

Frequently Asked Questions about Grace System for National Tax Payment

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Collection Division, National Tax Agency

○ This is to explain the basic treatment under grace system for national tax payment following the enactment of "the Act of Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease" on April 30, 2020, which establishes the "Extraordinary Exception to Grace of Tax Payment (Special Grace)."

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I What is Grace System for Tax Payment
(Where to contact if you face difficulty in tax payment)

Question 1 Where is the helpdesk that I should contact if I cannot pay taxes or social insurance mainly due to a decrease in my income?

(Answer)

- Helpdesks vary depending on the category of taxes and social insurance.
- Please call the “Regional Taxation Bureau Grace Support Center” if you wish to consult about grace of tax payment that should be paid to the State (Tax Office), such as corporate tax, withholding income tax, self-assessment income tax and consumption tax.

(Note) Please see the NTA website for the phone number of the Regional Taxation Bureau Grace Support Center.

URL: https://www.nta.go.jp/english/tax_payment/02.htm

- Regarding the helpdesk for grace of payment of local taxes, such as municipal tax, fixed asset tax and motor vehicle tax, please contact the relevant counter in your city or prefecture. As for social insurance, please consult the Japan Pension Service in respect of employees pension insurance, etc., or the prefectural labor bureau in your prefecture for labor insurance.

(Workings of Grace System for Tax Payment)

Question 2 What kind of program is Grace System for Tax Payment? (Last update: December 15, 2020)

(Answer)

- Grace System for National Tax Payment is a program that allows taxpayers to apply for approval from the district director of the tax office and with the approval, to pay taxes after the due date (in installments as necessary) if taxpayers face difficulty in paying taxes by the due date.
- In order to receive grace of tax payment, you need to meet certain requirements. During the grace period (one year in principle), delinquent tax (interest on principal tax) will be reduced*. (Grace of asset conversion)
* The rate of delinquent tax will be reduced from 8.9% per annum to 1.6% per annum during the grace period in 2020. In 2021, it will be reduced from 8.8% annum to 1.0% per annum during the grace period.

- If you meet certain requirements, such as a considerable decrease in your income due to the novel coronavirus disease or measures taken for the prevention of the spread, you may be granted grace of tax payment without delinquent tax (Special Grace)

(Note) Please refer to III <<Requirements for Being Granted Grace>> for requirements for being granted grace of asset conversion and special grace.

- If you are in the following individual circumstances, you may be granted grace of tax payment without delinquent tax apart from Special Grace. Please let us know about your case upon consultation. (Grace of tax payment)
 - In the case of disposal of equipment and inventories due to disinfection work carried out at a facility in which a coronavirus infection occurred.
 - In the case that you as a taxpayer or your family within the same livelihood suffer from illness.

(In the case of being granted grace)

Question 3 What cases enable us to use Grace System? (Last update: December 15, 2020)

(Answer)

○ As main systems for grace, there are (1) and (2) stated as below. For each system, if you meet all of the requirements described, you will be eligible for using the system.

(1) Grace of asset conversion (Delinquent tax (interest on principal tax) will be reduced*.)

- Likely to face difficulty in continuing business or maintaining standard of living by paying national tax in a lump sum
- Have sincere intention to pay taxes.
- Make an application within six months after the due date.
- Have no other outstanding national taxes other than the one to apply for grace.

(Note) 1. No security is required except in the case that it is obvious that taxpayers can pledge security.

2. If the taxpayer already has other outstanding national taxes or failed to apply by the application deadline, grace by the director of the district tax office will be considered.

* The rate of delinquent tax will be reduced from 8.9% per annum to 1.6% per annum during the grace period in 2020. In 2021, it will be reduced from 8.8% annum to 1.0% per annum during the grace period.

(2) Special grace (without delinquent tax (interest on principal tax))

- A decrease in your income from business, etc. for any period (one month or more) after February 1, 2020 by about 20% or more compared to the same period of the previous year due to the novel coronavirus disease or measures taken for prevention of the spread of the virus.
- Facing difficulty in paying taxes in a lump sum.

(Note) 1. No security is needed.

2. Special grace covers national taxes which are due by the date between February 1, 2020 and February 1, 2021.

3. For details, please refer to III <<Requirements for Being Granted Grace>>

Question 4 I have fund to pay taxes now, but I am concerned that my income will decrease in the future. In this case, am I eligible for grace? (Last update: May 15, 2020)

(Answer)

○ Taxpayers who have funds for tax payment will not be granted grace under the conventional grace system, although many people may be worried about future outlook due to influence of the coronavirus disease. Thus, in the case of special grace, immediate operating funds and extraordinary expenditures expected to be paid for continuation of business within at next 6 months will be considered in the requirement review.

