

Taxation Guide

1. Municipal Tax

Municipal taxes are divided into two categories : personal tax and corporate tax. Each of these is composed of a per capita levy, which is equally imposed on every taxpayer, and an income levy, which is imposed in accordance with the income of individuals or the revenue of corporations.

(1) Personal Municipal Tax

You are required to pay residential tax, which includes municipal tax and prefectural tax.

□ Taxpayer

Taxpayer Tax	Residents of Kanazawa City	Non-residents who own a house, an office, or a business establishment in Kanazawa
Per capita levy	○	○
Income levy	○	—
Forest Environment Tax (national tax)	○	—

※ The situation as of January 1 determines whether a person is considered as a resident or an owner of a house or an office in Kanazawa.

□ Tax rate

- The combined value of per capita levies of municipal and prefectural taxes is¥4,500.
Per capita levy of municipal tax for individuals is ¥3,000.
Per capita levy of prefectural tax is ¥1,500.
※ The tax increase of ¥1,000 nationwide (¥500 for municipal, ¥500 for prefectural) for the purpose of disaster-resistant urban development was removed in fiscal year 2023.
Further, ¥500 out of the ¥1,500 prefectural tax will be used as the Ishikawa Forest Environment Tax for environmental conservation.
- The combined rate of municipal and prefectural personal income levies is 10%.
(Municipal tax 6% and Prefectural tax 4%)
- Forest Environment Tax (national tax) 1000 yen
* Introduced in 2024 to aid in the promotion and maintenance of the environment.

□ Method of Calculation

Previous year's gross income / Employment income / Other incomes —
Deduction for employment income / Business expenses

→ Previous year's net income [A] — Deductions [B]

→ Taxable income × Tax rate — Tax exemptions [C]

→ Per income levy + Per capita levy + Forest Environment Tax

[A] Net income This is the basis for calculation of taxation based on income. Generally, it is calculated by subtracting business expenses from gross income. The kinds of net income are as follows : ①interest income, ②dividend income, ③real estate income, ④business income, ⑤earned income, ⑥retirement income, ⑦timber income, ⑧capital gain, ⑨occasional income, and ⑩miscellaneous income.

[B] Deductions This is the amount to be deducted from net income for fair taxation, determined according to the taxpayer's personal situation, for example whether or not they have a spouse or dependents.

[C] Tax exemptions The following amounts are deducted from the amount of tax which was calculated by multiplying taxable net income and tax rates together.

- ① Deduction for adjustment
- ② Deduction for dividends
- ③ Deduction for special cases such as housing debts
- ④ Deduction for donation
- ⑤ Deduction for foreign taxes
- ⑥ Deduction for the tax based on dividends and transferred gains such as stocks

Sample calculation (Municipal and prefectural taxes for individuals)

- In the case of a couple with two children
(The wife and the children have no income. The children are 17 and 19 years old.)
Previous year's balance
Gross income ¥6 million
Business expenses ¥2 million
Payment for health insurance ¥545,000
Payment for life insurance ¥100,000
Payment for private pension ¥0

- Per capita levy
 - Municipal tax ¥3,000 ...①
 - Prefectural tax ¥1,500 ...②
- How to calculate taxation based on income
 - Net income (Gross income — Business expenses)
¥6,000,000 — ¥2,000,000 = ¥4,000,000 ...③
 - Deductions from income
 - Deduction for social insurance premiums ¥545,000
 - Deduction for life insurance premiums ¥35,000
 - Deduction for a spouse ¥330,000
 - Deduction for dependents ¥330,000
 - Deduction for specific dependents ¥450,000
 - Basic deduction ¥430,000
 - Total ¥2,120,000 ...④
 - Taxable income (③—④)
¥4,000,000 — ¥2,120,000 = ¥1,880,000 ...⑤
 - Taxation based on income before adjusted exemption
 - Municipal tax (⑤×6%) ¥112,800 ...⑥
 - Prefectural tax (⑤×4%) ¥75,200 ...⑦
 - Total ¥188,000
 - Adjusted exemption
 - Total of the difference of human exemption ¥330,000 ...⑧
 - For municipal tax (⑧×3%) ¥9,900 ...⑨
 - For prefectural tax (⑧×2%) ¥6,600 ...⑩
 - Taxation based on income and other
 - Municipal tax (⑥—⑨) ¥102,900 ...⑪
 - Prefectural tax (⑦—⑩) ¥68,600 ...⑫
 - Forest Environment tax ¥1,000 ...⑬

