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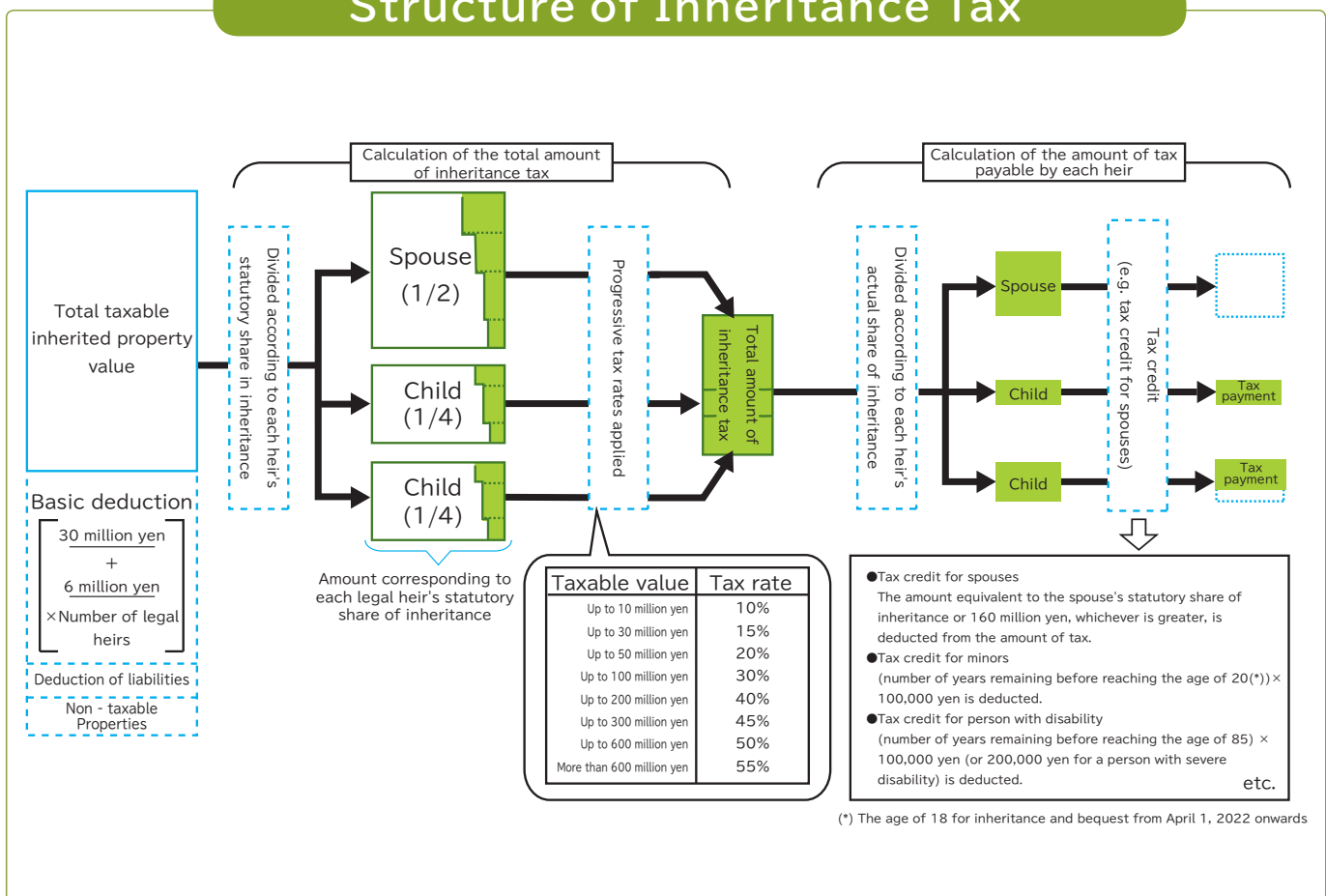
Learn about “Inheritance Tax” and “Gift Tax”

1 Inheritance Tax

Inheritance taxes imposed on properties which tax payers acquire by inheritance. Progressive tax rates which apply higher tax rates to higher asset values are used for the inheritance tax to **redistribute wealth**.

When the inheritance tax is calculated, a basic exemption is deducted from the value of inherited properties. The basic exemption was raised in line with substantial land price hikes during the bubble economy period and later kept unchanged despite continuous land price drops. Also tax rates were gradually lowered. As a result, the inheritance tax was imposed for only 4% of decedents, leading to an argument that the inheritance tax’s function of redistributing wealth was declining.

