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Introduction of real estate taxes and fees in Japan

In recent years, a number of Chinese cities have introduced measures to control the real estate sector, resulting in a large amount of money flowing into the overseas real estate sector. Among them, the real estate industry in Japan has attracted investors from all over the world due to its sound real estate legal system, stable market liquidity, and the growth trend brought by the upcoming Tokyo Olympic Games in 2020. When investing in real estate in Japan, one needs to be aware of the complex taxes and fees incurred in the investment process.

According to the relevant tax laws published by the Japanese government, the firm hereby summarizes the tax laws and fees related to real estate for the reference of current and potential customers of Qiyuan. If necessary, please further contact our professional consultants.

I. Tax

The following taxes are payable when holding or disposing of property in Japan:

1. Real estate acquisition tax

Real estate acquisition tax ("real estate acquisition tax" in Japanese) is a kind of circulation tax that is paid in a lump sum when the real estate is acquired, and the taxpayers are required to register with the prefectural prefecture or county where the real estate is located within 30 days of the acquisition of the real estate. The means of acquisition of real property include the flip, addition or alteration of existing real property, as well as the purchase, exchange or gift of land or premises, but do not include inheritance of land or premises.

According to the latest local tax law of Japan, the standard tax rate of real estate acquisition tax will be reduced from 4% to 3% and the real estate valuation will be reduced by 50% when calculating the real estate acquisition tax as of March 31, 2021. The calculation formula is real estate acquisition tax = real estate valuation * 50% * 3%. The tax payment period shall be subject to the tax payment notice mailed by the local prefectures and counties.

2. Registration permit tax

Registration permit tax (Japanese for "registration exemption tax") is a Japanese national tax paid to the relevant departments when handling (including but not limited to) the sale, gift and exchange of immovable property. Its calculation formula is: registration permit tax = immovable property valuation * tax rate. According to the website of the National Tax Agency, as of March 31, 2021, the registered permissible tax rate for land sales is 15‰ (or 1.5 percent).

3. Stamp duty

Under the Stamp Act of Japan ("Stamp Act" in Japanese), stamp duty ("Stamp Duty" in Japanese) is a Japanese tax levied on the relevant documents of taxable items received during economic activity. Because of the existence in the process of housing transaction operation receives the behavior of file such as lease contract, project contract, housing loan contract, receipt invoice, so the tax bureau that needs to be under the jurisdiction of the location pays stamp duty. The Japanese stamp tax is determined according to the contract amount. Please refer to the following table for the specific payment standard.

The serial number	Contract amount (Japanese yen)	Stamp Duty (JPY)
1	The contract amount is not recorded in the contract	200
2	10000 the following	0
3	100000 the following	200
4	100000 ~ 500000	400
5	500000 ~ 1 million	1000
6	1 million ~ 5 million	2000
7	5 million ~ 10 million	10000
8	10 million ~ 50 million	20000
9	50 million ~ 100 million	60000
10	100 million ~ 500 million	100000
11	500 million ~ 1 billion	200000
12	1 billion ~ 5 billion	400000
13	More than 5 billion	600000

4. Inheritance tax

2. Inheritance tax ("phase tax" in Japanese). It refers to a tax that is levied on an individual (or a social group, business, etc., meeting certain conditions) who inherits the estate of a deceased person. The heirs are required to report and pay estate tax to the local tax office of the heirs within 10 months from the day after they become aware of the death of the decedent.

The estate tax is taxed at a progressive rate based on the value of inherited property. The Japanese estate tax is not calculated directly by multiplying the inherited property by the tax rate, but by multiplying the inherited property minus a certain base deduction and deducting the deduction if necessary. The calculation formula for the basic deduction of inheritance tax is: 30 million yen + 6 million yen * the number of legal heirs. Please refer to the following table for specific tax rates and deductions:

Balance of estate after base deduction (yen)	rate	Deduction (yen)
10 million the following	10%	0
30 million the following	15%	500000
50 million the following	20%	2 million
100 million the following	30%	7 million
200 million the following	40%	17 million
300 million the following	45%	27 million
600 million the following	50%	42 million
More than 600 million	55%	72 million

5. Gift tax

Gift tax (" gift tax "in Japanese) is a tax levied on the recipient of a gift based on the value of property acquired through the gift by an individual (or a social group, consortium, etc., meeting certain conditions). Recipients should report the gifts received during January 1 BBB 0 December 31 to the tax office of the recipient's locality on March 15 of February 1 BBB of the following year.

Like estate taxes, gift taxes are taxed at a progressive rate based on the value of the donated property, again multiplied by the amount of the donated property minus a certain base deduction and minus the deduction if necessary. The base deduction for gift tax is fixed at 1.1 million yen. Please refer to the following table for tax rates and deductions for the use of general gift property:

Donee balance after base deduction (yen)	rate	Deduction (yen)
2 million the following	10%	0
3 million the following	15%	100000
4 million the following	20%	250000
6 million the following	30%	650000
10 million the following	40%	1.25 million
15 million the following	45%	1.75 million
30 million the following	50%	2.5 million
More than 30 million	55%	4 million

6. Fixed assets tax

The fixed assets tax (" fixed assets tax "in Japanese) is a local tax levied annually on the owners of fixed assets, including land, houses and tangible depreciated assets. Taking January 1 solstice December 31 of each year as a year, the owners of fixed assets need to declare to the city where the fixed assets are located the fixed assets registered with themselves as the owner of the current year, and pay fixed assets tax. Tax on fixed assets is subject to different tax periods and tax rates in different regions of Japan. In principle, the tax period is April, July, December and February of each year, and the standard tax rate is 1.4%.

