Income Tax Act (Provisions related to nonresidents and foreign corporations)

(Act No. 33 of March 31, 1965)

Part I General Provisions

Chapter I General Rules

(Purpose)

Article 1 This Act provides for taxpayers subject to income taxes, the scope of taxable income, the way of calculating the amount of income taxes, and the procedures for filing income tax returns, making income tax payments, and issuing income tax refunds, as well as making the necessary provisions for ensuring the proper performance of income tax payment obligations.

(Definitions)

Article 2 In this Act, the meanings of the terms set forth in the following items are as prescribed in those items:

(i) In Japan: the place where this Act is enforced;

(ii) Outside Japan: outside the place where this Act is enforced;

(iii) Resident: an individual domiciled in Japan or residing continuously in Japan for one year or more;

(iv) Non-Permanent Resident: a Resident who is without Japanese citizenship and who has been domiciled or resident in Japan for a total of no more than five of the past ten years;

(v) Nonresident: an individual other than a Resident;

(vi) Domestic Corporation: a corporation with a head office or principal office in Japan;

(vii) Foreign Corporation: a corporation other than a Domestic Corporation;

(viii) Association or Foundation without Legal Personality: an association or foundation that is not a corporation and that provides for a representative or administrator;

(viii)-2 Shareholder, Member, or Other Investor: a shareholder, the member of a general partnership company, limited partnership company, or limited liability company, or any other investor in a corporation;

(viii)-3 Trust Subject to Corporate Taxation: a trust subject to corporation taxation as prescribed in Article 2, item (xxix)-2 (Definitions) of the Corporation Tax Act (Act No. 34 of 1965);

(ix) Public and Corporate Bond: a public bond or a corporate bond (including bonds that a corporation other than a company issues pursuant to a special

law);

(x) Deposits and Savings: monetary deposits and savings (including anything that Cabinet Order specifies as equivalent thereto);

(xi) Jointly Managed Trust: a cash trust undertaken by a trust company (including a financial institution as prescribed in Article 1, paragraph (1) (Approval for Additional Business) of the Act on Engagement in Trust Business Activities by Financial Institutions (Act No. 43 of 1943) which is engaged in trust business as prescribed in that paragraph pursuant to that Act), with trust property from multiple settlors not acting in concert which the trust company manages jointly (other than an Investment Trust managed without instructions from the settlor prescribed in Article 2, paragraph (2) (Definitions) of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951), a foreign investment trust equivalent thereto (meaning a foreign investment trust as prescribed in paragraph (22) of that Article; the same applies in item (xii)-2 and item (xiii)), and other trusts that Cabinet Order prescribes as having no small number of settlors, in actuality);

(xii) Loan Trust: a loan trust as prescribed in Article 2, paragraph (1) (Definitions) of the Loan Trust Act (Act No. 195 of 1952);

(xii)-2 Investment Trust: an investment trust or a foreign investment trust as prescribed in Article 2, paragraph (3) of the Act on Investment Trusts and Investment Corporations;

(xiii) Securities Investment Trust: a Securities Investment Trust as prescribed in Article 2, paragraph (4) of the Act on Investment Trusts and Investment Corporations, or a foreign investment trust equivalent thereto;

(xiv) Open-Ended Securities Investment Trust: a Securities Investment Trust that allows a person to place additional principal in trust;

(xv) Bond Investment Trust: a Securities Investment Trust whose trust property is used to invest in Public and Corporate Bonds but is not used to invest in shares (including units of investment prescribed in Article 2, paragraph (14) of the Act on Investment Trusts and Investment Corporations; the same applies in Article 24 (Dividend Income), Article 25 (Amounts Deemed to Constitute Dividends), Article 57-4, paragraph (3) (Special Provisions on Capital Gains Due to Share Exchange), Article 176, paragraph (1) and paragraph (2) (Special Provisions on Taxation of Interest and Similar Income from Trust Property), Article 224-3, paragraph (2), item (i) (Notice by Persons Receiving Consideration for a Share Transfer), and Article 225, paragraph (1), item (ii) (Payment Reports and Notice of Payment)) and is not used to invest in capital contributions;

(xv)-2 Bond-Based Investment Trust: an Investment Trust other than a Securities Investment Trust, which Cabinet Order prescribes as one with

monies taken in as trust property which are used to invest in Public and Corporate Bonds or other such assets (meaning Public and Corporate Bonds, negotiable instruments, nominative monetary claims (meaning nominative claims whose objects are monetary payments), or other assets prescribed by Cabinet Order);

(xv)-3 Bond-Based Investment Trust Under Public Offering: a Bond-Based Investment Trust (but only one falling under the category of an Investment Trust as set forth in Article 2, item (xxix), (b)2. of the Corporation Tax Act) in whose establishment persons are solicited to subscribe for a beneficial interest through a public offering (meaning through a solicitation of offers to acquire as prescribed in Article 2, paragraph (3) (Definitions) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) which is prescribed by Cabinet Order as falling under the case set forth in item (i) of that paragraph);

(xv)-4 Specified-Purpose Trust: a specified-purpose trust as prescribed in Article 2, paragraph (13) (Definitions) of the Act on Securitization of Assets (Act No. 105 of 1998);

(xv)-5 Specified Trust That Issues Beneficiary Certificates: a specified trust that issues beneficiary certificates as prescribed in Article 2, item (xxix), (c) of the Corporation Tax Act;

(xvi) Inventory: the commodities, finished products, half-finished products, products in progress, and raw materials of a business undertaking that is meant to generate business income, and any other asset (excluding Securities and forested land) that Cabinet Order prescribes should be considered inventory;

(xvii) Securities: securities as prescribed in Article 2, paragraph (1) of the Financial Instruments and Exchange Act and anything equivalent thereto that is prescribed by Cabinet Order;

(xviii) Fixed Asset: a piece of land (including any right on land), Depreciable Asset, telephone subscription right, or other asset (but not forested land) that is prescribed by Cabinet Order;

(xix) Depreciable Asset: a building, structure, piece of machinery, device, ship, vehicle or equipment, tool, apparatus or appliance, mining right, or anything else prescribed by Cabinet Order as an asset that should be depreciated, which generates real property income or miscellaneous income or which is used in business operations that are meant to generate real property income, business income, timber income, or miscellaneous income ;

(xx) Deferred Asset: an expenditure as prescribed by Cabinet Order which an individual makes in connection with business operations that are meant to generate real property income, business income, timber income, or miscellaneous income, and which will continue to have an effect one year or

more after the day of the expenditure;

(xxi) Each Class of Income: interest income, dividend income, real property income, business income, salary income, retirement income, timber income, capital gains, occasional income, and miscellaneous income, as prescribed in Part II, Chapter II, Section 2, Subsection 1 (Classes of Income and Income in Each Class);

(xxii) Income in Each Class: the amounts of interest income, dividend income, real property income, business income, salary income, retirement income, timber income, capital gains, occasional income, and miscellaneous income, as prescribed in Part II, Chapter II, Section 2, Subsection 1;

(xxiii) Fluctuating Income: income arising from catching fish, income from royalties for a copyright, or any other income whose amount varies significantly from year to year which is prescribed by Cabinet Order;

(xxiv) Ad Hoc Income: income from a signing bonus that the taxpayer obtains on a one-time basis based on an agreement to provide services or any other income arising on an occasional or temporary basis which is prescribed by Cabinet Order;

(xxv) Net Loss: any part of the loss prescribed in Article 69, paragraph (1) (Aggregation of Profits and Losses) that is not fully offset when the provisions of that Article are applied;

(xxvi) Casualty Loss: any amount by which the total loss provided for in Article 72, paragraph (1) (Casualty Loss Deduction) exceeds the amount that is set forth in any of the items of that paragraph for the category of case set forth in the item;

(xxvii) Disaster: an earthquake, storm, flood, or fire, or a disaster provided for by Cabinet Order;

(xxviii) Person with a Disability: a person that, at all times, lacks the ability to function on a rational basis due to a mental disability; a person who is blind; or any other person with a mental or physical disability for whom Cabinet Order provides;

(xxix) Person with a Particular Disability: a Person with a Disability who is mentally or physically disabled to a significant extent, and for whom Cabinet Order provides;

(xxx) Widow: a person as follows:

(a) a person who has not remarried following the death of the husband or after a divorce, or a person whose husband's whereabouts are unknown and who is provided for by Cabinet Order, if that person has a dependent or if the person has a relative as provided by Cabinet Order whose living expenses are paid from the same resources;

(b) a person other than as set forth in (a) who has not remarried following the death of the husband, or a person other than as set forth in (a) whose

husband's whereabouts are unknown and who is provided for by Cabinet Order, if the person's gross income, retirement income, and timber income as prescribed in Article 22 (Tax Base) add up to a total (hereinafter referred to as the "total income" in this Article) of five million yen or less when calculated without applying the provisions of Article 70 (Deduction for Carryover of Net Loss) and Article 71 (Deduction for Carryover of Casualty Loss).

(xxxi) Widower: a person who has not remarried following the death of the wife or after a divorce, or a person whose wife's whereabouts are unknown and who is provided for by Cabinet Order, if the person has a relative as prescribed by Cabinet Order whose living expenses are paid from the same resources, and whose total income is five million yen or less;

(xxxii) Working Student: a person as follows earning business income, salary income, retirement income , or miscellaneous income from the person's own work (hereinafter referred to as "salary income, etc." in this item), whose total income is 650,000 yen or less, and whose total income other than the salary income, etc. is 100,000 yen or less:

(a) a student or child at a school prescribed in Article 1 (Scope of Schools) of the School Education Act (Act No. 26 of 1947);

(b) a student enrolled in a course of study prescribed by Cabinet Order at a vocational school prescribed in Article 124 (Vocational Schools) of the School Education Act or school for specialized education prescribed in Article 134, paragraph (1) (Schools for Specialized Education) of that Act which has been established by the national or local government, by a school corporation prescribed in Article 3 (Definitions) of the Private Schools Act (Act No. 270 of 1949), by a corporation incorporated pursuant to Article 64, paragraph (4) of that Act (Private Vocational Schools and Private Schools for Specialized Education), or by any other person prescribed by Cabinet Order as equivalent thereto;

(c) a person enrolled in a course of study prescribed by Cabinet Order and undergoing accredited vocational training as prescribed in Article 24, paragraph (3) (Accreditation of Vocational Training) of the Human Resources Development Promotion Act (Act No. 64 of 1969) which is provided by a vocational training corporation.

(xxxiii) Claimable Spouse: the spouse of a Resident whose living expenses are paid from the same resources as the Resident (other than a spouse falling under the category of a relative employed only by a blue-return filer as prescribed in Article 57, paragraph (1) (Special Provisions on Necessary Expenses If Relatives Work Exclusively for a Resident) who receives a salary as prescribed in that paragraph, and other than a spouse falling under the category of a relative employed only by the Resident prescribed in paragraph

(3) of that Article) and whose total income is 380,000 yen or less;

(xxxiii)-2 Claimable Elderly Spouse: a Claimable Spouse who is 70 years of age or older;

(xxxiv) Dependent: the relative of a Resident (other than the Resident's spouse), a child placed with a foster parent as prescribed in Article 6-3, paragraph (1) (Definitions) of the Child Welfare Act (Act No. 164 of 1947) pursuant to Article 27, paragraph (1), item (iii) (Measures to Be Taken by Prefectures) of that Act, or an elderly person placed with a nursing care provider as prescribed in Article 11, paragraph (1), item (iii) (Measures to Be Taken by Municipalities) of the Act on Social Welfare Services for the Elderly (Act No. 133 of 1963) pursuant to that item, whose living expenses are paid from the same resources as the Resident (other than one falling under the category of a relative employed only by the blue-return filer as prescribed in Article 57, paragraph (1) who receives a salary as prescribed in that paragraph, and other than a person falling under the category of a relative employed only by the Resident as prescribed in paragraph (3) of that Article) and whose total income is 380,000 yen or less;

(xxxiv)-2 Specified Dependent: a Dependent who is 16 years of age or older and younger than 23 years of age;

(xxxiv)-3 Elderly Dependent: a Dependent who is 70 years of age or older;

(xxxv) Special Farming Income Earner: a person whose farming income (meaning income arising from a business involving the production or cultivation of rice, wheat, tobacco, fruits, vegetables, or flowers; the raising of silkworms; or any other business that Cabinet Order prescribes as being equivalent thereto; hereinafter the same applies in this item) in a given year accounts for over 70% of the person's gross income, and whose farming income arising on or after September 1 of that year exceeds 70% of the person's total farming income for the year;

(xxxvi) Tax Prepayment: an amount of income tax that must be paid pursuant Article 104, paragraph (1) (Making Tax Prepayments) or Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners) (including as applied mutatis mutandis pursuant to Article 166 (Mutatis Mutandis Application to Nonresidents));

(xxxvii) Tax Return: a return form as under Part II, Chapter V, Section 2, Subsection 1 or Subsection 2 (Tax Returns) (including as applied mutatis mutandis pursuant to Article 166) (this includes a return filed after the deadline using such a return form);

(xxxviii) Return Filed After the Deadline: a return filed after the deadline as prescribed in Article 18, paragraph (2) (Returns Filed After the Deadline) of the Act on General Rules for National Taxes (Act No. 66 of 1962);

(xxxix) Amended Return: an amended return as prescribed in Article 19,

paragraph (3) (Amended Returns) of the Act on General Rules for National Taxes;

(xl) Blue Return: a Tax Return filed with a blue-colored return form pursuant to the provisions of Article 143 (Blue Returns) and any related Amended Return (including as applied mutatis mutandis pursuant to Article 166);

(xli) Filing Deadline: the deadline for filing a return as under Article 120, paragraph (1) (Filing Income Tax Returns) (including as applied mutatis mutandis pursuant to Article 166); if the taxpayer dies partway through the year, the term refers to the deadline for filing a return under Article 125, paragraph (1) (Filing a Tax Return If the Taxpayer Has Died Partway Through the Year), and if the taxpayer will become Absent From Japan partway through the year, the term refers to the deadline for filing a return pursuant to Article 127, paragraph (1) (Filing a Tax Return If the Taxpayer Will Become Absent From Japan Partway Through the Year) (including as applied mutatis mutandis pursuant to Article 166);

(xlii) Absence From Japan: a Resident ceasing to be domiciled or reside in Japan without informing the relevant parties of a tax agent under Article 117, paragraph (2) (Tax Agents) of the Act on General Rules for National Taxes, or a Nonresident ceasing to reside in Japan without informing the relevant parties of a tax agent under that paragraph (for a Nonresident not domiciled in Japan and falling under a category of Nonresident set forth in Article 164, paragraph (1), item (i) through (iii) (How Nonresidents Are Taxed), the term refers to the Nonresident ceasing to fall under any category of Nonresident set forth in those items, and for a Nonresident not domiciled in Japan and falling under the category of Nonresident set forth in item (iv) of that paragraph, the term refers to the Nonresident discontinuing the business prescribed in Article 161, item (ii) (Compensation for the Provision of Personal Services) that the Nonresident conducts in Japan);

(xliii) Reassessment: a Reassessment pursuant to the provisions of Article 24 (Reassessment) or Article 26 (Further Reassessment) of the Act on General Rules for National Taxes;

(xliv) Tax-Office Decision: a tax-office decision as under Article 25 (Tax-Office Decisions) of the Act on General Rules for National Taxes, other than in a case as referred to in Article 19 (Validity of a Filing If the Designation of the Locality for Paying Taxes Is Cancelled);

(xlv) Withholding: the withholding and payment of income tax pursuant to the provisions of Part IV, Chapter I through Chapter VI (Withholding);

(xlvi) Punitive Tax: a punitive tax as prescribed in Article 2, item (iv) (Definitions) of the Act on General Rules for National Taxes;

(xlvii) Appropriation: appropriation under Article 57, paragraph (1) (Appropriation) of the Act on General Rules for National Taxes, except as set

forth in Article 190 (Year-End Adjustment) and Article 191 (Refund of Amounts Overpaid).

(xlviii) (Refund) Interest: interest on refunds as prescribed in Article 58, paragraph (1) (Interest on Refunds) of the Act on General Rules for National Taxes.

(Classification of Residents and Nonresidents)

Article 3 (1) A national public officer or local public officer (other than one without Japanese citizenship and any person prescribed by Cabinet Order) is deemed to be domiciled in Japan even during a period in which such a public officer is not domiciled in Japan, and the provisions of this Act (other than Article 10 (Nontaxability of Interest Income from Small Amounts of Deposits Held by Persons with Disabilities and Other Eligible Persons), Article 15 (Locality for Paying Taxes), and Article 16 (Special Provisions on the Locality for Paying Taxes)) apply thereto.

(2) Beyond what is prescribed in the preceding paragraph, Cabinet Order provides for the necessary particulars concerning the classification of Residents and Nonresidents and for the reaching of a determination as to whether an individual is domiciled in Japan.

(Taxpayers)

Article 5 (1) A Resident is liable to pay income taxes pursuant to this Act.

(2) A Nonresident is liable to pay income taxes pursuant to this Act if:

(i) the Nonresident has domestic source income as prescribed in Article 161 (Domestic Source Income) (referred to as "domestic source income" in the following item) (other than in a case as set forth in that item);

(ii) the Nonresident receives, in Japan, payments constituting the taxable income of a domestic corporation (meaning any interest and similar income, dividends and similar income, compensation for periodic deposits, finance charges, profits, margin profits, distributions of profits, or monetary awards as set forth in the items of Article 174 (Tax Base for a Domestic Corporation's Income Taxes); hereinafter the same applies in this Article) which is attributable to the trust property of a Trust Subject to Corporate Taxation for which the Nonresident has undertaken to act as trustee, or receives payments constituting the taxable income of a foreign corporation which is attributable to such trust property (meaning any domestic source income as set forth in Article 161, item (i)-2 through (vii) and item (ix) through (xii); hereinafter the same applies in this Article).

(3) A Domestic Corporation is liable to pay income taxes pursuant to this Act if it receives, in Japan, payments constituting the taxable income of a domestic corporation, or if it receives payments constituting the taxable income of a

foreign corporation which is attributable to the trust property of a Trust Subject to Corporate Taxation for which it has undertaken to act as trustee.

(4) A Foreign Corporation is liable to pay income taxes pursuant to this Act if it receives payments constituting the taxable income of a foreign corporation, or if it receives, in Japan, payments constituting the taxable income of a domestic corporation which is attributable to the trust property of a Trust Subject to Corporate Taxation for which it has undertaken to act as trustee.

Chapter II-2 General Rules on Trustees of Trusts Subject to Corporate Taxation

(Application of This Act to Trustees of Trusts Subject to Corporate Taxation)

Article 6-2 (1) The trustee of a Trust Subject to Corporate Taxation is deemed to be one person in respect of trust assets and other holdings of the Trust Subject to Corporate Taxation (meaning trust property assets and liabilities as well as proceeds and expenses attributable to trust property; hereinafter the same applies in this Chapter) and a different person in respect of personal assets and other holdings (meaning assets and liabilities, as well as proceeds and expenses, which are other than the trust assets and other holdings of a Trust Subject to Corporate Taxation; the same applies in the following Article), and the provisions of this Act (other than the preceding Chapter (Tax Payment Obligations), Chapter V (Locality for Paying Taxes), and Part VI (Penal Provisions); the same applies in the following Article) apply.

(2) In a case as referred to in the preceding paragraph, trust assets and other holdings of a Trust Subject to Corporate Taxation and the trustee's personal assets and other holdings are separately attributed to each of the persons deemed to be different from one another pursuant to the provisions of that paragraph.

(Application of This Act to Trust Corporations)

Article 6-3 When the provisions of this Act are applied to a trust corporation (meaning a corporation that is the trustee of a Trust Subject to Corporate Taxation (or the individual who is the trustee of such a trust, if such is the case) to which the provisions of this Act apply because the trust assets and other holdings of the Trust Subject to Corporate Taxation are attributed to that corporation pursuant to the provisions of the preceding Article; hereinafter the same applies in this Article), or to the settlor or beneficiary of a Trust Subject to Corporate Taxation, they apply as follows:

(i) if a business office or other office or a place of business equivalent thereto (referred to as a "business office" in the following item) with which the Trust Subject to Corporate Taxation is entrusted is located in Japan, the trust

corporation handling the Trust Subject to Corporate Taxation is a Domestic Corporation;

(ii) if a business office with which the Trust Subject to Corporate Taxation is entrusted is not located in Japan, the trust corporation handling the Trust Subject to Corporate Taxation is a Foreign Corporation;

(iii) the trust corporation (but only one that is not a company) is deemed to be a company;

(iv) a beneficial interest in a Trust Subject to Corporate Taxation (but not a beneficial interest in any Bond-Based Investment Trust other than a Bond-Based Investment Trust Under Public Offering, and not a company bond-type beneficial interest (meaning a beneficial interest in a Specified-Purpose Trust under a contract with conditions as set forth in Article 230, paragraph (1), item (iv) of the Act on Securitization of Assets (Specified-Purpose Trust Contracts), due to which the amount of money fixed in advance as prescribed in that item is distributed; the same applies in Article 14, paragraph (1) (Attribution of Interest and Similar Income from Bearer Public and Corporate Bonds); Article 24, paragraph (1) (Dividend Income); Article 176, paragraph (1) and paragraph (2) (Special Provisions on Taxation of Interest and Similar Income from Trust Property); and Article 225, paragraph (1) (Payment Reports)) is deemed to be a share or capital contribution, and a beneficiary of the Trust Subject to Corporate Taxation is included among the Shareholders, Members, and Other Investors thereof. Be that as it may, shares or capital contributions to a corporation that is the trustee of a Trust Subject to Corporate Taxation are deemed not to be shares or capital contributions in a trust corporation handling a Trust Subject to Corporate Taxation, and the Shareholders, Members, and Other Investors of the corporation that is the trustee are not Shareholders, Members, or Other Investors of the trust corporation;

(v) if a Trust Subject to Corporate Taxation is terminated or if a Trust Subject to Corporate Taxation (but only one as set forth in Article 2, item (xxix)-2, (b) (Definitions) of the Corporation Tax Act) has come to have a beneficiary as prescribed in Article 13, paragraph (1) (Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property) (or a person deemed to be a beneficiary as prescribed in paragraph (1) of that Article pursuant to the provisions of paragraph (2) of that Article; referred to as a "beneficiary or deemed beneficiary" in the following item and item (vii)) (unless the trust falls under a category of trust set forth in Article 2, item (xxix)-2, (a) or (c) of that Act), the trust corporation handling the Trust Subject to Corporate Taxation is deemed to have been dissolved;

(vi) when the settlor of a Trust Subject to Corporate Taxation (other than a trust as set forth in Article 2, item (xxix)-2, (b) of the Corporation Tax Act;

hereinafter the same applies in this item) places the assets thereof in trust, or if a trust with a beneficiary or deemed beneficiary that is deemed to hold trust property assets and liabilities pursuant to the provisions of Article 13, paragraph (1) comes to fall under the category of a Trust Subject to Corporate Taxation, a capital contribution is deemed to have been made to the trust corporation handling the Trust Subject to Corporate Taxation;

(vii) when the settlor of a Trust Subject to Corporate Taxation (but only a trust as set forth in Article 2, item (xxix)-2, (b) of the Corporation Tax Act; hereinafter the same applies in this item) places the assets thereof in trust, or if a trust with a beneficiary or deemed beneficiary that, pursuant to the provisions of Article 13, paragraph (1), is deemed to have assets and liabilities constituting trust property comes to fall under the category of a Trust Subject to Corporate Taxation, the assets are deemed to have devolved to the trust corporation handling the Trust Subject to Corporate Taxation by way of a gift;

(viii) a distribution of proceeds from a Trust Subject to Corporate Taxation is deemed to be a dividend of surplus that causes no decrease in capital surplus, and a return of the principal of a Trust Subject to Corporate Taxation is deemed to be a dividend of surplus that does cause a decrease in capital surplus;

(ix) beyond what is prescribed the preceding items, Cabinet Order provides for the necessary particulars concerning the application of this Act to trust corporations and to the settlors and beneficiaries of Trusts Subject to Corporate Taxation.

Chapter III Scope of Taxable Income

(Scope of Taxable Income)

Article 7 (1) Income taxes are imposed on the income that each of the following items prescribes for the category of person set forth in the item:

(i) a Resident other than a Non-Permanent Resident: all income;

(ii) a Non-Permanent Resident: domestic source income as prescribed in Article 161 (Domestic Source Income) (hereinafter referred to as "domestic source income" in this Article), and any other income paid in Japan or remitted to Japan from abroad;

(iii) a Nonresident: domestic source income as set forth in each of the items of Article 164, paragraph (1) and paragraph (2) (How Nonresidents Are Taxed) for the category of Nonresident set forth in the relevant item of Article 164, paragraph (1);

(iv) a Domestic Corporation: interest and similar income, dividends and similar income, compensation for periodic deposits, finance charges, profits, margin

profits, distributions of profits, and monetary awards set forth in the items of Article 174 (Tax Base for a Domestic Corporation's Income Taxes), which it is paid in Japan;

(v) a Foreign Corporation: domestic source income as set forth in Article 161, item (i)-2 through (vii) and item (ix) through (xii) (this excludes any domestic source income as set forth in Article 161, item (i)-2 of a Foreign Corporation as set forth in Article 141, item (iv) of the Corporation Tax Act (Foreign Corporations Without a Permanent Establishment in Japan).

(2) Cabinet Order provides for the necessary particulars concerning the scope of income set forth in item (ii) of the preceding paragraph.

(Scope of Taxable Income If the Taxpayer Category Changes)

Article 8 If, in the relevant year, an individual falls under two or more of the categories of "Resident other than a Non-Permanent Resident", "Non-Permanent Resident", and any one class of "Nonresident as set forth in an item of Article 164, paragraph (1)" (How Nonresidents Are Taxed), income taxes are imposed separately for each period in that year during which the individual is a Resident other than a Non-Permanent Resident, Non-Permanent Resident, or any one class of Nonresident as set forth in an item of Article 164, paragraph (1), on the income set forth in paragraph (1), item (i) through (iii) of the preceding Article which arises during that period.

(Nontaxable Income)

Article 9 Income taxes are not imposed on the following income:

(i) interest on current deposits (other than interest specified by Cabinet Order);

(ii) interest on Deposits and Savings (other than as provided in the preceding item) as provided by Cabinet Order which have been deposited by a child or student at an elementary school, junior high school, high school, or school for secondary education as prescribed in Article 1 (Scope of Schools) of the School Education Act, or in the elementary, junior high, or high school section of a school for special needs education as prescribed in Article 76 (Sections of Schools for Special Needs Education) of that Act, as instructed by the school principal; and distributions of proceeds from a Jointly Managed Trust as provided by Cabinet Order into which such a child or student has placed assets as instructed by the school principal;

(iii) public retirement packages, pensions, and equivalent benefits as follows:

(a) a supplementary retirement package as prescribed in the Public Officers Pension Act (Act No. 48 of 1923) (which includes any ordinary retirement package paid together with a supplementary retirement package) or an invalidity grant or any other equivalent benefit as prescribed by Cabinet Order that the taxpayer receives for an injury incurred or illness

contracted in the course of public duty or on the job;

(b) a public retirement package or pension that the bereaved family receives (but only one paid based on the employment of the deceased);

(c) benefits that a person receives based on a mutual aid system provided for by Cabinet Order which a local government implements for persons with mental or physical disabilities pursuant to the provisions of Prefectural Ordinance.

(iv) money and valuables that are found to be necessary for travel under ordinary circumstances, which are provided so as to cover the travel expenses that are necessary if a person with salary income travels to a location away from the workplace in order to perform the duties thereof; if such a person changes residences due to a transfer of workplace; or if a person hired or separated from employment, or the surviving family of a person separated from employment at death, changes residences due to that employment event;

(v) that which Cabinet Order prescribes, in respect of any commutation allowance (or anything similar thereto) that a person with salary income who commutes to work (hereinafter referred to as a "commuter" in this item) receives, in addition to ordinary pay, to cover the expenses that the commuter pays to use the transportation facilities or transportation equipment necessary for the commute, as the part of such a commutation allowance that the average commuter is found to need under ordinary circumstances;

(vi) anything other than money that a person with salary income receives from the employer (including any economic benefit) which Cabinet Order prescribes as being indispensable due to the nature of the person's duties;

(vii) any service allowance (or any similar special allowance) provided for by Cabinet Order which a Resident working outside Japan is to receive for work in addition to ordinary pay when working in Japan;

(viii) salary, compensation, wages, annual allowances, bonuses, and any other pay of a similar nature that a person as prescribed by Cabinet Order who works for a foreign government, for the local government of a foreign state, or for an international organization as prescribed by Cabinet Order, and who satisfies the requirements prescribed by Cabinet Order receives for work (pay received by a person working for a foreign government or for the local government of a foreign state is only nontaxable if the foreign state refrains from imposing any taxes equivalent to income taxes on the pay received by a Japanese national or local public officer who works in that state and satisfies requirements equivalent to the aforementioned requirements prescribed by Cabinet Order);

(ix) income arising from a transfer of ownership in furniture, household

appliances, clothes, and other assets prescribed by Cabinet Order that the person in question or the spouse or other relatives thereof use in day-to-day life;

(x) income arising from a transfer of assets based on compulsory realization proceedings as prescribed in Article 2, item (x) (Definitions) of the Act on General Rules for National Taxes and other income specified by Cabinet Order as being similar thereto (other than income falling under the provisions of Article 33, paragraph (2), item (i) (Income Not Included as Capital Gains)), if the taxpayer is facing extreme difficulty in performing on obligations due to a loss of financial resources;

(xi) any part of a distribution of proceeds from an Open-Ended Securities Investment Trust which Cabinet Order prescribes as corresponding to a return of trust-property principal;

(xii) benefits that a person receives pursuant to the provisions of Article 4, paragraph (1) (Daily Expenses of the Inner Court) and Article 6, paragraph (1) (Expenses of the Imperial Family) of the Imperial Household Finance Act (Act No. 4 of 1947);

(xiii) the following types of pension, money, and valuables:

(a) a pension as under Article 3, paragraph (1) (Pension) of the Cultural Merit Pension Act (Act No. 125 of 1951);

(b) money and valuables which are issued by the Japan Academy as an Imperial Prize or Japan Academy Award;

(c) money and valuables which are issued by the Japan Art Academy as an Imperial Prize or Japan Art Academy Award;

(d) money and valuables designated by the Minister of Finance, which are granted as an award for significant academic or artistic contributions or as an incentive to encourage academic research of significant value (other than pay or anything else in the nature of consideration), and which are issued by the national or local government or by a body or fund designated by the Minister of Finance;

(e) money and valuables issued by the Nobel Foundation as a Nobel Prize;

(f) anything issued by a foreign state, international organization, or international body, or by a foreign body or fund designated by the Minister of Finance, which is similar to a pension, money, or valuables set forth in (a) through (e) (other than pay or anything else in the nature of consideration), and which is as designated by the Minister of Finance.

(xiv) money and valuables with which a person is provided to cover school expenses (other than pay or anything else in the nature of consideration), and money and valuables with which persons with a duty to support one another provide one another in order to fulfill their duty of support;

(xv) income acquired by way of hereditary succession, legacy, or inter vivos gift

(this includes income deemed to have been acquired by way of hereditary succession, legacy, or inter vivos gift pursuant to the provisions of the Inheritance Tax Act (Act No. 73 of 1950));

(xvi) insurance benefits and compensation for damages paid based on a casualty insurance contract (or anything similar thereto) which a person acquires because of mental or physical damage incurred or because of damage to property incurred as a result of unforeseen circumstances, or any other insurance benefit or compensation for damages specified by Cabinet Order;

(xvii) money, objects, and any other financial benefits that a candidate for election to public office acquires as a gift from an election campaign corporation in connection with an election to which the Election to Public Office Act (Act No. 100 of 1950) is applicable, which have been reported as under Article 189 of that Act (Submission of Reports on Revenue and Expenditures for Election Campaigns).

(Nontaxability of Interest Income from Small Amounts of Deposits Held by Persons with Disabilities and Other Eligible Persons)

Article 10 (1) If an individual domiciled in Japan who has been issued a proof of physical disability passbook as prescribed in Article 15, paragraph (4) (Issuance of Proof of Physical Disability Passbooks) of the Act on the Welfare of Persons with Physical Disabilities (Act No. 283 of 1949); a wife domiciled in Japan who is eligible for the basic survivors' pension as prescribed in Article 37-2, paragraph (1) (Scope of Surviving Family) of the National Pension Act (Act No. 141 of 1959); a wife domiciled in Japan as prescribed in Article 49, paragraph (1) (Conditions for Receiving Widow's Pension) of that Act who is eligible for a widow's pension as prescribed in that paragraph; or any other person that Cabinet Order prescribes as being equivalent to such an eligible person (hereinafter referred to as a "person with a disability or other eligible person" in this Article) places money into Deposits or Savings (other than Deposits or Savings falling under the provisions of paragraph (1), item (i) or item (ii) of the preceding Article (Nontaxable Income) and other Deposits and Savings prescribed by Cabinet Order; hereinafter the same applies in this Article), places assets into a Jointly Managed Trust (other than one falling under the provisions of paragraph (1), item (i) or item (ii) of the preceding Article and other than a trust as prescribed by Cabinet Order; hereinafter the same applies in this Article) or Bond-Based Investment Trust Under Public Offering (but only an Investment Trust managed without instructions from the settlor as prescribed in Article 2, paragraph (2) (Definitions) of the Act on Investment Trusts and Investment Corporations, and other than a trust as prescribed by Cabinet Order; hereinafter referred to as a "specific form of bond-

based investment trust under public offering" in this Article), or purchases Securities (limited to Public and Corporate Bonds and beneficial interests as prescribed by Cabinet Order in Investment Trusts (other than Investment Trusts managed without instructions from the settlor as prescribed in Article 2, paragraph (2) of the Act on Investment Trusts and Investment Corporations) and Specified-Purpose Trusts), at the business office or other office of a financial institution or other person that accepts Deposits or Savings or undertakes to act as the trustee of a trust, the business office or office of a financial instruments business operator, the business office or office of a registered financial institution as provided by Cabinet Order, or any other place equivalent to the business office or office of such a person (hereinafter referred to as a "the business office of a financial institution or other such place" in this Article) (hereinafter such an action by a person with a disability or other eligible person is referred to in this Article as a "deposit, placement into trust, or purchase"), and the person with a disability or other eligible person submits a paper document at the time of the deposit, placement into trust, or purchase pursuant to Cabinet Order, indicating that the person seeks to apply the provisions of this paragraph to the Deposits or Savings, Jointly Managed Trust, specific form of bond-based investment trust under public offering, or Securities; giving the person's name, date of birth, and domicile; indicating the person to be a person with a disability or other eligible person; and giving any other necessary information (hereinafter such a paper document is referred to as an "application to exempt savings from taxation" in this Article), no income taxes are imposed on what each of the following items prescribes, but only in the case set forth in the item in question:

(i) if, throughout the period for calculating the interest on the Deposits or Savings, the sum of the principal of Deposits and Savings and the principal of any other Deposits and Savings that the person has deposited at the business office of the financial institution or other such place and in respect of which such person has submitted an application to exempt savings from taxation does not exceed the maximum limitation set forth in paragraph (3), item (iii) which appears in the statement of tax-exempt savings prescribed in that paragraph that the person submits via the business office of the financial institution or other such place (on and after any day on which the person submits a statement as referred to in paragraph (4), this means the maximum limitation after the change): interest on the Deposits and Savings during that period of calculation;

(ii) if, throughout the period for calculating distributions of proceeds from the Jointly Managed Trust or specific form of bond-based investment trust under public offering (hereinafter referred to as a "jointly managed or similar type of trust" in this item), the sum of the principal of the jointly managed or

similar type of trust and the principal of any other jointly managed or similar types of trusts into which the person places assets at the business office of the financial institution or other such place and submits an application to exempt savings from taxation with respect to does not exceed the maximum limitation set forth in paragraph (3), item (iii) which appears in the statement of tax-exempt savings prescribed in that paragraph that the person submits via the business office of the financial institution or other such place (if the jointly managed or similar type of trust is a Loan Trust or a specific form of bond-based investment trust under public offering, this only applies if the jointly managed or similar type of trust is managed by way of entries or records in a transfer account book provided for in the Act on the Book-Entry Transfer of Bonds and Shares (Act No. 75 of 2001) or by any other method prescribed by Cabinet Order): distributions of proceeds from the jointly managed or similar type of trust during that period of calculation;

(iii) if, throughout the period for calculating the interest, distributions of proceeds, or dividends of surplus (meaning dividends of surplus as prescribed in Article 24, paragraph (1) (Dividend Income); hereinafter the same applies in this item), the Securities are managed by way of entries or records in a transfer account book provided for in the Act on the Book-Entry Transfer of Bonds and Shares or by any other method prescribed by Cabinet Order (if Securities are purchased partway through the period of calculation, this means throughout the period from the day of the purchase to the final day of the period of calculation; hereinafter the same applies in this item), and if, throughout the period of calculation, the sum of the face values of the Securities or the amount prescribed by Cabinet Order as being equivalent thereto (hereinafter referred to as the "face value or equivalent amount" in this Article) and the face values and equivalent amounts of other Securities that the person purchases at the business office of the financial institution or other such place and submits an application to exempt savings from taxation with respect to does not exceed the maximum limitation set forth in paragraph (3), item (iii) which appears in the statement of tax-exempt savings prescribed in that paragraph that the person submits via the business office of the financial institution or other such place: interest, distributions of proceeds, and dividends of surplus from the Securities during that period of calculation.

(2) An application to exempt savings from taxation may be submitted only to the business office of the financial institution or other such place through which a person has submitted a statement of tax-exempt savings as prescribed in the following paragraph, and upon submitting the application, the person must present the documents prescribed in paragraph (5) to the director of the business office of the financial institution or other such place.

(3) The provisions of paragraph (1) apply only if an individual submits a paper-based statement giving the following information (hereinafter referred to as a "statement of tax-exempt savings" in this Article) by the day of the deposit, placement into trust, or purchase, as regards the Deposits or Savings, Jointly Managed Trust, specific form of bond-based investment trust under public offering, or Securities to which the person seeks to apply the provisions of that paragraph for the first time, to the competent district tax office director for the individual's domicile, via the business office of the financial institution or other such place where the person makes the deposit, placement into trust, or purchase:

(i) the name, date of birth, and domicile of the submitter; an indication that the submitter falls under the category of a person with a disability or other eligible person; and the name and location of the business office of the financial institution or other such place;

(ii) whether the submitter seeks to apply the provisions of paragraph (1) to Deposits or Savings, to a Jointly Managed Trust, to a specific form of bond-based investment trust under public offering, or to Securities;

(iii) the maximum limitation for the current balance of the Deposits or Savings, Jointly Managed Trust, specific form of bond-based investment trust under public offering, or Securities (for Securities, this means the current balance of Securities calculated based on their face value or equivalent amount) to which the submitter seeks to apply the provisions of paragraph (1) as regards the submitter's deposits, placements into trust, or purchases at the business office of the financial institution or other such place;

(iv) the name of any other business office of a financial institution or other such place via which the person has already submitted a statement of tax-exempt savings, and the maximum limitation as referred to in the preceding item which has been given in any such statement (if the person has submitted a statement as under the following paragraph, this means the maximum limitation after the change).

(4) If an individual who has submitted a statement of tax-exempt savings seeks to change the maximum limitation set forth in item (iii) of the preceding paragraph that has been given in the statement (if the person has already submitted a statement as under this paragraph, this means the maximum limitation which is given in that statement as after the change), the individual must submit a paper-based statement indicating this; indicating the sum of the maximum limitation set forth in item (iii) of the preceding paragraph and the maximum limitation set forth in item (iv) of that paragraph after the change; and giving any other necessary information, to the competent district tax office director for the individual's domicile, via the business office of the financial institution or other such place through which the individual has submitted the

statement of tax-exempt savings, pursuant to Cabinet Order.

(5) Before submitting a statement of tax-exempt savings or a statement as set forth in the preceding paragraph, the individual submitting it must present the director of the business office of the financial institution or other such place prescribed in paragraph (3) or the preceding paragraph with the proof of physical disability passbook issued thereto pursuant to Article 15, paragraph (4) (Issuance of Proof of Physical Disability Passbooks) of the Act on the Welfare of People with Disabilities, basic survivors' pension certificate set forth in Article 15, item (iii) of the National Pension Act, or other documents specified by Cabinet Order; notify the director of the individual's name, date of birth, and domicile and that the individual is a person with a disability or other eligible person; and obtain a seal of verification indicating confirmation of the information of which the individual has notified the director on the statement of tax-exempt savings or the statement referred to in the preceding paragraph, pursuant to Cabinet Order.

(6) In a case referred to in paragraph (3) or paragraph (4), once the statement of tax-exempt savings or the statement referred to in the relevant paragraph has been submitted to the district tax office director prescribed in those provisions, it is deemed to have been submitted on the day that it was accepted at the business office of the financial institution or other such place prescribed in those provisions.

(7) An individual as prescribed in paragraph (1) may not submit a statement falling under a category of statement of tax-exempt savings or statement as referred to in paragraph (4) which is as follows, and the director of the business office of a financial institution or other such place prescribed in paragraph (3) or paragraph (4) may not accept such a statement nor may the director accept any further statement of tax-exempt savings submitted by an individual from whom the director has already accepted a statement of tax-exempt savings (other than as prescribed by Cabinet Order):

(i) a statement of tax-exempt savings or statement as referred to in paragraph (4) that gives a maximum limitation as set forth in paragraph (3), item (iii) (for a statement as referred to in paragraph (4), this means the maximum limitation as set forth in that item as after the change) that exceeds three million yen, or a statement of tax-exempt savings or a statement as referred to in paragraph (4) that gives a sum for that maximum limitation and the maximum limitations as set forth in paragraph (3), item (iv) that exceeds three million yen;

(ii) a statement of tax-exempt savings or a statement as referred to in paragraph (4) without a seal of verification indicating the confirmation as under paragraph (5).

(8) Beyond what is prescribed in paragraph (2) through the preceding paragraph,

Cabinet Order provides for the way of calculating the principal and face value or equivalent amount set forth in paragraph (1); the particulars of the submission, keeping on file, and management of applications to exempt savings from taxation; the particulars of the submission of statements of tax-exempt savings; the particulars of reporting if there has been a change in the information that an individual submitting a statement of tax-exempt savings has given in the statement or if the individual seeks to stop being subject to the provisions of that paragraph after having submitted a statement; and other necessary particulars concerning the application of that paragraph.

(Nontaxability of Public Corporations and Charitable Trusts)

Article 11 (1) Income taxes are not imposed on interest and similar income, dividends and similar income, compensation for periodic deposits, finance charges, profits, margin profits, and distributions of proceeds set forth in the items of Article 174 (Tax Base for a Domestic Corporation's Income Taxes) paid to a Domestic Corporation as set forth in Appended Table I (as regards interest, distributions of proceeds, or dividends of surplus prescribed in Article 24, paragraph (1) (Dividend Income) (hereinafter referred to as "interest and similar income" in this Article) from Public and Corporate Bonds or from any beneficial interest in a Loan Trust, Bond Investment Trust, or Specified-Purpose Trust as provided by Cabinet Order (hereinafter referred to as a "public and corporate bond or similar interest" in this Article), the non-imposition of income taxes is limited to the part of such interest and similar income which is equivalent to the amount of monies calculated pursuant to Cabinet Order as coming from a period during which the Domestic Corporation continuously held the public and corporate bond or similar interest).

