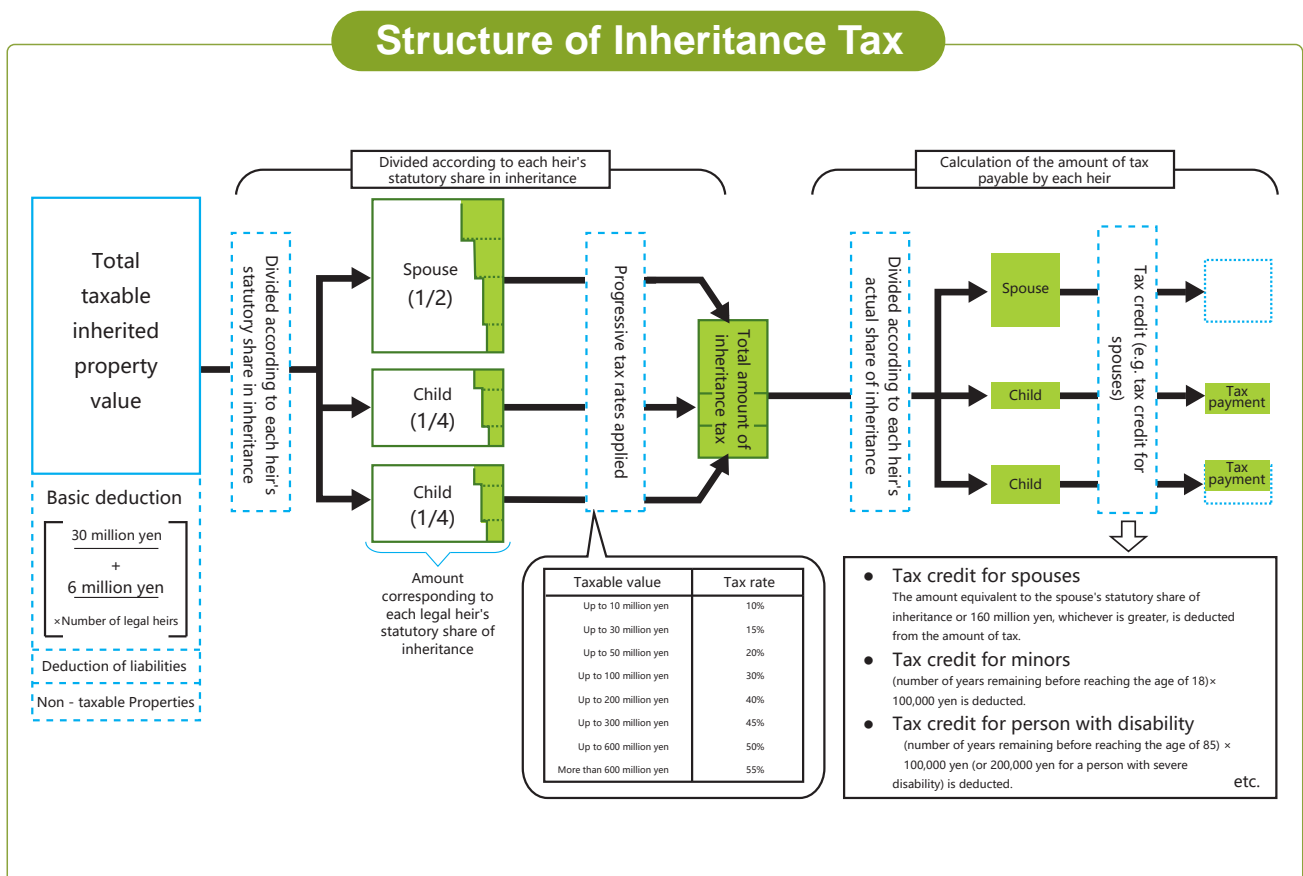


4. Learn about "Inheritance Tax" and "Gift Tax"

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.



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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.

