

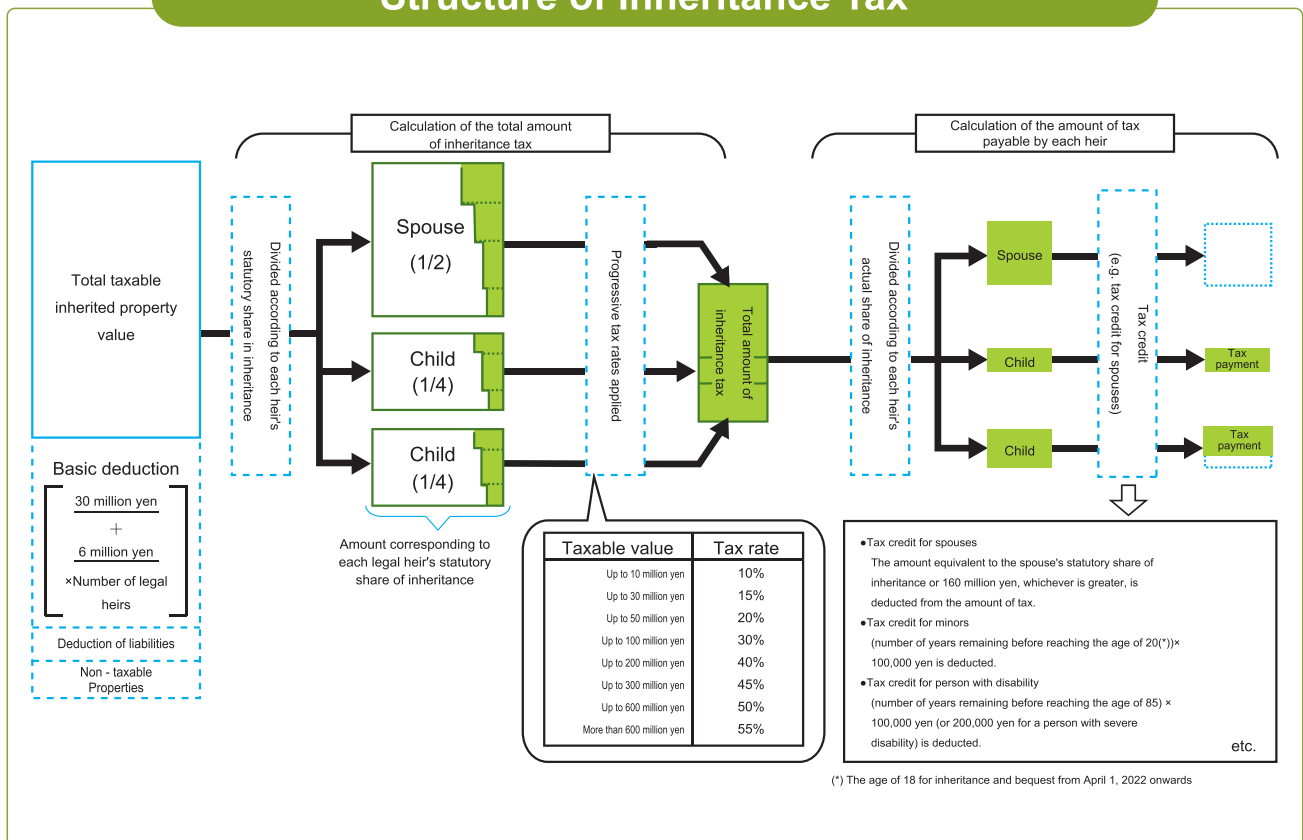
# 4 Learn about "Inheritance Tax" and "Gift Tax"

