (excludes the retained surplus) exceeds the amount equal to one fourth of capital or investment of the said corporation, or 1,000,000 *yen* whichever is the higher;

the retained surplus 10%

Section 5 Family Corporation

The family corporation means any corporation in which the total amount of stocks or investments owned by a shareholder or partner and his relatives exceeds a fixed amount[1] of all stocks of the corporation or of the whole amount invested in the corporation. The Government is authorized to make correction or determination without regard to the behaviour or computation made by the family corporation in connection with its business, if such behaviour or computation is considered likely to result in an improper reduction of corporation tax liability.

Section 6 Return and Taxpayment

In principle the corporation tax is imposed for each accounting period. All corporations liable for corporation tax must file a return and pay tax on the

Note[1] "A fixed amount" is as follows:
(i) In the case of three shareholders or three partners and their relatives, 50% or more;
(ii) In the case of four shareholders or four partners and their relatives, 60% or more;
(iii) In the case of five shareholders or five partners and their relatives, 70% or more.

basis of its settled account within two months from the last day of each accounting period. But, payment of up to half of such due tax can be deferred three months upon an written application. The corporation which accounting period exceeds six months must file a interim return and pay the tax within two months after the expiration of six months after the first day of the accounting period. If no interim return was filed by the due date of filing return, the procedure of taxation is taken on the assumption that the return was filed based on the actual result for the preceding accounting period. The corporation which filed the interim return must file the final return and pay the corporation tax within two months after the last day of the accounting period.

A corporation may use a blue return with an approval of the Government as in the case of an individual.

A corporation which uses a blue return must keep the books and records, and as privileges, such corporation is entitled to open the bad debt reserve account, reserve accounts for retirement payment and for price fluctuation or for export loss, etc., and is able to carry over or back the loss and to use the accelerated depreciation method.

CHAPTER IV

INHERITANCE TAX

The accessions tax before the revision in 1953 was imposed on the recipient of inherited property and gifts or bequests, and the properties as taxable basis were computed cumulatively throughout the recipient's life. In revised system, the accessions tax was divided into such inheritance tax and gift tax as called inheritance tax collectively, and the cumulative taxation was repealed.

1. Taxpayer

(1) Inheritance tax

(a) Unlimited taxpayer—Individual who acquires any property by succession and who has domicile in Japan at the time of acquisition of the property;

(b) Limited taxpayer—Individual who acquires any property located in Japan by succession and who has no domicile in Japan.

(2) Gift tax

(a) Unlimited taxpayer—Individual who acquires any property by gift or bequest and who has domicile in Japan at the time of acquisition of the property;

(b) Limited taxpayer—Individual who acquires any property located in Japan by gift or bequest and who has no domicile in Japan at the time of acquisition of the property.

2. Taxable basis

(1) Inheritance tax

The taxable basis of the inheritance tax is the sum of net amount of properties acquired by succession. The properties are computed each time when succession is held and are appraised on the basis of current price at the time of acquisition. The amount as enumerated below are not included in the taxable basis:

(a) Marital exemption—A half of net amount of properties received from spouse due to succession;

(b) Deduction for minor[1]—Amount as computed by multiplying 20,000 *yen* by the number of years by which the age of minor is less than eighteen;

(c) In case person operating with such public purpose as religion, charity or science, etc. has acquired any property by succession, the amount of property used for the public purpose;

(d) The life insurance payments and retirement income acquired due to death of the decedent. (maximum 500,000 *yen* in each case);

(e) 15% of current price of standing timber at the time of acquisition.

(2) Gift tax

The taxable basis of the gift tax is the sum of net amount of properties acquired by gift or bequest during each year. The properties are appraised on the basis of current price at the time of acquisition. The amount as enumerated below are not included in the taxable basis:

(a) properties acquired from any juridical person by gift;

(b) In case person operating business with such public purpose as religion, charity or science, etc. has acquired any property by bequest or gift, the amount of property used for the public purpose.

3. Basic exemption

(1) Inheritance tax	500,000 *yen*
(2) Gift tax	100,000 *yen*

Note[1] Deduction for minor is allowed for minors who are taxpayers.

4. Tax rates

(1) The tax rates are as follows:

	Taxable amount (after basic exemption)	*Tax rates* *Inheritance tax*	*Gift tax*
Not more than	200,000 *yen*	10%	15%
More than	200,000 „	15%	20%
„	500,000 „	20%	25%
„	1,000,000 „	25%	30%
„	2,000,000 „	30%	35%
„	4,000,000 „	35%	40%
„	7,000,000 „	40%	45%
„	10,000,000 „	45%	50%
„	15,000,000 „	50%	55%
„	20,000,000 „	55%	60%
„	30,000,000 „	60%	70%
„	50,000,000 „	65%	
„	100,000,000 „	70%	

(2) If a person who has acquired properties by succession had received properties by gift from the decedent within two years before commencement of the succession concerned, the amount of the properties received by the gift concerned must be included in the total taxable amount of inheritance tax.

(3) If property on which the inheritance tax was already imposed as the result of succession which commenced within the last ten years, has been succeeded again this time, the amount as computed by multiplying the amount equal to one tenth of the former tax by the number of years by which the interval between the two successions falls short of ten years is omitted from his tax liability (credit for quick successions).

(4) A credit is allowed for the estate tax (with similar nature to that of Japanese inheritance tax) paid to a foreign government on the properties acquired by succession, against the tax amount payable on the properties in Japan.

5. Return and taxpayment

(1) Return

(a) Inheritance tax

A person who acquired a property due to succession is liable to file the return within six months after commencement of the succession.

(b) Gift tax

A person who acquired a property due to gift or bequest is liable to file the return during February of the next year in which the property was acquired due to the gift or bequest concerned.

(2) The due date to be paid is same as the due date to be filed, but under certain circumstances, postponement within five years and payment in kind (excluding the case of gift tax) are approved.

CHAPTER V

REVALUATION TAX

The revaluation tax was firstly imposed upon the reappraisal gains of assets under the Assets Revaluation Law enacted in 1950 and thereafter the second and the third revaluation of assets were enforced in 1952 and 1953 respectively. The purpose of assets revaluation is to let corporation and individual make a proper depreciation in order to rationalize the accounting of enterprises. That is, since the book value of assets fell too low in the cause of inflation and the assets were depreciated on such basis, the book-value is to be adjusted to meet the price-level by the reappraisal of assets. In addition, the purpose of revaluation is to reduce the tax burden on nominal income accrued due to inflation, in a case of transfer of assets.

1. Taxpayer

The taxpayers of the revaluation tax are individuals and corporations who have reappraised the assets owned by them as of the standard date (in the third revaluation, it is January 1, 1953). In a case of individual, if he has transferred, donated or bequeathed any of assets (including houses) other than the depreciable assets owned by him at the standard date, he must pay the revaluation tax as if he revalued the assets concerned.

2. Tax rate

The tax rate is 6% of reappraisal gains. The reappraisal gains are, in a case of corporations, the reappraised value of assets minus the book-value thereof. And in a case of individuals, they are the reappraised value minus the appraised value at the time of investigation for capital levy (the time is March 3, 1946) in a case of the assets acquired prior to that time, and are the reappraised value minus the cost of acquisition in a case of the assets acquired after that time. The reappraisal gains of the assets deemed to have been revalued are the reappraised value less the total of the appraised value for the capital levy and of depreciation charges made during a term from the standard date to the time when the assets are transferred, donated or bequeathed.

3. Taxpayment

The revaluation tax is paid by self-assessment. But the methods of taxpayment differ, according to kind of taxpayers (individuals or corporations) and to kind of assets (depreciable assets or non-depreciable assets).

(1) Every corporation must, in principle, pay each one fifth of the revaluation tax on depreciable assets during each year of five years from the accounting period covering the date of revaluation. In case it has donated or transferred the assets, it has to pay the unpaid revaluation tax within two months after the end of accounting period covering the date of transfer or donation. The revaluation tax on nondepreciable assets must be, in principle, paid within two months after the end of accounting period in which the assets are transferred or donated.

(2) An individual has, in principle, to pay each one fifth of the revaluation tax on depreciable assets during February 16 to March 15 of each year of five years from the year following the date of revaluation covered. In case the depreciable assets are transferred, donated or bequeathed, the unpaid revaluation tax must be paid in lump sum.

(3) In case individual's non-depreciable assets are deemed to have been revalued in a case of transfer of the assets, etc., the revaluation tax on those assets must be paid during the same period as in a case of the income tax on capital gains. And in a case of bequest or succession, the revaluation tax must be paid during four months after the death of legator.

CHAPTER VI

TRAVEL TAX

1. Taxpayer

The taxpayers of the travel tax (similar to the transportation tax in the United States) are passengers of train, tramcar, bus, steam-ship and airplane. Provided that the passengers of the third class of train, tramcar and bus and the third and second class passengers of steam-ship are exempted from the tax, except for their berth charges.

2. Tax rate

The tax rate is 20% of fares, fees or charges of train, etc. and the transportation operators collect the tax at the time of receipt of fares, fees, etc., and turn over it to the Government by the end of the next month. But the tax rate applicable to the passengers of airplane is 10% for the period from July 1, 1955 to March 31, 1957.

CHAPTER VII

REGISTRATION TAX

1. Taxpayer

The taxpayer of the registration tax is a person who applies the registration on official book or document as to acquisition, creation, transfer, alteration, lapse, etc. of the rights or to judicial qualification.

2. Tax objects

The main objects of registration subject to tax are as follows:

(1) Registration for real property and ship;

(2) Registration for commercial company or other profit-making corporation;

(3) Registration for lawyer, doctor, etc.;

(4) Registration of patent right, design right, utility model right or trade mark.

