

Japan Tax Bulletin

Tax Reductions for Residents

May 2024

In accordance with the 2024 Japan Tax Reform, fixed amount of tax credit against National Income Tax and Local Inhabitant Tax will be implemented. This tax credit is a one-time deal and applicable to 2024 National Income Tax and 2024/25 Local Inhabitant Tax payable from June 2024.

1. *Who is eligible?*

An individual taxpayer must be a tax resident of Japan with total income in 2024 less than JPY 18,050,000 (JPY 18,050,000 after employment income deduction).

2. *How much is the reduction credit?*

Tax credit is JPY 30,000 for National Income Tax and JPY 10,000 for Local Inhabitant Tax. Taxpayers with spouse and dependents whose annual income is less than JPY 480,000 are eligible for additional reduction credit. Additional reduction is JPY 30,000 for National Income Tax and JPY 10,000 for Local Inhabitant Tax per eligible spouse and dependents. In case spouse or dependent's sole source of income is employment income, tax reduction credit is allowed if 2024 gross earnings is less than JPY 1,030,000.

3. *How does the tax reduction credit apply?*

Tax reduction credit is applied based on the income type of individual taxpayers.

(1) *Employment income earners*

- For those who are employed as of 1 June 2024 and are paid earnings through payroll processed in Japan, tax reduction credit applies in the form of reduction in income tax withholding in June 2024 payroll. If reduction credit is not fully used, unused balance will be carried forward to the next monthly payroll.
- For those who started employment after 2 June 2024, tax reduction credit will apply in the form of year-end tax adjustment processed together with December 2024 payroll.
- For those who are employed as of 1 June 2024 and are paid earnings through payroll processed in Japan but whose annual employment earnings is expected to exceed JPY

20,000,000, tax reduction credit applies income tax withholding will be reduced as if they are eligible for the reduction starting from June 2024 monthly payroll. Since they are not subject to annual year-end payroll adjustment, final income tax adjustment will be done by filing of annual income tax return.

- Additional tax reduction credit may be available for eligible spouse and dependents based on their status at the time of year-end tax adjustment.

(2) *National pension recipients*

- Tax reduction credit applies by reducing income tax withholdings from monthly old-age pension pay-out starting from June 2024. If reduction amount is not fully used, unused balance will be carried forward to the following month.

(3) *Taxpayers with business income, real estate income or other type of income*

- For taxpayers with business income, real estate income or other type of income, tax reduction credit apply through the filing of annual individual income tax return. For those required to make pre-payment of estimated tax, adjustment will be made to their first estimated tax payment calculated by the tax office.

Source: National Tax Agency

<https://www.nta.go.jp/users/gensen/teigakugenzi/index.htm>