○ Therefore, even if you have funds for tax payment, you may be granted special grace in the case your funds fall below immediate operating funds. For inquiries regarding how to apply for special grace, please contact the Regional Taxation Bureau Grace Support Center.

Question 5 I forced myself to pay taxes by the due date. Is it possible to have the taxes returned, then receive grace?

(Answer)

- Grace system for national tax payment is a program that allows taxpayers to apply for approval from the district director of the tax office and with the approval to pay taxes after the due date (in installments) if they face difficulty in paying taxes by the due date. Therefore, you cannot ask the taxes that you already paid to be returned.

(Type of tax for being granted grace)

Question 6 About which types of tax can I be granted grace (income tax, corporate tax, consumption tax, etc.)?

(Answer)

- Grace applies to almost all types of taxes, but does not apply to stamp duty to be paid in the form of a stamp, the consumption tax to be paid when receiving overseas cargo from a bonded area or international tourist tax to be paid directly to the director-general of customs when departing from Japan (Article 46, paragraph 1 of the Act on General Rules for National Taxes and Article 14, paragraph 1 of the Order for the Enforcement of the Act on General Rules for National Taxes).
- Taxes that are paid to the State, which keep them temporarily, such as local consumption tax and local transfer tax, are also covered.

(Grace of tax filed by interim tax return)

Question 7 Can I be granted grace of taxes filed not only by final tax returns but also by interim returns, estimated tax and amended returns? (Last update: June 26, 2020)

(Answer)

- By applying to your tax office, you may also be eligible for grace of these taxes.
In the meantime, for example as for consumption tax in an interim tax return, in the case taxable sales for this year have significantly decreased from the previous year, you can reduce the amount of tax compared to the amount which is calculated based on the tax amount for the previous taxable period by submitting an interim tax return based on the provisional settlement of accounts (Article 43 of the Consumption Tax Act). We advise you to consider using this system.

(Difference between grace and extension of due dates)

Question 8 Is grace of national tax different from an extension of due dates for the filing and payment?

(Answer)

- Grace system for national tax is a program that allows taxpayers to pay taxes after the due date (in installments), which does not mean any extension of the due dates for filing and payment per se (Article 46 of the Act on General Rules for National Taxes and Article 152, paragraph 1 of the National Tax Collection Act).
- On the other hand, the extension of due dates for the filing and payment is a system that permits the deferment of the filing and payment by applying to the district director of the tax office in case that the

act of filing returns or paying tax is not possible due to a request of self-restraint of going outside or a disruption of traffic (Article 11 of the Act on General Rules for National Taxes).

(Difference between grace and exemption of tax)

Question 9 If I am granted grace, will I be exempted from tax payment or will the tax that I already paid be refunded?

(Answer)

- Since grace system for national tax payment is a program that allows taxpayers to pay tax after the due date (in installments), taxpayers will not be exempted from tax payment or tax paid will not be refunded.

(Grace of tax payment and refund by carrying back loss)

Question 10 My corporate tax became due by the date between February 1, 2020 and February 1, 2021, but I plan to carry back loss in the next filing. In this case, will application for grace of tax payment be unnecessary? (Last update: June 26, 2020)

(Answer)

- Even if you carry back loss in filing the next corporate tax return, you will be liable to pay the normal delinquent tax (interest on principal tax) that will be accrued until the carryback (one year) unless grace of tax payment is applied to your corporate tax that became due for this term if you don't pay the tax.
- When grace of tax payment is applied, delinquent tax will be reduced or exempted (Article 63, paragraph 1 of the Act on General Rules for National Taxes), so if you face difficulty in paying tax in a lump sum, please consult the Regional Taxation Bureau Grace Support Center.

(Special Grace and certificates of tax payment)

Question 11 In order to borrow from a financial institution or to participate in a tender, I need to obtain a certificate of tax payment, but in the case special grace has been applied, will that matter be written on the certificate of tax payment? (Added: May 29, 2020)

(Answer)

- National taxes to which special grace has been applied are handled as below on certificates of tax payment.
 - (1) Certificate of tax payment (No. 1)... Certification of amounts of tax due, the amounts of tax paid and the amounts of tax outstanding
In the case special grace has been applied, it will be written that special grace has been applied as below in the "Remarks" space.
(Note) Furthermore, in the case conventional tax grace such as "grace of tax payment" or "grace of asset conversion" has been applied, the fact that tax grace has been applied in accordance with the related provisions will be written.

