

Frequently Asked Questions about Grace System for National Tax Payment

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Collection Division, National Tax Agency

Table of Contents

I	What is the Grace System	1
	(Where to contact if taxpayers face difficulty in tax payment)	1
Question 1	Where should I consult with if I face difficulty in paying taxes or social insurance mainly due to a reduction in my income?	1
	(Overview of the Grace System)	1
Question 2	How does the Grace System work?	1
	(Cases of being granted the Grace Periods)	1
Question 3	What kind of cases enable us to use the Grace System?	1
Question 4	Am I eligible for the Grace Periods even if my business is in the black?	2
Question 5	I forced myself to pay taxes by the due date. Is it possible to have the taxes refunded, then be granted the Grace Periods?	3
	(Type of taxes for being granted the Grace Periods)	3
Question 6	About which type of taxes can I be granted a Grace Period (income tax, corporate tax, consumption tax, etc.)?	3
	(Grace Periods of tax filed by interim return)	3
Question 7	Can I be granted the Grace Periods for taxes filed not only by final returns but also by interim returns, estimated tax and amended returns?	3
	(Difference between the Grace Periods and extension of due dates)	3
Question 8	Are the Grace Periods of national taxes different from an extension of due dates for the filing and payment?	3
	(Difference between Grace Periods and exemption of tax)	4
Question 9	If I am granted a Grace Period, will I be exempted from tax payment or will the tax that I already paid be refunded?	4
	(Grace Periods and refund by carryback of loss)	4
Question 10	My corporate tax became due, but I plan to carry back a loss in the next filing. In this case, will the application for the Grace Periods be unnecessary?	4
	(Grace Periods and certificates of tax payment)	4
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 where a Grace Period has been applied, will that matter be written on the certificate of tax payment?	4
II	Effects of the Grace Periods	5
	(Notification of the Grace Periods)	5
Question 12	Will I be notified in the case where I am granted a Grace Period?	5
	(Tax payment during a grace period)	5
Question 13	How will I have to pay taxes after being granted a Grace Period?	5
	(The period that taxpayers are granted a Grace Period)	6
Question 14	How long is the grace period?	6
	(Extension, etc. of the grace period)	6
Question 15	What will happen if I cannot pay the tax amount during the grace period initially granted to me?	6
III	Requirements for Grace Periods	6
	(Difficulty in paying tax in a lump sum)	6

FAQ about Grace System for National Tax Payment

Question 16	What does “Difficulty in paying tax in a lump sum” mean?	6
(Calculation of the amount for the Grace Periods)	.....	7
Question 17	In order to calculate the amount for a Grace Period, 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?	7
Question 18	In calculating the amount for a Grace Period, how much will be approved as the amount necessary for financing operations for the time being?	7
(In the case where taxpayers already owe outstanding taxes)	.....	7
Question 19	If I already owe outstanding taxes, will I not be eligible for the Grace Periods?	7
(Necessity of providing security)	.....	7
Question 20	To be granted a Grace Period, will I need to provide anything as security?	7
IV Procedures for applying for the Grace Periods	.....	9
(Necessity of application)	.....	9
Question 21	Is application necessary to be granted the Grace Periods? Or else is it automatically granted?	9
(Application deadline)	.....	9
Question 22	Is a deadline set for application for the Grace Period of Realization?	9
Question 23	Once the deadline for applying for the Grace Periods is passed, is it absolutely impossible to be granted a Grace Period?	9
(When obligation to pay delinquent tax accrues in the case of being granted the Grace Period of Realization)	.....	10
Question 24	In seeking to be granted the Grace Period of Realization, would the amount of delinquent tax remain the same as long as the application for the Grace Period is made by the deadline?	10
(How to fill in the Application Form, etc.)	.....	10
Question 25	Who should I contact in the case where I am not sure about how to fill in the Application Form?	10
(Documents necessary to apply for the Grace Periods)	.....	10
Question 26	What kind of documents need to be prepared to apply for the Grace Period of Realization?	10
(How to submit the Application Form)	.....	11
Question 27	Can application be made solely by visiting a Tax Office?	11
Question 28	Would a contact have to be made in advance to consult a Tax Office before submitting an Application Form for the Grace Periods?	11
(Proxy application by licensed tax accountants)	.....	11
Question 29	Is it possible to ask licensed tax accountants to submit an Application Form or apply by e-Tax?	11
(Operation hours of e-Tax)	.....	11
Question 30	Is the e-Tax system in operation at any time?	11
(Delinquent tax for the period between the application and permission of the Grace Periods)	.....	12
Question 31	Is delinquent tax for the period between the application and permission of the Grace Periods reduced or exempted?	12

I What is the Grace System

(Where to contact if taxpayers face difficulty in tax payment)

Question 1 Where should I consult with if I face difficulty in paying taxes or social insurance mainly due to a reduction in my income?

