

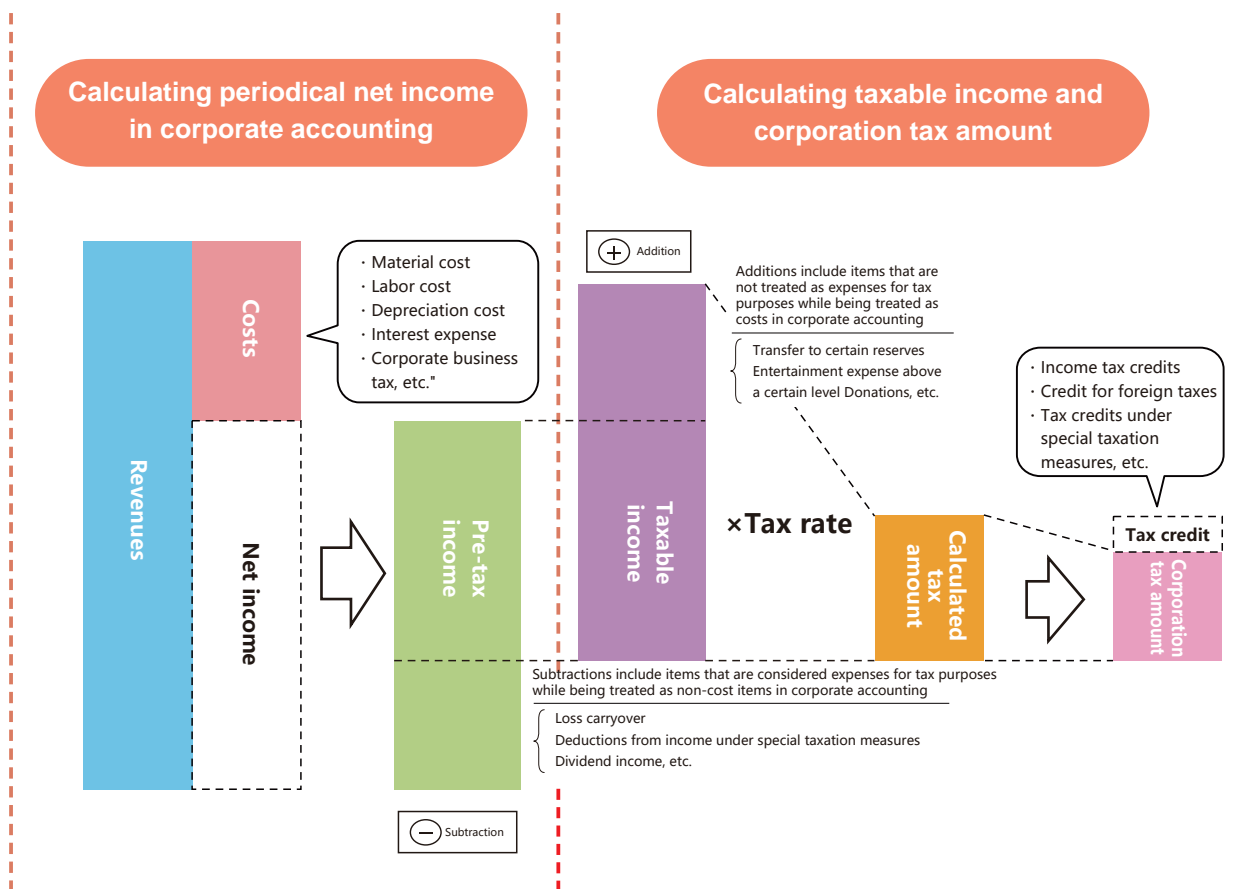
# 6 Learn about "Corporation Tax"

## 1 Corporation Tax

The corporation tax is levied on net income earnings of their business operations.

**Taxable income** of corporations is determined by subtracting **costs** from **gross revenues**. **Gross revenues** include income from sales of goods, services, lands, and buildings, etc. **Costs** include sales costs and losses from disasters, etc. (In practice, in order to determine taxable income, corporate accounting-based pre-tax income is subject to additions and subtractions (called tax adjustments ) based on the Corporation Tax Act, as in the diagram below.)"