(2) Income taxes are not imposed on income arising from the property of a charitable trust as prescribed in Article 1 (Charitable Trusts) of the Charitable Trust Act (Act No. 62 of 1922) or a participant protection trust as prescribed in Article 2, paragraph (11) (Definitions) of the Act on the Book-Entry Transfer of Bonds and Shares (as regards that which arises due to interest and similar income from a public and corporate bond or similar interest, the non-imposition of income taxes is limited to the part thereof which is equivalent to the amount of monies calculated pursuant to Cabinet Order as coming from a period during which the public and corporate bond or similar interest was continuously a part of the property of the charitable trust or participant protection trust).

(3) The part of the provisions of the preceding two paragraphs that relates to interest and similar income from a public and corporate bond or similar interest applies only if a Domestic Corporation or the trustee of a charitable trust or participant protection trust as prescribed in these provisions manages the public and corporate bond or similar interest through entries or records in

a transfer account book as prescribed in the Act on the Book-Entry Transfer of Bonds and Shares or by other means prescribed by Cabinet Order, and has submitted a statement to the district tax office director indicating its intention to seek the application of these provisions to interest or similar income from the public and corporate bond or similar interest and giving other information provided for by Ministry of Finance Order via the person paying the interest or similar income on the public and corporate bond or similar interest.

Chapter IV General Rules on Attribution of Income

(Principle of Taxing the Actual Earner)

Article 12 If the person to whom proceeds arising from assets or business seem to be legally attributed is the holder of those proceeds in name alone and has no enjoyment thereof, but someone other than that person does have enjoyment of those proceeds, the proceeds are to be attributed to the person with actual enjoyment thereof, and the provisions of this Act apply.

(Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property)

Article 13 (1) The beneficiary of a trust (but only one who actually has rights as a beneficiary) is deemed to be the one holding the trust property's assets and liabilities; the proceeds and expenses attributable to the trust property are deemed to be the proceeds and expenses of the beneficiary; and the provisions of this Act apply; provided, however, that this does not apply to the trust property assets and liabilities of a group investment trust, retirement pension trust, or Trust Subject to Corporate Taxation, nor does it apply to proceeds and expenses attributable to the trust property thereof.

(2) A person who actually has the authority to make changes to a trust (other than what Cabinet Order prescribes as the authority to make minor changes) and who is meant to benefit from the trust property (other than a beneficiary) is deemed to be a beneficiary as prescribed in the preceding paragraph, and the provisions of that paragraph apply.

(3) In paragraph (1), the meaning of a term as set forth in one of the following items is as prescribed in the item:

(i) group investment trust: a Jointly Managed Trust, Investment Trust (but only a trust as set forth in Article 2, item (xxix), (b) (Definitions) of the Corporation Tax Act), or Specified Trust That Issues Beneficiary Certificates;

(ii) retirement pension trust: a trust under an employees' pension fund agreement, investment contract for defined-benefit pension assets, investment contract for defined-benefit pension fund assets, investment contract for defined-contribution pension assets, benefit contract for worker

asset-building, or benefit contract for a worker asset-building fund as prescribed in Article 84, paragraph (1) (Calculation of the Amount of Retirement Pension Funds) of the Corporation Tax Act; under a contract as prescribed in Article 128, paragraph (3) (Business of the Fund) or Article 137-15, paragraph (4) (Business of the Association) of the National Pension Act which is concluded by the National Pension Fund or the National Pension Fund Association; or under any similar contract involving a retirement pension which is prescribed by Cabinet Order.

(4) Cabinet Order provides for the application of the provisions of paragraph (1) if there are two or more beneficiaries, for the reaching of a determination as to whether someone falls under the category of a person who is meant to benefit from trust property as prescribed in paragraph (2), and for other necessary particulars concerning the application of paragraph (1) and paragraph (2).

Chapter V Locality for Paying Taxes

(Locality for Paying Over Withholding Tax)

Article 17 The locality in which a person paying a salary or other wage as prescribed in Article 28, paragraph (1) (Salary Income), or a person making any other payment as prescribed in Part IV, Chapter I through Chapter VI (Withholding) is to pay over the income taxes that the person is required to Withhold from those payments is the locality of that person's office or place of business or any other equivalent place that handles those payments as of the payment date; provided, however, that the locality in which such a person is required to Withhold from interest on Public and Corporate Bonds, dividends of surplus as prescribed in Article 24, paragraph (1) (Dividend Income) which are paid by a Domestic Corporation (or by a trust corporation that is deemed to be a Domestic Corporation pursuant to the provisions of Article 6-3, item (i) (Application of This Act to Trust Corporations) as prescribed in that Article), or any other payment prescribed by Cabinet Order is the locality of the head office or principal office of the person paying the salary or other wage or any other place provided for by Cabinet Order.

(Designation of Locality for Paying Over Taxes)

Article 18 (1) Omitted

(2) Notwithstanding the provisions of the preceding Article, if the locality for paying over taxes as under the preceding Article is found to be inappropriate as the locality for the person to pay over the income taxes referred to in that Article in view of clerical considerations attending payment by the person paying the salary or other wage as prescribed in that Article or other circumstances, the regional commissioner for the locality in which the person is

to pay over the taxes may designate the locality for the person to pay over the income taxes.

Part II Tax Payment Obligation of Residents

Chapter I General Rules

(Order of Calculations for Calculating Income Taxes)

Article 21 (1) The income taxes imposed on a Resident are calculated based on the following order of calculations:

(i) the Resident's income is classified, pursuant to the provisions of Section 2 of the following Chapter (Calculating Income in Each Class), into the categories of interest income, dividend income, real property income, business income, salary income, retirement income, timber income, capital gains, occasional income, and miscellaneous income, and the amounts of income in each category are calculated separately;

(ii) the Resident's gross income, retirement income, and timber income as prescribed in the following Article are calculated based on the amounts of income referred to in the preceding item, pursuant to the provisions of the following Article and Section 3 of the following Chapter (Aggregation of Profits and Losses and Deductions for Carryover of Losses);

(iii) the basic personal exemption and other deductions are taken, pursuant to the provisions of Section 4 of the following Chapter (Deductions from Income), from the Resident's gross income, retirement income, or timber income as referred to in the preceding item, to calculate the Resident's taxable gross income, taxable retirement income, or taxable timber income as prescribed in Article 89, paragraph (2) (Tax Rates);

(iv) the Resident's income taxes are calculated pursuant to Chapter III, Section 1 (Tax Rates) based on the Resident's taxable gross income, taxable retirement income, or taxable timber income as referred to in the preceding item;

(v) if the Resident is taking a dividend tax credit or a foreign tax credit pursuant to Chapter III, Section 2 (Tax Credits), the Resident's income taxes are the amount that remains after any such credit is applied against the equivalent of what the preceding item refers to as the Resident's income taxes.

(2) In the case referred to in the preceding paragraph, if the Resident falls under the provisions of Chapter IV (Special Provisions on Calculating the Amount of Taxes), the income taxes imposed on the Resident are as prescribed in that Chapter.

Chapter II Tax Base, Calculation Thereof, and Deductions from Income

Section 1 Tax Base

(Tax Base)

Article 22 (1) The tax base for the income taxes imposed on a Resident is the Resident's gross income, retirement income, and timber income.

(2) Gross income is the sum total of the following amounts as calculated pursuant to the provisions of the following Section (Calculating Income in Each Class) (or the sum of the amounts arrived at through the application of the provisions of Article 70, paragraph (1) or paragraph (2) (Deduction for Carryover of Net Loss) or Article 71, paragraph (1) (Deduction for Carryover of Casualty Loss), if those provisions apply):

(i) the total of a Resident's interest income, dividend income, real property income, business income, salary income, capital gains (but only the part constituting income set forth in Article 33 paragraph (3), item (i) (Calculating the Amount of Capital Gains)), and miscellaneous income (or the amount arrived at through the application of Article 69 (Aggregation of Profits and Losses), if those provisions apply);

(ii) an amount that represents half of the sum total of capital gains (but only the part constituting income set forth in Article 33, paragraph (3), item (ii)) plus occasional income (or the amount arrived at through the application of Article 69, if those provisions apply).

(3) Retirement income and timber income are calculated separately pursuant to the provisions of the following Section (or are arrived at through the application of Article 69 through Article 71, if those provisions apply).

Section 2 Calculating Income in Each Class

Subsection 1 Classes of Income and Income in Each Class

(Interest Income)

Article 23 (1) Interest income means income from interest on Public and Corporate Bonds and Deposits and Savings (other than coupon-only book-entry government bonds as prescribed in Article 90, paragraph (3) (Definitions) of the Act on the Book-Entry Transfer of Bonds and Shares (but only those for which the separate trading of principal and interest prescribed in paragraph (1) of that Article has been undertaken pursuant to Ministry of Finance Order), and from distributions of the proceeds of a Jointly Managed Trust, Bond Investment Trust, or Bond-Based Investment Trust Under Public Offering (hereinafter referred to as "interest and similar income" in this Article).

(2) Interest income is the amount of revenue arising from interest and similar income in the year.

(Dividend Income)

Article 24 (1) Dividend income means income from dividends of surplus (these are limited to dividends from shares or capital contributions (including any beneficial interest in a Bond Investment Trust other than a Bond-Based Investment Trust Under Public Offering, and including a company bond-type beneficial interest; the same applies in the following Article), and exclude any dividends that result from a decrease in capital surplus or that are based on a split (meaning a company split by split-off as prescribed in Article 2, item (xii)-9 of the Corporation Tax Act, and including the split of a Trust Subject to Corporate Taxation; hereinafter the same applies in this paragraph and the following Article)), dividends of profits (these include distributions of monies as prescribed in Article 115, paragraph (1) (Interim Dividends) of the Act on Securitization of Assets, and exclude dividends based on a split-off), distributions of surplus (but only those related to capital contributions), and interest on funds (meaning interest on funds as prescribed in Article 55, paragraph (1) (Restrictions on Payment of Interest on Funds) of the Insurance Business Act (Act No. 105 of 1995)), as well as distributions of proceeds from an Investment Trust (other than a Bond Investment Trust or Bond-Based Investment Trust Under Public Offering) or Specified Trust That Issues Beneficiary Certificates (hereinafter referred to as "dividends and similar income" in this Article), which the taxpayer receives from a corporation (other than a corporation in the public interest, etc. as prescribed in Article 2, item (vi) (Definitions) of the Corporation Tax Act or an Association or Foundation without Legal Personality).

(2) Dividend income is the amount of revenue arising from dividends and similar income for the year; provided, however, that if there is any interest paid in the year on a debt that the taxpayer needed to incur in order to acquire shares or other principal that is meant to generate dividend income (other than any interest on a debt that the taxpayer needed to incur in order to acquire Securities which have generated business income or miscellaneous income; hereinafter the same applies in this paragraph), the dividend income is the amount of revenue arising from dividends and similar income in the year, less the total amount calculated pursuant to Cabinet Order as the part of the interest payable on the debt in the period during which the taxpayer held the principal in that year.

(Amounts Deemed to Constitute Dividends)

Article 25 (1) If monies or any other assets are issued to the Shareholder, Member, or Other Investor in a corporation (other than a corporation in the public interest, etc. as prescribed in Article 2, item (vi) (Definitions) of the Corporation Tax Act or an Association or Foundation without Legal

Personality; hereinafter the same applies in this paragraph) due to any of the following circumstances involving the corporation, and the sum total of the monies and the value of assets other than monies exceeds the part of the corporation's amount of stated capital, etc. as prescribed in item (xvi) of that Article, or the part of the corporation's amount of consolidated individual stated capital, etc. as prescribed in item (xvii)-2 of that Article, which comes from the shares in or capital contributions to the corporation upon which the issuance of the monies and assets is founded, for the purpose of applying the provisions of this Act, the part of the monies or other assets in excess is deemed to be a dividend of surplus, dividend of profits, or distribution of surplus as prescribed in paragraph (1) of the preceding Article:

(i) the merger of the corporation (this includes a merger of trusts which involves a Trust Subject to Corporate Taxation but excludes a qualified merger as prescribed in Article 2, item (xii)-8 of the Corporation Tax Act);

(ii) a split-off from the corporation (other than a qualified company split by split-off as prescribed in Article 2, item (xii)-12 of the Corporation Tax Act);

(iii) redemption of the corporation's stated capital (meaning the issuance of dividends of surplus in connection with shares (but only if this causes a decrease in capital surplus) other than due to a split-off) or the distribution of residual assets due to the dissolution of the corporation;

(iv) the corporation's acquisition of treasury shares or capital contributions to itself (other than acquisition through a purchase on a market operated by a financial instruments exchange as prescribed in Article 2, paragraph (16) (Definitions) of the Financial Instruments and Exchange Act or any other type of acquisition which is provided for by Cabinet Order, and other than acquisition of shares or capital contributions set forth in Article 57-4, paragraph (3), item (i) through (iii) (Special Provisions on Capital Gains Due to Share Exchange) in a case falling under the category of case prescribed in that paragraph);

(v) cancellation of capital contributions to the corporation (other than the cancellation of acquired capital contributions), refunding of capital contributions to the corporation, refunding of equity due to a member's or other contributor's withdrawal from the corporation, or extinguishment of shares in or capital contributions to the corporation without the corporation's acquiring them;

(vi) entity conversion by the corporation (but only one on the occasion of which assets other than shares in or capital contributions to the corporation undergoing the entity conversion are issued).

(2) Cabinet Order prescribes the way of calculating the amount of stated capital, etc. coming from shares and capital contributions as prescribed in the preceding paragraph and provides for other necessary particulars concerning

the application of that paragraph.

(Real Property Income)

Article 26 (1) Real property income means income arising from renting out real property, a right on real property, a vessel, or an aircraft (hereinafter referred to as "real estate and other such property" in this paragraph) (this includes establishing a superficies right or farming right or doing something else that gives another person the use of real estate or other such property) (other than anything falling under the category of business income or capital gains).

(2) Real property income is gross revenues constituting real property income in the relevant year, less necessary expenses.

(Business Income)

Article 27 (1) Business income means income arising from commercial farming, fishing, manufacturing, wholesale activities, retail sales, the service industry, or any other commercial activity prescribed by Cabinet Order (other than anything falling under the category of timber income or capital gains).

(2) Business income is gross revenues constituting business income in the relevant year, less necessary expenses.

(Salary Income)

Article 28 (1) Salary income means income from pay, compensation, wages, annual allowances, bonuses, or salary of a similar nature (hereinafter referred to as a "salary or other wage" in this Article).

(2) Salary income is the amount remaining after the salary income deduction is applied against revenue from a taxpayer's salary and other wages in the relevant year.

(3) The salary income deduction prescribed in the preceding paragraph is the amount that each of the following items prescribes for the category of case set forth in the item:

(i) if the taxpayer's revenue as prescribed in the preceding paragraph is 1,800,000 yen or less: 40% of the taxpayer's revenue (or 650,000 yen, if 40% of the taxpayer's revenue is less than 650,000 yen);

(ii) if the taxpayer's revenue as prescribed in the preceding paragraph is over 1,800,000 yen but not more than 3,600,000 yen: the sum total of 720,000 yen plus 30% of the difference arrived when 1,800,000 yen is deducted from the taxpayer's revenue;

(iii) if the taxpayer's revenue as prescribed in the preceding paragraph is over 3,600,000 yen but not more than 6,600,000 yen: the sum total of 1,260,000 yen plus 20% of the difference arrived at when 3,600,000 yen is deducted from the taxpayer's revenue;

(iv) if the taxpayer's revenue as prescribed in the preceding paragraph is over 6,600,000 yen but not more than 10,000,000 yen: the sum total of 1,860,000 yen plus 10% of the difference arrived at when 6,600,000 yen is deducted from the taxpayer's revenue;

(v) if the taxpayer's revenue as prescribed in the preceding paragraph is over 10,000,000 yen: the sum total of 2,200,000 yen plus 5% of the difference arrived at when 10,000,000 yen is deducted from the taxpayer's revenue.

(4) Notwithstanding the provisions of the preceding two paragraphs, if the taxpayer's revenue from salary and other wages in the year is less than 6,600,000 yen, that revenue is taken to be the "amount of salary and other wages" to which Appended Table V refers, and the taxpayer's salary income arising from salary and other wages is equivalent to the amount that, using the Table, a person finds to be the "amount of salary and other wages after the salary income deduction" that the Table gives for the taxpayer's salary and other wages.

(Retirement Income)

Article 30 (1) Retirement income means income arising from severance pay, a lump-sum early retirement package, other compensation received on a one-time basis due to separation from employment, and compensation of a similar nature (hereinafter referred to as "severance pay and other such compensation" in this Article).

(2) Retirement income is equivalent to 50% of the amount remaining after the retirement income deduction is applied against revenue from severance pay and other such compensation in the year.

(3) The retirement income deduction prescribed in the preceding paragraph is the amount that is set forth in each of the following items for the category of case set forth in the item:

(i) if the taxpayer has 20 or fewer years of service as prescribed by Cabinet Order (hereinafter referred to as "years of service" in this paragraph): the amount calculated as 400,000 yen times the taxpayer's years of service;

(ii) if the taxpayer has over 20 years of service: the sum total calculated when 20 years are subtracted from the taxpayer's years of service, the difference is multiplied by 700,000 yen, and 8,000,000 yen is added to the product thereof.

(4) Notwithstanding the provisions of the preceding paragraph, if circumstances fall under one of the cases set forth in the following items, the retirement income deduction provided for in paragraph (2) is the amount set forth in the relevant item:

(i) a case as prescribed by Cabinet Order, in which the taxpayer has been paid other severance pay or other such compensation in or before the previous year: the amount calculated pursuant to the preceding paragraph, less the

amount that is calculated for the other severance pay and other such compensation when the provisions of the preceding paragraph are applied pursuant to Cabinet Order;

(ii) a case in which the amount calculated pursuant to the provisions of the preceding paragraph and the preceding item is less than 800,000 yen (other than in a case falling under the following item): 800,000 yen;

(iii) a case as prescribed by Cabinet Order in which the taxpayer is found to have left employment as a direct result becoming a Person with a Disability: the amount calculated pursuant to the provisions of the preceding paragraph and item (i) (or 800,000 yen, if the amount so calculated is less than 800,000 yen), plus 1,000,000 yen.

(Lump-Sum Payments Deemed to Constitute Severance Pay and Other Such Compensation)

Article 31 For the purpose of applying this Act, the following lump-sum payments are deemed to constitute severance pay and other such compensation as prescribed in paragraph (1) of the preceding Article:

(i) a lump-sum payment based on the National Pension Act, Employee Pension Insurance Act (Act No. 115 of 1954) (other than the provisions of Chapter IX (Employee Pension Funds and the Pension Fund Association)), National Public Service Personnel Mutual Aid Associations Act (Act No. 128 of 1958), Local Public Service Personnel Mutual Aid Associations Act (Act No. 152 of 1962), Private School Personnel Mutual Aid Associations Act (Act No. 245 of 1953), or Act on the Farmers' Pension Fund, IAA (Act No. 127 of 2002), or any other lump-sum or one-time payment provided for by Cabinet Order which is based on a system similar to the social insurance or mutual aid systems under these Acts (including any similar payment; the same applies in item (iii));

(ii) a lump-sum payment based on Chapter IX of the Employees' Pension Insurance Act, which is paid due to a member as prescribed in Article 122 (Members) of that Act leaving employment, or a lump-sum payment based on the provisions of the Coal Mining Pension Fund Act (Act No. 135 of 1967) which is paid due to a pit worker as prescribed in Article 16, paragraph (1) (Payment for Pit Workers) of that Act or surface worker as prescribed in Article 18, paragraph (1) (Payment for Surface Workers) of that Act leaving employment;

(iii) a lump-sum payment that the taxpayer receives based on the Fixed-Benefit Corporate Pension Act (Act No. 50 of 2001), and which is paid due to a member as prescribed in Article 25, paragraph (1) (Members) of that Act leaving employment (if any part of installment deposits contributed based on bylaws regarding fixed-benefit corporate pensions as prescribed in Article 3,

paragraph (1) (Implementation of Fixed-Benefit Corporate Pensions) of that Act constitute an amount borne by the member, the application of this paragraph is limited to the part of the lump-sum payment that is equivalent to the amount of that lump-sum payment less the amount borne by the member) or any other lump-sum payment prescribed by Cabinet Order as being similar thereto.

(Timber Income)

Article 32 (1) Timber income means income arising from the felling of trees in forested land or a transfer of forested land.

(2) Income arising from the felling of trees in forested land or a transfer of forested land within five years after the date of its acquisition is not included in timber income.

(3) Timber income is the amount arrived at when the special timber income deduction is applied against the amount remaining after necessary expenses are deducted from gross revenue constituting timber income in the relevant year.

(4) The special timber income deduction provided for in the preceding paragraph is 500,000 yen (or the remaining amount provided for in that paragraph, if this is less than 500,000 yen).

(Capital Gains)

Article 33 (1) Capital gains means income arising from a transfer of assets (including the establishment of a superficies right or a right of lease to allow another person to own a building or structure, or an act provided for by Cabinet Order which gives another person long-term use of a piece of land pursuant to a contract; hereinafter the same applies in this Article).

(2) The following income is not included in capital gains:

(i) income arising from a transfer of Inventory (including anything that Cabinet Order prescribes as assets equivalent thereto) or from a person's continuous transfer of other assets on a commercial basis;

(ii) income arising from the felling of trees in forested land or a transfer of forested land, beyond that which falls under the preceding item.

(3) Capital gains is the amount arrived at by first treating each of the following items separately as regards the income set forth therein and calculating the sum total of the acquisition costs of assets generating the income set forth in the item plus the cost to transfer those assets, subtracting this sum from gross revenues constituting the income set forth in that item in the year, adding together the net balances from those calculations (or, if gross revenues constituting the income set forth in either one of the following items alone is less than the sum total of the acquisition costs of the assets generating that

income and the cost to transfer those assets, offsetting the net balance calculated for the income set forth in the other item by an amount equivalent to the negative balance; hereinafter such an amount is referred to as "net gain" in this Article), then applying the special capital gains deduction against the net gain:

(i) income arising from a transfer of assets (other than a transfer falling under the provisions of the preceding paragraph; the same applies in the following item) that was made within five years after the date of the acquisition thereof (other than income prescribed by Cabinet Order);

(ii) income arising from a transfer of assets, other than income as set forth in the preceding item.

(4) The special capital gain deduction provided for in the preceding paragraph is 500,000 yen (or the net gain, if this is less than 500,000 yen).

(5) When a special capital gain deduction as prescribed in paragraph (3) is applied against a net gain pursuant to the provisions of that paragraph, the deduction is first applied against the part of the net gain that comes from income set forth in item (i) of that paragraph.

(Occasional Income)

Article 34 (1) Occasional income means income outside of interest income, dividend income, real property income, business income, salary income, retirement income, timber income, and capital gains; which does not constitute income from one-time payments arising from continuous activities undertaken on a commercial basis; and which does not have the nature of compensation for work or other services or for the transfer of assets.

(2) Occasional income is the amount arrived at when the amounts expended to gain the revenue arising from occasional income for the year are added together (but only amounts that were directly needed to bring about the undertaking of acts that generated the revenue or to provoke the occurrence of causes that generated the revenue), the sum total thereof is deducted from gross revenues constituting occasional income in the relevant year, and the special occasional income deduction is applied against the net balance.

(3) The special occasional income deduction provided for in the preceding paragraph is 500,000 yen (or the net balance provided for in that paragraph, if this is less than 500,000 yen).

(Miscellaneous Income)

Article 35 (1) Miscellaneous income means income not falling under the category of interest income, dividend income, real property income, business income, salary income, retirement income, timber income, capital gains, or occasional income.

(2) Miscellaneous income is the sum total of the amounts set forth in the following items:

(i) the amount remaining after the public pension deduction is applied against the revenue from public pensions and retirement packages in the year;

(ii) the amount arrived at when the necessary expenses are deducted from gross revenues constituting miscellaneous income in the relevant year (other than income from public pensions and retirement packages).

(3) The public pensions and retirement packages that the preceding paragraph provides for means:

(i) pensions based on the provisions of the Acts prescribed in Article 31, item (i) and item (ii) (Lump-Sum Payments Deemed to Constitute Severance Pay and Other Such Compensation) and pensions as prescribed by Cabinet Order which are based on the system prescribed in item (i) of that Article (including any similar payments; the same applies in item (iii));

(ii) public retirement packages (other than lump-sum early retirement packages) and pensions based on past service which are paid by a former employer;

(iii) pensions received based on the provisions of the Fixed-Benefit Corporate Pension Act (if any part of installment deposits contributed based on bylaws provided for in Article 31, item (iii) constitutes an amount borne by the member prescribed in Article 25, paragraph (1) (Members) of that Act (including a person who was formerly a member as prescribed in that paragraph) to whom the pension is paid, this is limited to the part of the pension received based on the provisions of the Fixed-Benefit Corporate Pension Act which constitutes the amount of that pension less the part of the amount borne by the member which is calculated pursuant to Cabinet Order as being part of the amount of pension so received) and other pensions that Cabinet Order prescribes as being similar thereto.

(4) The public pension deduction prescribed in paragraph (2) is the sum of the amounts set forth in the following items; provided, however, that if that sum is less than 700,000 yen, the public pension deduction is 700,000 yen:

(i) 500,000 yen;

(ii) the amount that is set forth in each of the following sub-items for the category of case set forth in the sub-item, as it applies to the amount remaining after the amount set forth in the preceding item is deducted against the taxpayer's revenue from a public pension in the year:

(a) if the remaining amount is 3,600,000 yen or less: 25% of the remaining amount;

(b) if the remaining amount is over 3,600,000 yen but not more than 7,200,000 yen: the sum total of 900,000 yen and 15% of the difference arrived at when 3,600,000 yen is deducted from remaining amount;

(c) if the remaining amount is over 7,200,000 yen: the sum total of 1,440,000 yen and 5% of the difference arrived at when 7,200,000 yen is deducted from remaining amount.

Subsection 2 General Rules for Calculating the Amount of Income

(Amount of Revenue)

Article 36 (1) Except as provided otherwise, an amount is to be treated as part of the revenue that is used to calculate the Income in Each Class for the year or is to be included in the gross revenue that is used to calculate the same, if it is to be ascribed to revenues during the year (and the value of anything other than monies, rights, or any other economic benefit is to be treated as such or included therein, if it is ascribed to revenues during the year).

(2) The value of a thing other than monies, rights, or any other economic benefit as referred to in the preceding paragraph is its value at the time the thing or rights are acquired or at the time the benefit is enjoyed.

(3) Notwithstanding the provisions of paragraph (1), an amount is to be treated as a part of the amount of revenue that is used to calculate the interest income or dividend income for the year from interest on a bearer Public and Corporate Bond; dividend of surplus from a bearer share or similar interest (meaning a dividend of surplus as prescribed in Article 24, paragraph (1) (Dividend Income)); or distribution of proceeds linked to a bearer beneficiary certificate from a Loan Trust, Investment Trust, or Specified Trust That Issues Beneficiary Certificates, if the taxpayer is paid that amount during the year.

(Necessary Expenses)

Article 37 (1) Except as provided otherwise, the amounts that are to be included in the necessary expenses that are used to calculate the real property income, business income, or miscellaneous income for the year (other than any business income or miscellaneous income arising from the felling of trees in forested land or the transfer of forested land, and other than miscellaneous income arising from a public pension or retirement package as prescribed in Article 35, paragraph (3) (Definition of Public Pensions and Retirement Packages)) are the costs of goods sold to generate the gross revenue in that income type or other expenses directly necessary to the taxpayer's acquisition of gross revenue in that income type, as well as sales expenses, general administrative expenses, and other expenses for business operations in the year that are meant to generate that type of income (excluding any expense, other than a depreciation allowance, for which the taxpayer's liability does not become fixed during that year).

(2) Except as provided otherwise, the amounts that are to be included in the

necessary expenses that are used to calculate business income, timber income, or miscellaneous income are planting expenses, acquisition costs, maintenance expenses, felling expenses, and any other expenses needed to cultivate or transfer forested land (excluding any expense, other than a depreciation allowance, for which the taxpayer's liability does not become fixed during that year).

(Acquisition Costs Deducted to Calculate Capital Gains)

Article 38 (1) Except as provided otherwise, the asset acquisition costs that are deducted to calculate capital gains are the sum total of the amount needed to acquire the assets plus the amounts of equipment expenses and improvement expenses.

(2) If an asset generating capital gains is a house or other asset that depreciates due to use or with the passage of time, the asset acquisition costs provided for in the preceding paragraph are the amount arrived at when the sum total of the amounts set forth in each of the following items for the category of period between the acquisition date and the transfer date which is set forth in the item is deducted from an amount equal to the sum total provided for in the preceding paragraph:

(i) any period during which the assets are used in business operations that are meant to generate real property income, business income, timber income, or miscellaneous income: the cumulative amount of the depreciation allowances for those assets which, pursuant to the provisions of Article 49, paragraph (1) (Calculating Depreciation Allowances for Depreciable Assets; Depreciation Methods), are included in necessary expenses that are used to calculate the real property income, business income, timber income, or miscellaneous income for each of the years that contain days within that period;

(ii) any period other than as set forth in the preceding item: the amount of depreciation in those assets during that period, as calculated pursuant to Cabinet Order and in accordance with the provisions of Article 49, paragraph (1).

Subsection 3 Calculating Amounts of Revenue

(Inclusion of Inventory Used to Benefit One's Own Household in Gross Revenue)

Article 39 If a Resident uses Inventory (including anything that Cabinet Order prescribes to be an equivalent asset) to benefit the household, or fells trees in forested land and uses them to benefit the household, an amount equal to the value of those assets at the time of use is included in the gross revenue that is used to calculate the Resident's business income, timber income, or

miscellaneous income for the year in which the date of use falls.

(Inclusion of Gifts of Inventory in Gross Revenue)

Article 40 (1) If Inventory owned by a Resident (including forested land generating business income or anything that Cabinet Order prescribes as an asset equivalent to Inventory; hereinafter the same applies in this Article) has devolved due to circumstances as set forth in one of the following items, an amount equal to what is set forth in the applicable item is included in the gross revenue that is used to calculate the Resident's business income or miscellaneous income for the year in which the day that the circumstances occur falls:

(i) an inter vivos gift (other than a gift to an heir that becomes effective on the death of a donor leaving an estate) or legacy (other than a universal legacy and other than a particular legacy left to an heir): the value of the Inventory at the time of the inter vivos gift or legacy;

(ii) a transfer for consideration at a conspicuously low value: the part of the difference between the amount of consideration and the value of the Inventory at the time of the transfer which is found, in essence, to have been given as a gift.

(2) Calculation of business income, timber income, capital gains, or miscellaneous income if a Resident transfers Inventory acquired through an inter vivos gift, legacy, or transfer as set forth in the items of the preceding paragraph is as follows:

(i) Inventory acquired through an inter vivos gift or legacy as set forth in item (i) of the preceding paragraph is deemed to have been acquired for the amount set forth in that item;

(ii) Inventory acquired through a transfer as set forth in item (ii) of the preceding paragraph is deemed to have been acquired for the sum total of the consideration for the transfer and the amount set forth in that item.

(Inclusion of Crop Harvests in Gross Revenue)

Article 41 (1) If a Resident engaged in agriculture harvests crops (but only rice, barley, wheat, or a crop prescribed by Cabinet Order), an amount equal to the value of the crops at the time of the harvest (hereinafter referred to as the "value of the harvest" in this Article) is included in the gross revenue that is used to calculate the Resident's business income for the year in which the date of the harvest falls.

(2) The Resident is deemed to acquire a crop as referred to in the preceding paragraph for the value of the harvest at the time prescribed in that paragraph.

(Exclusion of Government Subsidies and Their Equivalent in Gross Revenue)

Article 42 (1) If, in any year, a Resident is issued a national or local government subsidy or benefit or anything that Cabinet Order prescribes as being equivalent thereto (hereinafter referred to as a "government subsidy or its equivalent" in this Article and the following Article) which is meant to be allocated to acquiring or improving Fixed Assets (including forested land; hereinafter the same applies in this Article and the following Article), and the Resident uses the government subsidy or its equivalent to acquire or improve Fixed Assets that year in line with the purpose for which it is issued, an amount equal to the part of the government subsidy or its equivalent that the Resident allocates to acquiring or improving the Fixed Assets is not included in the gross revenue that is used to calculate that Resident's Income in Each Class, but only if the final decision that the Resident need not return the government subsidy or its equivalent is reached by December 31 of the relevant year (or by the time of the Resident's death or the start of the Resident's Absence From Japan, if the Resident dies or becomes Absent From Japan partway through the year after the acquisition or improvement).

(2) If, in any year, a Resident is issued Fixed Assets in lieu of a government subsidy or its equivalent, an amount equal to the value of those Fixed Assets is not included in the gross revenue that is used to calculate that Resident's Income in Each Class.

(3) The provisions of the preceding two paragraphs apply only if the Tax Return indicates recourse to the application of those provisions, indicates the amount that is not being included in gross revenue pursuant to those provisions, and gives the information prescribed by Ministry of Finance Order.

(4) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (1) or paragraph (2) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.

(5) Cabinet Order provides for the necessary particulars concerning the calculation of the depreciation allowance provided for in Article 49, paragraph (1) (Calculating Depreciation Allowances for Depreciable Assets; Depreciation Methods) for Fixed Assets that a Resident subject to the provisions of paragraph (1) or paragraph (2) uses a government subsidy or its equivalent to acquire or improve or for Fixed Assets as prescribed in that paragraph that such a Resident acquires; and provides for the necessary particulars concerning the calculation of business income, timber income, capital gains, or miscellaneous income in the event that such a Resident transfers those Fixed Assets.

(Exclusion of Conditional Government Subsidies and Their Equivalent from

Gross Revenue)

Article 43 (1) If, in any year, a Resident is issued a government subsidy or its equivalent that is meant to be allocated to acquiring or improving Fixed Assets, and the final decision that the Resident need not return the government subsidy or its equivalent has not been reached by December 31 of the relevant year (or by the time of the Resident's death or the start of the Resident's Absence From Japan, if the Resident dies or becomes Absent From Japan partway through the year), an amount equal to the government subsidy or its equivalent is not included in the gross revenue that is used to calculate that Resident's Income in Each Class for the year.

(2) If the final decision is reached that a Resident subject to the provisions of the preceding paragraph need not return the whole or a part of the government subsidy or its equivalent referred to in that paragraph which the Resident has been issued, an amount equal to the part of the government subsidy or its equivalent which is subject to the final decision, less the part that Cabinet Order prescribes out of the amount allocated to acquiring or improving Fixed Assets in line with the purpose for which the government subsidy or its equivalent has been issued, is included in the gross revenue that is used to calculate that Resident's Income in Each Class for the year in which the date of the final decision falls.

(3) If it is determined that a Resident subject to the provisions of the preceding paragraph needs to return the whole or a part of the government subsidy or its equivalent referred to in that paragraph which the Resident has been issued, an amount equal to the part of the government subsidy or its equivalent that is subject to the final decision is not included in the necessary expenses or amounts expended that are used to calculate that Resident's Income in Each Class for the year in which the date of the determination falls.

(4) The provisions of paragraph (1) apply only if a Tax Return indicates recourse to the application of the provisions of that paragraph, indicates the amount that is not being included in gross revenue pursuant to that paragraph, and gives the information prescribed by Ministry of Finance Order.

(5) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (1) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.

(6) Cabinet Order provides for the necessary particulars concerning the calculation of a depreciation allowance as prescribed in Article 49, paragraph (1) (Calculating Depreciation Allowances for Depreciable Assets; Depreciation Methods) for Fixed Assets that a Resident subject to the provisions of paragraph (1) uses a government subsidy or its equivalent to acquire or

improve; and provides for the necessary particulars concerning the calculation of business income, timber income, capital gains, or miscellaneous income in the event that such a Resident transfers those Fixed Assets.

(Exclusion of Grants Meant to Cover Relocation Expenses from Gross Revenue)

Article 44 If a Resident is issued a national or local government subsidy that is meant to cover the expenses of an administratively necessary relocation, reconstruction, or removal of the Resident's assets or any other similar action (other than the improvement of a Fixed Asset or an action as prescribed by Cabinet Order; hereinafter referred to as the "relocation, reconstruction, or removal" of assets in this paragraph), or is issued an amount of money that is meant to cover the expenses of a relocation, reconstruction, or removal of the Resident's assets due to an expropriation under the Land Expropriation Act (Act No. 219 of 1951) or the occurrence of any other compelling reason prescribed by Cabinet Order, and the Resident allocates the money issued thereto to cover the relocation, reconstruction, or removal of assets for which it has been issued, the amount allocated to cover those expenses is not included in the gross revenue that is used to calculate that Resident's Income in Each Class; provided, however, that this does not apply to an amount equal to the part of the monies allocated to cover expenses which is included in the necessary expenses that are used to calculate the Income in Each Class or the part of the monies so allocated which is found to have been a necessary transfer expense.

(Exclusion of Reduced Foreign Income Taxes from Gross Revenue)

Article 44-2 If a reduction is made to the amount of foreign income taxes as prescribed in Article 95, paragraph (1) (Foreign Tax Credit) which is used as the basis for calculating the amount to be credited pursuant to the provisions of Article 95, paragraphs (1) through (3) in any of the seven years beginning in the year after that in which a Resident is subject to the provisions of those paragraphs, the amount that Cabinet Order prescribes as corresponding to the part of the reduction to foreign income taxes which is pertinent to the application of the foreign tax credit under that Article in the year in which the date of the decision to reduce those taxes falls is not included in gross revenue that is used to calculate the Resident's real property income, business income, timber income, occasional income, or miscellaneous income for the year. In such a case, the amount arrived at when the amount specified by that Cabinet Order is deducted from the amount of the reduction is included in the gross revenue that is used to calculate the Resident's miscellaneous income for the year.

Subsection 4 Calculation of Necessary Expenses

Division 1 Household-Related Expenses; Taxes and Duties

(Exclusion of Household-Related Expenses from Necessary Expenses)

Article 45 (1) The expenses set forth as follows which a Resident expends or pays to the government are not included in the necessary expenses that are used to calculate the Resident's real property income, business income, timber income, or miscellaneous income:

(i) household expenses and related expenses provided for by Cabinet Order;

(ii) income taxes (other than what Cabinet Order prescribes as the tax levied as interest under Article 131, paragraph (3) (Tax Levied as Interest for Postponing Payment of Taxes That Are to Be Paid Upon Filing) or Article 136 (Tax Levied as Interest for Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis) which is paid by a Resident engaged in a business undertaking that is meant to generate real property income, business income, or timber income, in an amount that corresponds to the Resident's income taxes for income from such a business undertaking);

(iii) any tax on delinquency, additional tax for underreporting, additional tax for failure to file, additional tax for non-payment, or compounded additional tax, and any tax for omission or failure under the provisions of the Stamp Tax Act (Act No. 23 of 1967), levied against national taxes other than income taxes;

(iv) prefectural inhabitants' tax and municipal inhabitants' tax (including Tokyo inhabitants' tax and special ward inhabitants' tax) under the Local Tax Act (Act No. 226 of 1950);

(v) delinquency charges, additional charges for underreporting, additional charges for failure to file, or compounded additional charges under the Local Tax Act;

(vi) a criminal or petty fine (including anything equivalent to a criminal or petty fine under an administrative notification and anything equivalent to a criminal or petty fine imposed by a foreign state or a local government thereof) or a non-criminal fine;

(vii) compensation for damage (or anything similar to this) as prescribed by Cabinet Order;

(viii) a surcharge or delinquency charge under the Act for Emergency Measures to Stabilize the Lives of the People (Act No. 121 of 1973);

(ix) a surcharge or delinquency charge under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947) (including any similar surcharge or delinquency charge that a foreign state, a local government thereof, or an international organization orders the Resident to pay);

(x) a surcharge or delinquency charge under Chapter VI-2 (Surcharges) of the Financial Instruments and Exchange Act;

(xi) a surcharge or delinquency charge under the Certified Public Accountant Act (Act No. 103 of 1948).

(2) A bribe as prescribed in Article 198 (Bribes) of the Penal Code (Act No. 45 of 1907), monies as prescribed in Article 18, paragraph (1) (Prohibition on Supplying Foreign Public Officials with Illicit Gains) of the Unfair Competition Prevention Act (Act No. 47 of 1993), or other monies in the nature of a gain paid by a Resident, and the value of any article other than monies or of any right or economic benefit that a Resident supplies (and any additional expenses needed to provide them), is not included in the necessary expenses that are used to calculate the Resident's real property income, business income, timber income, or miscellaneous income.

(3) An outlay as set forth in items (ii) through (vii) of paragraph (1), any monies prescribed in the preceding paragraph, and the value of any article other than monies or of any right or other economic benefit prescribed in that paragraph is not included in the amounts expended that are used to calculate the occasional income of a Resident as referred to in paragraph (1) or the preceding paragraph.

(Exclusion of Foreign Taxes Credited against Income Taxes from Necessary Expenses)

Article 46 If a Resident has recourse to the application of the provisions of Article 95, paragraph (1) (Foreign Tax Credit) or Article 138, paragraph (1) (Refunding Tax Withheld) as regards credit-eligible foreign income taxes as prescribed in Article 95, paragraph (1), the credit-eligible foreign income taxes are not included in the necessary expenses or amounts expended that are used to calculate the Resident's real property income, business income, timber income, miscellaneous income, or occasional income.

Division 2 Valuation of Assets and Depreciation Allowance

(Calculation of Costs of Inventory Sold and Valuation Methods)

Article 47 (1) In the calculation of the amount that, pursuant to the provisions of Article 37, paragraph (1) (Necessary Expenses), is included, in association with an item of Inventory that a Resident holds, in the necessary expenses that are used to calculate a Resident's business income, the value of an item of Inventory held by the Resident on December 31 of the relevant year (or by the time of the Resident's death or the start of the Resident's Absence From Japan, if the Resident dies or becomes Absent From Japan partway through the year; the same applies in the following Article through Article 50) which is used as

the basis for that calculation is the amount of money assessed based on the valuation method that the Resident has selected for Inventory (or based on the valuation method prescribed by Cabinet Order, if the Resident does not select a valuation method or if the value of the item of Inventory is not assessed based on the selected valuation method).

(2) a Cabinet Order provides for the types of selectable valuation methods referred to in the preceding paragraph, the way of selecting a valuation method, and other necessary particulars concerning the valuation of Inventory.

(Calculation of Costs of Transferred Securities and Valuation Methods)

Article 48 (1) In the calculation of the amount that, pursuant to the provisions of Article 37, paragraph (1) (Necessary Expenses), is included, in association with a Security that a Resident holds, in the necessary expenses that are used to calculate the Resident's business income, the value of a Security held by the Resident on December 31 of the relevant year which is used as the basis for that calculation is the amount of money assessed based on the valuation method that the Resident has selected for Securities (or based on the valuation method prescribed by Cabinet Order, if the Resident does not select a valuation method or if the value of the Security is not assessed based on the selected valuation method).

(2) Cabinet Order provides for the types of the selectable valuation methods referred to in the preceding paragraph, the way of selecting a valuation method, and other necessary particulars concerning the valuation of Securities.

