THE OECD TAX-BENEFIT DATABASE

Description of policy rules for Japan 2023

BETTER POLICIES FOR BETTER LIVES

THE OECD TAX-BENEFIT DATABASE FOR JAPAN

Description of policy rules for 2023

OECD contact: Daniele PACIFICO, Jobs and Income Division, Directorate for Employment, Labour and Social Affairs. Email: Tax-Benefit.Models@oecd.org

National team: Sayaka IHA, International Affairs Division, Minister's Secretariat, Ministry of Health, Labour and Welfare, Japan

This version: February 2024

BETTER POLICIES FOR BETTER LIVES

Jobs and Income Division
Directorate for Employment, Labour and Social Affairs

Table of contents

Preface ***4***

The OECD tax-benefit model for Japan: Policy rules in 2023 ***1***

1. Reference wages **1**

2. Unemployment benefits **1**
2.1. Employment insurance (Koyo hoken) 1
2.2. Unemployment assistance 4

3. Social assistance and housing benefits **5**
3.1. Public assistance (Seikatsu hogo) 5
3.2. Housing benefit (provision of benefits for securing housing) 12

4. Family benefits **16**
4.1. Child allowance (Jido teate) 16
4.2. Child rearing allowance (Jido fuyo teate) 18
4.3. Special Benefit for supporting low-income households with children (kosodate setai seikatsu shien tokubetsu kyuhukin) 20

5. Net costs of Early Childhood Education and Care **21**
5.1. Gross childcare fees 21
5.2. Childcare benefits 22

6. Employment-conditional benefits **25**
6.1. Re-employment allowance (Saisyuusyoku teate) 25

7. Social security contributions and payroll taxes **26**
7.1. Social security contributions (Syakai hoken ryo) 26

8. Taxes **30**
8.1. Income tax (Shotoku zei) 30
8.2. Local income taxes (Jyumin zei) 34

9. Selected output from the OECD tax-benefit model (TaxBEN) **38**

Annex: Other benefits and direct taxes ***40***
A.1.1. Support System for Job Seekers (Kyusyokusya shienseido) 40
A.1.2. Sickness Benefit (Kenko hoken) 41
A.1.3. Short-time work compensation scheme (Koyo chosei joseikin) 42
A.1.4. Mandatory employer sick pay 43
A.1.5. Special Benefits to Mitigate Rising Electricity, Fuel and Food Costs (Denryoku gasu shokuryohinto kakakukoto kinkyushienkyufukin) 43

BETTER POLICIES FOR BETTER LIVES

Jobs and Income Division
Directorate for Employment, Labour and Social Affairs

Preface

This report provides a detailed description of the tax and benefit rules in Japan as they apply to working-age individuals and their dependent children. It also includes output from the OECD Tax-Benefit model (**TaxBEN**), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, e.g. in employment and unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families ("vignettes"), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click here for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)

TaxBEN web calculator

Methodology and user guide

OECD tax-benefit data portal

Network of national experts

Guidelines for updating this report (for national experts)

General guidelines

Detailed **guidelines for updating Section 5** "Net costs for Early Childhood Education and Care"

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2023**.
- The symbol *(i)* in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format **`[variable name]`**
- Text in blue font colour identifies **COVID**-related measures that are in force during the reference date of this report.

BETTER POLICIES FOR BETTER LIVES

Jobs and Income Division
Directorate for Employment, Labour and Social Affairs

The OECD tax-benefit model for Japan: Policy rules in 2023

1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here).[1] If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth[2] to the latest available wage estimate.

The minimum wage **[MIN]** as of 1 January 2023 is JPY 961 per hour, which corresponds to an annual earnings level for a full-time worker of JPY 961 x 40 x 52 =1,998,880.[3]

2. Unemployment benefits

2.1. *Employment insurance (Koyo hoken)*

Variable name:[4] **[UI_p; UI_s]**

Unemployed people can receive unemployment benefit (basic allowance) for a period that varies according to the reasons for leaving employment, age and the duration of insured employment.

This is an unemployment benefit. It is contributory, not means-tested and not taxable.

2.1.1. Eligibility conditions

Age: No restrictions.

Contribution/employment history: The applicant must have been insured for a period of more than 12 months, with more than 11 days or 80 hours per month, over 2 years before unemployment. Applicants who are unemployed as a result of bankruptcy or dismissal or other reasons must have been insured for a period of more than 6 months over 1 year before unemployment. In the case of the non- renewal of the labour contract with a fixed term, or due other unavoidable reasons, 6 months of membership over 1 year before unemployment is enough to qualify.

Behavioural requirements and related eligibility conditions: TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment

[1] Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

[2] Wage growth projections are based on OECD Economic Outlook.

[3] The regional minimum wage per hour in Japan is set by each prefecture, and the minimum wage varies from prefecture to prefecture. **[MIN]** is the nationwide weighted average of the regional minimum wage.

[4] The variable names ending with "_p" refer to the first adult (so-called "*p*rincipal" adult) whereas those ending with "_s" are related to the *s*pouse.

benefits.[5] These conditions are that the benefit claimant has to attend the PES once every 4 weeks and carry out job-seeking activities at least twice during this period.[6] Examples of job seeking activities include:

- making a job application,
- undergoing a consultation, job matching services, seminar or lecture etc. offered by an MHLW-authorised private employment services or another public organisation, and
- taking an examination towards a qualification that will aid re-employment.

2.1.2. Benefit amount

Calculation base:

The basic allowance is calculated from the daily amount of wages (DAW). DAW is the total amount of gross wages paid over the previous 6 months divided by 180, excluding bonuses and employee social security contributions (Section 7.1).

Benefit amount:

The daily amount of basic allowance (DABA) is calculated for those less than 60 years old using the following formula:

i) If DAW < 5030 → DABA = DAW * 0.8

ii) If 5030 <= DAW <12380 → DABA = DAW * BR1, where:

BR1 = 0.8 - [(0.3 x (DAW - 5030)) / (12380 - 5030)]

iii) If DAW >= 12380 → DABA = DAW * 0.5

DAW must be between JPY 2657 and the maximum amount shown in the table below.

The maximum amount of DAW

Age	In JPY
Under 30	13670
30 - 44	15190
45 - 59	16710

The DABA for recipients who are between 60 and 64 is calculated using the following formula:

i) If DAW < 5030 → DABA = DAW * 0.8

ii) If 5030 <= DAW <11120 → DABA = min{DABA1, DABA2}, where:

DABA1 = DAW x BR2,

BR2 = 0.8 - [(0.35 x (DAW - 5030) / (11120 - 5030)],

DABA2 = 0.05 x DAW + (11120 x 0.4)

iii) If DAW >=11120 → DABA = DAW * 0.45

[5] Details on behavioural requirements and sanction provisions for unemployment benefits are available here: https://www.oecd.org/social/strictness-benefit-eligibility.htm .

[6] Under Japan's unemployment insurance system, it is possible to receive benefits in the case of voluntary unemployment. Although there is no formal definition of "involuntary" unemployment, there are two types of persons eligible for unemployment benefits that are similar to involuntary unemployment: (1) those who are eligible for specific benefits, i.e. those who were forced to leave their jobs due to bankruptcy, dismissal, or other reasons with no time to prepare for reemployment. (2) T hose who have left their jobs due to non-renewal of the labour contract with a fixed term, or due other unavoidable reasons, other than those who are eligible for the specified benefits.

DAW for those who are between 60 and 64 must be between JPY 2657 and JPY 15950.

OECD note: The Japanese law for the Employment Insurance benefit does not provide for the concept of ‘monthly’ basic allowance. Considering the functioning of the OECD tax-benefit model, which is essentially a monthly calculator, benefit amounts are expressed in monthly terms by multiplying the Daily Amount of the Basic Allowance (DABA) by 30. In addition, according to the “Law Concerning Fractional Calculation of Amounts of Claims and Debts of the State and Other Entities”, fractions of less than one YEN are discarded when calculating the DABA.

Frequency/periodicity of benefit payments: once every 28 days.

2.1.3. Benefit duration

The benefit is paid on a four-weekly basis, following a seven-day waiting period, for a period that varies from 90 to 360 days according to the period of insured employment, the age of the recipient and the reason for leaving employment, as outlined below. A claimant can become eligible once they again meet the requirements.

Age	**Insured period (in years)**				
	Less than 1	1 to 4	5 to 9	10 to 19	20 or more
Panel 1: Duration of benefits for the ordinary unemployed (other than those difficult to re-employ)					
All ages	—	90 days	90 days	120 days	150 days
Panel 2: Duration of benefits for persons difficult to re-employ					
Younger than 45	150 days	300 days			
45 – 64		360 days			
Panel 3: Duration of benefits for the unemployed because of bankruptcy, dismissal, etc. (other than those difficult to re-employ)					
Younger than 30	90 days	90 days	120 days	180 days	—
30 – 34	90 days	120 days	180 days	210 days	240 days
35 – 44	90 days	150 days	180 days	240 days	270 days
45 – 59	90 days	180 days	240 days	270 days	330 days
60 – 64	90 days	150 days	180 days	210 days	240 days

The number of unemployment benefit days for fixed-term workers who are unable to renew their contracts is, in principle, set out in Panel 1 “Duration of benefits for the ordinary unemployed”, but the regulations in Panel 3 will apply until the end of March 2025.

OECD note: The TaxBEN calculations assume the case of dismissal (Panel 3) as the main reason for unemployment.

TaxBEN note: the 2021 calculations include these temporary extensions due to the COVID-19 crisis. As a result, the maximum benefit duration for, e.g., a jobseeker who was previously entitled to maximum 90 days of benefit, in 2021 can receive the benefit up to 150 days.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Taxes and social security contributions paid by benefit recipients

Employment Insurance benefits are not subject to income tax payments.

Pension contributions: Those receiving Employment Insurance are required to contribute to the Employees' Pension scheme *if* they meet the eligibility requirements for this scheme (Box 2 section 7 for details). Those receiving Employment Insurance who do not work or work part time without meeting the requirements for the Employees' Pension Insurance are required to contribute to the National Pension scheme. Contributions to the National Pension scheme are due only for those aged between 20 and 59 years old.

Health contributions: Recipients of Employment Insurance, excluding those who contribute to the Employees' Health Insurance (Box 2 section 7) and the recipients of Public Assistance (Section 3) are enrolled in the National Health Insurance (NHI) and pay the related contributions (Section 7). Those receiving *at the same time* Employment Insurance and Public Assistance (section 3) do *not* pay NHI contributions. However, they pay the Employees' Health Insurance contributions if they meet the eligibility requirements for this scheme (Box 2 - Section 7).

Unemployment contributions: An employee who maintains eligibility for Employment Insurance (see Section 2.1.7. and Sections 6) pays unemployment contributions based on his/her earnings if he/she is eligible for these contributions (Section 7 - Box 2 for details).

2.1.6. Interactions with other components of the tax-benefit system

The basic allowance is not reduced when an insured person receives other benefits. The basic allowance is considered in the means test for Public Assistance (Section 3.1).

2.1.7. Combining benefit receipt and employment/starting a new job

If the person takes up employment and works less than 20 hours per week, the basic allowance is reduced by the amount of gross employment earnings. The reduced basic allowance is paid until the right to Employment Insurance expires.

TaxBEN note: According to the TaxBEN methodology, the reduced basic allowance paid when the jobseeker takes up employment is a 'transitional into-work benefit'. When transitional into-work benefits are linked to a separate out of work benefit, like the Employment Insurance in Japan, the amount of the into-work benefit is included in the variable containing the amount of the relevant out-of-work benefit, i.e. [UB] in the case of Japan.

Employment Insurance recipients who take up employment working more than 20 hours per week receive the re-employment allowance (see Section 6 for details).

2.1.8. Benefit indexation

The benefit is not price indexed.

2.2. Unemployment assistance

Variable names: **[UA]**

OECD note: In many OECD countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or has expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). UA and SA benefits are similar but not identical benefits. They are typically both means tested benefits, but have different purposes and reach different target groups. For instance, while the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is *not always* the case for SA benefits, for which low income is the key entitlement criterion and activation requirements exist only for those who are capable of work.

