



Sumida Brokers & Consulting K.K.  
4-3-9, Nihonbashi Muromachi,  
Chuo-ku, Tokyo,  
Japan 103-0022

**Announcement by Japan National Tax Agency in 04.2016 regarding the taxation aspect of Donations for the Kumamoto Earthquake:**

Following the Kumamoto Earthquakes in April this year, money donated to various recipients such as the Disaster Countermeasures Office under Kumamoto and Oita Prefecture or fund-raising organizations, can be made as “specified donations” with full tax relief for either individuals or companies as follows:

A) For donations made to;

- Disaster Countermeasure Office under Kumamoto- and Oita Prefecture.
- The 2016 Kumamoto Earthquake Disaster Relief Fund” account managed by Japan Red Cross Society.

For individual taxpayers these donations are classified as “specified donations” and the deduction limit is calculated as below:

- Donation deduction = Total donation amount paid in the year – JPY 2,000
- Deduction limit = Total income for the year x 40%

For corporate tax payers the entire donation amount is a deductible expense.

Note: If the funds are donated and utilized for the Japan Red Cross Society’s own operation, this will be classified as “donation to specific public benefit corporation” and falls within a scope of the special deductible limit explained above.

B) Where donations are made to “certified” NPOs engaged in aid and relief-effort activities in affected areas, and where the donation money is utilized for their specific non-profit operations.

For individual taxpayers, these donations are classified as “donations to certified NPOs” and classified as a “specified donation”. It is left optional to choose either “donation deduction”, as explained above, or “tax credit”, where the donation amount can be deducted from tax due amount. It is advisable to make the calculation comparison to ensure optimization.

For corporate taxpayers who provide donations to “certified” NPOs, the amount needs to be classed as a donation to a specific public benefit corporation and is subject to the special deductible limit calculated as below;

$$(\text{Paid-in capital amount at the fiscal year end} \times 0.375\% + \text{taxable income} \times 6.25\%) \times 1/2$$

C) Where donations are made to non-certified NPOs or other organizations, a different tax treatment is envisaged and it is advised to talk directly to each recipient.