(3) The amount that, pursuant to the provisions of Article 37, paragraph (1), is included, in association with a Security of the same class that the Resident acquires on two or more occasions, in the necessary expenses that are used to calculate the amount of a Resident's miscellaneous income, or that, pursuant to the provisions of Article 38, paragraph (1) (Acquisition Costs Deducted to Calculate Capital Gains) is included, in association with such a Security, in the acquisition costs that are used to calculate the Resident's capital gains, is the value assessed pursuant to Cabinet Order and in accordance with the provisions of paragraph (1), based on the amount needed to acquire the Security on each occasion.

(Calculating Depreciation Allowances for Depreciable Assets; Depreciation Methods)

Article 49 (1) The amount that, pursuant to the provisions of Article 37 (Necessary Expenses), is included in the necessary expenses that are used to calculate a Resident's real property income, business income, timber income, or miscellaneous income, as the depreciation allowance for a Depreciable Asset held by a Resident on December 31 of the relevant year is the amount

calculated pursuant to Cabinet Order based on the depreciation method that the Resident has selected for Depreciable Assets from among the depreciation methods prescribed by Cabinet Order by date of acquisition and asset category (or based on the depreciation method prescribed by Cabinet Order, if the Resident does not select a depreciation method).

(2) Cabinet Order establishes special provisions on the selectable depreciation methods referred to in the preceding paragraph and provides for the way of selecting a depreciation method, the acquisition costs of Depreciable Assets that is to be used as the basis of the calculation of the depreciation allowance, and other particulars that need to be prescribed concerning the depreciation of Depreciable Assets.

(Calculating Depreciation Allowances for Deferred Assets; Depreciation Methods)

Article 50 (1) The amount that, pursuant to the provisions of Article 37 (Necessary Expenses), is included in the necessary expenses that are used to calculate a Resident's real property income, business income, timber income, or miscellaneous income, as the depreciation allowance for a Deferred Asset that a Resident possesses on December 31 of the relevant year is the amount calculated pursuant to Cabinet Order on the basis of the period during which the expenses for the Deferred Assets continue to affect the calculation.

(2) Beyond what is provided for in the preceding paragraph, Cabinet Order provides for the necessary particulars concerning the depreciation of Deferred Assets.

Division 3 Losses on Assets

(Inclusion of Losses on Assets in Necessary Expenses)

Article 51 (1) A loss incurred due to circumstances such as the demolition, removal, or destruction (including a decrease in value due to damage) of a Fixed Asset, or of any other equivalent asset as provided by Cabinet Order, which is used in a business run by a Resident that is meant to generate real property income, business income, or timber income (other than any part of the loss covered by insurance benefits, compensation for damage, or anything similar to these, and excluding loss due to or related to the transfer of an asset) is included in the necessary expenses that are used to calculate the Resident's real property income, business income, or timber income for the year in which the day of the loss falls.

(2) A loss incurred in the course of business due to accounts receivable, loans, advance payments, or bad debt claims equivalent to these, or due to other circumstances as provided by Cabinet Order, in a business run by a Resident

which is meant to generate real property income, business income, or timber income is included in the necessary expenses that are used to calculate the Resident's real property income, business income, or timber income for the year in which the day of the loss falls.

(3) A loss due to Disaster, robbery, or misappropriation involving forested land owned by a Resident (other than any part of the loss covered by insurance benefits, compensation for damage, or anything similar to these) is included in the necessary expenses that are used to calculate the Resident's business income or timber income for the year in which the day of the loss falls.

(4) A loss involving assets (other than forested land and assets prescribed in Article 62, paragraph (1) (Loss of Assets Not Ordinarily Necessary in Everyday Life, Due to Disaster)) used in the business operations of a Resident which are meant to generate real property income or miscellaneous income or are the basis of such income (other than any part of the loss covered by insurance benefits, compensation for damage, or anything similar to these; other than any loss due to or related to the transfer of an asset; and other than any loss prescribed in paragraph (1) or paragraph (2) or Article 72, paragraph (1) (Casualty Loss Deduction)) is included in the necessary expenses that are used to calculate the Resident's real property income or miscellaneous income for the year in which the day of the loss falls, up to the amount of the real property income or miscellaneous income for the year (meaning the amount of real property income or miscellaneous income for the year as calculated without applying the provisions of this paragraph).

(5) Cabinet Order provides for the necessary particulars concerning the calculation of the loss prescribed in paragraph (1) and the preceding two paragraphs.

Division 4 Reserves

(Bad Debt Reserves)

Article 52 (1) If a Resident running a business that is meant to generate real property income, business income, or timber income has accounts receivable, lendings, advance payments, or equivalent monetary claims arising in the course of business (hereinafter referred to as "lendings and other claims" in this paragraph) that become subject to a grace period on repayment or to repayment in installments due to a decision confirming a reorganization plan under the Corporate Reorganization Act (Act No. 154 of 2002), or in any other cases provided for by Cabinet Order, any amount that the Resident transfers into the reserve account for bad debts in each year (other than a year in which the day of a complete business transfer or discontinuation falls; the same applies in the following paragraph) as the expected amount ascribable to the

part of the loss on a lending or other claim which is expected to come from a bad debt or other equivalent circumstances (this includes any other lendings or other claims made to or held against the debtor associated with the lending or other claim in question; hereinafter referred to as an "individually assessed lending or other claim" in this paragraph and the following paragraph) is included in the necessary expenses that are used to calculate the Resident's real property income, business income, or timber income for the year, up to the amount calculated pursuant to Cabinet Order based on the part of the amount transferred for the individually assessed lending or other claim which, as of December 31 of the relevant year (or as of the time of the Resident's death, if the Resident dies partway through the year; the same applies in the following paragraph), there is found to be little prospect of collecting or having repaid; provided, however, that this does not apply if the Resident dies and the heir does not take over the business.

(2) The amount that a Blue-Return-filing Resident running a business that is meant to generate business income transfers into the reserve account for bad debts in any year as the expected amount of losses due to bad debts in accounts receivable, lendings, and equivalent monetary claims arising in the course of business (other than individually assessed lendings and other claims; hereinafter referred to as "collectively assessed loans" in this paragraph) is included in the necessary expenses that are used to calculate the Resident's business income for the year, up to the amount calculated pursuant to Cabinet Order based on the amount of collectively assessed loans that the Resident holds as of December 31 of the relevant year; provided, however, this does not apply if the Resident dies and the heir does not take over the business, and does not apply in any other case as prescribed by Cabinet Order.

(3) The part of a reserve account for bad debts which is included in the necessary expenses that are used to calculate the real property income, business income, or timber income for the year in which that amount is transferred into the account pursuant to the provisions of the preceding two paragraphs is included in the gross revenue that is used to calculate the real property income, business income, or timber income for the year following that in which the amount is transferred into the account.

(4) The provisions of paragraph (1) and paragraph (2) apply only if a Tax Return gives the details of the inclusion of the amount transferred into the reserve account for bad debts in necessary expenses.

(5) Even if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (1) or paragraph (2) on finding there to be unavoidable circumstances for the Resident's failure to fill out the Tax Return in that manner.

(6) Cabinet Order provides for the necessary particulars concerning the handling, in the event of the death of a Resident as prescribed in paragraph (1) or paragraph (2), of any amount of a reserve account for bad debts that has been included in the necessary expenses that are used to calculate the real property income, business income, or timber income for the year in which the date of the Resident's death falls.

(Reserves for Losses on Returned Goods)

Article 53 (1) If a Blue-Return-filing Resident running a publishing business or any other business provided for by Cabinet Order has entered into a continuously operative special contract applicable to the majority of the Inventory that the Resident sells in its business, under which the Resident is to buy back Inventory sold for its value as of the time of the sale, or if such a Resident has entered into any other special contract as prescribed by Cabinet Order, the amount that the Resident transfers into the reserve account for losses on returned goods in each year (other than a year in which the Resident transfers or discontinues all of such business) as the estimated amount of losses attributable to buy backs under the special contract applicable to that Inventory is included in the necessary expenses that are used to calculate the Resident's business income for the year, up to the amount calculated pursuant to Cabinet Order based on the actual data from recent years on buy backs under the special contract applicable to that Inventory; provided, however, that this does not apply if the Resident dies and the heir does not take over the business, and does not apply in any other case as provided by Cabinet Order.

(2) The part of a reserve account for losses on returned goods which is included in the necessary expenses that are used to calculate business income for the year in which that amount is transferred into the account pursuant to the provisions of the preceding paragraph is included in the gross revenue that is used to calculate business income for the year following that in which the amount is transferred into the account.

(3) The provisions of paragraph (1) apply only if a Tax Return gives the details of the inclusion of the amount transferred into the reserve account for losses on returned goods in necessary expenses.

(4) Even if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (1) on finding there to be unavoidable circumstances for the Resident's failure to fill out the Tax Return in that manner.

(5) Cabinet Order provides for the necessary particulars concerning the handling, in the event of the death of a Resident as prescribed in paragraph (1), of any amount of reserves for loss on returned goods that has been included in the necessary expenses that are used to calculate business income for the year in

which the date of the Resident's death falls.

(Reserves for Severance Packages)

Article 54 (1) If a Blue-Return-filing Resident running a business that is meant to generate business income has established rules for severance packages as prescribed by Cabinet Order, the amount that the Resident transfers to the severance package reserves account in any year to cover severance packages that are paid to employees of the business (other than a spouse or other relative whose living expenses are paid from the same resources as the Resident; hereinafter the same applies in this Article) upon their separation from employment is included in the necessary expenses that are used to calculate the Resident's business income for the year, up to the amount calculated pursuant to Cabinet Order based on the amount of any increase that is found to have arisen in the year in the estimated amount that the Resident would have to pay in severance packages if all employees of the business that the Resident employs as of December 31 of that year (or as of the time of Resident's death, if the Resident dies partway through the year) were to resign of their own accord.

(2) A Resident holding monies under a severance package reserves account (but only amounts of monies included in the necessary expenses that are used to calculate business income for the year in which that amount is transferred into the account pursuant to the provisions of the preceding paragraph; this excludes any monies that it has already been established must be withdrawn pursuant to the provisions of this paragraph; hereinafter the same applies in this Article) must withdraw the monies under the severance package reserves account if an employee as referred to in the preceding paragraph separates from employment, if approval to file a Blue Return is rescinded, or in any other case prescribed by Cabinet Order.

(3) An amount of monies under a severance package reserves account which it has been established must be withdrawn pursuant to the provisions of the preceding paragraph is included in the gross revenue that is used to calculate the amount of business income for the year in which the day it was established that the amount was to have been withdrawn falls; and any amount of monies under a severance package reserves account which is withdrawn even though it does not fall under the provisions of that paragraph is included in the gross revenue that is used to calculate business income for the year in which the day it is withdrawn falls.

(4) The provisions of paragraph (1) apply only if a Tax Return gives the details of the inclusion of the amount transferred into the severance package reserves account in necessary expenses.

(5) Even if a Tax Return is filed that is not filled out as referred to in the

preceding paragraph, the district tax office director may apply the provisions of paragraph (1) on finding there to be unavoidable circumstances for the Resident's failure to fill out the Tax Return in that manner.

(6) Beyond what is prescribed in paragraph (2) to the preceding paragraph, Cabinet Order provides for the handling of amounts of monies under severance package reserves accounts following the death of the Resident holding them and for other necessary particulars concerning the application of the provisions of paragraph (1).

Division 5 Consideration That Relatives Receive from Business

(Special Provisions on Necessary Expenses If Relatives Receive Consideration from a Resident's Business)

Article 56 If, due to reasons such as being employed in a business run by a Resident which is meant to generate real property income, business income, or timber income, the spouse or any other relative whose living expenses are paid from the same resources as a Resident is paid a consideration by that business, an amount equal to that consideration is not to be included in the necessary expenses that are used to calculate the real property income, business income, or timber income from the Resident's business, and any amount that is to be included in the necessary expenses that are used to calculate the relative's Income in Each Class from that consideration is included in the necessary expenses that are used to calculate the real property income, business income, or timber income from the Resident's business. In such a case, the amount of the consideration paid to the relative and amounts to be included in the necessary expenses that are used to calculate the relative's Income in Each Class from consideration are deemed not to be a part of the calculation of the relative's Income in Each Class.

(Special Provisions on Necessary Expenses If Relatives Work Exclusively for a Resident)

Article 57 (1) Notwithstanding the provisions of the preceding Article, if the spouse or other relative (other than one under 15 years of age) whose living expenses are paid from the same resources as a Resident that the director of the district tax office has approved to file a Blue Return, who works exclusively in a business as prescribed in the preceding Article which is run by the Resident (hereinafter referred to as a "relative employed only by a blue-return filer" in this Article) is paid a salary by the business of up to the amount stipulated in the document referred to in the following paragraph and in the way that is stipulated in that document, the part of the salary that, in light of the period, nature, and extent of the relative's service; the type and size of the

business; salaries ordinarily paid in the same type and similar size of business; and any other circumstances provided for by Cabinet Order, is found to be appropriate as consideration for the relative's work, is included in the necessary expenses that are used to calculate the real property income, business income, or timber income from the Resident's business for the year in which the salary is paid, and is treated as the annual revenue constituting salary income of the relative employed only by the blue-return filer.

(2) A Resident seeking to apply the provisions of the preceding paragraph to income taxes in and after the current year must submit a document to the competent district tax office director for the locality in which the Resident pays taxes, giving the names of relatives employed only by the blue-return filer, the details of their duties, the amounts of their salaries, the pay periods for those salaries, and the information prescribed by Ministry of Finance Order, no later than March 15 of the relevant year (or within two months from the day on which the Resident starts a business as referred to in that paragraph, if this is on or after January 16 of that year).

(3) If a Resident (other than one as prescribed in paragraph (1)) has a spouse or other relative whose living expenses are paid from the same resources as the Resident (excluding a relative under 15 years of age) and who works exclusively in a business as prescribed in the preceding Article which is run by the Resident (hereinafter referred to as a "relative employed only by the Resident" in this Article), whichever is the lower of the following amounts is deemed to constitute the necessary expenses for each relative employed only by the Resident which are used to calculate the real property income, business income, or timber income from that business of the Resident for the year:

(i) the amount prescribed in each of the following clauses for the category of relative employed only by the Resident set forth in the clause:

(a) a relative employed only by the Resident who is the spouse of the Resident: 860,000 yen;

(b) a relative employed only by the Resident other than the person set forth in (a): 500,000 yen.

(ii) the amount calculated by dividing the real property income, business income, or timber income from that business for the year (meaning the amount calculated without applying the provisions of this paragraph) by one more than the number of relatives employed only by the Resident in that business.

(4) If the provisions of the preceding paragraph are applied, the amount deemed to be the necessary expenses for each of the relatives employed only by the Resident pursuant to the provisions of that paragraph is deemed to be the revenue constituting salary income of each of the relatives employed only by the Resident which is used to calculate their Income in Each Class for the year.

(5) The provisions of paragraph (3) do not apply unless a Tax Return indicates recourse to the application of the provisions of that paragraph and gives information about the amounts that are deemed to be necessary expenses pursuant to the provisions of that paragraph.
(6) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (3) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.
(7) In a case as referred to in paragraph (1) or paragraph (3), whether a relative as prescribed in those provisions is under 15 years of age is determined by the relative's age as of December 31 of the relevant year (or as of the time of the Resident's death or the start of the Resident's Absence From Japan, if the Resident prescribed in these provisions dies or becomes Absent From Japan partway through the year); provided, however, that if such a relative has already died as of that point in time, whether that relative was under 15 years of age is determined by the relative's age as of the time of death.
(8) Cabinet Order prescribes procedures for if the details of the requirements for a relative employed only by a blue-return filer or relative employed only by a Resident change and for if information that has been given in the document referred to in paragraph (2) changes, and provides for other necessary particulars concerning the application of the provisions of paragraph (1) and paragraph (3).

Division 6 Specific Expenses of Salary Income Earners

(Special Provisions on Deducting Specific Expenses of Salary Income Earners)
Article 57-2 (1) Notwithstanding the provisions of Article 28, paragraph (2) and paragraph (4), if a Resident has specific expenses in any year and the sum of the specific expenses for the year exceeds the salary income deduction prescribed in Article 28, paragraph (3) (Salary Income), the salary income prescribed in paragraph (2) of that Article for the year may be taken to be the amount arrived at when the amount by which such expenses exceed the deduction is deducted from the remaining amount that is referred to in paragraph (2) of that Article.
(2) The specific expenses prescribed in the preceding paragraph means the following expenses of a Resident (this excludes any part of a Resident's expenses which are covered by a person related to the Resident who pays the Resident a salary or other wage as prescribed in Article 28, paragraph (1) (hereinafter referred to as the "person paying the salary or other wage"), if income taxes are not imposed on the part so covered):

(i) that which Cabinet Order prescribes, in respect of any expenses that the Resident incurs to use the transportation facilities or transportation equipment necessary for a commute via routes and means of transportation that the person paying the salary or other wage attests to, pursuant to Ministry of Finance Order, as being the most economical and reasonable in light of the fare, commute time, distance of the commute, and any other circumstances of the Resident's commute, as the part of such expenses that the average commuter is found to need under ordinary circumstances;

(ii) what is prescribed by Cabinet Order as the expenses that are found to be necessary under ordinary circumstances for a change of residence that the person paying a salary or other wage attests to, pursuant to Ministry of Finance Order, as being connected with a transfer of workplace;

(iii) expenses for undergoing training that the person paying the salary or other wage attests to, pursuant to Ministry of Finance Order, as being something that the Resident undergoes so as to learn a skill or acquire knowledge that is directly necessary to the performance of the Resident's duties (other than training to acquire a professional qualification);

(iv) expenses for acquiring a professional qualification (other than as an attorney, certified public accountant, or tax accountant, or any other qualification with respect to which laws and orders prescribe that only a person so qualified may engage in a specific professional practice) which the person paying the salary or other wage attests to, pursuant to Ministry of Finance Order, as being directly necessary to the performance of the Resident's duties;

(v) expenses prescribed by Cabinet Order which are necessary for travel under ordinary circumstances between the Resident's workplace or residence and the place where the spouse or other family member of the Resident resides, in circumstances that the person paying the salary or other wage attests to, pursuant to Ministry of Finance Order, as falling under a case in which a transfer of workplace has caused the Resident to live constantly apart from the spouse thereof whose living expenses are paid from the same resources as the Resident, or as falling under circumstances that Cabinet Order prescribes as being equivalent thereto.

(3) The provisions of paragraph (1) apply only if a Tax Return indicates recourse to the application of the provisions of that paragraph and gives the sum of the amount of specific expenses prescribed in that paragraph, and is accompanied by a detailed statement of the specific expenses set forth in each of the items of the preceding paragraph and the certifying documents prescribed in those items.

(4) When filing a Tax Return indicating recourse to the application of the provisions of paragraph (1), the filer must include with the Tax Return a

document prescribed by Cabinet Order as evidencing the fact that the Resident has incurred the specific expenses prescribed in that paragraph and the amount spent, or must present such a document at the time of filing the Tax Return.

(5) Beyond what is prescribed in the preceding paragraphs, Cabinet Order provides for the details of the scope of specific expenses prescribed in paragraph (2) and for other necessary particulars concerning the application of the provisions of paragraph (1).

Subsection 4-2 Conversion of Transactions in a Foreign Currency

(Conversion of Transactions in a Foreign Currency)

Article 57-3 (1) If a Resident makes a transaction in a foreign currency (meaning that the Resident sells or purchases assets, provides services, borrows or lends monies, or conducts any other transaction involving payment in a foreign currency; hereinafter the same applies in this Article), the yen equivalent of that transaction (meaning the amount arrived at when the amount of the foreign-currency-denominated transaction is converted into a Japanese-currency-denominated amount; the same applies in the following paragraph) is the amount arrived at when the amount of the transaction is converted into yen based on the foreign exchange rate as of the time of the foreign-currency transaction, and this is used to calculate the Resident's Income in Each Class for the year.

(2) If a Resident conducting business that is meant to generate real property income, business income, timber income, or miscellaneous income fixes the yen equivalent of assets acquired or liabilities incurred through a transaction in a foreign currency based on a foreign exchange futures contract or similar contract (meaning what is provided for by Ministry of Finance Order as a contract that fixes the yen equivalent of assets acquired or liabilities incurred through a transaction in a foreign currency; hereinafter the same applies in this paragraph) and enters an indication of this, pursuant to Ministry of Finance Order, in the books and documents connected with the Resident's business or in any other document prescribed by Ministry of Finance Order, as on the day that the foreign exchange futures contract or similar contract is concluded, the yen equivalent of the assets or liabilities is treated as the amount arrived at via the conversion into yen pursuant to the preceding paragraph, and this is used to calculate the Resident's real property income, business income, timber income, or miscellaneous income for each year.

(3) Beyond what is prescribed in the preceding paragraph, Cabinet Order establishes special provisions on the conversion of transactions in a foreign currency and provides for other necessary particulars concerning the

application of the provisions of the preceding two paragraphs.

Subsection 5 Special Provisions on Calculation of Gross Revenue, Necessary Expenses, and Acquisition Costs Associated with Transfers of Assets

(Special Provisions on Capital Gains Due to Share Exchange)

Article 57-4 (1) If, in any year, due to a share exchange implemented by a corporation issuing shares that a Resident holds (hereinafter referred to as "old shares" in this paragraph) (such a share exchange is limited to one in which the shareholders of the corporation are not issued assets other than either shares (including capital contributions; hereinafter the same applies in this paragraph) in a wholly owning parent corporation resulting from a share exchange which is as prescribed in Article 2, item (xii)-6-4 (Definitions) of the Corporation Tax Act (hereinafter referred to as a "wholly owning parent corporation resulting from a share exchange" in this paragraph) or shares in a corporation that is related to the wholly owning parent corporation resulting from the share exchange in a way that Cabinet Order prescribes as constituting a relationship whereby it holds all the issued shares or capital contributions in the wholly owning parent corporation resulting from the share exchange (other than the treasury shares that the wholly owning parent corporation resulting from the share exchange holds itself) (monies and other assets issued to the shareholders as dividends of surplus and monies and other assets issued to any shareholder dissenting from the share exchange as a consideration based on an exercise of appraisal rights are not considered to be assets other than such shares)), the Resident transfers old shares to the wholly owning parent corporation resulting from the share exchange and is issued shares therein, for the purpose of applying Article 27 (Business Income), Article 33 (Capital Gains), and Article 35 (Miscellaneous Income), the transfer of the old shares is deemed not to have taken place.

(2) If, in any year, due to a share transfer implemented by a corporation issuing shares that a Resident holds (hereinafter referred to as "old shares" in this paragraph) (such a share transfer is limited to one in which the shareholders of the corporation are not issued assets other than shares in a wholly owning parent corporation resulting from a share transfer as prescribed in Article 2, item (xii)-7 of the Corporation Tax Act (hereinafter referred to as a "wholly owning parent corporation resulting from a share transfer" in this paragraph) (monies and other assets issued to any shareholder dissenting from the share transfer as a consideration based on an exercise of appraisal rights are not considered to be assets other than such shares)), the Resident transfers old shares to the wholly owning parent corporation resulting from the share

transfer and is issued shares therein, for the purpose of applying Article 27, Article 33, and Article 35, the transfer of the old shares is deemed not to have taken place.

(3) If, in any year, a Resident transfers Securities as set forth in one of the following items due to the cause prescribed in the item, and is issued shares (including capital contributions; hereinafter the same applies in this paragraph) or share options in the corporation making the acquisition provided for in that item due to that cause (unless the value of the shares or share options issued thereto is found not to be close to the value of the transferred Securities), for the purpose of applying Article 27, Article 33, and Article 35, the transfer of the Securities is deemed not to have taken place:

(i) shares with a put option (meaning shares with a feature that a corporation provides for with respect to all or some of the shares it issues, entitling a Shareholder, Member, or Other Investor to demand that the corporation acquire those shares): the exercise of the put option associated with those shares, if only shares in the acquiring corporation are issued as the consideration for the acquisition;

(ii) shares subject to call (meaning shares with a feature that a corporation provides for with respect to all or some of the shares it issues, entitling the corporation to acquire those shares conditional upon the occurrence of certain causes (hereinafter referred to as the "grounds to acquire" in this item)): the occurrence of the grounds to acquire shares subject to call, if only shares in the acquiring corporation are issued to the Shareholders, Members, and Other Investors whose shares it acquires, as the consideration for the acquisition (if all classes of shares subject to the acquisition are acquired, this includes if only shares and share options in the acquiring corporation are issued to the Shareholders, Members, and Other Investors whose shares it acquires, as the consideration for the acquisition);

(iii) shares subject to class-wide call (meaning shares in a class which the issuing corporation indicates it will acquire all of through a resolution at a shareholders meeting or any equivalent mechanism (hereinafter referred to as the "resolution to acquire" in this item)): a resolution to acquire the shares subject to class-wide call, if no assets other than shares in the acquiring corporation (including share options in the acquiring corporation which are issued along with such shares) are issued to the Shareholders, Members, and Other Investors whose shares it acquires, as the consideration for the acquisition (monies and other assets issued based on a petition for the court to determine an acquisition price are not considered to be assets other than such shares);

(iv) bonds with embedded share options: the exercise of the share options embedded into those bonds, if shares in the acquiring corporation are issued

as the consideration for the acquisition;

(v) share options subject to call (meaning any share options that the corporation issuing them has indicated it is entitled to acquire conditional upon the occurrence of certain causes (hereinafter referred to as the "grounds to acquire" in this item); this excludes share options issued to the issuee under particularly favorable conditions or at a particularly favorable price, and any other share options as provided by Cabinet Order): the occurrence of grounds to acquire, if only shares in the acquiring corporation are issued to the share option holders whose the share options it acquires, as the consideration for the acquisition;

(vi) bonds with embedded share options subject to call (meaning any share options that the corporation issuing them has indicated it is entitled to acquire conditional upon the occurrence of certain causes (hereinafter referred to as "grounds to acquire" in this item)): the occurrence of grounds to acquire, if only shares in the acquiring corporation are issued to the share option holders whose share options it acquires, as the consideration for the acquisition.

(4) Cabinet Order prescribes the calculation of the acquisition costs for Securities that a Resident acquires subject to the application of the preceding three paragraphs and provides for other necessary particulars concerning the application of the preceding three paragraphs.

(Special Provisions on Capital Gains if the Resident Exchanges Fixed Assets)

Article 58 (1) If, in any year, a Resident exchanges a Fixed Asset that the Resident has held for at least one year and which is as set forth in one of the following items, for a Fixed Asset held by another person for at least one year which is as set forth in the item (other than one that the other person is found to have acquired solely for the purpose of the exchange) and uses the asset as set forth in the item which the Resident acquires in the exchange (hereinafter referred to as the "acquired asset" in this Article) for the same purpose as that for which the asset as set forth in the item which the Resident has transferred in the exchange (hereinafter referred to as the "transferred asset" in this Article) was used immediately prior to the transfer, for the purpose of applying Article 33 (Capital Gains), the transferred asset (other than a part thereof that is equivalent to the value of any monies or other assets acquired along with the acquired assets) is deemed not to have been transferred:

(i) land (or a superficies right or right of lease that allows for ownership of a building or structure, or a right connected with the cultivation of farmland as prescribed in Article 2, paragraph (1) (Definitions) of the Agricultural Land Act (Act No. 229 of 1952);

(ii) a building (including any attached facilities and structures);

(iii) machinery and equipment;
(iv) a vessel;
(v) a mining right (this includes a mining lease right, a right of quarrying, or any other right to dig or quarry soil and stone).

(2) The provisions of the preceding paragraph do not apply if the difference between the value of the acquired asset and that of the transferred asset at the time of the exchange referred to in that paragraph exceeds 20% of whichever asset is of greater value.

(3) The provisions of paragraph (1) apply only if a Tax Return indicates recourse to the application of the provisions of that paragraph, indicates the values of the acquired asset and transferred asset, and gives any other information prescribed by Ministry of Finance Order.

(4) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (1) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.

(5) a Cabinet Order provides for the necessary particulars concerning the calculation of the depreciation allowance prescribed in Article 49, paragraph (1) (Calculating Depreciation Allowances for Depreciable Assets; Depreciation Methods) which is required to be made for an asset that a Resident subject to the application of paragraph (1) acquires, as well as for the necessary particulars concerning the calculation of the amount of capital gains in the event that such a Resident transfers the asset acquired thereby.

(Special Provisions on Capital Gains and Gifts)

Article 59 (1) If forested land that a Resident owns (excluding forested land generating business income) or assets generating capital gains have devolved due to any of the following circumstances, such assets are deemed to have been transferred to the Resident, with an amount equivalent to their value as of the time the circumstances arose being used in the calculation of the Resident's timber income, capital gains, or miscellaneous income:
(i) an inter vivos gift (but only a gift to a corporation), hereditary succession (but only hereditary succession subject to qualified acceptance), or a legacy (but only a legacy left to a corporation or a universal legacy left to an individual which is associated with a qualified acceptance);
(ii) a transfer at a price that Cabinet Order prescribes as a consideration at a conspicuously low value (but only a transfer to a corporation).

(2) If a Resident transfers an asset as prescribed in the preceding paragraph to an individual at a price as prescribed in item (ii) of that paragraph and the amount of the consideration is less than the sum total of the necessary

expenses or acquisition costs and transfer costs which are deducted to calculate timber income, capital gains, or miscellaneous income from the transfer of that asset, there is deemed to be no such negative balance when timber income, capital gains, or miscellaneous income is calculated.

(Acquisition Costs of Assets Acquired as Gifts)

Article 60 (1) If a Resident transfers an asset as prescribed in paragraph (1) of the preceding Article which was acquired due to any of the following circumstances, the Resident is deemed to continue to possess that asset as regards the calculation of business income, timber income, capital gains, or miscellaneous income:

(i) an inter vivos gift, hereditary succession (other than hereditary succession subject to qualified acceptance), or a legacy (other than a universal legacy associated with a qualified acceptance);

(ii) a transfer falling under paragraph (2) of the preceding Article.

(2) If a Resident transfers an asset acquired through hereditary succession or a legacy as set forth in Article 59, paragraph (1), item (i), the Resident is deemed to have acquired the asset, with an amount equivalent to the value thereof at the time the Resident acquired it being used in the calculation of business income, timber income, capital gains, or miscellaneous income.

(Acquisition Costs of Assets Acquired Prior to December 31, 1952)

Article 61 (1) If forested land generating timber income has been under continuous ownership since at least December 31, 1952, the necessary expenses deducted to calculate the timber income from that forested land comprise the sum total of the amount calculated pursuant to Cabinet Order as the value of the forested land as of January 1, 1953, and the monies spent on maintenance expenses, felling expenses, and any other expenses required to cultivate and transfer the forested land on and after January 1, 1953.

(2) If an asset generating capital gains (other than assets as prescribed in the following paragraph and paragraph (4)) has been under continuous ownership since at least December 31, 1952, the acquisition costs deducted to calculate the amount of capital gains from that asset comprise the sum total of the amount calculated pursuant to Cabinet Order as the value of the asset as of January 1, 1953 (or the sum total of the amount needed to acquire the asset and the amount of monies expended on equipment expenses and improvement expenses prior to January 1, 1953, if there is proof that the value of the asset as of that day is less than this), plus the amount of monies expended on equipment expenses and improvement expenses for the asset on and after January 1, 1953.

(3) If an asset generating capital gains has been under continuous ownership

since at least December 31, 1952, and falls under the provisions of Article 38, paragraph (2) (Acquisition Costs of Assets That Depreciate Due to Use or with the Passage of Time), the acquisition costs deducted to calculate the capital gains from that asset comprise the amount arrived at when the sum total of the amounts set forth in the items of Article 38, paragraph (2), as calculated when the asset is deemed to have been acquired for the amount calculated pursuant to Cabinet Order as the value of the asset as of January 1, 1953, is deducted from the sum total of the amount calculated pursuant to Cabinet Order as the value of the asset as of January 1, 1953 (or the value of the asset as of that day, calculated pursuant to Cabinet Order based on the sum total of the amount needed to acquire the asset and the amount of monies expended on equipment expenses and improvement expenses prior to January 1, 1953, if there is proof that the value of the asset as of that day is less than this) plus the amount of monies expended on equipment expenses and improvement expenses for the asset on and after January 1, 1953.

(4) If, in the calculation of capital gains from Securities, the amount needed to acquire a Security that was acquired on or before December 31, 1952, is a part of the amount used as the basis for calculating Security acquisition costs which are deducted to calculate capital gains, the amount calculated pursuant to Cabinet Order as the value of a Security so acquired as of January 1, 1953 (or the amount needed to acquire the Security, if there is proof that the value of the Security as of that day is less than this) is used as the amount needed to acquire the Security.

(Loss of Assets Not Ordinarily Necessary in Everyday Life, Due to Disaster)

Article 62 (1) The amount of a loss that a Resident incurs in respect of anything prescribed by Cabinet Order as an asset that is not ordinarily necessary in everyday life, due to Disaster, robbery, or misappropriation (other than any part of the loss covered by insurance benefits, compensation for damage, or anything similar to these) is deemed to be the amount that, pursuant to Cabinet Order, is to be deducted to calculate capital gains in the year in which the day that the person incurs the loss falls or in the following year.

(2) Cabinet Order provides for the necessary particulars concerning the calculation of the amount of a loss as prescribed in the preceding paragraph.

Subsection 6 Special Provisions on Calculation of Income In the Event of a Business Closure

(Special Provisions on Necessary Expenses In the Event of a Business Closure)

Article 63 If a Resident closes a business that is meant to generate real property income, business income, or timber income and there proves to be an amount of

expenses or losses in connection with the business which it would have been necessary to include in the necessary expenses that would have been used to calculate the Resident's real property income, business income, or timber income in or after the current year if the Resident had not closed the business, that amount is included in the necessary expenses that are used to calculate the Resident's real property income, business income, or timber income for the year in which the day that the person closes the business falls (or for the most recent year in which there were gross revenues constituting one of these types of income, if there was none for the year in which that day falls) or for the prior year.

(Special Provisions on Calculation of Income If Payment for Transferred Assets Becomes Uncollectible)

Article 64 (1) If all or some of the revenue or gross revenue (other than revenue arising from business that is meant to generate real property income or timber income; hereinafter the same applies in this paragraph) used as the basis for calculating the Income in Each Class (other than business income; hereinafter the same applies in this paragraph) for the year proves to be uncollectible or if all or some of such revenue or gross revenue must be returned due to circumstances as provided by Cabinet Order, the part of the Income in Each Class corresponding to the amount that proves to be uncollectible or corresponding to the amount that must be returned is deemed not to have been included in the calculation of the Income in Each Class, pursuant to Cabinet Order.

(2) If an asset (other than one falling under the provisions of Article 33, paragraph (2), item (i) (Income Not Included as Capital Gains)) is transferred (or if an action provided for by Cabinet Order which is referred to in paragraph (1) of that Article is undertaken) in performance of an obligation guaranteed by the transferor and it comes to pass that the whole or a part of the right to reimbursement for performance of that obligation cannot be exercised, the amount in respect of which the right to reimbursement cannot be exercised (excluding an amount included in the necessary expenses that are used to calculate real property income, business income, or timber income) is deemed to be the amount that proves to be uncollectible as prescribed in the preceding paragraph, and the provisions of that paragraph apply.

(3) The provisions of the preceding paragraph apply only if a Tax Return indicates recourse to the application of the provisions of that paragraph and gives the information prescribed by Ministry of Finance Order, unless a request for a Reassessment is filed pursuant to the provisions of Article 152 (Special Provisions on Requests for Reassessment If the Income in Each Class Changes).

(4) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (2) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.

Subsection 7 Special Provisions on the Period to Which Revenue and Expenses Are Attributed

(Periods to Which Revenue and Expenses from Deferred-Payment Sales and Similar Dealings Are Attributed)

Article 65 (1) If a Resident makes a sale of Inventory that falls under the category of a deferred-payment sale or similar dealing, is contracted for construction work (this includes manufacturing), or provides a service (other than under a contract for long-term, large-scale construction work as prescribed in paragraph (1) of the following Article; hereinafter referred to as a "sale of assets or similar dealings" in this Article), and accounts for the amounts of revenue and expenses from the sale of assets or similar dealings on a deferred-payment basis as prescribed by Cabinet Order in any year beginning with that in which the date that the Resident delivers the object or provides the service which is the subject of the sale of assets or similar dealings falls, the amounts of revenue and expenses so accounted for are included in the gross revenue and necessary expenses that are used to calculate the business income for the relevant years; provided, however, that this does not apply as regards the calculation of business income beginning in any year after one in which the Resident fails to account for the amounts of revenue and expenses from the sale of assets or similar dealings on a deferred-payment basis, in a year after that in which the date that the Resident delivers the object or provides the service falls.

(2) Notwithstanding the preceding paragraph, if a Resident delivers leased property as prescribed in Article 67-2, paragraph (1) (Calculating Amounts of Income from Lease Arrangements) through a lease arrangement prescribed in paragraph (3) of that Article (hereinafter the delivery of leased property is referred to as a "transfer under a lease" in this Article), the amounts that Cabinet Order prescribes as the amounts of revenue and expenses in each year beginning in the year in which the date of the transfer under the lease falls, for after the consideration for the transfer has been broken down, pursuant to Cabinet Order, into the part that represents the interest and the part other than interest, are included in the gross revenue and necessary expenses that are used to calculate business income for the relevant years.

(3) A deferred-payment sale or similar dealing as prescribed in paragraph (1)

means the sale of an asset or a similar dealing undertaken under conditions meeting the following requirements based on a contract that defines those conditions, or a transfer under a lease:

(i) the Resident is paid the consideration in three or more installments, as monthly installments, annual installments, or any other form of installment;

(ii) there are at least two years in the period from the day after the due date for the Resident to deliver the object or provide the service which is the subject of the sale of assets or similar dealings until the deadline for the last installment payment;

(iii) other requirements as prescribed by Cabinet Order.

(4) The provisions of paragraph (2) apply only if the Tax Return for the year in which the date of the transfer under the lease falls gives the details of the inclusion of the amounts that Cabinet Order prescribes to be the amounts of revenue and expenses provided for in that paragraph, in gross revenue and necessary expenses.

(5) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (2) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.

(6) Cabinet Order establishes special provisions on the handling of the amounts of revenue and expenses from a sale of assets or similar dealing that falls under the category of a deferred-payment sale or similar dealing as prescribed in paragraph (1) in the event that a Resident subject to the provisions of that paragraph dies or becomes Absent From Japan, and provides for other necessary particulars concerning the application of the provisions of that paragraph or paragraph (2) in such a case.

(Periods to Which Revenue and Expenses Associated with Contracts for Construction Work Are Attributed)

Article 66 (1) If a Resident is contracted for long-term, large-scale construction work (meaning construction work (this includes manufacturing and software development; hereinafter the same applies in this Article) with a period of at least one year between the start date of construction and the due date for delivering the object stipulated in the contract for the construction work, which falls under the category of large-scale construction work that Cabinet Order prescribes and which meets any other requirements that Cabinet Order prescribes; hereinafter the same applies in this Article), the parts of the revenue and expenses associated with the contract for the long-term, large-scale construction work which are calculated based on the construction progress criteria that Cabinet Order prescribes as the amounts of revenue and

expenses for the year in question are included in the gross revenue and necessary expenses that are used to calculate business income in each year from the year in which the start date falls until the year in which the due date falls.

(2) If a Resident is contracted for construction work (but only if the object will not be delivered during the year in which the construction start date falls (hereinafter referred to as the "year construction starts" in this paragraph); this excludes construction work falling under the category of long-term, large-scale construction work; hereinafter the same applies in this Article) and accounts for the amounts of revenue and expenses from the contract for construction work based on the construction progress criteria that Cabinet Order prescribes, in each year from the year construction starts up to the year before the one in which the due date for delivering the object falls, the amounts of revenue and expenses so accounted for are included in the gross revenue and necessary expenses that are used to calculate business income for the relevant years; provided, however, that this does not apply as regards the calculation of business income beginning in any year after one in which the Resident fails to account for the amounts of revenue and expenses from the contract for construction work based on the construction progress criteria in any year after the year construction starts.

(3) Cabinet Order establishes special provisions on the handling of the amounts of revenue and expenses from a contracts for long-term, large-scale construction work and contracts for construction work in the event that a Resident subject to the provisions of paragraph (1) or the preceding paragraph dies, and provides for other necessary particulars concerning the application of the provisions of the preceding two paragraphs in such a case.

(Periods to Which Revenue and Expenses of Small Enterprises Are Attributed)

Article 67 An amount that is to be included in the gross revenue and necessary expenses that are used to calculate real property income or business income (other than from the felling of trees in forested land or the transfer of forested land) in the relevant year for a Resident who has been approved by the district tax office director to file a Blue Return, who conducts business that is meant to generate real property income or business income, and who meets the requirements prescribed by Cabinet Order as a small enterprise may be treated as an amount earned from or spent in connection with business in the year, pursuant to Cabinet Order.

Subsection 8 Lease Arrangements

(Calculating Amounts of Income from Lease Arrangements)

Article 67-2 (1) If a Resident enters into a lease arrangement, the property subject to the lease arrangement (hereinafter referred to as "leased property" in this paragraph) is treated as having been sold at the time of the delivery of that leased property from the lessor to the lessee, and the lessor or lessee Resident's Income in Each Class for the year is calculated accordingly.

(2) If a Resident sells a piece of property conditional upon the transferee's renting out that property to the transferor (but only as falls under the category of a lease arrangement), and, in light of the type of property, developments leading to the sale and leaseback, and any other circumstances, it is found that these arrangements, in essence, constitute the lending of monies, the property is treated as not having been sold, monies are treated as having been lent by the transferee to the transferor, and the transferee or transferor Resident's Income in Each Class for the year is calculated accordingly.

(3) A lease arrangement as prescribed in the preceding two paragraphs means the rental of a piece of property (this excludes land rental not involving a transfer of ownership and any other rental prescribed by Cabinet Order) that meets the following requirements:

(i) the rental agreement is one that the parties are not entitled to terminate in the middle of the rental period, or is equivalent to such an agreement;

(ii) the lessee to which the property is rented is entitled to the actual enjoyment of any economic benefit arising from the rented property and is expected to bear the actual expenses arising from the use of that property.

(4) Cabinet Order provides for the reaching of a determination as to whether the lessee is expected to bear the actual expenses arising from the use of the property referred to in item (ii) of the preceding paragraph and provides for other necessary particulars concerning the application of the preceding three paragraphs.

Subsection 9 Calculating Amounts of Income from Trusts

Article 67-3 (1) If a Resident becomes a beneficiary as prescribed in Article 13, paragraph (1) (Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property) (or becomes a person that is deemed to be a beneficiary as prescribed in paragraph (1) of that Article pursuant to the provisions of paragraph (2) of that Article; this excludes a beneficiary in liquidation proceedings) of a Trust Subject to Corporate Taxation (limited to a trust set forth in Article 2, item (xxix)-2, (b) (Definitions) of the Corporation Tax Act) and as a result, the Trust Subject to Corporate Taxation ceases to fall under the category of trust set forth in (b) of that item (unless the Trust Subject to Corporate Taxation falls under a category of trust set forth in (a) or (c) of such item), the Resident is treated as having taken over the trust

property assets and liabilities from the trust corporation (meaning a trust corporation prescribed in Article 6-3 (Application of This Act to Trust Corporations)) in the amounts prescribed by Cabinet Order based on the book value immediately preceding the time that the trust ceased to fall under such category, and the Resident's Income in Each Class for the year is calculated accordingly.