- Total amount of municipal and prefectural taxes
 - Municipal tax (①+⑪) ¥105,900
 - Prefectural tax (②+⑫) ¥70,100
 - Forest Environment tax ⑬ ¥1,000
 - Total ¥177,000

In fiscal year 2024, a fixed amount tax reduction will be applied.
Fixed-amount tax reduction: 10,000 yen x 4 people (Tax payer + Spouse eligible for deduction + Number of Dependent Relatives) = 40,000 yen.

Questions & Answers

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① What is the difference between municipal tax and income tax?

Q. I am a salaried worker. Municipal tax and income tax are deducted from my monthly salary. How do these two kinds of taxes differ?

A. Both municipal tax and income tax are imposed on income. The major differences are as follows.

- Local tax and National tax
Municipal tax is one of the local taxes imposed by a municipal government. On the other hand, income tax is one of the national taxes.
- Tax imposed on the previous year's income and tax imposed on the present year's income
Municipal tax for fiscal 2024 is imposed on the income of 2023 (from Jan. to Dec. of 2023), while income tax for 2023 is imposed on the income of 2023. This is the reason why the year-end tax adjustment is applied to income tax and not to municipal tax.
- Per capita levy
Municipal tax is composed of a per capita levy, which is equally imposed on every taxpayer regardless of income, and an income levy, which is imposed based on income. Income tax doesn't include a per capita levy.
- Other differences
These two kinds of taxes differ in the minimum income to be declared, the amount of deductions, and tax rates.

② Final income tax return and declaration of municipal tax

Q. I am a sole proprietor. When I went to the tax office to file my final income tax return, I was told it was not necessary because I didn't have to pay income tax. In this case, is it necessary to declare for municipal tax?

A. Even if you don't need to file a final income tax return, if you had income in the previous year, you must declare it for municipal tax payment.
If you didn't have any income during the previous year, you are not required to declare it for tax payment. However, the municipal tax return has a section for people without income to fill in, so please fill it in, and submit the return.
If you don't declare the fact that you had no income, the government has no way to know that. Accordingly, your health insurance premium may not be reduced, and an income certificate or taxation (non-taxation) certificate may not be issued. This may make it difficult for you to receive government services.

③ Spouse's income from part-time work and the spousal exemption deducted from income of the person

Q. My spouse is a part-time worker. What is my spouse's maximum annual income for which I can get a spousal exemption and a special spousal exemption? And how about my spouse's tax?

A. The income of a part-time worker is generally regarded as salary. When your spouse's annual income is ¥1.03 million or less, you can get a spousal exemption, and when your wife's annual income is less than ¥2.01 million, you can get a special spousal exemption.
In addition, your wife's annual income is taxable for income tax if it exceeds ¥1.03 million, and for municipal tax if it exceeds ¥0.97 million.

Spouse's part-time income	The person		Tax payable by spouse		
	spousal exemption	special spousal exemption	Income tax	Municipal tax	Forest Environment tax
¥0.97 million or less	Applied	Not applied	Not taxed	Not taxed	Not taxed
Over ¥0.97 million ¥1.03 million or less				Taxed	Taxed
Over ¥1.03 million and less than ¥2.01 million	Not applied	Applied			
¥2.01 million or more		Not applied			

※ Spousal exemption and Special spousal exemption is not applied when income of the person exceeds ¥10 million.

④ I paid a large sum of medical expenses. Can I receive a tax refund?

Q. I paid a large sum of medical expenses including expenses for childbirth. Can I receive a tax refund if I declare these expenses?

