









Tax Treatment for Non-resident

The answers to Non-resident tax treatment

 Income taxes	Japanese tax authorities levy Japanese taxes on foreign investors who purchase, hold and sell real estate in Japan. Furthermore, a certain amount of rent incomePlease see page 1.
 Stamp duty taxes	Stamp duty tax is the tax levied on those who make taxable documents such as real estate sales, purchase agreements and so on. Those whoPlease see page 3.
 Real estate acquisition taxes	Real estate acquisition tax is the tax levied on an acquirer of real estate without regarding the registration for a transfer of titles. Taxable transactionPlease see page 4.
 Registration taxes	A registration tax is the tax levied on those who apply for a registration application for a transfer of titles in regard to real estate sales, purchasePlease see page 5.
 Fixed asset taxes Metro Planning taxes	The fixed asset tax is a tax levied on those who hold fixed assets by the local tax office having jurisdiction where the fixed asset is located every yearPlease see page 6.
 Frequently asked questions	These are summary of frequently asked questionsPlease see page 7.

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About income taxes

Japanese tax authorities levy Japanese taxes on foreign investors who purchase, hold and sell real estate in Japan. Furthermore, a certain amount of rent income is withheld at the time payment in some cases.

Q1 Who is the Non-resident?

(Answer)

The Non-resident is a person who doesn't hold residence in Japan, or have not held residence within one year of the present day. Therefore, a person who has Japanese nationality becomes non-resident if the person doesn't hold residence in Japan or have not held residence within one year of the present day.

Q2 What does "residence" mean?

(Answer)

Residence means the base and center of one's life. The base and center of one's life means base and center which relates to one's typical life.

Q3 How does non-resident make arrangements for submitting income tax return?

(Answer)

In the period from 16th February to 15th March for each year, non-resident has to submit income tax return pay income tax.

Non-resident needs to elect a person having residence in Japan as tax manager to let him deal with Japanese tax management for income tax.

Q4 Is real estate rent income taxable income for income tax?

(Answer)

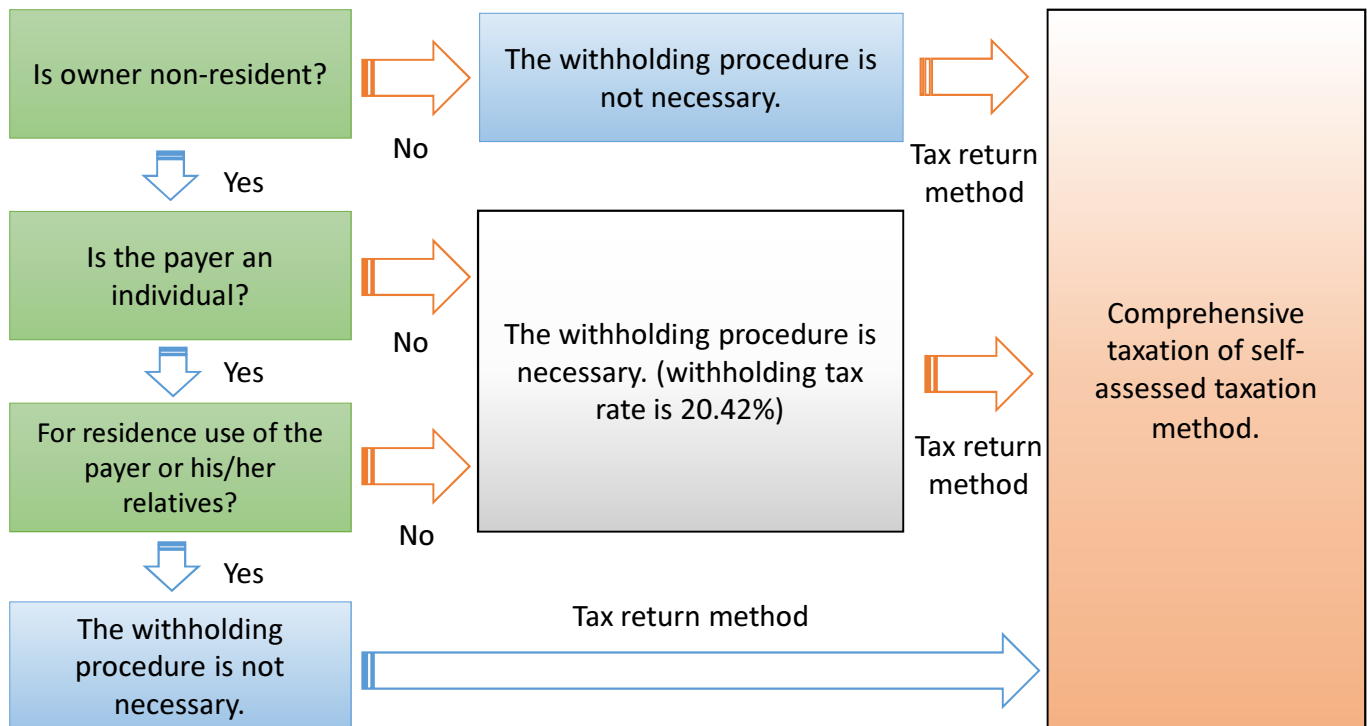
Real estate rent income, which a non-resident receives from a tenant, is subject to income tax. Therefore, non-resident makes arrangements to submit income tax return.