(Answer)

- The contact points differ depending on the category of taxes and social insurance.
- Please call your district tax office (officials in Collection Group) if you need to consult about the Grace Period of national taxes that should be paid to the State (Tax Office), such as corporate tax, withholding income tax, self-assessment income tax and consumption tax.
- Regarding the contact point for the grace period of payment of local taxes, such as municipal tax, fixed asset tax and motor vehicle tax, please consult with the contact points in your city or prefecture. As for social insurance, please consult with the Japan Pension Service in respect of employees pension insurance, etc., or the prefectural labor bureau in your prefecture for labor insurance.

(Overview of the Grace System)

Question 2 How does the Grace System work?

(Answer)

- The Grace System of national taxes is a program that, upon the permission by the district director of the tax office, allows taxpayers to pay taxes after the due date in installments for up to one year if taxpayers face difficulty in paying taxes by the due date.
- In order to be granted the Grace Periods, taxpayers need to meet certain requirements. During the grace period, delinquent tax is to be reduced*. (Grace Periods of Realization)
* The rate of delinquent tax is to be reduced from 8.7% per annum to 0.9% per annum during the grace period in 2023.
- If taxpayers are in the following individual circumstances, they may be granted the Tax Payment Grace Period without the delinquent tax. Please let us know about your situation upon consultation. (Tax Payment Grace Period)
 - Where a taxpayer has struggled with damages of from his/her/its disaster or robbery.
 - Where a taxpayer or his/her family members whose living expenses are paid from the same resources as those of the taxpayer became ill.

(Cases of being granted the Grace Periods)

Question 3 What kind of cases enable us to use the Grace System?

(Answer)

- The main programs for the Grace System are (1) and (2) stated as below. For each system, taxpayers who fall under all the following items are eligible for the Grace Period.
 - (1) Grace Periods of Realization (The delinquent tax is to be reduced*.)
 - Likely to face difficulty in continuing business of a taxpayer or maintaining standard of living of a taxpayer by paying national taxes in a lump sum.

FAQ about Grace System for National Tax Payment

- Having a sincere intention to pay taxes.
- Making an application within six months from the due date.
- Owning no other outstanding national taxes other than the taxes for which a taxpayer is applying for the Grace Period.
- Providing security in principle

(Note) 1. In the case of the following conditions cited from (1) to (3), the taxpayer is not required to provide any securities:

- (1) Where the subject tax amount that you seek the Grace Period for is 1 million yen or less
- (2) When the duration of the grace period is 3 months or less
- (3) When there are no securities they can provide

2. If the taxpayer already owe other outstanding national taxes or failed to apply by the application deadline, the taxpayer may be granted the Grace Period by the authority of the district director of the tax office.

(2) Tax Payment Grace Period (The delinquent tax is to be reduced or exempted)

- In the case of the following individual circumstances;
 - i. A taxpayer has struggled with his/her/its damages from disaster or robbery.
 - ii. A taxpayer or his/her family members whose living expenses are paid from the same resources as those of the taxpayer became ill.
 - iii. A taxpayer's business was forced to be suspended or discontinued.
 - iv. A taxpayer's business has suffered considerable losses due to a reduction in income, etc.
- Cannot pay their national taxes in a lump sum due to i-iv above.
- Applying for the Grace Period.
- Providing security in principle.

(Note) In the case of the following conditions cited from (1) to (3), the taxpayers are not required to provide any securities:

- (1) When the subject tax amount is 1 million yen or less
- (2) When the duration of the grace period is 3 months or less
- (3) When there are no securities they can provide

* The rate of the delinquent tax is to be reduced from 8.7% per annum to 0.9% per annum during the grace period in 2023.

Question 4 Am I eligible for the Grace Periods even if my business is in the black?

(Answer)

- Even if taxpayers are in the black, they may be granted the Grace Periods if they meet the requirements.

Question 5 I forced myself to pay taxes by the due date. Is it possible to have the taxes refunded, then be granted the Grace Periods?

(Answer)

- The Grace System of national taxes is a program that, upon the permission by the district director of the tax office after the application, allows taxpayers to pay taxes after the due date in installments if they face difficulty in paying taxes by the due date. Therefore, the taxpayer cannot ask the taxes that they already paid to be refunded.