UA programmes are also similar to the "participation" allowances that some countries provide to support the livelihood of jobseekers who participate in active labour market programmes (e.g. vocational education and training). The key difference is that Participation allowances requires jobseekers to participate in an active labour market programme as a *prerequisite* to claim the allowance. In addition, the duration of the support is linked to the duration of the specific activation programme. UA, instead, works like a standard UI benefit, providing income support to eligible jobseekers *independently* of the participation in a specific activation programme. However, the employment service typically requires UI and UA benefit recipients to actively participate in activation measures, and apply sanctions to those who do not respect the activation requirements (e.g. suspension, reduction or even termination of benefit entitlements).

Based on these definitions, Japan does not have a national Unemployment assistance programme. Instead, Japan has had, since 2011, a participation allowance called "Support System for Job Seekers" (described in the annex). This program consists of a payment of JPY100,000 for VET participation per month per person, and provides free-of-charge VET programs to those who strive to get re-employed, change jobs, or improve their skills.

3. Social assistance and housing benefits

3.1. Public assistance (Seikatsu hogo)

Variable name: **[SA]**

This is a non-contributory benefit, means-tested and is not taxable.

Public assistance in Japan consists of eight types of support offered to those who are unable to provide minimum living standards: livelihood assistance, housing assistance, medical assistance, long-term care assistance, occupational assistance, education assistance, maternity assistance, and funeral assistance.

TaxBEN note: Only 'Livelihood' and 'housing assistance' are included in the OECD TaxBEN model. The rates in this article are classified as Grade 1-1, as paid in Tokyo.

Public assistance is provided to a certain extent to supplement the shortfall experienced by people in need of protection based on the standards determined by the Minister of Health, Labour and Welfare. The standards are intended to be sufficient to satisfy the minimum needs of the claimant given their circumstances (age, gender, family members, regions and nature of means of assistance), but should not exceed this level.

3.1.1. Eligibility conditions

Public assistance covers people who are classified as being in poverty despite receiving several kinds of social security measures, and having made use of all available assets, such as real estate, and all capacities to work.[7]

---

[7] Public assistance providers assess 3 main points. (1) Whether benefit claimants/recipient are capable of work. (2) If they have the intention to make use of this capability. (3) If they can find a job suitable for their capabilities. When making this assessment, providers may request consultations with external specialists. Regarding the assessment of point (1), SA providers consider not only the age and health status, but also professional qualifications and previous work

3.1.2. Benefit amount

Public assistance is calculated as the difference between the net household income (Section 3.1.4 for details) and the minimum living standard (MLS). MLS is the sum of eight components. The components that are included in the OECD tax-benefit model (when applicable) are: (1) livelihood assistance, (2) housing assistance, (3) child assistance, and (4) lone parent assistance. The remainder of this section describes how to calculate each of these sub-components.

> *OECD note*: The TaxBEN model calculates the public assistance amount paid to the family as follows:
>
> PA = min(0, MLS – Net household income)
>
> Where MLS is the sum of the *maximum* amounts of the following four items (where applicable): (1) livelihood assistance, (2) housing assistance, (3) child assistance, (4) lone parent assistance.
>
> If the assessed household income increases and the family is still eligible for Public Assistance (i.e. if MLS is still higher than the new assessed household income), the first MLS component to be reduced when calculating the new benefit amount paid to the family is the livelihood assistance, followed by the supplementary child assistance and the supplementary lone parent assistance. The Housing Assistance supplement is the last component to be reduced when the assessed household income increases among the four items.

Frequency/periodicity of benefit payments: monthly.

Livelihood assistance

Livelihood assistance is calculated as the sum of three elements:

SA = A+B+C

Calculation of 'A' (*basic amount for living expenses*)

The basic amounts of living expenses are calculated on a household basis using the information provided in Tables 1, 2 and 3 below. Any fractional part of less than 10 yen is rounded up to the nearest multiple of 10 yen.

The basic amount of living expenses (A) is the sum of sub-amounts (a1) and (a2) described below. However, if the sum of (a1) and (a2) is less than 85.5% of A bis, where A_bis is the sum of amounts (a3) and (a4) described below, amount A is equal to A_bis*0.855.

- Amount (a1): Multiply the sum of each family member's "Basic Amount (2)" shown in Table 1 by the "Diminishing Rate (2)" shown in Table 3. Note that the relevant "Diminishing Rate (2)" depends on the number of family members.
- Amount (a2): Is the "Basic Amount (2)" shown in Table 2.
- Amount (a3): Multiply the sum of each family member's Basic Amount (1) shown in Table 1 by the Diminishing Rate (1) shown in Table 3. Note that the relevant Diminishing Rate (1) depends on the number of family members.
- Amount (a4): Is the Basic Amount (1) shown the Table 2.

experience. As for assessment of point (2), this is done by monitoring and analysing the job-hunting activities reported by the individual. Finally, as for point (3), factors that enter the assessment are: the ratio between the number of regional job offers and the number of applicants; the features of the job offers, and the personal barriers to employment (such as child-rearing and/or long-term care responsibilities).

Table 1. Livelihood assistance for personal expenses (Category 1)

Age	Basic Amount (1) (JPY per month)	Basic Amount (2) (JPY per month)
0-2	21,820	44,630
3-5	27,490	44,630
6-11	35,550	45,640
12-17	43,910	47,750
18-19	43,910	47,420
20-40	42,020	47,420
41-59	39,840	47,420
60-64	37,670	47,420
65-69	37,670	45,330
70-74	33,750	45,330
75-	33,750	40,920

Table 2. Livelihood assistance for household expenses (Category 2)

Number of family members	Basic Amount (1) (JPY per month)	Basic Amount (2) (JPY per month)
1	45,320	28,890
2	50,160	42,420
3	55,610	47,060
4	57,560	49,080
5	58,010	49,110
6	58,480	56,220
7	58,940	59,190
8	59,390	61,900
9	59,850	64,380
10 and more: amount to add for 1 increase	460	2,490

Table 3. Diminishing rates for part A of the Livelihood assistance benefit

Number of family members	Diminishing Rate (1)	Diminishing Rate (2)
1	1.0000	1.0000
2	1.0000	0.8548
3	1.0000	0.7151
4	0.9500	0.6010
5	0.9000	0.5683
6	0.9000	0.5383
7	0.9000	0.5087
8	0.9000	0.4844
9	0.9000	0.4639
10 and more	0.9000	0.4639

An additional "temporary assistance for term end" (Table 4) is added to the final basic amount for living expenses of December:

Table 4. Temporary Assistance for Term End

Number of family members	Amount (JPY per month)
1	14,160
2	23,080
3	23,790
4	26,760
5	27,890
6	31,720
7	33,690
8	35,680
9	37,370
10 and more: amount to add per 1 increase	1,710

TaxBEN note: the Temporary Assistance for Term End is implemented in the TaxBEN calculation *without* annualising the values listed in Table 4. For instance, for a household with one member, the final *annualized* basic amount for living expenses assistance for household expenses is obtained multiplying by 12 the monthly basic amount for living expenses '**A**' (calculated following the procedure described in the paragraphs above) and then adding JPY 14160 (without the prior multiplication by 12).

Calculation of 'B' (*Supplementary transitional assistance)*

B is the sum of each family member's amount corresponding to one's age and the number of the family members stipulated in Table 5.

Table 5. Supplementary transitional assistance (in JPY per month)

Age	Number of family members									
	1	2	3	4	5	6	7	8	9	10 and more
0-2	0	0	0	4,530	4,290	4,000	2,840	2,060	1,660	1,630
3-5	0	0	0	2,370	2,200	1,890	1,070	700	610	450
6-11	0	0	0	0	0	0	0	0	0	0
12-17	410	0	0	0	0	0	0	0	0	0
18-19	740	0	0	0	0	0	0	0	0	0
20-40	110	0	0	0	0	0	0	0	0	0
41-59	930	0	1,070	0	0	0	0	0	0	0
60-64	570	0	940	770	570	160	0	0	0	0
65-69	2,660	0	2,280	770	570	160	0	0	0	0
70-74	0	0	0	150	110	0	0	0	0	0
75-	2,090	0	1,270	150	110	0	0	0	0	0

Calculation of 'C' (*winter supplementary assistance*)

C is the winter supplementary assistance for each district. Winter supplementary assistance is paid for 5 months a year (from November to March). The winter supplementary assistance is added linearly to the *basic amount for living expenses ("A") and the Supplementary transitional assistance ("B")*

Table 6. Winter supplementary assistance

Number of family members	Amount (JPY per month)
1	2,630
2	3,730
3	4,240
4	4,580
5	4,710
6	5,010
7	5,220
8	5,380
9	5,560
10 and more (amount to add per 1 increase)	180

Housing assistance

Families receiving Public assistance may also receive the Housing assistance supplement assistance if they have rental costs.[8] The amount of the housing supplement depends on the household size (table below) and cannot exceed the actual rent paid.

Number of family members	Basic amount (in JPY per month)
1	53,700
2	64,000
3-5	69,800
6	75,000
7-	83,800

Child assistance:

Families with children receiving the Public assistance may receive in addition a child assistance supplement of 10,190 JPY per month. This amount is paid for each child throughout the year (i.e. for 12 months). The benefit is paid until the 31st of March after the child's 18th birthday.

In addition, a supplement of 4,330 JPY per month is paid for each child of the family who is:

- Under 3 years old, in family of four or more children,
- Under 3 years old and in a hospital, in family of three or less children
- Over or equal to 3 years old and prior to elementary school graduation, in families with three or more children. Note that the elementary school graduation is typically at the age of 12 (this is the assumption made in the TaxBEN model).

Lone parent assistance:

Lone parents receiving the Public assistance may receive the following additional amount:

- One child 18,800 per month
- 2 children 23,600 per month
- 3 or more children 23,600 + 2,900*(n-2) per month, where 'n' is the number of children.

The supplementary lone-parent assistance is paid on a monthly basis throughout the year (i.e. for 12 months). The benefit is paid until the 31st of March after the child's 18th birthday or until the child turns 20 if the one is a recipient of supplementary disability assistance.

[8] Only families eligible for the Public assistance can receive the housing assistance supplement.

An additional supplement is paid to lone-parent families that meet any of the following conditions. If both (a) and (b) are met, the greater amount is paid.

a) In a family of three or more (only if the child is an only one):

Age	Each child in a family of three or more children
0-14	3,330
15-17	0
18-19	3,330

b) If one or more children in the family are in hospital:

One child	Two children
3,330	280

3.1.3. Benefit duration

Public assistance has no limit as long as the income and other eligibility condition holds.

3.1.4. Means test

Income test

Public Assistance entitlements are calculated as the sum of the minimum living expenses described above (livelihood assistance, housing assistance supplement, supplementary child assistance, and supplementary lone parent assistance) *minus* the reference net income of the family.

The reference net income of the family includes:

- Gross employment income,
- Unemployment benefits (Section 2),
- Child allowance and child rearing allowance (Section 4),
- Social security benefits, including pensions
- Any cash assistance from other relatives,
- Income from bank deposits.
- Incomes from movable and immovable assets.

Any income tax payments and social security contributions due on the assessed incomes above are subtracted.

The special benefits described in Section 4.3, 4.4 and 8.2 are *not* included in the income test of the public assistance benefit.

Because Public assistance and the housing benefit (Section 3.2) cannot be paid together at the same time, the Public assistance income test cannot include the amount of the housing benefit.

There is a disregard for employment income. Gross family earnings up to JPY 15 200 per month are disregarded. For higher earnings, public assistance reduces progressively according to the reference net income of the family (defined above). Note that the Employment Income Allowances (section 8.1) and the employee social security contributions (Section 7) are *not* subtracted from the gross employment earnings when calculating the earnings disregard.

The monthly exemption increases proportionally with gross earnings. The monthly amounts as for personal gross earnings are as follows:

Monthly gross earnings X (JPY)	Monthly threshold Y (JPY)

0 – 15,199	0 – 15,199
15,200-18,999	15,200
19,000+	15,600+400 for each additional 4,000 [(a)]

[(a)] When net earnings exceed JPY 19,000, JPY 400 is added to the exemption amount for each additional 4,000 yen.

Asset test

Benefit recipients have to submit information on their assets at least once every 12 months. The list of assets should include cash, bank deposits, immovable and movable properties (stocks and bonds, life insurance, automobiles and other articles of value). When the submitted information is unclear, relevant authorities make necessary inquiries to relevant parties.