3. Taxable basis

The taxable basis of the registration tax is as follows:

(1) the price of objects to be registered or the amount of money stated in the certificate for cause of registration;

(2) number or quantity of objects to be registered;

(3) number or applications for registrations classified by kinds of registration.

4. Tax rates

Tax rates are also classified according to the objects or the contents of registration. For example, the tax rate is 0.6% as for acquisition of ownership of real property due to succession and 5% as for acquisition of the same right due to purchase. As for establishment of a company the tax rate is 0.7% of the amount of invested property or the paid-up amount of shares, and as to registration for lawyer, 3,000 *yen* per application for registration, and as for transfer of copyright due to succession or other causes, 120 *yen* or 60 *yen* respectively per case.

5. Taxpayment

The registration tax is, in general, paid in form of stamp pasted on the written application for registration. Where the tax amount exceeds 500 *yen* or there is some reason to prevent a taxpayer from paying his tax in form of stamp, the taxation office may permit him to pay tax in cash at his request.

CHAPTER VIII

SECURITIES TRANSACTION TAX

The securities transaction tax was enforced in 1953, in lieu of repealing of the taxation on capital gains of securities.

1. Taxpayer

The taxpayer of the securities transaction tax is a person who transfers securities in Japan. In this case, the term "transfer" means transfer of

securities due to buying and selling, exchange, etc., excluding transfer due to gift or bequest.

2. Taxable basis

The taxable basis of the securities transaction tax is as follows:

(1) Transfer by buying and selling....dealing price.

(2) Transfer by other than buying and selling....current price at the time of transfer.

3. Tax rates

Kinds of taxable securities	*Tax rates* Transfer due to buying and selling by securities dealers who are transferor (A)	Transfer due to other than (A)
National bonds	$\frac{1}{10,000}$ of transferred price	$\frac{3}{10,000}$ of transferred price
Local bonds	$\frac{1}{10,000}$ 〃	$\frac{3}{10,000}$ 〃
Corporate debentures (includes bonds issued under special laws by juridical persons)	$\frac{1}{10,000}$ 〃	$\frac{3}{10,000}$ 〃
Beneficial certificates of loan trust	$\frac{1}{10,000}$ 〃	$\frac{3}{10,000}$ 〃
Shares of stock	$\frac{6}{10,000}$ 〃	$\frac{15}{10,000}$ 〃
Investment certificate issued by juridical persons established under special laws	$\frac{6}{10,000}$ 〃	$\frac{15}{10,000}$ 〃
Certificates of deposit investment trust	$\frac{6}{10,000}$ 〃	$\frac{15}{10,000}$ 〃

4. Taxpayment

The means of taxpayment of the securities transaction tax are two kinds; that is, in the form of stamp and in cash.

(1) If the securities dealers transfer securities for themselves or act as a broker or agent with respect to buying and selling thereof, they are liable to pay tax in cash.

(2) In case other than (1), the taxpayer is liable to pay tax in the form of stamp.

CHAPTER IX

LIQUOR TAX

1. Taxpayer

The taxpayer of the liquor tax is the manufacturer or seller of liquors (drinks containing alcoholic content one degree or more). And any person who intends to manufacture or sell liquors must obtain the license for manufacture or sale of liquors from the competent taxation office.

2. Taxable basis

The taxable basis of the liquor tax is the quantity of liquors which are carried out of the manufactory or which are received from a bonded area.

3. Tax amounts

The tax amounts are classified by kinds and qualities of liquors.

The tax amounts for one *koku*[1] of liquors are as follows:

(Unit: *yen* per *koku*)

Kind	*Group*	*Tax amounts*
Refined *sake*	Special class	68,500
	1st class	49,000
	2nd class	22,500
Imitation *sake*	1st class	27,300
	2nd class	17,600
Unrefined *sake*		15,000
Mirin	Group A	40,500
	Group B	16,000
Shochu	Group A	14,300
	Group B	12,700
White *sake*		62,000
Beer		20,000
Fruit wine		5,300
Miscellaneous liquors	Special class	165,000
	1st class	39,000
	2nd class	12,500

The above tax amounts make the retail price of liquors as follows:

Kind	*Group*	*Quantity*	*Free-sale liquors*
Refined *sake*	Special class	one *sho*[2]	1,075 *yen*
	1st class	„	835
	2nd class	„	505
Imitation *sake*	1st class	„	515
	2nd class	„	390
Mirin	Group A	„	810
	Group B	„	405
Shochu	25°	„	350
	35°	„	535
Beer		3.51 *go*[1] (large bottle)	125
Fruit wine (grapes)		one *sho*	300

Note: 1) 1 *koku*=180 litre. 2) 1 *sho*=1.8 litre.

4. Taxpayment

The liquor tax must be paid monthly by the end of the next month by the manufacturer as to liquors carried out of the manufactory and by the designated seller as to liquors other than ration liquors. With respect to liquors received from a bonded area, tax must be paid by the recipient at the time of receipt.

CHAPTER X

COMMODITY TAX

1. Taxpayer

The taxpayers of the commodity tax are manufacturers or sellers of commodities classified as seventy six kinds under the Commodity Tax Law.

In addition, a person who intends to be engaged in manufacturing (or selling in the case of Class I commodities) of taxable commodities must report to such effect to the competent taxation office.

2. Tax rates

The tax rates of the commodity tax are *ad valorem* rate as for Class I & II commodities (73 kinds) and are a specific duty as for Class III commodities (3 kinds).

Class I (Jewels, etc. 7 kinds) .... 20% of retailer's selling price

Class II

Group A (Commodities for golf, etc. 5 kinds) ...... 50% „ of manufacturer's selling price

Group B (Guns & parts thereof, etc. 6 kinds) .... 40% „

Group C (Cameras, etc. 17 kinds) .... 30% „

But as to television, the tax rate is 17% till June 30, 1958.

Group D (Records for gramophone, etc. 20 kinds) .. 20% „

Group E (Coffee, etc. 8 kinds) .... 10% „

Group F (Toilet cream, etc. 10 kinds) .... 5% „

Note: 1) 1 *go*=1/10 *sho*.

Class III

(1) Matches .... 1 *yen* per 1,000 sticks

(2) Saccharine and dulcin ..... 300 *yen* per 1 kilogram

(3) Soft drinks .... 500 *yen* to 2,000 *yen* per 1 *koku*

3. Return and Taxpayment

Every retailer and manufacturer of commodities to be subject to the commodity tax must file a return concerning the commodities sold or carried out of the manufactory every month, by the end of the next month and must pay the commodity tax by the end of the next month in case of retailer or by the end of the month after the next month in case of manufacturer. In case a recipient of commodities carried from the bonded area is a taxpayer of the commodity tax, a return must be filed simultaneously with the receipt of commodities and the tax must be paid at once.

CHAPTER XI

GASOLINE TAX

1. Taxpayer

The taxpayers of the gasoline tax are recipients of gasoline from a manufactory or a bonded area.

A person who intends to receive gasoline from a manufactory or a bonded area must report the date and place of the receipt and also the received quantity to the competent taxation office.

2. Tax rate

The tax rate is 11,000 *yen* per one kilolitre of gasoline, and the tax is assessed by the taxation office or customs house on the basis of report made at the time of receipt of gasoline from the manufactory or the bonded area.

3. Taxpayment

The gasoline tax is collected from the recipient when he receives gasoline from the manufactory or the bonded area; provided, in case the security equivalent to the amount of the gasoline tax is offered, the collection thereof is postponed for three months or less.

CHAPTER XII

SUGAR EXCISE

1. Taxpayer

The taxpayers of the sugar excise are manufacturers of sugar, molasses and treacle (including treacle made from cane and the other vegetable) and are recipients of those from a bonded area.

2. Tax rates and Taxpayment

The tax rates of the sugar excise are different according to the kind of sugar, etc., the minimum rate is 400 *yen* and the maximum rate is 3,550 *yen* per 100 *kin*[1]. The excise must be paid by a manufacturer as to sugar, etc. carried out of the manufactory, or by a recipient when he receives them from the bonded area.

CHAPTER XIII

PLAYING-SET TAX

1. Taxpayer

The taxpayer of the playing-set tax is a manufacturer of playing cards or mah-jongs, etc. as to the domestic ones and a recipient of those from a bonded area as to the imported ones.

Any person who intends to manufacture or sell playing cards and mah-jongs must report such effect to the competent taxation office.

2. Tax rates and Taxpayment

The tax rate of playing cards is 60 *yen* per one set, and those of mah-jongs are classified by three kinds; the first class, which is made of ivory, is 6,000 *yen* per one set, the second class, made of bones, is 4,000 *yen* per one set and the third class, made of other materials, is 2,000 *yen* per one set. The tax must be paid in form of stamp which is pasted on the pack.

CHAPTER XIV

BOURSE TAX

1. Taxpayer

The bourse tax is classified into two kinds; that is the special bourse tax to be imposed on the bourse organized in form of limited company and the bourse transaction tax to be imposed on brokers or members of the bourse.

2. Tax rates and Taxpayment

The special bourse tax is imposed upon the amount of receipts from commissions on transactions at the rate of 12%, and must be paid monthly to the Government by the 10th day of the next month.

The bourse transaction tax is imposed on the amount of transactions at the rate from 0.01% to 0.2% only when the accounting of the transaction can be settled by payment of margin and tax amount for every month must be paid to the Government through the bourse by the end of the next month.

Note [1] 1 *kin*=0.6 kilogram.

CHAPTER XV

STAMP TAX

1. Taxpayer

The taxpayer of the stamp tax is a person who draws up the document and account-book that certificates the establishment, transfer, change or lapse of the right to property and the document that certificates the ratification or approval concerning the same right.