## 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.

### Structure of Inheritance Tax



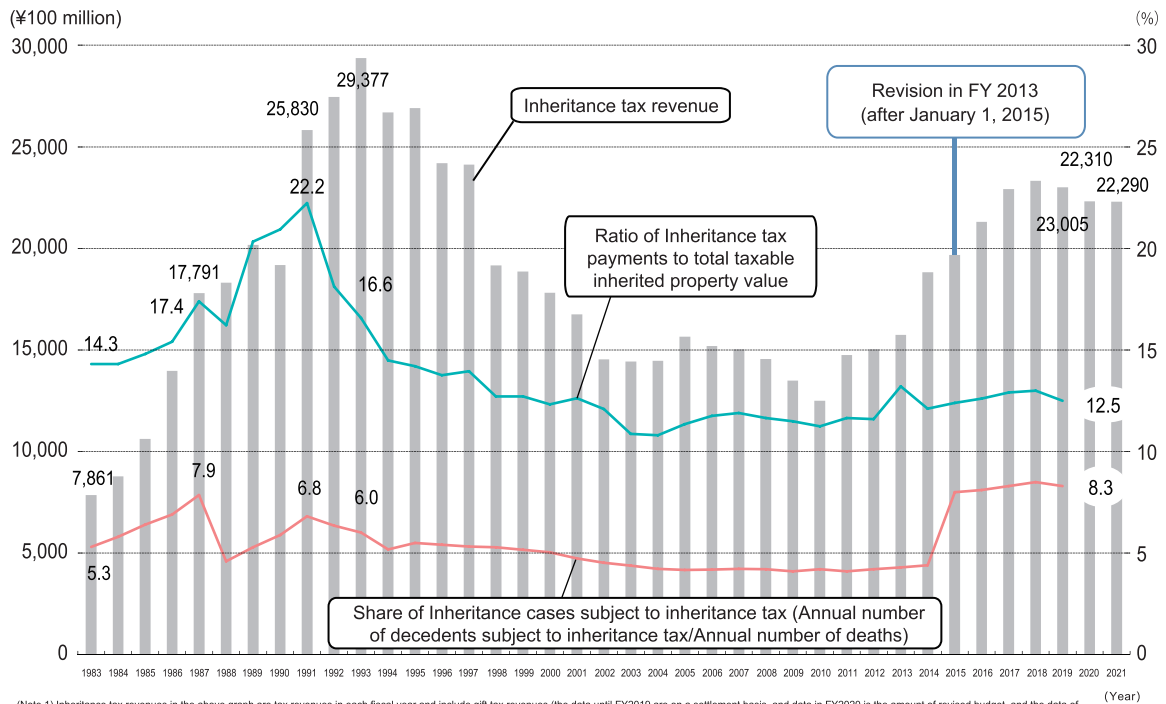
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In response, the FY2013 tax reform expanded the inheritance taxation base by reducing the amount of basic exemption, and revised the inheritance tax rates to revive the inheritance tax's function of redistributing wealth and prevent the consolidation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

### 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
Postal land price index	1983 100	1987 157.1	1991 336.8	1993 244.1	2002 80.7	2013 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



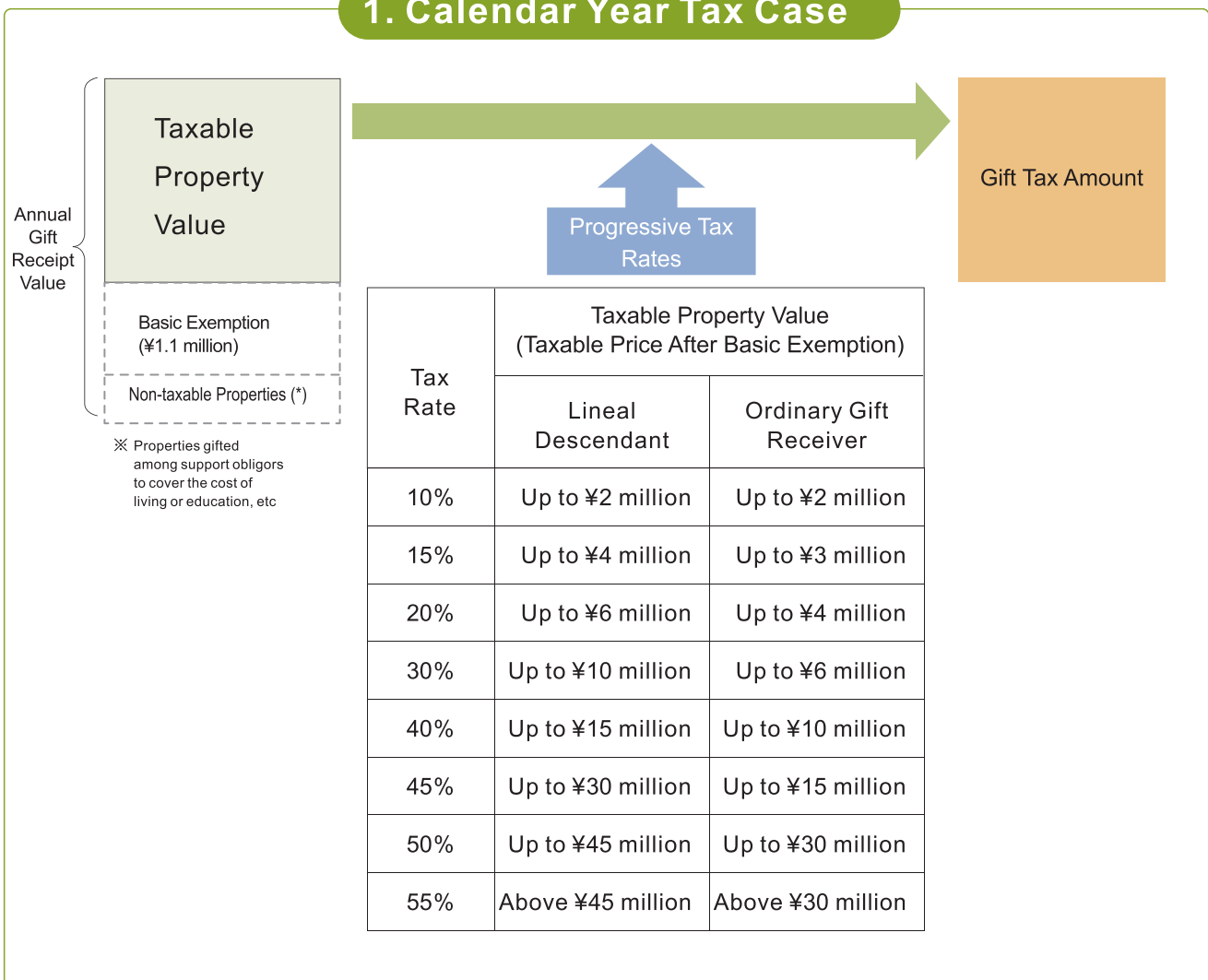
(Note 1) Inheritance tax revenues in the above graph are tax revenues in each fiscal year and include gift tax revenues (the data until FY2019 are on a settlement basis, and data in FY2020 is the amount of revised budget, and the data of FY 2021 is on a budgeted basis).