All movable and immovable assets should be included in the information submitted to the administration, and most of them are included in the asset test. The only two assets excluded from the test are:

- The main residence
- The vehicle that is necessary for persons with disability to visit their doctors.

The asset test in Japan requires claimants to sell or take concrete measures to utilise their movable and immovable assets that are not deemed necessary to maintain minimum standards of living.[9] There are some exceptions to this general rule:

- When the asset is actually used to maintain a minimum standard of living and when utilizing the asset effectively contributes more than disposing it to helping the SA claimant to live independently as much as possible, as well as to maintain the living.
- When it is impossible or extremely difficult to dispose the asset.
- When the proceeds from the disposal of the asset is lower than the selling expenses.
- When it is not considered to be appropriate in general social terms to make the claimant dispose the asset.

Whether or not the above exception rules can be applied to individual claims is decided case-by-case by the local bodies that provide the protection under the Public Assistance system. The feasibility of requesting an immediate disposal of the assets is also assessed case-by-case.[10] If the SA claimant is considered to be negligent in utilising/disposing their asset, their claim may be rejected on the basis that they do not satisfy the requirement for protection.

3.1.5. Taxes and social security contributions paid by benefit recipients

Public Assistance entitlements are not subject to the income tax.

Pension contributions: Recipients of Public Assistance are enrolled in the National Pension scheme but are exempt from contribution payments. Those working part time

[9] The asses test in Japan does *not* require the conversion of assets into income amounts (through ad hoc conversion coefficients) that then enter the SA income test. However, once the claimant sells or turns into cash the assets that are not deemed necessary to maintain minimum standards of living, the associated incomes are included in the standard SA income test.

[10] For instance, if a SA claimant owns a wasteland that he is unable to sell immediately, he/she can receive protection after he/she is presented with a document clearly stating the obligation to refund under Article 63 of the Public Assistance Act. Similarly, if the SA claimant owns a car with disposal value, the local body providing protection will request the claimant to sell the car.

receiving *both* Employment Insurance (Section 2.1) and Public Assistance are exempt from National Pension contributions. Recipients of Public Assistance who meet the eligibility requirements for the Employees' Pension Insurance (Section 7 – Box 2) pay contributions to this insurance scheme.

Health contributions: Recipients of Public Assistance who are eligible for Employees' Health Insurance pay the related social security contributions. Recipients of Public Assistance who are *not* eligible for Employees' Health Insurance do not pay National Health Insurance (NHI) contributions. Those receiving *at the same time* Employment Insurance and Public Assistance do *not* pay NHI contributions.

Unemployment contributions: There is no exemption provisions of Unemployment contribution for recipients of the Public Assistance. If they meet the eligibility requirement of Unemployment insurance, they have to pay the contribution (Section 7-Box 2 for details on unemployment contributions).

Pension, health, and unemployment contributions paid by Public Assistance recipients (if any) are deducted from the assessed income of the Public Assistance benefit (see also Section 3.1.4). However, because Public Assistance recipients are exempt from National Pension and National Health Insurance contributions, these contributions are not included in the assessed income of the Public Assistance benefit.

3.1.6. Interaction with other components of the tax-benefit system

Other social security benefits including pensions, child allowance and the child rearing allowance (Section 4), unemployment benefits (Section 2), and assistance from relatives are considered as income in the means test. Public assistance and the housing benefit (Section 3.2) cannot be paid together.

3.1.7. Combining benefit receipt and employment/starting a new job

No restriction. Earnings disregards (described in Section 3.1.4) are taken into account in the means test.

3.1.8. Benefit indexation

Welfare standards are reviewed on a regular basis based on the verification results from comparisons with consumption levels of general low-income households and socioeconomic circumstances, etc.

*3.2. **Housing benefit** (provision of benefits for securing housing)*

Variable name: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

The Housing benefit is targeted to those who lost or are likely to lose their residence due to (a) unemployment or suspended operation of their business within the last two years, or (b) significant income loss as the result of uncontrollable reasons.

3.2.1. Eligibility conditions

Three conditions must be met to receive the benefits:

1. Income condition (see Section 3.2.4).

2. Asset condition: Cash savings of the household at the time of application must be no more than six times the base amount (1/12 of revenue for which inhabitant tax on per capita basis are not taxable[11]), and less than 1 million yen.

3. Job seeking conditions:[12]

- While receiving the benefit, the beneficiary should receive support such as job consultations at the Public Employment Security Office (at least twice a month) or interviews at the self-reliance support centres to secure housing and employment (at least four times a month).
- Make an employment application at least once a week.

OECD note: the TaxBEN calculations assume that Job seeking and asset conditions are always met when there are not working adults in the households. Whether the income condition is met or not depends on the user's choices.

Even if claimant's partner is employed, the household is still eligible for the housing benefit as long as the three eligibility conditions described above apply. In this case, the gross earnings of the working partner are included in the benefits' income test (section 3.2.4).

3.2.2. Benefit amount

The maximum housing benefit amount is the same as the maximum amount of the housing assistance supplement provided as part of the Public Assistance benefit (Section 3.1.2).

TaxBEN note: The TaxBEN model uses the rates for Tokyo.

If the monthly household income (as defined below in Section 3.2.4) is higher than the income eligibility threshold (see the table below), the housing benefit amount is calculated as follows:

- Housing benefit = income eligibility threshold + rent amount – household income for the month - *if the monthly household income >= income eligibility threshold.*

If the monthly household income is below the income eligibility threshold, the housing benefit amount is equal to the rent amount, up to the maximum housing benefit amount:

- Housing benefit = minimum(rent amount, maximum benefit amount) – *if the monthly household income <income eligibility threshold.*

Housing benefit entitlements cannot be higher than the actual rent paid or the maximum housing benefit amounts (Section 3.2.1).

Frequency/periodicity of benefit payments: monthly.

3.2.3. Benefit duration

The basic benefit duration is three months, but the duration can be extended up to a maximum of nine months, provided that certain requirements are met. Requests for extensions after the first three months should be filed every three months.

[11] Note that this value differs by region.

[12] The two job-seeking conditions described in the text apply to the claimant, not to all adults living in the household.

TaxBEN note: the TaxBEN model assumes the duration of the housing benefit is the maximum possible, i.e. 9 months.

3.2.4. Means test

The household income for the selected month of application must be below a specific income eligibility threshold. This threshold is equal to 1/12 of the income level for which the inhabitant tax on a per capita basis is not taxable *plus* the rent amount up to the housing assistance component of the public assistance benefit (Section 3.1). Note that this value differs by region.

The base amounts for 23 special wards of Tokyo (the reference for TaxBEN) are in the table below:

Number of family members	**Income eligibility threshold (JPY per month)**
1	84,000
2	130,000
3	172,000
4	214,000
5	255,000
6	297,000

The reference household income considered for the means test includes:

- Employment income (of jobseekers who move back into employment as well as of the working partner, if any),
- Unemployment insurance (Section 2),
- Social security benefits,
- Any cash assistance from other relatives.

Income taxes and social security contributions are *not* subtracted from the reference household income. The special benefits described in Sections 4.3, 4.4 and 8.2 are *not* included in the income test of the housing benefit.

Example of calculation of the housing benefit

Scenario 1: Consider a 40-year-old jobseeker with an employment record of 20 years and previous full-time annual earnings of JPY 1 200 000 (JPY 100 000 per month). Assume that the jobseeker has been unemployed for 2 months, does not claim Public Assistance (Section 3.1), does not have other properties or assets, and lives in Tokyo with a partner who is not working and not eligible for the unemployment insurance benefit. Finally, assume that the monthly rent is JPY 21 731.

Under these conditions, the jobseeker receives JPY 79 980 per month of Employment insurance (Section 2.1) and is eligible for the "Benefits for securing housing" (Section 3.2).[13]

Because this family does not have incomes other than the Employment Insurance benefit received by the jobseeker, the relevant household income for the means test of the housing benefit is JPY 79 980 per month, which is below the income eligibility threshold for a family of two members in Tokyo (JPY 130 000).

This implies that the housing benefit entitlements for this family is equal to the full rent amount (JPY 21 731) as the rent amount is lower than the maximum amount of the housing assistance supplement provided as part of the Public Assistance benefit (Section 3.1.2).

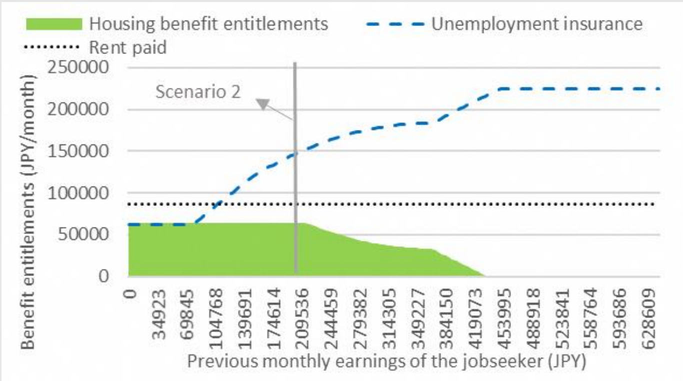
[13] See the 'TaxBEN note' in Section 2.1.2 for details on the calculation of the 'monthly' Employment Insurance benefit with the OECD Tax-benefit model.

Scenario 2. Let us consider again Scenario 1 and assume that (a) the previous annual earnings of the jobseeker were JPY 2 500 000 (JPY 208 333 per month) and (b) the monthly rent was JPY 86 924. Under these assumptions, the monthly Employment insurance in 2023 would be JPY 149 700 (section 2.1), which is higher than the HB income eligibility threshold for a family of two members (JPY 130 000). In this case, the housing benefit is calculated as the HB income eligibility threshold plus the rent amount (JPY 86 924) minus the household income for the month:

HB = 130000+86924-149700 = JPY 67 224.

Because this amount is higher than the maximum amount of the housing assistance supplement provided as part of the Public Assistance benefit in Tokyo (Section 3.1.2), the final housing benefit entitlement is capped at its maximum level, i.e. JPY 64 000 per month.

The application of these rules over a broad range of previous earnings levels implies the following housing benefit entitlements (assuming that all the other relevant parameters are fixed at the level of Scenario 2):



Notes: results for a jobless couple without children, assuming 2 months of unemployment, two adults of 40 years old, a monthly rent of JPY 86 924, and an employment record of 20 years for the person receiving unemployment insurance.

Source: OECD tax-benefit model, 2023.

3.2.5. Tax treatment

The housing benefit is not taxable

3.2.6. Interaction with other components of the tax-benefit system

If the person is eligible for employment-related benefits (Section 6), these take precedence over the provision of benefits for securing housing.

Claimants cannot receive both Public Assistance (Section 3.1) and the Housing benefit at the same time. The decision on which benefit to receive is made by the self-reliance support centres. If the claimant aims to, and has the possibility of becoming independent by finding a job, he/she will receive housing benefit and will be encouraged to find employment. However, if the claimant has difficulties to become independent by working, they may receive Public Assistance protection.

OECD note: due to the 'static' characteristic of the TaxBEN model, calculations that allow families to claim Public Assistance assume that claimants meet all the personal and behavioural requirements needed to receive the PA benefit, as long as they meet the necessary income conditions. Under this modelling assumption, and considering that a family cannot receive both Public Assistance and Housing benefit at the same time, those receiving Public Assistance will *not* receive the Housing benefit. However, for model calculations that do *not* allow families to claim Public Assistance, claimants may still receive the Housing benefit if they meet the eligibility conditions described in Section 3.2.1.

3.2.7. Combining benefit receipt and employment/starting a new job

When the beneficiary obtains stable employment, such as a permanent or fixed-term contract of not less than six months, and the reference household income (as defined in Section 3.2.4) exceeds the income eligibility threshold (table above), the benefit provision is ended as of the month when their income exceeds the threshold. If the income does not exceeds the eligibility threshold after the labour market transition, the person can keep receiving the benefit until the maximum duration (section 3.2.3).

OECD note: the TaxBEN model assumes that jobseekers move back into work always with a stable contract. Hence, the housing benefit is terminated when the jobseeker moves back into employment *and* the earnings in the new job are such that the reference household income (as defined in Section 3.2.4) exceeds the income eligibility threshold. When this does not happen, the recipient keeps the benefit until the maximum duration.

3.2.8. Benefit indexation

No automatic indexation.