Structure of Inheritance Tax

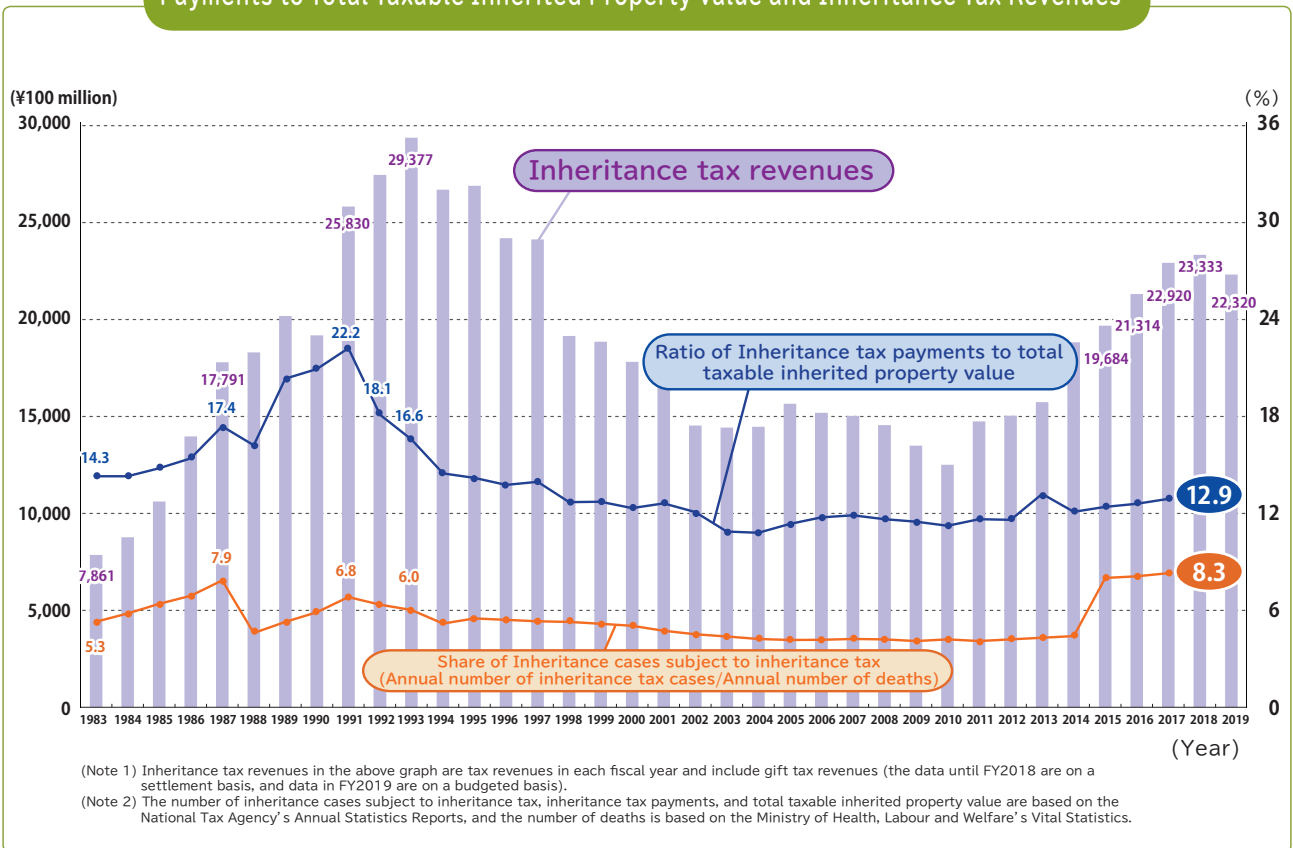


In response, the FY2013 tax reform expanded the inheritance taxation base by reducing the amount of basic exemption, and revised the inheritance tax rates to revive the inheritance tax's function of redistributing wealth and prevent the consolidation of disparity.

Recent Changes in Inheritance Tax Rates and Basic Exemption

Chronology	Before the December 1988 reform	December 1988 reform (Implemented for inheritance from January 1, 1988)	FY1992 reform (Implemented for inheritance from January 1, 1992)	FY1994 reform (Implemented for inheritance from January 1, 1994)	FY 2003 (Implemented for inheritance from January 1, 2003)	FY2013 reform (current) (Implemented for inheritance from January 1, 2015)
Tax rate structure	Above ¥500 million (Highest tax rate: 75%) 14 brackets	Above ¥500 million (Highest tax rate: 70%) 13 brackets	Above ¥1 billion (Highest tax rate: 70%) 13 brackets	Above ¥2 billion (Highest tax rate: 70%) 9 brackets	Above ¥300 million (Highest tax rate: 50%) 6 brackets	Above ¥600 million (Highest tax rate: 55%) 8 brackets
Basic exemption	¥20 million + ¥4 million * Number of statutory heirs	¥40 million + ¥8 million * Number of statutory heirs	¥48 million + ¥9.5 million * Number of statutory heirs	¥50 million + ¥10 million * Number of statutory heirs	Same as on the left	¥30 million + ¥6 million * Number of statutory heirs
Posted land price index	1983	1987	1991	1993	2002	2013
	100	157.1	336.8	244.1	80.7	69.6