2. Tax rates

Specifying a type of documents and account-books, such as a power of attorney, a promissory note, etc., the Government imposes tax on these documents and account-books at the fixed amount or at the amount settled according to the amount of money stated in them. The tax rates are fixed for each copy of documents and each copy of account-books for use of one year. For example, as the document proving the transfer of ownership of real property, the tax rates are gradually progressing from 20 *yen* for document expressing the amount of not more than 10,000 *yen* to 10,000 *yen* for that expressing the amount of over 10,000,000 *yen* and as for commodity exchange ticket, from 6 *yen* for ticket expressing amount of not over 100 *yen* to 6 *yen* per 100 *yen* or a fraction thereof for that expressing amount of over 100 *yen*. The tax on a power of attorney or a promissory note is 10 *yen*.

3. Taxpayment

The stamp tax is paid by the drawer of document or account-book in form of stamp which is pasted on the document or account-book.

CHAPTER XVI

ADMISSION TAX

The admission tax was one of the local taxes until the tax revision in 1954. But, for the purposes of correcting the partiality of local revenue sources, it has been transferred into the national tax with some reduction of tax rates on or after May 18, 1954 and the total amount of revenue from this tax should be delivered to the local bodies (*To, Do, Fu* and prefectures), in proportion of the number of inhabitants.

1. Scope of taxation

The admission tax is imposed on admitting into the places of entertainments as enumerated below:

(1) Schedule 1

Moving picture, play, performance, sport, music, show, horse-race and bicycle-race;

(2) Schedule 2

Exhibition (excluding museum) and pleasure-ground.

2. Taxpayer

Administrator or sponsor of the show-place, etc. is subject to the admission tax.

3. Taxable basis

The taxable basis is the amount of admission fee; but exempted from taxation in the following cases.

(1) The admission fee under Schedule 2 is not more than 20 *yen*;

(2) The teacher of primary school leads a party of schoolboys to admit into the show place, etc. with a view to contributing to education, and moreover the admission fee is not more than 30 *yen*.

4. Tax rates

The tax rates are as follows:

(1) Schedule 1

(*Taxable amount*)		(*Tax rates*)
Not more than	50 *yen*	10 %
More than	50 "	20 %
"	80 "	30 %
"	130 "	40 %
"	150 "	50 %

As to the admission into the place where the results of studying about pure music, opera, dance, etc. are laid before the public, or sports stadium, the tax rate is always 20% when the admission fee is more than 80 *yen*.

(2) Schedule 2 10 %

5. Return and Taxpayment

A taxpayer must file a return concerning the total amount (but separated by schedules and tax rates) of admission fees of every month by 10th of the next month.

(2) Taxpayment

The admission tax of every month is collected by the end of the next month.

CHAPTER XVII

LOCAL ROAD TAX

1. Taxpayer

The taxpayers of the local road tax are recipients of gasoline from a manufactory or a bonded area.

A person who intends to receive gasoline from a manufactory or a bonded area must report the date and place of the receipt and also the received quantity to the competent taxation office.

2. **Tax rate**

The tax rate is 2,000 *yen* per one kilolitre of gasoline, and the tax is assessed by the taxation office or customs house on the basis of report made at the time of receipt of gasoline from the manufactory or the bonded area.

3. **Taxpayment**

The local road tax is collected simultaneously with the gasoline tax from the recipient when he receives gasoline from the manufactory or the bonded area; provided, in case the security equivalent to the amount of the local road tax is offered, the collection thereof is postponed for three months or less. The local road tax is earmarked for the road financing to Prefectures and the designated big cities of local body.

APPENDIX I

Taxation on Aliens and Foreign Corporation

Generally speaking, an alien must pay various Japanese taxes as Japanese nationals. Tax treatment is different with the status of his stay in Japan. That is, an alien who has domicile or residence for one year or more in Japan is subject to taxes on his income, wherever they accrue. An alien who has neither domicile nor residence in Japan or who has residence for less than one year, on the other hand, is taxed only upon his certain income derived from sources within Japan. The special tax treatments including so called "one-half deduction" hitherto provided had expired on December 31, 1955. But in the case of special earned income, partial tax relief on the part of income from sources without Japan is newly provided, as the temporary measures for the taxable year 1956 through 1960, to an alien wage earner, who has no domicile but residence for one year or more in Japan, and who falls under the specific category as are designated to contribute to the economic and cultural benefit of Japan. The new tax treatments on alien and foreign corporation are explained as follows:

I. INDIVIDUAL

1 **Income Tax**

(A) An alien who has domicile or residence for one year or more in Japan, other than special wage earners described in (B):— Such alien is imposed Japanese income tax, as in the ordinary case of Japanese, on his world incomes (including incomes from sources without Japan) for the year.

In the computation of tax liability, firstly, each income (interest income, dividend income, real estate income, business income, earned income, retirement income, forestry income, capital gains, temporary income and other miscellaneous incomes) is determined on the full year basis from January to December, secondly "the amount of taxable total income" is obtained from "the amount of total income" as the total of the said each income (excluding retirement income, interest income and forestry income) after such deductions and exemptions as enumerated below:

(a) Basic exemption (80,000 *yen*);

(b) Exemption for dependent (40,000 *yen* for first dependent, 25,000 *yen* for second and third dependent, 15,000 *yen* for per capita from fourth dependent);

(c) Deduction for life insurance premium (maximum, 15,000 *yen*);

(d) Deduction for miscellaneous losses (special deduction for a person suffered from storm, fire or other similar calamities);

(e) Deduction for medical expenses (for the amount in excess of 5% of total income; maximum, 150,000 *yen*);

(f) Deduction for social insurance premium;

(g) Optional deduction; instead of the deduction (d), (e) and (f) mentioned above, optional deduction is allowed by the choice of taxpayers. Under the choice of this deduction, taxpayers can deduct 5% of total amount of gross income (as to earned income, gross receipt) (maximum deductible 15,000 *yen*);

and finally the tax liability is determined by multiplying "the taxable total income" by the ordinary income tax rate. Tax amount on retirement income is separately computed by applying the same rates on one half on the income amount after deducting 200,000 *yen* plus 20,000 *yen* per a year according to years of service exceeding 10 years (maximum, 500,000 *yen*) without summing up together with the other incomes. Interest income is exempt from tax until 1957.

In the case of earned income, retirement income, dividend income, etc., tax on such income is withheld at the time of its payment. Tax on self-assessed tax-payers shall be paid thrice a year.

(B) Special alien wage earner who has residence for one year or more but no domicile in Japan:—

(a) General rule

Special treatment is given to the following groups of earned income which is paid to an alien who has residence for one year or more but not domicile in Japan, for the taxable years 1956 through 1960, inclusive;

(i) Earned income paid to employees of a corporation or other entity carrying on business designated by the Minister of Finance as contributing to the sound development of the Japanese economy;

(ii) Earned income paid to employees of a corporation or other entity engaged in scientific, educational, or other activities for public and nonpecuniary purposes designated by the Minister of Finance as serving for the promotion of international exchange of culture;

(iii) Earned income paid to professors and teachers in a university, college, or high school;

(iv) Earned income paid to ministers or missionaries from a religious organization.

(b) Tax computation

On such earned income as mentioned above, Japanese income tax is not taxable if the payment of which is made without Japan. But, the remittance to Japan out of his earned income paid without Japan is deemed to be paid within Japan, and if the living cost in Japan exceeds

the total of all his incomes within Japan, that excess, to the extent of earned income without Japan minus the said remittance therefrom, is also deemed to be the payment within Japan and be covered under the Japanese income tax. Any remittance during the year shall be deemed to be remitted from the earned income paid abroad, until the amount of remittance exceeds the amount of such earned income. However, for the taxable year 1957 and after, the taxable floor limit will be set as a tax base. That is, in 1957 at least 60 percent, in 1958, 70 percent, in 1959, 80 percent, in 1960, 90 percent of the total earned income mentioned in (a) above shall be subject to the tax and on 1961 and thereafter full Japanese income tax rate would apply to the total world income.

The method of taxpayment is similar to those stated in (A).

(C) An alien who has neither domicile nor residence for one year or more in Japan:—

Such an alien if coming under any one of the following cases is imposed Japanese income tax on his income derived from sources within Japan:

(a) He derives income from assets located in or business engaged in Japan (except as specified here under);

(b) He derives the interest on Japanese national bond, local bond or the corporate debenture issued by Japanese corporation;

(c) He derives the interests on deposits put in the office located in Japan or the profits derived from the joint-operation trusts entrusted to the office located in Japan;

(d) He receives dividends from Japanese corporation or distribution of gains from securities investment trust from Japanese corporation;

(e) He derives the earned income or remuneration for his service rendered in Japan;

(f) He derives the royalties for the industrial ownership or other rights on technique, or copyright (including projecting right on movie film) from the persons engaged in enterprise in Japan;

(g) He derives the interests on loan to the person engaged in enterprise in Japan;

(h) He derives the income from the real property or leasehold of quarrying right located in Japan.

In such cases, income mentioned in (a) above, is taxed by the method of self-assessment or pre-payment, while other incomes are subject to 20% (but interest income is exempt from tax until 1957 and 10% for dividend income receivable until 1957) on the amount of gross receipt by way of withholding at the time of the payments.

In addition, with regard to the interest on claim to loan, which has been legally acquired with foreign currency, the above rate of 20% is reduced to 10% for the time being.

2 Inheritance tax

The inheritance tax is in the present system divided into such inheritance tax and gift tax as called inheritance tax collectively.

(1) Inheritance tax

(a) The taxable basis of the inheritance tax is the amount of property acquired by succession minus 500,000 *yen* and the tax rates are progressive from the lowest 10% on the amount of not more than 200,000 *yen* to the highest 70% on the amount of more than 100,000,000 *yen*.