(Details written)

“The ●● yen in “Amount of tax outstanding” above is subject to postponement of tax payment under the provisions of Article 46 Paragraph 1 of the General Law of National tax, which applies by replacing its terms pursuant to the provisions of Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease (payment suspended until (Month)(Day),(Year))”

- (2) Certificate of tax payment (No. 3) (No. 3-2) (No. 3-3)... certification of no amounts of tax outstanding

As these certificates are not issued with regard to type of tax to which special grace has been applied, please contact the place of submission about substitute documents or the like in that case.

○ Other handling of certificates of tax payment are as below.

- (1) Certificate of tax payment (No. 2)... Certification of amount of income

In the case where a final tax return has been made for income tax, special income tax for reconstruction or corporation tax, a certificate of tax payment will be issued regardless of the presence or absence of tax outstanding or the application of special grace.

Furthermore, the fact that special grace has been applied will not be written on the certificate of tax payment.

- (2) Certificate of tax payment (No. 4)... Certification that a taxpayer has not been subject to the procedure for tax collection of delinquent tax

In the case a taxpayer has not been subject to the procedure for tax collection of delinquent tax during the period for which certification is required, a certificate of tax payment will be issued even if special grace has been applied.

Furthermore, the fact that special grace has been applied will not be written on the certificate of tax payment.

II Effects of grace
(Notification of special grace)

Question 12 Will I be notified in the case I am granted special grace? (Added: May 29, 2020)

(Answer)

- In the case where special grace is granted to a taxpayer who has applied for it, a “Notification of Grant of Grace” will be sent to the taxpayer (Article 47, paragraph 1 of the Act on General Rules for National Taxes).
- In this notification, apart from the amount for the grace and the grace period, “Article 46, paragraph 1 of the Act on General Rules for National Taxes, which applies by replacing its terms pursuant to the provisions of Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease”, which is the provision of the basis of special grace, is written in order that it may be understood that special grace has been applied.
- Furthermore, in the case other grace systems such as “grace of tax payment” or “grace of asset conversion” are granted, a notification will be sent on which the amount for the grace, the grace period and the provision of the basis of such grace are written (Article 47, paragraph 1 of the Act on General Rules for National Taxes and Article 152, paragraphs 3 and 4 of the National Tax Collection Act).

(Tax payment during a grace period)

Question 13 How will I have to pay tax after being granted grace?

(Answer)

- In the case of grace of asset conversion, you will be required to pay the amount of installment payments described in a notification of grace by each due date of the installment (Article 152, paragraph 1 of the National Tax Collection Act).
In the case of special grace, you may pay tax any day during the grace period (one year in principle). (Installment payment is also acceptable.)
- If you have already been granted grace of asset conversion or grace of tax payment and face difficulty in paying tax by the due date of installment payment, please consult your district tax office (the collection group).

(The period that you are granted grace)

Question 14 How long will be a grace period?

(Answer)

- The applicable period of grace of asset conversion will be determined to be the shortest to meet the individual circumstance of taxpayers, based on information given by taxpayers, such as the situation of income and expenditure (Article 152, paragraph 1 of the National Tax Collection Act). However, in order to treat taxpayers facing difficulty in financing operations due to the novel coronavirus disease in a prompt and flexible way, the grace period will be one year unless there is a special request from taxpayers.
- Special grace will defer tax payment by one year in principle (Article 46, paragraph 1 of the Act on General Rules for National Taxes, which applies by replacing its terms pursuant to the provisions of

Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease).

Question 15 Can I be granted special grace for one year regarding tax payment for interim tax return or estimated tax? (Last update: December 15, 2020)

(Answer)

- Although special grace can be granted for interim tax and estimated tax, the grace period for them is until the due date for filing the final return for those taxes (Article 46, paragraph 1 of the Act on General Rules for National Taxes, which applies by replacing its terms pursuant to the provisions of Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease and Article 13, paragraph 2 of the Order for the Enforcement of the Act on General Rules for National Taxes). After the due date for final tax return, you can be granted grace of tax payment or grace of asset conversion regarding those taxes.