4. Family benefits

Variable name: **[FB]**

4.1. Child allowance (Jido teate)

Variable name: **[FAMBEN]**, part of the macro variable **[FB]**.

This is a non-contributory benefit and not taxable.

4.1.1. Eligibility conditions

The benefit is available for children until graduation from junior high school. Those with incomes at or above the income threshold (section 4.1.4) receive a lower Special Interim Allowance (stipulated in the supplementary provisions of the Child Allowance Act), as specified below.

4.1.2. Benefit amount

The monthly payment is be paid altogether once in 4 months for each child until the 31st of March following the 15th birthday.

1. For persons with a reference income below the first threshold (section 4.1.4 for details), the per-child amounts are as follows:

   a) For children under the age of 3: JPY 15000 per month.

   b) From age 3 to elementary school graduation (i.e. until the age of 12 included): JPY 10000 per month for the first and second child within this age range.

   c) From age 3 to elementary school graduation (i.e. until the age of 12 included): JPY 15000 per month for the third and each subsequent child in this age range.

   d) For junior high school students (i.e. for children between 13 and 15 included): JPY 10000 per month.

2. For persons with a reference income between the first and the second income thresholds (section 4.1.4 for details) the allowance is JPY 5000 per month for each child until the 31st of March following the 15th birthday. Note: this amount does not depend on the number and age of dependents.

Frequency/periodicity of benefit payments: every four months. Child allowance is paid every 4 months for 4 months prior to the month of the payment. For example, the child allowance is paid to a child aged 0 to 3 as follows: The payment in June covers the months from February to May (15,000× 4 =60,000). The payment in October covers the months between June and September (15,000× 4 =60,000). The payment in February covers the months between October to January (15,000× 4 =60,000). Hence, the child receives a total of 180,000 annually.

4.1.3. Benefit duration

The benefit is paid for each child until the 31st March after the 15th birthday.

4.1.4. Means test

The benefit is means-tested. Those with incomes above the first threshold receive a lower Special Interim Allowance. Those with incomes above the second threshold receive nothing.

Whether a family receives the Child allowance or Special Interim Allowance, or whether they are eligible for Special Interim Allowance or not, depends on the income of the child's primary breadwinner, not the overall household income.

The reference income is the gross annual income of the breadwinner minus JPY 80 000 and the following deductions (where applicable): deduction for casualty losses, deduction for medical expenses, deduction for small business mutual aid premiums, deductions for persons with disabilities, deduction for single parents, deductions for widows and working students. For salaried workers, the reference income is calculated by also deducting the First-step deductions (described in section 8.1.1) from the gross annual income.[14]

The income thresholds depend on the number of dependents. Definition of dependant: children under the age of 18 and adults whose reference income for tax purposes does not exceed JPY480 000 (see section 8 for details). This implies that the non-working spouse of a one-earner couple counts as an additional dependent. Similarly, for jobless couples, both spouses count as dependents.

[14] While the First-step deductions that contribute to define the reference income for the means test of the child allowance are the same as the first-step deductions described in Section 8.1.1, some second step deductions that enter the means test of the child allowance are different from the second step deductions described in Section 8.2.1. For example, the deduction for single parents used for the means test of the child allowance is 350,000 yen per year (not 300,000 yen as in Section 8.2.1). Nevertheless, the eligibility requirements to benefit from the deduction for single parent are the same as those described in Section 8.2.1 for the tax allowance for single parents (i.e. a reference income below JPY 5 000 000 and the presence of a dependent child whose reference income does not exceed JPY 480 000).

Number of dependents	First Income threshold (JPY million)	Second income threshold (JPY million)
Zero	6.22	8.58
1	6.60	8.96
2	6.98	9.34
3	7.36	9.72
4	7.74	10.10
5	8.12	10.48

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

None.

4.1.7. Combining benefit receipt and employment/starting a new job

No restrictions.

4.1.8. Benefit indexation

Although there is no established standard for when the amount should be revised, it is legally stipulated that government is responsible for revising the amount in response to significant changes in the standard of living of the citizens, such as a sharp rise in the price level.

4.2. Child rearing allowance (*Jido fuyo teate*)

Variable name: `[LPB]`, part of the macro variable `[FB]`.

This is a non-contributory benefit, means-tested and not taxable.

4.2.1. Eligibility conditions

The benefit is available to single mothers who take care of and provide protection to a child. The benefit is available also to single fathers who take care of and provides living expenses, supervision and protection to the child.[15]

It is available until March 31 after the child's 18th birthday or until age 20 for those with specific disabilities.

4.2.2. Benefit amount

Claimants can receive either a full benefit or a partial benefit depending on their income (see section 4.2.4 below). Amounts for the full benefit over time are as follows:

[15] The benefit is available also to persons who are not the parents of the child but live with the child, take care of him/her, and provides living expenses, supervision and protection to the child instead of his/her parents as consequence of divorce, death or other events related to the parents.

Legislative change (yyyy/mm)	Benefit amount (in JPY per month) One child	Additional amount for the second child	Additional amount for the third child and after
2017/04	42,290	9,990	5,990
2018/04	42,500	10,040	6,020
2019/4	42,910	10,140	6,080
2020/4	43,160	10,190	6,110
2021/4	43,160	10,190	6,110
2022/4	43,070	10,170	6,100

The rates and withdrawal rates for the partial payment over time are as follows:

	One child		Additional amount for the second child		Additional amount for the third child and after	
Legislative change (yyyy/mm)	**The case of partial payment**	**coefficient**	**The case of partial payment**	**coefficient**	**The case of partial payment**	**coefficient**
2017/4	42,280	0.0186705	9,980	0.0028786	5,980	0.0017225
2018/4	42,490	0.0187630	10,030	0.0028960	6,010	0.0017341
2018/8	42,490	0.0226993	10,030	0.0035035	6,010	0.0020979
2019/4	42,900	0.0229231	10,130	0.0035385	6,070	0.0021189
2020/4	43,150	0.0230559	10,180	0.0035524	6,100	0.0021259
2021/4	43,150	0.0230559	10,180	0.0035524	6,100	0.0021259
2022/4	43,070	0.0230070	10,170	0.0035455	6,100	0.0021259

TaxBEN note: the model for 2023 use the amounts that apply on 2022/04.

Frequency/periodicity of benefit payments: January, March, May, July, September, November.

4.2.3. Benefit duration

No limit, as long as the conditions are fulfilled.

4.2.4. Means test

The benefit is means-tested. Those with incomes above the threshold for the full benefit receive a partial benefit, and those with incomes above the threshold for the partial benefit receive nothing.

The income measure used is the gross annual income minus the employment income deduction (see Section 8.1) minus JPY 80 000 - the amount paid towards public and private insurance premiums.

Income thresholds are based on the number of dependents (see the following table):

Number of dependants	Applicant	
	Income-tested threshold of full benefit	Income-tested threshold of partial benefit
0	490,000	1,920,000
1	870,000	2,300,000
2	1,250,000	2,680,000
3	1,630,000	3,060,000
4	2,010,000	3,440,000
5	2,390,000	3,820,000

The amount of partial benefit is calculated as follows:

For families with one child:

Benefit amount = 43,070 – {(Amount of income ー “Income–tested threshold of full benefit”) ×0.0230070+10}

The *additional* amount for the second child is calculated as follows:

Benefit amount = 10,170 – {Amount of income ー "Income–tested threshold of full benefit") ×0.0035455+10}

And the *additional* amount for the 3rd and subsequent children as follows:

Benefit amount = 6,100 – {(Amount of income ー "Income–tested threshold of full benefit") ×0.0021259+10}

4.2.5. Tax treatment

The benefit is not taxable.

4.2.6. Interaction with other components of the tax-benefit system

Child rearing allowance is taken into account in the means test for Public Assistance.

4.2.7. Combining benefit receipt and employment/starting a new job

No restrictions, but earnings are included in the means test.

4.2.8. Benefit indexation

An automatic price indexing system is applied. The amount of the allowance changes in April in accordance with changes in the national consumer price index of the previous year.

4.3. Special Benefit for supporting low-income households with children *(kosodate setai seikatsu shien tokubetsu kyuhukin)*

Variable name: **[SBLIF]**, part of the macro variable **[FB]**.

4.3.1. Entitlement and eligibility conditions

Low-income households with children who are under the age of 18, as of March 31, 2020 (under age 20 if they have special needs) are eligible to this one-time benefit. The benefit aims to support livelihood considering current situation affected by prices remarkable rises such as the food expenses.

4.3.2. Benefit amounts

JPY 50 000 per child (fixed amount).

OECD note: the benefit enters the TaxBEN calculations as a *monthly* payment equal to 1/12 of the total benefit amount.

4.3.3. Benefit duration

One-off payment benefit.

4.3.4. Means test

Only the parent with the lower income can claim the allowance. To be eligible, the principal earner should be in one of the following categories:

- Eligible to the Child rearing allowance (Section 4.2).
- Exempted from the fixed per-capita part of the local tax for the fiscal year 2021 (Section 8.2), or with an income that is equivalent to the income level exempted from the fixed per-capita part of the local tax.

4.3.5. Tax treatment

Not taxable.

4.3.6. Interactions with other components of the tax-benefit system

No interactions.

4.3.7. Combining benefit receipt and employment/starting a new job

No restrictions.

4.3.8. Benefit indexation

No benefit indexation.

5. Net costs of Early Childhood Education and Care

Public and private day-care centres are available for children whose parents need childcare as a result of work, illness, job seeking, etc. In such cases, day-care centres accept children between 0 and 6 years old prior to elementary school. In Japan, compulsory schooling starts on the 1st of April following a child's 6th birthday.

5.1. Gross childcare fees

Variable name: **[cc_cost]**

The cost of childcare is estimated by the national government. A certain share of the cost is born by users and the rest is publicly funded.

OECD note: In the TaxBEN model, the gross childcare fee is set at the maximum fee paid by users.

The national government sets the upper limit of the cost born by a user, depending on the residence tax of the user that is imposed based on the household income. Municipal governments decides the actual fee that a user pays within the national limit.

Upper limits of monthly costs set by the national government (2023 amounts)

	For children aged 3 and over		**For children younger than 3 years old**	
	for full-time workers	**for part-time workers**	**for full-time workers**	**for part-time workers**
Family on public social assistance (Section 3.1) or exempted from local tax payments (Section 8.2)	0 yen	0 yen	0 yen	0 yen
Earnings-related residence tax positive but lower than JPY 48600	0 yen	0 yen	19500 yen	19300 yen
Earnings-related residence tax between JPY 48,601 and 57,700	0 yen	0 yen	30000 yen	29600 yen
Earnings-related residence tax between JPY 57,701 and 97,000	0 yen	0 yen	30000 yen	29600 yen
Earnings-related residence tax between JPY 97,001 and 169,000	0 yen	0 yen	44500 yen	43900 yen

Earnings-related residence tax between JPY 169,001 and 301,000	0 yen	0 yen	61000 yen	60100 yen
Earnings-related residence tax between JPY 301,001 and 397,000	0 yen	0 yen	80000 yen	78800 yen
Earnings-related residence tax above JPY 397,000	0 yen	0 yen	104000 yen	102400 yen

The earnings-related residence tax brackets shown in the table refer to the overall tax paid by both parents. The amount of the earnings-related residence income tax is equal to the overall local income tax less the standard fixed per-capita amount of Prefectural and Municipal inhabitant taxes. See Section 8.2 for details.

Childcare costs as well as discounts set by the government for other family characteristics, e.g. for lone parents and large families, are described in Section 5.2.1.

Meal costs are included in the childcare fee for children younger than 3 years (parent do not pay an additional charge for the meal - parent pay only childcare cost and this includes the meals costs). For children aged 3 and over, parents pay for the meal costs *separately*. See Section 5.2 for the calculation of meals costs.

If the guardian of the child works less than 120 hours per month, he/she is, in principle, subject to the approval for short-time childcare (for part-time workers in the table).

OECD note: For part-time workers, the TaxBEN model assumes horizontal part-time employment relationships but not vertical (i.e. full-time work limited to selected periods of the week/month/year). Because part-tiem workers in the TaxBEN model work 5 days a week each week of the year, the limit of 120 hours per month is equal to about 28 hours per week (assuming 52 weeks per year, i.e. 4.33 weeks per month).

