

JAPAN

Japan - Civil Law (German)

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Incorporating a company in Japan

Japan taxes

If you want to set up a company in Japan, this article will educate you on the tax laws for a LLC (GK), which is the most common company type in Japan.

Japan taxes resident companies on their worldwide income. The predominant effective tax rate for offshore income, from our research, and your results may vary, is 34.60%. The standard CIT rate is 23.4%, but there are also local, enterprise and inhabitant taxes, resulting in an income effective tax rate of 34.60% for SME and 30.62% for large companies. This ranks Japan as 167th when compared to corporate tax rate worldwide.

The value added tax (VAT) rate in Japan is 8.00%, that ranks Japan as 43rd overall in terms of VAT globally. In terms of other taxation, an employer will contribute 16.25% to the equivalent of a social security fund and an employee will contribute 15.44%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 140 hours. Contributing to this is the number of yearly labor tax payments, which is 2 in JP.

Thin capitalisation restrictions are officially enacted. Thin capitalisation refers to any type of laws on given company with respect to debt-to-asset ratios.

Dividends received by resident companies from another resident company are taxable. However several exemptions and reductions may apply. If recipient holds 100% of the dividend-paying corporation for a certain period or holds more than 33.3% of the shares for at least 6 months, dividends are excluded from taxable income. If recipient holds more than 5% of the shares for more than 6 months or 33.3% of the shares less than 6 months, a 50% reduction may apply. If company owns 5% or less of the shares, a 20% may apply. Dividends received from foreign companies are taxable. However, if resident company owns more than 25% of the shares for more than 6 months, a 95% exemption may apply.

Capital Gains are subject to Corporate Income Tax. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

The dividends withholding effective tax rate is 20.42%. Which means that the relevant tax authorities expects relevant legal entities to automatically withhold 20.42% of dividends paid to non-residents. If dividends are paid by a listed company, withholding effective tax rate is 15.315%. The interest withholding tax rate is estimated at 20.42%. Which means that the taxman expects relevant legal entities to automatically withhold 20.42% of interests remitted abroad. If interests are from deposits or bonds, withholding effective tax rate is 15.315%. The royalties withholding tax rate is 20.42%. Which means that the tax authorities expects companies to withhold 20.42% of money remitted abroad on royalty payments. Withholding tax rates may be reduced under a tax treaty.

There is no known tax on wealth in Japan. There are inheritance, transfer and real property taxes in Japan. There are frequently implemented research and development tax incentives in this country.

The above is not tax or legal advice for your particular situation. Incorporations.io can help you to find to a lawyer in Japan who can answer all your questions. Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Japan is 8% which ranks 42 in the world.

- ✓ Patent box
- ✓ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✓ Transfer taxes

- 74 Tax treaties
- 34.6% Offshore Tax
- 34.6% Corp rate
- 1 Loss carryback years

Japan Legalese

The underlying legal code in Japan is civil law (german) law. You will want to get some local advice as to how to best structure a company in Japan. E-signatures are allowed.

The letters JP is for Japan and the most common legal entity structure in Japan is a LLC (GK).

When setting up, budget about 1-2 months to put together the paperwork and file a LLC (GK) in JP. is 0, This means you don't have any minimum share capital. The types of consideration you can use to fund your company is often any legal tender.

Yes, one is allowed to re-domicile a LLC (GK) from JP. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC (GK) in JP by yourself. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is allowed, up to 100% of the total shareholding.

A company is only required to have one director. Speaking of shareholders, corporate directors are not permitted. Directors should not have an expectation of privacy, as they are not kept private in Japan. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for an office which can receive any lawsuit papers on behalf of the company. Moreover, a corporate secretary is also mandated by the government.

There is an obligation to file yearly tax returns. Furthermore, there is oftentimes a requirement to have these accounts audited.

Overall we think Japan is a good option and have given it a score of 69 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✗ **Local Director not required**
- ✓ **Electronic signature**

- 1 **Shareholders required**
- 1 **Directors required**
- 1-2 months **to form**

● JAPAN

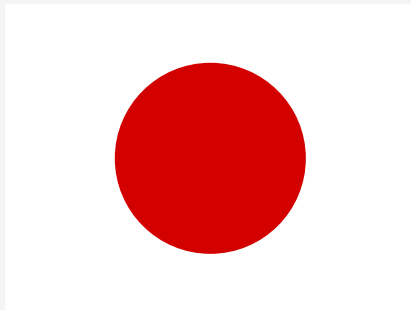
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☎ Consultation

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Country Info



🚩 National Flag of

日本 (jpn)

\$ Currency

JPY

☎ Area Code

+81

🏛 Capital

Tokyo

📍 Region

Eastern Asia

🗣 Native Languages

Japanese