(Note) 1. For example, as for consumption tax in an interim tax return, in the case taxable sales for this year have significantly decreased from the previous year, you can reduce the amount of tax compared to the amount which is calculated based on the tax amount for the previous taxable period by submitting an interim tax return based on the provisional settlement of accounts. (Please refer to Question 7)

2. In the case it continues to be difficult to file interim tax returns by the due date for final tax return due to the influence of the novel coronavirus disease, if it is described in the blank space in the final tax return that "I could not file an interim tax return due to the influence of the novel coronavirus disease," the amount of interim tax will not accrue. (Please refer to Question 8)

* Treatment of difficulties regarding filing interim tax returns

Please refer to Question 2-2 of "Frequently Asked Questions on Present Tax-related Handling of Measures to Prevent Spread of the Novel Coronavirus Disease and Handling of Tax Returns, Payment of Tax, etc. for the Present (1. Regarding extension of respective due dates for filing returns, payment of tax, etc.)".

URL: <https://www.nta.go.jp/taxes/shiraberu/kansensho/pdf/faq.pdf>

(Extension, etc. of a grace period)

Question 16 What will happen if I cannot pay the tax amount during the grace period initially granted to me?

(Answer)

- Please consult your district tax office (the collection group) about the situation that you cannot pay the tax. The NTA is ready to respond to meet your circumstances.

(Note) Although the applicable period of special grace is one year, if you cannot pay the tax within the period and grace of asset conversion or grace of tax payment is applicable, you may pay the tax in installments.

III Requirements for being granted grace of tax payment (common to grace of asset conversion)
(Difficulty in paying tax in a lump sum)

Question 17 What does “Difficulty in paying tax in a lump sum” mean?

(Answer)

- “Difficulty in paying tax in a lump sum” means having no fund to pay national tax in full at once or the recognition that paying tax in a lump sum will cause difficulty in continuing taxpayers’ business or maintaining their standard of living.
- Specifically, the applicable case is that the amount of tax payment that you can currently make (fund on hand minus the amount necessary for financing operations for the time being) is short of the amount of national tax that you have to pay.

(Note) In the case of special grace, “the amount necessary for financing operations for the time being” may be estimated on the high side compared to other grace such as grace of asset conversion. (Refer to Question 19)

(Calculation of the amount for grace)

Question 18 In order to calculate the amount for grace, is it necessary to add benefits or emergency loans from the State, etc. to the cash and deposits that I have as fund on hand?

(Answer)

- Fund on hand should include the amounts of benefits and emergency loans for the calculation, but if the destination of benefits, etc. is already decided for continuation of business and other purposes, operating fund or extraordinary expenditure can be increased by the same amount of the above benefits when calculating the tax amount that you can pay. Therefore, the amount for grace will not be substantially affected. If your cash and deposits include benefits, etc., please explain your situation upon consultation.

Question 19 In calculating the amount for grace, how much will be approved as the amount necessary for financing operations for the time being?

(Answer)

- The amount necessary for financing operations for the time being varies, depending on the status of the business of each taxpayer or the status of financing operations. So, it cannot be stated unconditionally. However, generally speaking, the amount that is to be expended within a month is excluded from the fund to pay taxes as operating fund.
- In the case of special grace, the amount that is to be expended within six months for continuation of business will be regarded as operating fund, and if other extraordinary expenditures are expected to become necessary for continuation of business, that amount can be also added.

(Note) Even if the most recent expenditure is decreasing as sales decrease, the amount necessary for financing operations for the time being can be calculated based on the usual amount of expenditure. Please explain your situation upon consultation.

(Reasons for difficulty in paying tax)

Question 20 Can any circumstance become a reason for difficulty in paying tax?

(Answer)

- In the case of special grace, the reason needs to be connected with the impact of the novel coronavirus, but it does not matter whether you are affected by it directly or indirectly.

(In the case that taxpayers already have outstanding taxes)

Question 21 If I already have outstanding tax, will I not be eligible for grace of tax payment?

(Answer)

- In the case of grace of asset conversion, the grace may not be granted if you have other outstanding national taxes (excluding one whose payment is granted grace at present) (Article 151-2, paragraph 2 of the National Tax Collection Act).
- On the other hand, in the case of special grace, even if you have outstanding national taxes apart from the national tax for which you seek the grace, the grace can be granted.
- If you already have outstanding national taxes, please consult your district tax office (the collection group) anyway.

(Necessity of providing security)

Question 22 To receive grace, will I need to provide anything as security?

