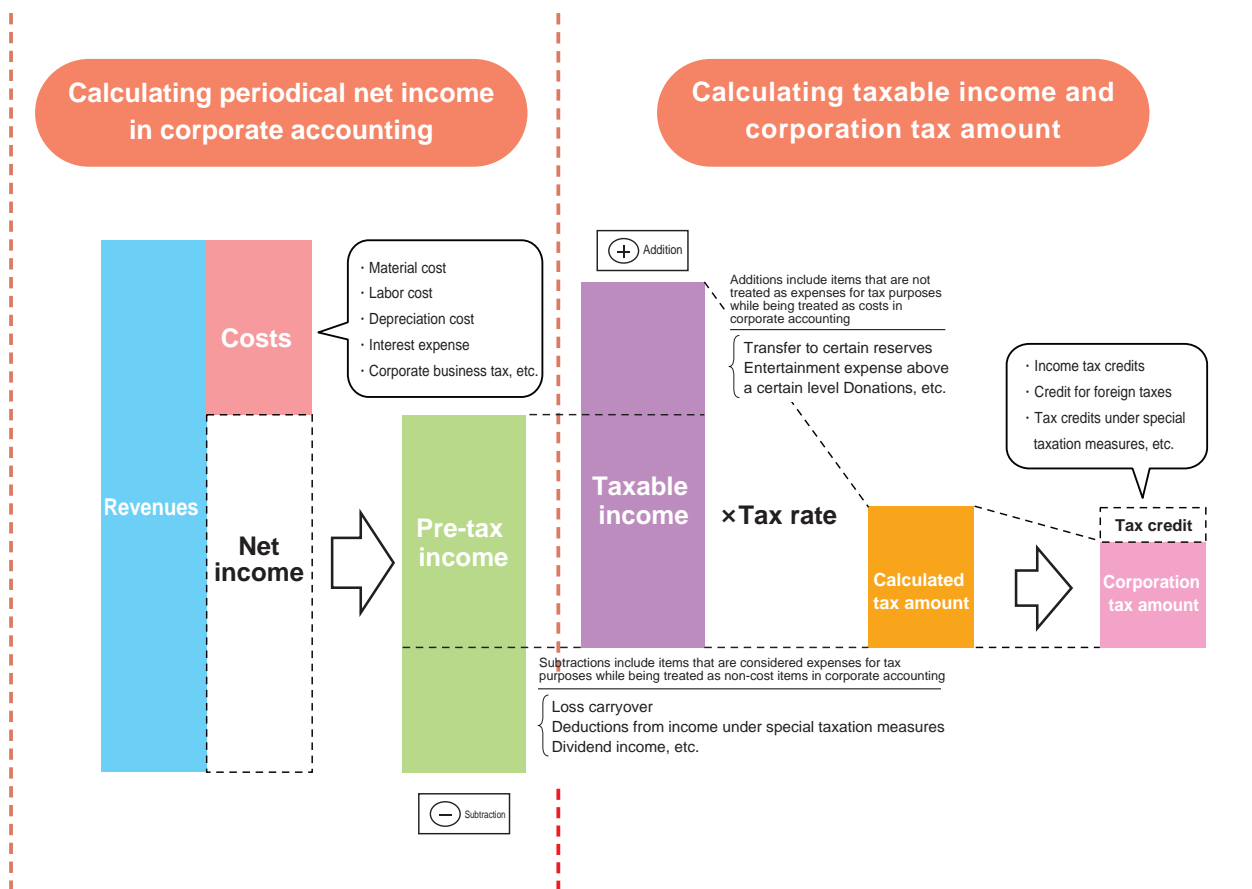


6. Learn about "Corporation Tax"

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 Growth-oriented Corporation Tax Reform

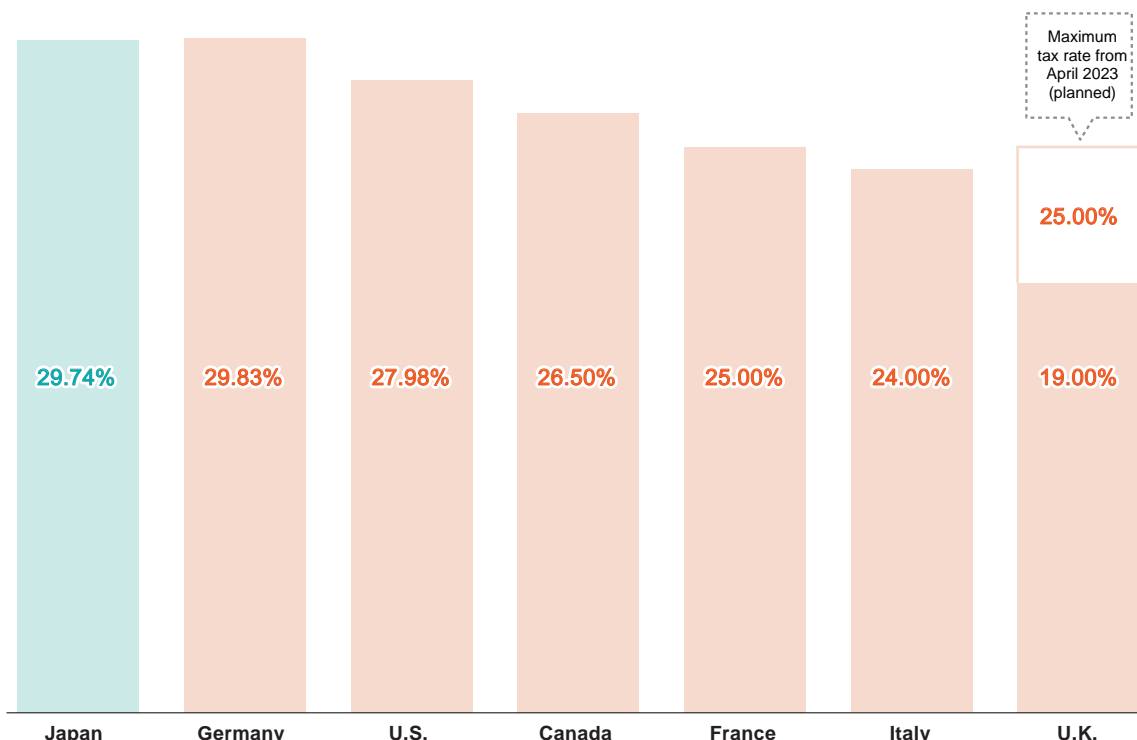
The corporation tax reform was carried out based on the idea of **"expanding the tax base (range of subject of taxation) while reducing the tax rate"**. By reforming the structure so the burdens of corporation tax are shared more broadly and reducing the tax burdens on companies, etc. that have earning power, the reform aims to encourage companies to invest more proactively in the **enhancement of their profit-earning capacity** and the shift to the business structure that allows continuous and proactive wage hikes.

The growth-oriented corporation tax reform started in FY2015 and in its second year FY2016 tax reform, the objective to achieve **"the percentage level of the statutory tax rate to the twenties[※]"** was ensured.

※ 37.00% (before reform) → 32.11% (FY2015) → 29.97% (FY2016/2017) → 29.74% (FY2018 onwards)

International Comparison of Statutory Corporate Income Tax Rates

(As of January, 2022)



(Note) This table shows tax rates are those (combining national and local taxes) imposed on corporate income. 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.

(Source) Relevant government documents