(b) No inheritance tax is imposed on the properties to be used for the public utilities, etc..

(c) The amount as enumerated below are not included in the taxable basis;

(i) A half of the amount of properties acquired by succession from spouse;

(ii) In case where a person who has acquired the properties by succession, has domicile in Japan and is under eighteen years old, the amount computed by multiplying the 20,000 *yen* by the number of years by which age of the minor is less than eighteen.

(d) If a person who has acquired properties by succession had received properties by gift from the decedent within two years before beginning of the succession concerned, the amount of the properties received by the gift concerned shall be included in the total taxable amount.

(e) If property on which the inheritance tax was already imposed as the result of succession which commenced within the last ten years, has been succeeded again this time, the amount as computed by multiplying the amount equal to one-tenth of the former tax by the number of years by which the interval between the two successions falls short of ten years is omitted from his tax liability.

(f) A credit is allowed for the estate tax (with similar nature to that of Japanese inheritance tax) paid to a foreign government on the properties acquired by succession against the tax amount payable on the properties in Japan.

(2) Gift tax

(a) The taxable basis of the gift tax is the amount of property acquired by gift or bequest minus 100,000 *yen* and the tax rates are progressive from the lowest 15% on the amount of not more than 200,000 *yen* to the highest 70% on the amount of more than 30,000,000 *yen*.

(b) No gift tax is imposed on the properties acquired by gift from any juridical person and the properties to be used for the public utilities, etc..

3 Excise

(a) All the imported commodities are subject to Japanese excises (liquor tax, commodity tax, sugar excise, playing-set tax, gasoline tax, and local road tax). But no excise is imposed on the commodities procured for official purposes by the U.S. armed forces or by authorized procurement agencies, members of the U.S. armed forces and civilian component and those imported as personal effects by ordinary aliens when they enter Japan (excluding liquors brought by ordinary aliens); and also, the commodities imported for official purposes by diplomatic mission or for self-use by members of diplomatic mission are exempt from commodity tax.

(b) In the case where the U.S. armed forces released commodities, the persons who received the released commodities are subject to excise or where aliens transferred motor vehicles to other aliens, the purchaser is liable to pay commodity tax, except for the case where it is proved that the commodity tax on such vehicles has been already paid.

(c) All the domestic commodities are subject to excises, except for the case where the U.S. armed forces or authorized procurement agency purchase such commodities.

(d) In addition, a person who intends to manufacture or sell liquors have to get approval of the chief of the competent taxation office and a person who intends to manufacture or sell sugar, playing-set, commodities subject to commodity tax or gasoline have to report such intention to the competent taxation office.

4 Prefectural Inhabitants' Tax

Prefectural inhabitants' tax is imposed by *To, Do, Fu* or prefectures where taxpayer is resident. Tax is levied on per capita basis and per income basis. The standard rate is, in case of per capita basis, 100 *yen*, and in case of per income basis, 6% (but 5.5% for 1956) of the amount of income tax for preceding year.

5 Municipal Inhabitants' Tax

Municipal inhabitants' tax is, as a principle, imposed in municipalities where the taxpayer is resident and levied on per capita basis and per income basis. The per capita basis is 600 *yen* in the city with more than 500,000 population, 400 *yen* in the city with more than 50,000 but not more than 500,000 population or 200 *yen* in the city other than the above two. For the income basis, municipalities may elect one of the following three different measures:

(a) Standard rate 15% (maximum 18%) of the amount of income tax for preceding year;
(b) 7.5% of the total taxable income for preceding year;
(c) 15% of the total taxable income less the amount of income tax for preceding year.

6 **Municipal Property Tax**

Municipal property tax is imposed on the land, houses and other depreciable assets on the basis of the fair market value of the property concerned at the rate of 1.4% (maximum 2.5%).

7 **Acquisition Tax of Real Property**

Acquisition tax of real property is imposed on acquisition of such properties as land, houses, etc. on the basis of fair market value of the said properties concerned at the standard rate of 3%. Basic exemption: 10,000 *yen* for acquisition of land; 100,000 *yen* for house newly constructed and 50,000 *yen* for other house acquisition.

8 **Enterprise Tax**

Enterprise tax is imposed on the person who operates enterprise or who has a profession by *To, Do, Fu* or prefectures where his office or his business place is located. The enterprise is divided into three categories for tax purposes, that is, the enterprise Class I, Class II and Class III.
The standard rate of enterprise tax is:

Class I	8% of the income of preceding year minus 120,000 *yen*;
Class II & III	6% of the taxable income of preceding year (but, for the masseur, etc., the rate of 4% is available).

II. CORPORATION

1 **Corporation Tax**

A corporation having its head office or principal place of business within Japan is liable to pay corporation tax, and a corporation not having its head office or principal place of business within Japan (foreign corporation) is subject to corporation tax only on income accrued from its assets or business within Japan.

A foreign corporation is not taxed on its liquidated income.

The taxable basis is the amount of income for each accounting period, and this is equal to the gross amount of its receipts minus the gross amount of its business expenses. The rate of corporation tax is 40%, but 35% for not more than 500,000 *yen* of the corporate income.

2 **Income Tax**

If a corporation receives the income (excluding (e) of each kind enumerated in case (C) of the individual (see P. 39)) and income from the real property or leasehold of quarrying right located in Japan, such coroporation is subject to the income tax withholding at the rate of 20% at the time of payment. But interest income is exempt from tax until 1957 and the above mentioned tax rate is reduced to 10% for dividend income receivable until 1957.

3 **Excises**

These are just the same as in the case of the individual.

4 **Prefectural Inhabitants' Tax**

Prefectural inhabitants' tax is imposed by *To, Do, Fu* or prefectures where an office or place of business of a corporation is located. Tax is levied on per capita basis and per corporation tax basis. The standard rate is, in case of per capita basis, 600 *yen*, and in case of per corporation tax basis, 5.4% of corporation tax amount (the maximum rate is 6.5%).

5 **Municipal Inhabitants' Tax**

A corporation having an office or place of business in Japan is liable to pay the municipal inhabitants' tax imposed on a per capita basis and corporation tax basis. The standard rate of the municipal inhabitants' tax imposed on a per capita basis for each office or place of business is as follows:

Cities with a population of 500,000 or more............2,400 *yen*
Cities with a population of 50,000 or more............1,800 *yen*
Cities other than those under the preceding two items..1,200 *yen*

The standard rate of the municipal inhabitants' tax imposed on a corporation tax amount basis is 8.1% (maximum 9.7%) of the corporation tax amount.

6 **Municipal Property Tax and Acquisition Tax of Real Property**

These are just the same as in the case of the individual.

7 **Enterprise Tax**

Enterprise tax is imposed for enterprises operated by a corporation on the basis of the receipt or net income of each accounting period and liquidated income. The standard rate of enterprise tax is:

(A) Electricity supplier, gas supplier, local railway business, track business, life insurance business, damage insurance business.....1.5% of its receipt;
(B) Other business
(i) Special corporation, such as the Agricultural Co-operative Association, etc.......8% of net income and liquidated income.
(ii) Ordinary corporation
10% to the part of income not more than 500,000 *yen*
12% to the part of income more than 500,000 *yen*

APPENDIX II

THE CHART OF THE NATIONAL TAX SYSTEM

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
Income Tax: Income Tax Law	Individuals: (A) Unlimited taxpayers: Individuals domiciled, or resident for one year or more within Japan.	Total income-gross income less necessary expenses—from sources without as well as within Japan. Earned income: 20% of receipts is deducted (maximum 80,000 *yen*). Retirement income: 50% thereof is deducted after subtracting a special deduction (200,000 *yen*~500,000 *yen*) Forestry income: 150,000 *yen* is deducted from the taxable income. Capital gains and Temporary income: 50% thereof is deducted from total amount of these income after subtracting a special deduction of 150,000 *yen*. Allowances—from the total income, the following are deducted: (a) loss suffered from calamities, in excess of 10% of total income; (b) medical expense in excess of 5% of total income, but not exceeding 150,000 *yen*: (c) social insurance premium. (d) optional deduction for the above three items of deduction; equal to 5% of total income, but not exceeding 15,000 *yen*. (e) life insurance premium paid, but not exceeding 15.000 *yen*. (f) exemption for dependent: 40,000 *yen* for the first dependent, 25,000 *yen* for second and third dependents and 15,000 *yen* for each additional dependent; (g) basic exemption of 80,000 *yen*. (h) family workers in the case of blue return; 80,000 *yen*	(1) Taxable total income (the total income less allowances) Not over 30,000 *yen* 15% Over 30,000 〃 20% 〃 80,000 〃 25% 〃 150,000 〃 30% 〃 300,000 〃 35% 〃 500,000 〃 40% 〃 800,000 〃 45% 〃 1,200,000 〃 50% 〃 2,000,000 〃 55% 〃 3,000,000 〃 60% 〃 5,000,000 〃 65% (2) Retirement income, interest income and forestry income are taxed separately from other incomes. (3) Tax credit for dividend income: 30% of dividend income is credited against tax amount. (4) Tax credit for physically handicapped person, old aged person, widow or working student: 5,000 *yen* is credited against tax amount.	(1) Self-assessment system. But following incomes are withheld at sources. The tax withheld is deducted from the total tax due: (a) Earned income and retirement income...according to the simplified tax tables. (b) Interest income ..... exempt (c) Dividend income ......10% (d) Manuscript fee, etc. ....15% (e) Remuneration for canvasser, etc. ....10% (f) Profits of anonymous association ....20% (2) Term of filing return and of taxpayment. 1st period July 1 to 31 2nd 〃 Nov. 1 to 30 3rd 〃 Feb. 16 to March 15 (under the pre-payment system the declaration is unnecessary and prepayment (July and Nov.) is based on the tax for preceding year.) (3) Withheld tax is turned over to the Government by the 10th day of the next month.