(2) If a Resident as referred to in the preceding paragraph is treated as having taken over assets and liabilities pursuant to the provisions of that paragraph, the amount of proceeds arising from the Resident having taken them over is not included in the gross revenue that is used to calculate the Income in Each Class for the year in which the day of the Resident's taking over of those assets and liabilities falls.

(3) If the settlor (limited to a Resident; hereinafter the same applies in this paragraph) of a trust (other than a group investment trust, retirement pension trust, or a Trust Subject to Corporate Taxation as prescribed in the proviso of Article 13, paragraph (1); hereinafter the same applies in this Article) places the assets thereof in trust and the person (but only a corporation; hereinafter the same applies in this paragraph) becoming the beneficiary or deemed beneficiary of the trust becomes the beneficiary or deemed beneficiary without paying a proper consideration, the assets to which the rights under the trust pertain are treated as being transferred from the settlor of the trust to the person becoming the beneficiary or deemed beneficiary of the trust as a gift (or as a transfer for the amount of any consideration that the person that will become the beneficiary or deemed beneficiary pays) at the time that the settlor places the assets into trust, and the settlor's Income in Each Class for the year is calculated accordingly.

(4) If a trust comes to be in the position of having a new beneficiary or deemed beneficiary (other than if the provisions of the preceding paragraph or paragraph (6) apply); if the person (but only a corporation; hereinafter the same applies in this paragraph) becoming the new beneficiary or deemed beneficiary of the trust becomes the beneficiary or deemed beneficiary without paying a proper consideration; and if the former beneficiary or deemed beneficiary of the trust is a Resident, the assets to which the rights under the trust pertain are treated as being transferred from the former beneficiary or deemed beneficiary of the trust to the person becoming the new beneficiary or deemed beneficiary of the trust as a gift (or as a transfer for the amount of any consideration that the person becoming the beneficiary or deemed beneficiary pays) at the time the trust comes to be in the position of having a new beneficiary or deemed beneficiary, and the Income in Each Class for the year is calculated accordingly for the former beneficiary or deemed beneficiary.

(5) If a partial beneficiary or deemed beneficiary of a trust ceases to exist; if a

person (but only a corporation; hereinafter the same applies in this paragraph) that is already a beneficiary or deemed beneficiary of the trust newly receives a profit from rights under the trust without paying a proper consideration; and if the former partial beneficiary or deemed beneficiary of the trust is a Resident, the assets to which the rights under the trust pertain are treated as being transferred from the former partial beneficiary or deemed beneficiary of the trust to the person receiving the profit, as a gift (or as a transfer for the amount of any consideration that the person receiving the profit pays), at the time that the partial beneficiary or deemed beneficiary of the trust ceases to exist, and the Income in Each Class for the year is calculated accordingly for the former partial beneficiary or deemed beneficiary of the trust.

(6) If a trust is terminated; if a person (but only a corporation; hereinafter the same applies in this paragraph) that is to benefit from the residual assets of the trust or in which they are to vest becomes the person to benefit from the residual assets of the trust or the person in which they are to vest without paying a proper consideration; and if a person that was a beneficiary or deemed beneficiary of the trust immediately prior to its termination is a Resident, the residual assets of the trust are treated as being transferred from the former beneficiary or deemed beneficiary to the person that is to benefit from the residual assets, or in which they are to vest, as a gift (or as a transfer for the amount of any consideration that the person that is to benefit from the residual assets or in which they are to vest pays), at the time that the person becomes entitled to benefit from the residual assets or to have them vest therein, and the former beneficiary or deemed beneficiary of the trust's Income in Each Class for the year is calculated accordingly.

(7) A beneficiary or deemed beneficiary as prescribed in paragraph (3) to the preceding paragraph means a beneficiary as prescribed in Article 13, paragraph (1) (or a person deemed to be a beneficiary as prescribed in paragraph (1) of that Article pursuant to the provisions of paragraph (2) of that Article).

(8) Cabinet Order provides for the calculation of income if there is any amount of loss caused by the taking over of trust property assets and liabilities as under the provisions of paragraph (1), for the application of paragraph (3) if the rights under a trust which are prescribed in that paragraph are all of the rights under that trust, and for other necessary particulars concerning the application of the provisions of paragraph (1) through (6).

Subsection 10 Scope of Each Class of Income and Details of Calculating Income in Each Class

(Scope of Each Class of Income and Details of Calculating Income in Each

Class)

Article 68 Beyond what is prescribed in this Section, Cabinet Order provides for the necessary particulars concerning the scope of Each Class of Income and the calculation of the Income in Each Class.

Section 3 Aggregation of Profits and Losses and Deduction for Carryover of Losses

(Aggregation of Profits and Losses)

Article 69 (1) When gross income, retirement income, or timber income is calculated, if real property income, business income, timber income, or capital gains are calculated to be a loss, that loss is offset against other Income in Each Class, in the order prescribed by Cabinet Order.

(2) In the case referred to in the preceding paragraph, if part of the loss prescribed in that paragraph is a loss that arises when the amount of income from assets as prescribed in Article 62, paragraph (1) (Loss of Assets Not Ordinarily Necessary in Everyday Life, Due to Disaster) is calculated (hereinafter such an amount of income is referred to as "income from assets not ordinarily necessary in everyday life" in this paragraph), the part of that loss that Cabinet Order prescribes is to be offset against other income from assets not ordinarily necessary in everyday life pursuant to Cabinet Order, and any part of that loss other than what Cabinet Order prescribes as well as any amount that is not fully offset is deemed to have never existed.

(Deduction for Carryover of Net Loss)

Article 70 (1) If a Resident filing a Tax Return has had a Net Loss in any of the three years prior to the relevant year (but only one in which the Resident filed a Blue Return for the year's income taxes) (this Net Loss excludes any amount deducted in or before the previous year pursuant to the provisions of this paragraph and any amount used as the basis for calculating the amount to be refunded pursuant to the provisions of Article 142, paragraph (2) (Issuance of Refunds Based on Carryback of Net Loss)), the equivalent of the Net Loss is applied as a deduction pursuant to Cabinet Order when the amount of gross income, retirement income, or timber income for the year of the Tax Return is calculated.

(2) If part of the Net Loss of a Resident filing a Tax Return in any of the three years prior to the relevant year (such a Net Loss excludes any amount that is subject to the provisions of the preceding paragraph and any amount used as the basis for calculating the amount to be refunded pursuant to the provisions of Article 142, paragraph (2)) is an amount of loss incurred in any of those years which is as follows and which is as prescribed by Cabinet Order, the

amount that Cabinet Order prescribes as the equivalent of the Net Loss is applied as a deduction pursuant to Cabinet Order when the amount of gross income, retirement income, or timber income for the year of the Tax Return is calculated.

(i) the amount of any loss resulting when the amount of Fluctuating Income is calculated;

(ii) the amount of any disaster-related loss on business assets.

(3) The amount of a disaster-related loss on business assets as set forth in item (ii) of the preceding paragraph means the amount of a loss of Inventory or assets as prescribed in Article 51, paragraph (1) or paragraph (3) (Inclusion of Losses on Assets in Necessary Expenses) (including the amount of any unavoidable Disaster-related expenses prescribed by Cabinet Order and other than any part of the loss covered by insurance benefits, compensation for damage, or anything similar to these) due to Disaster which does not fall under the category of an amount of loss set forth in item (i) of the preceding paragraph.

(4) The provisions of paragraph (1) and paragraph (2) apply only if the Resident prescribed therein files a Blue Return as referred to in paragraph (1) or a Tax Return giving the particulars of the amount of loss set forth in the items of paragraph (2) for income taxes in the year in which the Net Loss arises, by the deadline for filing that return (or after the deadline for filing the return, if the district tax office director finds there to be compelling circumstances for allowing this) and if the Resident continues to file a Tax Return thereafter.

(5) A deduction under paragraph (1) or paragraph (2) is referred to as a deduction for carryover of net loss.

(Deduction for Carryover of Casualty Loss)

Article 71 (1) The Casualty Loss that a Resident filing a Tax Return has incurred in any of the three years prior to the relevant year (other than an amount deducted in or before the previous year pursuant to the provisions of this paragraph or paragraph (1) of the following Article) is applied as a deduction pursuant to Cabinet Order when the amount of gross income, retirement income, or timber income for the year of the return is calculated.

(2) The provisions of the preceding paragraph apply only if the Resident referred to in that paragraph files a Tax Return giving the particulars of the Casualty Loss for income taxes in the year in which the Casualty Loss arises, by the deadline for filing that return (or after the deadline for filing the return, if the district tax office director finds there to be compelling circumstances for allowing this) and if the Resident continues to file a Tax Return thereafter.

(3) A deduction under paragraph (1) is referred to as a deduction for carryover of casualty loss.

Section 4 Deductions from Income

(Casualty Loss Deduction)

Article 72 (1) If there is any loss on assets owned by a Resident or that Resident's spouse or any other relative whose living expenses are paid from the same resources as the Resident (other than assets prescribed in Article 62, paragraph (1) (Loss of Assets Not Necessary in Everyday Life, Due to Disaster) or Article 70, paragraph (3) (Amount of Disaster-Related Loss on Business Assets)) due to Disaster, robbery, or misappropriation (this includes if the Resident pays any unavoidable expense prescribed by Cabinet Order in connection with a Disaster, robbery, or misappropriation), and the total amount of such losses for the year (including any amount spent on the aforementioned unavoidable expenses but excluding any part of the loss covered by insurance benefits, compensation for damage, or anything similar to these; hereinafter referred to as the "amount of losses" in this paragraph) exceeds the amount that is set forth in any of the following items for the category of case set forth in the item, the part of the total amount of losses that exceeds the amount set forth in the relevant item is allowed as a deduction from the Resident's gross income, retirement income, or timber income for the year:

(i) if the amount of disaster-related expenses (meaning the part of the amount of losses that Cabinet Order prescribes as the amount spent in direct connection with Disasters; hereinafter the same applies in this paragraph) that forms a part of the amount of losses for the year is 50,000 yen or less (or if there were no disaster-related expenses for the year): 10% of the sum total of the Resident's gross income, retirement income, and timber income for the year;

(ii) if the amount of disaster-related expenses that forms a part of the amount of losses for the year exceeds 50,000 yen: either the amount arrived at when disaster-related expenses in excess of 50,000 yen are deducted from the total amount of losses for the year, or the amount set forth in the preceding item, whichever is lower;

(iii) if all amounts of losses for the year constitute disaster-related expenses: either 50,000 yen or the amount set forth in item (i), whichever is lower.

(2) Cabinet Order provides for the necessary particulars concerning the calculation of the amount of losses prescribed in the preceding paragraph.

(3) A deduction under paragraph (1) is referred to as a casualty loss deduction.

(Social Insurance Premium Deduction)

Article 74 (1) Omitted

(2) The social insurance premiums prescribed in the preceding paragraph are the following premiums and other equivalent premiums prescribed by Cabinet Order (excluding premiums that are part of a person's pay as set forth in Article 9, paragraph (1), item (vii) (Nontaxability of Service Allowances)):

(i) health insurance premiums that the taxpayer bears as an insured person pursuant to the Health Insurance Act (Act No. 70 of 1922);

(ii) national health insurance premiums under the National Health Insurance Act (Act No. 192 of 1958) or national health insurance tax under the Local Tax Act;

(ii)-2 premiums under the Act for Ensuring Medical Care for the Elderly (Act No. 80 of 1982);

(iii) long-term care insurance premiums under the Long-Term Care Insurance Act (Act No. 123 of 1997);

(iv) labor insurance premiums that the taxpayer bears as a person covered by employment insurance pursuant to the Act on Collection of Labor Insurance Premiums (Act No. 84 of 1969);

(v) national pension premiums that the taxpayer bears as an insured person pursuant to the National Pension Act, and installments that the taxpayer bears as a member of the National Pension Fund;

(vi) farmers' pension premiums that the taxpayer bears as an insured person pursuant to the Act on the Farmers' Pension Fund, I.A.A.;

(vii) employees' pension insurance premiums that the taxpayer bears as an insured person pursuant to the Employees' Pension Insurance Act, and installments that the taxpayer bears as a member of an employees' pension fund (including levies that the taxpayer bears pursuant to Article 140, paragraph (4) (Levies) of that Act);

(viii) mariners' insurance premiums that the taxpayer bears as an insured person pursuant to the Mariners' Insurance Act;

(ix) installments under the National Public Servants Mutual Aid Association Act;

(x) installments under the Local Public Officers Mutual Aid Association Act (including special installments);

(xi) installments that the taxpayer bears as a member pursuant to the Private School Personnel Mutual Aid Association Act;

(xii) payments pursuant to Article 59 (Payment of Public Retirement Packages) of the Public Officers Pension Act (including as applied mutatis mutandis pursuant to other Acts).

(Earthquake Insurance Premium Deduction)

Article 77 (1) Omitted

(2) The casualty insurance policy or similar contract prescribed in the preceding

paragraph means a contract that is concluded as a supplement to one of the following contracts, or a single insurance policy or mutual aid contract that becomes valid together with such a contract:

(i) a casualty insurance policy concluded by a casualty insurance company prescribed in Article 2, paragraph (4) (Definitions) of the Insurance Business Act or a foreign casualty insurance company, etc. prescribed in paragraph (9) of that Article, which is designed to cover damage arising from certain types of unavoidable accidents (other one set forth in paragraph (3), item (iv) of the preceding Article and other than one that such a foreign casualty insurance company, etc. has concluded outside Japan);

(ii) a contract for mutual aid in building renovation or mutual aid for fire damage concluded by an agricultural cooperative engaged in business referred to in Article 10, paragraph (1), item (x) (Facilities for Mutual Aid) of the Agricultural Cooperatives Act, or any other contract for similar mutual aid prescribed by Cabinet Order.

(Donation Deduction)

Article 78 (1) If, in any year, a Resident makes a specified donation and the amount set forth in item (i) exceeds the amount set forth in item (ii), the amount by which the former exceeds the latter is allowed as a deduction from the Resident's gross income, retirement income or timber income for the year:

(i) the sum total of specified donations made during the year (or an amount that represents 40% of the sum total of the Resident's gross income, retirement income, and timber income for the year, if the sum total of specified donations made during the year exceeds this);

(ii) 5,000 yen.

(2) A specified donation as prescribed in the preceding paragraph means a donation as follows (other than one made in connection with school enrollment):

(i) a donation to the national or local government (including a port authority prescribed in the Ports and Harbors Act (Act No. 218 of 1950) (excluding any donation in connection with which the donor is found to be extended exclusive use of the facilities funded by the donation or any other special benefit);

(ii) a donation to an incorporated public interest association, incorporated public interest foundation, or any other corporation or group that conducts business in the public interest (including a donation to incorporate the corporation or any other donation made prior to the incorporation thereof which is prescribed by Cabinet Order) which the Minister of Finance designates pursuant to Cabinet Order as meeting the following requirements:

(a) donations are solicited widely from the general public;
(b) it is fully expected that the donation will be allocated to urgent expenses to help advance education or science, improve culture, contribute to social welfare, or otherwise further the public interest.

(iii) a donation to a corporation as set forth in Appended Table I, or to a corporation incorporated pursuant to a special Act, which Cabinet Order prescribes as one that significantly helps advance education or science, improve culture, contribute to social welfare, or otherwise further the public interest, made in connection with the business that is the principal objective of that corporation (other than a donation that falls under a category of donation prescribed in one of the preceding two items).

(3) Monies that a Resident expends by placing them into trust as trust property of a specified charitable trust (meaning a charitable trust prescribed in Article 1 (Charitable Trust) of the Charitable Trust Act, with regard to which it is certified pursuant to Cabinet Order that the trust property at time of the termination of the trust will not vest in the settlor of the trust with a link to that trust property, and that the trust affairs are implemented in accordance with the requirements prescribed by Cabinet Order) that Cabinet Order prescribes as one that significantly helps advance education or science, improve culture, contribute to social welfare, or otherwise further the public interest are deemed to constitute a specified donation as prescribed in the preceding paragraph, and the provisions of paragraph (1) apply.

(4) A deduction under paragraph (1) is referred to as a donation deduction.

(Basic Personal Exemption)

Article 86 (1) A Resident is allowed 380,000 yen as a deduction from gross income, retirement income, or timber income for the year.

(2) The deduction under the preceding paragraph is referred to as the basic personal exemption.

(Order of Deductions from Income)

Article 87 (1) If the taxpayer takes both a casualty loss deduction and a medical expenses deduction, social insurance premium deduction, deduction for small enterprise-based mutual aid premiums and similar payments, life insurance premium deduction, earthquake insurance premium deduction, donation deduction, disability deduction, widow (or widower) deduction, working student deduction, spousal deduction, special spousal deduction, dependency exemption, or basic personal exemption, the casualty loss deduction is to be applied first.

(2) The amount to be taken as a deduction as referred to in the preceding paragraph is to be deducted against the amount of the taxpayer's gross income, timber income, or retirement income, in that order.

Chapter III Calculating the Amount of Taxes
Section 1 Tax Rates

(Tax Rates)

Article 89 (1) The amount of income taxes imposed on a Resident is the sum total of, firstly, the amount arrived at when the taxable gross income or taxable retirement income for the year is broken down into the amounts set forth in the left-hand column of the following table, each of the amounts so broken down is multiplied by the corresponding tax rate set forth in the right-hand column of that table, and then the products thereof are added together; and secondly, the amount arrived at when an amount equivalent to 20% of the taxable timber income for the year is broken down into the amounts set forth in the left-hand column of that table, each of the amounts so broken down is multiplied by the corresponding tax rate set forth in the right-hand column of that table, and then the products thereof are added together and multiplied by five.

Taxable gross income up to 1,950,000 yen	5%
Taxable gross income over 1,950,000 yen, up to 3,300,000 yen	10%
Taxable gross income over 3,300,000 yen, up to 6,950,000 yen	20%
Taxable gross income over 6,950,000 yen, up to 9,000,000 yen	23%
Taxable gross income over 9,000,000 yen, up to 18,000,000 yen	33%
Taxable gross income over 18,000,000 yen	40%

(2) Taxable gross income, taxable retirement income, or taxable timber income is whatever remains after the deductions under Section 4 (Deductions from Income) of the preceding Chapter are taken against gross income, retirement income, or timber income.

(Averaging Taxation on Fluctuating Income and Ad Hoc Income)

Article 90 (1) If the sum total of a Resident's Fluctuating Income and Ad Hoc Income for the year (or the Resident's Ad Hoc Income for the year, if Fluctuating Income for the year is 50% or less of the sum total of the Fluctuating Income for the previous year and the year before that) makes up 20% or more of the Resident's gross income for the year, the amount of income taxes imposed on the Resident's taxable income for the year is the sum total of the following amounts:

(i) the amount of tax calculated pursuant to paragraph (1) of the preceding Article when the amount that remains after 80% of the average taxable amount is applied as a deduction against taxable gross income for the year (or an amount equal to 20% of taxable gross income, if the taxable gross

income is the same or less than the average taxable amount; hereinafter referred to as "adjusted income" in this Article) is deemed to be the amount of taxable gross income for the year;

(ii) the amount arrived at when an amount equivalent to the taxable gross income for the year minus adjusted income is multiplied by the rate applied against an adjusted income of the amount set forth in the preceding item.

(2) The rate prescribed in item (ii) of the preceding paragraph is calculated to two decimal places; any decimal places beyond this are disregarded.

(3) The average taxable amount as prescribed in paragraph (1) means the sum total of Fluctuating Income (or the amount by which Fluctuating Income for the current year exceeds 50% of the sum total of the Fluctuating Income for the previous year and the year before that, if there was Fluctuating Income in the previous year or the year before that) and Ad Hoc Income.

(4) The provisions of paragraph (1) apply only if a Tax Return indicates recourse to the application of the provisions of that paragraph and gives the details of the calculation of the sum total of the amounts set forth in the items of that paragraph.

(5) Even if no Tax Return is filed or if a Tax Return is filed that is not filled out as referred to in the preceding paragraph, the district tax office director may apply the provisions of paragraph (1) on finding there to be unavoidable circumstances for the Resident's failure to file the Tax Return or fill it out in that manner.

Section 2 Tax Credits

(Dividend Tax Credits)

Article 92 (1) If a Resident has dividend income arising from dividends of surplus (meaning dividends of surplus as prescribed in Article 24, paragraph (1) (Dividend Income); hereinafter the same applies in this Article), dividends of profits (meaning dividends of profits as prescribed in that paragraph; hereinafter the same applies in this Article), distributions of surplus (meaning distributions of surplus as prescribed in that paragraph; hereinafter the same applies in this Article), or distributions of proceeds from a Securities Investment Trust (other than as set forth in Article 9, paragraph (1), item (xi) (Nontaxability of Distributions of Proceeds Constituting a Return of Principal); hereinafter the same applies in this Article) (such dividend income excludes income from amounts received from a Foreign Corporation (other than income from a distribution of proceeds from a Securities Investment Trust established as a trust at a Foreign Corporation's business office, business establishment, or any other place equivalent thereto in Japan); hereinafter the same applies in this Article), the amount that each of the following items prescribes for the

category of case set forth in the item is allowed as a credit against the Resident's income taxes (meaning against the amount of income taxes under the preceding Section (Tax Rates); hereinafter the same applies in this Article) for the year:

(i) if the Resident's taxable gross income for the year is 10,000,000 yen or less: the sum total of the amounts that each of the following sub-items prescribes for the category of dividend income set forth in the sub-item:

(a) dividend income arising from dividends of surplus, dividends of profits, and distributions of surplus (hereinafter referred to as "dividends of surplus and similar sources" in this paragraph): the amount arrived at when that dividend income is multiplied by 10%;

(b) dividend income arising from a distribution of proceeds from a Securities Investment Trust: the amount arrived at when that dividend income is multiplied by 5%.

(ii) if the Resident's taxable gross income for the year exceeds 10,000,000 yen, and the amount arrived at when dividend income from a distribution of proceeds from a Securities Investment Trust is deducted from the amount of taxable gross income is 10,000,000 yen or less: the sum of the amounts that each of the following sub-items prescribes for the category of dividend income set forth in the sub-item:

(a) dividend income arising from dividends of surplus and similar sources: the amount arrived at when that dividend income is multiplied by 10%;

(b) dividend income arising from a distribution of proceeds from a Securities Investment Trust: the sum total of the product arrived at when the part of that dividend income that is equivalent to taxable gross income minus 10,000,000 yen is multiplied by 2.5%; plus the product arrived at when the rest of the dividend income is multiplied by 5%;

(iii) in a case other than as set forth in the preceding two items: the sum of the amounts that each of the following sub-items prescribes for the category of dividend income set forth in the sub-item:

(a) dividend income arising from dividends of surplus and similar sources: the sum total of the product arrived at when the part of that dividend income that is equivalent to taxable gross income minus 10,000,000 yen and minus the dividend income set forth in (b) is multiplied by 5%; plus the product arrived at when the rest of that dividend income is multiplied by 10%;

(b) dividend income arising from a distribution of proceeds from a Securities Investment Trust: the amount arrived at when that dividend income is multiplied by 2.5%.

(2) The amount allowed as a credit under the preceding paragraph is applied against the amount of income taxes imposed on taxable gross income, taxable

timber income, and taxable retirement income, in that order. In such a case, if the amount allowed as a credit exceeds the amount of income taxes for the year, the amount allowed as a credit is equivalent to the amount of income taxes.

(3) A credit under the provisions of paragraph (1) is referred to as a dividend tax credit.

(Foreign Tax Credit)

Article 95 (1) If a Resident has to pay foreign income taxes in any year (meaning taxes imposed pursuant to foreign laws or orders which are equivalent to income taxes and provided for by Cabinet Order; hereinafter the same applies in this paragraph and paragraph (4)), the amount of those foreign income taxes (other than any foreign income taxes imposed on income arising from a transaction provided for by Cabinet Order as one that cannot be regarded as an ordinary transaction undertaken by a Resident; other than any foreign income taxes prescribed by Cabinet Order as being imposed pursuant to foreign income tax laws or orders using an amount of the Resident's on which income tax laws and orders prescribe that income taxes are not to be imposed as the tax base; and any other foreign income taxes as prescribed by Cabinet Order; hereinafter referred to as "credit-eligible foreign income taxes" in this Article) is allowed as a credit against income taxes for the year, up to what is calculated pursuant to Cabinet Order as the part of income taxes for the year as calculated pursuant to the provisions of Article 89 through Article 92 (Tax Rates and Dividend Tax Credits) which are for income arising in that year from foreign sources (hereinafter the amount so calculated is referred to as the "maximum credit" in this Article).

(2) If the credit-eligible foreign income taxes which a Resident has to pay in any year exceed the sum total of the maximum credit for the year and the amount specified by Cabinet Order as the maximum credit for local taxes, and part of the maximum credit in any of the three years prior to the relevant year (hereinafter referred to as "any of the last three years" in this Article) is an amount prescribed by Cabinet Order as being carried over to the relevant year (hereinafter referred to as the "maximum carry-over credit" in this Article), the amount by which the former exceeds the latter is credited against income taxes for the year pursuant to Cabinet Order, up to maximum carry-over credit.

(3) If the credit-eligible foreign income taxes which a Resident has to pay in any year are less than the maximum credit for the year, and part of the credit-eligible foreign income taxes that the Resident has had to pay in any of the last three years constitute an amount prescribed by Cabinet Order as being carried over to the relevant year (hereinafter referred to as "carry-over, credit-eligible foreign income taxes" in this Article), the carry-over, credit-eligible foreign income taxes are credited against income taxes for the year pursuant to

Cabinet Order, up to the amount remaining when the credit-eligible foreign income taxes that the Resident is to pay that year are deducted from the maximum credit.

(4) If the foreign income taxes that a Resident has had to pay are reduced in any of the seven years beginning in the year after one in which the Resident is subject to any of the preceding three paragraphs, Cabinet Order provides for the application of the provisions of the preceding three paragraphs to foreign income taxes for the year in which the day that the amount is reduced falls.

(5) The provisions of paragraph (1) apply only if a Tax Return indicates the amount allowed as a credit under to the provisions of that paragraph and the details of the calculation thereof, and is accompanied by a document evidencing that credit-eligible foreign income taxes have been imposed and the documents prescribed by Ministry of Finance Order. In such a case, the amount allowed as a credit under the provisions of that paragraph is limited to the amount that the Tax Return indicates to be that amount.

(6) The provisions of paragraph (2) and paragraph (3) apply only if a Resident files a Tax Return indicating the maximum credits and the credit-eligible foreign income taxes that the Resident has had to pay in each of the years in association with which there is a maximum carry-over credit or carry-over, credit-eligible foreign income taxes, beginning with the earliest year; and if, in addition to the Resident's indicating the amount allowed as a credit under paragraph (2) and paragraph (3) in the Tax Return for the year in which the Resident seeks to apply those provisions, the Tax Return is accompanied by a document giving information to be used as the basis for calculating the maximum carry-over credit or the carry-over, credit-eligible foreign income taxes and by the documents prescribed by Ministry of Finance Order. In such a case, the amount allowed as a credit under those provisions is limited to the amount calculated based on the amounts indicated in the Tax Returns for the relevant years as the maximum credits for each of those years and the credit-eligible foreign income taxes that the Resident has had to pay in each of those years.

(7) Even if a Tax Return that has been filed does not indicate all or some of the information referred to in the preceding two paragraphs with regard to an amount allowed as a credit under to the provisions of paragraphs (1) through (3) or with regard to the maximum credits or credit-eligible foreign income taxes prescribed in the preceding paragraph, and even if a Tax Return is not accompanied by the documents referred to in the preceding two paragraphs, the district tax office director may apply the provisions of paragraphs (1) through (3) to the amount with regard to which the information is not indicated or in association with which the documents have not been included, upon finding there to be unavoidable circumstances for the Resident's failure to

indicate that information or include those documents.

(8) The first sentence of Article 92, paragraph (2) (Dividend Tax Credits) applies mutatis mutandis to an amount allowed as a credit under paragraphs (1) through (3).

(9) A credit under paragraphs (1) through (3) is referred to as a foreign tax credit.

Chapter IV Special Provisions on Calculating Amounts of Taxes

(Calculating the Amount of Taxes If a Nonresident Becomes a Resident Partway Through the Year)

Article 102 Irrespective of the amount of income taxes calculated pursuant to the provisions of the preceding two Chapters (Tax Base and Calculating the Amount of Taxes), the amount of income taxes to be imposed on a person that is a Resident as of December 31 of the relevant year (or as of the date of the person's death, if the person has died partway through the year) but that was a Nonresident for some part of the year; or on a Resident that becomes Absent From Japan partway through the year and that was a Nonresident for some period between January 1 of the relevant year and the date on which the Resident became Absent From Japan, is calculated pursuant to Cabinet Order based on the amount of income set forth in Article 7, paragraph (1), item (i) (Scope of Taxable Income of Residents) that was generated during the period when the person was a Resident (or the amount of income set forth in item (ii) of that paragraph for any period during which the person was a Non-Permanent Resident) and the amount of income categorized as domestic source income set forth in the items of Article 164, paragraph (1) (How Nonresidents Are Taxed) and the items of paragraph (2) of that Article, in accordance with the categories of Nonresidents set forth in the items of paragraph (1) of that Article, which was generated during the period when the person was a Nonresident.

(Special Provisions on the Amount of Taxes If No Tax Return Is Filed)

Article 103 Irrespective of the amount of income taxes calculated pursuant to the provisions of the preceding two Chapters (Tax Base and Calculating the Amount of Taxes), the amount of income taxes to be imposed on a person who is not liable to file a return under Article 120, paragraph (1) (Filing Income Tax Returns); Article 125, paragraph (1) (Filing a Tax Return If the Taxpayer Has Died Partway Through the Year); or Article 127, paragraph (1) (Filing a Tax Return If the Taxpayer Will Become Absent From Japan Partway Through the Year) is the sum total of the prepaid taxes as prescribed in Article 120, paragraph (2) that the person has prepaid against income taxes for the year and the amount of income taxes that have been or should be Withheld for the

year; provided, however, that this does not apply if the person files a Tax Return.

Chapter V Filing of Returns, Payment, and Refunds

Section 1 Tax Prepayments

Subsection 1 Tax Prepayments

(Making Tax Prepayments)

Article 104 (1) If the amount arrived at when the amount set forth in item (ii) is deducted from the amount set forth in item (i) (hereinafter referred to as the "tax prepayment calculation base" in this Chapter) is 150,000 yen or more, a Resident (other than one required to make payments under Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners)) must pay income taxes to the national government in an amount equivalent to one-third of the tax prepayment calculation base, once during the first term (meaning the period from July 1 to July 31 of that year; hereinafter the same applies in this Chapter) and once during the second term (meaning the period from November 1 to November 30 of that year):

(i) the amount of income taxes imposed on the previous year's taxable gross income (or the amount calculated pursuant to Cabinet Order when any capital gains, occasional income, miscellaneous income, or Ad Hoc Income not falling under the category of miscellaneous income, which formed a part of the Income in Each Class that was used as the basis for calculating taxable gross income, are deemed not to exist; or the amount calculated when Article 2 (Reduction of or Exemption from Income Taxes) of the Act on Exemption, Reduction, or Suspension of Tax Collection for Disaster Victims (Act No. 175 of 1947) which was applied to income taxes for that year, is deemed not to have been applied);

(ii) the amount of income taxes that were or should have been Withheld from Each Class of Income that was used as the basis for calculating the previous year's taxable gross income (or the amount arrived at when the amount of income taxes that were or should have been Withheld are subtracted from any occasional income, miscellaneous income, or Ad Hoc Income not falling under the category of miscellaneous income, which formed a part of Each Class of Income).

(2) In a case as referred to in the preceding paragraph, the amount equivalent to one-third of the tax prepayment calculation base which is prescribed in that paragraph is rounded down to the nearest hundred yen.

(Base Date for Calculating the Tax Prepayment Calculation Base)

Article 105 If the preceding Article applies, the calculation of the tax

prepayment calculation base is based on what has been established as of May 15 of the relevant year, and the determination as to whether a person falls under the category of a Resident is based on the person's circumstances as of June 30 of the relevant year; provided, however, that if the amount calculated based on what has been established as of any date between May 16 and July 31 of the relevant year turns out to be less than the amount calculated pursuant to the provisions of the main clause, the calculation of the tax prepayment calculation base is based on what has been established as of that date (or as of the day on which the amount so calculated is the smallest, if there are two or more such dates).

(Notifying the Taxpayer of Tax Prepayments)

Article 106 (1) The district tax office director calculates the tax prepayment calculation base for a Resident that is required to make payments under Article 104, paragraph (1) (Making Tax Prepayments) based on the Resident's circumstances as of May 15 of the relevant year, and notifies the Resident via a paper-based notice by June 15 of that year of the tax prepayment calculation base and the Tax Prepayments that the Resident must make during the first term and the second term.

(2) If it comes to be necessary for the tax prepayment calculation base referred to in the preceding paragraph to be calculated pursuant to the proviso to the preceding Article, the district tax office director must notify the Resident referred to in that paragraph of this via a paper-based notice.

(3) Notice under the preceding two paragraphs is issued by the district tax office director that has received a Tax Return for the previous year's income taxes from a Resident that is required to make payments under Article 104, paragraph (1), or by the district tax office director that has reached a Tax-Office Decision on the income taxes (or by the district tax office director prescribed by Cabinet Order, if the locality in which the Resident pays income taxes changes subsequent to such a decision).

Subsection 2 Special Provisions on Estimated Tax Payable for Special Farming Income Earners

(Tax Prepayments by Special Farming Income Earners)

Article 107 (1) If the tax prepayment calculation base is 150,000 yen or more, a Resident as follows must pay income taxes to the national government in the second term in an amount equivalent to half of the tax prepayment calculation base:

(i) a Resident that was a Special Farming Income Earner in the previous year;

(ii) a Resident that has had the expectation of becoming a Special Farming

Income Earner during the relevant year acknowledged by the district tax office director pursuant to the provisions of Article 110 (Application for Acknowledgment as a Special Farming Income Earner).

(2) In a case as referred to in the preceding paragraph, the amount equivalent to one-half of the tax prepayment calculation base prescribed in that paragraph is rounded down to the nearest hundred yen.

(Base Date for Calculating the Tax Prepayment Calculation Base for Special Farming Income Earners)

Article 108 In a case to which the preceding Article applies, the determination as to whether a person falls under the category of a Special Farming Income Earner is based on what has been established as of May 1 of the relevant year; the calculation of the tax prepayment calculation base is based on what has been established as of September 15 of the relevant year; and the determination as to whether the person falls under the category of a Resident is based on the person's circumstances as of October 31 of a given year; provided, however, that if the amount calculated based on what has been established as of any date between September 16 and November 30 of a given year proves to be less than the amount calculated pursuant to the provisions of the main clause, the calculation of the tax prepayment calculation base is based on what has been established as of that date (or as of the day on which the amount so calculated is the smallest, if there are two or more such dates).

(Notifying Special Farming Income Earners of Tax Prepayments)

Article 109 (1) The district tax office director calculates the tax prepayment calculation base for a Resident that is required to make a payment under Article 107, paragraph (1) (Paying Tax Prepayments by Special Farming Income Earners) based on the Resident's circumstances as of September 15 of the relevant year, and notifies the Resident via a paper-based notice by October 15 of that year of the tax prepayment calculation base and the Tax Prepayment that the Resident must make during the second term.

(2) If it comes to be necessary for the tax prepayment calculation base referred to in the preceding paragraph to be calculated pursuant to the proviso to the preceding Article, the district tax office director must notify the Resident referred to in that paragraph of this via a paper-based notice.

(3) Notice under the provisions of the preceding two paragraphs is issued by the district tax office director that has received a Tax Return for the previous year's income taxes from a Resident that is required to make a payment under Article 107, paragraph (1), or by the district tax office director that has reached a Tax-Office Decision on the income taxes (or by the district tax office director prescribed by Cabinet Order, if the locality in which the Resident pays income

taxes changes subsequent to such a decision).

(Application for Acknowledgment as a Special Farming Income Earner)

Article 110 (1) A Resident that was not a Special Farming Income Earner in the previous year but that is expected to become a Special Farming Income Earner in the current year based on the status thereof as of May 1 of the current year may seek to have the competent district tax office director for the locality in which the Resident pays taxes acknowledge that expectation.

(2) A Resident seeking the acknowledgment referred to in the preceding paragraph must submit a paper-based application giving the grounds for expecting that the Resident will be a Special Farming Income Earner in that year and giving the information prescribed by Ministry of Finance Order, to the competent district tax office director for the locality in which the Resident pays taxes, by May 15 of the relevant year.

(3) Following the submission of a paper-based application as referred to in the preceding paragraph, the district tax office director must notify the applicant via a paper-based notice upon approval or denial of the application. This being the case, the district tax office director must give additional information as to the reason when notifying the applicant of a denial.

(4) If the provisions of paragraph (1) apply, the determination as to whether a person was or was not a Special Farming Income Earner in the previous year is based on what has been established as of May 1 of the relevant year.

Subsection 3 Reduction of Tax Prepayments

(Applying for Approval for a Reduction of Tax Prepayments)

Article 111 (1) If the estimated tax due on filing that is based on a Resident's circumstances as of June 30 of a given year is expected to be less than the tax prepayment calculation base, a Resident that is required to make payments under the provisions of Article 104, paragraph (1) (Paying Tax Prepayments) may apply to the competent district tax office director for the locality in which the Resident pays taxes for approval for a reduction of the Tax Prepayments that the Resident is required to pay during the first term and the second term, by July 15 of that year.

(2) If the estimated tax due on filing based on a Resident's circumstances as of October 31 of a given year is expected to be less than the amount set forth in one of the following items, the Resident set forth in that item may apply to the competent district tax office director for the locality in which the Resident pays taxes for approval for a reduction of the Tax Prepayment that the Resident is required to pay during the second term, by November 15 of that year:

(i) a Resident that is required to make payments under Article 104, paragraph

(1): the tax prepayment calculation base (or the estimated tax due on filing subject to the approval referred to in that paragraph, if the Resident has received it);

(ii) a Resident that is required to make a payment under the provisions of Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners): the tax prepayment calculation base.

(3) If a paper-based notice from the district tax office director as under Article 106, paragraph (1) (Notifying the Taxpayer of Tax Prepayments) is not issued by June 15 of a given year or if a paper-based notice from the district tax office director as under Article 109, paragraph (1) (Notifying Special Farming Income Earners of Tax Prepayments) is not issued by October 15 of a given year, the deadline for filing an application as referred to in the preceding two paragraphs is to be extended to the day calculated as marking one month's time since the date of issuance of the paper-based notice.

(4) The estimated tax due on filing as prescribed in paragraph (1) and paragraph (2) means the amount calculated pursuant to Cabinet Order as the amount arrived at when the estimated amount of income taxes that will be Withheld for Each Class of Income that has been used as the basis for estimating the year's taxable gross income is deducted from the amount of income taxes calculated when Chapter III (Calculating the Amount of Taxes) is applied to an estimate of the year's taxable gross income and taxable timber income.

(Process of Applying for Approval for a Reduction of Tax Prepayments)

Article 112 (1) A Resident seeking to file an application as under paragraph (1) or paragraph (2) of the preceding Article must submit a paper-based application to the competent district tax office director for the locality in which the Resident pays taxes, indicating the estimated tax due on filing prescribed in those provisions, indicating the reason for the application, and giving the information prescribed by Ministry of Finance Order.

(2) The paper-based application referred to in the preceding paragraph must be accompanied by documents giving the facts used as the basis for calculating the estimated tax due on filing referred to in that paragraph, based on transaction records and other such sources.

(Reaching of Dispositions on Applications for Approval for a Reduction of Tax Prepayments)

Article 113 (1) When a paper-based application referred to in paragraph (1) of the preceding Article is submitted, the district tax office director undertakes an examination and either verifies the estimated tax due on filing provided for in that paragraph which is indicated in the application (hereinafter referred to as the "estimated tax due on filing" in this Article) or establishes the estimated

tax due on filing; following which the director either gives the approval referred to in Article 111, paragraph (1) or paragraph (2) (Applying for Approval for a Reduction of Tax Prepayments) or denies the application.

(2) If a paper-based application referred to in paragraph (1) of the preceding Article is submitted and falls under one of the following items, the district tax office director must give the approval referred to in the preceding paragraph:

(i) it is found that, because of damage arising from a full or partial business discontinuation, suspension, or conversion; from unemployment, Disaster, robbery, or misappropriation; or from the payment of medical expenses prescribed in Article 73, paragraph (2) (Significance of Medical Expenses) by the base date indicated in the application for calculating the estimated tax due on filing, the estimated tax due on filing based on the Resident's circumstances as of that base date will not reach the tax prepayment calculation base or estimated tax due on filing which has been used as the basis for calculating the Tax Prepayments that would be reduced pursuant to the approval;

(ii) in a case other than as set forth in the preceding item, if it is found that the estimated tax due on filing based on the Resident's circumstances as of the base date indicated in the application for calculating the estimated tax due on filing will constitute an amount equivalent to or less than 70% of the tax prepayment calculation base or the estimated tax due on filing that has been used as the basis for calculating the Tax Prepayments that would be reduced pursuant to the approval.

(3) Having reached a disposition as referred to in paragraph (1), the district tax office director must either notify the Resident that submitted the paper-based application referred to in that paragraph of the estimated tax due on filing that the director has verified and of the Tax Prepayments calculated based on that estimated tax due on filing; notify the Resident of the estimated tax due on filing that the director has established and of the Tax Prepayments calculated based on that estimated tax due on filing and inform the Resident of the reason therefor; or notify the Resident that the application is denied and inform the Resident of the reason therefor.

(4) If the approval referred to in paragraph (1) is given based on the filing of an application under Article 111, paragraph (1) or paragraph (2), item (ii) but the estimated tax due on filing of which the Resident is notified pursuant to the preceding paragraph comes to exceed the tax prepayment calculation base calculated pursuant to the provisions of the proviso to Article 105 (Special Provisions on Calculating Tax Prepayment Calculation Base) or the proviso to Article 108 (Special Provisions on Calculating Tax Prepayment Calculation Base for Special Farming Income Earners), that approval is deemed not to have been given.

(Special Provisions on Tax Prepayments When a Reduction Has Been Approved)

Article 114 (1) If a Resident filing an application under Article 111, paragraph (1) (Applying for Approval for a Reduction of Tax Prepayments) receives the approval referred to in that paragraph, the Tax Prepayments that the Resident is required to make against the relevant year's income taxes during the first term and the second term pursuant to the provisions of Article 104, paragraph (1) (Making Tax Prepayments) are amounts equivalent to one-third of the estimated tax due on filing of which the district tax office director giving approval pursuant to paragraph (3) of the preceding Article has notified the Resident.

(2) If a Resident set forth in Article 111, paragraph (2), item (i) filing an application as under Article 111, paragraph (2) receives the approval referred to in that paragraph, the Tax Prepayment that the Resident is required to make against the relevant year's income taxes during the second term pursuant to the provisions of Article 104, paragraph (1) is an amount equivalent to one-half of the amount arrived at when the Tax Prepayment that the Resident is required to make during the first term pursuant to the provisions of Article 104, paragraph (1) is deducted from the estimated tax due on filing of which the district tax office director giving approval pursuant to paragraph (3) of the preceding Article has notified the Resident.

