A Panel Study of Recent Reform in Personal Income Taxation in Japan

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Recent reform in personal income taxation in Japan

- Abolish exemption for dependents (up to 15 years old) (JPY380,000) while creating child allowances in 2011
- Abolish the additional part of exemption for the specified dependents（between 16 and 18 years） (JPY 250,000) while providing high school education virtually at no charge.

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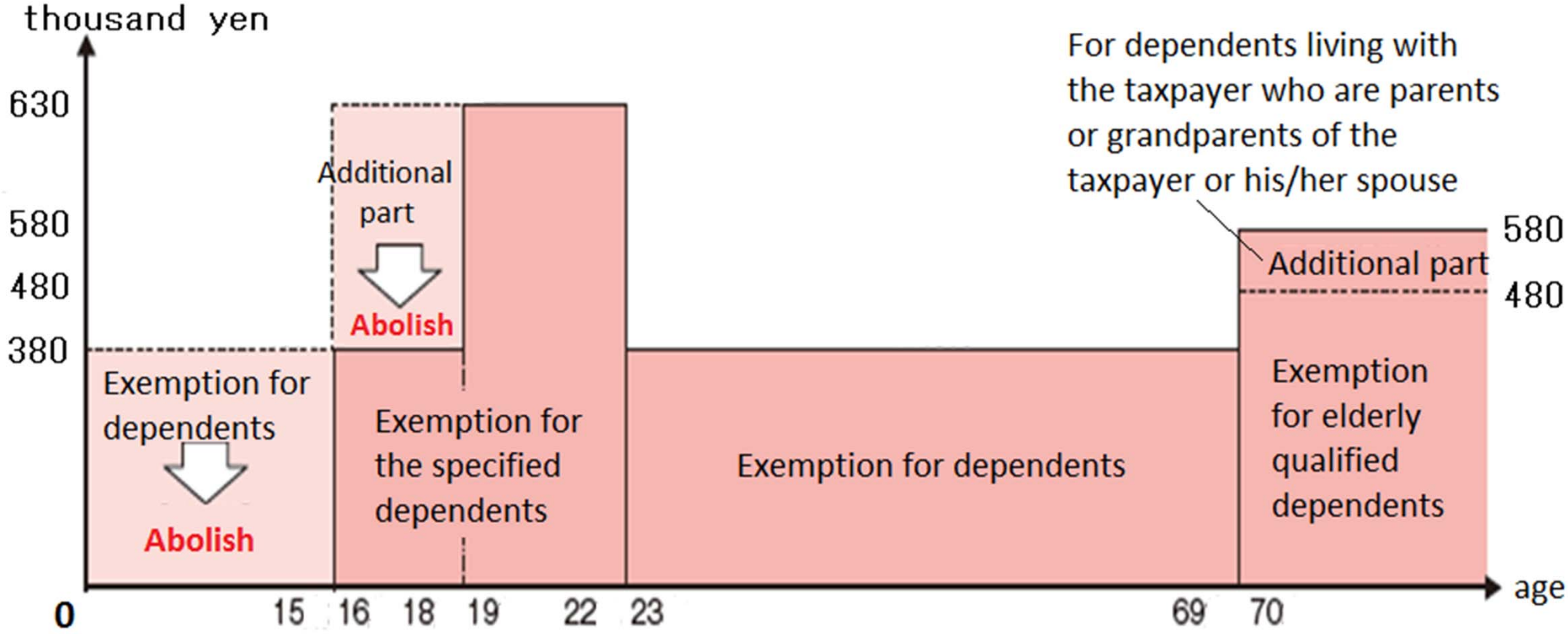
Exemption for dependents by age



Thousand Japanese yen is approximately equal to ten US dollars.

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Japan Household Panel Survey (JHPS)

- JHPS is a panel survey targeting individuals that Keio University Joint Research Center for Panel Studies began performing from 2009.
- Subsequently, it will be held annually, on January 31.
- The subject was determined to be men and women of over 20 year-old (i.e. born between February, 1939 and January, 1990) who was living throughout Japan.
- The JHPS dataset is included in the Luxembourg Income Study Database.

