

Japan Labor and Social Insurance systems - At a Glance

Japan's social security system

Japan has a universal insurance system whereby everyone residing in Japan must, in principle, enrolled in the public health (medical) insurance and pension insurance system.

Labor and Social Insurance systems

Japan has four kinds of insurance systems that companies are legally obliged to participate in, and the insurance covers all employees that meet specific criteria.

- i. **Workers' Accident Compensation Insurance**
This covers any illness or accident incurred by employees due to work or commuting to or from work.
- ii. **Employment Insurance**
This provides for employees that become unemployed & helps to maintain stable employment, such as by providing financial aid & subsidies.
- iii. **Health Insurance and Nursing Care Insurance**
It covers medical and nursing care expenses incurred by employees.
- iv. **Employees' Pension Insurance**
This provides benefits to employees in their old age or the case of death or disability.

Generally, **Workers' Accident Compensation Insurance** and **Employment Insurance** are known collectively as "**Labor insurance**," while **Health, Nursing Care, and Employees' Pension Insurances** are referred to collectively as "**Social Insurance**."

A "**Branch office**" or a "**local subsidiary company**" of a foreign corporation must enter "**Labor & Social Insurance**" upon incorporation and hiring employee by submitting notification forms to the relevant local authorities (#).

(#)

#1] Since Oct-2016, part-time employees working for a company with more than 500 employees will also be insured where their prescribed working hours are at least 20 hours per week, receiving a monthly payment of at least 88,000 yen with a prospect of continuous employment of at least one year.

#2] Effective Sept-09, premium rates for health insurance administered by the Japan Health Insurance Association have changed from a uniform rate to one that varies depending on the prefecture.

#3] Standard monthly remuneration refers to the division of the total amount of salary and other such payments into predetermined brackets.

#4] Standard bonus refers to the amount of the bonus rounded down to the nearest unit of 1,000-yen figure.

#5] Union Run Health Insurance refers to an insurance scheme provided by a union run by a company or a group of companies.

The company typically pays insurance premiums by deducting the portion of the premiums payable by employees from their salary and paying it together with the part of the premiums payable by the co. to the relevant local authorities.

**Employer & Employee burden of premium
(based on annual salary %) for Social & Labour insurance):**

Employer: 15.321% (16.111% for employees age 40 & over) plus 0.002% will be added to the premium rate for Workers' Accident Compensation Insurance for the time being to fund benefits for asbestos-induced diseases.

Employee: 14.471% (15.261% for employees age 40 & over)

Jointly for employer & employee, the total burden of premium is approx. 30% of annual salary.

Annual procedure timing: Every May for labor insurance & every July for social insurance. Withholding premiums for social insurance are payable monthly & for labor insurance at the time of annual renewal every year in May by the employer to the local authority. Other additional ongoing procedures required are as follows:-

- At the time of bonuses are paid
- For any significant changes in salary amount
- When hiring a new employee
- When an employee resigns etc.

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| Insurance | Benefits | Coverage | Premium rate (% of total annual wage) | | Remarks |
|--|--|--|---|---|--|
| | | | Employer | Employee | |
| Workers' Accident Compensation Insurance | Benefits are paid as compensation for medical expenses, work missed, disability, or death incurred as a result of work or while commuting to or from work. | All businesses that employ workers must have this insurance. | 0.35% (in cases of import and trade, and sales industries) | | <ul style="list-style-type: none"> · Special coverage available for employers · Premium rates differ according to industry |
| Employment Insurance | Benefits are paid to unemployed workers & workers on child care leave and the elderly. | All workers whose prescribed working hours are not less than 20 hours per week must have this insurance. | 0.7% | 0.4% | Persons enrolled in unemployment compensation programs overseas are exempt. |
| Health Insurance and Nursing Care Insurance | Benefits are paid for illness or injury not arising as a result of work or while commuting, and for childbirth, etc. | All full-time workers employed at incorporated companies and part-time | 4.98% (5.77% if aged 40 or over) | 4.98% (5.77% if aged 40 or over) | This premium rate applies only to Japan Health Insurance Association Run Health Insurance (in Tokyo). |
| Employees' Pension Insurance | Benefits are paid for old age, disability and death. | workers whose prescribed working hours were not less than 75% of full-time workers. | 9.091% (from September 2016) | 9.091% (from September 2016) | A system exists under which premiums are partially returned to foreign nationals upon withdrawal from the insurance program. |
| Child Benefits Contribution | Contribution to a social welfare system for child benefit and differs in nature from the welfare benefits offered to workers through their employers. | | 0.20% | | |
| Total | | | 15.321% (16.111% if 40 or over) | 14.471% (15.261% if 40 or over) | |

*0.002% will be added to the premium rate for Workers' Accident Compensation Insurance for the time being to fund benefits for asbestos-induced diseases.