(3) If a Resident set forth in Article 111, paragraph (2), item (ii) filing an application as under the provisions of Article 111, paragraph (2) receives the approval referred to in that paragraph, the Tax Prepayment that the Resident is required to make against the relevant year's income taxes during the second term pursuant to the provisions of Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners) is an amount equivalent to one-half of the estimated tax due on filing of which the district tax office director giving approval pursuant to the provisions of paragraph (3) of the preceding Article has notified the Resident.

(4) In a case as referred to in the preceding three paragraphs, any Tax Prepayment under those provisions is rounded down to the nearest hundred yen, and if the estimated tax due on filing provided for in those provisions is less than 150,000 yen, the Resident is not subject to any Tax Prepayment under those provisions.

Subsection 4 Special Provisions on Making and Collecting Tax Prepayments

(Special Provisions on the Deadlines for Making Tax Prepayments If the

Taxpayer Will Become Absent From Japan)

Article 115 Notwithstanding the provisions of Article 104, paragraph (1) (Making Tax Prepayments) and Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners), if a Resident that is required to make a Tax Prepayment pursuant to those provisions will become Absent From Japan prior to the payment deadline prescribed in those provisions, the Resident must pay income taxes to the national government in an amount equivalent to any Tax Prepayment with a deadline falling after the start of the Resident's Absence From Japan, by the start of the Resident's Absence From Japan.

(Special Provisions on Demands for Tax Prepayments)

Article 116 If the district tax office director fails to issue a paper-based notice pursuant to Article 106, paragraph (1) (Notifying the Taxpayer of Tax Prepayments) by one month prior to the payment deadline for a Tax Prepayment that a taxpayer is required to make pursuant to Article 104, paragraph (1) (Making Tax Prepayments) or fails to issue a paper-based notice pursuant to Article 109, paragraph (1) (Notifying Special Farming Income Earners of Tax Prepayments) by one month prior to the payment deadline for a Tax Prepayment that a taxpayer is required to make pursuant to Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners) (other than a Tax Prepayment that the taxpayer is required to make pursuant to the preceding Article; hereinafter the same applies in this Article), the district tax office director may not issue a demand as under Article 37 (Demand for Payment) of the Act on General Rules for National Taxes for the taxpayer to make the Tax Prepayment that the taxpayer is required to make pursuant to either of the aforementioned provisions until the day calculated as marking one month's time since the date of issuance of the paper-based notice.

(Special Provisions on Measures to Collect Arrears of Tax Prepayments)

Article 117 Even if a Tax Prepayment (including a tax on delinquency levied against a Tax Prepayment) becomes subject to measures to collect arrears, the property of the taxpayer is not subject to a realization of assets under measures to collect arrears until that year's income tax Filing Deadline (or until the day on which any refund under Article 138, paragraph (1) (Refunding Tax Withheld) or Article 139, paragraph (1) or paragraph (2) (Refunding Prepaid Taxes) linked to the year's income taxes as of the deadline, is Appropriated to cover the arrears).

(Suspending Collection of Tax Prepayments)

Article 118 If a paper-based application as referred to in Article 112, paragraph (1) (Process of Applying for Approval for a Reduction of Tax Prepayments) is

submitted, the district tax office director may suspend collection of all or part of the Tax Prepayments to which the application pertains on finding there to be adequate grounds to do so.

(Special Provisions on Taxes on Delinquency Levied against Tax Prepayments)

Article 119 When the amount of a tax on delinquency levied against a Tax Prepayment set forth in one of the following items is calculated pursuant to the provisions of Article 60, paragraph (2) (Taxes on Delinquency) of the Act on General Rules for National Taxes, the period set forth in the relevant item is not included as part of the period that is used as the basis for the calculation, and the phrase "up until the payment deadline (or, if permission for a tax payment deferment or tax payment in kind is rescinded, up until the day on which the paper document showing the rescission is issued; hereinafter the same applies in this paragraph and Article 63, paragraph (1), paragraph (4), and paragraph (5) (Exemption from Payment of Taxes on Delinquency If a Grace Period for Tax Payment Is Granted)) or up until the day marking the last day in the two-month period following the day after the payment deadline" in that paragraph is deemed to be replaced with "up until the day marking the last day in the two-month period following the day after the last day of the period set forth in the items of Article 119 of the Income Tax Act":

(i) any Tax Prepayment with respect to which the district tax office director fails to issue a paper-based notice under Article 106, paragraph (1) (Notifying the Taxpayer of Tax Prepayments) by one month prior to the deadline for a Tax Prepayment that the taxpayer is required to make during the first term pursuant to the provisions of Article 104, paragraph (1) (Making Tax Prepayments) (other than a Tax Prepayment that the taxpayer is required to make pursuant to the provisions of Article 115 (Special Provisions on the Deadline for Making Tax Prepayments If the Taxpayer Will Become Absent From Japan); hereinafter the same applies in this Article): the period running from the day after the payment deadline up until the day calculated as marking one month's time since the date of issuance of the paper-based notice (or up until the year's income tax Filing Deadline, if the day so calculated falls after the Filing Deadline; hereinafter the same applies in this Article);

(ii) any Tax Prepayment with respect to which the district tax office director fails to issue a paper-based notice as set forth in the preceding item by one month prior to the deadline for a Tax Prepayment that the taxpayer is required to make during the second term pursuant to the provisions of Article 104, paragraph (1): the period running from the day after the payment deadline up until the day calculated as marking one month's time since the date of issuance of the paper-based notice;

(iii) any Tax Prepayment with regard to which the district tax office director fails to issue a paper-based notice pursuant to the provisions of Article 109, paragraph (1) (Notifying Special Farming Income Earners of Tax Prepayments) by one month prior to the deadline for a Tax Prepayment that the taxpayer is required to make during the second term pursuant to the provisions of Article 107, paragraph (1) (Tax Prepayments by Special Farming Income Earners): the period running from the day after the payment deadline up until the day calculated as marking one month's time since the date of issuance of the paper-based notice.

Section 2 Filing Tax Returns and Subsequent Tax Payments and Tax Refunds

Subsection 1 Filing Tax Returns

(Filing an Income Tax Return)

Article 120 (1) If the sum total of a Resident's gross income, retirement income, and timber income for the year exceeds the sum of any casualty loss deduction under Chapter II, Section 4 (Deductions from Income) and other deductions; and if the sum total of income taxes calculated when the Resident's gross income, retirement income, and timber income less the aforementioned deductions taken pursuant to Article 87, paragraph (2) (Procedures for Deductions from Income) are deemed to be the Resident's taxable gross income, taxable retirement income, and taxable timber income and Article 89 (Tax Rates) is applied, exceeds dividend tax credits, the Resident must file a return with the district tax office director during the third term (meaning during the period from February 16 to March 15 of the year following the year in question; hereinafter the same applies in this Section) giving the following information, unless the Resident files a return under Article 123, paragraph (1) (Filing Tax Returns Showing Losses):

(i) the gross income, retirement income, and timber income for the year; the casualty loss deduction as under Chapter II, Section 4 and other deductions; and the taxable gross income, taxable retirement income, and taxable timber income or Net Loss for the year;

(ii) if the Resident is applying Article 90, paragraph (1) (Averaging Taxation on Fluctuating Income and Ad Hoc Income), the Fluctuating Income and Ad Hoc Income and the average taxable amount prescribed in paragraph (3) of that Article for the year;

(iii) the income taxes calculated when Chapter III (Calculating the Amount of Taxes) is applied for the taxable gross income, taxable retirement income, and taxable timber income set forth in item (i);

(iv) any part of a foreign tax credit that is not fully offset during the

calculation of the amount of income taxes set forth in the preceding item;

(v) the income taxes set forth in item (iii) less any income taxes that have been or will be Withheld from Each Class of Income that is used as the basis for calculating gross income and retirement income or Net Loss as set forth in item (i) (or the income taxes that have been or will be Withheld less any part thereof that constitutes an amount to be refunded based on the Resident's having filed a return as under Article 127, paragraphs (1) through (3) (Filing a Tax Return If the Taxpayer Will Become Absent From Japan Partway Through the Year) or based on the income tax connected with that return having been subject to a Reassessment or Tax-Office Decision; and less any part thereof that constitutes an amount prescribed by Cabinet Order; hereinafter referred to as the "tax withheld" in this paragraph);

(vi) any part of the tax withheld that is not fully offset when the amount set forth in the preceding item is calculated;

(vii) the amount arrived at when any prepaid taxes for the year are deducted from the amount of income taxes set forth in item (iii) (or from the amount set forth in item (v), if there is any tax withheld);

(viii) any part of the prepaid taxes that is not fully offset when the amount set forth in the preceding item is calculated;

(ix) Income in Each Class that was used as the basis for calculating the gross income set forth in item (i) which constitutes capital gains, occasional income, miscellaneous income, Fluctuating Income not falling under the category of miscellaneous income, or Ad Hoc Income not falling under the category of miscellaneous income, and the income taxes that were or should be Withheld from occasional income, miscellaneous income, or Ad Hoc Income not falling under the category of miscellaneous income;

(x) an indication that the person is a Special Farming Income Earner in the year, if this is the case;

(xi) the basis for calculating the amounts set forth in items (i) through (ix), and any information prescribed by Ministry of Finance Order.

(2) The prepaid taxes as prescribed in item (vii) and item (viii) of the preceding paragraph means the sum total of the following tax amounts (or the sum total of the following tax amounts less any part of those amounts that constitutes an amount to be refunded based on the taxpayer's having filed a return as under Article 127, paragraphs (1) through (3) or based on the income taxes connected with such a return having been subject to a Reassessment or Tax-Office Decision):

(i) Tax Prepayments;

(ii) the income taxes that have been or are required to be paid for the year, pursuant to the provisions of Article 130 (Payment upon Filing If the Taxpayer Will Be Absent From Japan) or Article 35, paragraph (2) (Payment

When Filing After the Deadline) of the Act on General Rules for National Taxes, due to the taxpayer's falling under the provisions of Article 127, paragraph (1).

(3) If filing a return under paragraph (1), a Resident as set forth in one of the following items must include the document that the item prescribes with that return or submit it at the time of filing the return, as prescribed by Cabinet Order:

(i) a Resident making an entry for a casualty loss deduction, medical expenses deduction, social insurance premium deduction (but only one for social insurance premiums as set forth in Article 74, paragraph (2), item (v) (Social Insurance Premium Deduction)), deduction for small enterprise-based mutual aid premiums and similar payments, life insurance premium deduction, earthquake insurance premium deduction, or donation deduction in a return under paragraph (1): a document evidencing particulars such as the amount used as the basis for calculating the amount of the deduction that the Resident is taking;

(ii) a Resident making an entry for a working student deduction as a person set forth in Article 2, paragraph (1), item (xxxii), (b) or (c) (Definitions) in a return under paragraph (1): a document evidencing that the Resident falls under that category of person;

(iii) a Resident with salary income, retirement income, or miscellaneous income arising from a public pension or retirement package as prescribed in Article 35, paragraph (3) (Definition of Public Pensions and Retirement Packages) for the year, which is subject to withholding pursuant to Chapter II (Withholding Taxes from Salary Income), Chapter III (Withholding Taxes from Retirement Income), or Chapter III-2 (Withholding Taxes from Public Pensions) of Part IV: a withholding receipt issued pursuant to one of paragraphs (1) through (3) and the proviso to paragraph (4) of Article 226 (Withholding Receipts).

(4) If filing a return pursuant to paragraph (1) (unless the return is a Blue Return), a Resident conducting business that is meant to generate real property income, business income, or timber income in the relevant year must include a document that indicates the gross revenue for the year arising from those types of income and the details of the necessary expenses with the return, pursuant to Ministry of Finance Order.

(5) If filing a return under paragraph (1), a Resident that was a Non-Permanent Resident for any part of the year must include a document giving the nationality thereof, the period during which the Resident was domiciled or resided in Japan, and any other information prescribed by Ministry of Finance Order, with the return.

(When Filing an Income Tax Return Is Not Required)

Article 121 (1) Notwithstanding paragraph (1) of the preceding Article, if a Resident who has salary income for the year and who is to be paid a salary or other wage as prescribed in Article 28, paragraph (1) (Salary Income) (hereinafter referred to as a "salary or other wage" in this paragraph) amounting to 20,000,000 yen or less in the year falls under one of the following items, that Resident is not required to file a return pursuant to paragraph (1) of the preceding Article as regards income taxes on taxable gross income and taxable timber income for the year; provided, however, that this does not apply if the Resident makes available real property or other assets for use in the business of the person paying the salary or other wage constituting the Resident's salary income and is paid a consideration for this, nor does it apply in any other case prescribed by Cabinet Order:

(i) the Resident's is paid the salary or other wage by a single person; all of the salary or other wage has been or is required to be subject to the withholding of income taxes as under Article 183 (Obligation to Withhold Taxes from Salary Income) or Article 190 (Year-End Adjustments); and the sum total of the Resident's interest income, dividend income, real property income, business income, timber income, capital gains, occasional income, and miscellaneous income (hereinafter referred to as the "income other than salary income and retirement income" in this paragraph) for the year is 200,000 yen or less;

(ii) the Resident is paid the salary or other wage by two or more persons; all of the salary or other wage has been or is required to be subject to the withholding of income taxes as under Article 183 or Article 190; and the Resident falls under either (a) or (b):

(a) the sum total of the salary or other wage constituting salary income for the year which the Resident is paid by the person paying a secondary salary or other wage as prescribed in Article 195, paragraph (1) (Return for Deduction for Dependents, etc. Regarding Secondary Salaries) and the Resident's income other than salary income and retirement income for the year is 200,000 yen or less;

(b) the salary or other wage constituting the Resident's salary income for the year is not more than the sum total of 1,500,000 yen and the amount of the social insurance premium deduction, deduction for small enterprise-based mutual aid premiums and similar payments, life insurance premium deduction, earthquake insurance premium deduction, disability deduction, widow (or widower) deduction, working student deduction, spousal deduction, special spousal deduction, and dependency exemption; and income other than salary income and retirement income for the year is 200,000 yen or less, other than in a case that falls under (a).

(2) Notwithstanding paragraph (1) of the preceding Article, if a Resident who has retirement income for the year falls under one of the following items, the Resident is not required to file a return under paragraph (1) of the preceding Article for income taxes on taxable retirement income for the year:

(i) all of the Resident's severance pay or other such compensation as prescribed in Article 30, paragraph (1) (Retirement Income) (hereinafter referred to as "severance pay or other such compensation" in this paragraph) which constitutes retirement income for the year has been or is required to be subject to the withholding of income taxes pursuant to the provisions of Article 199 (Obligation to Withhold Taxes from Retirement Income) or Article 201, paragraph (1) (Tax Withheld from Retirement Income);

(ii) the amount of income taxes calculated when Article 89 (Tax Rates) is applied for the year's taxable retirement income is not more than the amount of income taxes that have been or are required to be Withheld from the severance pay or other such compensation that constitutes retirement income for the year, other than in a case that falls under the preceding item.

(Filing a Return to Receive a Refund)

Article 122 (1) If an amount set forth in Article 120, paragraph (1), item (iv), item (vi), or item (viii) (Filing Income Tax Returns) arises in connection with a Resident's income tax for the year, the Resident may file a return with the district tax office director, giving the information set forth in the items of Article 120, paragraph (1), to receive a refund pursuant to the provisions of Article 138, paragraph (1) (Refunding Tax Withheld) or Article 139, paragraph (1) or paragraph (2) (Refunding Prepaid Taxes), unless the Resident is required to file a return under Article 120, paragraph (1) or is permitted to file a return under paragraph (1) of the following Article. In such a case, if a Resident who is to be paid a salary or other wage for the year as prescribed in Article 28, paragraph (1) (Salary Income) to which the provisions of Article 190 (Year-End Adjustment) have been applied, files a return and includes a withholding receipt as set forth in Article 120, paragraph (3), item (iii) for that salary or other wage, the Resident may give the information set forth in the items of Article 120, paragraph (1) which Ministry of Finance Order prescribes, in entries as provided by Ministry of Finance Order.

(2) Even if the circumstances do not constitute a case in which a Resident is required to file a return under Article 120, paragraph (1) or is permitted to file a return under the preceding paragraph or paragraph (1) of the following Article, if it is necessary for the Resident to do so in order to apply Article 95, paragraph (2) or paragraph (3) (Carryover of Unused Foreign Tax Credit) to income taxes in or after the subsequent year, the Resident may file a return with the district tax office director, giving the information set forth in the

items of Article 120, paragraph (1).

(3) The provisions of Article 120, paragraphs (3) through (5) apply mutatis mutandis to the filing of a return under the preceding two paragraphs.

(Filing Tax Returns Showing Losses)

Article 123 (1) In a case falling under one of the following items, if a Resident seeks to apply the provisions of Article 70, paragraph (1) or paragraph (2) (Deduction for Carryover of Net Loss) or Article 71, paragraph (1) (Deduction for Carryover of Casualty Loss), or to receive a refund as under Article 142, paragraph (2) (Issuance of Refunds Based on Carryback of Net Loss) in or after the year following the relevant year, the Resident may file a return with the district tax office director, giving the information set forth in the items of the following paragraph:

(i) if the Resident incurred a Net Loss in the year;

(ii) if the Casualty Losses incurred in the year exceed the sum total of the Resident's gross income, retirement income, and timber income for the year;

(iii) if the sum total of the Net Loss and Casualty Losses that were incurred in any of the three years prior to the relevant year (this Net Loss excludes any amount deducted in or prior to the previous year pursuant to the provisions of Article 70, paragraph (1) or paragraph (2) or Article 71, paragraph (1), and excludes any amount used as the basis for calculating the amount to be refunded pursuant to the provisions of Article 142, paragraph (2); the same applies in item (ii) of the following paragraph) exceeds the sum total of the Resident's gross income, retirement income, and timber income for the year, as calculated without deducting any such Net Loss or Casualty Losses.

(2) The information that must be given in a return under the preceding paragraph is:

(i) the amounts of the Net Loss and Casualty Losses incurred in the year;

(ii) the amounts of the Net Loss and Casualty Losses incurred in any of the three years prior to the relevant year;

(iii) the sum total of the Resident's gross income, retirement income, and timber income for the year, if the Resident incurred a Casualty Loss in the year;

(iv) the sum total of the Resident's gross income, retirement income, and timber income for the year, calculated without deducting any Net Loss or Casualty Loss as set forth in item (ii);

(v) the Net Loss and Casualty Loss that may be deducted in the calculation of the amount of gross income, retirement income, and timber income in or after the year following the relevant year, pursuant to Article 70, paragraph (1) or paragraph (2) or Article 71, paragraph (1);

(vi) any amount to be deducted in the year pursuant to the provisions of Article

95 (Foreign Tax Credit);

(vii) any tax withheld as prescribed in Article 120, paragraph (1), item (v) (Filing Income Tax Returns) from Each Class of Income that has been used as the basis for calculating the Net Loss as set forth in item (i) or for calculating the Resident's gross income or retirement income as set forth in item (iii) or item (iv);

(viii) any prepaid taxes as prescribed in Article 120, paragraph (2) for the year;

(ix) the bases for calculating the amounts set forth in items (i) through (v), and the information that Ministry of Finance Order prescribes.

(3) The provisions of Article 120, paragraphs (3) through (5) apply mutatis mutandis to the filing of a return under paragraph (1).

Subsection 2 Filing a Tax Return in the Event of the Taxpayer's Death or Absence From Japan

(Filing a Tax Return If the Person Required to File Has Died)

Article 124 (1) If a Resident who is required to file a return under Article 120, paragraph (1) (Filing Income Tax Returns) dies between January 1 of the year following the relevant year and the deadline for filing that year's return without having filed that return, unless the Resident's heir files a return under the following paragraph, the heir must file the return with the district tax office director by the day before that which marks four months' time since the day after the heir learns of the commencement of the succession (or by the start of the heir's Absence From Japan, if the heir becomes Absent From Japan prior to that date; hereinafter the same applies in this Article), as prescribed by Cabinet Order.

(2) If a Resident who may file a return pursuant to paragraph (1) of the preceding Article dies between January 1 of the year following the relevant year and the deadline for filing that year's return without having filed a return, the Resident's heir may file the return with the district tax office director by the day before that which marks four months' time since the day after the heir learns of the commencement of the succession, as provided by Cabinet Order.

(Filing a Tax Return If the Taxpayer Has Died Partway Through the Year)

Article 125 (1) If the circumstances, when a Resident dies partway through the year, constitute a case in which a return under Article 120, paragraph (1) (Filing Income Tax Returns) must be filed in connection with the Resident's income taxes for the year, unless the Resident's heir files a return under paragraph (3), the heir must file a return with the district tax office director, giving information that includes what is set forth in the items of Article 120, paragraph (1) with regard to those income taxes, by the day before that which

marks four months' time since the day after the heir learns of the commencement of the succession (or by the start of the heir's Absence From Japan, if the heir becomes Absent From Japan prior to that date; hereinafter the same applies in this Article), as prescribed by Cabinet Order.

(2) If the circumstances, when a Resident dies partway through the year, constitute a case in which it is permissible to file a return under Article 122, paragraph (1) or paragraph (2) (Filing a Return to Receive a Refund) in connection with the Resident's income taxes for the year, unless the Resident's heir is required to file a return under the preceding paragraph or is permitted to file a return under the following paragraph, the heir may file a return with the district tax office director, giving information that includes what is set forth in the items of Article 120, paragraph (1) with regard to those income taxes, as prescribed by Cabinet Order.

(3) If the circumstances, when a Resident dies partway through the year, constitute a case in which it is permissible to file a return under Article 123, paragraph (1) (Filing Tax Returns Showing Losses) in connection with the Resident's income taxes for the year, the Resident's heir may file a return with the district tax office director, giving information that includes what is set forth in the items of paragraph (2) of that Article with regard to those income taxes, by the day before that which marks four months' time since the day after the heir learns of the commencement of the succession, as prescribed by Cabinet Order.

(4) The provisions of Article 120, paragraphs (3) through (5) apply mutatis mutandis to the filing of a return under the preceding three paragraphs.

(5) Paragraph (1) applies mutatis mutandis if the person who is required to file a return under paragraph (1) dies prior to the deadline for filing the return without having filed it, and paragraph (2) of the preceding Article applies mutatis mutandis if the person who is permitted to file a return under paragraph (3) dies prior to the deadline for filing the return without having filed it.

(Filing a Tax Return If the Person Required to File Will Be Absent From Japan)

Article 126 (1) If a Resident who is required to file a return under Article 120, paragraph (1) (Filing Income Tax Returns) will be Absent From Japan between January 1 of the year following the relevant year and the deadline for filing the year's return, unless the Resident files a return under the provisions of Article 123, paragraph (1) (Filing Tax Returns Showing Losses), the Resident must file the return with the district tax office director by the start of the Resident's Absence From Japan.

(2) If a Resident who may file a return under Article 123, paragraph (1) will be

Absent From Japan between January 1 of the year following the relevant year and February 15, the Resident may file the return with the district tax office director, even during that period.

(Filing a Tax Return If the Taxpayer Will Become Absent From Japan Partway Through the Year)

Article 127 (1) If a Resident will become Absent From Japan partway through the year under circumstances constituting a case in which a return under Article 120, paragraph (1) (Filing Income Tax Returns) must be filed for the Resident's gross income, retirement income, and timber income from between January 1 of the relevant year and the start of the Resident's Absence From Japan, unless the Resident files a return under paragraph (3), the Resident must file a return with the district tax office director, giving the information set forth in the items of Article 120, paragraph (1) based on the circumstances as of that time, by the start of the Resident's Absence From Japan.

(2) If a Resident will become Absent From Japan partway through the year under circumstances constituting a case in which it is permissible to file a return under Article 122, paragraph (1) (Filing a Return to Receive a Refund) for the Resident's gross income, retirement income, and timber income from between January 1 of the relevant year and the start of the Resident's Absence From Japan, unless the Resident is required to file a return under the preceding paragraph or is permitted to file a return under the following paragraph, the Resident may file a return with the district tax office director, giving the information set forth in the items of Article 120, paragraph (1) based on the circumstances as of that time.

(3) If a Resident will become Absent From Japan partway through the year under circumstances constituting a case in which it is permissible to file a return under Article 123, paragraph (1) (Filing Tax Returns Showing Losses) in connection with a Net Loss or Casualty Losses incurred between January 1 of the relevant year and the start of the Resident's Absence From Japan or in connection with a Net Loss or Casualty Losses incurred in any of the three years prior to the relevant year, the Resident may file a return with the district tax office director, giving the information set forth in the items of Article 123, paragraph (2) based on the circumstances as of that time, by the start of the Resident's Absence From Japan.

(4) Article 120, paragraphs (3) through (5) apply mutatis mutandis to the filing of a return under the preceding three paragraphs.

Subsection 3 Payment

(Payment upon Filing)

Article 128 If a return as under Article 120, paragraph (1) (Filing Income Tax Returns) (other than a return required to be filed in circumstances falling under the provisions of Article 124, paragraph (1) (Filing a Tax Return If the Person Required to File Has Died) or Article 126, paragraph (1) (Filing a Tax Return If the Person Required to File Will Be Absent From Japan)) indicates an amount as set forth in Article 120, paragraph (1), item (iii) (or indicates an amount as set forth in Article 120, paragraph (1), item (v), if there is any tax withheld as prescribed in that item but no prepaid taxes as prescribed in Article 120, paragraph (1), item (vii); or indicates an amount as set forth in Article 120, paragraph (1), item (vii), if there are any prepaid taxes as prescribed in that item; hereinafter the same applies in this Subsection), the Resident filing the return must pay income taxes to the national government in an amount equivalent thereto in the third term.

(Payment upon Filing in the Event of the Taxpayer's Death)

Article 129 If a return as under Article 124, paragraph (1) (Filing a Tax Return If the Person Required to File Has Died) (including as applied mutatis mutandis pursuant to Article 125, paragraph (5) (Filing a Tax Return If the Taxpayer Has Died Partway Through the Year)) or Article 125, paragraph (1) indicates an amount set forth in Article 120, paragraph (1), item (iii) (Amount of Income Taxes Indicated in Income Tax Returns), the person filing the return due to circumstances falling under any of those provisions must pay income taxes to the national government in an amount equivalent thereto by the deadline for filing the return, as prescribed in Article 5 (Succession to the Obligation to Pay National Taxes Based on Hereditary Succession) of the Act on General Rules for National Taxes.

(Payment upon Filing If the Taxpayer Will Be Absent From Japan)

Article 130 If a return as under Article 126, paragraph (1) (Filing a Tax Return If the Person Required to File Will Be Absent From Japan) or Article 127, paragraph (1) (Filing a Tax Return If the Taxpayer Will Become Absent From Japan Partway Through the Year) indicates an amount as set forth in Article 120, paragraph (1), item (iii) (Amount of Income Taxes Indicated in Income Tax Returns), the Resident filing the return prescribed in those provisions due to the circumstances falling under those provisions must pay income taxes to the national government in an amount equivalent thereto, by the deadline for filing the return.

Subsection 4 Deferring Payment

(Deferring Payment of Taxes That Are to Be Paid Upon Filing)

Article 131 (1) If a Resident filing a return under Article 120, paragraph (1) (Filing Income Tax Returns) pays income taxes to the national government which are equivalent to at least 50% of the income taxes payable pursuant to the provisions of Article 128 (Payment upon Filing) by the payment due date under Article 128 (or if the Resident submits a paper-based application as referred to in Article 133, paragraph (1) (Process for Deferring Tax Payments connected with Assets Transferred on a Deferred-Payment Basis) and the amount the Resident pays by the due date is at least 50% of the income taxes payable less the amount that the paper-based application states as the part of the income taxes payable whose payment the Resident seeks to defer as referred to in Article 133, paragraph (1)), the Resident may defer the payment of the remaining amount until May 31 of the year in which the Resident has made that first payment by the due date.

(2) The preceding paragraph applies only if the Resident filing a return as prescribed in that paragraph submits a tax payment deferment notice by the payment due date prescribed in that paragraph to the competent district tax office director for the locality in which the Resident pays taxes, indicating the amount of tax payable pursuant to the provisions of Article 128 and the part of the tax payable that the Resident will pay by the due date, and giving the information prescribed by Ministry of Finance Order.

(3) A Resident applying the provisions of paragraph (1) must pay the income taxes whose payment is subject to a deferment under the provisions of that paragraph, along with a tax levied as interest in an amount equivalent to that arrived at when the income taxes whose payment is deferred are multiplied by an annual rate of 7.3%, based on the number of days in the deferment period.

(Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis)

Article 132 (1) If a Resident transfers assets generating timber income or capital gains on a deferred-payment basis and the following requirements are all met, the district tax office director may permit a deferment of payment for all or a part of the income taxes payable pursuant to the provisions of Article 128 (Payment upon Filing) or Article 129 (Payment upon Filing in the Event of the Taxpayer's Death), as indicated in a return as prescribed in item (i) (or for all or a part of the taxes on assets transferred on a deferred-payment basis, if the taxes on assets transferred on a deferred-payment basis are less than the income taxes payable pursuant to the provisions of Article 128) for up to five years, at the application of the Resident (or the Resident's heir):

(i) the Resident or heir files a return under Article 120, paragraph (1) (Filing Income Tax Returns) (other than a return required to be filed in circumstances falling under Article 126, paragraph (1) (Filing a Tax Return

If the Person Required to File Will Be Absent From Japan)) or a return under Article 125, paragraph (1) (Filing a Tax Return If the Taxpayer Has Died Partway Through the Year) in connection with income taxes for the year in which the date of the deferred-payment-basis transfer falls, by the deadline for filing that return;

(ii) the taxes on assets transferred on a deferred-payment basis exceed the equivalent of 50% of the amount of income taxes set forth in Article 120, paragraph (1), item (iii) which is indicated in a return as prescribed in the preceding item;

(iii) the taxes on assets transferred on a deferred-payment basis exceed 300,000 yen.

(2) Before permitting a tax payment deferment pursuant to the provisions of the preceding paragraph, the district tax office director must collect collateral equivalent to the amount of income taxes whose payment is being deferred; provided, however, that this does not apply if the amount of income taxes whose payment is being deferred is 500,000 yen or less and the deferment period is three years or less.

(3) A transfer on a deferred-payment basis as prescribed in paragraph (1) means a transfer undertaken under conditions meeting the following requirements based on a contract that defines those conditions:

(i) the Resident is paid the consideration in three or more installments, as monthly installments, annual installments, or any other form of installment;

(ii) there are at least two years in the period from the day after the due date for the Resident to deliver the object of the transfer until the deadline for the last installment payment;

(iii) other requirements as prescribed by Cabinet Order.

(4) The taxes on assets transferred on a deferred-payment basis as prescribed in paragraph (1) means the part of the income taxes set forth in Article 120, paragraph (1), item (iii) that is indicated in a return as prescribed in paragraph (1), item (i) and which is calculated pursuant to Cabinet Order as the part of the taxes on timber income or capital gains from the sum total of the installment payments connected with the deferred-payment transfer whose payment deadline as defined in the contract for the deferred-payment transfer falls in or after the year following the relevant year (this excludes any installment payment already made during the relevant year).

(Process for Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis)

Article 133 (1) A Resident seeking to apply for permission to defer a tax payment pursuant to the provisions of paragraph (1) of the preceding Article must submit a paper-based application to the competent district tax office director

for the locality in which the Resident pays taxes, indicating the amount of income taxes whose payment the Resident is requesting to defer, the period of the deferment (or, if the Resident is requesting to pay the income taxes in two or more installments, the period between installment payments and the amount of each installment payment that the Resident is requesting to make as a deferred payment), and giving the information prescribed by Ministry of Finance Order, accompanied by a document concerning the provision of collateral, by the payment due date for those income taxes, pursuant to Article 128 (Payment upon Filing) or Article 129 (Payment upon Filing in the Event of the Taxpayer's Death).

(2) Upon the submission of a paper-based application as referred to in the preceding paragraph, the district tax office director examines whether the Resident submitting the paper-based application and the information given in the application meet the requirements set forth in the items of paragraph (1) of the preceding Article; examines whether either the amount of income taxes whose payment the Resident is requesting to defer and the deferment period or the period between installment payments and the amount of each installment payment that the Resident has indicated in the paper-based application are reasonable, in light of the installment payment due dates and amounts as defined in the contract for the deferred-payment transfer prescribed in that paragraph; and examines any other necessary matters; and, based on the results of that examination, either permits the deferment of payment for all or a part of the income taxes to which the application pertains under the conditions indicated in the application or under alternate conditions, or denies the application.

(3) Before permitting a Resident to defer payment as referred to in the preceding paragraph, if the district tax office director finds that the collateral that the Resident filing the application seeks to provide is not appropriate, the director may request the Resident to change this. If the Resident fails to respond to the request in such a case, the district tax office director may deny the application.

(4) When permitting a Resident to defer payment or when denying an application as referred to in paragraph (1), the district tax office director must notify the Resident filing the application via a paper-based notice of either the amount of income taxes subject to the permission to defer payment and the conditions of the deferment, or of the denial of the application and the reason therefor.

(5) If a paper-based application as referred to in paragraph (1) is submitted, the district tax office director may suspend collection of all or a part of the amount of income taxes to which the application pertains on finding there to be adequate grounds to do so.

(Altering Conditions for Deferring Payment of Income Taxes on Assets

Transferred on a Deferred-Payment Basis)

Article 134 (1) If a Resident in receipt of permission to defer payment under Article 132, paragraph (1) (Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis) seeks to request that the permitted conditions for deferring payment be altered due to a change in the due date for installment payments as defined in the contract for the deferred-payment transfer prescribed in that paragraph or due to the occurrence of any other grounds, the Resident may submit a paper-based application to the competent district tax office director for the locality in which the Resident pays taxes, indicating the conditions whose alteration the Resident seeks to request and giving the information prescribed by Ministry of Finance Order.

(2) Paragraph (2) and paragraph (4) of the preceding Article apply mutatis mutandis if a paper-based application as referred to in the preceding paragraph is submitted.

(3) On finding it to be necessary to alter the permitted conditions for deferring payment due to a change in the due date for installment payments defined in the contract for the deferred-payment transfer as prescribed in Article 132, paragraph (1), due to the payment of those installments prior to the due date, or due to the occurrence of any other grounds, the district tax office director may shorten the deferment period or otherwise alter the conditions for deferring payment. In such a case, the provisions of Article 49, paragraph (2) and paragraph (3) (Hearing of Explanations and Notice upon Cancellation of Grace Periods for Tax Payment) of the Act on General Rules for National Taxes apply mutatis mutandis.

(Cancelling Deferments for Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis)

Article 135 (1) If a Resident in receipt of permission to defer payment under Article 132, paragraph (1) (Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis) comes to fall under one of the following cases, the district tax office director may rescind the permission to defer payment:

(i) the income taxes subject to the deferment (this includes amounts corresponding to the tax levied as interest under the following Article and any tax on delinquency associated with those income taxes) fall into arrears, or the Resident otherwise violates the conditions of the deferment;

(ii) the amount calculated pursuant to Cabinet Order in accordance with the amount of taxes that is calculated for a deferred-payment transfer as prescribed in Article 132, paragraph (4) based on the amount of income taxes as set forth in Article 120, paragraph (1), item (iii) (Amount of Income Taxes Indicated in Income Tax Returns) subsequent to the filing of an Amended

Return or the reaching of a Reassessment involving the amount of income taxes indicated in the return prescribed in Article 132, paragraph (1), item (i) that the Resident has filed (referred to as "the year's taxes after amendment" in this item), comes to be no more than 50% of the year's taxes after amendment or comes to be no more than 300,000 yen;

(iii) the Resident fails to follow an order under Article 51, paragraph (1) (Changing Collateral) of the Act on General Rules for National Taxes involving the collateral for the deferment;

(iv) the compulsory realization process prescribed in Article 2, item (x) (Definitions) of the Act on General Rules for National Taxes has begun against the collateral for the deferment.

(2) The provisions of Article 49, paragraph (2) (Hearing of Explanations upon Cancellation of Grace Periods for Tax Payment) of the Act on General Rules for National Taxes apply mutatis mutandis if the district tax office director rescinds the permission to defer payment referred to in the preceding paragraph pursuant to the provisions of item (i) or item (iii) of that paragraph.

(3) When rescinding the permission to defer payment referred to in paragraph (1) pursuant to the provisions of that paragraph, the district tax office director must notify the Resident that has been permitted to defer the payment of this via a paper-based notice, giving the reason therefor.

(Tax Levied as Interest for Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis)

Article 136 (1) A Resident in receipt of permission to defer payment under Article 132, paragraph (1) (Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis) must pay a tax levied as interest in an amount equivalent to that which is set forth in each of the following items for the category of case set forth in the item, along with income taxes in the amount of the required installment payment prescribed in that item (or along with income taxes equivalent to the amount subject to deferment prescribed in item (iii), in the case referred to in that item):

(i) if the income taxes whose payment the Resident has permission to defer (hereinafter referred to as the "amount subject to deferment" in this Article) are subject to installment payments and the Resident is making a required installment payment for the first time: the amount calculated when the amount subject to deferment is multiplied by an annual rate of 7.3% based on the number of days in the period running from the day after the pre-deferment payment due date as under Article 128 (Payment upon Filing) or Article 129 (Payment upon Filing in the Event of the Taxpayer's Death) for the amount subject to deferment, up until the deferred due date for the installment payment;

(ii) if the amount subject to deferment is subject to installment payments and the Resident is making a required installment payment for the second time or thereafter: the amount calculated when the sum total of installment payments up until the previous installment are deducted from the amount subject to deferment, and the amount of income taxes constituting the difference is multiplied by an annual rate of 7.3% based on the number of days in the period running from the day after the deferred payment due date for the previous installment payment, up until the deferred payment due date for the installment payment in question;

(iii) in a case other than as set forth in one of the preceding two items: the amount calculated when the amount subject to deferment is multiplied by an annual rate of 7.3% based on the number of days in the period running from the day following the pre-deferment payment due date as under Article 128 or Article 129 for the amount subject to deferment, up until the deferred payment due date for the amount subject to deferment.

(2) If a Resident in receipt of permission to defer payment under Article 132, paragraph (1) has that permission rescinded pursuant to paragraph (1) of the preceding Article, the deferred due date for payment is deemed to have arrived at the time the deferment is rescinded as regards the total amount of installment payments or amount subject to deferment that the Resident is required to pay at the time that the deferment is rescinded and thereafter, and the provisions of the preceding paragraph apply to the Resident.

(Special Provisions on Taxes on Delinquency Levied Against Amounts Subject to Deferment)

Article 137 As regards any taxes on delinquency that are levied against income taxes when a Resident has been permitted to defer payment as under Article 132, paragraph (1) (Deferring Payment of Income Taxes on Assets Transferred on a Deferred-Payment Basis), income taxes are broken down into the amount subject to deferment as prescribed in Article 136, paragraph (1), item (i) and everything else, and if the amount subject to deferment is subject to installment payments this is further broken down into individual installment payments, and the provisions of the Act on General Rules for National Taxes concerning taxes on delinquency apply to each such amount of taxes.

Subsection 5 Refunds

(Refunding Tax Withheld)

Article 138 (1) If a Tax Return is filed which indicates any of the amounts set forth in Article 120, paragraph (1), item (iv) or item (vi) (Shortfall in Credit for Tax Withheld) or Article 123, paragraph (2), item (vi) or item (vii) (Amount of

Taxes Withheld), the district tax office director refunds an amount of income taxes equivalent thereto to the person filing the return.

(2) In a case as referred to in the preceding paragraph, if any part of the tax withheld as prescribed in Article 120, paragraph (1), item (vi) or Article 123, paragraph (2), item (vii) which is indicated in a Tax Return as referred to in the preceding paragraph has not yet been paid over to the national government, an amount equivalent to the part of the refund under the preceding paragraph which is from tax withheld that has not yet been paid over is not refunded until that part of the tax withheld is paid over.

(3) When the amount of Interest on a refund under paragraph (1) is calculated, the period referred to in Article 58, paragraph (1) (Interest on Refunds) of the Act on General Rules for National Taxes which serves as the basis for the calculation is the period beginning on the day after the day that is set forth in each of the following items for the category of case set forth in the item (or beginning on the day after that on which any tax withheld that is subject to a refund as prescribed in the preceding paragraph is paid over to the national government, if this is after the date set forth in the relevant item), and ending on the day on which the tax-office decision to pay the refund is reached or on the day on which the refund is Appropriated to cover a required tax payment (or ending on the day on which the refund first could have been Appropriated, if this is before the date of the Appropriation):

(i) if the Tax Return referred to in paragraph (1) is filed by the Filing Deadline: the Filing Deadline;

(ii) if the Tax Return referred to in paragraph (1) is filed after the Filing Deadline: the day on which the Tax Return is filed.

(4) If a refund under paragraph (1) is Appropriated to cover unpaid income taxes in the year of the Tax Return referred to in that paragraph, Refund Interest does not accrue on the part of the refund so Appropriated and the tax on delinquency is waived for the part of the income taxes covered by the Appropriation.

(5) Beyond what is prescribed in the preceding three paragraphs, Cabinet Order provides for the procedures for issuing a refund as referred to in paragraph (1), the way of Appropriating a refund under that paragraph (and Interest thereon), and other necessary particulars concerning the application of the provisions of that paragraph.

(Refunding of Prepaid Taxes)

Article 139 (1) If a Tax Return is filed which indicates an amount set forth in Article 120, paragraph (1), item (viii) (Shortfall in Credit for Prepaid Taxes) or Article 123, paragraph (2), item (viii) (Prepaid Taxes), the district tax office director refunds the part of the prepaid taxes prescribed in those provisions

which is equivalent to that amount (hereinafter referred to in this Article as "prepaid taxes") to the person filing the return.

(2) If the district tax office director issues a refund under the preceding paragraph and the taxpayer has paid a tax on delinquency in respect of prepaid taxes in the year of the Tax Return referred to in that paragraph, the director also refunds the amount calculated pursuant to Cabinet Order as the part of the tax on delinquency which was for the prepaid taxes that are being refunded pursuant to that paragraph.

(3) When the amount of Interest on a refund under paragraph (1) is calculated, the period referred to in Article 58, paragraph (1) (Interest on Refunds) of the Act on General Rules for National Taxes which serves as the basis for the calculation is the period beginning on the day after that on which prepaid taxes that are required to be refunded pursuant to the provisions of paragraph (1) are paid (or beginning on the day after the payment due date, if the prepaid taxes are paid prior to the payment due date) and ending on the day on which the tax-office decision to pay the refund is reached or on the day on which the refund is Appropriated to cover a required tax payment (or ending on the day on which the refund first could have been Appropriated, if this is before the date of the Appropriation); provided, however, that if a Tax Return as referred to in that paragraph is filed after the Filing Deadline, none of the days from the day after the Filing Deadline up to the day on which the Tax Return is filed are included as part of that period.

(4) If a refund under paragraph (1) is Appropriated to cover unpaid income taxes for a year in which prepaid taxes are used as the basis for calculating the amount of the refund, Refund Interest does not accrue on the part of the refund so Appropriated and the tax on delinquency is waived for the part of the income taxes covered by the Appropriation.

(5) Interest does not accrue on a refund under the provisions of paragraph (2).