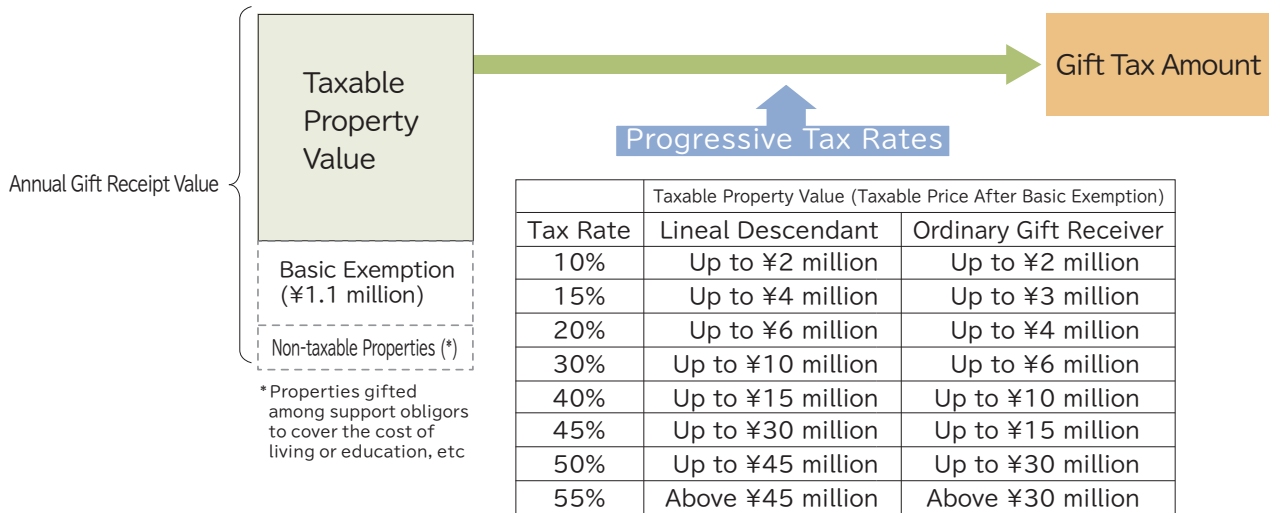
Changes in Share of Inheritance Cases subject to Inheritance Tax, Ratio of Tax Payments to Total Taxable Inherited Property Value and Inheritance Tax Revenues



2 Gift Tax

Gift tax is imposed on properties that tax payers acquire by gift. It **supplements the inheritance tax** by preventing people from attempting to take advantage of lifetime gifting to avoid the inheritance tax.

1. Calendar Year Tax Case



In line with aging population, ages for property transfers to children and grandchildren by inheritance are growing higher. If older people's properties are transferred to their children and grandchildren earlier, their effective utilization may help revive the economic society.

In order to facilitate earlier transfers of older people's properties to their children and grandchildren, the government has promoted an initiative to create **an inheritance tax adjustment system** under which gift receivers will pay a uniform 20% tax on gifts with adjustments made upon calculation of inheritance tax.

2. Inheritance Tax Adjustment System

	System	Calculation for the case of gifting 30 million yen before death and leaving 15 million yen for inheritance (Statutory heirs are the gift giver's spouse and two children for inheritance after January 1, 2015)	[Reference] Calendar Year Tax Case
Upon Gifting	(1) Gifted property amounts will be accumulated until an inheritance from gift givers (2) Nontaxable ceiling at 25 million yen after accumulation (3) A uniform 20% tax on total property value excluding the nontaxable ceiling amount	Gift Amount ¥30 million Nontaxable Ceiling ¥25 million Tax Rate × 20% → Tax Amount to be Paid ¥1 million	Tax Amount to be Paid ¥10.36 million
Upon Inheritance	The gifted property value (value upon gifting) is added to the inherited property value to adjust the inheritance tax.	Gift Amount ¥30 million Inheritance Amount ¥15 million ¥45 million < Basic Exemption: ¥48 million → Free from tax • Free from tax • Tax payments upon gifting worth 1 million are refunded	Free from tax
		Total Tax to be Paid	¥0
			¥10.36 million

Case for choosing the inheritance tax adjustment system (choosing between the system and calendar year tax case)

Gift Giver: 60 years old or older
 Gift Receiver: Gift giver's lineal descendant as apparent heir or grandchild who is 20 years old (*) or older
 (*) 18 years old for gifts from April 1, 2022 onwards

