

KPMG Japan e-Tax News



TAX UPDATE

TOKYO – LOCAL TAX RATES APPLICABLE FOR FISCAL YEARS BEGINNING ON OR AFTER 1 APRIL 2017

In accordance with the amendments to local tax rates (business tax rates and inhabitant tax rates) under the 2016 tax reform, Tokyo business tax rates and inhabitant tax rates to be applied for fiscal years beginning on or after 1 April 2017 were proposed in the second ordinary session of fiscal year 2016 of the Tokyo Metropolitan Assembly ([KPMG Japan e-Tax News No.107](#), released on 26 May 2016). This proposal was passed by the Tokyo Metropolitan Assembly on 15 June 2016.

By virtue of the amendments to Tokyo tax rates, the Tokyo effective corporate tax rates for a company which is liable for size-based business taxes (broadly, a company whose stated capital is over JPY100 million) will be as follows:

Fiscal years beginning in the periods indicated in right columns	from 1 April 2016 to 31 March 2017	(After amendment) from 1 April 2017 to 31 March 2018	(After amendment) from 1 April 2018
	30.86%	30.86%	30.62%

On 1 June 2016, Prime Minister Shinzo Abe announced that the planned increase in April 2017 in the consumption tax rate from 8 percent to 10 percent should be postponed and it is expected that bills to amend the Consumption Tax Law to postpone the increase in the tax rate and other related tax laws will be submitted to and discussed in an extraordinary session of the Japanese Diet later this year ([KPMG Japan e-Tax News No.108](#), released on 2 June 2016).

The above amendments to local tax rates are aimed at decreasing the gap in local tax revenue between urban and rural areas in connection with the increase in the consumption tax rate. Therefore, these amendments might be postponed along with the postponement of the increase in the consumption tax rate. In that case, Tokyo business tax rates and inhabitant tax rates may also be amended again.

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