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
	(B) Limited taxpayers: Taxpayers other than unlimited taxpayers.	Incomes from sources within Japan. No allowance is given, except for (a).	Dividend income ....10% Earned income and retirement income, etc. ....20% Business income, etc. ......same rates as shown in (1) above. (Tax credit stated in (4) above is not allowed)	No report is required. Self-assessment system, as same shown above.
	Corporation: (A) Domestic corporations: Corporations having their head offices or principal places of businesses within Japan	Interest and dividend received within Japan.	Interest ....exempt Dividend ......10% (withholding)	
	(B) Foreign corporations: Corporations having neither head offices nor principal places of businesses within Japan.	Income from sources within Japan.	20% (withholding)	
Corporation Tax: Corporation Tax Law	Domestic corporation Foreign corporation having its assets or operating its business within Japan.	Net income for each accounting period. Net income for each accounting period, derived from its property situated, or from its business operated within Japan.	Normal corporation Taxable total income not more than 500,000 *yen* ......35% more than 500,000 *yen* ......40% Special corporation & public utility corporation 35%	Self-assessment: The return is filed and the tax is paid within term of two months after the end of accounting period, though payment of up to half of such due tax can be deferred three months upon an application. With respect to a corporation of which accounting period exceeds six months, it is necessary to file an interim return. The tax withheld on the interest income or the dividend income is deducted from the corporation tax or refunded, if excessive.
Inheritance Tax: Inheritance Tax Law	(A) Unlimited taxpayers: Individuals domiciled in Japan at the time of succession, bequest or gift.	1. Inheritance tax Total amount of the property acquired by succession, after taking the following deduction or exemption; (1) Deduction for liabilities (taking the deduction of liabilities relating to the acquired property). (2) Exemption for spouse (taking the exemption of 50% of the total amount of acquired property after taking the deduction for liabilities).	Not over 200,000 *yen* 10% Over 200,000 〃 15% 〃 500,000 〃 20% 〃 1,000,000 〃 25% 〃 2,000,000 〃 30% 〃 4,000,000 〃 35% 〃 7,000,000 〃 40% 〃 10,000,000 〃 45% 〃 15,000,000 〃 50% 〃 20,000,000 〃 55% 〃 30,000,000 〃 50% 〃 50,000,000 〃 65% 〃 100,000,000 〃 70%	(1) Self-assessment (2) Due date of payment: A person subject to the liability to pay the tax on the property acquired by succession ...... within six months from the day on which he has come to the knowledge of the fact that the succession was commenced.

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
	(B) Limited taxpayers: Individual not domiciled in Japan at the time of succession, gift or bequest.	(3) Exemption for minors (taking the exemption equal to the amount as computed by multiplying 20,000 *yen* by the number of years by which the age of minor is less than 18). (4) Basic exemption of 500,000 *yen* (for each succession) Total amount of such property acquired by succession, bequest or gift as located in Japan. Total amount of such property acquired by succession (inheritance tax) gift or bequest (gift tax) as located in Japan. 2 Gift tax Total amount of the property acquired by gift or bequest minus basic exemption 100,000 *yen*.	Tax credit For quick successions not more than 200,000 *yen* 15% more than 200,000 *yen* 20% ″ 500,000 ″ 25% ″ 1,000,000 ″ 30% ″ 2,000,000 ″ 35% ″ 4,000,000 ″ 40% ″ 7,000,000 ″ 45% ″ 10,000,000 ″ 50% ″ 15,000,000 ″ 55% ″ 20,000,000 ″ 60% ″ 30,000,000 ″ 70%	(1) Self-assessment (2) Due-date of payment A person who acquired a property due to gift or bequest during February of the next year in which the property was acquired due to the gift or bequest.
Securities Transaction Tax: Securities Transaction Tax Law	Persons who transfer securities (excluding transfer due to gift or bequest) in Japan.	(1) Transfer by selling and buying...Dealing price (2) Transfer by other than selling and buying...... Current price at the time of transfer.	(1) National bonds, local bonds, corporate debenture and beneficial certificates of loan trust. (a) Transfer due to buying and selling by securities dealers who are transferors. $\frac{1}{10,000}$ of transferred price (b) Transfer due to other than (a) $\frac{3}{10,000}$ of transferred price (2) Shares, investment certificates issued by juridical persons established under special law (a) Transfer due to buying and selling by securities dealers who are transferors. $\frac{6}{10,000}$ of transferred price (b) Transfer due to other than (a) $\frac{15}{10,000}$ of transferred price	(1) payment by stamp In case the securities dealers transfer securities for themselves or act as broker or agent. (2) payment in cash In case other than (1)

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
Travel Tax: Travel Tax Law	Class I and II passengers of trains, and passengers of tramcars, buses, or airplanes, and Class I passengers of steamships.	Passenger fares, special express charges, express charges, quasi-express charges or berth charges of class I and II passengers, etc.	20% Provided that, the tax rate applicable to the passengers of airplane is 10% for the period from July 1, 1955 to March 31, 1957.	1. Tax collection: Transportation operator collects the tax at the time of receipt of the fare. 2. Due date of turning over: The tax is paid by the end of the month following the month covering the day of tax collection.
Registration Tax: Registration Tax Law	Applicant for the registration of creation, transfer, alteration or lapse of the rights on property (including intangible property) and for the registration of the name of physician and lawyer, etc.	Amount of the real property, capital amount and number of copyrights, etc.	For example; Amount of the real property ....0.5~0.6% Capital amount ....0.7% Copyright ....120 *yen* per one case	The tax is paid with revenue stamp at the time of registration.
Revaluation Tax: Assets Revaluation Law	Persons having revalued their assets in Japan. Individual who has sold or given his assets and thus is deemed to have revalued.	Revaluation gains (balance after the deduction of the cost of acquisition or book value from the revaluation amount).	6%	1. Self-assessment. 2. Due date of payment: (1) With respect to a person who revalued his depreciable assets, the tax is paid within the term from February 16 to March 15 during five years from 1954. (2) With respect to an individual who sold or gave his assets and thus is deemed to have made revaluation, the tax is paid within the term from February 16 to March 15 of the year follow-

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
				ing the year of the sale of such assets. (3) With respect to a corporation, the tax is paid each one fifth of tax on depreciable assets during five years from the accounting period covering the date of revaluation respectively.
Liquor Tax: Liquor Tax Law	1. Manufacturers of liquors. 2. With respect to such liquors as received from the bonded area, recipients of liquors.	Quantity of liquors carried out of manufactory or designated sale place (or quantity of liquors received from bonded area)	Varied rates depending upon kind, class and alcoholic contents. For example (Unit: 1 *koku*) 1. Refined *sake* Special class 68,500 *yen* 1st 〃 49,000 〃 2nd 〃 22,500 〃 2. *Shochu* Group A 14,300 〃 Group B 12,700 〃 3. Beer 20,000 〃 4. Fruit wine 5,300 〃 5. Miscellaneous liquors (whisky & brandy) Special class 165,000 *yen* 1st class 39,000 〃 (Over 20° of alcoholic content, 1,950 *yen* per one degree in excess) 2nd class 12,500 *yen* (Over 12° of alcoholic content, 1,040 *yen* per one degree in excess)	Report—by the 10th day of the month following that in which liquors are carried out. Payment—by the end of the same month. With respect to liquors received from bonded area, the return is filed and tax is paid at the time of receipt.
Commodity Tax: Commodity Tax Law	1. Commodities under Class I ....retailer 2. Commodities under Class II and III ... manufacturer	1. Class I .... retailers' selling price 2. Class II .... prices of commodities prevailing at the time when they are carried out of the manufactory 3. Class III .. quantity of commodities carried out of manufactory	Class I ....20% Class II Group A.............50% 〃 B.............40% 〃 C.............30% 〃 D.............20% 〃 E.............10% 〃 F..............5% Class III For example Match......1 *yen* per 1,000 sticks Saccharine & dulcin......300 *yen* per 1 kilogram	Report—by the 10th day of following month; with respect to commodities received from bonded area, at the time of receipt. Payment—by the end of the next month of the following month; with respect to commodities received from bonded area, at the time of receipt.

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
Gasoline Tax: Gasoline Tax Law	A person who receives gasoline out of manufactory or bonded area.	Quantity of gasoline received from manufactory of bonded area minus 3.7% thereof.	11,000 *yen* per 1 kilolitre	Payment— by recipient at the time of receipt from manufactory or bonded area. If the security is offered, the collection is postponed for three months or less.
Sugar Excise: Sugar Excise Law	A manufacturer who carries sugar, etc. out of the manufactory, or a person who receives sugar, etc. out of the bonded area.	Quantity of sugar, etc. carried out of manufactory or received out of bonded area.	(1) Sugar (per 100 *kin*) Class I A 400 *yen* B 1,750 ″ Class II 2,800 ″ Class III 3,550 ″ (2) Molasses Class I ....1,150 ″ Class II ....420 ″ (3) Sugar water (Treacle) Class I ....400 ″ Class II ....2,150 ″	Payment—by manufacturer at the time of carrying out of manufactory or by recipient at the time of receipt from bonded area. If the security is offered, the collection is postponed for one month or less.
Playing-set Tax: Playing-set Tax Law	A person who receives playing-sets out of manufactory or bonded area.	Number of playing-sets received out of manufactory or bonded area.	Mah-jong (per 1 set) A 6,000 *yen* of ivory B 4,000 ″ of bones C 2,000 ″ of other materials Hanafuda, Trump card, etc. } 60 *yen* (per 1 set)	Payment—by stamp affixed by recipient at the time of receipt from manufactory or bonded area.
Bourse Tax: Bourse Tax Law	(1) Bourse tax .... bourse (2) Bourse transaction tax ... billbroker or member of bourse.	(1) Bourse tax. Receipts from commissions on transactions. (2) Bourse transaction tax. Amount of transaction.	(1) 12% of receipts (2) Varied rates according to type of transaction	Report—by the 10th day of the month following purchase or sale. Report—filed through bourse by the 10th day of the following month. Payment—through bourse by the end of following month.
Stamp Tax: Stamp Tax Law:	A person who draws up the document and account book.	Number or copies of documents or account book	Varied rate according to type of document, from 10,000 *yen* (maximum) to 5 *yen* (minimum).	Payment—by stamps affixed to document or account book.
Local Road Tax: Local Road Tax Law	A person who receives gasoline out of manufactory or bonded area.	Basis-Measure is the same as in Gasoline Tax.	2,000 *yen* per 1 kilolitre	Payment—by recipient at the time of receipt from manufactory of bonded area. If the security is offered, the collection is postponed for three months or less.