5.2. Childcare benefits

Variable name: **[cc_benefit]**

Childcare benefits are support measures that depend explicitly on the use of centre-based childcare: a family that does not use centre-based childcare is not eligible for this type of benefits. In general, childcare benefits take the following forms:

- Fee discounts / rebates, including fee provision, applied directly by the childcare centre to reduce the cost of the fees charged to parents in particular circumstances (e.g. for low-income families, large families, lone parents, etc.).
- Allowances related to the use of centre-based childcare (including the purchase of meals at the childcare centre);
- Top-ups or supplements to other cash benefits (e.g. social assistance or family benefits) in order to reduce the cost of centre-based childcare;
- Tax concessions related to family expenditures on centre-based childcare.

5.2.1. Fee discounts and free provision

Free provision

Parents with their children aged between 3 (included) and 5 (included) do not pay childcare fees in childcare centres that are covered by the Free Early Childhood

Education and Childcare (F-ECEC).[16] Parents are still responsible for the meals (including staple foods and non-staple foods), transportation costs to and from the school, school materials and participation in external events organised by the school.[17]

Other groups eligible for free provision

Families on welfare (Section 3.1) do not pay childcare fees for their children. They are exempted also from non-staple foods payments. However, they are still responsible for the payment of staple food.

Parents do not pay childcare fees also if their taxable income for local tax purposes is lower than the local income tax thresholds for the exemption to the proportional tax rate (Section 8.2). If both parents work, the total income of both parents must be lower than the sum of the income thresholds that apply to each person.

Receiving employment insurance (Section 2.1) do not automatically fall under the category of free childcare fees. However, if the guardian of the child has a significant decrease in income due to serious physical or mental disability, long-term hospitalization, or unemployment, the municipality may reduce the childcare fees by recognising that the guardian has difficulty paying childcare fees and revising the calculation of the reference income.

Other discounts for children aged three and over

For children aged 3 and over who benefit from the F-ECEC, the discounts refer only to the meals (as the service is provided free of charge). More specifically, households with a reference annual income below JPN 3 600 000 are exempted from meal costs for non-staple foods. The reference annual income is the sum of earnings from employment of both spouses less the respective employment income deductions (Section 8). The income threshold of JPN 3 600 000 as well as the reference annual income are *not* adjusted for the household size.

Non-staple foods are free of charge also for families with three or more children, independently of the household income. Only children below a certain age are considered. If the third child is attending a kindergarten, only children below the fourth grade of elementary school are considered (i.e. children under 9 years). If the third child is attending childcare facilities, only pre-school age children (i.e. children under 6) are considered.

TaxBEN note: for children between 3 and 5 years (included), when users select the option 'use childcare' TaxBEN assumes that families have access to the F-ECEC programme and that children attend a kindergarten providing regular meals on a daily basis. As a result, the cost for the childcare services is nil. However, because parents are still responsible for meal costs, TaxBEN uses an average daily cost for *both* staple and non-staple foods of JPY 375 (this is not a legally prescribed cost). This daily cost corresponds to a monthly cost of JPY 7500 (assuming 20 days of attendance) and an annual cost of JPY 90 000.

[16] Most of Japan's kindergartens, day-care centres, facilities providing both education and childcare, as well as community-based childcare services are covered by the F-ECEC. Details on this program are available here: www8.cao.go.jp/shoushi/shinseido/musyouka/about/index.

[17] Regular lunch meals provided by childcare facilities are typically composed of staple food (e.g. rice or bread) and non-staple food (e.g. fish or meat for the main dish and vegetables for the side dish). However, each F-ECEC facility has their own meal policy. Some facilities do not prepare lunch meals at all and children attending that facility bring their own lunch box prepared by their parent every day, while other facilities prepare lunch meals every day or a few days in a week and children attending that facility bring their lunch box for the rest of a week.

For a child from a household with an income below JPY 3 600 000 or with a third child (as defined in the main text), the cost borne by parents is only for the staple food. In this case, the average daily cost for staple food used in the TaxBEN model is JPY 150 (this is not a legally prescribed cost), which corresponds to a monthly cost of JPY 3000 (assuming 20 days of attendance) and an annual cost of JPY 36 000.

For children younger than 3 years old, when users select the option ‘use childcare’, TaxBEN assumes that the child attends a day-care centre providing regular meals on a daily basis. The cost of the meals is included in the cost of the childcare service reported in Section 5.1.

Other discounts for children under the age of three

For families with two or more children attending a kindergarten, day-care centre or community-based childcare centre, the fee for the childcare service is halved for the second child attending the centre, whereas for the third child and after the service is free of charge. For example, a family with two children - one of 2 years old attending a day-care centre and the other of 3 years old attending a kindergarten - pay half of the fee for the oldest child. However, parents are still responsible for the meal costs for the 3-year-old child (meal costs are already included in the childcare fee for the youngest child).

For a single parent with an earnings-related residence tax liability below JPY 57 700, the fee for the first child younger than three years is JPY 9 000, and zero for any additional child, *even after older children have entered elementary school*. For example, a lone parent with an earnings-related residence tax below JPY 57 700 and two children of, e.g., 2 and 7 years old, does not pay the childcare service (including meal costs) for the 2-years-old child.

For a two-parent family with *total* earnings-related residence tax liability below JPY 57700, the fee for the childcare service for the second child is halved whereas for the third child and after the service is free all the time, *even after older children have entered elementary school*. For example, a family with a total earnings-related residence tax below JPY 57700 and three children of, e.g., 2, 7 and 8 years, does not pay the childcare service (including meal costs) for the 2-years-old child.

5.2.2. Childcare allowance for children using day-care centres

Japan does not have a national cash transfer programme whose eligibility requires using centre-based childcare services. However, as of 2020, for children aged three and over attending kindergartens that are not covered by the F-ECEC programme (Section 5.2.1), a monthly allowance up to JPN 25 700 is provided. In addition, for children attending childcare facilities run by employment-based organisations, a monthly subsidy of the amount of prescribed standard childcare fee is provided. In this case, the subsidy is paid by the employers’ contribution fund.

TaxBEN note: when users select the option ‘use childcare’, TaxBEN assumes that families with children between 3 and 5 years access the F-ECEC programme and therefore do not receive the monthly allowance described in this section.

5.2.3. Childcare allowance for children NOT using day-care centres

Japan does not have any national cash transfer programmes whose eligibility requires the family NOT to use centre based childcare services and to rise the children at home (e.g. ‘homecare’ or ‘child raising’ allowances)

5.2.4. Tax concessions for childcare expenditures

Japan does not provide any tax concessions, e.g. tax allowances or tax credits, for expenditures related to the use of centre-based childcare services.

6. Employment-conditional benefits

6.1. Re-employment allowance (Saisyuusyoku teate)

The re-employment allowance is contributory, not means-tested and not taxable.

It can be claimed by a jobseeker who is receiving Employment Insurance (Section 2.1) when s/he takes up employment, leaving a certain number of days that can be received benefits.

TaxBEN note: According to the TaxBEN methodology, the re-employment allowance is classified as a ‘transitional into-work benefit’. When transitional into-work benefits are linked to a separate out-of-work benefit, like the Employment Insurance in Japan, the amount of the into-work benefit is included in the variable containing the amount of the relevant out-of-work benefit. Because the eligibility for the re-employment allowance depends on the residual Employment Insurance entitlements (Section 2.1), the re-employment allowance is added to the **[UB]** TaxBEN variable.

6.1.1. Eligibility conditions

Re-employment allowance is paid to unemployment benefit recipients who acquire steady employment or starts their own business with more than one-third of their available benefit duration remaining.

6.1.2. Benefit amount

The amount of re-employment allowance is equal to the remaining unemployment benefit period multiplied by either 0.6 or 0.7 times the daily basic allowance of unemployment benefit (“DABA”, see Section 2.1.2 for details). The amount of the allowance varies according to the remaining benefit period as follows:

Condition	**Amount**
>2/3 of the prescribed maximum duration	The remaining benefit period × 0.7 × the daily amount of basic allowance
>1/3 of the prescribed maximum duration	The remaining benefit period × 0.6 × the daily amount of basic allowance
<=1/3 of the prescribed maximum duration	0

Example: consider a jobseeker receiving Employment Insurance (section 2.1) who takes up full time employment (40 hours per week) after 2 months of benefit receipt. Assume that the maximum duration of Employment Insurance for this jobseeker is 9 months. Hence, the remaining benefit period is 7 months, or 7*30 = 210 days. Because the remaining unemployment benefit period is more than two-third or the prescribed maximum duration (7/9=0.77 > 2/3=0.66), the jobseeker will receive 70% of the remaining Employment Insurance, i.e. 0.7*(daily amount of basic allowance)*210 days.

6.1.3. Benefit duration

Re-employment allowance is a one-off payment paid during the first month in the new job.

TaxBEN note: the re-employment allowance enters the TaxBEN calculations as a *monthly* payment received until when the right to Employment Insurance (Section 2.1) expires. The amount of this monthly payment is given by the total amount divided by the number of residual monthly payments of Employment Insurance.

6.1.4. Means test

Not means-tested.

6.1.5. Tax treatment

Not taxable.

6.1.6. Interaction with other components of the tax-benefit system

The re-employment allowance is not reduced when an insured person receives other benefits, but it is taken into account in the means test for social assistance.

6.1.7. Benefit indexation

The benefit is not price indexed.

7. Social security contributions and payroll taxes

7.1. Social security contributions *(Syakai hoken ryo)*

7.1.1. Contributions payable by employees

Variable names: **[SOCSEC_p; SOCSEC_s]**

Social security contributions paid by employees are as follows:

- Pension: 9.15% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the standard monthly amount of pensionable remuneration is JPY 650,000 and the insurable ceiling of the standard amount of bonuses is JPY 1,500,000. Every single registered resident of Japan from aged 20 to 59, including self-employed persons as well as employees who are not covered by Employees' Insurance (see below for the eligibility requirements for Employees' Insurance) pay the National Pension contribution, which is a flat rate of JPY 16,590 per month (as of 1 January 2023).[18]
- Sickness: The rate depends on insurers. Japan Health Insurance Association's rate in Tokyo for both employees' standard remuneration and bonuses is 10%, paid half by employer (5%) and half by the employee (5%). Persons aged 40 to 64 are subject to an additional 1.82% long-term care insurance contribution, with the employer and employee each paying half of the rate each.[19] The insurable ceiling of the monthly amount of standard remuneration is JPY 1,390,000 (applied also to the additional 1.82% remuneration long-term care insurance), whereas the insurable ceiling of the yearly amount of standard bonus is JPY 5,730,000. Self-employed persons as well

[18] Depending on the household income, Category Ⅰ insured persons may benefit from full exemption, 3/4 exemption (1/4 payment), half exemption, or 1/4 exemption (3/4 payment) of the National Pension contributions. See this document for details (in Japanese). These exemptions are not included in the OECD tax-benefit model before Version 2.6.2.

[19] The Long-Term Care Insurance contribution rates vary depending on the insures (National Health Insurance, JHIA-managed Health Insurance, Society-managed Health Insurance).

as employees who are not covered by Employees' Insurance (Box 2 for the eligibility requirements for Employees' Insurance) do not pay the Employees' health insurance contribution. Instead, they pay the National Health Insurance (NHI) contribution (Box 1).

- Unemployment: 0.5% of total remuneration, except for businesses in the agriculture, forestry and fisheries, and construction sectors and those in the rice wine brewing business, where the rate is 0.6%. These exceptions are not simulated in the TaxBEN model. Employees who do not meet the eligibility requirements for Unemployment Insurance (Box 2) do not pay the unemployment insurance contribution.
- Work injury and Child allowance: None (contributions payable only by employers).

Box 1. Calculation of National Health Insurance (NHI) contributions

Japan's health insurance system is broadly divided into two programs: Employees' Health Insurance (EHI) and National Health Insurance (NHI). The first type is based on the employment, while the second is based on the place of residence. Every single registered resident of Japan must generally enrol in one of these two health insurance programs.

NHI contribution rates and the insurable ceilings depend on municipality of residence. This box provides details for selected districts of Tokyo, including the districts of Toshima and Suginami. Note: Tokyo is the reference city of the OECD tax-benefit model for the policies defined at a sub-national level.