(Answer)

- Some cases need securities to be granted grace, but taxpayers facing difficulty in paying taxes due to influence of the novel coronavirus disease will not be asked to provide security unless it is obvious that taxpayers can provide security (The proviso of Article 46, paragraph 5 of the Act on General Rules for National Taxes).
- Special grace does not require security (Refer to Article 46, paragraph 5 of the Act on General Rules for National Taxes).

IV Requirements for being granted special grace
(Causal relationship between the novel coronavirus disease and income decrease)

Question 23 What is an income decrease due to influence of the novel coronavirus disease or measures taken for preventing the spread of the virus?

(Answer)

- Causes for an income decrease, for instance, are that taxpayers, their relatives or employees contracted the novel coronavirus disease, or that taxpayers were affected by various measures, such as request of self-restraint of holding events or going outside, immigration restriction and requests to defer payments of rents.

Question 24 Is it necessary to prove that income has decreased due to the influence of the novel coronavirus disease?

(Answer)

- To indicate the influence of the novel coronavirus disease, etc. on your business, you are requested to select an item from those listed in the application form (such as "Decrease in income due to the self-restraint of events, etc.") and check it.

(Calculation of the rate of decrease in income)

Question 25 To be granted special grace, to what extent do I have to suffer a decrease in income?

(Answer)

- To be granted special grace, you are required to have your income for any period (more than one month) between February 1, 2020 and the due date for payment by about 20% or more compared to the same period of the previous year.

Question 26 Would I not be granted special grace in the case a decrease rate of my income is less than 20%?

(Answer)

- In applying the criterion of “a decrease in income of about 20% or more compared to the same period of the previous year,” we do not automatically deny the eligibility for special grace simply because of a decrease of less than 20%, but may comprehensively judge if the rate of decrease in income is expected to increase in the future. Thus, those who fall into such situations are advised to consult with your district tax office (the collection group).
- Please contact us even if you are not granted special grace as you may be eligible for other grace systems.

Question 27 Would “any period (more than one month)” have to start from the beginning of one of the 12 months of the calendar year, such as March 1-31?

(Answer)

- To be granted special grace, you are required to have your income for any one-month period between February 2020 and the due date for payment by about 20% or more compared to the same period of the previous year.
- “Any period (more than one month)” can start from any date of any month, such as March 15 to April 14.

Question 28 If the income of the same period of previous year cannot be figured out, how should the rate of decrease be calculated?

(Answer)

- In case of a corporation, refer to “Status of monthly sales, etc.,” which is on the back side of the “Corporation business summary statement,” attached to “Corporate income tax return” that was submitted to a tax office in previous period. With regard to sole proprietors who have submitted an income tax return on the blue form, refer to “Monthly amounts of sales (revenue) and purchase” on the second page of the “Income tax return on the blue form.”
- If such documents are not found as well, you can figure out a rough estimate of monthly income by proportionally dividing the income of the previous year by the number of corresponding months.

Question 29 How should the rate of decrease calculated if I was not involved in any business in the same period of the previous year?

(Answer)

- If you were not involved in any business in the same period of the previous year, the rate of decrease shall be calculated by using a period that is appropriate for comparison (a period of one month or longer included in the period during which income was earned). Please prepare materials showing the status of income for the last one year or so before contacting us.

(Application of special grace in the case of a business in the black)

Question 30 Can I be eligible for special grace even if my business is in the black in the period covered?

(Answer)

- Even if your business is in the black, you are eligible for special grace if you meet requirements, such as a decrease in income.

(Calculation of the amount of income in the case a temporary income has been earned)

Question 31 What is "income related to business, etc."? Does it include a temporary income?

(Answer)

- "Income related to business, etc." refers basically to recurrent income of taxpayers, such as sales earned by corporations and business sales, salaries, wages and rents earned by individuals.
- In the meantime, "occasional income," etc. earned by individuals, which are usually believed not to decrease due to the novel coronavirus disease, are not included in "income related to businesses, etc."

(Calculation of the amount of income when receiving benefits from the national government)

Question 32 Are the series of benefits granted by the national government and prefectures (Special Fixed Benefit, Subsidy Program for Sustaining Businesses, etc.) included in "income related to businesses, etc."?

(Answer)

- As the series of benefits granted by the national government and prefectures can be regarded as extraordinary income, you do not have to include those benefits when calculating the amount of income.

(For taxpayers who file a white return)

Question 33 Can taxpayers who file white return be eligible for special grace?

