



I New Social Insurance Rates and Computation Methodology

Effective April 1, 2003, the computation method of premiums for social insurance (ie. government health and social security) will change.

Under the existing method, social insurance premiums on monthly salaries are very high compared to the premiums levied on bonuses. Many believed this was unfair. In order to remedy this, a single premium rate will be applied for both the monthly fixed salaries and bonuses.

As a result, the rates for the employees' and employers' social security (a.k.a. pension insurance) and health insurance will drop for the fixed monthly salaries. However, the rates applied to bonuses will rise sharply. The effects are as follows:

- (1) Social Security - the total annual premium will not change if an employee previously received his annual salary in the ratio of ten to three (ie. ten months' fixed salary to three months' of bonus).
- (2) Health Insurance - Almost all employees will have to pay higher annual premiums.
- (3) Annual Filing of Social Insurance - The deadline for filing the "Annual determination of social insurance premiums" will be moved up one month to July.

Social Insurance Premium Rates from April 2003

	Current	New
Pension (monthly)	17.35%	13.58%
Pension (bonus)	1%	13.58%
Health (monthly)	8.50%	8.20%
Health (bonus)	0.80%	8.20%

*- Currently, child allowance contributions are not deducted when bonus payments are made. From April 2003, this will also be subject to deduction. There are certain limitations on the amount of bonus subject to withholding.

II International Agreements on Social Security

Japan has international agreements on Social Security with Germany and the United Kingdom.

In general, regardless of nationality, if you work in Japan, you must participate in a social insurance scheme. But if you are from Germany or United Kingdom, you can be waived from paying the social security portion if the necessary certificate is obtained. An agreement with the United States is currently under negotiation.

III Revision of the Unemployment Insurance Rate

In order to sustain the existing unemployment system, the unemployment insurance rate must be increased. The current increase was 0.2% (0.1% for each the employer and employee). The resulting additional premium payments are required to be paid by the end of January 2003.

Due to the escalating unemployment rate, the unemployment insurance fund is in financially critical situation. Other revisions to the Unemployment Insurance Law, such as raising the eligibility requirements, are expected in the near future.

Okamoto & Company International Accounting Office / Hanato Tax Accountant Office

Shinkojimachi Building 7F, 4-3 Kojimachi, Chiyoda-ku, Tokyo Japan 102-0083
TEL +81-3(5276)0900 FAX +81-3(5276)0950
<http://okamoto-co.co.jp>

Disclaimer: The Okamoto & Company newsletter is for private circulation only. Although care has been taken in the preparation of this document, it may contain errors and/or ambiguities for which we cannot be held responsible. In the case of a specific issue, we recommend you seek professional advice. The material contained in this newsletter may not be reproduced in whole or in part by any means, without the permission of Okamoto & Company.