(Type of taxes for being granted the Grace Periods)

Question 6 About which type of taxes can I be granted a Grace Period (income tax, corporate tax, consumption tax, etc.)?

(Answer)

- The Grace Periods apply to almost all types of taxes, but do not apply to stamp duty to be paid in the form of a stamp, consumption tax to be paid when receiving overseas cargo from a bonded area and international tourist tax to be paid directly to the director-general of customs at the departure from Japan.
- Taxes that are paid to the State, what the State keeps them temporarily, such as local consumption tax and local transfer tax, are also the subject of the Grace Periods.

(Grace Periods of tax filed by interim return)

Question 7 Can I be granted the Grace Periods for taxes filed not only by final returns but also by interim returns, estimated tax and amended returns?

(Answer)

- After applying to a tax office, if the certain requirements are met, the Grace Periods would be applied. In the meantime, for example, as for consumption tax in an interim return, in the case where taxable sales for this year have significantly decreased compared to that of the previous year, the taxpayers 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 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 the Grace Periods and extension of due dates)

Question 8 Are the Grace Periods of national taxes different from an extension of due dates for the filing and payment?

(Answer)

- The Grace System of national taxes 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, etc. is not possible due to disruption of traffic caused by disasters, etc. (Article 11 of the Act on General Rules for National Taxes).

(Difference between Grace Periods and exemption of tax)

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

(Answer)

- Since the Grace System of national taxes 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 Periods and refund by carryback of loss)

Question 10 My corporate tax became due, but I plan to carry back a loss in the next filing. In this case, will the application for the Grace Periods be unnecessary?

(Answer)

- Even if taxpayers carry back a loss in filing the next corporate tax return, they would be liable to pay the normal delinquent tax that would accrue until the carryback (one year) unless a Grace Period is applied to their corporate tax that became due for this term if they do not pay the tax.
- When a Grace Period is applied, the delinquent tax is to 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 your district's tax office (officials in Collection Group).

(Grace Periods 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 where a Grace Period has been applied, will that matter be written on the certificate of tax payment?

(Answer)

- National taxes to which a Grace Period has been applied are handled as below on the certificates of tax payment.
 - (1) Certificate of tax payment (No. 1) ... For certification of the amounts of taxes due, the amounts of taxes paid and the amounts of outstanding taxes
In the case where the Grace Period has been applied, it will be written that the Grace Period has been applied as below in the "Remarks" space.

(Details written)

i. In the case of the Tax Payment Grace Period

"The ●● yen in "Amounts of outstanding taxes" above is in the Tax Payment Grace Period under the provisions of Article 46 Paragraph ● of the General Law of National taxes (The Grace Period: until (Year) (Month) (Day))"

ii. In the case of the Grace Periods of Realization

The realization of the ●● yen in “Amounts of outstanding taxes” above is in the Grace Period of Realization under the provisions of the National Tax Collection Law (The Grace Period: until (Year) (Month) (Day))”

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

As these certificates are not issued with regard to the type of taxes to which a Grace Period 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 is as below.

- (1) Certificate of tax payment (No. 2) … For certification of amount of income

In the case where a final 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 outstanding taxes or the application of the Grace Periods.

Furthermore, the fact that a Grace Period has been applied will not be written on the certificate of tax payment.

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

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

Furthermore, the fact that a Grace Period has been applied will not be written on the certificate of tax payment (No. 4).

II Effects of the Grace Periods
(Notification of the Grace Periods)

Question 12 Will I be notified in the case where I am granted a Grace Period?

(Answer)

- In the case where a Grace Period is granted to a taxpayer, a written notice of permission for the Grace Period will be sent to the taxpayer, indicating the amount for the Grace Period, the grace period and the provision of the basis of the applied Grace Period (Article 47, paragraph 1 of the Act on General Rules for National Taxes, Article 152, paragraph 3 and 4 of the National Tax Collection Act).

(Tax payment during a grace period)

Question 13 How will I have to pay taxes after being granted a Grace Period?

(Answer)

- After being granted a Grace Period, taxpayers will be required to make installment payments of the amount described in the notice of the Grace Period by each installment due date (Article 46, paragraph 4 of the Act on General Rules for National Taxes, Article 152, paragraph 1 of the National

Tax Collection Act).

- If you have already been granted a Grace Period and face difficulty in paying tax by the due date of installment payment, please consult your district's tax office (officials in Collection Group).

(The period that taxpayers are granted a Grace Period)

Question 14 How long is the grace period?