(6) Beyond what is prescribed in the preceding three paragraphs, Cabinet Order provides for procedures for issuing a refund as referred to in paragraph (1) or paragraph (2), the way of Appropriating a refund under paragraph (1) (and Interest thereon) and other necessary particulars concerning the application of the provisions of that paragraph or paragraph (2).

(Claim to Be Issued a Refund Based on Carryback of Net Loss)

Article 140 (1) If a Resident filing a Blue Return incurs a Net Loss in the year, the Resident may file a claim with the competent district tax office director for the locality in which the Resident pays taxes, seeking to be issued an income tax refund in an amount equivalent to what is arrived at when the amount set forth in item (ii) is deducted from the amount set forth in item (i), at the time of filing the return:

(i) the amount of income taxes calculated when Chapter III, Section 1 (Tax Rates) is applied for the previous year's taxable gross income, taxable retirement income, and taxable timber income;

(ii) the amount of income taxes calculated when Chapter III, Section 1 is applied to the amount arrived at when all or part of the Net Loss is deducted from the previous year's taxable gross income, taxable retirement income, and taxable timber income.

(2) In a case as referred to in the preceding paragraph, if the amount of income taxes equivalent to what is arrived at when the deduction prescribed in that paragraph is made exceeds the amount of income taxes (less any Punitive Tax) on the previous year's taxable gross income, taxable retirement income, and taxable timber income, the limit of the amount for which the Resident may file a claim to be issued a refund as referred to in that paragraph is the latter amount of income taxes.

(3) Cabinet Order makes provisions for when the amount set forth in paragraph (1), item (ii) is calculated, specifying which, among the taxable gross income, taxable retirement income, and taxable timber income referred to in the item, is the first amount from which the Net Loss is deducted; and specifying which, out of either the average taxable amount prescribed in Article 90, paragraph (3) or the amount arrived at when the average taxable amount is deducted from taxable gross income, is the first amount from which the Net Loss is deducted in the event that Article 90 (Averaging Taxation on Fluctuating Income and Ad Hoc Income) was applied in the previous year.

(4) The provisions of paragraph (1) apply only if the Resident referred to in that paragraph filed a Blue Return for income taxes in the previous year and files a Blue Return for the relevant year by the deadline for filing it (or after the deadline for filing the return, if the district tax office director finds there to be compelling circumstances for allowing this).

(5) If a Resident undergoes a full business transfer or closure or is affected by any other facts equivalent to this which are specified by Cabinet Order after having incurred a Net Loss in the year before that in which the day of occurrence of the relevant facts falls (this Net Loss excludes any amount deducted in the year in which that day falls pursuant to the provisions of Article 70, paragraph (1) (Deduction for Carryover of Net Loss), and excludes any amount used as the basis for calculating the amount to be refunded pursuant to Article 142, paragraph (2) (Issuance of Refunds Based on Carryback of Net Loss)), the Resident may file a claim with the competent district tax office director for the locality in which the Resident pays taxes, seeking to be issued an income tax refund in an amount equivalent to what is calculated for the Net Loss pursuant to Cabinet Order and in accordance with the provisions of paragraphs (1) through (3), by the income tax Filing Deadline

for the year in which that day falls, but only if the person has filed a Blue Return for income taxes for the year before that in which that day falls and for the year before that.

(Claim by an Heir to Be Issued a Refund Based on Carryback of Net Loss)

Article 141 (1) If a Net Loss arises in a year for which a person is required to file a return (but only a Blue Return) as prescribed in Article 125, paragraph (1), paragraph (3), or paragraph (5) (Filing a Tax Return If the Taxpayer Has Died Partway Through the Year), the person filing the return may file a claim with the competent district tax office director for the locality in which the income taxes indicated in the return are paid, seeking to be issued an income tax refund in the amount equivalent to what is arrived at when the amount set forth in item (ii) is deducted from the amount set forth in item (i), at the time of filing that return and pursuant to Cabinet Order:

(i) the amount of income taxes calculated when Chapter III, Section 1 (Tax Rates) is applied to the previous year's taxable gross income, taxable retirement income, and taxable timber income for a Resident dying as prescribed in Article 125, paragraph (1) or paragraph (3);

(ii) the amount of income taxes calculated when Chapter III, Section 1, is applied to the amount arrived at when all or part of the Net Loss is deducted from the previous year's taxable gross income, taxable retirement income, and taxable timber income for a Resident dying as prescribed in the preceding item.

(2) Paragraph (2) and paragraph (3) of the preceding Article apply mutatis mutandis to a case as referred to in the preceding paragraph.

(3) Paragraph (1) applies only if the Resident dying as prescribed in item (i) of that paragraph filed a Blue Return for the previous year's income taxes and the person filing the return prescribed in that paragraph files the return by the deadline for filing it (or after the deadline for filing the return, if the district tax office director finds there to be compelling circumstances for allowing this).

(4) If a Resident who has died incurred a Net Loss in the year prior to the one in which the date of the Resident's death falls (this Net Loss excludes any amount deducted in the year in which that date falls pursuant to Article 70, paragraph (1) (Deduction for Carryover of Net Loss), and excludes any amount used as the basis for calculating the amount to be refunded pursuant to paragraph (2) of the following Article), the Resident's heir may file a claim with the competent district tax office director for the locality in which the income taxes in the relevant year were paid pursuant to Cabinet Order, seeking to be issued a refund in an amount equivalent to what is calculated in accordance with paragraph (1) and paragraph (2) for that Net Loss, by the income tax Filing Deadline for the year in which the date of the Resident's death falls, but only if

a Blue Return was filed for income taxes for the year prior to that in which the date of the Resident's death falls and the year before that.

(Procedures for Issuing Refunds Based on Carryback of Net Loss)

Article 142 (1) A person seeking to file a claim to be issued a refund pursuant to the provisions of the preceding two Articles must submit a paper-based claim for a refund to the district tax office director, indicating the amount of income taxes that the person seeks to have refunded, the basis for the calculation, and any other information prescribed by Ministry of Finance Order.

(2) When a paper-based claim for a refund as referred to in the preceding paragraph is submitted, the district tax office director undertakes an examination into the Net Loss forming the basis for the claim and other necessary details, and, based on the results of that examination, either issues an income tax refund within the scope of the amount sought in the claim, or notifies the filer via a paper-based notice that there are no grounds to the claim.

(3) When the amount of Interest on a refund under the preceding paragraph is calculated, the period referred to in Article 58, paragraph (1) (Interest on Refunds) of the Act on General Rules for National Taxes which serves as the basis for the calculation is the period beginning on the day that marks three months' time since the day after the date on which the person files a claim to be issued a refund under the provisions of the preceding two Articles (or beginning on the day that marks three months' time since the day after the filing deadline, if the day on which the person files the claim to be issued a refund pursuant to the provisions of Article 140, paragraph (1) (Claim to Be Issued a Refund Based on Carryback of Net Loss) or paragraph (1) of the preceding Article is before the deadline for filing a return prescribed in these provisions) and ending on the day on which the tax-office decision to pay the refund is reached or on the day on which the refund is Appropriated to cover a required tax payment (or ending on the day on which the refund first could have been Appropriated, if this is before the date of the Appropriation).

Section 3 Blue Returns

(Blue Returns)

Article 143 A Resident conducting business that is meant to generate real property income, business income, or timber income may use a Blue Return to submit a Tax Return or to submit an Amended Return connected with a Tax Return, with the approval of the competent district tax office director for the locality in which the Resident pays taxes.

(Application for Approval to File a Blue Return)

Article 144 A Resident seeking the approval referred to in the preceding Article for income taxes in and after the current year must submit a paper-based application to the competent district tax office director for the locality in which the Resident pays taxes, indicating the classes of income from business as prescribed in that Article and giving the information prescribed by Ministry of Finance Order, by March 15 of that year (or within two months from the day on which the Resident commences business as prescribed in that Article, if the Resident commences that business on or after January 16 of the relevant year).

(Denial of Applications for Approval to File a Blue Return)

Article 145 If a paper-based application as referred to in the preceding Article is submitted and the facts set forth in any of the following items are present as regards the Resident submitting the paper-based application, the district tax office director may deny the application:

(i) books and documents pertinent to income taxes in or after the current year in connection with business prescribed in Article 143 (Blue Returns) in the year for which the person seeks the approval referred to in that Article have not been kept, recorded, or kept on file in accordance with what Ministry of Finance Order prescribes as referred to in Article 148, paragraph (1) (Books and Documents of Blue Return Taxpayers);

(ii) there are adequate grounds to find the Resident has concealed or falsified all or some transactions when making entries or creating records in the books and documents prescribed in the preceding item which are kept thereby, or to find that those books or documents otherwise contain a false entry or record;

(iii) the Resident submits the paper-based application within one year after the day on which the Resident was notified as under Article 150, paragraph (2) (Rescission of Approval to File a Blue Return) or on which the Resident submitted a notification prescribed in Article 151, paragraph (1) (Ceasing to File a Blue Return).

(Notice of Approval to File a Blue Return)

Article 146 Upon reaching a disposition approving or denying an application when a paper-based application as referred to in Article 144 (Application for Approval to File a Blue Return) has been submitted, the district tax office director must notify the Resident filing the application of this via a paper-based notice.

(When a Resident Is Deemed to Receive Approval to File a Blue Return)

Article 147 If a paper-based application as referred to in Article 144 (Application

for Approval to File a Blue Return) has been submitted but a disposition either approving or denying the application is not reached by December 31 of the year in which the applicant seeks the approval referred to in Article 143 (Blue Returns) for income taxes in and after the current year (or by February 15 of the next year, if the applicant commences business as prescribed in that Article on or after November 1 of the relevant year), approval is deemed to be given on that day.

(Books and Documents of Blue Return Taxpayers)

Article 148 (1) A Resident that has been approved as referred to in Article 143 (Blue Returns), must keep books and documents on the business prescribed in that Article; record transactions involving real property income, business income, and timber income in them; and keep those books and documents on file; pursuant to Ministry of Finance Order.

(2) On finding it to be necessary to do so, the competent district tax office director for the locality in which a Resident pays taxes may give any necessary instruction about those of the Resident's books and documents which are connected with the business prescribed in that Article, to a Resident that has been approved as prescribed in Article 143.

(Documents That Must Accompany a Blue Return)

Article 149 A Blue Return must be accompanied by a balance sheet and profit and loss statement, and by a detailed statement as prescribed by Ministry of Finance Order showing the calculation of real property income, business income, or timber income or of the Net Loss.

(Rescission of Approval to File a Blue Return)

Article 150 (1) If the facts set forth in any of the following items are present as regards a Resident that has been approved as referred to in Article 143 (Blue Returns), the competent district tax office director for the locality in which the Resident pays taxes may rescind the approval, retroactive to the year set forth in the relevant item. In such a case, once approval is rescinded, any Blue Return that the Resident submits for income taxes in or after the relevant year based on that approval is deemed to be a return other than a Blue Return:

(i) the year's books and documents connected with business as prescribed in Article 143 are not kept, recorded in, or kept on file in accordance with what Ministry of Finance Order prescribes as referred to in Article 148, paragraph (1) (Books and Documents of Blue Return Taxpayers): the relevant year;

(ii) the Resident fails to follow the instructions of the district tax office director under the provisions of Article 148, paragraph (2), with regard to the year's books and documents as prescribed in the preceding item: the relevant year;

(iii) there are sufficiently adequate grounds to suspect the Resident of having concealed or falsified all or some transactions when making entries or creating records in the year's books and documents as prescribed in item (i), or to otherwise suspect the credibility of all of the information that the Resident has entered or recorded in those books and documents: the relevant year.

(2) When reaching a disposition to rescind approval as under the preceding paragraph, the district tax office director must notify the Resident referred to in that paragraph of this via a paper-based notice. In doing so, the district tax office director must append a note to the notice indicating which item of that paragraph the facts constituting the cause of the rescission fall under.

(Ending Blue Return Filings)

Article 151 (1) If a Resident that has been approved as referred to in Article 143 (Blue Returns) seeks to stop filing a Blue Return for income taxes in and after the current year, the Resident must submit a paper-based notification to the competent district tax office director for the locality in which the Resident pays taxes, indicating the year in which the Resident wishes to stop filing a Blue Return and giving the information prescribed by Ministry of Finance Order, by March 15 of the following year. In such a case, once the paper-based notification has been submitted, the approval ceases to be effective for income taxes in and after the relevant year.

(2) If a Resident that has been approved as referred to in Article 143 transfers or discontinues the entirety of business as prescribed in that Article, the approval ceases to be effective for income taxes in and after the year subsequent to that in which the date of the transfer or discontinuance falls.

Chapter VI Special Provisions on Requests for Reassessment

(Special Provisions on Requests for Reassessment If Income in Each Class Changes)

Article 152 If grounds as set forth in the items of Article 23, paragraph (1) (Requests for Reassessment) of the Act on General Rules for National Taxes arise due to the occurrence of a fact as prescribed in Article 63 (Special Provisions on Necessary Expenses In the Event of a Business Closure) or Article 64 (Special Provisions on the Calculation of Income If Payment for Transferred Assets Become Uncollectible) involving Income in Each Class in the year of a Tax Return or a Tax-Office Decision, or due to the occurrence of a fact prescribed by Cabinet Order as being equivalent thereto, the Resident (or the heir of a Resident) filing the Tax Return or subject to the Tax-Office Decision may file a request with the district tax office director for the

Reassessment, under Article 23, paragraph (1) of that Act, of an amount as set forth in Article 120, paragraph (1), item (i) or items (iii) through (viii) (Information Required to Be Given in Income Tax Returns) or Article 123, paragraph (2), item (i), item (v), item (vii), or item (viii) (Information Required to Be Given in Tax Returns Showing Losses) which has been indicated in the return or which was subject to the Tax-Office Decision (or of any such amount following the filing of an Amended Return or a Reassessment, if an Amended Return has been filed or a Reassessment has been made), but only within two months from the day after the fact occurs. In such a case, the reassessment request prescribed in Article 23, paragraph (3) of that Act must indicate the date that the fact occurred, in addition to giving the information prescribed in that paragraph.

(Special Provisions on Requests for Reassessment Due to Reassessment of a Previous Year's Income Taxes)

Article 153 If circumstances come to fall under a case set forth in either of the following items due to the filing of an Amended Return or a Reassessment or Tax-Office Decision involving an amount as set forth in Article 120, paragraph (1), item (i) or items (iii) through (viii) (Information Required to Be Given in Income Tax Returns) or Article 123, paragraph (2), item (i) or items (v) through (viii) (Information Required to Be Given in Tax Returns Showing Losses) which is required to be entered in a Tax Return, the Resident (or the heir of a Resident) that submitted the Amended Return or was subject to the Reassessment or Tax-Office Decision may file a request with the district tax office director for a Reassessment, under Article 23, paragraph (1) (Requests for Reassessment) of the Act on General Rules for National Taxes, of the amount prescribed in the relevant item, but only within two months from the day following that on which the Resident submits the Amended Return or is notified of the Reassessment or Tax-Office Decision. In such a case, the reassessment request prescribed in Article 23, paragraph (3) of that Act must indicate the date that the Resident submitted the Amended Return or was notified of the Reassessment or Tax-Office Decision, in addition to giving the information prescribed in that paragraph:

(i) an amount as set forth in Article 120, paragraph (1), item (iii), item (v) or item (vii) for the relevant year, which is indicated in a Tax Return or subject to a Tax-Office Decision in or after the year subsequent to that of the Amended Return, Reassessment, or Tax-Office Decision (or any such amount following the filing of an Amended Return or a Reassessment, if an Amended Return has been filed or a Reassessment has been made) is now overstated;

(ii) an amount as set forth in Article 120, paragraph (1), item (iv), item (vi) or item (viii) or Article 123, paragraph (2), item (i) or items (v) through (viii) for

the relevant year, which is indicated in a Tax Return or subject to a Tax-Office Decision in or after the year subsequent to that of the Amended Return, Reassessment, or Tax-Office Decision (or any such amount following the filing of an Amended Return or a Reassessment, if an Amended Return has been filed or a Reassessment has been made) is now understated.

Chapter VII Reassessments and Tax-Office Decisions

(Special Provisions on Information That Must Be Reassessed or Decided by the Tax Office)

Article 154 (1) A Reassessment or Tax-Office Decision with respect to income taxes may be made in connection with the information set forth in Article 120, paragraph (1), item (ix) or item (x) (Information Required to Be Given in Income Tax Returns), in addition to the information prescribed in Articles 24 through 26 (Reassessments and Tax-Office Decisions) of the Act on General Rules for National Taxes. This being the case, if a Reassessment or Tax-Office Decision is made that involves that information, the phrase "the amount of tax, etc." in Article 28, paragraph (2) and paragraph (3) (Information Required to Be Given in Paper-Based Notices of Reassessment or Tax-Office Decision) of that Act is deemed to be replaced with "the amount of tax, etc. and the information set forth in Article 120, paragraph (1), item (ix) or item (x) (Information Required to Be Given in Income Tax Returns) of the Income Tax Act".

(2) A paper-based notice of Reassessment or Tax-Office Decision as prescribed in Article 28, paragraph (1) of the Act on General Rules for National Taxes issued in the case of a Reassessment or Tax-Office Decision being made with respect to income taxes must give the information prescribed in paragraph (2) or paragraph (3) of that Article and be accompanied by a breakdown of the amount set forth in Article 120, paragraph (1), item (i) or the Net Loss set forth in Article 123, paragraph (2), item (i) (Information Required to Be Given in Tax Returns Showing Losses) in connection with the Reassessment or Tax-Office Decision, by category of income prescribed in Article 2, paragraph (1), item (xxi) (Definitions).

(Reassessments Involving Blue Returns)

Article 155 (1) Before Reassessing a Resident's gross income, retirement income, timber income, or Net Loss for a year in which the Resident has filed a Blue Return, the district tax office director examines the Resident's books and documents, and may make the Reassessment only if there are found to be errors in the calculation of those amounts in the course of the examination; provided, however, that the district tax office director is not precluded from

making a Reassessment without examining the Resident's books and documents if:

(i) a Reassessment has become necessary only as a result of errors in the calculation of Income in Each Class other than real property income, business income, and timber income or as a result of an error in the application of Article 69 through 71 (Aggregation of Profits and Losses and Deduction for Carryover of Losses);

(ii) the information given in the return or the documents accompanying it clearly reveals that the calculation of real property income, business income, or timber income is not in accordance with this Act, or clearly reveals that there is any other error in the calculation thereof.

(2) When Reassessing a Resident's gross income, retirement income, timber income, or Net Loss for a year in which the Resident has filed a Blue Return (other than when doing so only on the grounds prescribed in item (i) of the preceding paragraph), the district tax office director must note the reason for the Reassessment in a paper-based notice of Reassessment as prescribed in Article 28, paragraph (2) (Information Required to Be Given in Paper-Based Notices of Reassessment) of the Act on General Rules for National Taxes.

(Reassessment or Tax-Office Decision by Estimate)

Article 156 The district tax office director may make a Reassessment or Tax-Office Decision with respect to a Resident's income taxes by estimating the Resident's Income in Each Class or the loss for the year (other than real property income, business income, timber income, or the resulting loss when any of these is calculated, for a year in which the Resident has filed a Blue Return), in light of increases and decreases in assets or liabilities, revenue or expenses, production volumes, sales volumes or other transaction volumes, the number of employees, or the scope of business.

(Negation of Actions or Calculations by a Family Company)

Article 157 (1) If an action taken or calculation made by one of the following corporations would, if tolerated, unreasonably reduce the burden of income taxes on a Resident that is a Shareholder, Member, or Other Investor in the corporation or on a Resident that is uniquely related to such a Shareholder, Member or Other Investor as provided for by Cabinet Order (including a Resident uniquely related to a Nonresident that is a Shareholder, Member, or Other Investor in the corporation; the same applies in paragraph (4)), the district tax office director, when Reassessing or reaching a Tax-Office Decision on the Resident's income taxes, may exercise the discretion thereof in calculating an amount as set forth in Article 120, paragraph (1), item (i), or item (iii) through (viii) (Information Required to Be Given in Income Tax

Returns) or Article 123, paragraph (2), item (i), item (iii), item (v), or item (vii) (Information Required to Be Given in Tax Returns Showing Losses) as regards the Resident for each year, notwithstanding that action or calculation:

(i) a family company prescribed in Article 2, paragraph (10) (Definitions) of the Corporation Tax Act;

(ii) a corporation falling under all of the clauses from (a) through (c) below:

(a) the corporation has three or more branch offices, factories, or other places of business;

(b) at half or more of its places of business, the director or chief officer of that place of business or the person in charge of business at that place of business, the relative of the person in charge, or any other individual uniquely related to the person in charge as provided by Cabinet Order (hereinafter referred to as a "director or related individual" in this item) formerly conducted business at that place of business as an individual;

(c) the total number of shares held or total amount of capital contributions made to the corporation by the directors and related individuals associated with places of business at which a fact as prescribed in (b) is in operation is equivalent to at least two-thirds of the total number of shares issued by the corporation or at least two-thirds of the total capital contributions made to the corporation (other than treasury shares or capital contributions held by the corporation itself).

(2) In a case as referred to in the preceding paragraph, the determination as to whether a corporation falls under the category of a corporation as set forth in the items of that paragraph is to be based on the circumstances as of the time that the action prescribed in that paragraph was actually taken or that the calculation prescribed in that paragraph was actually made.

(3) The provisions of paragraph (1) apply mutatis mutandis to Reassessments and Tax-Office Decisions involving a Resident's income taxes as set forth in paragraph (1) if the provisions of Article 132, paragraph (1) (Negation of Actions or Calculations by a Family Company) of the Corporation Tax Act, Article 64, paragraph (1) (Negation of Actions or Calculations by a Family Company) of the Inheritance Tax Act, or Article 32, paragraph (1) (Negation of Actions or Calculations by a Family Company) of the Land Value Tax Act are applied to the action taken or calculation made by a corporation as set forth in the items of paragraph (1).

(4) If it is found that an action taken or calculation made by one or the other of the corporate parties to a merger (including a consolidation of trusts in connection with a Trust Subject to Corporate Taxation), company split (including a trust split in connection with a Trust Subject to Corporate Taxation), capital contribution in kind, post-formation acquisition of assets or liabilities as prescribed in Article 2, item (xii)-6 of the Corporation Tax Act,

share exchange, or share transfer (hereinafter referred to as a "merger or similar process" in this paragraph) (such corporate parties include a corporation issuing shares or capital contributions that are delivered during a merger or similar process; hereinafter the same applies in this paragraph) would, if tolerated, unreasonably reduce the burden of income taxes on a Resident that is a Shareholder, Member, or Other Investor in one or the other of the corporate parties or on a Resident that is uniquely related to such a Shareholder, Member, or Other Investor as prescribed in paragraph (1), the district tax office director, when Reassessing or reaching a Tax-Office Decision on the Resident's income taxes, may exercise the discretion thereof in calculating an amount as set forth in Article 120, paragraph (1), item (i), or items (iii) through (viii) or Article 123, paragraph (2), item (i), item (iii), item (v), or item (vii) as regards the Resident for each year, notwithstanding that action or calculation.

(Presuming the Attribution of Income of a Place of Business)

Article 158 If a corporation has 15 or more branch offices, factories, and other places of business, and at two-thirds or more of its places of business, the director or chief officer of that place of business or any other person in charge of business at that place of business, the relative of the person in charge or any other individual uniquely related to the person in charge as prescribed by Cabinet Order formerly conducted business at that place of business as an individual, the district tax office director, in making a Reassessment or reaching a Tax-Office Decision, may presume that the person in charge of each of the corporation's places of business has the enjoyment of the proceeds arising from that place of business, unless all deposits and borrowings of funds, purchases and sales of commodities, and other transactions at the corporation's places of business are conducted in the name of the corporation.

(Refunding Taxes Withheld, Based on Reassessment or Tax-Office Decision)

Article 159 (1) If the district tax office director reaches a Tax-Office Decision on a Resident's income taxes for any year and the Tax-Office Decision involves an amount as set forth in Article 120, paragraph (1), item (vi) (Uncredited Amount of Tax Withheld), the district tax office director refunds an equivalent amount of income tax to the Resident.

(2) If the amount set forth in Article 120, paragraph (1), item (iv) or item (vi) or Article 123, paragraph (2), item (vi) or item (vii) (Amount of Taxes Withheld) increases as a result of the Reassessment of a Resident's income taxes for any year, the district tax office director issues an income tax refund to the Resident in an amount equivalent to the increase.

(3) In a case as referred to in the preceding two paragraphs, if any part of the

taxes withheld as prescribed in Article 120, paragraph (1), item (vi) or Article 123, paragraph (2), item (vii) which is used as the basis for calculating an amount refunded as under the preceding two paragraphs has not yet been paid over to the national government, an amount equivalent to the part of the refund under the preceding two paragraphs which is from tax withheld that has not yet been paid over is not refunded until that part of the tax withheld is paid over.

(4) When the amount of Interest on a refund under paragraph (1) or paragraph (2) is calculated, the period referred to in Article 58, paragraph (1) (Interest on Refunds) of the Act on General Rules for National Taxes which serves as the basis for the calculation is the period beginning on the day after the day that is set forth in each of the following items for the category of refund set forth in the item (or beginning on the day after that on which any tax withheld that is subject to a refund as prescribed in the preceding paragraph is paid over to the national government, if this is after the date set forth in the relevant item), and ending on the day on which the tax-office decision to pay the refund is reached or on the day on which the refund is Appropriated to cover a required tax payment (or ending on the day on which the refund first could have been Appropriated, if this is before the date of the Appropriation):

(i) a refund under paragraph (1): the day that the Tax-Office Decision referred to in that paragraph is reached;

(ii) a refund under paragraph (2) (other than one as set forth in the following item): the day that is set forth in each of the following clauses for the category of case set forth in the clause:

(a) if the Tax Return under a Reassessment referred to in paragraph (2) is filed by the Filing Deadline: the Filing Deadline;

(b) if the Tax Return subject to the Reassessment referred to in paragraph (2) is filed after the Filing Deadline: the day on which the Tax Return is filed;

(c) if the Reassessment referred to in paragraph (2) is a Reassessment of a Tax-Office Decision: the day on which the Tax-Office Decision is reached.

(iii) a refund under paragraph (2) linked to a Reassessment made based on the occurrence of a fact as prescribed in Article 152 (Special Provisions on Requests for Reassessment If Income in Each Class Changes): the day on which the Reassessment is made.

(5) If a refund under paragraph (1) or paragraph (2) is Appropriated to cover unpaid income taxes for the year of a Tax-Office Decision as set forth in paragraph (1) or a Reassessment as set forth in paragraph (2), Refund Interest does not accrue on the part of the refund so Appropriated and the tax on delinquency is waived for the part of the income taxes covered by the Appropriation.

(6) Beyond what is prescribed in the preceding three paragraphs, Cabinet Order provides for the way of Appropriating a refund under paragraph (1) or paragraph (2) (and Interest on such a refund) and for other necessary particulars concerning the application of these provisions.

(Refunding of Prepaid Taxes Based on Reassessment or Tax-Office Decision)

Article 160 (1) If the district tax office director reaches a Tax-Office Decision on a Resident's income taxes for any year and the Tax-Office Decision involves an amount as set forth in Article 120, paragraph (1), item (viii) (Shortfall in Credit for Prepaid Taxes) or Article 123, paragraph (2), item (viii) (Prepaid Taxes), the district tax office director refunds the part of the prepaid taxes prescribed in those provisions which is equivalent to that amount (hereinafter referred to as "prepaid taxes" in this Article) to the Resident.

(2) If the amount set forth in Article 120, paragraph (1), item (viii) or Article 123, paragraph (2), item (viii) increases as a result of the Reassessment of a Resident's income taxes for any year, the district tax office director issues the Resident a refund of the prepaid taxes in an amount equivalent to the increase.

(3) If the district tax office director issues a refund under the preceding two paragraphs and the taxpayer has paid a tax on delinquency in respect of prepaid taxes in the year prescribed in those provisions, the director also refunds the amount calculated pursuant to Cabinet Order as the part of the tax on delinquency which was for the prepaid taxes that are being refunded pursuant to those provisions.

(4) When the amount of Interest on a refund under paragraph (1) or paragraph (2) is calculated, the period referred to in Article 58, paragraph (1) (Interest on Refunds) of the Act on General Rules for National Taxes which serves as the basis for the calculation is the period beginning on the day after that on which the prepaid taxes that are required to be refunded pursuant to the provisions of paragraph (1) or paragraph (2) are paid (or beginning on the day after the payment due date, if the prepaid taxes are paid prior to the payment due date) and ending on the day on which the tax-office decision to pay the refund is reached or on the day on which the refund is Appropriated to cover a required tax payment (or ending on the day on which the refund first could have been Appropriated, if this is before the date of the Appropriation); provided, however, that for a refund as set forth in one of the following items, none of the days set forth in the item are included as part of that period:

(i) a refund under paragraph (1): any day after the year's income tax Filing Deadline, up to the day on which the Tax-Office Decision referred to in that paragraph is reached;

(ii) a refund under paragraph (2) (other than one caused by a Reassessment not falling under either of the following clauses, and other than one as set forth

in the following item): any day after the year's income tax Filing Deadline, up to the day that is set forth in the relevant of the following clauses for the category of cases set forth in the clause:

(a) if the Tax Return subject to the Reassessment referred to in paragraph (2) is filed after the Filing Deadline: the day on which the Tax Return is filed;

(b) if the Reassessment referred to in paragraph (2) is a Reassessment of a Tax-Office Decision: the day on which the Tax-Office Decision is reached.

(iii) a refund under paragraph (2) linked to a Reassessment made based on the occurrence of a fact as prescribed in Article 152 (Special Provisions on Requests for Reassessment If Income in Each Class Changes): any day after the year's income tax Filing Deadline, up to the day on which the Reassessment is made.

(5) If a refund under paragraph (1) or paragraph (2) is Appropriated to cover unpaid income taxes for a year in which prepaid taxes are used as the basis for calculating the amount of the refund, Refund Interest does not accrue on the part of the refund so Appropriated and the tax on delinquency is waived for the part of the income taxes covered by the Appropriation.

(6) Interest does not accrue on a refund under paragraph (3).

(7) Beyond what is prescribed in the preceding three paragraphs, Cabinet Order provides for the way of Appropriating refunds under paragraph (1) and paragraph (2) (and Interest on such refunds) and for other necessary particulars concerning the application of the provisions of paragraphs (1) through (3).

Part III Tax Payment Obligation of Nonresidents and Corporations

Chapter I Domestic Source Income

(Domestic Source Income)

Article 161 The term "domestic source income" as used in this Part means:

(i) income from business that the earner conducts in Japan or from the earner's investments, holdings, or transfers as regards assets located in Japan (other than income falling under the following item to item (xii)), or other income prescribed by Cabinet Order as arising from sources within Japan;

(i)-2 profits from business that the earner conducts in Japan under a partnership agreement as prescribed in Article 667, paragraph (1) (Partnership Agreements) of the Civil Code (Act No. 89 of 1896) (including any contract prescribed by Cabinet Order as being similar thereto; hereinafter the same applies in this item), which the earner is distributed based on such an agreement and which are as prescribed by Cabinet Order;

(i)-3 consideration for the transfer of a piece of land, a right on land, or a

building and associated facilities or structures, if it is located in Japan (other than consideration prescribed by Cabinet Order);

(ii) compensation that a person conducting business prescribed by Cabinet Order whose main content is providing personal services in Japan receives for providing those personal services;

(iii) consideration for renting out real property located in Japan, a right on real property located in Japan, or a right of quarrying pursuant to the provisions of the Quarrying Act (Act No. 291 of 1950) (this includes the establishment of a superficies right or a right of quarrying or doing anything else that gives another person the use of real property, a right on real property, or a right of quarrying), for establishing a mining lease pursuant to the Mining Act (Act No. 289 of 1950), or for renting out a vessel or aircraft, to a Resident or Domestic Corporation;

(iv) interest and similar income as prescribed in Article 23, paragraph (1) (Interest Income), which is as follows:

(a) interest on Japanese government bonds, Japanese municipal bonds, or bonds issued by a Domestic Corporation;

(b) interest on bonds issued by a Foreign Corporation which is attributable to business conducted by the Foreign Corporation in Japan, or any other interest prescribed by Cabinet Order;

(c) interest on Deposits and Savings deposited with a business office or other office, or with any other facility equivalent thereto (hereinafter referred to as a "business office" in this Part), which is located in Japan;

(d) a distribution of proceeds from a Jointly Managed Trust, Bond Investment Trust, or Bond-Based Investment Trust Under Public Offering which has been established as a trust at a business office located in Japan.

(v) dividends and similar income prescribed in Article 24, paragraph (1) (Dividend Income), which are as follows:

(a) dividends of surplus, dividends of profits, distributions of surplus or interest on funds prescribed in Article 24, paragraph (1) which the earner receives from a Domestic Corporation;

(b) a distribution of proceeds from an Investment Trust (other than a Bond Investment Trust or Bond-Based Investment Trust Under Public Offering) or a Specified Trust That Issues Beneficiary Certificates, which has been established as a trust at a business office located in Japan.

(vi) interest from a loan that the earner has provided to a person doing business in Japan (including monies equivalent to such a loan) in connection with that business (this excludes interest as prescribed by Cabinet Order but includes any amount prescribed by Cabinet Order as margin arising from purchase and sale transactions involving bonds with buyback or resale agreements which are prescribed by Cabinet Order);

(vii) any of the following royalties or consideration that the earner receives from a person doing business in Japan in connection with that business:
(a) royalties for an industrial property right or any other right to the use of technology, a production method based on special technology, or any equivalent right or method; or consideration for the transfer thereof;
(b) royalties for a copyright (including print rights, neighboring rights, and any equivalent rights), or consideration for the transfer thereof;
(c) royalties for machinery, equipment, or any other tool prescribed by Cabinet Order.
(viii) a salary, remuneration, or pension as follows:
(a) pay, compensation, wages, annual allowances, bonuses; salary in the nature thereof;, or remuneration in the nature thereof for providing personal services; which arises from the earner's working or providing personal services in Japan (including work done outside Japan by a person acting as the officer of a Domestic Corporation, and any other provision of personal services prescribed by Cabinet Order);
(b) a public pension or retirement package as prescribed in Article 35, paragraph (3) (Definition of Public Pensions and Retirement Packages) (other than one as prescribed by Cabinet Order);
(c) severance pay and other such compensation as prescribed in Article 30, paragraph (1) (Retirement Income) based on work done or personal services provided by the recipient of the severance pay and other such compensation during a period that the recipient was a Resident (including work done by a person acting as the officer of a Domestic Corporation during the period when the person was a Nonresident, and other provision of personal services prescribed by Cabinet Order).
(ix) income prescribed by Cabinet Order as a monetary award for doing advertising for business conducted in Japan;
(x) a pension that the earner is paid based on a life insurance contract, non-life insurance contract, or any other contract for a pension concluded through a business office located in Japan or through a person acting as an agent for the conclusion of such contracts in Japan, and which does not fall under the category of a pension as in item (viii)(b) (including a surplus distributed or a refund paid based on such a contract for a pension on or after the start date for the payment of the pension, and a lump-sum payment made in lieu of paying a pension based on such a contract);
(xi) compensation for periodic deposits, finance charges, profits, or margin profits as follows:
(a) compensation for periodic deposits as set forth in Article 174, item (iii) (Tax Base for a Domestic Corporation's Income Taxes), linked to installment deposits accepted by a business office located in Japan;

(b) compensation for periodic deposits set forth in Article 174, item (iv), linked to installment deposits as prescribed in that item which are accepted by a business office located in Japan;
(c) finance charges set forth in Article 174, item (v) linked to a contract as prescribed in that item which is concluded through a business office located in Japan;
(d) profits set forth in Article 174, item (vi) linked to a contract as prescribed in that item which is concluded through a business office located in Japan;
(e) margin profits set forth in Article 174, item (vii) linked to Deposits and Savings that are accepted by a business office located in Japan;
(f) margin profits set forth in Article 174, item (viii) linked to a contract as prescribed in that item which is concluded through a business office located in Japan or through a person acting as an agent for the conclusion of contracts in Japan;
(xii) a distribution of proceeds based on a silent partnership agreement (this includes anything prescribed by Cabinet Order as an agreement equivalent thereto) for capital contributions made to a person doing business in Japan.

(Domestic Source Income Subject to Tax Conventions)
Article 162 Notwithstanding the preceding Article, if a convention that Japan has concluded for the avoidance of double taxation with respect to taxes on income contains provisions on domestic source income which differ from the provisions of the preceding Article, the domestic source income of a person subject to such a convention is governed by that convention, to the extent of the differing provisions. In such a case, if the convention contains provisions on domestic source income that replace the provisions of items (ii) through (xii) of that Article, income that the convention treats as domestic source income is deemed to correspond to domestic source income set forth in those items as regards the application of the parts of this Act that involve the particulars prescribed in those items.

(Details of Scope of Domestic Source Income)
Article 163 Beyond what is prescribed in the preceding two Articles, Cabinet Order provides for the necessary particulars concerning the scope of domestic source income.

Chapter II Tax Payment Obligation of Nonresidents

Section 1 General Rules

(How Nonresidents Are Taxed)
Article 164 (1) The income taxes imposed on a Nonresident are calculated by

applying the provisions of Subsection 1 of the following Section (Taxing Nonresidents on Aggregate Income) to the domestic source income that is set forth in each of the following items for the category of Nonresident set forth in the item:

(i) a Nonresident with a branch office, factory, or other fixed place for doing business which is prescribed by Cabinet Order in Japan: all domestic source income;

(ii) a Nonresident (other than a Nonresident falling under the preceding item) engaged, in Japan, for one year or more in works such as construction, installation, or assembly, or in providing the service of directing and supervising such works (hereinafter referred to as "construction and related work" in this Article): domestic source income as follows:

(a) domestic source income set forth in Article 161, items (i) through (iii) (Domestic Source Income);

(b) domestic source income set forth in Article 161, items (iv) through (xii) which is attributable to business involving construction and related work in which the Nonresident engages in Japan.

(iii) a Nonresident employing a person that is authorized to conclude contracts on behalf of the Nonresident or employing a person equivalent thereto as prescribed by Cabinet Order (hereinafter referred to as an "agent or equivalent person" in this Article) in Japan (other than a Nonresident falling under item (i)): domestic source income as follows:

(a) domestic source income set forth in Article 161, items (i) through (iii);

(b) domestic source income set forth in Article 161, items (iv) through (xii) which is attributable to business in which the Nonresident engages in Japan through the agent or equivalent person.

(iv) a Nonresident other than as set forth in the preceding three items: domestic source income as follows:

(a) domestic source income set forth in Article 161, item (i) and item (i)-3 arising from investing or holding assets located in Japan or from the transfer of real property located in Japan, or other income as prescribed by Cabinet Order;

(b) domestic source income set forth in Article 161, item (ii) and item (iii).

(2) If a Nonresident set forth in either of the following items has domestic source income as set forth in that item, the income taxes imposed on the Nonresident are calculated by applying the provisions of Section 3 (Separate Assessment of Income Tax for Nonresidents) to the domestic source income set forth in the relevant item, in addition to what is imposed pursuant to the preceding paragraph:

(i) a Nonresident set forth in item (ii) or item (iii) of the preceding paragraph: domestic source income as set forth in Article 161, item (iv) through (xii)

which is not attributable to business involving construction and related work as prescribed in item (ii) of the preceding paragraph, or to business in which the Nonresident engages through an agent or equivalent person as prescribed in item (iii) of that paragraph;

(ii) a Nonresident set forth in item (iv) of the preceding paragraph: domestic source income as set forth in Article 161, item (iv) through (xii).

Section 2 Taxing Nonresidents on Aggregate Income

Subsection 1 Calculation of the Tax Base and Amount of Taxes

(Calculation of the Tax Base and Amount of Income Taxes Imposed on Aggregate Income)

Article 165 The tax base and the amount of income taxes imposed on the domestic source income, as set forth in the relevant of the items of paragraph (1) of the preceding Article, of the Nonresident set forth in the relevant item (hereinafter referred to as "income taxes imposed on aggregate income" in this Section) are calculated against the domestic source income set forth in the relevant item pursuant to Cabinet Order and in accordance with the provisions Part II, Chapter I through Chapter IV (Calculation of the Tax Base and Amount of Income Taxes for Residents) (excluding Article 73 through 77 (Medical Expense Deduction), Article 79 (Disability Deduction), Article 81 through 85 (Widow (or Widower) Deduction), and Article 95 (Foreign Tax Credit)).

Subsection 2 Filing of Returns, Payment of Taxes, and Issuance of Refunds

(Filing of Returns, Payment of Taxes, and Issuance of Refunds)

Article 166 The provisions of Part II, Chapter V (Filing of Returns, Payment of Taxes, and Issuance of Refunds for Residents) apply mutatis mutandis to the filing of a return, payment of taxes, and issuance of refunds for income taxes imposed on the aggregate income of a Nonresident. This being the case, in Article 120, paragraph (3), item (iii) (Filing Income Tax Returns), the term "Resident" is deemed to be replaced with "Nonresident or a Nonresident conducting business both in and outside Japan" and the term "a withholding receipt" is deemed to be replaced with "a detailed statement of revenue and expenditures as prescribed by Ministry of Finance Order, or a withholding receipt"; in Article 120, paragraph (4), the phrase "Resident conducting business" is deemed to be replaced with "Nonresident conducting business in Japan"; in Article 143 (Blue Returns), the phrase "conducting business" is deemed to be replaced with "conducting business in Japan"; and in Article 144

(Application for Approval to File a Blue Return) and Article 147 (When a Resident Is Deemed to Receive Approval to File a Blue Return), the phrase "commences (that) business" is deemed to be replaced with "commences (that) business in Japan".

Subsection 3 Special Provisions on Requests for Reassessment

(Special Provisions on Requests for Reassessment)

Article 167 The provisions of Part II, Chapter VI (Special Provisions on Residents' Requests for Reassessment) apply mutatis mutandis to a request for Reassessment pursuant to the provisions of Article 23, paragraph (1) of the Act on General Rules for National Taxes (Requests for Reassessment) involving income taxes imposed on the aggregate income of Nonresidents.

Subsection 4 Reassessments and Tax-Office Decisions

(Reassessments and Tax-Office Decisions)

Article 168 The provisions of Part II, Chapter VII (Reassessments and Tax-Office Decisions Involving Residents) apply mutatis mutandis to income tax Reassessments and Tax-Office Decisions involving income taxes imposed on the aggregate income of Nonresidents.