(Answer)

- Taxpayers who file white return can be eligible for special grace if they meet requirements, such as a decrease in income.

(Calculation of the amount of income in the case of reduced/released/delayed payment of rents)

Question 34 If taxpayers running a real property rental business offer to lessees reduction/release of rents or a certain period of grace of payment, would that be regarded as a “decrease in income”?

(Answer)

- To calculate the amount of income that is necessary to determine if there was a “decrease in income” required to apply special grace, taxpayers (lessors of real property) who have made reduction or release of due compensation (rents) or have extended the due dates of payments of rents due to the influence of measures to prevent the spread of the novel coronavirus disease do not have to include the reduced/released/delayed payments in the amount of income.

(Freelancers and those earning employment income)

Question 35 Are freelancers eligible for special grace? (Last update: May 15, 2020)

(Answer)

- As “income related to business, etc.” is not limited to a business income (Please refer to Question 31.), freelancers can also be eligible for special grace if they meet requirements, such as a decrease in income.

Question 36 Are those earning employment income, including part-timers, eligible for special grace?

(Answer)

- Those earning employment income, including part-timers, who need to pay tax as a result of the final income tax return can be eligible for special grace with regard to the amount of the tax if they meet requirements, such as a decrease in income.

Question 37 I am facing a difficulty making a living due to a significant decrease in salaries and wages. Can I be eligible for grace with regard to income tax withheld at the time of the payment of salaries and wages?

(Answer)

- As there is no tax to pay as a result of the final tax return, you are not eligible for grace.

(National taxes eligible for special grace)

Question 38 What taxes do “national taxes which are due by the date between February 1, 2020 and February 1, 2021” mentioned in the requirements for special grace specifically cover? (Last update: July 1, 2020)

(Answer)

For example:

- (1) Estimated income tax for 1st period of 2020 for sole proprietors due July 31, 2020,
- (2) Consumption tax in the interim tax return due August 31, 2020, for sole proprietors,
- (3) Corporate income tax and consumption tax in the interim tax return due November 30, 2020, for corporations whose settlement of accounts will arrive March 31, 2021 and
- (4) Corporate income tax and consumption tax in the final tax return due February 1, 2021, for corporations whose settlement of accounts will arrive November 30, 2020

will be eligible for special grace.

Special grace is applicable if specific due dates for tax payment are set within the period, including a case in which tax obligation has been created by an amended return, notification/decision, etc.

(Note) In cases where return and payment have already been deferred through application to the district director of the tax office, special grace shall cover taxes due between February 1, 2020, and February 1, 2021, as a result of the deferment (Refer to Article 2 of the Order for the Enforcement of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease and Cabinet Order for Partial Revision of Article 2 of the Order for the Enforcement of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease (Cabinet Order No. 206, 2020)).

(In the case requirements for special grace are not met)

Question 39 If conditions for special grace are not met, including a case in which the rate of reduction in income is not high enough, would it be necessary to immediately make payment?

(Answer)

Even if special grace is not granted, you are advised to contact your district tax office (the collection group) as you may be eligible for other grace systems (such as grace of asset conversion).

V Procedures for applying for grace
(Necessity of application)

Question 40 Is application necessary to be granted grace? Or else is it automatically granted?

(Answer)

- Grace is not automatically granted as it is applied based on the application made by taxpayers (Article 46, paragraph 1 of the Act on General Rules for National Taxes and Article 151-2, paragraph 1 of the National Tax Collection Act). Those facing difficulty making tax payment are advised to consult with the Regional Taxation Bureau Grace Support Center.

(Application deadline)

Question 41 Is a deadline set for application? (Last update: July 1, 2020)

(Answer)

- With regard to grace of asset conversion upon application, it is necessary to make application by six month after the due date for tax payment (Article 151-2, paragraph 1 of the National Tax Collection Act).
As obligation to pay delinquent tax (interest on principal tax) is accrued from the following day of the due date, taxpayers are advised to make application for grace as early as possible.
- In addition, application for special grace needs to be made by the due date for tax payment (Article 46, paragraph 1 of the Act on General Rules for National Taxes, which applies by replacing its terms pursuant to the provisions of Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease).

(Application deadline for special grace with regard to taxes in the interim tax return, etc.)

Question 42 In the case due dates for payment arrives every month with regard to taxes in the interim tax return and withholding income tax, is it necessary to make application for special grace every month?