(Answer)

- The applicable period of the Grace Periods should be up to one year and be limited to the period in which the applicant is found to have the capacity of paying taxes as soon as possible based on their assets, income and expenditure. (Article 46, paragraph 4 of the Act on General Rules for National Taxes, Article 152, paragraph 1 of the National Tax Collection Act).

(Extension, etc. of the grace period)

Question 15 What will happen if I cannot pay the tax amount during the grace period initially granted to me?

(Answer)

- Please consult your district's tax office (officials in Collection Group) about the situation where you cannot pay the tax. Your circumstances will be considered.

(Note) Although the applicable period of the Grace Periods is up to one year in principle, if taxpayers cannot pay the tax within the period due to unavoidable reasons, the grace period can be extended (Article 46, paragraph 7 of the Act on General Rules for National Taxes, Article 152, paragraphs 3 and 4 of the National Tax Collection Act)

III Requirements for Grace Periods (Difficulty in paying tax in a lump sum)

Question 16 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 the full amount of national taxes in a lump sum or being found that paying tax in a lump sum will cause difficulty in continuing taxpayers' business or maintaining their standard of living.
- Specifically, an applicable case is that the amount of tax payment that taxpayers can currently make (fund on hand minus the amount necessary for financing operations for the time being) is short of the amount of national taxes that they have to pay.

(Calculation of the amount for the Grace Periods)

Question 17 In order to calculate the amount for a Grace Period, 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, etc. when calculating the tax amount that taxpayers can pay. Therefore, the amount for the Grace Period will not be substantially affected. If your cash and deposits include benefits, etc., please explain your situation in the consultation.

Question 18 In calculating the amount for a Grace Period, how much will be approved as the amount necessary for financing operations for the time being?

(Answer)

- It cannot be stated unconditionally because 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. Generally speaking, however, the amount to be expended within a month is excluded as operating fund from the fund to pay taxes.
- The amount of funds taxpayers have decided to spend for continuation of business etc. for the time being can be added to the operating fund even if they will not spend the amount within a month.

(In the case where taxpayers already owe outstanding taxes)

Question 19 If I already owe outstanding taxes, will I not be eligible for the Grace Periods?

(Answer)

- In the case of the Grace Period of Realization, the Grace Period may not be granted if taxpayers owe other outstanding national taxes (excluding ones whose payment is granted a Grace Period at present) (Article 151-2, paragraph 2 of the National Tax Collection Act).
- On the other hand, in the case of Tax Payment Grace Period (please refer to Q3), even if taxpayers owe outstanding national taxes apart from the national taxes for which they seek the Grace Period, the Grace Period can be granted.
- If you already owe outstanding national taxes, please consult your district's tax office (officials in Collection Group).

(Necessity of providing security)

Question 20 To be granted a Grace Period, will I need to provide anything as security?

(Answer)

- Taxpayers need to provide security in order to be granted the Grace Periods in principle. However, in the case of the following conditions cited from (1) to (3), you are not required to provide any

securities. (The provision of Article 46, paragraph 5 of the Act on General Rules for National Taxes and Article 152, paragraph 2 and 3 of the National Tax Collection Act)

- (1) When the subject tax amount is 1 million yen or less
- (2) When the duration of the grace period is 3 months or less
- (3) When there are no securities they can provide

IV Procedures for applying for the Grace Periods
(Necessity of application)

Question 21 Is application necessary to be granted the Grace Periods? Or else is it automatically granted?

(Answer)

- The Grace Periods are not automatically granted because it is based on the application by taxpayers (Article 46, paragraph 2 of the Act on General Rules for National Taxes and Article 151-2, paragraph 1 of the National Tax Collection Act).
- If you need to consult about the Grace Periods, please do with your district's tax office (officials in Collection Group).
- For application of the Grace Periods, please send an Application Form for the Grace Period by e-Tax or mail.
- * You have 3 submission methods by e-Tax for an Application Forms for the Grace Period, which are e-Tax software, e-Tax software (web version) and e-Tax software (smart phone version). For details, please refer to How to apply for grace on the website of the National Tax Agency.

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

(Application deadline)

Question 22 Is a deadline set for application for the Grace Period of Realization?

(Answer)

- With regard to the Grace Period of Realization, it is necessary to make application within six month from the due date for tax payment (Article 151-2, paragraph 1 of the National Tax Collection Act). As obligation to pay delinquent tax accrues from the following day of the due date, it is recommended that taxpayers make application for the Grace Period as soon as possible.

