

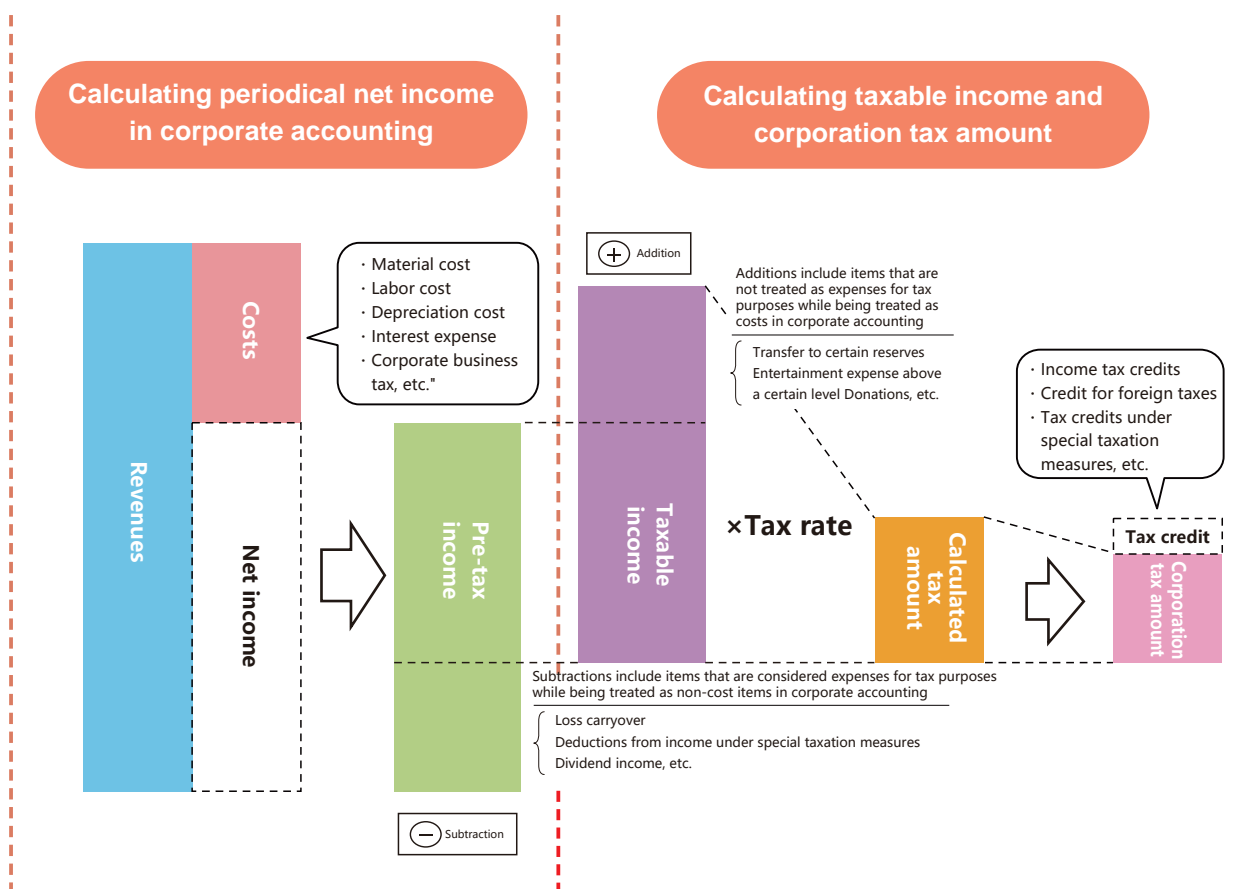
6 . Learn about "Corporation Tax"

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**.



2 Corporation Tax Rate

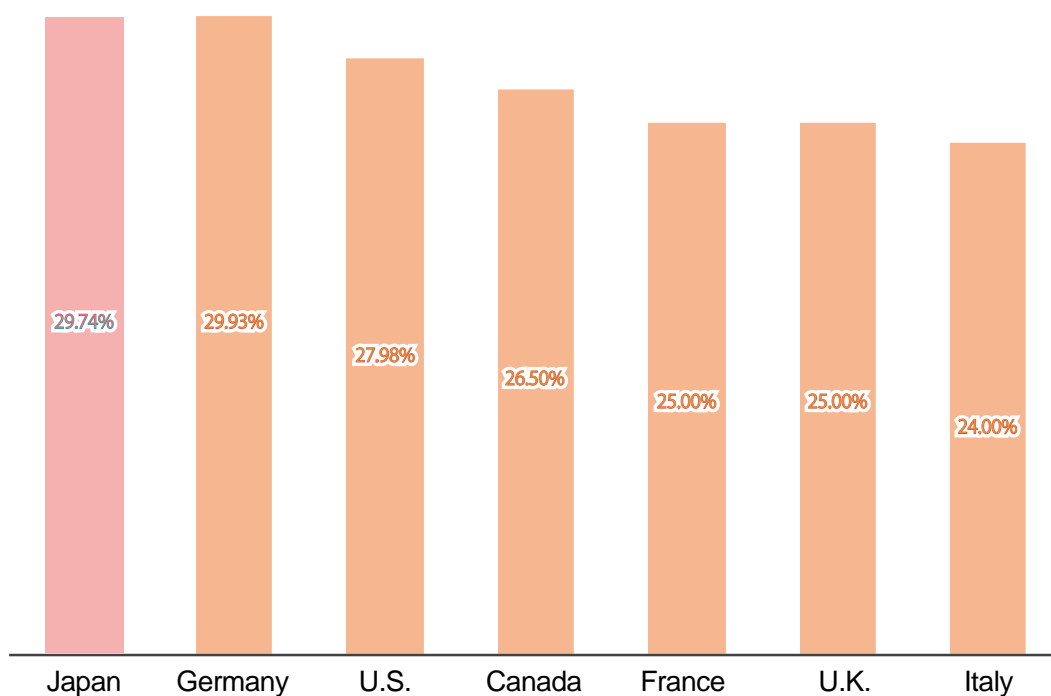
The corporate tax rate has been lowered through a series of revisions.

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 statutory corporate income 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 January, 2024)



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

(Note 2) In Japan, growth-oriented corporate tax reforms were implemented in FY2015 and FY2016, and the tax rate was gradually reduced from 34.62% in FY2014 before reform to 32.11%(FY 2015), 29.97%(FY 2016 and 2017), and to 29.74%(FY 2018-).

(Note 3) For the U.K., the highest tax rate (applicable to companies with augmented profits (*) exceeding 250K pounds) is shown. The tax rate diminishes based on the formula for augmented profits of 250K pounds or less, and is 19% for augmented profits of 50K pounds or less.

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

(Source) Relevant government documents