Review of Inheritance Tax (Tax Reform in FY2013)

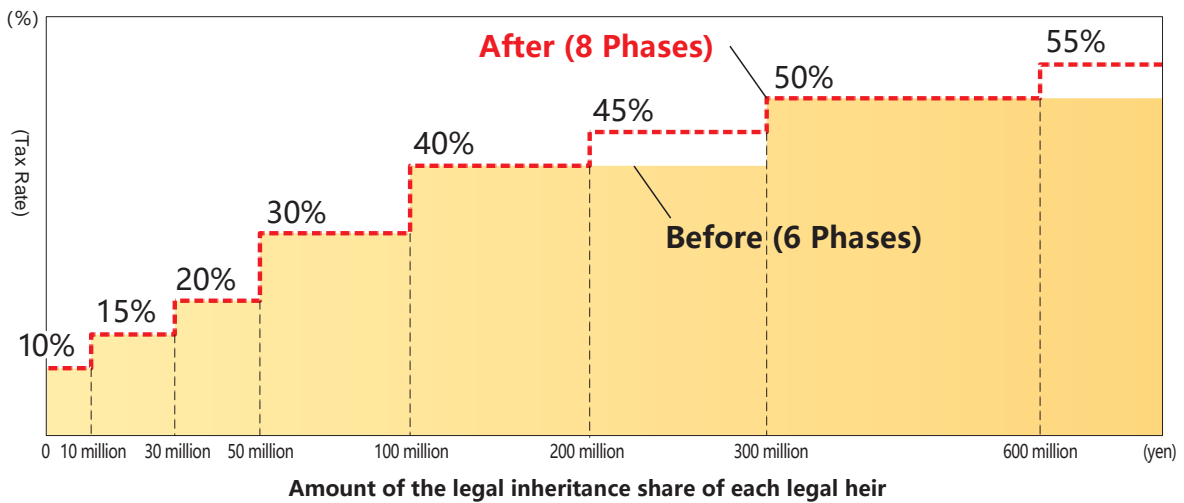
• Reduction of Basic Exemption

50 million yen + 10 million yen x Number of statutory heirs

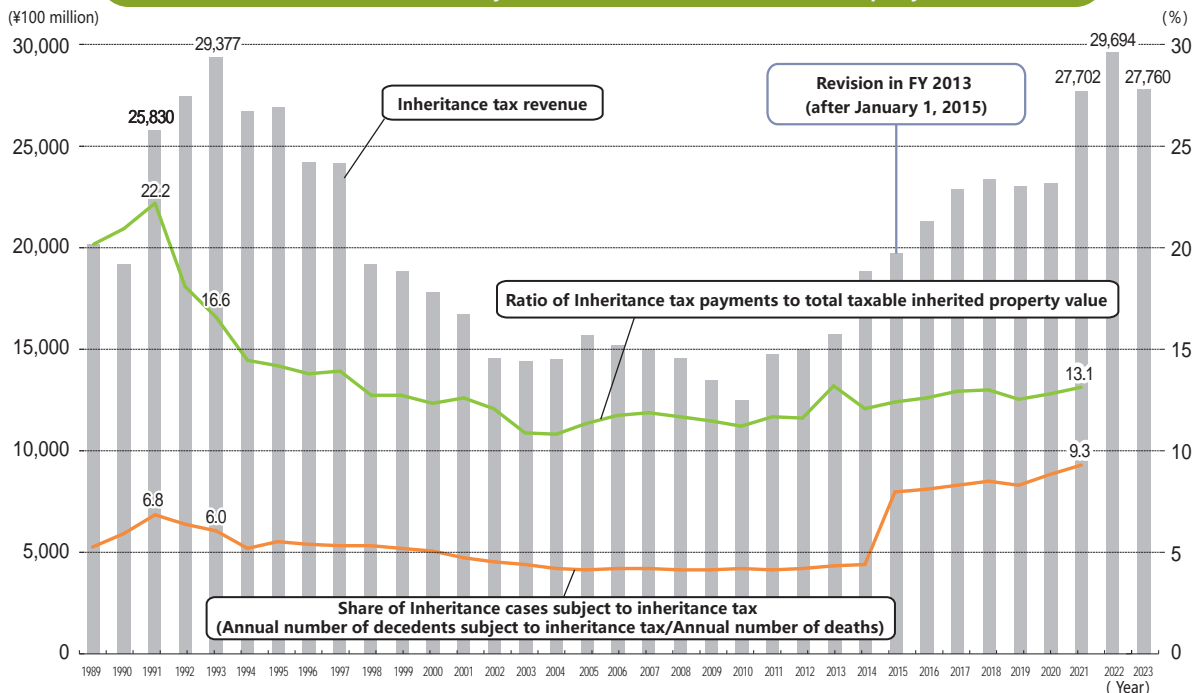


30 million yen + 6 million yen x Number of statutory heirs

• Review of Tax Rate Structure



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

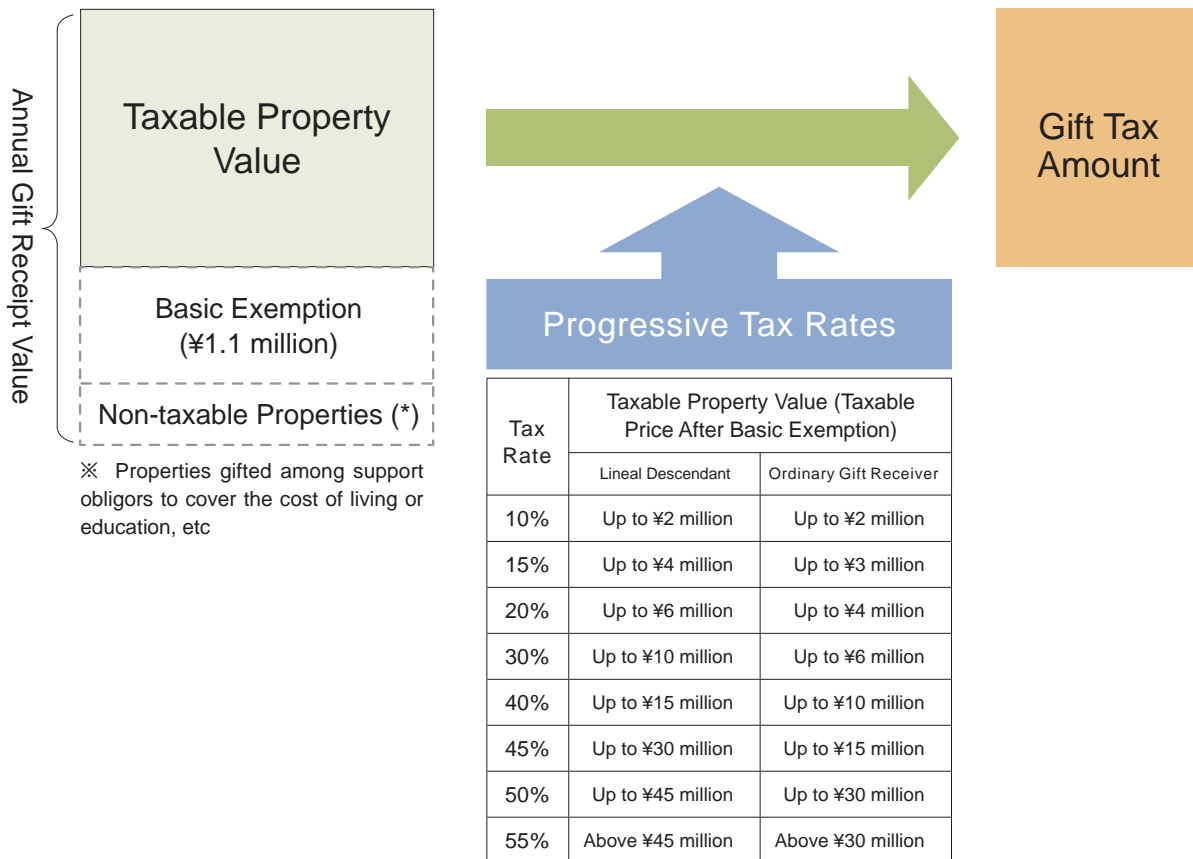


(Note 1) Inheritance tax revenues in the above graph are tax revenues in each fiscal year and include gift tax revenues (the data until FY2021 are on a settlement basis, and data in FY2022 is on a settlement basis (approximation), and the data of FY 2023 is on a budgeted basis).
 (Note 2) The number of inheritance cases subject to inheritance tax, inheritance tax payments, and total taxable inherited property value are based on the National Tax Agency's Annual Statistics Reports, and the number of deaths is based on the Ministry of Health, Labour and Welfare's Vital Statistics.

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 their 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**.