Question 23 Once the deadline for applying for the Grace Periods is passed, is it absolutely impossible to be granted a Grace Period?

(Answer)

- In the case where the application deadline has passed, taxpayers cannot be granted the Grace Period of Realization by application in principle (Article 151-2, paragraph 1 of the National Tax Collection Act).
 - * If the taxpayers are under circumstances where it is difficult to make application for the Grace Period due to unavoidable situation such as disasters that they are not responsible for, the application deadline may be extended on an individual basis (Article 11 of the Act on General Rules for National Taxes).
- However, you may be eligible for other Grace Periods depending on situation, so please consult your district's tax office (officials in Collection Group) as soon as possible.

(When obligation to pay delinquent tax accrues in the case of being granted the Grace Period of Realization)

Question 24 In seeking to be granted the Grace Period of Realization, would the amount of delinquent tax remain the same as long as the application for the Grace Period is made by the deadline?

(Answer)

- Although taxpayers need to make an application for the Grace Period of Realization within six months from the due date, delinquent tax accrues from the following day of the due date for tax payment. In that regard, if they make application for the Grace Period of Realization after the due date, the delinquent tax is not reduced for the period between the following day of the due date and the day before the date of application for the Grace Period.
- Taken into consideration this disadvantage for taxpayers, it is recommended that you make application as soon as possible.

(How to fill in the Application Form, etc.)

Question 25 Who should I contact in the case where I am not sure about how to fill in the Application Form?

(Answer)

- If you are not sure about filling in the Application Form, please refer to Guide to Applying for Grace on the NTA website. In addition, your district's tax office (officials in Collection Group) will guide you by phone.

(Documents necessary to apply for the Grace Periods)

Question 26 What kind of documents need to be prepared to apply for the Grace Period of Realization?

(Answer)

- To apply for the Grace Period of Realization, taxpayers need to prepare the Application Form for the Grace Period and send it by e-Tax or mail.
- Taxpayers need to submit the following documents with the Application Form for reviewing the application for the Grace Period.

If the tax amount to be granted is 1 million yen or less	If the tax amount to be granted is more than 1 million yen
Statement of Income, Expenditures and Assets	- Property Inventory - Account Statement on Income and Expenditure

- Furthermore, we may confirm your circumstance for reviewing the application for the Grace Period. With books of accounts, such as ledger and sales book, showing the balance and cash account book and passbook showing your fund on hand prepared, we can smoothly handle the procedure.
* If you have already been granted the grace periods for local taxes or social insurance, you can skip some

parts of the process by attaching the copies of the relevant application forms or the statement of income, expenditures and assets etc.

(How to submit the Application Form)

Question 27 Can application be made solely by visiting a Tax Office?

(Answer)

Application Forms for the Grace Periods are also accepted by e-Tax or mail.

* You have 3 submission methods by e-Tax for Application Forms for the Grace Periods, which are e-Tax software, e-Tax software (web version) and e-Tax software (smart phone version). For details, please refer to How to apply for grace on the website of the National Tax Agency.

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

Question 28 Would a contact have to be made in advance to consult a Tax Office before submitting an Application Form for the Grace Periods?

(Answer)

Please contact and tell us information such as the date you want to visit by phone so that we can have enough time for consultation and tell you the documents you need to bring with.

(Proxy application by licensed tax accountants)

Question 29 Is it possible to ask licensed tax accountants to submit an Application Form or apply by e-Tax?

(Answer)

Licensed tax accountants can apply for the Grace Periods by proxy.

e-Tax software (smartphone version) is not compatible with submission of the application forms by licensed tax accountants by proxy.

* If licensed tax accountants apply for the Grace Periods by e-Tax by proxy, please use e-Tax software or e-Tax software (web version).

(Operation hours of e-Tax)

Question 30 Is the e-Tax system in operation at any time?

(Answer)

The e-Tax system is in operation as follows:

- Available 24 hours a day on Tuesday to Friday (except for national holidays and hours of maintenance);
- 8:30 to 24:00 on Monday, Saturday, Sunday and national holidays.

- Daily operation hours of e-Tax are indicated as “Accountable Time Calendar” on the website of e-Tax.
URL: https://www.e-tax.nta.go.jp/info_center/index.htm (Japanese language)

(Delinquent tax for the period between the application and permission of the Grace Periods)

Question 31 Is delinquent tax for the period between the application and permission of the Grace Periods reduced or exempted?

(Answer)

- Delinquent tax is to be reduced or exempted from the day of application, regardless of the date of permission.