APPENDIX III THE CHART OF THE LOCAL TAX SYSTEM

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
I. Prefectural Taxes 1. Prefectural Inhabitants' Tax	(1) Individual having domicile	(1) Taxpayer (1): (a) per capita (b) per income	(1) Per capita: (a) Taxpayer (1) (2): 100 *yen* (standard) (b) Taxpayer (3) (4): 600 *yen* (standard)	(1) Taxpayer (1): (a) Assessed in June, August & January (standard), (b) Withheld every month from earned income taxpayer (certain municipalities)
	(2) Individual having office, working place or house but not having domicile	(2) Taxpayer (2): per capita	(2) Per income: 6% (but 5.5% for 1956) of the total amount income tax in each municipal area to the total amount of municipal inhabitants' tax calculated on the basis of income in such municipalities	(2) Taxpayer (2): Assessed in June (standard)
	(3) Corporation having office or working place	(3) Taxpayer (3): (a) per capita (b) per corporation tax	(3) Per corporation tax: 5.4% (standard) 6.5% (maximum)	(3) Taxpayer (3): Self-assessed in 2 months after the end of accounting period (6 months)
	(4) Association or foundation (not juridical person) having office or working place & managed by representative or administrator	(4) Taxpayer (4): per capita		
2. Enterprise Tax	(1) Corporation	(1) Corporation: net income, liquidation income or receipt amount for each accounting period	(1) Taxpayer (1): (a) Electricity supplier, gas supplier, local railway business, track business, life insurance business and damage insurance business: 1.5% of receipt amount (standard) (b) Other business I. special corporation: 8% of income and liquidation income (standard) II. ordinary corporation: 10% to the part of annual net income, 500,000 *yen* or less (standard) 12% to the part of annual net income, more than 500,000 *yen* (standard) 12% to liquidation income (standard)	(1) Taxpayer (1): Self-assessed in two months after the end of accounting period (2) Taxpayer (2): Assessed in August and November
	(2) Individual operating 1st, 2nd or 3rd class enterprise	(2) Individual: net income for the preceding calendar year (basic exemption 120,000 *yen*)	(2) Taxpayer (2): (a) 1st class; 8% (standard) (b) 2nd class; 6% (〃) (c) 3rd class; 6% (〃) but for masseur, etc.; 4% (standard)	

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
3. Tax on Acquisition of Real Property	A person acquiring real property	Amount of real property at the time of acquisition (basic exemption: 10,000 *yen* for acquisition for land, 100,000 *yen* for house newly constructed and 50,000 *yen* for other house acquisition)	3% (standard)	Assessed
4. Prefectural Tobacco Consumption Tax	Tobacco monopoly public corporation	Retail price of tobacco	8%	Self-assessed in every next month
5. Local Entertainment Tax	A person using amusement facilities	Charge	(1) On the use of dance-hall, golf-links and other similar places: 50% (standard) (2) On the use of other place: 30% (standard) (3) On student's athletic sports: 10% (standard)	Withheld by sponsor
6. Amusement, Eating & Drinking Tax	A person amusing himself, eating, drinking or lodging at bar, restaurant, hotel, etc.	Charge	(1) *Geisha*-girl charge: 30% (2) Amusement, eating or drinking charge at bar, restaurant, etc.: 15% (3) Lodging charge or eating or drinking charge at other place: Ad/valorem 5% or 10% (Basic exemption....500 *yen*)	Withheld by operator of bar, restaurant and hotel, etc.
7. Automobile Tax	Owner		(1) Passenger car (a) Business: Not more than 120 inch wheel base: 15,000 *yen* (standard) More than 120 inch wheel base: 30,000 *yen* (standard) (b) Private: Not more than 120 inch wheel base: 36,000 *yen* (standard) More than 120 inch wheel base: 60,000 *yen* (standard)	

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
			(c) Small and more than 4 wheels car: Business: 8,000 *yen* (standard) Private: 16,000 *yen* (standard) (2) Truck (a) Business: 14,000 *yen* (standard) (b) Private: 15,000 *yen* (standard) (3) Bus (a) Reserved bus for sight-seeing in principal: 30,000 *yen* (standard) (b) Others: 14,000 *yen* (standard) (4) Small 3 wheels car (a) Business: 3,300 *yen* (standard) (b) Private: 4,300 *yen* (standard) (5) Small 2 wheels car: 2,500 *yen* (standard) (6) Light car: 1,500 *yen* (standard)	Assessed in April and October
8. Mine-lot Tax	Owner of mining right	Mine-lot area or length	(1) Prospecting lot: 30 *yen* per 1,000 *tsubo.* (2) Working lot: 60 *yen* per 1,000 *tsubo.* (3) Placer lot: (a) River-bed: 30 *yen* per 1 *cho.* (b) Non-river-bed 30 *yen* per 1,000 *tsubo.*	Assessed in December
9. Hunter Tax	Licenced hunter		(1) Non-income-taxpayer or farmer doing hunting as side-work: 1,800 *yen* (2) Others: 3,600 *yen*	Assessed

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
II. Municipal Taxes 1. Municipal Inhabitants' Tax	(1) Individual having domicile. (2) Individual having office, working place or house but not having domicile (3) Corporation having office or working place (4) Association or foundation (not juridical person) having office or working place & managed by representative or administrator	(1) Taxpayer (1) (a) per capita (b) per income: option 1: income tax option 2: taxable income option 3: taxable income minus income tax (2) Taxpayer (2): per capita (3) Taxpayer (3): (a) per capita (b) per corporation tax (4) Taxpayer (4): per capita	(1) Per capita: (a) City (population is more than 500,000) Taxpayer (1)(2): 600 *yen* (standard) (800 *yen*, maximum) Taxpayer (3)(4): 2,400 *yen* (standard) (4,000 *yen*, maximum) (b) City (population is more than 50,000) Taxpayer (1)(2): 400 *yen* (standard) (550 *yen*, maximum) Taxpayer (3)(4): 1,800 *yen* (standard) (3,000 *yen*, maximum) (c) Other city, town or village Taxpayer (1)(2): 200 *yen* (standard) (300 *yen*, maximum) Taxpayer (3)(4): 1,200 *yen* (2,000 *yen*, maximum) (2) Per income Option 1: 15% (standard) (18%, maximum) Option 2: 7.5% (maximum rate) Option 3: 15% (maximum rate) (3) Per corporation tax: 8.1% (standard) (9.7%, maximum rate)	(1) Taxpayer (1) (a) Assessed in June, August, October & January (standard) (b) Withheld every month from earned incomed taxpayer (certain municipalities) (2) Taxpayer (2) (4): assessed in June (standard) (3) Taxpayer (3): self-assessed in 2 months after the end of accounting period (6 months)
2. Property Tax	Owner of land, house or depreciable asset (except automobile, bicycle & cart)	Amount of property as of January 1 registered in property tax ledger	1.4% (standard) (2.5%, maximum rate)	Assessed in April, July, December & February
3. Bicycle & Cart Tax	Owner		(1) Bicycle (a) Motor-cycle: 1,000 *yen* (standard); 800 *yen* ("); 500 *yen* (") (b) Others: 200 *yen* (") (2) Cart (a) Ox-cart or horse-cart: 800 *yen* (standard) (b) Large cart: 400 *yen* (standard) (c) Small cart or trailer: 200 *yen* (standard)	Assessed

Title & Citation	Taxpayer	Basis-Measure	Rates	Report & Payment
4. Municipal Tobacco Consumption Tax	Tobacco monopoly public corporation	Retail price of tobacco	9%	Self-assessed in every next month
5. Electricity & Gas Tax	Consumer	Charge	10%	Withheld by electricity or gas entrepreneur
6. Mineral Product Tax	Mining entrepreneur	Amount of mineral product	1% (standard) (1.2%, maximum)	Self-assessed
7. Timber Trade Tax	Claimant	Amount of timber (once only)	5% (standard) (6%, maximum)	(1) Withheld by owner of standing timber (2) paid by stamp
8. Mineral Bath Taking Tax	Person taking mineral bath		20 *yen* a day (standard)	Withheld by operator of mineral bath
9. Light-oil Trade Tax	Retail Distributor	Quantity of gasoline purchased	6,000 *yen* per one kilolitre	Assessed
10. City Planning Tax	Owner of house and land located in certain areas	Tax base of the Property tax with respect to house and land	0.2%	Assessed and paid altogether with the Property Tax

1. 1st class enterprise:
(1) article selling (2) money lending (3) securities trade (4) article renting (5) lending stadium, playing-ground and meeting-place, etc. (6) manufacturing (7) electricity supply (8) gas supply (9) sand and stone quarrying (10) wireless communication and broad-casting (11) transportation (12) transportation treating (13) motor highway (14) canal (15) wharf (16) mooring facilities (17) cargo unloading (18) warehouse (19) contracting (20) printing (21) publishing (22) photographing (23) *kashiseki* (24) hotel (25) restaurant (26) eating house (27) brokerage (28) agency (29) intermediation (30) commission agent (31) money exchange (32) public bath (33) amusement (34) playing-ground (35) sight-seeing ground, etc.