A. If income tax is deducted from your salary or the salary of your spouse, you might receive an income tax refund by declaring the expenses in the next year. However, the municipal tax amount is determined next year based on the income and deductions of this year. Therefore, there is no tax refund for municipal tax, but medical expenses are deducted when the tax amount is determined next year.
The formula for calculating the deduction for medical expenses is the same for both income tax and municipal tax.

- ① Total amount of medical expenses paid in a year
- ② Amount covered by insurance, etc.
- ③ ¥100,000 or 5% of net income, whichever is the lower amount
- ①－②－③＝Deduction for medical expenses (Maximum: ¥2 million)

When you file your income tax return, your records of withholding, a detailed statement of medical expenses, seal, and bank account number are required.
Please ask the Kanazawa Tax Office for more information.

⑤ I received a tax notice even though I have no job at present.

Q. I quit my job at the end of December 2023, and I have no job at present. However, the municipal office sent me a tax notice in June 2024. Should I pay tax even though I don't have any jobs or income?

A. The municipal, prefectural, and Forest Environment taxes are imposed based on the income of the previous year (from January to December of the previous year).
In your case, you had income last year (2023), so you have to pay the taxes for fiscal year 2024 on that income.

⑥ How to pay tax after retirement

Q. I am a salaried worker and tax has always been deducted (by special collection) from my salary. How should I pay tax when I retire?

A. Special collection is the system whereby municipal and prefectural taxes based on the previous year's salary are deducted from monthly salaries in 12 payments from June to May of the following year and paid through employers.

After retirement, you are no longer able to use this system, so please pay the remaining amount (of unpaid taxes) in the following way.

※ For fiscal year of 2024, due to the fixed-amount tax reduction system, it may be prorated over 11 months from July 2024 to May 2025.

In the case of resignation, collection can no longer be made thereafter, so the remaining amount (uncollected tax amount) must be paid as follows.

(1) When you retire on/before December 31:

Please pay your tax by yourself after you receive a notice from the municipal office. You can also request your employer to deduct it as a lump sum from your last salary or retirement allowance.

(2) When you retire on/after January 1:

According to the provisions of the Local Tax Law, your tax will be deducted as a lump sum from your last salary or retirement allowance.

● Municipal and prefectural taxes on retirement allowance

Depending on your retirement allowance amount, it may be subject to municipal and prefectural taxation.

In that case, it is deducted from your retirement allowance separately from the tax on other income.

⑦ Municipal tax for the deceased

Q. My spouse died in July of this year. What happens to my spouse's municipal tax?

A. The personal municipal, prefectural, and Forest Environment taxes are imposed annually based on the income of the previous year (from Jan. to Dec.) by your spouse's city of residence as of Jan. 1 (base date). As a result, citizens who pass away during the year are also subject to municipal, prefectural, and Forest Environment taxation based on the income of the previous year. In the case of your spouse, your spouse's successor should take over its tax obligations and pay the remaining amounts for the year. Municipal, prefectural, and Forest Environment taxes are not imposed on the deceased in the fiscal year following the year of death. However, a declaration of income may be necessary. Please ask the Kanazawa Tax Office for more information.

⑧ What is the special collection system for pensions?

Q. Why is the municipal tax being deducted from my pension?

A. The system of special collection of municipal and prefectural taxes from public pensions was started in October 2009. This system increases government efficiency and saves the taxpayer the trouble of going to the bank to pay taxes since the tax is directly collected from their pension and paid to the local government.

• Eligibility

You can use this system if you are aged 65 years or older as of April 1st, are receiving pension payments, and are required to pay municipal, prefectural, and Forest Environment taxes based on the pension payments you received last year. However, you are not eligible if nursing insurance premiums are not being deducted from your pension, or if the municipal, prefectural, and Forest Environment tax amount to be deducted exceeds the Old-age Basic Pension payment you received.

• Tax Amount to be Deducted

This system only deducts the municipal, prefectural, and Forest Environment tax amount calculated from the pension payments you received last year. Your municipal, prefectural, and Forest Environment taxes based on earned income or business income should be paid via special collection from your salary or the normal payment method (in-person with a payment notice or bank transfer).