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Income distribution (1)

Decile	Equivalent Household disposable Income	Households	Household members	Average household income	Average household consumption
I	～1440	336	2.714	1597.5	228.6
II	1450～1910	336	3.024	3203.4	243.4
III	1910～2250	336	3.107	4053.6	241.3
IV	2250～2600	336	3.095	4705.2	268.0
V	2600～2960	336	3.259	5615.6	289.6
VI	2960～3360	336	3.345	6493.5	316.1
VII	3360～3860	336	3.414	7619.3	341.3
VIII	3870～4530	336	3.390	8842.7	377.2
IX	4530～5620	336	3.238	10625.0	396.2
X	5620～24950	336	3.250	17736.8	482.6
Average		3360	3.184	7049.3	318.4
	Unit: thousand yen	Unit: person		Unit: thousand yen	

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Income distribution (2)

Decile	Average amount of financial assets	Average loan amount	Average amount of net financial assets	homeownership rate	average age of the respondents
I	5907.9	9175.0	322.0	65.0%	54.3
II	4291.3	8697.1	143.3	65.1%	52.1
III	6506.3	1105.4	1923.4	74.2%	49.1
IV	6072.2	1178.2	1281.8	76.0%	49.6
V	8229.6	1113.1	3188.2	80.5%	49.6
VI	9174.8	1204.5	3201.9	79.4%	48.7
VII	7895.3	1282.2	785.9	81.7%	48.0
VIII	12263.2	1415.1	5406.8	86.0%	49.1
IX	12392.7	1521.8	3867.9	84.5%	48.8
X	21219.5	2242.5	10717.5	91.0%	52.4
Average	9382.6	1318.5	3502.7	78.3%	50.2
	Unit: thousand yen				Unit: age

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Situation of burden (1)

Decile	Individual income tax	Inhabitants Tax	Social Security Premium			
				Medical and long-term care	Pension	Unemployment
I	24.10	27.84	227.07	198.43	25.50	3.15
II	16.27	41.61	274.99	205.78	61.79	7.42
III	34.49	83.08	352.87	221.71	119.68	11.49
IV	49.82	122.65	362.16	207.38	140.28	14.50
V	77.20	170.02	455.63	264.38	174.94	16.31
VI	108.63	227.53	501.79	262.83	215.69	23.28
VII	165.30	305.36	618.35	304.05	287.69	26.61
VIII	248.62	384.07	685.79	332.35	324.48	28.96
IX	437.34	533.56	830.09	393.62	398.64	37.83
X	1460.55	1031.12	1049.63	561.47	445.88	42.29
Avg.	262.23	292.68	535.84	295.20	219.46	21.18

Unit: thousand yen

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Situation of burden (2)

	Burden ratio to pre-tax household income		
Decile	Individual income tax	Inhabitants Tax	Social Security Premium
I	1.21%	1.54%	13.34%
II	0.53%	1.30%	8.12%
III	0.89%	2.04%	8.45%
IV	1.10%	2.64%	7.48%
V	1.41%	3.07%	8.01%
VI	1.69%	3.53%	7.62%
VII	2.18%	4.04%	8.03%
VIII	2.78%	4.36%	7.63%
IX	4.04%	5.04%	7.77%
X	7.13%	5.67%	6.32%
Average	2.30%	3.33%	8.26%

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Marginal tax rate

Decile	Average of dependents up to 15 years old to whom exemption are applied	Average of the specified dependents (aged 16-22) to whom exemption are applied	Marginal tax rate	
			Individual income tax	Inhabitants Tax
I	0.42	0.11	0.97%	2.86%
II	0.65	0.14	1.64%	7.31%
III	0.73	0.18	2.48%	6.23%
IV	0.66	0.16	2.52%	7.50%
V	0.62	0.21	3.38%	10.21%
VI	0.65	0.25	4.83%	8.90%
VII	0.56	0.33	6.98%	9.88%
VIII	0.41	0.34	8.61%	9.01%
IX	0.34	0.31	11.40%	9.21%
X	0.15	0.32	16.26%	8.94%
Average	0.52	0.23	5.94%	8.03%
	Unit: person	Unit: person		

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Exemption for dependents

Decile	Ratio of taxable income to pre-tax income	Ratio of those who apply exemption for spouses	Average of dependents between 23 and 69 years to whom exemption are applied	Average of dependents aged 70 and over to whom exemption are applied
I	6.2%	32.7%	0.16	0.07
II	12.1%	63.7%	0.26	0.13
III	18.6%	66.7%	0.17	0.17
IV	24.7%	59.8%	0.18	0.18
V	29.1%	61.0%	0.16	0.17
VI	33.4%	54.5%	0.14	0.16
VII	38.7%	57.1%	0.10	0.18
VIII	41.3%	47.3%	0.13	0.21
IX	48.8%	43.5%	0.08	0.11
X	55.9%	36.6%	0.14	0.14
Average	31.0%	52.3%	0.15	0.15
			Unit: person	Unit: person

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Effects of reform in exemptions

- Further results will be shown in the conference.

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