2. 2nd class enterprise:
(1) live-stock breeding (2) fishery, etc. (except agriculture and forestry)

3. 3rd class enterprise:
(1) medical profession (2) dentist (3) pharmacist (4) midwife (5) masseur (6) veterinary surgeon (7) horse-shoeing (8) lawyer (9) judicial scriber (10) administrative scriber (11) notary (12) attorney (13) tax agent (14) certified public accountant (15) accountant (16) designer and supervisor of building (17) art instructor (18) barber, etc.

(Note) 1. Prefectures are authorized to levy the water and land utilization tax to cover specified disbursements.
2. Municipalities are authorized to levy the water and land utilization tax, the common facilities tax and the national health insurance tax to cover specified disbursements.
3. Prefectures and municipalities can levy other taxes after the approval of the Autonomy Agency.

APPENDIX IV STATISTICS

1. Revenue from Tax and Stamp Yield

(million of *yen*)

Tax item	1949 Actual	1950 Actual	1951 Actual	1952 Actual	1953 Actual	1954 Actual	1955 Estimated	1956 Estimated
Total revenue from taxes & stamps	518,173	456,393	604,032	708,455	782,818	808,429	812,836	848,523
Income tax	278,744	220,134	225,672	269,919	292,294	285,632	278,440	262,331
Corporation tax	61,264	83,790	183,881	186,008	198,882	200,252	195,757	219,084
Inheritance tax	3,969	2,694	2,881	2,764	3,378	4,255	5,050	5,657
Net worth tax	—	516	962	2,233	1,143	274	—	—
Revaluation tax	—	6,403	11,532	14,178	10,992	5,636	3,359	3,558
Liquor tax	83,329	105,376	122,830	139,290	140,252	151,213	159,863	164,950
Soft drinks tax	1,656	43	—	—	—	—	—	—
Sugar excise	1,093	748	7,144	21,119	36,255	47,865	46,006	53,141
Textile excise	13,384	96	—	—	—	—	—	—
Local road tax	—	—	—	—	—	—	7,275	5,585
Securities transaction tax	—	—	—	—	648	593	589	716
Gasoline tax	4,354	7,372	9,016	15,120	20,478	29,271	25,953	30,720
Commodity tax	20,834	16,500	15,233	20,580	25,509	23,791	26,584	28,707
Travel tax	4,828	1,079	1,166	1,688	2,129	2,346	2,308	2,315
Admission tax	—	—	—	—	—	10,027	14,743	16,221
Customs duty & tonnage due	901	1,626	12,590	21,427	30,495	24,641	24,740	32,019
Bourse tax	33,707	683	145	—	348	324	—	—
Stamp revenue	8,981	9,207	10,524	13,218	19,021	21,872	21,882	23,301
Others	1,119	126	457	911	994	437	287	218

2. Government Receipts and Expenditures in General Account

(million of *yen*)

Fiscal year	Receipts		Expenditures		Balance
	Amount	Index	Amount	Index	
1934～36	2,293	100.0	2,217	100.0	75
1939	4,970	216.7	4,494	202.7	477
1941	8,602	375.1	8,134	366.9	468
1944	21,040	917.6	19,871	896.3	1,169
1947	214,467	9,353.1	205,841	9,284.7	8,626
1948	508,038	22,156.0	461,974	20,837.8	46,064
1949	758,612	33,083.8	699,448	31,549.3	59,164
1950	716,793	31,260.1	633,294	28,565.4	83,499
1951	895,483	39,052.9	749,838	33,822.2	145,645
1952	1,078,805	47,047.8	873,942	39,420.0	204,863
1953	1,219,020	53,162.7	1,017,164	45,880.2	201,856
1954	1,185,060	51,681.6	999,880	45,100.6	185,180
1955[1)]	1,013,314	44,191.6	1,013,314	45,706.5	—
1956[1)]	1,034,923	45,134.0	1,034,923	46,681.2	—

Note 1) Estimated

3. Income Tax Burden

(unit: Dollar)

Earned income or business income (amount per year)	500	5,000	10,000	50,000	100,000	500,000
(I) Earned income earner						
single	27	1,832	4,859	30,370	62,870	322,870
couple	6	1,776	4,522	30,298	62,798	322,798
couple with two children	0	1,707	4,439	30,206	62,706	322,708
(II) Business income earner						
single	48	1,943	4,722	30,515	63,015	323,015
couple	24	1,888	4,656	30,442	62,942	322,942
couple with two children	0	1,818	4,572	30,352	62,852	322,852

Note: On unlimited taxpayer

4. Inheritance Tax Burden

(unit: Dollar)

Amount of succession property	One heir	Four heirs
1,000	—	—
2,000	63 (3.1)	—
5,000	666 (13.1)	—
10,000	2,069 (20.7)	347 (3.5)
20,000	5,444 (27.2)	1,875 (9.4)
50,000	18,792 (36.4)	8,776 (17.6)
100,000	46,708 (46.7)	22,486 (22.5)
200,000	109,694 (54.8)	57,944 (92.0)
500,000	315,736 (63.1)	194,402 (38.9)
1,000,000	664,764 (66.5)	460,388 (46.0)

Note: 1. "One heir" means a person who is neither spouse nor minor. In case of "Four heirs", the tax amount is computed on the assumption that one is a spouse and other three are heirs who are not minor.
2. Succession portion is determined according to the Civil Cord (1/3 for a spouse and 2/3 for other heirs).
3. Figures in parenthesis show the burden rate to total amount.

5. Tax Burden per Capita

(*yen*)

Fiscal year	Tax burden per capita			Index (1934~36=100)		
	National	Local	Total	National	Local	Total
1934~36	18	9	27	100	100	100
1939	41	11	52	222	122	189
1941	69	12	81	372	122	289
1944	174	12	186	967	122	689
1947	2,431	259	2,690	13,506	2,878	9,963
1948	5,602	972	6,574	31,122	10,800	24,348
1949	7,789	1,743	9,532	43,272	19,367	35,304
1950	6,864	2,264	9,128	38,133	25,156	33,807
1951	8,553	3,220	11,773	47,517	35,778	43,604
1952	9,826	3,588	13,414	54,589	39,867	49,680
1953	10,836	3,865	14,701	60,200	42,944	54,448
1954	10,585	4,156	14,741	58,806	46,178	54,596
1955	10,417	4,007	14,424	57,872	44,522	53,422
1956	10,660	4,410	15,070	59,222	49,000	55,818

6. National Income and Tax Burden

(million of *yen*)

Fiscal year	National income 1)	Tax			Ratio		
		National 2)	Local 3)	Total	National	Local	Total
1934~36	14,372	1,226	629	1,855	8.5	4.4	12.9
1939	25,354	2,933	757	3,690	11.6	3.0	14.6
1941	35,834	4,931	879	5,810	13.8	2.4	16.2
1944	56,937	12,863	862 4)	13,725	22.6	1.5	24.2
1947	968,031	189,601	20,198	209,799	19.6	2.1	21.7
1948	1,961,611	447,746	77,709	525,455	22.8	4.0	26.8
1949	2,737,253	636,406	142,441	778,847	23.2	5.2	28.5
1950	3,361,084	570,849	188,281	759,130	17.0	5.6	22.6
1951	4,535,319	723,144	272,264	995,408	15.9	6.0	21.9
1952	5,195,355	843,031	307,766	1,150,797	16.2	5.9	22.1
1953	5,822,400	942,521	336,053	1,278,574	16.2	5.8	22.0
1954	6,103,400	934,083	366,778	1,300,861	15.3	6.0	21.3
1955 4)	6,684,000	929,819	357,670	1,287,489	13.9	5.4	19.3
1956 4)	6,971,000	961,236	397,684	1,358,920	13.8	5.7	19.5

Note: 1) National income by distributive shares estimated by Economic Planning Board.
2) Includes monopoly profits, North-China emergency special tax and allocation tax.
3) Excludes local allocation tax.
4) Estimated.

