

JAPAN - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	There are two main schemes: the National Pension for all residents and the Employees' Pension Insurance (EPI) for employees of private companies. Retirement age is 65 for the National Pension and 60 for the EPI, increasing to 65 for men by 2025 and for women by 2030. The National Pension provides a full pension of JPY 792,100 a year and the EPI provides an additional pension based on an earnings related amount of around 0.58% of average monthly earnings for each covered month, as adjusted. In addition, the state provides disability and survivors' pensions. Employees of private companies are provided with medical care from a health insurance programme managed either by the state or, for larger groups, by a health insurance society. This covers 70% of the costs of medical care.
Typical New Pension Plan	Benefits can be provided from a defined contribution plan either on a corporate basis, or on an individual basis if there is no corporate plan. Employers cannot contribute to individual plans and employees cannot contribute to corporate plans. Benefits can be paid as an annuity or as a lump sum between age 60 and 70. Companies with more than 500 employees can set up their own pension fund and contract-out of the Employees' Pension Insurance. Tax Qualified Pension Plans, which were available to companies with more than 15 employees, must be converted into defined benefit or defined contribution plans or be wound up by March 2012. Most employers provide a lump sum death benefit, typically two times annual salary. Private medical insurance is not commonly provided.
Typical Costs	Employers and employees each contribute around 8% of covered earnings for state and EPI benefits. Covered earnings are earnings up to JPY 620,000 a month. The total contribution rate is due to increase to 18.3% in September 2017. Contributions for state health insurance are 4.67% of earnings up to JPY 1,210,000 by both employer and employee. Contributions to health insurance societies are set by each society. Employer contributions to qualified pension plans are determined actuarially. Most plans are non-contributory.
Tax Implications	Employer and employee contributions for state and health insurance benefits are tax deductible. Employer and employee contributions for pension plans are tax deductible up to JPY 552,000 for a corporate plan, or JPY 226,000 if the employer also has a defined benefit plan, and JPY 216,000 for an individual plan. Death benefits are tax free. Pensions are taxed as income.
Labour Law Issues	Employees are usually entitled to lump sum severance payments, often under collective agreements. Defined contribution plans vest after three years of employment.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	There are plans to converge Japanese GAAP with IFRSs by 30 June 2011. Unlisted companies are not permitted to use IFRSs.
IBN Contact	IBN Secretariat, mn@intlben.com Tel: +44 1895 271391 Web site: www.intlben.com