

2015 Payroll Tax Updates

■ The 45% tax rate has been introduced

As part of the 2013 tax reform, a new tax rate has been implemented for high salary earners effective January 2015. Where the highest rate was 40% until 2014, a new taxable income bracket exceeding 40 million yen is introduced with the highest rate of 45%.

The updated tax table is as follows.

Taxable Salary Income [A]	Tax rate (%)	Deduction	Calculation of tax amount
~ 1,950,000	5	-	$([A] \times 5\%) \times 1.021$
1,950,001 ~ 3,300,000	10	97,500	$([A] \times 10\% - 97,500) \times 1.021$
3,300,001 ~ 6,950,000	20	427,500	$([A] \times 20\% - 427,500) \times 1.021$
6,950,001 ~ 9,000,000	23	636,000	$([A] \times 23\% - 636,000) \times 1.021$
9,000,001 ~ 18,000,000	33	1,536,000	$([A] \times 33\% - 1,536,000) \times 1.021$
18,000,001 ~ 40,000,000	40	2,796,000	$([A] \times 40\% - 2,796,000) \times 1.021$
40,000,001 ~	45	4,796,000	$([A] \times 45\% - 4,796,000) \times 1.021$

Note 1: Due to the progressive taxation system, there is some deduction applied as shown in the above table.

Note 2: To secure fund raising to support recovery programs for the Great East Japan Earthquake in 2011, a special reconstruction income tax was introduced under the 2011 tax reform. Thus, an additional 2.1% tax is imposed on income earned from January 1, 2013 to December 31, 2037. The multiplier of 1.021 in the formula includes the special reconstruction income tax rate.

■ How to calculate the Taxable Salary Income

The taxable salary income [A] is not equal to Gross receipt. It is the amount obtained by deducting Employment deduction calculated by the following table and some other income deductions from Gross receipt.

Gross receipt (salary + bonus) [B]	Employment deduction
~ 650,000	All receipt
650,001 ~ 1,625,000	650,000
1,625,001 ~ 1,800,000	40%
1,800,001 ~ 3,600,000	30% + 180,000
3,600,001 ~ 6,600,000	20% + 540,000
6,600,001 ~ 10,000,000	10% + 1,200,000
10,000,001 ~ 15,000,000	5% + 1,700,000
15,000,001 ~	2,450,000

Taxable Salary Income [A] = Gross receipt [B] – Employment deduction - Other income deductions

Other income deductions include social insurance premiums and personal deductions.

Deductions not reflected in monthly payroll are annually adjusted by the year-end tax adjustment process to calculate the last payroll of each year or by filing the individual tax return.