(source: Govt. agency)

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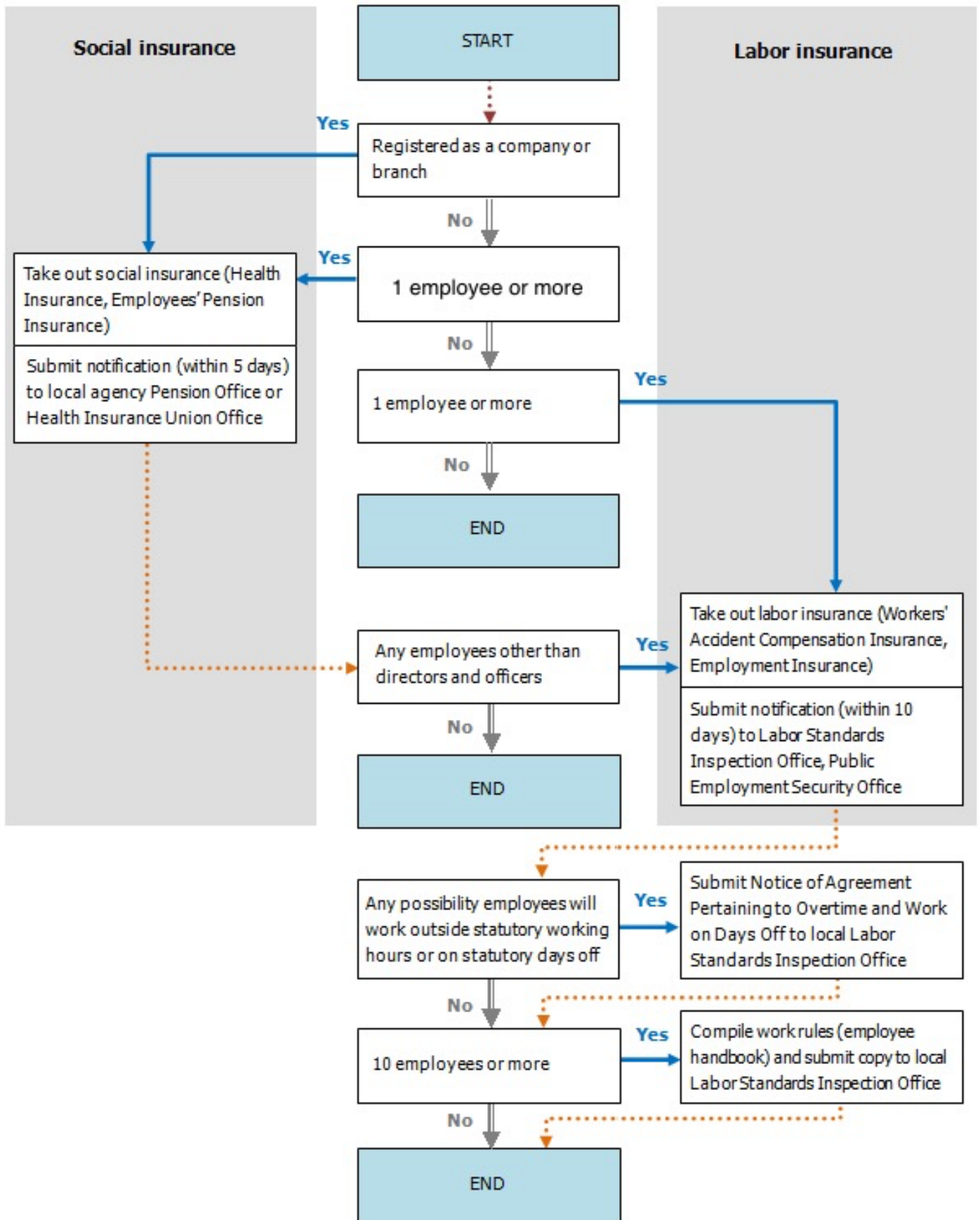
Social Security Agreements with Countries in place & under preparation

| Country | Agreement date | Aggregate period | Social security system subject to duplication prevention | |
|--------------------|----------------|------------------|--|---|
| | | | Japan | Country |
| Germany | February 2000 | Exist | Public pension system | Public pension system |
| U.K. | February 2001 | Not exist | | |
| Korea | April 2005 | Not exist | | |
| U.S. | October 2005 | Exist | Public pension system/ Public medical insurance system | Public pension system/ Public medical insurance system |
| Belgium | January 2007 | Exist | | Public pension system/ Public medical insurance system/ Public accident compensation insurance system for workers/ Public employment insurance system |
| France | June 2007 | Exist | | Public pension system/ Public medical insurance system/ Public accident compensation insurance system for workers |
| Canada | March 2008 | Exist | | Public pension system (excluding Quebec) |
| Australia | January 2009 | Exist | Public pension system | Retirement pension security system |
| Netherlands | March 2009 | Exist | Public pension system/ Public medical insurance system | Public pension system/ Public medical insurance system, employment insurance system |
| The Czech Republic | June 2009 | Exist | | |
| Spain | December 2010 | Exist | Public pension system | Public pension system |
| Ireland | December 2010 | Exist | | |
| Brazil | March 2012 | Exist | Public pension system | Public pension system |
| Switzerland | March 2012 | Exist | Public pension system/ Public medical insurance system | Public pension system/ Public medical insurance system |
| Hungary | January 2014 | Exist | Public pension system/ Public medical insurance system | Public pension system / Public medical insurance system, employment insurance system |
| Italy | In preparation | Not exist | Public pension system/ Public employment insurance system | Public pension system/ Public employment insurance system |
| India | In preparation | Exist | Public pension system/ Public employment insurance system | Public pension system/ Public employment insurance system |
| Luxembourg | In preparation | Exist | Public pension system/ Public medical insurance system | Public pension system/ Public medical insurance system/ Public accident compensation insurance system for workers / Public employment insurance system |
| The Philippines | In preparation | Exist | Public pension system | Public pension system |