(Answer)

- To apply special grace, we have to confirm that the amount of tax payable has been determined and that you have difficulty paying taxes at a time given the status of your fund at the time of the due date. Therefore, you are requested to make application for special grace every time a due date arrives. We ask for your understanding.
- However, even if you have failed to make application for special grace before the due date for tax payment, you may still be eligible to make application even after the due date if unavoidable reasons can be identified (Article 46, paragraph 1 of the Act on General Rules for National Taxes, which applies by replacing its terms pursuant to the provisions of Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease). Those under such circumstances are advised to contact your district tax office (the collection group) as application for special grace for two to three months at a time can be accepted with regard to withholding income tax, etc., among other possibilities.
- In the meantime, for example as for consumption tax in an interim tax return, in the case taxable sales for this year have significantly decreased from the previous year, you can reduce the amount of tax compared to the amount which is calculated based on the tax amount for the previous taxable period by submitting an interim tax return based on the provisional settlement of accounts (Article 43 of the Consumption Tax Act).

Question 43 Once the deadline for applying for grace is passed, is it absolutely impossible to be granted grace? (Last update: June 26, 2020)

(Answer)

- In light of ensuring fairness for those who submitted a tax return and made tax payment by the deadline, it is difficult to be granted grace if application fails to be made by the deadline.
- However, with regard to the special grace, you may be eligible to make application even after the deadline if unavoidable reasons can be identified (Article 46, paragraph 1 of the Act on General Rules for National Taxes, which applies by replacing its terms pursuant to the provisions of Article 3 of the Act on Extraordinary Exception on National Tax Related Laws to Address the Impact of the Novel Coronavirus Disease).
* The effects of special grace such as exemption of delinquent tax (interest on principal tax), etc. apply from the following day of the due date for tax payment, even when you are granted special grace by making application after the deadline of application.
- Regarding unavoidable reasons, we will consider the matter flexibly by asking the taxpayers about the reason why they were not able to make application by the deadline of the application for grace. However, for example, we will not identify a case as having unavoidable reasons in the case a taxpayer does not make an application despite receiving repeated guidance with regard to special grace from our tax official.
We advise you to consult with your district tax office (the collection group) as early as possible, if the application period lapses.
- If you are under circumstances where it is difficult to make application for grace due to the request for self-restraint of going out, etc., you may be able to extend the application deadline on an individual

basis (Article 11 of the Act on General Rules for National Taxes). Thus, you are advised to consult with the above.

(When obligation to pay delinquent tax (interest on principal tax) is accrued in the case of being granted grace of asset conversion)

Question 44 In seeking to be granted grace of asset conversion, would the amount of delinquent tax (interest on principal tax) remain the same as long as application for the grace is made by the deadline?

(Answer)

- Although you need to make an application for grace of asset conversion within six months after the due date, delinquent tax (interest on principal tax) is accrued from the following day of the due date for tax payment. Thus, if you make application for grace of asset conversion after the due date, delinquent tax is not exempted for the period between the following day of the due date and the date of application for the grace.
- To avoid this disadvantage, you are advised to make application as early as possible.

(How to fill in the application form, etc.)

Question 45 Who should I contact in the case I am not sure about filling in the application form?
(Last update: May 15, 2020)

(Answer)

- If you are not sure about filling in the application form, you are advised to refer to the NTA website showing a model on how to fill in the application form for grace or a YouTube video. In addition, the Regional Taxation Bureau Grace Support Center will guide you, if you consult by phone.

(Note) The NTA website: https://www.nta.go.jp/english/tax_payment/01.htm

(Documents necessary to apply for special grace)

Question 46 What documents need to be prepared to apply for special grace?
(Last update: June 26, 2020)

(Answer)

- To apply for special grace, you are requested to prepare the following documents and send them by mail or e-Tax along with an application form and copies of designated parts of materials.
 - (1) Books of accounts, such as a ledger and sales book, showing the balance of this and previous years
 - * You can substitute a trial balance sheets made by accounting software etc. for the books.
 - (2) Cashbooks and bankbooks showing the amount of fund on hand

(Note) Please send a "Statement of Income Tax" with the above documents when you apply for special grace for withholding income tax.

- If you are granted special grace for local taxes and social insurance in the immediate past (around two months ago), you are advised to send us copies of the application forms and notification of them. Thus, you can skip the entry of items in the application form for special grace of national taxes

overlapping the application for local taxes, etc. along with the submission of above-mentioned documents (1) and (2).