Corporation tax amount is calculated by multiplying **taxable income** by the **tax rate** and subtracting **tax credits**.



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## 2 Corporation Tax Rate

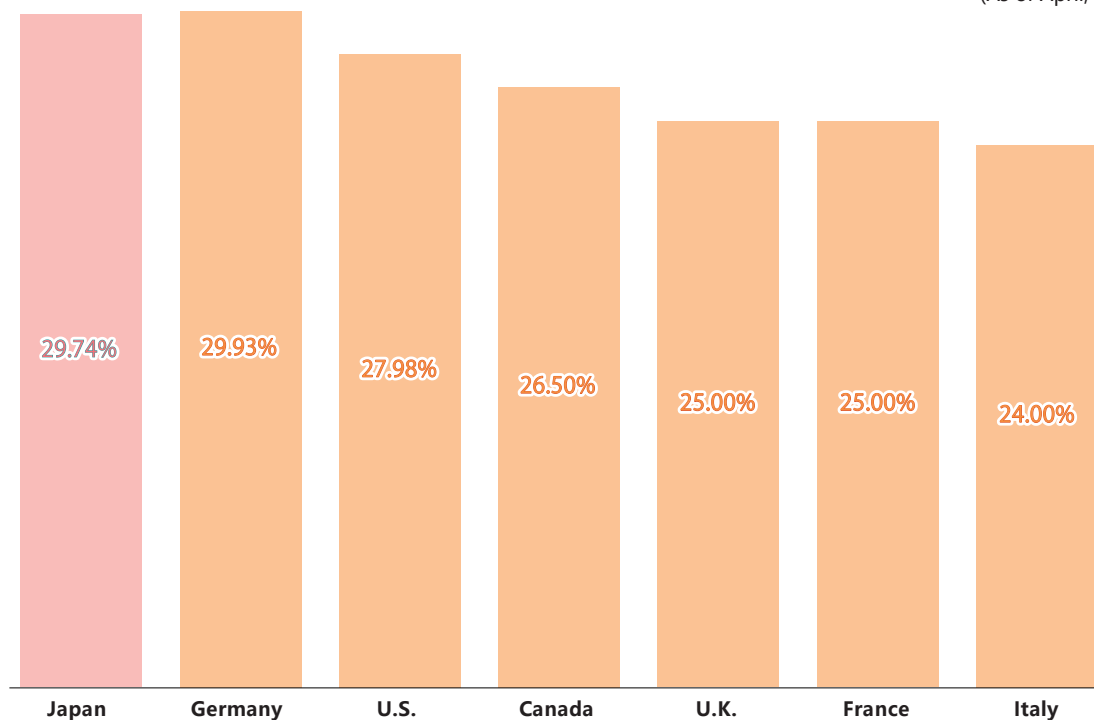
The corporate tax rate has been lowered through a series of revisions.

Most recently, reformation has been carried out under the policy of "lowering the corporate tax rate while securing financial resources by expanding the tax base" in the tax reforms of FY2015 and FY2016. As a result, the current effective corporate tax rate for both national and local governments combined is at the 20% level, which has been their goal.

The specific corporate effective tax rates in these revisions are 37.00% to 32.11% (FY2015), to 29.97% (FY2016 and 2017), and to 29.74% (FY2018 onward), respectively.

### International Comparison of Statutory Corporate Income Tax Rates

(As of April, 2023)



(Note 1) This figure shows the tax rates applicable to corporate income (national and local taxes are combined). Local tax rates represent the standard rate for Japan, the California State rate for the United States, the national average rate for Germany and the Ontario Provincial rate for Canada. If a part of tax on corporate income is included in deductible expenses, rates after such adjustment are shown.

(Note 2) For the U. K., the highest tax rate (applicable to companies with extended profits (\*) exceeding 250K pounds) is shown. The tax rate is reduced based on the formula for extended profits of 250K pounds or less, where the rate is 19% for extended profits of 50K pounds or less.

\* Extended profits refer to the amount of taxable profits and any qualified dividends, etc., received from other companies (excluding its subsidiaries, etc.).

(Source) Relevant government documents