7. Tokyo Wholesale Price Index
(Pre-War Base)

(1934~1936 Average=100)

Year and Month	All Commodities	Edible Farm Products	Other Foodstuffs	Textiles	Fuels	Metals and Machineries	Building Materials	Chemical Goods	Miscellaneous
1947	4,815.2	3,419.5	6,162.7	4,844.0	4,494.8	3,745.7	5,838.5	5,130.4	3,957.2
1948	12,792.6	10,162.9	17,505.6	14,150.2	12,525.5	8,818.8	13,239.4	11,427.0	10,709.1
1949	20,876.4	18,080.8	28,728.2	30,399.8	18,787.1	12,603.6	18,709.7	15,783.6	15,948.9
1950	24,680.7	21,027.1	27,800.7	37,112.8	21,281.5	18,907.3	21,826.2	20,628.5	19,904.4
1951	34,253.1	26,240.7	30,670.6	51,463.6	25,471.1	37,600.9	32,161.7	28,535.9	29,564.9
1952	34,921.5	29,089.5	31,477.0	41,035.0	32,240.9	36,558.2	35,161.6	30,699.7	26,455.3
1953	35,157.3	31,110.5	31,013.7	40,709.1	32,048.9	34,453.9	41,953.5	28,069.3	25,254.0
1954	34,920.8	34,794.9	32,807.0	37,446.9	30,892.0	32,256.6	43,844.6	25,980.3	24,762.9
1955 Jan.	34,509.2	35,114.6	32,900.0	36,014.9	33,344.8	31,474.8	41,508.9	24,947.1	24,679.5
Feb.	34,649.3	34,940.2	32,549.3	35,973.7	33,280.7	32,742.5	41,971.3	25,069.0	24,784.8
Mar.	34,719.4	35,172.8	32,389.9	36,097.3	33,056.2	33,249.6	41,900.2	25,038.5	24,600.6
Apr.	34,439.1	35,347.2	32,326.1	35,891.3	31,709.6	33,068.5	40,975.4	25,099.5	24,574.3
May	34,158.8	35,754.1	32,039.2	35,314.4	31,709.6	32,561.4	40,015.0	25,129.9	24,442.7
Jun.	33,808.5	35,201.8	31,656.6	34,902.3	31,549.3	32,307.9	39,303.6	25,190.8	24,469.0
Jul.	33,983.7	34,969.3	31,688.5	35,973.7	31,517.2	32,416.5	39,339.2	25,190.8	24,600.6
Aug.	34,158.8	34,678.6	31,847.9	35,973.7	31,581.4	32,996.1	39,943.9	25,160.4	24,732.2
Sep.	34,228.9	34,039.1	31,847.9	35,520.4	31,837.9	33,829.1	40,192.9	25,221.3	24,863.7
Oct.	34,334.0	34,155.4	32,007.3	34,861.1	31,998.2	34,589.7	40,264.0	25,343.1	24,574.3
Nov.	34,263.9	33,777.5	31,114.7	35,149.6	33,344.8	34,662.2	39,872.4	25,495.4	24,442.7
Dec.	34,299.0	33,603.1	31,242.2	34,943.5	33,569.2	34,988.1	39,801.6	25,617.3	24,442.7
Average	34,293.1	34,729.5	31,967.5	35,551.3	32,356.2	33,240.5	40,424.1	25,208.6	24,600.6
1956 Jan.	34,544.2	33,457.7	30,955.3	35,190.8	33,729.5	36,074.7	40,086.2	26,135.1	24,363.8
Feb.	34,789.5	33,457.7	30,891.5	35,602.8	33,761.6	36,871.6	40,406.3	26,257.0	24,179.6
Mar.	34,894.6	33,806.5	30,827.8	35,644.1	33,601.3	37,342.4	40,477.4	26,348.3	24,074.4

8. Tokyo Retail Price Index

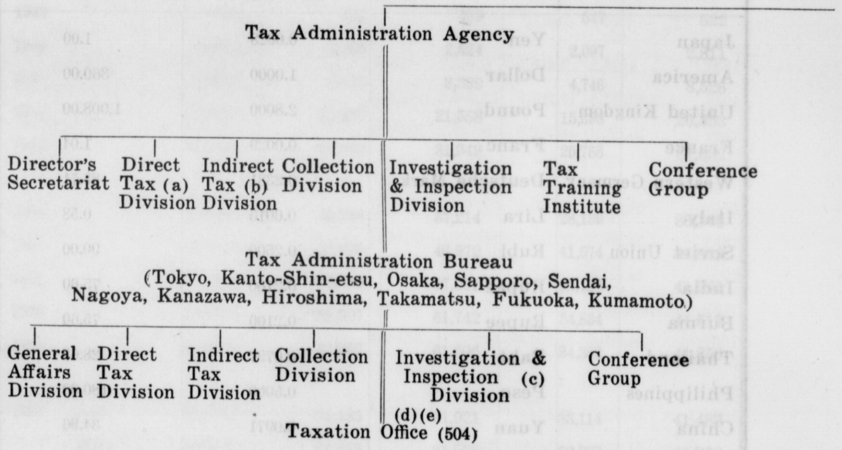
(July, 1914=100)

Year and Month		Average	Food	Fuel and Light	Cloth	Mis-cellaneous
1945		472.4	492	489	347	522
1946		2,900.3	3,405	2,524	2,097	2,811
1947		7,811.5	8,646	8,389	4,746	8,526
1948		22,921.6	23,920	21,558	15,698	26,353
1949		37,282.9	43,450	31,949	25,758	37,392
1950		36,608.5	40,754	37,214	28,139	36,348
1951		47,411.9	52,395	46,972	41,574	44,619
1952		46,138.0	53,540	57,001	36,113	41,905
1953		47,450.1	55,927	61,742	34,854	41,517
1954		50,400.9	62,957	61,606	34,352	41,856
1955	Jan.	50,570.2	64,185	61,921	33,114	41,483
	Feb.	50,921.3	64,885	61,558	32,997	41,802
	Mar.	50,562.4	64,022	60,937	32,714	42,107
	Apr.	50,310.4	63,430	59,768	32,714	42,316
	May	49,838.5	62,407	59,768	32,714	42,183
	Jun.	49,437.6	61,541	59,768	32,594	42,142
	Jul.	48,254.0	58,799	58,916	32,681	42,148
	Aug.	48,515.2	59,501	58,418	32,860	42,024
	Sep.	48,555.1	59,581	58,733	33,095	41,837
	Oct.	48,382.9	59,033	60,116	32,811	41,937
	Nov.	48,053.6	58,131	60,993	32,670	42,016
	Dec.	48,190.6	58,606	61,369	32,125	42,090
Average		49,305.9	61,191	60,189	32,757	42,009
1956	Jan.	47,865.6	57,775	61,732	32,125	42,098
	Feb.	48,140.4	58,323	61,282	32,010	42,393
	Mar.	48,883.2	60,005	60,821	31,963	42,622

9. Currency Title of Main States and Exchange Rates for Yen and Dollar

State	Title of currency	Dollar per one unit of currency in each state	Exchange Rates for *yen*
Japan	Yen	0.0028	1.00
America	Dollar	1.0000	360.00
United Kingdom	Pound	2.8000	1,008.00
France	Franc	0.0029	1.04
Western Germany	Deutsche Mark	0.2381	85.71
Italy	Lira	0.0016	0.58
Soviet Union	Rubl	0.2500	90.00
India	Rupee	0.2100	75.60
Burma	Rupee	0.2100	75.60
Thailand	Baht	0.0797	28.69
Philippines	Peso	0.5000	180.00
China	Yuan	0.0971	34.96
Australia	Pound	2.2400	806.40
Canada	Dollar	0.9328	335.81

APPENDIX V THE CHART OF TAX ADMINISTRATION SYSTEM



Note (a) Direct Tax means: Income Tax, Corporation Tax, Inheritance Tax, & other assets Taxes.

(b) Indirect Tax means: Liquor Tax, Sugar Excise, Gasoline Tax, Admission Tax & other excise Tax.

(c) This Division deals with Individual: Gross income over 10,000,000 yen; Corporation: Capital paid over 10,000,000 yen.

(d) Taxation Office deals with Individual: Gross income 10,000,000 yen or less; Corporation: Capital paid 10,000,000 yen or less.

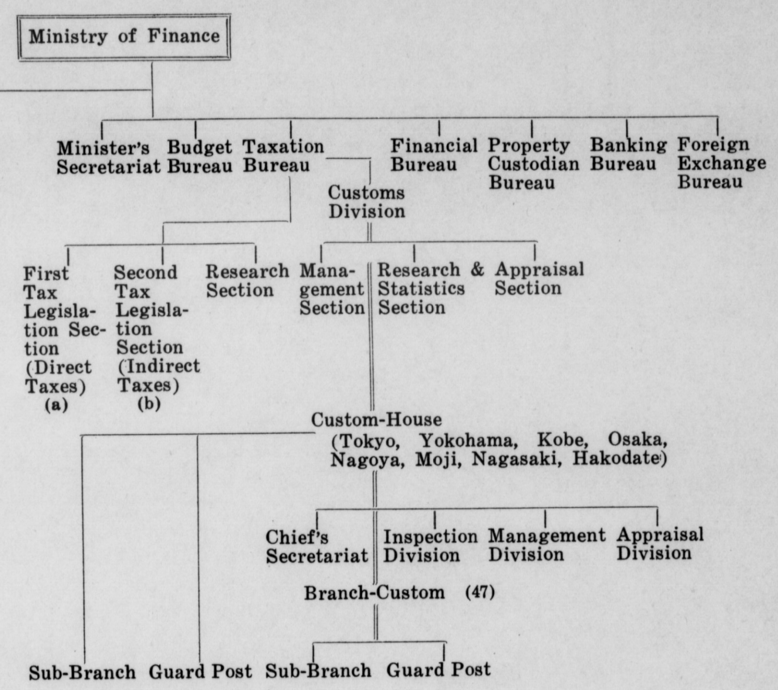
(e) Taxation Office has the sections, according to its tax amount collected or its number of taxpayers, which mentioned below.

(1) General Affairs Section, Income Tax Section, Corporation Tax Section, Collection Section, Indirect Tax Section.

(2) General Affairs Section, Collection Section, Direct Tax Section, Indirect Tax Section.

(3) General Affairs Section, Direct Tax Section, Indirect Tax Section.

(4) General Affairs Section, Assessment Section.



七月四日付送付済

國際協力局長

國連書記官

泰本第九〇五号

昭和三十一年七月三日

在タイ
特命全権大使　渋沢信

外務大臣　重光葵殿

エカフェ海外投資法蒐集のコメントに関する件

本件に関しエカフェ事務局より本年四月十七日付書簡PR/43/9205を以てForeign Investment Lams and Regulationsの日本に関する部分の草案につき日本政府当局のコメントを六月末までに送付ありたい旨要請した次第ありたる処今般同事務局より右に関し催促があつたから、至急送付方御取計煩いたい。

在外公館

記録了