Eligibility for NHI

Those who fall under the following categories are *not* eligible for NHI:
1) Those who have joined (or could join) another public health insurance system (such as employees' health insurance programs).
2) Those who are a dependent (or could be a dependent) of a person who is a member of other public health insurance systems (such as EHI). Dependent family members are those whose current gross annual earnings (before subtracting first and second – step deductions) do not exceed JPY1 300 000. A family member receiving Employment Insurance (Section 2.1) and living with a partner who is covered by EHI, would be classified as dependent of the partner if his/her expected total annual earnings plus Employment insurance entitlements do not exceed JPY 1300000. Dependent children of this family would be also classified as dependent of the partner who is covered by EHI (and, as a result, they would not be eligible for the NHI).
3) Those receiving public assistance (Section 3.1), including those who work but are *not* eligible for EHI. Public assistance recipients who work and are eligible for EHI pay EHI contributions.
4) Those whose period of stay in Japan is three months or less.
5) Those who are 75 years old or older.

Calculation of NHI contributions

NHI contributions are calculated for each NHI-eligible household member, and then added up at the household level. The total amount for the whole household is paid by the household head (even if he or she is not eligible for NHI).
For a couple with dependent children where one partner is enrolled in the Employees' health insurance system and the other partner enrolled in the NHI system, the calculations of the NHI contribution exclude the earnings of the person paying Employees' health insurance.

NHI contributions are the sum of the following three components:

- "Basic health" contribution
- "Elderly aged 75 and over support" part contribution.
- "Long-term care" contribution, which only applies to members aged 40 to 64.

Each of these contributions is further divided into an income-based and a per-capita amount:

	Income-based amount	Annual per-capita amount
Basic health	Insurable base of each household NHI member * 7.16%	JPY 42,100 for each household NHI members
Elderly aged 75 and over support	Insurable base of each household NHI member * 2.28%	JPY 13,200 for each household NHI members
Long-term care	Insurable base of each household NHI members aged 40-64 * 2.20%	JPY 16,600 for each household NHI members aged 40-64

Calculation of the insurable base.

The insurable base for the insurance period April of year T until March of the following year (year T+1) is equal to the gross individual earnings earned from January through December of the *previous year* (T-1), *less* the following deductions (applied to each household NHI member with positive gross earnings during the insurance period): a basic deduction of JPY 430 000 per year plus the first-step deduction described in Section 8.1.1.

Ceilings to the NHI contributions

The sum of the income-based and per-capita contributions at the household level cannot be higher than the following amounts:

Basic health	650,000 JPY
Elderly aged 75 and over support	200,000 JPY
Long-term care	170,000 JPY

Reductions to NHI contributions

- As for the year 2022, the per capita amount is reduced by 50% for pre-school children who are eligible for NHI. Pre-school children are those under the age of six.

- For those receiving unemployment insurance in year T due to involuntary reasons, such as dismissal or bankruptcy, the gross earnings of the previous year (T-1) that enters the calculation of the insurable base for the current year (year T) are 30% of the total amount.

- If the *total* insurable base of *all* NHI members *including the household head* - even if he/she is not an NHI member - is below the following monetary thresholds (JPY/year), the family may qualify for a reduction in the *total* per-capita contribution paid at the household level. Note: the insurable base of the household head is included in the calculations only when assessing eligibility for the reductions in the NHI premiums, not when calculating the NHI contributions.

Level of the total insurable base of the household (per year), below which NHI members qualifies for the reduction in the per-capita contribution	Reduction of the per-capita contribution paid by the whole family
430,000 JPY+100,000 JPY × (number of wage earners minus 1)	70%
430,000 JPY+285,000 JPY × (number of wage earners minus 1)	50%
430,000 JPY+520,000 JPY × (number of wage earners minus 1)	20%

Note: the number of wage earners in the table above refers to the *entire household* (both NHI members and not).

Social security contribution exemptions for low-earnings second earners

Some low-earning second earners may be exempted from pension and sickness contribution payments. This exemption extends to the National Pension contribution and the National Health Insurance contribution (but not to the unemployment insurance contributions).

To qualify for the exemption, the second earner must meet the following conditions (*all of them simultaneously*):

a) Living in Japan.
b) Having annual earnings below JPY 1,300,000.
c) Having a partner who is covered by the Employees' Insurance (see below).
d) Not being covered by the Employees' Insurance (see below).

Among the spouses who benefit from the social security contribution exemption, those aged 20 to 59 years may become Category III insured persons under National Pension and the periods are considered to be contribution-paid periods of National Pension without paying contribution by themselves. Employees' pension insurance finances the cost.

Box 2. Eligibility requirements for Employees' Insurance and Unemployment Insurance

Requirements for Employees' Insurance

Those who work 75% or more of full-time workers (both in terms of working hours per week and working days per month) are covered by Employees' Insurance.

Those who work less than 75% of full-time workers are compulsorily covered by Employees' Insurance only if they meet the following conditions (*all of them simultaneously*):

1. Working for a company with 101 employees or more. This threshold will be reduced to 51 employees in October 2024.
2. Having monthly earnings JPY 88,000 or more (i.e. JPY 1,056,000 or more per year);
3. Expected to be employed for a contracted period of not less than two months.
4. Working 20 hours or more per week.
5. Not being a student.

Employees who are not covered by the Employees' Insurance do not pay the Employees' Pension contribution, and the Employees' health insurance contribution. Instead, they pay the National Pension contribution and the National Health Insurance contribution.

OECD note: Requirements 1, 3 and 5 are always assumed to be met in the TaxBEN calculations, whereas requirements 2 and 4 will depend on the user's choice. This mean that the Employees' Insurance coverage as well as the eligibility for the social security contribution exemptions depend on the TaxBEN user's choices regarding the earnings levels and the hours of work of both partners.

***

Requirements for Unemployment Insurance

Those who work 20 hours or more per week and who are expected to be employed for 31 days or more are covered by the Unemployment Insurance and pay the contribution rates described in the text, irrespective of being full-time workers, part-time workers or temporary staff.

7.1.2. Contributions payable by benefit recipients

Pension. Recipients of maternity allowance are exempt from Employees' Pension contribution. Recipients of sickness benefits pay Employees' Pension contributions. Recipients of Employment Insurance (Section 2.1) pay the National Pension contributions, see section 2.1.5 for details. Recipients of social assistance (section 3.1) and housing benefit (section 3.2) are enrolled in the National Pension scheme. However, recipients of social assistance are exempt from contribution payments, see section 3.1.5 for details.

Sickness. Recipients of maternity allowance are exempt from Employees' health insurance contribution. Recipients of sickness benefits pay Employees' health insurance contribution. Recipients of Employment Insurance (Section 2.1) are enrolled in National Health Insurance (NHI) and pay the related contributions (Box 1), see section 2.1.5 for details. Recipients of Public Assistance do not pay NHI contributions but pay Employees' Health Insurance if they work and are eligible for this scheme, see section 3.1.5 for details. Recipients of housing benefits are enrolled in one of the public health insurances (ex. National Health Insurance, JHIA-managed Health Insurance) according to their situation. Receiving housing benefits does not automatically provide health insurance contribution exemption.

Unemployment. Benefit recipients who work and meet the eligibility requirements for Unemployment Insurance (Box 2) pay the related contributions.

Contributions to public pension, health and unemployment insurance systems are deducted from the income tax base of both the national and the local income tax (Sections 8.1 and 8.2), independently of the type of insurance scheme (National insurance or Employee's insurance)

7.1.3. Contributions payable by employers

- Variable names: **[SSCR_p; SSCR_s]**
- Pension: 9.15% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the standard monthly amount of pensionable remuneration is JPY 650,000 and the insurable ceiling of the standard amount of bonus is JPY 1,500,000.
- Sickness: 5.00% of total remuneration (standard remuneration and bonuses). Persons aged 40 to 64 are subject to an additional 1.82% Long-term Care Insurance contribution on the top of their sickness contribution, with the employer and employee each paying half. The insurable ceiling of the monthly amount of standard remuneration is JPY 1390000 (applied also to the additional 1.82% remuneration), whereas the insurable ceiling of the yearly amount of standard bonus is JPY 5730000.
- Unemployment: 0.85% of total remuneration. The rate for businesses in the agriculture, forestry and fisheries, and the rice wine brewing sector is 0.95. The rate for businesses in the construction sector is 1.05. The TaxBEN model uses the standard rate (0.85%).
- Work injury: 0.25% to 8.8% of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are twenty-eight rates for fifty-four industrial categories at present. The minimum rate is used in the TaxBEN model.
- Child allowance: 0.36% of total remuneration (standard remuneration and bonuses).

8. Taxes

Japan has individual income taxation, though there are some joint elements as there are additional allowances for those who have a low-income spouse.

8.1. Income tax (Shotoku zei)

Variable names: **[INCTAX_p;INCTAX_s]**

8.1.1. Tax allowances

Tax allowances for employment income earners are described below.

First-step deductions (*employment income deductions)*

- If gross earnings do not exceed JPY 1 800 000, the deduction is 40 per cent of gross employment income less JPY 100 000. The minimum amount deductible is JPY 550 000, even if the amount of income is very small.
- If gross earnings exceed JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 80 000 plus 30 per cent of gross employment income.
- If gross earnings exceed JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 440 000 plus 20 per cent of gross employment income.
- If gross earnings exceed JPY 6 600 000, but not JPY 8 500 000, the deduction is JPY 1 100 000 plus 10 per cent of gross employment income.
- If gross earnings exceed JPY 8 500 000, the deduction is fixed at JPY 1 950 000.
- If gross earnings exceed JPY 8 500 000, there is an additional deduction up to JPY 150 000 for taxpayers in any of the following circumstances: (1) they are disable; (2) they have a spouse or other dependent relatives with disabilities; (3) they have dependent children or other dependent relatives under the age of 23. The exact amount of this additional deduction is equal to 10% of the difference between the gross earnings and JPY 8500 000 and. If the gross earnings exceed JPY 10 000 000, the amount of the additional deduction remains fixed at JPY 150 000, i.e. 10% of the difference between JPY 10000000 and 8500000 JPY.

  For instance, for a taxpayer with gross earnings equal to 9 000 000 JPY and a dependent under the age of 23, the tax deduction would be 1 950 000 + 0.1*(9 000 000 – 8 500 000) = 2 000 000 JPY. Similarly, for a taxpayer with gross earnings equal to 11 000 000 JPY and a dependent under the age of 23, the tax deduction would be 1 950 000 + 0.1*(10 000 000 – 8 500 000) = 2 100 000 JPY.

Second-step deductions:

Second step deductions are calculated using as a "reference income" the earnings from employment *less* the employment income deductions described above. The second step deductions are:

- *Basic allowance (Personal deduction):* allowance up to JPY 480 000 is given to a resident taxpayer whose reference income does not exceed JPY 25 000 000. The amount of tax allowance gradually decreases once the income exceeds JPY 24 000 000. Specifically, the allowance is JPY 320 000 for a taxpayer with income from JPY 24 000 001 to JPY 24 500 000, JPY 160 000 for those with income from JPY 24 500 001 to JPY 25 000 000, and zero for those with income above JPY 25 000 000.
- *Allowance for spouse*: a tax allowance up to JPY 380 000 is given to a resident taxpayer whose reference income does not exceed JPY 10 000 000 and who lives with a spouse whose reference income does not exceed JPY 480 000.
- *Allowance for elderly spouse:* a tax allowance up to JPY 480 000 is given to a resident taxpayer.
  - whose reference income does not exceed JPY 10 000 000 and
  - who lives with a spouse aged 70 or older, whose income does not exceed JPY 480 000,

This allowance may replace the allowance for spouse described above. *TaxBEN note*: As the model focuses on working-age families, the allowance for elderly spouse is not considered in the calculations.

- *Special allowance for spouse:* a tax allowance up to the amount shown in the following table is given to a resident taxpayer whose reference income does not exceed JPY 10 000 000 and who lives with a spouse whose reference income exceeds JPY 480 000 but does not exceed JPY 1 330 000.