Section 3 Separate Assessment of Income Taxes for Nonresidents

(Income Tax Base for Separate Taxation)

Article 169 Income taxes are imposed on a Nonresident's domestic source income as set forth in the items of Article 164, paragraph (2) (How Nonresidents Are Taxed), separately from the Nonresident's other income, and the tax base for those income taxes is the amount constituting the domestic source income that the Nonresident is to be paid (or, for domestic source income as set forth in one of the following items, the amount prescribed in the item):

(i) interest and similar income as set forth in Article 161, item (iv) (Domestic Source Income) which constitutes interest on bearer Public and Corporate Bonds and distributions of proceeds linked to a bearer beneficiary certificate from a Loan Trust, Bond Investment Trust, or Bond-Based Investment Trust Under Public Offering: the amount that the Nonresident has been paid;

(ii) dividends and similar income set forth in Article 161, item (v) which constitute dividends of surplus from bearer shares or similar interests (meaning dividends of surplus prescribed in Article 24, paragraph (1) (Dividend Income)) and distributions of proceeds based on bearer beneficiary certificates in an Investment Trust (other than a Bond Investment Trust or

Bond-Based Investment Trust Under Public Offering) or Specified Trust That Issues Beneficiary Certificates: the amount that the Nonresident has been paid;

(iii) pensions as set forth in Article 161, item (viii), (b): the amount of the pension that the Nonresident is to be paid, less the amount calculated when 60,000 yen is multiplied by the number of months in which the Nonresident is to be paid the pension;

(iv) monetary awards as set forth in Article 161, item (ix): the amount that the Nonresident is to be paid, less 500,000 yen;

(v) pensions as set forth in Article 161, item (x): the amount that the Nonresident is to be paid based on a contract as prescribed in that item, less the part of the insurance premiums or installment deposits paid based on that contract which is calculated pursuant to Cabinet Order as being part of the amount that the Nonresident is to be paid.

(Tax Rates for Income Taxes under Separate Taxation)

Article 170 The income taxes prescribed in the preceding Article constitute the amount calculated when the domestic source income prescribed in that Article is multiplied by a tax rate of 20 percent (or by a tax rate of 15 percent, for domestic source income as set forth in Article 161, item (iv) and item (xi) (Domestic Source Income)).

(Elective Treatment for Taxation of Retirement Income)

Article 171 Notwithstanding the preceding Article, if a Nonresident as prescribed in Article 169 (Tax Base) is paid severance pay or other such compensation (meaning severance pay or other such compensation as prescribed in Article 30, paragraph (1) (Retirement Income); hereinafter the same applies in this Section) that falls under the provisions of Article 161, item (viii), (c) (Severance Pay or Other Such Compensation Arising from Work Carried Out in the Capacity of a Resident), the Nonresident may elect to have it deemed that the total amount of the severance pay and other such compensation that the Nonresident is paid in that year by reason of a separation from employment constituting a cause for its payment (or by reason of each separation from employment constituting a cause for payment, if the Nonresident is paid multiple packages of severance pay or other such compensation in the relevant year) has been paid thereto as if to a Resident, and to have income taxes imposed on the severance pay and other such compensation in line with the amount equivalent to taxes imposed when Article 30 and Article 89 (Tax Rates) are applied to the total amount of severance pay and other such compensation that the Nonresident is deemed to have received as a Resident.

(Filing and Payment of Taxes on Salary or Other Wages Not Subject to Withholding)

Article 172 (1) If a Nonresident as prescribed in Article 169 (Tax Base) is paid a salary or remuneration as set forth in Article 161, item (viii), (a) or (c) (Salary and Other Wages Arising from Work Carried Out in Japan), and the provisions of Part IV, Chapter V (Withholding from the Income of Nonresidents and Corporations) do not apply to that salary or remuneration, unless the Nonresident may file a return under the following Article, the Nonresident must file a return with the district tax office director no later than March 15 of the following year (or by the day on which the Nonresident ceases to have a residence in Japan, if this is the case), giving the following information:

(i) any part of the salary or remuneration as set forth in Article 161, item (viii), (a) or (c) which the Nonresident is paid during the year and to which the provisions of Part IV, Chapter V do not apply (this excludes any severance pay or other such compensation that is among the part of the salary or remuneration to which those provisions do not apply, if the Nonresident elects to have that severance pay or other such compensation taxed as referred to in that Article), and the income taxes calculated when Article 170 (Tax Rates) is applied thereto;

(ii) any part of the salary or remuneration as prescribed in the preceding item that must be indicated in a return under this paragraph which is filed due to the Nonresident having ceased to have a residence in Japan partway through the year, and the income taxes calculated when Article 170 is applied thereto;

(iii) income taxes as set forth in item (i) less income taxes set forth in the preceding item;

(iv) the basis for calculating the amount set forth in item (i), the type of work carried out by the Nonresident in Japan, and the information prescribed by Ministry of Finance Order.

(2) If a Nonresident that must file a return under the preceding paragraph for severance pay or other such compensation as prescribed in the preceding Article elects to have that severance pay or other such compensation taxed as referred to in that Article, the Nonresident must give the following information in the return, in addition to the information set forth in the items of that paragraph:

(i) the total amount of the severance pay and other such compensation that the Nonresident will be paid that year (but only the part that is subject to the preceding Article), and the income taxes calculated when that Article is applied thereto;

(ii) any income taxes that have been withheld or are required to be withheld

pursuant to the provisions of Part IV, Chapter V from the severance pay or other such compensation that the Nonresident is to be paid that year (this includes the income taxes calculated when Article 170 is applied to any part of the severance pay or other such compensation that must be indicated in a return under the preceding paragraph which is filed due to the Nonresident having ceased to have a residence in Japan partway through the year);

(iii) income taxes as set forth in item (i) less income taxes as set forth in the preceding item;

(iv) the breakdown of the total amount of severance pay and other such compensation as set forth in item (i) by payer, giving each payer's name and each payer's domicile, residence, or location of the head office or principal office;

(v) the basis for calculating the amount of income taxes set forth in item (i).

(3) A Nonresident filing a return under paragraph (1) must pay income taxes to the national government in an amount equivalent to what is set forth in item (iii) of that paragraph (or in an amount equivalent to what is set forth in item (iii) of that paragraph and item (iii) of the preceding paragraph, if the Nonresident is subject to the provisions of the preceding paragraph), by the deadline for filing the return.

(Issuance of a Refund Due to Elective Treatment for Taxation of Retirement Income)

Article 173 (1) If a Nonresident prescribed in Article 169 (Tax Base) is subject to Part IV, Chapter V (Withholding from the Income of Nonresidents and Corporations), as regards severance pay or other such compensation as prescribed in Article 171 (Elective Treatment for Taxation of Retirement Income) that is paid thereto and elects to have that severance pay or other such compensation taxed as referred to in that Article, the Nonresident may file a return with the district tax office director on or after January 1 of the following year (or on or after the day that the total amount of the severance pay and other such compensation as prescribed in Article 171 becomes fixed, if this is before January 1 of the following year), giving the following information, so as to be issued an income tax refund for that severance pay or other such compensation:

(i) the total severance pay and other such compensation and income taxes as set forth in paragraph (2), item (i) of the preceding Article;

(ii) income taxes as set forth in paragraph (2), item (ii) of the preceding Article;

(iii) income taxes as set forth in the preceding item, less income taxes as set forth in item (i);

(iv) the information set forth in paragraph (2), item (iv) and item (v) of the preceding Article, and the information prescribed by Ministry of Finance

Order.

(2) When a return under the preceding paragraph is filed, the district tax office director issues an income tax refund in an amount equivalent to what is set forth in item (iii) of that paragraph.

(3) In a case as referred to in the preceding paragraph, if any part of the income taxes set forth in paragraph (1), item (ii) which are indicated in the return referred to in the preceding paragraph (limited to income taxes that are required to be withheld pursuant to the provisions of Part IV, Chapter V) has not yet been paid over to the national government, an amount equivalent to the part of the refund under the preceding paragraph which is from income taxes not yet paid over is not refunded until those income taxes are paid over.

(4) When the amount of Interest on a refund under paragraph (2) is calculated, the period referred to in Article 58, paragraph (1) of the Act on General Rules for National Taxes (Interest on Refunds) which serves as the basis for the calculation is the period beginning on the day after that on which the return is filed pursuant to the provisions of paragraph (1) (or beginning on the day after that on which any income taxes which are subject to a refund as prescribed in the preceding paragraph are paid, if this is after the date on which the return is filed) and ending on the day on which the tax-office decision to pay the refund is reached or on the day on which the refund is Appropriated to cover a required tax payment (or ending on the day on which the refund first could have been Appropriated, if this is before the date of the Appropriation).

(5) Beyond what is prescribed in the preceding two paragraphs, Cabinet Order provides for the procedures for issuing a refund as referred to in paragraph (2) and for other necessary particulars concerning the application of the provisions of that paragraph.

Chapter III Tax Payment Obligation of Corporations

Section 1 Tax Payment Obligation of Domestic Corporations

(Tax Base for a Domestic Corporation's Income Taxes)

Article 174 The tax base for income taxes imposed on a Domestic Corporation is an amount set forth as follows which the Domestic Corporation is paid in Japan (with regard to a monetary award as set forth in item (x), this means the amount remaining after the amount specified by Cabinet Order is deducted therefrom):

(i) interest and similar income as prescribed in Article 23, paragraph (1) (Interest Income);

(ii) dividends and similar income as prescribed in Article 24, paragraph (1) (Dividend Income);

(iii) compensation for periodic deposits based on a contract for installment

deposits (meaning the part of compensation monies based on such a contract which is equivalent to what remains when the sum of installment deposits to be paid in based on that contract is deducted from the monies received as compensation);

(iv) compensation for periodic deposits based on a contract as referred to in Article 2, paragraph (4) (Definitions) of the Bank Act (Act No. 59 of 1981) (meaning the part of compensation monies based on such a contract which is equivalent to what remains when the sum of the amounts prescribed by Cabinet Order as installment deposits that must be paid based on the contract is deducted from monies received as compensation);

(v) finance charges that are paid based on a contract prescribed by Cabinet Order as a contract concluded based on mortgage Securities as prescribed in Article 1, paragraph (1) (Delivery of Securities) of the Mortgage Securities Act (Act No. 15 of 1931) which includes information such as the details of the payment of the principal and finance charges for the receivables indicated in the mortgage Securities;

(vi) profits based on a contract for the purchase and sellback of a precious metal such as gold or anything equivalent thereto that Cabinet Order provides for, which stipulates that the thing will be sold back at the price stipulated in the contract on the date stipulated in the contract (meaning the amount remaining when the amount required for to purchase the thing is deducted from the amount for which the thing is sold back as stipulated in the contract);

(vii) margin arising from Deposits or Savings in a foreign currency the principal and interest of which are to be paid after conversion into Japanese yen or into a different foreign currency at the rate agreed upon in advance;

(viii) margin based on a life insurance contract or non-life insurance contract or based on a mutual aid contract similar thereto, which provides that premiums or installment deposits are to be paid in a lump sum (this includes anything prescribed by Cabinet Order as a method of payment equivalent thereto) and which has a term of insurance or mutual aid (hereinafter referred to as a "term of coverage" in this item) not exceeding five years or has a term of coverage exceeding five years but is canceled within five years from the first day of the term of coverage (meaning the amount calculated pursuant to Cabinet Order as the amount arrived at when the sum total of premiums or installment deposits already paid based on the contract is deducted from the amount of maturity proceeds, return on maturity, mutual aid monies at maturity, or cancellation returns based on the contract);

(ix) a distribution of proceeds based on a silent partnership agreement (this includes anything prescribed by Cabinet Order as an agreement equivalent thereto; the same applies in Article 176, paragraph (2) (Special Provisions on

Taxation of Interest and Similar Income from Trust Property));
(x) a monetary award from horse racing received by a horse's owner, as prescribed by Cabinet Order

(Special Provisions on Taxation of Interest and Similar Income from Trust Property)

Article 176 (1) If a trust company that is a Domestic Corporation (this includes a financial institution as prescribed in Article 1, paragraph (1) (Approval for Additional Business) of the Act on Engagement in Trust Business Activities by Financial Institutions which is engaged in trust business as prescribed in that paragraph; referred to as a "domestic trust company" in the following paragraph) has an entry made in the books kept by a person paying interest and similar income as prescribed in Article 23, paragraph (1) (Interest Income) (hereinafter referred to as "interest and similar income" in this Article) or dividends and similar income as prescribed in Article 24, paragraph (1) (Dividend Income) (hereinafter referred to as "dividends and similar income" in this Article) in Japan, indicating that the Public and Corporate bonds constituting a part of the trust property of a Securities Investment Trust (limited to one established as a trust at a business office in Japan) of which the trust company has undertaken to act as trustee; or a beneficial interest, company bond-type beneficial interest, share, or capital contribution under a Jointly Managed Trust, Investment Trust, or Specified Trust That Issues Beneficiary Certificates (hereinafter referred to as a "public and corporate bond or similar interest" in this paragraph) is a part of the trust property, or if the trust company has a record made of any other information prescribed by Ministry of Finance Order, the provisions of Article 7, paragraph (1), item (iv) (Scope of Taxable Income of Domestic Corporations) and the preceding two paragraphs do not apply to interest and similar income or dividends and similar income that are paid during the time that such information on the public and corporate bond or similar interest remains on the books.

(2) If a domestic trust company has a record made in the books kept by a person paying interest and similar income, paying dividends and similar income, or distributing profits as set forth in Article 174, item (ix) (Tax Base for a Domestic Corporation's Income Taxes) in Japan, indicating that a Public and Corporate Bond constituting a part of the trust property of a retirement pension trust (limited to one established as a trust at a business office located in Japan) as prescribed in Article 13, paragraph (3), item (ii) (Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property) of which the trust company has undertaken to act as trustee; a beneficial interest, company bond-type beneficial interest, share, or capital contribution under a Jointly Managed Trust, Investment

Trust, or Specified Trust That Issues Beneficiary Certificates; or a right based on a silent partnership agreement (hereinafter referred to as a "public and corporate bond or similar interest" in this paragraph), is a part of the trust property, or if the trust company has a record made of any other information prescribed by Ministry of Finance Order, the provisions of Article 7, paragraph (1), item (iv) and the preceding two paragraphs do not apply to interest and similar income, dividends and similar income, or distributions of profits paid during the time that such information on the public and corporate bonds or similar interest remains on the books.

(3) The income taxes paid by a Domestic Corporation on the trust property of a group investment trust as prescribed in Article 13, paragraph (3), item (i) (limited to one established as a trust at a business office located in Japan; hereinafter referred to as a "group investment trust" in this Article) of which the trust company has undertaken to act as trustee (including any taxes equivalent to income taxes and prescribed by Cabinet Order which are imposed pursuant foreign laws or orders; the same applies in the following paragraph) are credited against the income taxes on distributions of proceeds from that group investment trust, pursuant to Cabinet Order.

(4) The income taxes paid on the trust property of a group investment trust which are to be credited pursuant to the preceding paragraph are added to the amount of distributions of proceeds from the investment trust when those distributions of proceeds are calculated.

Section 2 Tax Payment Obligation of Foreign Corporations

(Tax Base for a Foreign Corporation's Income Taxes)

Article 178 The tax base for income taxes imposed on a Foreign Corporation is the amounts of domestic source income set forth in Article 161, item (i)-2 through (vii) and item (ix) through (xii) (Domestic Source Income) which the Foreign Corporation is to be paid (if the Foreign Corporation is one as set forth in Article 141, item (iv) of the Corporation Tax Act (Foreign Corporations Without a Permanent Establishment in Japan), the tax base is limited to the amounts of domestic source income as set forth in Article 161, item (i)-3 through (vii) and item (ix) through (xii), and excludes what is prescribed by Cabinet Order) (or, in the case of domestic source income as set forth in Article 169, item (i), item (ii), item (iv), and item (v) (Income Tax Base for Separate Taxation), the amounts prescribed in those provisions).

(Tax Rates for a Foreign Corporation's Income Taxes)

Article 179 Income taxes are imposed on a Foreign Corporation in the amounts that each of the following items prescribes for the category to which the item

refers:

(i) domestic source income as prescribed in the preceding Article (other than what is set forth in the following item and item (iii)): the amount calculated when that domestic source income (or the amount prescribed in Article 169, item (ii), item (iv), and item (v) (Income Tax Base for Separate Taxation), for domestic source income as set forth in those provisions) is multiplied by a tax rate of 20 percent;

(ii) domestic source income as set forth in Article 161, item (i)-3 (Domestic Source Income): the amount calculated when that domestic source income is multiplied by a tax rate of ten percent;

(iii) domestic source income as set forth in Article 161, item (iv) and item (xi): the amount calculated when that domestic source income (or the amount prescribed in Article 169, item (i), for domestic source income as set forth in that item) is multiplied by a tax rate of 15 percent.

(Special Provisions on Taxation of Domestic Source Income Received by Foreign Corporations With a Permanent Establishment in Japan)

Article 180 (1) If a corporation as set forth in one of the following items which satisfies the requirements prescribed by Cabinet Order and which is paid the domestic source income prescribed in the item is issued a certificate, pursuant to Cabinet Order, by the competent district tax office director for the locality in which the corporation pays corporation taxes (hereinafter referred to as the "competent district tax office director" in this Article), certifying that the corporation being paid the domestic source income satisfies those requirements and that the domestic source income that the corporation is paid falls under the category of domestic source income prescribed in the relevant item, and the corporation presents that certificate to the person paying the domestic source income, the provisions of Article 7, paragraph (1), item (v) (Scope of a Foreign Corporation's Taxable Income) and the preceding two Articles do not apply to the domestic source income that the corporation is paid while the certificate remains valid:

(i) a corporation falling under the category of Foreign Corporation set forth in Article 141, item (i) of the Corporation Tax Act (Foreign Corporations With a Permanent Establishment in Japan) (if the corporation is a partner under a partnership agreement as prescribed in Article 161, item (i)-2 (Domestic Source Income) (or is a person similar thereto that is prescribed by Cabinet Order; hereinafter referred to a "partner corporation" in this paragraph), this is limited to one that is as prescribed by Cabinet Order): domestic source income as set forth in Article 161, item (i)-2 through (iii), item (vi), item (vii), item (ix), or item (x) (for consideration prescribed in Article 161, item (i)-3, this is limited to domestic source income from consideration attributable to

the trust property of a trust as prescribed in the proviso to Article 13, paragraph (1) (Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property) which has been established as a trust at a business office located in Japan);

(ii) a corporation falling under the category of Foreign Corporation set forth in Article 141, item (ii) of the Corporation Tax Act (if the corporation is a partner corporation, this is limited to one that is as prescribed by Cabinet Order): domestic source income as prescribed in the preceding item which is attributable to business involving construction and related work as prescribed in Article 141, item (ii) in which the corporation engages in Japan;

(iii) a corporation falling under the category of Foreign Corporation set forth in Article 141, item (iii) of the Corporation Tax Act (if the corporation is a partner corporation, this is limited to one that is as prescribed by Cabinet Order): domestic source income prescribed in item (i) which is attributable to business in which the corporation engages in Japan through an agent or equivalent person as prescribed in Article 141, item (iii).

(2) If, after being issued the certificate prescribed in the preceding paragraph, a corporation as set forth in one of the items of that paragraph ceases to satisfy the requirements provided for in that paragraph or ceases to fall under the category of Foreign Corporation prescribed in the relevant item, the corporation must report this to the competent district tax office director and notify the person to which it has presented the certificate of the same without undue delay on or after the day that it ceases to satisfy those requirements or to fall under that category of Foreign Corporation, pursuant to Cabinet Order.

(3) If the competent district tax office director finds that a corporation as set forth in the items of paragraph (1) has ceased to satisfy the requirements provided for in that paragraph or ceased to fall under the category of Foreign Corporation prescribed in the relevant item after being issued a certificate as prescribed in that paragraph, the director is to notify the corporation that has been issued the certificate of this, via a paper-based notice.

(4) In a case as referred to in the preceding paragraph, the person notified as prescribed in that paragraph must notify the person to which it has presented the certificate prescribed in paragraph (1) that it has been so notified without undue delay after the day on which it is notified.

(5) Having received a report under paragraph (2) or having notified a corporation pursuant to paragraph (3), the competent district tax office director is to issue public notice, pursuant to Ministry of Finance Order, giving the name of the corporation that has so reported or that has been so notified, and giving any other information prescribed by Ministry of Finance Order.

(6) The certificate prescribed in paragraph (1) becomes invalid if:

(i) the valid period of the certificate set by the competent district tax office

director expires;
(ii) public notice under the preceding paragraph is issued.

(Special Provisions on Taxation of Interest and Similar Income from Trust Property)

Article 180-2 (1) If a trust company that is a Foreign Corporation (this includes a financial institution as prescribed in Article 1, paragraph (1) (Approval for Additional Business) of the Act on Engagement in Trust Business Activities by Financial Institutions which is engaged in trust business as prescribed in that paragraph; referred to as a "foreign trust company" in the following paragraph) has an entry made in the books kept by a person paying domestic source income as set forth in Article 161, item (iv) (other than (c) of that item) or item (v) (Domestic Source Income), indicating that a public and corporate bond or similar interest as prescribed in Article 176, paragraph (1) (Special Provisions on Taxation of Interest and Similar Income from Trust Property) which constitutes a part of the trust property of a Securities Investment Trust as prescribed in that paragraph and of which the trust company has undertaken to act as trustee is a part of the trust property, or if the trust company has a record made of any other information prescribed by Ministry of Finance Order, the provisions of Article 7, paragraph (1), item (v) (Scope of a Foreign Corporation's Taxable Income), Article 178 (Tax Base for a Foreign Corporation's Income Taxes), and Article 179 (Tax Rates for a Foreign Corporation's Income Taxes) do not apply to domestic source income that is paid during the time that such information on the public and corporate bond or similar interest remains on the books.

(2) If a foreign trust company has a record made in the books kept by a person paying domestic source income as set forth in Article 161, item (iv) (other than (c) of that item), item (v), or item (xii), indicating that a public and corporate bond or similar interest as prescribed in Article 176, paragraph (2) which constitutes a part of the trust property of a retirement pension trust as prescribed in that paragraph and of which the trust company has undertaken to act as trustee is a part of the trust property, or if the trust company has a record made of any other information prescribed by Ministry of Finance Order, the provisions of Article 7, paragraph (1), item (v), Article 178, and Article 179 do not apply to domestic source income that is paid during the time that such information on the public and corporate bond or similar interest remains on the books.

(3) The income taxes paid by a Foreign Corporation on the trust property of a group investment trust (meaning a group investment trust as prescribed in Article 176, paragraph (3); hereinafter the same applies in this Article) of which the corporation has undertaken to act as trustee (including any taxes

equivalent to income taxes and prescribed by Cabinet Order which are imposed pursuant to foreign laws or orders; the same applies in the following paragraph) are credited against the income taxes on distributions of proceeds from that group investment trust, pursuant to Cabinet Order.

(4) The income taxes paid on the trust property of a group investment trust which are to be credited pursuant to the preceding paragraph are added to the distributions of proceeds from the group investment trust when those distributions of proceeds are calculated.

Part IV Withholding

Chapter I Withholding Taxes from Interest Income and Dividend Income

(Obligation to Withhold Taxes)

Article 181 (1) Omitted

(2) If dividends and similar income (other than a distribution of proceeds from an Investment Trust (other than a Bond Investment Trust or Bond-Based Investment Trust Under Public Offering) or a Specified Trust That Issues Beneficiary Certificates) are not paid by the day that marks one year's time since the date on which the decision to pay was finalized, the payment is deemed to have been made on the day that marks one year's time since that date, and the preceding paragraph applies.

(Amount Withheld)

Article 182 Income taxes must be withheld pursuant to the preceding Article in the amount that is set forth in either of the following items for the category to which the item refers:

(i) interest and similar income: the amount calculated when interest and similar income is multiplied by a tax rate of 15%;

(ii) dividends and similar income: the amount calculated when dividends and similar income are multiplied by a tax rate of 20%.

Chapter II Withholding Taxes from Salary Income

Section 1 Obligation to Withhold Taxes and the Amount Withheld

(Obligation to Withhold Taxes)

Article 183 (1) Omitted

(2) If a bonus given to a corporation's officers as prescribed in Article 2, item (xv) (Definitions) of the Corporation Tax Act is not paid by the day that marks one year's time since the date on which the decision to pay the bonus was finalized, the payment is deemed to have been made on the day that marks one year's time since that date, and the preceding paragraph applies.

Chapter V Withholding from the Income of Nonresidents and Corporations

(Obligation to Withhold Taxes)

Article 212 (1) A person paying a Nonresident, in Japan, domestic source income as set forth in Article 161, item (i)-2 through (xii) (if the Nonresident falls under the category set forth in Article 164, paragraph (1), item (iv) (Nonresidents Without a Permanent Establishment in Japan), this is limited to domestic source income as set forth in Article 161, item (i)-3 through (xii), and excludes what is prescribed by Cabinet Order), or a person paying a Foreign Corporation, in Japan, domestic source income as set forth in Article 161, item (i)-2 through (vii) or item (ix) through (xii) (if the Foreign Corporation falls under the category set forth in Article 141, item (iv) of the Corporation Tax Act (Foreign Corporations Without a Permanent Establishment in Japan), this is limited to domestic source income as set forth in Article 161, item (i)-3 through (vii) and item (ix) through (xii), and excludes anything that falls under the provisions of Article 180, paragraph (1) (Special Provisions on Taxation of Domestic Source Income Received by Foreign Corporations With a Permanent Establishment in Japan) or Article 180-2, paragraph (1) or paragraph (2) (Special Provisions on Taxation of Interest and Similar Income from Trust Property) which is prescribed by Cabinet Order) must withhold income taxes from that domestic source income at the time of payment and pay them over to the national government no later than the tenth day of the month after that in which the date of withholding falls.

(2) If domestic source income as prescribed in the preceding paragraph is paid outside Japan but the person making the payment has a domicile or residence in Japan or has an office, place of business, or anything equivalent thereto in Japan, the person is deemed to be paying the domestic source income in Japan, and the provisions of that paragraph apply. In such a case, the phrase "no later than the tenth day of the month" in that paragraph is deemed to be replaced with "no later than the last day of the month".

(3) A person paying a Domestic Corporation, in Japan, interest or similar income, dividends or similar income, compensation for periodic deposits, finance charges, profits, margin profits, a distribution of profits, or a monetary award as set forth in the items of Article 174 (Tax Base for a Domestic Corporation's Income Taxes) (other than anything that falls under the provisions of Article 176, paragraph (1) or paragraph (2) (Special Provisions on Taxation of Interest and Similar Income from Trust Property)) must withhold income taxes from that interest or similar income, dividends or similar income, compensation for periodic deposits, finance charges, profits, margin profits, distribution of profits, or monetary award at the time of payment and pay them over to the

national government no later than the tenth day of the month after that in which the date of withholding falls.

(4) The provisions of Article 181, paragraph (2) (If There Has Been Deemed Payment of Dividends and Similar Income) apply mutatis mutandis when the provisions of paragraph (1) or the preceding paragraph apply, and the provisions of Article 183, paragraph (2) (If There Has Been Deemed Payment of Bonus) apply mutatis mutandis when paragraph (1) applies.

(5) If a Nonresident or Foreign Corporation is a partner under a partnership agreement as prescribed in that item (or is a person similar thereto that is as prescribed by Cabinet Order) and is delivered monies or any other assets as the domestic source income set forth in Article 161, item (i)-2 which is distributed thereto as prescribed in that paragraph and which arises during the accounting period stipulated in the partnership agreement or in any period similar thereto (or in any of the year-long terms into which that period is divided (and in any term of less than one year in length, if the final term resulting from the division is less than this), the first day of such term commencing on the first day of the accounting or similar period, if that period is longer than one year; hereinafter referred to as the "accounting period" in this paragraph) (such monies and other assets are hereinafter referred to as "monies or other assets" in this paragraph), the person making the distribution is deemed to be the person paying the domestic source income, that payment is deemed to be made on the day that those monies or other assets are paid (or on the last day in the two-month period following the day after the end of the accounting period, if the monies or other assets constituting domestic source income are not paid by that day), and the provisions of this Act apply.

(Amount of Taxes Withheld)

Article 213 (1) Income taxes must be withheld pursuant to the provisions of paragraph (1) of the preceding Article in the amounts that each of the following items prescribes for the category to which the item refers:

(i) domestic source income as prescribed in paragraph (1) of the preceding Article (other than what is set forth in the following item and item (iii)): the amount calculated when that domestic source income (or the amount set forth in each of the following clauses for domestic source income as set forth in the clause) is multiplied by a tax rate of 20 percent:

(a) pensions as set forth in Article 161, item (viii), (b) (Domestic Source Income): the amount remaining after 60,000 yen is multiplied by the number of months in which the pension is paid and the product is deducted from the pension that is paid;

(b) monetary awards as set forth in Article 161, item (ix): the amount remaining after 500,000 yen is deducted from the monetary award (or from

the amount calculated pursuant to Cabinet Order as the value of the award at the time of payment, if the award is paid other than in monies);

(c) pensions as set forth in Article 161, item (x): the amount remaining after the part of the insurance premiums or installment deposits paid based on a contract as prescribed in that item which is calculated pursuant to Cabinet Order as being part of the amount of the pension that will be paid is deducted from the amount of pension to be paid under that contract.

(ii) domestic source income as set forth in Article 161, item (i)-3: the amount calculated when that domestic source income is multiplied by a tax rate of ten percent;

(iii) domestic source income as set forth in Article 161, item (iv) and item (xi): the amount calculated when each of these is multiplied by a tax rate of 15 percent.

(2) Income taxes must be withheld pursuant to paragraph (3) of the preceding Article in the amounts that each of the following items prescribes for the category to which the item refers:

(i) interest and similar income, compensation for periodic deposits, finance charges, profits, or margin profits prescribed in paragraph (3) of the preceding Article: the amount calculated when each of these is multiplied by a tax rate of 15 percent;

(ii) dividends and similar income or distributions of profits prescribed in paragraph (3) of the preceding Article: the amount calculated when each of these is multiplied by a tax rate of 20 percent;

(iii) monetary awards prescribed in paragraph (3) of the preceding Article: the amount calculated when the amount prescribed by Cabinet Order is deducted from the monetary award (or from the amount calculated pursuant to Cabinet Order as the value of the award at the time of payment, if the award is paid other than in monies), and then multiplying the remaining amount by a tax rate of ten percent.

(Domestic Source Income of Nonresidents Which Is Exempt from Withholding)

Article 214 (1) Notwithstanding the provisions of Article 212, paragraph (1) (Obligation to Withhold Taxes), if a person as set forth in one of the following items who satisfies the requirements prescribed by Cabinet Order and who is paid the domestic source income prescribed in that item is issued a certificate, pursuant to Cabinet Order, by the competent district tax office director for the locality in which the person pays taxes, certifying that the person being paid the domestic source income satisfies those requirements and that the domestic source income that the person is paid falls under the category of domestic source income prescribed in the relevant item, and the person presents that certificate to the person paying the domestic source income, the person paying

that domestic source income is not required to withhold and pay over income taxes to the national government from the domestic source income that it pays to the person presenting that certificate, while the certificate remains valid:

(i) a person falling under the category of Nonresident set forth in Article 164, paragraph (1), item (i) (Nonresidents With a Permanent Establishment in Japan) (if the person is a partner under a partnership agreement as prescribed in Article 161, item (i)-2 (Domestic Source Income) (or is a person similar thereto that is as prescribed by Cabinet Order; hereinafter referred to as a "partner" in this paragraph), this is limited to one who is as prescribed by Cabinet Order): domestic source income set forth in Article 161, item (i)-2, item (ii), item (iii), item (vi), item (vii), item (viii) (a) (excluding the part pertaining to salaries), or item (x) (other than domestic source income as prescribed by Cabinet Order);

(ii) a person falling under the category of Nonresident set forth in Article 164, paragraph (1), item (ii) (if the person is a partner, this is limited to one who is as prescribed by Cabinet Order): domestic source income as prescribed in the preceding item which is attributable to business involving construction and related work as prescribed in Article 164, paragraph (1), item (ii) in which the person engages in Japan;

(iii) a person falling under the category of Nonresident set forth in Article 164, paragraph (1), item (iii) (if the person is a partner, this is limited to one who is as prescribed by Cabinet Order): domestic source income as prescribed in item (i) which is attributable to business in which the person engages in Japan through an agent or equivalent person as prescribed in Article 164, paragraph (1), item (iii).

(2) If, after being issued the certificate prescribed in the preceding paragraph, a person as set forth in one of the items of that paragraph ceases to satisfy the requirements provided for in that paragraph or ceases to fall under the category of Nonresident prescribed in the item, the person must report this to the competent district tax office director for the locality in which the person pays taxes and notify the person to which it has presented the certificate of the same without undue delay on or after the day that the person ceases to satisfy those requirements or to fall under that category of Nonresident, pursuant to Cabinet Order.

(3) If the competent district tax office director for the locality in which a person pays taxes finds that a person as set forth in the items of paragraph (1) has ceased to satisfy the requirements provided for in that paragraph or ceased to fall under the category of Nonresident prescribed in the relevant item after being issued a certificate as prescribed in that paragraph, the director is to notify the corporation that has been issued the certificate of this via a paper-based notice.

(4) In a case as referred to in the preceding paragraph, the person notified as prescribed in that paragraph must notify the person to which it has presented the certificate prescribed in paragraph (1) that it has been so notified without undue delay on or after the day on which the person is notified.
(5) Having received a report under paragraph (2) or having notified a person pursuant to paragraph (3), the competent district tax office director for the locality in which the person pays taxes is to issue public notice, pursuant to Ministry of Finance Order, giving the name of the person that has so reported or that has been so notified, and giving any other information prescribed by Ministry of Finance Order.
(6) The certificate prescribed in paragraph (1) becomes invalid if:
(i) the valid period of the certificate set by the competent district tax office director for the locality in which the person pays taxes expires;
(ii) public notice under the preceding paragraph is issued.

(Special Provisions on Withholding from Salary or Other Wages for Personal Services Provided by Nonresidents)

Article 215 If income taxes are withheld pursuant to Article 212, paragraph (1) (Obligation to Withhold Taxes) from the compensation as set forth in Article 161, item (ii) (Domestic Source Income) of a Nonresident or Foreign Corporation that conducts business as prescribed in that item in Japan, the income taxes under Article 212, paragraph (1) are deemed, pursuant to Cabinet Order, to be withheld at the time of payment from the salary or remuneration as set forth in Article 161, item (viii), (a) or (c) which the Nonresident or Foreign Corporation pays a Nonresident providing it with personal services that benefit the business for providing it with those personal services, out of the compensation from which that income tax has been withheld pursuant to Article 212, paragraph (1).

Part V Miscellaneous Provisions

Chapter I Obligation to Submit Payment Reports

(Notice by Recipients of Interest, Dividends, and Redemption Money)

Article 224 (1) A person (other than a corporation as set forth in Appended Table I of the Corporation Tax Act (Table of Public Corporations) and any other person prescribed by Cabinet Order; hereinafter the same applies in this Article) that is paid, in Japan, interest or similar income as prescribed in Article 23, paragraph (1) (Interest Income), or dividends or similar income as prescribed in Article 24, paragraph (1) (Dividend Income) (other than interest on an ordinary account and any other interest prescribed by Cabinet Order; interest on a bearer Public and Corporate Bond; a dividend of surplus from a

bearer share or similar interest (meaning a dividend of surplus as prescribed in that paragraph; the same applies in the following paragraph); or a distribution of proceeds linked to a bearer beneficiary certificate from a Loan Trust, Investment Trust, or Specified Trust That Issues Beneficiary Certificates; hereinafter the same applies in this paragraph) must notify the person paying the interest or similar income or dividends or similar income (or the person prescribed by Cabinet Order as being equivalent thereto; hereinafter the same applies in this paragraph) of the name and domicile thereof (or of a place as prescribed by Ministry of Finance Order, if the person has no domicile in Japan; hereinafter the same applies in this paragraph), by the day on which the decision to pay the interest or similar income or dividend or similar income is finalized, pursuant to Cabinet Order. In such a case, the person that is so paid must present a copy of the residence certificate or certificate of registered information thereof and any other document prescribed by Cabinet Order to the person making the payment, pursuant to Cabinet Order, and the person making the payment must verify the name and domicile of which the person has been notified against those documents, pursuant to Cabinet Order.

(2) A person that is paid, in Japan, interest on a bearer Public and Corporate Bond; a dividend of surplus from a bearer share or similar interest; or a distribution of proceeds linked to a bearer beneficiary certificate from a Loan Trust, Investment Trust, or Specified Trust That Issues Beneficiary Certificates; must submit a paper-based notice of receipt of the payment upon having been so paid to the person handling the payment, pursuant to Cabinet Order. In doing so, the person submitting the paper-based notice must present documents relating thereto as prescribed in the preceding paragraph to the person handling the payment, pursuant to Cabinet Order, and the person handling the payment must verify the information given in the paper-based notice against those documents, pursuant to Cabinet Order.

(3) The person handling the payment referred to in the preceding paragraph may make the payment referred to in that paragraph only after having the recipient submit a paper-based notice as set forth in that paragraph.

(4) A person that is paid, in Japan, redemption money (or consideration for the purchase, if a bond is retired; hereinafter the same applies in this paragraph) based on the redemption of a discount bond (or based on its retirement; hereinafter the same applies in this paragraph) must submit a paper-based notice of receipt of the redemption money, upon receiving it, to the person handling the payment of the redemption money (or to the issuer of the discount bond, if it is retired), pursuant to Cabinet Order. In such a case, the person submitting the paper-based notice must present the documents relating thereto as prescribed in paragraph (1) to the person handling the payment, pursuant to

Cabinet Order, and the person handling the payment must verify the information given in the paper-based notice against those documents, pursuant to Cabinet Order.

(5) The discount bond provided for in the preceding paragraph means a Public and Corporate Bond issued at a discount which is prescribed by Cabinet Order, and retirement as prescribed in that paragraph means a purchase by which a discount bond is redeemed, if it is redeemed through a purchase.

(Notice of the Transfer of Negotiable Deposits)

Article 224-2 A person transferring or receiving a negotiable deposit (meaning Deposits or Savings without special provisions prohibiting transfer, as prescribed by Cabinet Order) in Japan must submit a paper-based notice of the transfer or receipt to the business office or other office of the financial institution with which the negotiable deposit is deposited, by the last day of the month after that in which the day of the transfer or receipt falls, pursuant to Ministry of Finance Order. In such a case, the director of the business office or other office of the financial institution must verify the information given in the paper-based notice pursuant to Ministry of Finance Order.

(Notice by Recipients of Consideration for Transferring Shares)

Article 224-3 (1) A person (other than a corporation as set forth in Appended Table I of the Corporation Tax Act (Table of Public Corporations) or any other person prescribed by Cabinet Order) that transfers a share or similar interest and that is paid, in Japan, a consideration for transferring it by one of the persons set forth in the following items, must notify the person set forth in that item (or the person prescribed by Cabinet Order as being equivalent thereto; hereinafter referred to as the "payer" in this paragraph) of the name and domicile thereof (or of a place as prescribed by Ministry of Finance Order, if the person has no domicile in Japan; hereinafter the same applies in this paragraph) by the time the person is paid, pursuant to Cabinet Order. In such a case, the person that is so paid must present a copy of the residence certificate or the certificate of registered information thereof and any other document prescribed by Cabinet Order to the payer, pursuant to Cabinet Order, and the payer must verify the name and domicile of which the payer has been notified against those documents, pursuant to Cabinet Order:

(i) the corporation to which the share or similar interest is transferred (other than a corporation to which it is transferred via a person set forth in the following item or item (iii));

(ii) a financial instruments business operator as prescribed in Article 2, paragraph (9) (Definitions) of the Financial Instruments and Exchange Act or a registered financial institution as prescribed in paragraph (11) of that

Article which has been asked to make the sale for the transfer of the share or similar interest (other than through an auction of the share or similar interest as prescribed in the following item);

(iii) a corporation that has sold fractional shares or similar interests by auction pursuant to Article 234, paragraph (1) or Article 235, paragraph (1) (Rounding of Numbers) of the Companies Act (Act No. 86 of 2005) (including as applied mutatis mutandis to other Acts) or any other provisions prescribed by Cabinet Order (including the sale of shares other than by auction pursuant to Article 234, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 235, paragraph (2) of that Act or other Acts).

(2) A share or similar interest as prescribed in the preceding paragraph means the following (and includes those in Foreign Corporations):

(i) a share (including the right to become a shareholder or an investor (meaning an investor as prescribed in Article 2, paragraph (16) (Definitions) of the Act on Investment Trusts and Investment Corporations), the right be allotted shares, and the right to receive share options or be allotted share options);

(ii) an equity interest as a contributor to a corporation incorporated pursuant to a special law; an equity interest as a member of a general partnership company, limited partnership company, or limited liability company; an equity interest as a partner or cooperative member of a cooperative as prescribed in Article 2, item (vii) (Definitions) of the Corporation Tax Act; or an equity interest as a contributor to another type of corporation (including the right to become a contributor, member, partner, or cooperative member, and the right to be allotted capital contributions, and excluding what is set forth in item (iv));

(iii) a bond with share options (this includes a convertible specified bond as prescribed in Article 131, paragraph (1) (Issuance of Convertible Specified Bonds) of the Act on Securitization of Assets, and includes a specified bond with preferred equity subscription rights as prescribed in Article 139, paragraph (1) (Issuance of Specified Bonds with Preferred Equity Subscription Rights) of that Act);

(iv) a preferred equity investment as prescribed in the Act on Preferred Equity Investment by Cooperatively Structured Financial Institutions (Act No. 44 of 1993) (including the right to become a preferred equity investor (meaning a preferred equity investor as referred to in Article 13 (Timing for Becoming a Preferred Equity Investor) of that Act and the right to be allotted a preferred equity investment); a preferred equity investment as prescribed in Article 2, paragraph (5) (Definitions) of the Act on Securitization of Assets (including the right to become a preferred equity investor member (meaning a preferred

equity investor member as prescribed in Article 26 (Members) of that Act); and a subscription right as prescribed in Article 5, paragraph (1), item (ii), (d), 2. (Asset Liquidation Plan) of that Act);

(v) a beneficial interest in a Securities Investment Trust other than a Bond Investment Trust (referred to as a "securities investment trust for shares and similar interests" in paragraph (4)) and a beneficial interest in an Investment Trust that is not a Securities Investment Trust and that does not fall under the category of a Bond-Based Investment Trust (referred to as a "non-bond investment trust" in that paragraph);

(vi) a beneficial interest in a Specified Trust That Issues Beneficiary Certificates.

(3) Paragraph (1) applies mutatis mutandis to a person that is delivered, in Japan, the money or other assets referred to in Article 25, paragraph (1) (Amounts Deemed to Constitute Dividends) which are prescribed by Cabinet Order (other than any part thereof that is deemed to be a dividend of surplus, dividend of profits, or distribution of surplus pursuant to the provisions of that paragraph) or the money prescribed by Cabinet Order (hereinafter referred to as "the money or other asset" in this paragraph) and to the person delivering the money or other asset. In such a case, in paragraph (1), the phrase "that transfers a share or similar interest" is deemed to be replaced with "that is delivered, in Japan, money or other assets as prescribed in paragraph (3)"; the phrase "and that is paid, in Japan, a consideration for transferring it by one of the persons set forth in the following items, must notify" is deemed to be replace with "must notify"; the phrase "is paid" is deemed to be replaced with "is delivered" and the phrase "is so paid" is deemed to be replaced with "is delivered the money or other asset"; the phrase "the person set forth in that item" is deemed to be replaced with "the person delivering the money or other asset"; and the term "payer" is deemed to be replaced with "deliverer".