About income taxes

Q5 Is a certain amount of real estate rent income withheld?

(Answer)

Real estate rent income paid by a tenant has the income tax amount withheld from that income at the time of payment. However, in the case that the payer is an individual and rented real estate is for residence use of the payer or his/her relatives, the withholding procedure is not necessary.



※ Comprehensive taxation of self-assessed taxation method is the method that taxpayers calculate income tax by levying the income tax rate on total taxable incomes, which are the sum of each income that is calculated by deducting expenses from total revenue. By the way, in some cases, the income tax amount withheld from that income may be refundable.

Q6 Is a certain amount of real estate sales price withheld?

(Answer)

Those who purchase real estate from non-resident and pay the purchase price have a responsibility to withhold for income taxes. However, in the case that the purchaser who is an individual purchases for residence use and purchase price is less than JPY 100,000,000, the withholding procedure is not necessary.

About stamp duty taxes

Stamp duty tax is the tax levied on those who make taxable documents such as real estate sales, purchase agreements and so on. Those who make taxable documents together have a burden to pay the stamp duty tax on joint and several liabilities.

Q1 Who is stamp duty tax payer for real estate purchase agreement?

(Answer)

The stamp duty tax is levied on each agreement when two or more are made. Since real estate sales usually have two agreements, both the seller and purchaser must pay their own stamp duty tax.

Q2 How much is stamp duty tax?

(Answer)

The stamp duty tax amount is determined based on the amount of money being written in on a taxable document. The stamp duty tax amount in regard to real estate purchase agreement is determined based on the price amount of money being written in on the agreement.

Note: below tax rate is applicable in the case that agreement is executed before 31st March 2018.

The price amount (JPY)	Tax amount (JPY)
Over 100,000 - 500,000 or less	200
Over 500,000 - 1,000,000 or less	500
Over 1,000,000 - 5,000,000 or less	1,000
Over 5,000,000 - 10,000,000 or less	5,000
Over 10,000,000 - 50,000,000 or less	10,000
Over 50,000,000 - 100,000,000 or less	30,000
Over 100,000,000 - 500,000,000 or less	60,000
Over 500,000,000 - 1,000,000,000 or less	160,000
Over 1,000,000,000 - 5,000,000,000 or less	320,000
Over 5,000,000,000	480,000

About real estate acquisition taxes

Real estate acquisition tax is the tax levied on an acquirer of real estate without regarding the registration for a transfer of titles. Taxable transaction includes sales, donation, exchange and construction. A foreign individual and foreign corporation become real estate acquisition tax payer if they acquire real estate.

Q1 How is real estate acquisition tax calculated?

(Answer)

The method to calculate the real estate acquisition tax is as follows:

Land	Building	
	Residence	Other
(Note 1) Taxation price × 3%	Taxation price × 3%	Taxation price × 4%

(Note1) In the case of land purchased for residence and assessed before 31st March 2015, the taxation price is 1.5%.

Q2 Do those who acquire real estate need to submit a return?

(Answer)

The acquirer must submit a real estate acquisition return to the office with jurisdiction of the real estate within 30 days from acquisition date.

Q3 When is deadline to pay real estate acquisition tax?

(Answer)

The acquirer will receive a real estate tax notice which notes the tax amount, due date and so on by the jurisdiction office. Then, the acquirer must pay the real estate acquisition tax at the jurisdiction office or another acceptable financial institution by the due date.