Spouse's income		Amount
0-480,000		0
480,001-950,000		380,000
950,001-1,000,000		360,000
1,000,001-1,050,000		310,000
1,050,001-1,100,000		260,000
1,100,001-1,150,000		210,000
1,150,001-1,200,000		160,000
1,200,001-1,250,000		110,000
1,250,001-1,300,000		60,000
1,300,001-1,330,000		30,000
1,330,001 or more		0

The amounts of the allowances for spouse and for the elderly spouse, as well as the Special allowance for spouse, all decrease gradually when the reference income (as defined above) of the taxpayer is from JPY 9 000 001 to JPY 10 000 000, then they become zero. Specifically, the amounts of the allowances are as follows:

- Reference income not more than JPY 9 000 000: full amount;

- Reference income from JPY 9 000 001 to JPY 9 500 000: full amount*2/3;

- Reference income from JPY 9 500 001 to JPY 10 000 000: full amount*1/3

- Reference income above JPY 10 000 000: no allowance.

Allowance amounts are rounded up to the closest multiple of 10 000 JPY. For instance, an amount of JPY 73 333 is rounded to JPY 80 000.

- *Allowance for dependents:* if a resident taxpayer has dependent children or other dependent relatives who are aged 16 or older, whose reference income does not exceed JPY480 000, a tax allowance of JPY 380 000 per each dependent is paid. Two taxpayers *cannot* receive the allowance for the same dependent.

  OECD note: for two-earner couples, the OECD calculations assign the allowance to the highest earner.

- *Special allowance for dependents:* if a resident taxpayer has dependents whose reference income does not exceed JPY 480 000 and who are aged 19 to 22, an allowance of JPY 630 000 is given for each dependent, instead of the allowances for dependents mentioned above. Two taxpayers cannot receive the allowance for the same dependent.

  OECD note: this allowance is not simulated as the model does not include calculations for families with children aged above 18.

- *Allowance for elderly dependent:* if a resident taxpayer has dependents who are aged 70 or older whose reference income does not exceed JPY 480 000, there is a tax allowance of JPY 480 000 per each dependent, instead of the allowances for dependents mentioned above. If the dependents are direct ascendants of the taxpayer or their spouse and permanently live with the taxpayer or their spouse, a tax allowance of JPY 580 000 per each dependent is given to the taxpayer.

OECD note: this allowance is not simulated as the model focuses on working-age families.

- *Deduction for social insurance contributions*: the amount of social insurance contributions for resident taxpayers or their dependents, including if applicable National Health and National Pension contributions (Section 7.3), are deducted from their income without any limits.[20]

8.1.2. Tax base

The taxable income is the sum of the earnings from employment and certain taxable benefits, less the first and second step deduction (Section 8.1.1).

TaxBEN note: for the purposes of the TaxBEN model, the taxable income is just the sum of earnings, as all taxable benefits are outside the scope of the TaxBEN model.

Fractions of taxable income of less than JPY 1 000 are rounded down.

TaxBEN note: the calculations for two-earner couples assign the allowances for the spouse and the allowances for dependents to the partner with the highest earnings. As a result, the taxable income for the partner with the lower earnings is reduced only by the own social security contributions, the own Employment Income Deduction, and the basic allowance.

8.1.3. Income tax schedule

Taxable Income (JPY) (*)		**Tax Rate (%)**	**Deductible Amounts for Each Bracket (JPY)**
Equal to or over	**Less than**	**(A)**	**(B)**
	1 950 000	5	0
1 950 000	3 300 000	10	97 500
3 300 000	6 950 000	20	427 500
6 950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000	40 000 000	40	2 796 000
40 000 000		45	4 796 000

(*) The fraction of taxable income that is less than JPY 1 000 is rounded down.

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

7 000 000 x 0.23 (A) − 636 000 (B) = JPY 974 000.

Finally, the tax amount is increased by 2.1%. This provision will apply in each year from 2013 until 2037.

8.1.4. Tax credits

None.

[20] For working dependent spouses, if social insurance contributions are deducted directly from a spouse's income *in advance* before the salary is paid, the other partner is not considered to pay the spouse's contributions and, as a result, the other partner will not be able to deduct the spouse's contributions from their taxable income. *OECD note*: the OECD tax-benefit model assumes that social insurance contributions are deducted in advance before the salary is paid.

Example of calculation of national income tax liabilities for a two-earner couple

Let us consider a two-earner couple without children and with the following labour market characteristics: the first adult works full time with earnings equal to JPY 11253379. The second adult works full time with earnings equal to JPY 1874080. The following table summarises the tax position of each partner:

	First adult	**Second adult**
Gross earnings from employment [1]	11 253 379	1 874 080
Social security contribution [2]	1277189	270805
Employment Income deduction [3]	1950000	642224
Reference income for 2nd step deductions [4] = [1]-[3]	9303379	1231856
Basic allowance [5]	480000	480000
Allowance for spouse [6]	0	0
Special Allowance for spouse [7]	80000	0
Total deductions [8] = [2]+[3]+[5]+[6]+[7]	3787189	1393029
Taxable income [9]=[1]-[8]	7466000	481000
Income tax liability [10]	1081180	24050
2.1% Surtax [11]	22704	505
Overall tax liability [12]=[10]+[11]	1103884	24555

8.2. Local income taxes (Jyumin zei)

Variable names: **[LOCTAX_p; LOCTAX_s]**

Local taxes in Japan (personal inhabitant's taxes) consist of prefectural inhabitant's tax levied by prefectures and municipal inhabitant's tax levied by cities, towns and villages. The prefectural inhabitant's tax is collected together with the municipal inhabitant's tax by cities, towns and villages.

Local taxes (prefectural and municipal inhabitant's taxes) consist of two parts; one is proportional taxable income and the other is a fixed per capita amount. The taxable income of personal inhabitant's taxes is computed using the income of the previous year.

TaxBEN note: In Japan, the local income tax is calculated using the incomes of the previous fiscal year. However, according to the methodology of the OECD tax-benefit model, this time lag is ignored and only the rules that apply on the incomes on the reference policy date, i.e. the 1st of January 2023, enter the calculations of tax liabilities and benefit entitlements.

8.2.1. Local tax allowances

Local tax allowances for employment income earners in Japan are as follows:

First step deduction: same as the deductions for the central government income tax.

Second step deductions: Second step deductions are calculated using as a "reference income" the earnings from employment *less* the first step deductions. The second step deductions are:

- *Basic Allowance*: JPY 430 000. Similarly, to the basic allowance for the central government, also the local basic allowance decreases with the taxpayer's income. The amount of tax allowance gradually decreases once the income exceeds JPY 24 000 000. Specifically, between JPY 24 000 000 and JPY 24 500 000, the allowance is JPY 290 000. Between JPY 24 500 000 and JPY 25 000 000 is JPY 150 000, and above JPY 25 000 000 is zero
- *Allowance for dependents:* if a resident taxpayer has children and other relatives whose reference income does not exceed JPY 480 000 and who are 16 years old and over, an allowance of JPY 330 000 is given for each dependent. Two

taxpayers cannot receive the allowance for the same dependent. *TaxBEN note*: for two-earner couples, the OECD calculations assign the allowance for dependents to the highest earner. A taxpayer living with a dependent spouse and without other dependents, does not receive the allowance for dependents. However, they receive the 'Allowance for spouse' and the 'Special allowance for spouse' (described below).

- *Special allowance for dependents:* if a resident taxpayer has dependents whose reference income does not exceed JPY 480 000 and who are between 19 and 22 years old, an allowance of JPY 450 000 is given for each dependent instead of the allowances for dependents mentioned above. Two taxpayers cannot receive the allowance for the same dependent. *TaxBEN note*: this allowance is not simulated as the model does not include calculations for families with children who are older than 18 years.

- *Allowance for spouse*: JPY 330 000 for resident taxpayers whose reference income does not exceed JPY 10 000 000 and who live with a spouse whose reference income does not exceed JPY 480 000.

- *Special allowance for spouse:* the allowance up to the amount shown in the following table is given to a resident taxpayer whose reference income does not exceed JPY 10 000 000 and who lives with a spouse whose reference income exceeds JPY 480 000 but does not exceed JPY 1 330 000.

Spouse's income	Amount
0-480,000	0
480,001-1,000,000	330,000
1,000,001-1,050,000	310,000
1,050,001-1,100,000	260,000
1,100,001-1,150,000	210,000
1,150,001-1,200,000	160,000
1,200,001-1,250,000	110,000
1,250,001-1,300,000	60,000
1,300,001-1,330,000	30,000
1,330,001 or more	0

The amounts of the local allowance for spouse and of the local special allowance for spouse, decrease gradually when the reference income (as defined above) of the taxpayer is between JPY 9 000 000 and JPY 10 000 000, then they become zero. Specifically, the amounts of the allowances is as follows:

- Reference income less than JPY 9 000 000: full amount;

- Reference income between JPY 9 000 000 and JPY 9 500 000: full amount*2/3;

- Reference income between JPY 9 500 000 and JPY 10 000 000: full amount*1/3;

- Reference income above JPY 10 000 000: no allowance.

Allowance amounts are rounded up to the closest multiple of 10 000 JPY. For instance, an amount of JPY 73 333 is rounded to JPY 80 000.

- *Local tax allowance for elderly spouse*: a tax allowance up to JPY 380 000 is given to a resident taxpayer
  - whose income does not exceed JPY 10 000 000 and
  - who lives with a spouse of 70 years old and over, whose income does not exceed JPY 480 000,

This allowance may replace the allowance for spouse described above. Similarly, to the allowance for spouse, also the allowance for elderly spouse decreases when the reference income (as defined above) of the taxpayer is between JPY 9 000 000 and JPY 10 000 000. The final amount is rounded up to the closest multiple of 10 000 JPY. TaxBEN note: this allowance is not simulated as the model focus on working age families.

- *Allowance for single parents*: a tax allowance of JPY 300 000 is given for a resident taxpayer:
  - who is not currently married or whose spouse's life and death is unknown,
  - whose reference income does not exceed JPY 5 000 000 and
  - who has children living in the same household, and whose reference income does not exceed JPY 480 000.
- *Deduction for social insurance contributions*: the amount of social insurance contributions for resident taxpayers or their dependents, including if applicable National Health and National Pension contributions (Section 7), are deducted without any limits.[21]

8.2.2. Tax base

Taxable income for local income tax purposes is given by sum of earnings from employment less the first-step and second-step deductions described in Section 8.2.1.

Fractions of taxable income of less than JPY 1 000 are rounded down.

8.2.3. Income tax schedule

- The standard fixed (annual) per-capita amount of Prefectural inhabitants tax is JPY 1 500.
- The standard fixed (annual) per-capita amount of Municipal inhabitants tax is JPY 3 500.
- The standard proportional amount of the Prefectural and Municipal inhabitants tax is a flat rate of 10 per cent (Prefectural inhabitants tax: 4 per cent, Municipal inhabitants tax: 6 per cent). This represents a countrywide average rate.

[21] For working dependent spouses, if social insurance contributions are deducted directly from a spouse's income *in advance* before the salary is paid, the other partner is not considered to pay the spouse's contributions and, as a result, the other partner will not be able to deduct the spouse's contributions from their taxable income. *OECD note*: the OECD tax-benefit model assumes that social insurance contributions are deducted in advance before the salary is paid.

8.2.4. Local tax credits

Taxable income for local income tax purposes	Tax credit amount
JPY 2 000 000 or less	The tax credit is calculated as: TC = 0.05*min(a, b) Where: a = difference between national and local tax allowances (as described in sections 8.1.1. and 8.2.1) – note that this difference cannot be negative; b = taxable income for local income tax purposes.
More than JPY 2 000 000	The tax credit is calculated as: 0.05*(a – (b – JPY 2 000 000)) Where values (a) and (b) are the same as above. Note that in this income range the tax credit cannot be lower than JPY 2 500

Note: local tax credit reduces the standard proportional amount of the Prefectural and Municipal inhabitants tax (but not the fixed per-capita amount).

8.2.5. Local tax exemptions

Local authorities do not levy the fixed per-capita rate and the proportional rate of the Prefectural and Municipal inhabitants taxes (section 8.2.3) on taxpayers whose reference income (as defined below) for local income tax purposes of the previous fiscal year is below a certain amount. For example, in selected districts of Tokyo (the reference city of the OECD tax-benefit model), this income threshold is calculated as follows:

- For the exemption to the fixed per-capita rate: (1 + number of spouse and dependents who qualify for the local allowance for spouse/dependents - note that spouses who qualify for the special allowance for the spouse are excluded from this calculation) * 350000 + 100000 (+ 210000 in case the taxpayer has a qualified spouse or dependents). For example, for a family with one dependent child and a dependent spouse, the income threshold for the exemption to the fixed per-capita rate is (1+2)*350000 + 100000 + 210000 = JPY 1360000.
- For the exemption to the proportional rate: (1 + number of spouse and dependents who qualify for the local allowance for spouse/dependents - note that spouses who qualify for the special allowance for the spouse are excluded from this calculation)) * 350,000 + 100000 (+ 320000 in case the taxpayer has a qualified spouse or dependents. For example, for a family with a dependent child and without a qualifying spouse, the income threshold for the exemption to the proportional rate is (1+1)*350000 + 100000 + 320000 = JPY 1120000.