(4) Paragraph (1) applies mutatis mutandis to a person that is delivered, in Japan, the money or other assets prescribed by Cabinet Order which are delivered due to the termination or partial cancellation of a securities investment trust for shares and similar interests, a non-bond investment trust, or a Specified Trust That Issues Beneficiary Certificates; or due to the splitting of a Specified Trust That Issues Beneficiary Certificates (other than any part of such money or other asset that Cabinet Order prescribes as being treated as revenue arising from a distribution of proceeds; hereinafter referred to as "redemption money or a similar asset" in this Article) and to the person delivering the redemption money or similar asset. In such a case, in paragraph (1), the phrase "that transfers a share or similar interest" is deemed to be replaced with "that is delivered, in Japan, redemption money or a similar asset as prescribed in paragraph (4)"; the phrase "and that is paid, in Japan, a

consideration for transferring it by one of the persons set forth in the following items, must notify" is deemed to be replace with "must notify"; the phrase "is paid" is deemed to be replaced with "is delivered" and the phrase "is so paid" is deemed to be replaced with "is delivered the redemption money or similar asset"; the phrase "the person set forth in that item" is deemed to be replaced with "the person delivering the redemption money or similar asset"; and the term "payer" is deemed to be replaced with "deliverer".

(Notice by Recipients of Consideration for Transferring a Beneficial Interest in a Trust)

Article 224-4 A person (other than a corporation as set forth in Appended Table I of the Corporation Tax Act (Table of Public Corporations) or any other person prescribed by Cabinet Order) transferring a beneficial interest in a trust (other than a group investment trust, retirement pension trust, or Trust Subject to Corporate Taxation as prescribed in the proviso to Article 13, paragraph (1) (Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property); hereinafter such a beneficial interest is referred to as a "beneficial interest in a trust" in this Article) that is paid, in Japan, a consideration for transferring the beneficial interest in the trust by one of the persons set forth in the following items, must notify the person set forth in that item (hereinafter referred to as the "payer" in this Article) of the name and domicile thereof (or of a place as prescribed by Ministry of Finance Order, if the person has no domicile in Japan; hereinafter the same applies in this Article) by the time the person is paid, pursuant to Cabinet Order. In such a case, the person that is so paid must present a copy of the residence certificate or certificate of registered information thereof or any other document prescribed by Cabinet Order to the payer, pursuant to Cabinet Order, and the payer must verify the name and domicile of which the payer has been notified against those documents, pursuant to Cabinet Order:

(i) the corporation to which the beneficial interest in the trust is transferred (other than a person as set forth in the following item or a corporation to which the beneficial interest is transferred via such a person);

(ii) a financial instruments business operator as prescribed in Article 2, paragraph (9) (Definitions) of the Financial Instruments and Exchange Act (or a person deemed to be a financial instruments business operator pursuant to Article 65-5, paragraph (2) (Application Mutatis Mutandis to the Purchase and Sale, etc. of a Trust Company's, etc. Beneficial Interest in a Trust) of that Act) or a registered financial institution as prescribed in Article 2, paragraph (11) of that Act (or a person deemed to be a registered financial institution pursuant to Article 2, paragraph (4) (Application Mutatis Mutandis If a Financial Institution Engaged in Trust Business

Engages in the Business of Transacting Purchase and Sale, etc. Beneficial Interests in a Trust) of the Act on Engagement in Trust Business Activities by Financial Institutions) to which the beneficial interest in the trust is transferred or which has been asked to make the sale for the transfer thereof.

(Notice by the Person Paying the Difference or Otherwise Settling a Futures Contract)

Article 224-5 (1) The person paying the difference or otherwise settling a futures contract (other than a corporation as set forth in Appended Table I of the Corporation Tax Act (Table of Public Corporations) or any other person prescribed by Cabinet Order) must notify the person (hereinafter referred to as the "futures commission merchant or similar party" in this paragraph) that each of the following items prescribes for the category of case set forth in the item as regards the futures contract that the person pays the difference in or otherwise settles, of the name and domicile thereof (or of the place prescribed by Ministry of Finance Order, if the person has no domicile in Japan; hereinafter the same applies in this paragraph) by the day on which the person pays the difference or otherwise settles the contract, pursuant to Cabinet Order. In such a case, the person paying the difference or otherwise settling the futures contract must present a copy of the residence certificate or certificate of registered information thereof and any other document prescribed by Cabinet Order to the futures commission merchant or similar party, pursuant to Cabinet Order, and the futures commission merchant or similar party must verify the name and domicile of which the party has been notified against those documents, pursuant to Cabinet Order:

(i) if the person has traded a commodity futures contract (meaning a futures transaction as prescribed in Article 2, paragraph (8) (Definitions) of the Commodity Exchange Act (Act No. 239 of 1950) (including one set forth in paragraph (10), item (i), (e) of that Article made on a commodity market as prescribed in paragraph (9) of that Article); hereinafter the same applies in this Article) by entrusting another party with the trade: the head of the business office or any place equivalent thereto (hereinafter referred to as the "office" in this item) of the futures commission merchant prescribed in Article 2, paragraph (18) of that Act (hereinafter referred to as the "futures commission merchant" in this item) that the person has entrusted with trading the commodity futures contract (or the head of the office of the futures commission merchant brokering the entrustment, if the person has used a broker to entrust the futures commission merchant with trading the commodity futures contract);

(ii) if the person has traded a commodity futures contract (other than as set forth in the preceding item): the head of the commodity exchange as

prescribed in Article 2, paragraph (1) of the Commodity Exchange Act which constitutes the other party to the commodity futures contract and which operates a commodity market as prescribed in paragraph (9) of that Article;

(iii) if the person has conducted a market derivatives transaction (meaning a market derivatives transaction as prescribed in Article 2, paragraph (21) (Definitions) of the Financial Instruments and Exchange Act which is set forth in item (i) through (iii) of that paragraph and prescribed by Cabinet Order; hereinafter the same applies in this Article) by entrusting another party with the trade: the head of the business office of the financial instruments business operator or institution (meaning a financial instruments business operator as prescribed in Article 2, paragraph (9) of that Act (but only one engaged in type I financial instruments business as prescribed in Article 28, paragraph (1) (General Rules) of that Act; referred to as a "financial instruments business operator" in item (v)) or a registered financial institution as prescribed in Article 2, paragraph (11) of that Act; hereinafter the same applies in this paragraph) that the person has entrusted with the market derivatives transaction (or the head of the business office of the financial instruments business operator or institution brokering the entrustment, if the person has used a broker to entrust the financial instruments business operator or institution with the market derivatives transaction);

(iv) if the person has conducted an over-the-counter derivatives transaction (meaning an over-the-counter derivatives transaction as prescribed in Article 2, paragraph (22) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Article): the head of the business office of the financial instruments business operator or institution that constitutes the other party to the over-the-counter derivatives transaction (or the head of the business office of the financial instruments business operator or institution brokering the transaction, if the person has entrusted the financial instruments business operator or institution with the over-the-counter derivatives transaction through a broker);

(v) if the person has acquired Securities as set forth in Article 2, paragraph (1), item (xix) of the Financial Instruments and Exchange Act (but only Securities indicating rights in a transaction as set forth in paragraph (22), item (iv) of that Article; hereinafter the same applies in this Article): the person that each of the following clauses prescribes for the category of case set forth in the clause:

(a) if the person acquiring the Securities exercises or waives the rights that the Securities indicate: the head of the business office of the financial instruments business operator that handles the paperwork connected with the exercise or waiver of those rights in Japan;

(b) if the person acquiring the Securities transfers the Securities and is paid a consideration for transferring them in Japan: the financial instruments business operator which has been asked to make the sale for the transfer of the Securities or the corporation to which the Securities are transferred (other than a corporation that transferred the Securities via a financial instruments business operator).

(2) A futures contract as prescribed in the preceding paragraph means a contract or acquisition as set forth in one of the following items, and paying the difference or otherwise settling such a contract as prescribed in paragraph means effecting the settlement, exercise, waiver, or transfer that each of the following items prescribes for the category of transaction or acquisition set forth in the item:

(i) a commodity futures contract: settlement of the commodity futures contract (other than something that causes the commodity underlying the commodity futures contract to be delivered);

(ii) a market derivatives transaction or over-the-counter derivatives transaction: the settlement of the market derivatives transaction or over-the-counter derivatives transaction (other than something that causes the financial instrument prescribed in Article 2, paragraph (24) of the Financial Instruments and Exchange Act underlying the market derivatives transaction or over-the-counter derivatives transaction to be delivered);

(iii) an acquisition of Securities as set forth in Article 2, paragraph (1), item (xix) of the Financial Instruments and Exchange Act: the exercise or waiver of the rights indicated on the Securities or the transfer of the Securities.

(Payment Reports and Notice of Payment)

Article 225 (1) A person as set forth in one of the following items must submit a report on the payment prescribed in the item (or on the delivery prescribed in item (x) and item (xi) or the payment of the difference or other settlement of a contract as prescribed in item (xiii)) to the district tax office director pursuant to Ministry of Finance Order, by January 31 of the year after that in which the day of the decision to make the payment (or the decision to deliver the subject matter or to pay the difference or otherwise settle the contract) falls (or by January 31 of the year after that in which the day of the payment falls, for a report on a payment as prescribed in item (i) or item (viii) which concerns the interest on a bearer Public and Corporate Bond or a distribution of proceeds linked to a bearer beneficiary certificate from a Loan Trust, Bond Investment Trust, or Investment Trust with Publicly Offered Bonds; for a report on a payment as prescribed in item (ii) or item (viii) which concerns a dividend of surplus from a bearer share or similar interest (meaning a dividend of surplus as prescribed in Article 24, paragraph (1) (Dividend Income)) or a distribution

of proceeds linked to a bearer beneficiary certificate from an Investment Trust (other than a Bond Investment Trust or Bond-Based Investment Trust Under Public Offering) or Specified Trust That Issues Beneficiary Certificates; or for a report on a payment as prescribed in item (vii) or item (viii) which concerns redemption money as prescribed in Article 224, paragraph (4) (Notice by Recipients of Interest, Dividend, and Redemption Money) for a bearer Public and Corporate Bond; hereinafter the same applies in this paragraph) (or within one month from the day on which the decision to pay is finalized, for a report on a payment as prescribed in item (ii) or a report on a payment as prescribed in item (viii) which concerns a dividend or similar income as prescribed in item (ii) or the domestic source income set forth in Article 161, item (i)-2 (Domestic Source Income)):

(i) a person paying, in Japan, interest and similar income as prescribed in Article 23, paragraph (1) (Interest Income) to a Resident or Domestic Corporation (or to a person handling, in Japan, the payment of such interest and similar income payable to a Resident or Domestic Corporation from a Public and Corporate Bond or a beneficial interest in a Bond Investment Trust or Bond-Based Investment Trust Under Public Offering issued outside Japan);

(ii) a person paying, in Japan, a dividend or similar income as prescribed in Article 24, paragraph (1) to a Resident or Domestic Corporation (or to a person handling, in Japan, the payment of such a dividend or similar income payable to a Resident or Domestic Corporation from a beneficial interest in an Investment Trust (other than a Bond Investment Trust or Bond-Based Investment Trust Under Public Offering) or Specified Trust That Issues Beneficiary Certificates, or from a share (or from a preferred equity investment as prescribed in Article 2, paragraph (5) (Definitions) of the Act on Securitization of Assets, a beneficial interest in a Bond-Based Investment Trust other than a Bond-Based Investment Trust Under Public Offering, or a company bond-type beneficial interest) issued outside Japan);

(iii) a person paying, in Japan, remuneration, a fee, contract money, or a monetary award as set forth in the items of Article 204, paragraph (1) (Obligation to Withhold Taxes from Remuneration and Fees); compensation for periodic deposits, finance charges, profits, or margin profits as prescribed in Article 209-2 (Obligation to Withhold Taxes from Compensation for Periodic Deposits in Installment Savings); or a distribution of profits as prescribed in Article 210 (Obligation to Withhold Taxes from Distributions of Profits Under a Silent Partnership Agreement), to a Resident or Domestic Corporation;

(iv) a person paying, in Japan, an insurance benefit under a life insurance policy or any similar benefit prescribed by Cabinet Order to a Resident or

Domestic Corporation;

(v) a person paying, in Japan, a benefit under a contract as set forth in one of the items of Article 77, paragraph (2) (Earthquake Insurance Premium Deduction) or a contract as set forth in Article 207, item (iii) (Obligation to Withhold Taxes) or any similar benefit prescribed by Cabinet Order to a Resident or Domestic Corporation;

(vi) a person paying, in Japan, remuneration to a Resident or Domestic Corporation acting as agent for the conclusion of a life insurance contract or casualty insurance contract;

(vii) a person paying, in Japan, redemption money as prescribed in Article 224, paragraph (4) to a Resident or Domestic Corporation;

(viii) a person paying, in Japan, domestic source income as set forth in Article 161, item (i)-2 or item (ii) through (xii) or redemption money as prescribed in the preceding item to a Nonresident or Foreign Corporation;

(ix) a corporation, or an individual who constitutes a real estate agency (limited to one as prescribed by Cabinet Order), paying, in Japan, a consideration for the renting out of real estate, a right on real estate, a vessel or aircraft (hereinafter referred to as "real estate and other such property" in this item) (including the establishment of a superficies or emphyteusis right or otherwise doing something that gives another person the use of real estate and other such property; hereinafter the same applies in this item) or for the transfer of real estate and other such property or the payment of fees for the intermediation of the purchase and sale or the renting out of real estate and other such property, other than a corporation or individual falling under the preceding item;

(x) a person as set forth in the items of Article 224-3, paragraph (1) (Notice by Persons Receiving Consideration for a Share Transfer) and paying, in Japan, a consideration for the transfer of a share or similar interest as prescribed in paragraph (2) of that Article or a person delivering, in Japan, redemption money or a similar asset as prescribed in paragraph (4) of that Article, to a Resident or to a Nonresident with a permanent establishment in Japan;

(xi) a person delivering, in Japan and as prescribed in Article 224-3, paragraph (3), money or other assets as prescribed in that paragraph to a Resident or to a Nonresident with a permanent establishment in Japan;

(xii) a person as set forth in the items of Article 224-4 (Notice by Recipients of Consideration for Transferring a Beneficial Interest in a Trust) and paying, in Japan, a consideration for the transfer of a beneficial interest in a trust prescribed in that Article to a Resident or to a Nonresident with a permanent establishment in Japan;

(xiii) the person that each of the items of paragraph (1) of the preceding Article prescribes for the category of case set forth in the item, as regards a futures

contract prescribed in paragraph (2) of that Article that is linked to the payment of the difference or other settlement of the contract as prescribed in that paragraph, which is effected by a Resident or by a Nonresident with a permanent establishment in Japan.

(2) Pursuant to Ministry of Finance Order, a person as set forth in either of the following items must issue a paper-based notification of the payment that the item prescribes to the person being paid within one month from the day on which the decision to pay is finalized (or within one month from the day of payment, for a paper-based notification of the payment prescribed in item (i) which concerns a distribution of proceeds linked to a bearer beneficiary certificate in a Securities Investment Trust, or for a paper-based notification of the payment prescribed in item (ii) which concerns a dividend from a bearer share or similar interest):

(i) a person paying, in Japan, a distribution of proceeds from an Open-Ended Securities Investment Trust (other than a Bond Investment Trust) (including a person prescribed by Cabinet Order as being equivalent thereto);

(ii) a person paying, in Japan, an amount that is deemed to be a dividend of surplus, dividend of profits, or distribution of surplus pursuant to Article 25, paragraph (1) (Amounts Deemed to Constitute Dividends) (including a person prescribed by Cabinet Order as being equivalent thereto).

(3) In lieu of issuing a paper-based notification under the preceding paragraph, a person making a payment as prescribed in that paragraph may provide the person being paid with the information that is required to be given in the paper-based notification by electronic or magnetic means (meaning using an electronic data processing system or employing another means of information and communications technology in the manner prescribed by Ministry of Finance Order; the same applies in paragraph (4) of the following Article, Article 231, paragraph (2) (Paper-Based Payment Slips for Salary and Other Wages, Severance Pay and Other Such Compensation, and Public Pensions and Retirement Packages), and Article 242 (Penal Provisions)), with the consent of the person being paid and pursuant to Cabinet Order; provided, however, that at the request of the person being paid, the person making the payment must issue a paper-based notification thereto.

(4) In a case as referred to in the main clause of the preceding paragraph, the person making the payment referred to in that paragraph is deemed to have issued a paper-based notification as referred to in paragraph (2).

(Withholding Receipts)

Article 226 (1) A person paying, in Japan, a salary or other wage as prescribed in Article 28, paragraph (1) (Salary Income) (other than a salary or other wage from which income taxes are not required to be withheld and paid over

pursuant to the provisions of Article 184 (Person Paying a Salary or Other Wages Exempt from Withholding at the Source); hereinafter referred to as a "salary or other wage" in this Chapter) to a Resident, must prepare two copies of the withholding receipt, pursuant Ministry of Finance Order, for the salary or other wage that it has been decided will be paid in that year, for each person being paid a salary or other wage; and must submit one copy to the district tax office director and issue the other to the person being paid the salary or other wage by January 31 of the following year (or within one month of separation from employment, if a Resident becomes separated from employment partway through the year); provided, however, that this does not apply if the person receives the approval of the district tax office director pursuant to Ministry of Finance Order.

(2) A person paying, in Japan, severance pay or other such compensation as prescribed in Article 30, paragraph (1) (Retirement Income) (other than severance pay or other such compensation from which income taxes are not required to be withheld and paid over pursuant to the provisions of Article 200 (Person Paying Severance Pay or Other Such Compensation Exempt from Withholding at the Source); hereinafter referred to as "severance pay or other such compensation" in this Chapter) to a Resident, must prepare two copies of the withholding receipt, pursuant to Ministry of Finance Order, for the severance pay or other such compensation that it has been decided will be paid that year, for each person being paid the severance pay or other such compensation, and must submit one copy to the district tax office director and issue the other to the person being paid the severance pay or other such compensation, within one month of the day of the Resident's separation from employment. The proviso to the preceding paragraph applies mutatis mutandis in such a case.

(3) A person paying, in Japan, a public pension or retirement package as prescribed in Article 35, paragraph (3) (Definition of Public Pensions and Retirement Packages) (hereinafter referred to as a "public pension or retirement package" in this Chapter) to a Resident, must prepare two copies of the withholding receipt, pursuant to Ministry of Finance Order, for the public pension or retirement package that it has been decided will be paid in that year, for each person being paid a public pension or retirement package, and must submit one copy to the district tax office director and issue the other to the person being paid the public pension or retirement package by January 31 of the following year. The proviso to paragraph (1) applies mutatis mutandis in such a case.

(4) In lieu of issuing a withholding receipt under the preceding three paragraphs, a person paying a salary or other wage as referred to in paragraph (1), severance pay or other such compensation as referred to in paragraph (2), or a

public pension or retirement package as referred to in the preceding paragraph may provide a person with the information that is required to be given in the withholding receipt by electronic or magnetic means, with the consent of the person being paid the salary or other wage, severance pay or other such compensation, or public pension or retirement package and pursuant to Cabinet Order; provided, however, that at the request of the person being paid, the person must issue a withholding receipt thereto.

(5) In a case as referred to in the main clause of the preceding paragraph, the person paying the salary or other wage, severance pay or other such compensation, or public pension or retirement package referred to in that paragraph is deemed to have issued a withholding receipt as referred to in paragraphs (1) through (3).

(Trust Accounting Statements)

Article 227 The trustee of a trust (other than a group investment trust, retirement pension trust, or Trust Subject to Corporate Taxation prescribed in the proviso to Article 13, paragraph (1) (Attribution of Trust Property Assets and Liabilities and of Proceeds and Expenses Attributable to Trust Property)) must submit an accounting statement for the trust to the district tax office director, pursuant to Ministry of Finance Order, within one month after the end of each business year if the trustee is a trust company (or a financial institution as prescribed in Article 1, paragraph (1) (Approval for Additional Business) of the Act on Engagement in Trust Business Activities by Financial Institutions that engages in trust business as prescribed in that paragraph pursuant to that Act; hereinafter the same applies in this Article), or by January 31 of each year if the trustee is not a trust company.

(Statement of Partner Income from a Limited Liability Business Partnership)

Article 227-2 A partner as prescribed in Article 29, paragraph (3) (Preparation and Filing of Accounting Books) of the Limited Liability Partnership Act (Act No. 40 of 2005) that undertakes the executive management of the business of a limited liability business partnership as prescribed in Article 2 (Definitions) of that Act which is formed based on a limited liability business partnership agreement as prescribed in Article 3, paragraph (1) (Limited Liability Business Partnership Agreement) of that Act, or a general partner with unlimited liability that undertakes the executive management of the business of an investment limited partnership as prescribed in Article 2, paragraph (2) (Definitions) of the Act on Limited Liability Partnership Agreements for Investment (Act No. 90 of 1998) which is formed based on a limited liability partnership agreement for investment prescribed in Article 3, paragraph (1) (Limited Liability Partnership Agreements for Investment) of that Act must

submit a statement of partner income from the limited liability business partnership or the investment limited partnership to the district tax office director, for the profits arising or losses incurred by each partner of the limited liability business partnership or investment limited partnership (this includes any partner withdrawing from or joining the partnership partway through the accounting period stipulated in the limited liability business partnership agreement or investment limited partnership agreement), pursuant to Ministry of Finance Order, by January 31 of the year after that in which the final day of the accounting period falls (or by either that day or the day specified by Cabinet Order, whichever comes later, if a general partner with unlimited liability in the investment limited partnership submits that statement).

(Report on Dividend Income Received by the Person of Record)

Article 228 (1) A person that, as the person of record, is paid interest or similar income as prescribed in Article 23, paragraph (1) (Interest Income) or a dividend or similar income as prescribed in Article 24, paragraph (1) (Dividend Income) on behalf of another person and in connection with business, must submit a report on the interest or similar income or on the dividend or similar income (other than any interest or similar income or dividend or similar income for which a person submits a report as prescribed in Article 225, paragraph (1) (Payment Report) or accounting statement as prescribed in the preceding Article) to the district tax office director pursuant to Ministry of Finance Order, by January 31 of the year after that in which the day the person is paid falls.

(2) A person that, as the person of record, is paid a consideration for transferring a share or similar interest as prescribed in Article 224-3, paragraph (2) (Notice by Persons Receiving Consideration for a Share Transfer) (such consideration includes money or other assets as prescribed in paragraph (3) of that Article and redemption money or similar assets as prescribed in paragraph (4) of that Article, and payment thereof includes the delivery prescribed in paragraph (3) and paragraph (4) of that Article; hereinafter the same applies in this paragraph) on behalf of another person and in connection with business, must submit a report on the consideration for the transfer of the share or similar interest (other than a consideration for which a person submits a report as prescribed in Article 225, paragraph (1) or accounting statement as prescribed in the preceding Article) to the district tax office director pursuant to Ministry of Finance Order, by January 31 of the year after that in which the day the person is paid falls.

(3) Upon receipt of a paper-based notice of a transfer or receipt as prescribed in Article 224-2 (Notice of the Transfer of Negotiable Deposits), a person accepting a negotiable deposit as prescribed in that Article must submit a

report on the transfer or receipt of that negotiable deposit to the district tax office director pursuant to Ministry of Finance Order, by the last day of the month after that in which the day the person received the paper-based notice falls.

(Report on the Exercise of Share Options)

Article 228-2 A stock company issuing or allotting share options as referred to in Article 238, paragraph (1) (Determination of Subscription Requirements) of the Companies Act pursuant to a resolution as referred to in paragraph (2) of that Article (or pursuant to a determination of the subscription requirements prescribed in Article 239, paragraph (1) (Entrusting Determination of Subscription Requirements) of that Act as entrusted based on a resolution as referred to in that paragraph; or pursuant to a board of directors resolution under Article 240, paragraph (1) (Special Provisions on Determination of Subscription Requirements for a Public Company) of that Act (but only share options treated as having particularly favorable conditions or as being of an amount that is particularly favorable to persons receiving them, and other share options prescribed by Cabinet Order); issuing or allotting share options as referred to in Article 277 (Allotment of Share Options without Contribution) of that Act pursuant to a resolution as referred to in Article 322, paragraph (1) (General Meetings of Class Shareholders When Detriment to Class Shareholders of Certain Classes Likely) of that Act (or pursuant to the provisions of the articles of incorporation under paragraph (2) of that Article); or issuing or allotting share options as referred to in Article 280-21, paragraph (1) (Resolution for a Favorable Issue of Share Options) of the Commercial Code (Act No. 48 of 1899) prior to its revision under Article 64 (Partial Revision of the Commercial Code) of the Act Prescribing Adjustments to the Relevant Acts to Coordinate with the Enforcement of the Companies Act (Act No. 87 of 2005) pursuant to a resolution as referred to in that paragraph; to an individual or corporation (but only an issuance or allotment of share options for which it is decided that no money is required to be paid or a similar issuance or allotment as prescribed by Cabinet Order) must submit a report on the exercise of share options by that individual or corporation to the district tax office director pursuant to Ministry of Finance Order if the share options subject to the issuance or allotment are exercised, by January 31 of the year after that in which the day the share options were exercised falls.

(Business Commencement Report)

Article 229 If a Resident or Nonresident commences a new business undertaking in Japan which is meant to generate real property income, business income, or timber income; establishes an office, place of business, or other equivalent

place for that business in Japan; or relocates or closes such a place, the Resident or Nonresident must submit a paper-based report indicating this and giving other necessary information to the district tax office director pursuant to Ministry of Finance Order, within one month from the day on which the event occurred.

(Paper-Based Payment Slips for Salary and Other Wages, Severance Pay and Other Such Compensation, and Public Pensions and Retirement Packages)

Article 231 (1) A person paying, in Japan, a salary or other wage, severance pay or other such compensation, or a public pension or retirement package to a Resident must issue a paper-based payment slip indicating the amount of the salary or other wage, severance pay or other such compensation, or public pension or retirement package and giving other necessary information to the person being paid, pursuant to Ministry of Finance Order.

(2) In lieu of issuing a paper-based payment slip for a salary or other wage, severance pay or other such compensation, or public pension or retirement package under the preceding paragraph, the person paying the salary or other wage, severance pay or other such compensation, or public pension or retirement package referred to in that paragraph may provide the person being paid the salary or other wage, severance pay or other such compensation, or public pension or retirement package with the information that is required to be given in the paper-based payment slip by electronic or magnetic means, with the consent of that person and pursuant to Cabinet Order; provided, however, that at the request of the person being paid, the person doing the paying must issue a paper-based payment slip for the salary or other wage, severance pay or other such compensation, or public pension or retirement package thereto.

(3) In a case as referred to in the main clause of the preceding paragraph, the person paying the salary or other wage, severance pay or other such compensation, or public pension or retirement package referred to that paragraph is deemed to have issued paper-based payment slip for the salary or other wage, severance pay or other such compensation, or public pension or retirement package referred to in paragraph (1).

Chapter II Other Miscellaneous Provisions

(Keeping of Books and Documents by Persons with Business Income)

Article 231-2 (1) A Resident conducting business that is meant to generate real property income, business income, or timber income during the year, or a Nonresident conducting such business in Japan (other than one with the approval of the district tax office director to file a Blue Return), whose total real property income, business income, or timber income under the Tax Return

(or the Amended Return; hereinafter the same applies in this paragraph) for two years prior exceeds three million yen as of December 31 of the previous year or whose total such income under the Tax Return for the previous year exceeds three million yen as of March 31 of the relevant year (such a Resident or Nonresident includes a person prescribed by Ministry of Finance Order as being equivalent thereto) must keep books pursuant to Ministry of Finance Order, and use the simple method prescribed by Ministry of Finance Order to record therein the details of the gross revenue and necessary expenses for transactions in the relevant year from business meant to generate that income, and must keep those books on file (and keep on file documents prepared or received in connection with business in the relevant year which are prescribed by Ministry of Finance Order; the same applies in the following paragraph).

(2) When an official with the National Tax Agency, the Regional Taxation Bureau, or the Tax Office examines the details of the gross revenue and necessary expenses prescribed in the preceding paragraph as they pertain to the income taxes of a person subject to the provisions of that paragraph, the official is to inspect the books referred to in that paragraph; provided, however, that this does not apply if there are circumstances that make it difficult to inspect the books.

(3) A Resident conducting business that is meant to generate real property income, business income, or timber income during the year, or a Nonresident conducting such business in Japan, who has submitted a Tax Return or report on gross revenue (meaning a report on gross revenue as prescribed in the following Article; hereinafter the same applies in this paragraph) for two years prior as of December 31 of the previous year, or who has submitted a Tax Return or report on gross revenue for the previous year as of March 31 of the relevant year (such a Resident or Nonresident includes a person specified by Ministry of Finance Order as being equivalent thereto) must keep on file, pursuant to Ministry of Finance Order, books and documents prepared or received in connection with that business during the relevant year (other than books and documents kept on file subject to the provisions of paragraph (1)); provided, however, that this does not apply if the provisions of Article 148, paragraph (1) (Books and Documents of Blue Return Taxpayers) apply (including as applied mutatis mutandis pursuant to Article 166 (Application Mutatis Mutandis to Nonresidents)).

(Submission of Reports on Gross Revenues Constituting Business Income)

Article 231-3 A Resident conducting business that is meant to generate real property income, business income, or timber income during the year, or a Nonresident conducting such business in Japan, whose gross revenues constituting such income in that year (or, for a Nonresident, whose gross

revenues constituting domestic source income as prescribed in Article 161 (Domestic Source Income)) total in excess of 30 million yen, must submit, pursuant to Ministry of Finance Order, a report on gross revenue indicating the total income and giving any other information to which reference should be made to the district tax office director by March 15 of the following year, unless the Resident files a Tax Return for that year's income taxes.

(Submission of Detailed Statements of Assets and Liabilities)

Article 232 (1) If the total of gross revenue and timber income for the year which is indicated in a return set forth in one of the following items exceeds 20 million yen, pursuant to Ministry of Finance Order, at the time of filing, the person filing the return must submit detailed statements indicating the type, quantity, and value of the assets and the amount of liabilities that the person has (or that a person that has died as prescribed in Article 124, paragraph (1) had, for a return as set forth in item (i) filed due to circumstances falling under Article 124, paragraph (1) (Filing a Tax Return If the Person Required to File Has Died) (including as applied mutatis mutandis pursuant to Article 166 (Application Mutatis Mutandis to Nonresidents)); or that a person who has died as prescribed in Article 125, paragraph (1) (Filing a Tax Return If the Taxpayer Has Died Partway Through the Year) had, a for a return as set forth in item (ii)) as of the day or time set forth in the item, to the district tax office director:

(i) a return under Article 120, paragraph (1) (Filing Income Tax Returns) (including as applied mutatis mutandis pursuant to Article 166): December 31 of the relevant year;

(ii) a return form under Article 125, paragraph (1) (including as applied mutatis mutandis pursuant to Article 166): the day of the person's death as prescribed in Article 125, paragraph (1);

(iii) a return form under Article 127, paragraph (1) (Filing a Tax Return If the Taxpayer Will Become Absent From Japan Partway Through the Year) (including as applied mutatis mutandis pursuant to Article 166): the start of the taxpayer's Absence From Japan as prescribed in Article 127, paragraph (1).

(2) The provisions of the preceding paragraph apply mutatis mutandis if a person filing an Amended Return for a return as set forth in the items of that paragraph indicates an amended amount of gross revenue and timber income whose total exceeds 20 million yen.

Appended Table I Table of Public Corporations (Re. Art. 4 and 11)

Name	Governing Act

Medical care corporations (limited to social medical care corporations as prescribed in Article 42-2, paragraph (1) (Social Medical Care Corporations) of the Medical Care Act (Act No. 205 of 1948))	Medical Care Act
Okinawa Development Finance Corporation	Okinawa Development Finance Corporation Act (Act No. 31 of 1972)
Financial Services Association	Money Lending Business Act (Act No. 32 of 1983)
Incorporated schools (including a corporations established pursuant to the provisions of Article 64, paragraph (4) (Special Training Colleges and Schools for Specialized Education) of the Private School Act	Private Schools Act
Japan Finance Corporation	Companies Act and Japan Finance Corporation Act (Act No. 57 of 2007)
Corporate pension funds	Defined-Benefit Corporate Pension Act
Pension Fund Associations	Social Pension Insurance Act
Hazardous Materials Safety Techniques Associations	Fire Services Act (Act No. 186 of 1948)
Administrative Scrivener Association	Administrative Scriveners Act (Act No. 4 of 1951)
Fishing Industry Mutual Aid Associations	Act on Compensation for Disasters in the Fishing Industry (Act No. 158 of 1964)
Federations of Fishing Industry Mutual Aid Association	
Fishing Industry Credit Guarantee Fund Associations	Act on Loan Security for Small and Medium Sized Fishing Businesses (Act No. 346 of 1952)
Fishing Vessel Insurance Associations	Act on Compensation for Damages Related to Fishing Vessels (Act No. 28 of 1952)
Central Society of Fishing Vessel Insurance Associations	
Asset-Building Funds for Wage Earners	Act Promoting Asset-Building Funds for Wage Earners (Act No. 92 of 1971)
Light Motor Vehicle Inspection Organization	Act on Over-the-Road Shipping Vehicles (Act No. 185 of 1951)
Health Insurance Societies	Health Insurance Act
National Federation of Health Insurance Societies	
Nuclear Waste Management Organization of Japan	Act on the Final Disposal of Designated Radioactive Waste (Act No. 117 of 2000)
High Pressure Gas Safety Institute of Japan	High Pressure Gas Safety Act (Act No. 204 of 1951)

Regional Offshore Environmental Improvement Centers	Act on Regional Offshore Environmental Improvement Centers (Act No. 76 of 1981)
Incorporated public interest foundations	Act on General Incorporated Associations and General Incorporated Foundations (Act No.48 of 2006) and Act on Authorization of Incorporated Public Interest Incorporated Associations and Incorporated Public Interest Incorporated Foundations (Act No. 49 of 2006)
Incorporated public interest associations	
Social pension funds	Social Pension Insurance Act
Offenders rehabilitation corporation	Offenders Rehabilitation Services Act (Act No. 86 of 1995)
Port authorities	Ports and Harbors Act
Japan Craft Inspection Organization	Ship Safety Act (Act No. 11 of 1933)
Mutual Aid Associations of National Public Service Personnel	Act on Mutual Aid Associations of National Public Service Personnel
Federation of Mutual Aid Associations of National Public Service Personnel	
Japan National Tourist Organization	Act on the Japan National Tourist Organization (Act No. 39 of 1959)
National Health Insurance Societies	National Health Insurance Act
Federation of National Health Insurance Societies	
National Pension Funds	National Pension Act
National Pension Fund Association	
National university corporations	National University Corporation Act (Act No. 112 of 2003)
Urban renewal associations	Urban Renewal Act (Act No. 38 of 1969)
Japan Safe Driving Center	Act on the Japan Safe Driving Center (Act No. 57 of 1975)
Judicial Scriveners' Associations	Judicial Scriveners Act (Act No. 197 of 1950)
Social welfare corporations	Social Welfare Act (Act No. 45 of 1951)
Health Insurance Claims Review & Reimbursement Services	Act on Health Insurance Claims Review & Reimbursement Services
Certified Social Insurance and Labour Consultant Associations	Act on Certified Social Insurance and Labour Consultant Associations (Act No. 89 of 1968)
Religious corporations	Religious Corporations Act (Act No. 126 of 1951)
Residential area development associations	Act on Special Measures to Promote the Supply of Houses and Housing Lands in Urban Districts (Act No. 67 of 1975)

Sake brewers' associations	Act on the Maintenance of the Liquor Tax and on Liquor Business Associations (Act No. 7 of 1953)
Japan Sake Brewers' Association	
Federation of Sake Brewers' Associations	
Liquor merchants' associations	
All Japan Liquor Merchants' Association	
Federation of Liquor Merchants' Associations	
Commercial associations	Commercial Associations Act (Act No. 89 of 1960)
Chambers of Commerce	Chambers of Commerce Act (Act No. 143 of 1953)
Central Federation of Societies of Commerce and Industry	Commercial Associations Act
Commercial and industrial associations (limited to associations that do not require members to make contributions)	Act on the Organization of Small Business Associations (Act No. 185 of 1957)
Federation of commercial and industrial associations (limited to associations that do not require members to make contributions)	
Commodity futures associations	Commodity Exchange Act
Mutual Aid Fund for Official Casualties and Retirement of Volunteer Firefighters	Act on the Mutual Aid Association for Liability for Official Casualties and Retirement of Volunteer Firefighters (Act No. 107 of 1956)
Employee organizations (limited to organizations that are corporations)	Act on Granting of Juridical Personality to Employee Organizations, etc. (Act No. 80 of 1978)
Vocational training corporations	Act for the Promotion of Human Resources Development
Credit Guarantee Corporations	Credit Guarantee Corporations Act (Act No. 196 of 1953)
Flood Prevention Associations	Flood Prevention Association Act (Act No. 50 of 1908)
Federation of Flood Prevention Associations	
Environmental Health Industry Associations (limited to associations that do not require members to make contributions)	Act on Coordination and Improvement of the Environmental Health Industry (Act No. 164 of 1957)
Federation of Environmental Health Industry Associations (limited to associations that do not require members to make contributions)	
Certified Public Tax Accountants' Associations	Act on Certified Public Tax Accountants (Act No. 237 of 1951)

Coal Mining Pension Fund	Act on Coal Mining Pension Funds
Association for Accident Prevention Among Seafarers	Act on Promotion of Activities to Prevent Accidents Among Seafarers (Act No. 61 of 1967)
Japan Health Insurance Association	Health Insurance Act
National Federation of Mutual Aid Associations for Municipal Personnel	Act on Mutual Aid Associations for Regional Public Officers
All Japan Federation of Certified Social Insurance and Labour Consultant Associations	Act on Public Consultants on Social and Labour Insurance
National Chamber of Agriculture	Act on Agricultural Commissions (Act No. 88 of 1951)
Non-life insurance rating groups	Act on Non-Life Insurance Rating Groups (Act No. 193 of 1948)
Corporate inter-university research institutes	National University Corporation Act
Mutual aid associations for members of regional assemblies	Act on Mutual Aid Associations for Regional Public Officers, etc.
National Association of Racing	Act on Horse Racing (Act No. 158 of 1948)
Regional governments	Regional Autonomy Act (Act No. 67 of 1947)
Japan Finance Organization for Municipalities	Act on the Japan Finance Organization for Municipalities (Act No. 64 of 2007)
Mutual Aid Associations for Prefectural Government Personnel	Act on Mutual Aid Associations for Regional Public Officers
Pension Fund Association for Local Government Officials	
Fund for Local Government Employees' Accident Compensation	Act on Compensation for Accidents Involving Local Public Officers (Act No. 121 of 1967)
Regional public housing corporations	Act on Regional Public Housing Corporations (Act No. 124 of 1965)
Regional public road corporations	Act on Regional Public Road Corporations (Act No. 82 of 1970)
Regional incorporated administrative agencies	Act on Regional Incorporated Administrative Agencies (Act No. 118 of 2003)
Japan Vocational Ability Development Association	Act to Promote Human Resources Development
Japan Industrial Safety and Health Association	Act to Prevent Industrial Accidents (Act No. 118 of 1964)
Federation of Small Business Associations	Small and Medium-Sized Enterprise Cooperatives Act (Act No. 181 of 1949)
Investor Protection Funds	Financial Instruments and Exchange Act

Incorporated administrative agencies (limited to agencies designated by the Minister of Finance as those in which the national or local government owns all of the stated capital or capital contributions; those that only distribute their profits, surplus, or other equivalent money to the national or local government; or those equivalent thereto)	Act on General Rules for Incorporated Administrative Agencies (Act No. 103 of 1999) and the individually governing Acts prescribed in Article 1, paragraph (1) (Purpose, etc.) of that Act
Public land development corporations	Act on Advancement of Expansion of Public Lands (Act No. 66 of 1972)
Land improvement districts	Land Improvement Act (Act No. 195 of 1949)
Unified land improvement districts	
Federation of Land Improvement Associations	
Associations of land and house investigators	Land and House Investigators Act (Act No. 228 of 1950)
Land readjustment associations	Land Readjustment Act (Act No. 119 of 1954)
Prefectural Vocational Ability Development Associations	Act for the Promotion of Human Resources Development
Prefectural agricultural councils	Act on Agricultural Committees
Japan Federation of Administrative Scriveners' Associations	Administrative Scriveners Act
Japan Workers' Housing Association	Act on the Japan Workers' Housing Association (Act No. 133 of 1966)
Japan Sewage Works Agency	Act on the Japan Sewerage Works Agency (Act No. 41 of 1972)
Japanese Institute of Certified Public Accountants	Certified Public Accountants Act
Japan Legal Support Center (Houterasu)	Comprehensive Legal Support Act (Act No. 74 of 2004)
Japan Federation of Shiho-Shoshi Lawyers' Associations	Judicial Scrivener Act
Japan Chamber of Commerce and Industry	Chambers of Commerce Act
Japan Fire Equipment Inspection Institute	Fire Services Act
Promotion and Mutual Aid Corporation for Private Schools of Japan	Act on the Promotion and Mutual Aid Corporation for Private Schools of Japan (Act No. 48 of 1997)
Japan Federation of Certified Public Tax Accountants' Associations	Certified Public Tax Accountants Act
Japanese Red Cross Society	Act on the Japanese Red Cross Society (Act No. 305 of 1952)
Japan Racing Association	Act on the Japan Racing Association (Act No. 205 of 1954)

Japan Electric Meters Inspection Corporation	Act on the Japan Electric Meters Inspection Corporation (Act No. 150 of 1964)
Japan Federation of Land and House Investigators' Associations	Land and House Investigators Act
Japan Federation of Bar Associations	Attorneys Act (Act No. 205 of 1949)
Japan Patent Attorneys Association	Patent Attorneys Act (Act No. 49 of 2000)
Japan Broadcasting Corporation	Broadcasting Act (Act No. 132 of 1950)
Japan Federation of Maritime Pilots' Associations	Maritime Pilotage Act (Act No. 121 of 1949)
Associations of authorized financial instruments firms	Financial Instruments and Exchange Act
Agricultural mutual relief associations	Agricultural Disaster Compensation Act (Act No. 185 of 1947)
Federation of Agricultural Mutual Relief Associations	
Central Union of Agricultural Cooperatives	Agricultural Co-operatives Act
Federation of Agricultural Cooperatives (limited to cooperatives that have established hospitals or clinics as prescribed in Article 31 (Definition of Public Medical Institutions) of the Medical Care Act and that are designated by the Minister of Finance as those meeting the requirements prescribed by Cabinet Order)	
Agriculture Credit Guarantee Fund Association	Agricultural Credit Guarantee Insurance Act (Act No. 204 of 1961)
Agricultural and Fishing Industry Cooperative Savings Insurance Corporation	Agricultural and Fishing Industry Cooperative Savings Insurance Act (Act No. 53 of 1973)
Partnerships for debt settlement	Act on Partnerships for Debt Settlement in Agricultural Communities (Act No. 21 of 1933)
Bar associations	Attorneys Act
Insurance Policyholders' Protection Corporations	Insurance Business Act
Maritime pilots' associations	Maritime Pilotage Act
Exporters' associations (limited to associations that do not require members to make contributions)	Export and Import Transactions Act (Act No. 299 of 1952)
Importers' associations (limited to associations that do not require members to make contributions)	
Deposit Insurance Corporation of Japan	Deposit Insurance Act (Act No. 34 of 1971)

Labor unions (limited to unions that are corporations)	Labor Union Act (Act No. 174 of 1949)
Industrial Safety and Health Association	Act on Organizations for the Prevention of Industrial Accidents