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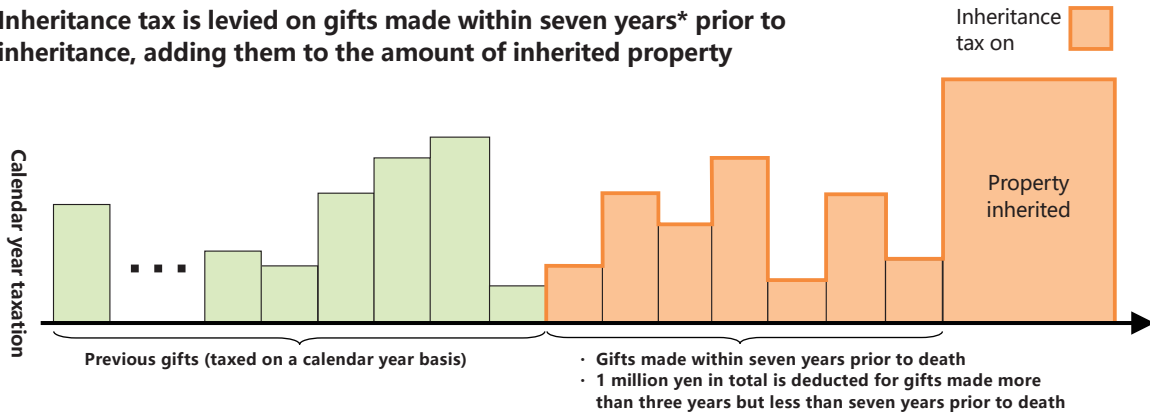
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In order to allow elderly people to transfer their properties to their children and grandchildren, the government has introduced **an inheritance tax adjustment system** under which gift receivers will pay a uniform 20% tax on gifts and make adjustments upon their late calculation of inheritance tax amounts (with optional calendar year taxation).

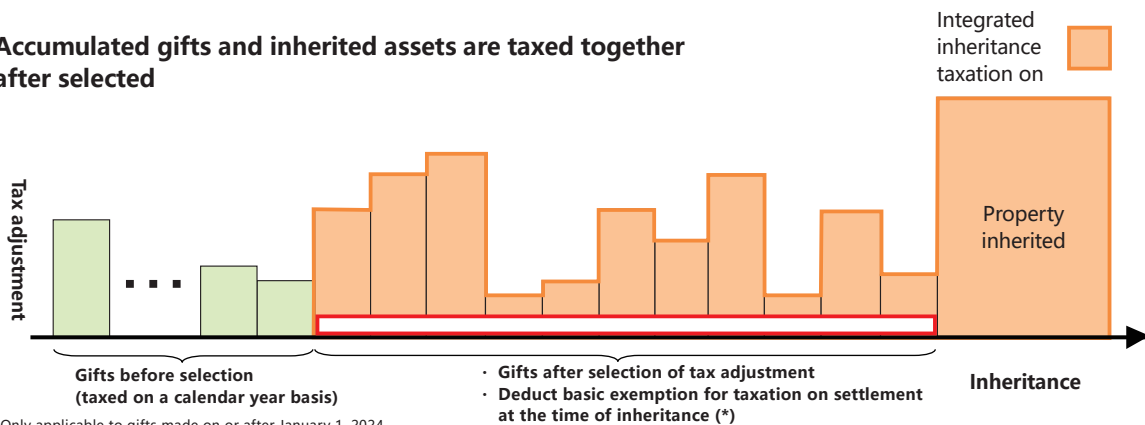
2. Image of Calendar Year Taxation and Inheritance Tax Adjustment

Inheritance tax is levied on gifts made within seven years* prior to inheritance, adding them to the amount of inherited property



*For gifts made on or before December 31, 2023, three years prior to inheritance

Accumulated gifts and inherited assets are taxed together after selected



*Only applicable to gifts made on or after January 1, 2024

3. 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) (When the legal heirs are the spouse and two children)	[Reference] Calendar Year Tax Case
7	<p>① Gifted property amount after basic exemption (*) will be accumulated until an inheritance from gift givers</p> <p>② Nontaxable ceiling at 25 million yen after accumulation</p> <p>③ A uniform 20% tax on total property value excluding the nontaxable ceiling amount*</p>	<p>Gift Amount ¥30 million</p> <p>(Accumulated amount of gifts after basic exemption) ¥28.9 million</p> <p>Basic Exemption: ¥1.1 million</p> <p>Nontaxable Ceiling ¥25 million</p> <p>20% Taxable</p> <p>Tax Amount to be Paid ¥0.78 million</p>	<p>Tax Amount to be Paid ¥10.36 million</p>
8	<p>The gifted property value after basic exemption (*) (value upon gifting) is added to the inherited property value to adjust the inheritance tax</p>	<p>Inheritance Amount ¥15 million</p> <p>Accumulated amount of gifts after basic exemption ¥28.9 million</p> <p>¥43.9 million < Basic Exemption: ¥48 million</p> <p>Free from tax</p> <p>Tax payments upon gifting worth ¥0.78 million are refunded</p>	<p>Free from tax</p>
		<p>Total Tax to be Paid</p> <p>¥0</p>	<p>¥10.36 million</p>

*Basic exemption will not be applied to gifts made on December 31, 2023 or earlier.