OECD note: Because the reference municipality of the OECD tax-benefit model for Japan is Tokyo, the local tax exemptions described above are included in the calculations.

Example of calculation of *local* income tax liabilities for a two-earner couple

Let us consider a two-earner couple with a 16-years-old child without income. The first adult works full time with earnings equal to JPY 11 253 379. The second adult works full time with earnings equal to JPY 1 874 080. The following table summarises the tax position of each partner:

	First adult	Second adult
Gross earnings from employment [1]	11253379	1874080
Social security contribution [2]	1277189	270805
Employment Income deduction [3]	1950000	642224
Reference income for 2nd step deductions [4] = [1]-[3]	9303379	1231856
Basic allowance [5]	430000	430000
Allowance for spouse [6]	0	0
Special Allowance for spouse [7]	0	0
Allowance for dependents [8]	330000	0
Total deductions [9] = [2]+[3]+[5]+[6]+[7]+[8]	3987189	1343029
Taxable income for local income tax [10]=[1]-[9]	7266000	531000
Difference between total national and local deductions	180000	50000
Local tax credits [11]	2500	2500
Income tax liability - proportional rate: [12] = [10]*0.1 - [11]	724100	50600
Income tax liability - fixed per-capita rate: [13]	5000	5000
Income threshold for local tax exemptions (proportional rate)	1020000	350000
Income threshold for local tax exemptions (fixed per-capita rate)	910000	350000
Total local income tax liability	729100	55600

**TaxBEN note*: In Japan, the local income tax is calculated using the incomes of the *previous* fiscal year. However, according to the methodology of the OECD tax-benefit model, this time lag is ignored and only the rules that apply on the incomes on the reference policy date enter the calculations.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Japan 2023 (Figure 1). TaxBEN by default produces the following output: 1) net household incomes (**black lines**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances). The model and the related web calculator is accessible from the project website. Figure 1 shows outputs for four scenarios:

- By gross earnings (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT**= income tax; **FB** = family benefits; **HB** = Housing benefits; **SA** = social assistance / Guaranteed minimum income benefits; **IW** = in-work benefit. Note that these components may be the result of the aggregation of more than one benefit into a single component. Please refer to the table of content to see the benefits included in each category.

Results in Figure 1 refer to a 2-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefits are assumed to be available in all the four scenarios when the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that the 'second adult' of the couple is out of work and not eligible for unemployment benefits (e.g. because they have expired), whereas the 'first adult' is employed full-time and full-year at different earnings levels. When the earnings of the first adult are zero (first point of the chart), the calculations assume that the person is out of work without receiving unemployment benefits (e.g. because they have expired) and claiming social assistance.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C, the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. The horizontal axis in Panel B measures the time of benefit receipt, starting from the first month. The horizontal axis in Panel C shows the amount of previous gross earnings (before any social security contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

TaxBEN assumes the following logical sequence of benefit claims: 1) Employment Insurance (Section 2.1)/Re-employment allowance (Section 6), 2) Child Allowance (Section 4.1), 3) Child Rearing Allowance (Section 4.2), 4) Social Assistance (Section 3.1), 5) Housing benefit (Section 3.2).

Figure 1. Selected output from the OECD tax-benefit model

Couple with two children

Note: The housing costs that enter the calculation of the housing benefits \ are equal to JPY 1061611 (kept constant in the four panels).
Source: OECD tax-benefit model, 2023.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Japan that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

A.1.1. ***Support System for Job Seekers*** *(Kyusyokusya shienseido)*

Entitlement and eligibility conditions

Jobseekers who are not entitled to receive employment insurance benefit (section 2.1) and wish to acquire vocational skills and knowledge necessary to find new employment can subscribe to VET activities and receive a compensation from the government.

Jobseeker must meet all of conditions below to qualify for the "course allowance":

i) Jobseeker must attend all day of the training activities or at least 80 % of the activities in case of being absent due to inevitable reasons.

ii) Jobseeker has not received certain allowances through deception or fraud in the last three years.

iii) Jobseeker has not received VET participation benefits in the last six years.

Benefit amounts

VET participation benefit consists of "course allowance" (JPY 100,000 per month), "travel allowance" (up to JPY 42,500 per month) and "board allowance" (JPY 10,700 per month). More than one family member cannot receive the allowance at the same time.

Benefit duration

The benefit is paid over the period that an eligible job seeker participates in VET programs (up to two years).

Means test

The authorities decide whether an applicant satisfies conditions for VET participation benefits in terms of income levels and asset levels, drawing on bank account statement and other documents. Jobseeker must meet all of conditions below to qualify for the "course allowance":

i) The income of jobseeker must not exceed 80000 yen per month.
ii) The sum of incomes of the jobseeker and his/her family members (spouse, children, and parents in the same household) must not exceed 300,000 yen per month (250,000 yen until March 2023).
iii) The sum of the financial asset of the jobseeker and his/her spouse must not exceed 3,000,000 yen.
iv) The jobseeker must not own land and buildings other than the land and building where he or she resides.

"Incomes" specified in i) and ii) are considered before subtracting income tax liabilities and social security contributions.

"Financial asset" specified in iii) includes cash, savings, bonds, stocks and mutual funds.

The “board allowance” is paid to those who are receiving the “course allowance” and are allowed to board. The “travel allowance” is paid when the participant’s income is JPY 120,000 or less per month, the income of household is JPY 340,000 or less per month, and the condition iii) and iv) above are met.

Tax treatment

VET participation benefits are not taxable.

Interactions with other components of the tax-benefits system

An applicant receiving public assistance benefits (Section 3) can receive VET participation benefits if they satisfy requirements/conditions. However, because part of VET participation allowance – namely the full amounts of the course allowance and the board allowance - is considered as income, public assistance payments can be suspended or reduced accordingly.

Combining benefit receipt and employment/starting a new job

Employees covered by Employment Insurance (section 7.1.1 for details) are not eligible for the VET program. Employees not covered by the Employment Insurance, e.g. because they work part time, who want to find a more stable job may be eligible for the program if they meet the other requirements (described above). VET support is terminated if the recipient cannot attend the VET program due to employment.

Benefit indexation

The amount of VET participation benefits is not adjusted based on the changes in prices.

A.1.2. ***Sickness Benefit*** *(Kenko hoken)*

Japan provides health insurance for workers covered by their employer health insurance programs.

Entitlement and eligibility conditions

To receive sickness benefits, a person must be assessed with an incapacity for work that lasts more than three days that is not due to a work injury or occupational disease.

Benefit amounts

Recipients receive 66.67% of their insured average daily basic wage of the past 12 months.

Benefit duration

Benefits are paid for up to 18 months in total, after a 3-day waiting period.[22]

[22] Before the reform that took effect in January 2022, when sickness benefit was provided for sickness attributable to a single cause, the benefit duration was originally designed to be up to 18 consecutive months counting from the first day of benefit duration, regardless of the actual number of days for which one receives sickness payments. In other words, before the reform, the benefit duration was not extended, even though one does not receive sickness payments for several days, weeks or months during that 18-month period, because, for example, he/she went

Means test

No means test.

Tax treatment

The benefit is not taxable.

Interactions with other components of the tax-benefit system

None.

Combining benefit receipt and employment/starting a new job

The benefit is not paid when insured becomes possible to work.

A.1.3. ***Short-time work compensation scheme*** *(Koyo chosei joseikin)*

Employment Adjustment Subsidy is a STW scheme that subsidizes employers who provide leave allowance to their employees based on labour-management agreement as they are forced to cut back the business operation in order to weather economic downturn or other economic shocks.

The Labour Standards Act stipulates that "In the event of an absence from work for reasons attributable to the employer, the employer must pay the worker an allowance equal to at least 60 percent of their average wage during that period of absence from work".

As a response measure to COVID-19 crisis, the government has raised the percentage of subsidized amount and the maximum amount. This measure is effective between April 1, 2020 and January 31, 2023 (The entire special exception ends on March 31, 2023.).

Entitlement and eligibility conditions

The employer should be covered by the employment insurance system.

The employer should be experiencing at least 10% year on year decline in the average figures over the last three months that indicate their business situations, such as the average of sales or production figures for the last three months.

The year on year increase in the average number of employees over the last three months covered by the employment insurance system or dispatched workers should be less than four and the increase rate should be up to 10% for SMEs, and for larger companies, six and 5%, respectively.

Employment adjustment measures implemented by the employer should satisfy certain requirements.

If an employer has received the subsidy before, there should be at least one year interval between the end of the old adjustment period and the start of the new adjustment period.

If the application is made as the result of the COVID-19 crisis, the eligibility conditions are adjusted as follows. Business conditions have been deteriorated due to the COVID-

to work for several days, weeks or months. After the reform, the benefit duration can be extended beyond the 18-month period. When one does not receive sickness payments for some time during the first 18-month period, the duration can be extended until the number of days for which payment is actually made add up to 18 months.

19 crisis and cutbacks are inevitable. At least 5 % year on year decrease in the sales or production figures for the last one month. At least 60% of average wages is paid as leave allowances based on labour-management agreement.

Benefit amounts

The amount of the subsidy is calculated as follows.

(Average wage) x (rate of leave allowance) x (1/2 for large companies and 2/3 for SMEs) = subsidy amount (up to JPY 8,355 per person per day)

As a transitional measure for employers whose business conditions were particularly difficult, the subsidy was provided up to JPY 9,000 per person per day between December 1.2022 and January 31.2023.

Benefit duration

The duration of the Employment Adjustment Subsidy is up to 100 days a year, and 150 days over three years.

The special measures of the Employment Adjustment Subsidy are subsidized separately in addition to the benefit duration mentioned above (between April 1, 2020 and March 31, 2023).

Means test

Please refer to the description under “Eligibility conditions”.

Tax treatment

The subsidy is subject to corporate tax levy.

Interactions with other components of the tax-benefit system

None.

Combining benefit receipt and employment/starting a new job

None. Preventing dismissals is the main objective of the Employment Adjustment subsidy.

A.1.4. ***Mandatory employer sick pay***

When an employee is sick or injured due to a non-occupational cause, the employer has no statutory obligation to grant a sick leave. When there is a sick leave scheme for non-occupational causes, the eligibility conditions or other conditions such as the duration of the sick leave are decided based on labour and management agreement or at the discretion of the employer.

Employees are entitled to take statutory annual paid leave under the Labour Standards Act, whatever the reason is, including sickness or injury due to non-occupational causes.

A.1.5. ***Special Benefits to Mitigate Rising Electricity, Fuel and Food Costs*** *(Denryoku gasu shokuryohinto kakakukoto kinkyushienkyufukin)*

The government is providing special benefits for low-income households to support their livings facing difficulties due to the rise of electricity, fuel, and food costs.

Entitlement and eligibility conditions

At least one of the following two conditions should apply:

1. Households whose all members are exempted from resident tax on a per capita basis as of 30, September 2022.

2. Households experienced unexpected income decline, falling under the resident tax-exemption equivalent.

If all members are dependent, the household is not eligible.

Benefit amounts

50,000 yen per household.

Benefit duration

The payment gradually started in the autumn of 2022 and finished at the end of March 2023.

Means test

1. Benefits for resident tax-exempted households

The benefit is means tested: eligible households are those whose all members are exempted from resident tax on a per capita basis (Section 8.2 for details).

2. Benefits for households experiencing sudden financial difficulties. If the income during at least one month between January and December in 2022 was lower than or equal to 1/12 of the income level of exemption from resident tax on a per capita basis, the household is considered as "experiencing sudden financial difficulties",

Tax treatment

The benefit is not taxable.

Interactions with other components of the tax-benefit system

No interactions

Combining benefit receipt and employment/starting a new job

No restrictions.

Benefit indexation

No indexation.