(source: Govt. agency)

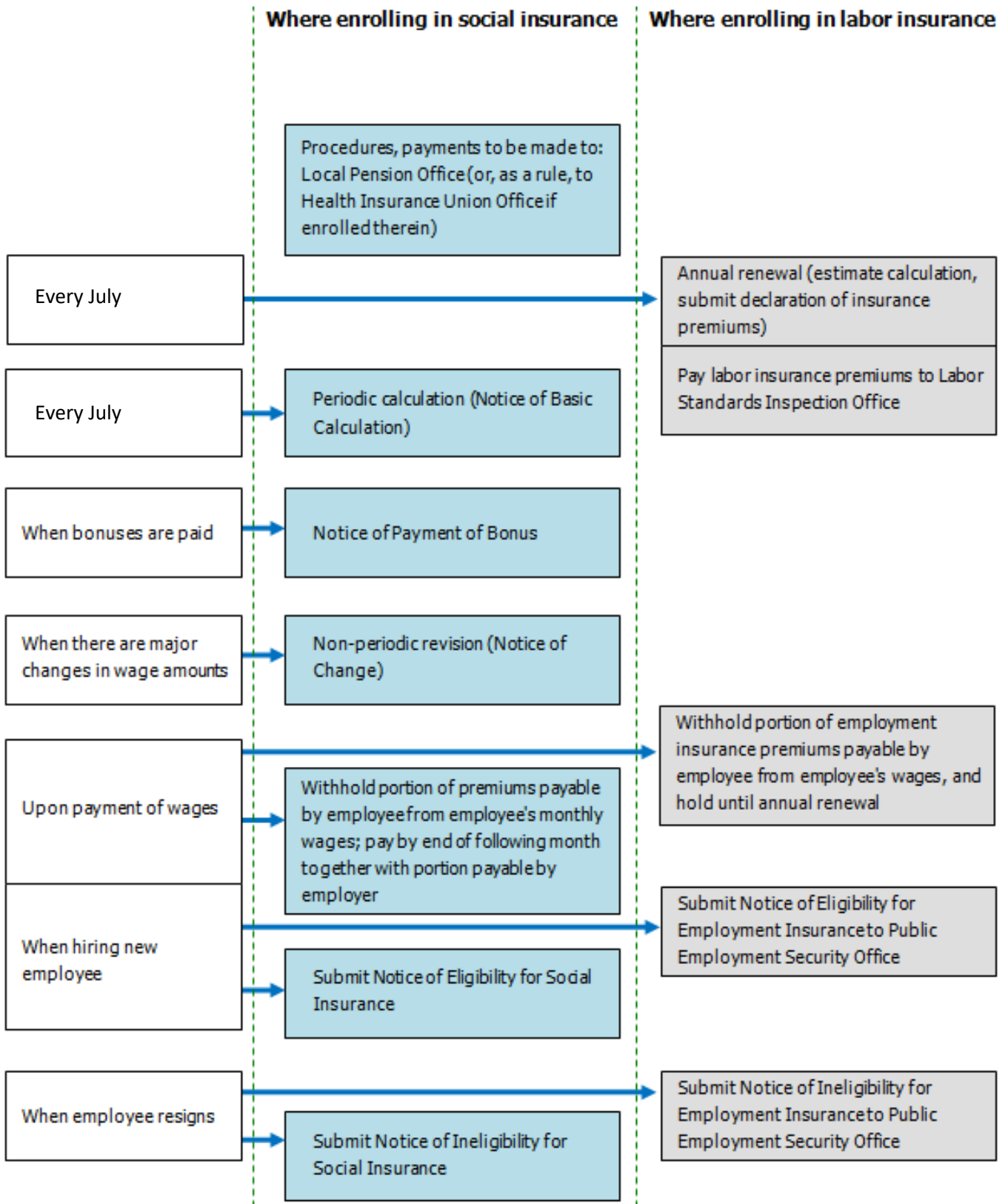
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Japan Social and Labor insurances procedures when Setting up a Branch or a Local Co & hiring staff



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Japan Social and Labor Insurances Annual Procedures & Ongoing Procedural Requirement under various type of situation



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