- If it is difficult to prepare such books of accounts, our tax official will verbally ask you, so please consult with your district tax office(the collection group).

(How to submit an application form)

Question 47 Prefectural governments have requested self-restraint of outing. Can application be made solely by visiting a Tax Office?

(Answer)

- Application forms for grace are also accepted by e-Tax or by post. In light of preventing the congestion of the tax office counter, we would appreciate it if you submit the application electronically by “e-tax” or by mail instead of visiting a Tax Office.

Question 48 Would a reservation have to be made to consult with a Tax Office before submitting an application form for grace?

(Answer)

- No reservation would have to be made, but please contact a Tax Office beforehand to avoid congested hours.
 - * As some Tax Offices offer reservation, contact the Collection Group at your district tax office (the collection group) before visiting it.

(Proxy application by licensed tax accountants)

Question 49 Is it possible to ask licensed tax accountants to submit an application form or apply by e-Tax by proxy?

(Answer)

- Licensed tax accountants can apply for grace by proxy.

(Operation hours of e-Tax)

Question 50 Is the e-Tax system in operation at any time? (Last update: December 15, 2020)

(Answer)

- The e-Tax system is in operation 24 hours a day on weekdays except for holidays, national holidays and hours of maintenance (Monday, 0:00 to 8:30).
The system is in operation 8:30 to 24:00 on the final Saturday of each month and the following Sunday.

(Reference)

- 1 During an ordinary period

Monday to Friday (Except for holidays, national holidays and December 29 to January 3) 24 hours

The system starts to operate at 8:30 a.m. on the following operation days of holidays and national holidays (out of operation 0:00 to 8:30)

8:30 to 24:00 on the final Saturday of each month and the following Sunday (except for December)

- 2 Available 24 hours a day during the period of the final tax return of income tax

- Daily operation hours of e-Tax are indicated as “Calendar” on the website of e-Tax.

URL: https://www.e-tax.nta.go.jp/info_center/index.htm (Japanese language)

(Required number of days from the request date to apply grace)

Question 51 How many days are required from the request date to receive the notification of result (permission of grace)?

(Answer)

- Efforts are made to respond as quickly as possible so that the notification can be sent in one to two weeks after the arrival of the application form at a Tax Office currently (as of late June).
If the “notification regarding permission of grace” fails to arrive in one to two weeks, there presumably are certain matters that a Tax Office needs to verify. A Tax Office is to contact you, but you can also make inquiries at the Tax Office where you made application if you have any concerns.
- You can rest assured that the effect of grace such as exemption of delinquent tax (interest on principal tax, etc. applies retroactively to the date of application, irrespective of the date of permission.

(Delinquent tax (interest on principal tax) for the period between the request and the application of grace)

Question 52 Is delinquent tax (interest on principal tax) for the period between the application and permission of grace reduced or exempted?

(Answer)

- You can rest assured that the effect of grace such as exemption of delinquent tax(interest on principal tax), etc. applies retroactively to the date of application, irrespective of the date of permission.

(Application for grace for local taxes and social insurance)

Question 53 Would applications for grace with regard to local taxes and social insurance have to be made separately? (Last update: May 15, 2020)

(Answer)

- Applications have to be made separately, but relevant agencies coordinate to alleviate the burden of applications and to apply grace promptly and flexibly,
 - (1) Shared use of application forms for grace with regard to national taxes, local taxes and social insurance is promoted to the maximum possible extent.
 - (2) In the case grace of national taxes has already been granted, you are advised to attach copies of the application form for grace of national taxes and notification regarding permission of grace in applying for grace of local taxes, etc.

By doing so,

- Entries, etc. in application forms for grace of local taxes, etc. can be significantly simplified.
(Note)
- Examination with regard to local taxes, etc. will be significantly simplified to promptly grant grace.

- (Note) Example: In the application form for local taxes, you are advised to enter your address, name, the amount of tax for grace, etc. in the section of "1 Name of applicant, etc.," while entering a sentence such as "Just as the separate application form for national taxes" in the section of "2 calculation of the amount of tax to which grace can be applied," thus making it possible to skip other entries and attaching materials.
Refer to Question 46 with regard to the details of application for grace for national taxes

- With regard to applying grace, the application procedure cannot be bypassed given related laws and regulations that adopt a principle under which procedures are initiated upon application, as well as differences in due date, application deadline, tax amount, etc. between national and local taxes and social insurance. Thus, you are requested to make separate applications. We appreciate your understanding.