Japan Tax Bulletin

Corporate tax filing in Japan

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1. *Tax returns*

Corporate taxpayers in Japan are usually required to file Corporation tax returns, Inhabitant tax returns, Enterprise tax returns, Consumption tax returns and Depreciable asset tax returns annually.
Corporation tax is income tax levied by the national government. Inhabitant tax is income tax levied by prefectural governments and municipal governments. Enterprise tax is another income tax levied by prefectural governments. A corporate taxpayer must file national and local corporation tax returns within two months from the end of its business year. However, a one-month extension is allowed if an application is filed with the tax office. These corporate income tax returns may be filed either electronically or by paper.
Consumption tax is VAT levied by the national government. Taxable enterprises must file consumption tax returns within two months from the end of its business year. No extension is allowed for consumption tax return filing. The tax return may be filed electronically or by paper.
Depreciable assets tax is property tax levied by municipal governments. Taxpayers must file a tax return containing information about the value of depreciable assets in use as of December 31 by the end of January every year. Municipal governments assess the tax amount based on the information provided by taxpayers and notify taxpayers of the tax amount. The tax return may be filed electronically or by paper.

2. *Corporation tax filing status*

For corporation tax, there are two tax filing statuses,. blue tax return and white tax return, which refer to the color of front page of the paper tax return. The blue return filing status was originally designed to encourage the preparation of accounting records and other relevant documents.. Most corporate taxpayers are blue tax return filers. As reward for complying with the records retention requirement, blue tax return filer corporations are allowed to carry losses forward for nine years and back for one year and are able to utilize certain tax incentives. Application for of filing a blue return must be filed with the tax office prior to the first day of the first business year for which the blue return will be used or, in the case of a newly established corporation, within three months from the date of establishment.

3. *Interests and penalties*

When tax returns are not duly filed or tax payments are not duly made, penalty taxes or interest taxes are imposed in addition to regular taxes.

3.1 No-filing tax
Where a corporation tax return or a consumption tax return (national tax) are not filed by the due dates without reasonable causes, no-filing tax is levied by the tax office (national government) on the tax amount which should have been declared on the tax return at 15% (20% for the portion exceeding JPY500,000). The tax rate is reduced to 5% where tax returns are filed voluntarily after the due date.
Where an inhabitant tax return or an enterprise tax return are not filed by the due dates, the same penalty is levied by the local tax office.

3.2 Under-declaration tax
Where the tax payable on corporation tax return or consumption tax return is under-declared without reasonable causes, an under-declaration tax is levied by the tax office on the incremental tax amount at 10% (15% where the incremental tax amount exceeds JPY500,000 or the originally declared tax amount). The tax rate is reduced to 0% where amended tax returns are filed voluntarily.
Where the tax base of inhabitant tax return or enterprise tax return is under-declared the same penalty is levied by the local tax office.

3.3 Heavy-penalty tax
If a taxpayer did not file a corporation tax return or consumption tax return or under-declared by manipulating or concealing the facts which are the basis of calculating the tax amounts, heavy-penalty tax is imposed instead of no-filing tax at 40% or at 35% instead of under-declaration tax. Where no-filing tax or heavy-penalty tax was imposed in the past 5 years, the tax rate increases by 10% from the tax rates above.
The same penalty is levied by the local tax office for an inhabitant tax return or an enterprise tax return in the same circumstances as above.

3.4 Late-payment tax
Where corporation tax or consumption tax is paid after the due date, late-payment tax is levied by the tax office on the tax amount for the period from the due date to the date when the tax was paid. The tax rate is 7.3% for the first 2 months, but this is currently reduced to the lower of 7.3% or the specified standard rate + 1%. The specified standard rate for the period from January 1, 2015 to December 31, 2016 is 1.8%. The rate for the period after the first 2 months is the lower of 14.6% or specified standard rate + 7.3%.
The same penalty is levied by the local tax office for an inhabitant tax return or an enterprise tax return in the same circumstances as above.

4. Statute of limitations

The statute of limitations for corporation tax or consumption tax is 5 years (6 years for corporation tax in transfer pricing, 7 years for tax evasion). Where tax losses are carried forward for 9 years, the statute of limitations is 9 years as long as the tax losses are utilized.
Where taxpayers pay more tax than the correct amount in error, the taxpayers can request the tax office to correct tax returns to reduce the tax amount for 5 years from the due date.
The statute of limitations for local taxes such as inhabitant tax or enterprise is the same as the above.

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