About registration taxes

A registration tax is the tax levied on those who apply for a registration application for a transfer of titles in regard to real estate sales, purchase transactions and so on. Those who apply for a registration application together have a burden to pay the registration tax on joint and several liabilities.

Q1 How is registration tax calculated?

(Answer)

The method to calculate the registration tax is as follows:

Land	Building
(Note 1) Taxation price × 2%	(Note 2) Taxation price × 2%

(Note 1) Tax rate reduces to 1.5% in cases in which registration happens before 31st March 2015.

(Note 2) There are some ways to reduce the tax rate depending on the type of acquired real estate.

Q2 How to pay registration tax?

(Answer)

One way to pay a registration tax is to submit receipt paper pads paid to the Japanese government and attached on a registration application to the Japanese registration office by those who apply for that registration. Taxpayers may pay by putting a revenue stamp on a registration application and submit the application to the Japanese registration office as well.

About fixed asset taxes and metro planning taxes

The fixed asset tax is a tax levied on those who hold fixed assets by the local tax office having jurisdiction where the fixed asset is located every year. The fixed assets are land, buildings, depreciable assets and so on.

The metro planning tax is a tax in which the Japanese local tax office levies on those who hold land and buildings they have jurisdiction over. It is based on metro planning law.

Those who hold the fixed asset are owners who are registered in the land tax registry, building tax registry or owner's registry on 1st January every year.

Q1 How to calculate fixed asset tax and metro planning tax?

(Answer)

The fixed asset tax and metro planning tax is calculated with the following formula:

Fixed asset tax	Metro planning tax
(Note) Taxation price × 1.4%	(Note) Taxation price × 0.3%

(Note) The taxation price is usually the price registered in the local Japanese fixed asset tax register that is evaluated with the fixed asset evaluation standard regulated by the Japanese government. The taxation price in regard to depreciable assets is the price registered in the depreciable asset tax register.

Q2 When is deadline to pay fixed asset tax and metro planning tax?

(Answer)

In general, there are 4 payment deadlines for the fixed asset tax and the metro planning tax in which the dates are in April, July, December and February. However, the dates vary based on each local tax office. Taxpayers receive a fixed asset tax and metro planning tax notice sent by the Japanese local tax office that have jurisdiction over the fixed asset's location in advance. The notice details the specific deadline for payments.

Frequently asked questions

Q1 Are there income tax rate schedules?

(Answer)

Income tax rate and special reconstruction income tax rate by comprehensive taxation of self-assessed taxation method for non-resident is as follows:

Taxable income amount (JPY)	Income tax rate	Special income tax rate	Effective rate
1,950,000 or less	5%	0.105%	5.105%
Over 1,950,000 – 3,300,000 or less	10%	0.210%	10.210%
Over 3,300,000 – 6,950,000 or less	20%	0.420%	20.420%
Over 6,950,000 – 9,000,000 or less	23%	0.483%	23.483%
Over 9,000,000 – 18,000,000 or less	33%	0.693%	33.693%
Over 18,000,000 – 40,000,000 or less	40%	0.840%	40.840%
<u>(Note)</u> over 40,000,000	<u>45%</u>	0.945%	45.945%

(Note) Income tax rate of taxable income which is over 40,000,000 is 45% from 2015.

Q2 Are there withholding tax rate schedules?

(Answer)

Withholding tax rates are 10.21%, 15.315% and 20.42 and so on. The withholding tax rates depend on incomes. For example, Highest withholding tax rate for sales income is 30.63%.

Q3 What are deductible expenses?

(Answer)

Deductible expenses from real estate rent income are the expenses related to real estate management and so on.

Frequently asked questions

Q4 How to levy income tax on capital gain?

(Answer)

Capital gain of real estate is subject to income tax. Income tax rate levied on capital gain is determined depending on Non-resident's possession period.

Q5 Is consumption tax levied on non-resident?

(Answer)

Consumption tax is the tax levied on transactions done by business operators. Concrete taxable transactions are rent for stores, offices, warehouses and parking; sales of buildings and services and so on. Therefore, non-resident may be consumption tax payer.

However, a certain consumption tax amount may be refundable in some cases. Moreover, in some cases, consumption tax is exempted.

Q6 Is inheritance tax levied on non-resident?

(Answer)

Japanese real estate possessed by non-resident is a taxable asset and the heir is the taxpayer of inheritance tax.