7. Town planning tax

According to the local tax law of Japan, during the period of possession of real estate, one must report and pay the urban planning tax ("urban planning tax" in Japanese) to the city or village where the real estate is located together with the fixed assets tax every year. There is no standard rate of town planning tax, which varies from place to place. The main difference with the fixed assets tax is that the town-planning tax is levied on land and houses in the town-planning area and does not include tangible depreciation assets.

8. Income tax and resident tax at the time of real estate transfer

Individuals or legal persons who hold real estate are required to pay income tax ("income tax" in Japanese) and resident tax ("resident tax" in Japanese) on the income generated from the transfer of real estate. The resident tax is the collective name of the prefecture prefecture tax ("prefecture prefecture tax" in Japanese) and the municipal municipal tax ("prefecture prefecture tax" in Japanese). Income tax shall be paid on the sale of real estate from the transfer; An individual resident or a legal person who has a residence in an administrative plan, or an individual resident or a legal person who has a property, an office, etc., but does not have a residence, shall pay the resident tax.

The tax objects of income tax and resident tax are divided into long-term transfer income and short-term transfer income. The income from the sale of property held for more than 5 years is regarded as long-term transfer income, and the income tax rate is 15% and the resident tax rate is 5%. Income from the sale of property held for less than five years is considered short-term transfer income, which is taxed at 30% and 9% for residents. Non-Japanese residents do not have to pay resident tax.

It is worth noting that when the income tax is paid, it is necessary to pay the special income tax on revival ("special income tax on revival" in Japanese), and the tax on the special income tax on revival is 2.1% of the income tax.

II. Related expenses

In general, in Japan, such as the real estate market transaction or the period of holding the real estate should pay the following fees:

1. Placement fees

When the purchase that undertakes estate in Japan, make over, let wait for a trade, can entrust local immovable property agent to do for you commonly. In principle, real estate agents will charge the agency fee at the time of signing and submission of the contract respectively. The total agency fee will be capped at 60,000 yen plus 3% of the transaction value of the real estate (excluding consumption tax).

2. Judiciary Fees

In Japan, the registration of real estate and the declaration and payment of all kinds of real estate related taxes and fees are generally entrusted to the local

judicial magistrate ("judicial magistrate" in Japanese). The judicial clerk costs about 50,000 yen to 100,000 yen.

3. Management fees and public expenses

Management fee (Japanese as "management fees") and public burden fee (Japanese for "common good") is commonly used in the real estate public area clean, household waste management, elevator regularly check the maintenance (or administrator), security guards and equipped with, such as surveillance cameras, but such as types of real estate as a home is built, you do not need to pay the management fee and public burden. There is no clear distinction between management fees and public charges, although they are classified into different costs. According to the Standard Management Statute of Apartment issued by the Ministry of Land, Land and Transport of Japan, the management fee shall be paid by the lessor. However, since this Statute is not the Constitution of Japan, the payment of management fee is often transferred to the lessee in practice.

4. Property repair fee

The property repair fee ("repair deposit" in Japanese) is a monthly deposit collected to ensure the regular implementation of large-scale maintenance of the common part of the transferred property. If the real estate type is an apartment, the maintenance cost of the apartment shall be paid from the property repair fee, so the buyer shall not only pay the property repair fee to the property management company when purchasing the property, but also pay the property repair fee monthly during the residence period. The fee is determined by the property management company according to the house maintenance program and may be adjusted in response to changes in the size of the apartment, equipment or the number of years the building has been built. Property repair fees are generally used for renovation of building exterior, replacement of water supply and drainage pipes, and maintenance of elevators. However, if the real estate type is built by one family, there is no need to pay the property repair fee. It is worth noting that, if the real estate is in the rental state, the property repair fee is not paid by the tenant, but should be paid by the lessor.

5. Real estate custodian fee

If you choose to rent the real estate you hold, you can generally deliver it to a local real estate agent for custody, and pay the fees of the agent's house escrow. The custodian fee of real estate is generally 5.4% of the monthly rent of real estate (including consumption tax), and the fees and services mainly include the leasing of real estate, the handling of leasing procedures and the collection of rent, etc. The property owner does not generate the fee when handling the relevant procedures by himself.

6. The insurance premium

Buying a property in Japan is in principle accompanied by buying residential earthquake and residential fire insurance, which is a joint venture between the Japanese government and insurance companies. Please note that fire insurance must be purchased before buying earthquake insurance. Earthquake insurance cannot be purchased separately. Fire insurance is not only aimed at fire, but also includes property losses caused by natural disasters (thunderstorm, flood, snow,

etc.) and man-made disasters (theft, improper use, etc.) besides fire. The amount of insurance premium is different in different regions and different building structures.

7. Life miscellaneous fees

Miscellaneous expenses associated with real estate include electricity, water, gas, etc.

KAIZEN Group is equipped with experienced and highly qualified professional consultants and is therefore well positioned to provide professional advices and services in respect of the formation and registration of company, application for various business licences and permits, company compliance, tax planning, audit and accounting in China. Please call and talk to our professional consultants for details.

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