(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 the inheritance tax.

### 1. Calendar Year Tax Case



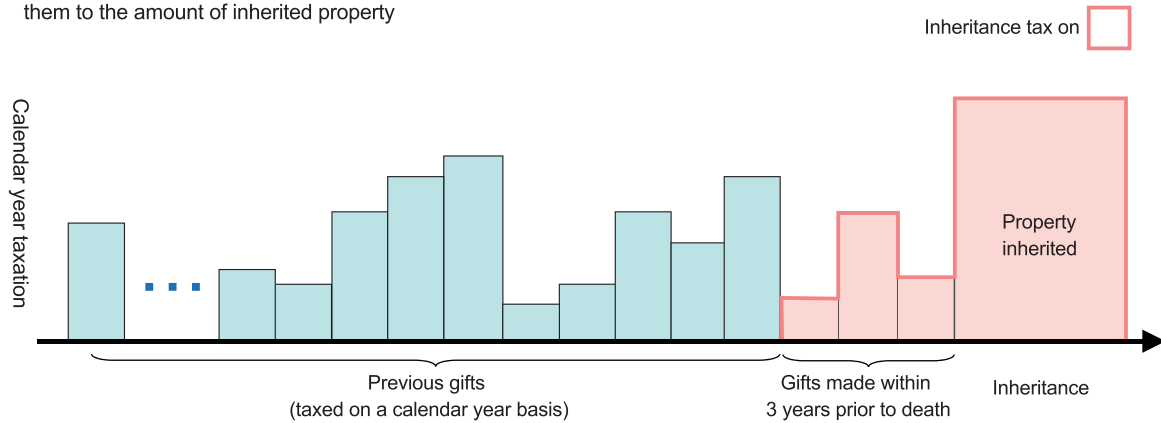
In line with aging population, ages for property transfers to children and grandchildren by inheritance are growing higher. If **older people's properties are transferred to their children and grandchildren earlier**, their effective utilization may help **revive the economic society**.

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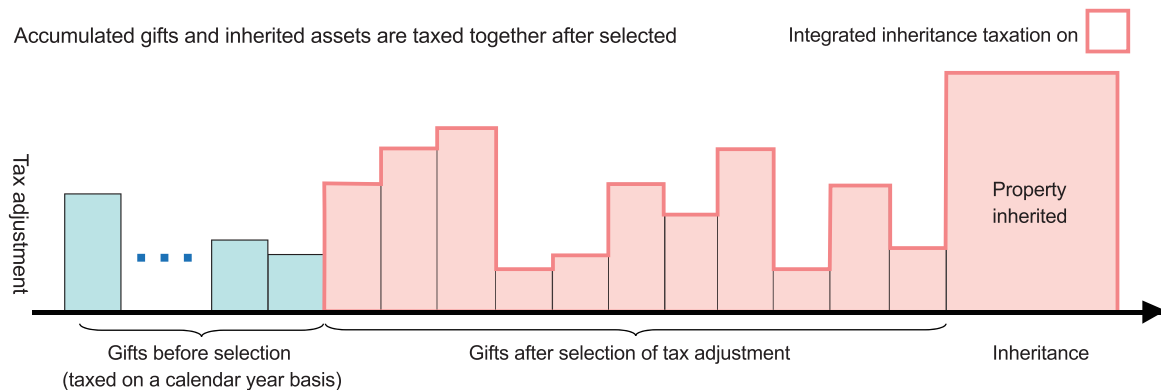
In order to allow elderly people to transfer their properties to their children and grandchildren, the government has introduced **an inheritance tax adjustment system** under which gift receivers will pay a uniform 20% tax on gifts and make adjustments upon their late calculation of inheritance tax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

## 2. Image of Calendar Year Taxation and Inheritance Tax Adjustment

Inheritance tax is levied on gifts made in the three years prior to inheritance, adding them to the amount of inherited property



Accumulated gifts and inherited assets are taxed together after selected



## 3. Inheritance Tax Adjustment System

	System	Calculation for the case of gifting 30 million yen before death and leaving 15 million yen for inheritance <small>(Statutory heirs are the gift giver's spouse and two children for inheritance after January 1, 2015)</small>	[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 → <ul style="list-style-type: none"> <li>Free from tax</li> <li>Tax payments upon gifting worth 1 million are refunded</li> </ul>	Free from tax
		Total Tax to be Paid	¥0
			¥10.36 million