

A Guide to the Japanese Pension System for Foreign Nationals

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In Japan, there are two tiers of public pensions.

First tier:

The law in Japan requires that if you have an address in Japan you must join the National Pension System (NPS) *kokumin nenkin* when you turn 20 years old.¹

Second tier:

If you are an employee of a corporation enrolled in the Employees' Pension System (EPS) *kosei nenkin*, then you must join the EPS.²

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Japanese pension systems in more detail...

¹ For more information, see:

<http://www.nenkin.go.jp/international/english/nationalpension/nationalpension.html>.

² For more information, see:

<http://www.nenkin.go.jp/international/english/healthinsurance/employee.html>

The Japanese public pension systems provide three types of benefits:

- old age pension,
- disability pension, and
- Survivors' pension (loss of family breadwinner).

You can receive the benefits throughout your life. They are relatively robust against inflation and pay rises, because they are run by inter-generational levy systems and are also funded by current taxpayers through the tax system, meaning the money one receives through the NPS is partially funded by the Japanese national government. The NPS and the EPS pension levies are tax deductible, as are some private pension levies.

Everybody from 20 to 59 years of age, who resides in Japan, regardless of their occupation or nationality, must join the National Pension System (NPS) *kokumin nenkin*. If you are a foreign national, with a Resident card *zairyu ca-do*, this applies to you. If you are deemed as having an address in Japan, you must join the NPS, even if you only have a short term visa. The pension system may require that you pay monthly levies.

If you are working in Japan for less than five years, and you are employed by a company in your homeland, and your homeland has a social security agreement with Japan (see below), you may be covered by the pension system in your homeland and entitled to an exemption from joining NPS. If you are self-employed and temporarily working in Japan, and your homeland has a Social Security Agreement with Japan, then a similar exception may apply. In both cases, you need a "Certificate of Coverage" from your homeland.

Even if you have no income, you must join the NPS, although you can apply for an exemption from the NPS levy payment (depending on your financial circumstances). If your spouse is covered by the Employees' Pension System, then you can be covered for NPS without paying any levy yourself, although there is a threshold depending on your annual income.

If you wish, you may continue to pay the monthly levy until the age of 70.

If you are employed by a corporation enrolled in the Employees' Pension System (EPS) *kosei nenkin*, then you will join EPS regardless of your nationality. Your employer pays half of the EPS levy and you pay half. You would automatically be enrolled in the NPS through the EPS and the EPS levy includes that of the NPS. The EPS levy payment is managed by your employer through a deduction from your wages.

You will become Category 2 insured of the NPS through the EPS coverage. Your financially dependent spouse becomes Category 3 Insured of the NPS.

When you are not Category 2 or 3 insured of the NPS, you are Category 1 insured of the NPS.

If you are working for a restaurant, your employer may not be enrolled in the EPS, since the EPS is not compulsory for primary industries and service-type industries as long as the business is not a *hojin* corporation.

If you are self-employed, you still may have to enrol in the EPS if you register your business as a *hojin* corporation or you have 5 or more staff members.

There is a 25 year minimum payment period requirement to entitle you to the Old Age Basic Pension *rorei kiso nenkin*, (as a beneficiary of the NPS), and the Old Age Employees' Pension *rorei kosei nenkin*, (as a beneficiary of the EPS). This requirement will be shortened to 10 years in August 2017.

If you have gained permanent residency in Japan, there may be a special measure that allows you to receive the pension if you have paid the pension levy at least once. However, if you have not accumulated enough payments, you will not receive enough pensions for living expenses in the future. You may still benefit from a Social Security Agreement between your country of origin and Japan to add to your retirement income.

You may also add extra coverage through other pension systems. For example, your company may run a private pension system, *kigyo nenkin*. You could also consider forming your own private pension system. If not, you can consider the National Pension Fund, *kokumin nenkin kikin*, or the Employees' Pension Fund *kosei-nenkin-kikin* as your second tier.

Social Security Agreements with other countries

Foreign nationals who work or reside in Japan used to face the problem of double entry of pension systems in their homeland and Japan. Also there have been foreign nationals who have not been able to receive the pension because their paying periods were too short to meet the criteria as recipients.

Social Security Agreements may solve these problems. People from the countries that have Social Security Agreements with Japan and have their pension levies paid in Japan, can have these added to the pension systems in their homelands.

Also, you don't have to pay the pension levies in both countries at the same.³

Currently, Japan has the Social Security Agreement with the following nations:

•Australia

•Belgium

³ For more information, see:

- <http://www.nenkin.go.jp/international/english/international/socialsecurity.html>
- <http://www.nenkin.go.jp/international/english/international/purposes.html>
- <http://www.nenkin.go.jp/international/english/international/othercontries.html>.

- Brazil
- Canada
- Czech Republic
- France
- Germany
- Hungary
- India
- Ireland
- Netherlands
- Republic of Korea (South Korea)
- Spain
- Swiss Confederation (Switzerland)
- United Kingdom (UK)
- United States of America

Note: regarding UK and South Korea, the agreement only applies to the prevention of double levy payment.

Lump Sum Withdraw Payment (LSWP) from the Japanese public pension systems

There is a Pension Withdrawal System with lump sum payment for non-Japanese when you leave Japan.⁴

A Lump Sum Withdrawal Payment (LSWP) *ichiji-dattai-kin* is for those who have been paying the pension levy but who have returned to their own country without receiving any pension. If you make an application for the payment within 2 years of your departure from Japan, you may receive a certain amount back.

The withdrawal payment is only for foreign nationals who are no longer covered by the Japanese public pension systems and who meet the following criteria:

(1) You do not have Japanese citizenship,

⁴ For more information, see:

<http://www.nenkin.go.jp/international/english/lumpsum/lumpsum.files/0000019735Jtb61Ib1fc.pdf>.

(2) You have paid the NPS *kukumin nenkin* levy as a 'Category 1 Insured person' for a total of 6 months or more, including: the number of months you paid the full levy; $\frac{3}{4}$ of the months you paid the levy with $\frac{1}{4}$ exemption of the full levy; $\frac{1}{2}$ of the months you paid the levy with $\frac{1}{2}$ exemption; $\frac{1}{4}$ of the months you paid the levy with $\frac{3}{4}$ exemption. Or you have paid 6 months or more into the EPS *kosei nenkin*.

(3) You no longer have residential registry in Japan (limited to those who received residential registry in Japan from 1994 onwards).

(4) You never have been qualified as a Japanese pension recipient (including disability pension).

Note that if you receive the pension LSWP:

- The term you have been paying the pension levy becomes null in Japan.
- If your homeland has a Social Security Agreement with Japan and a similar pension system, the term you have been paying the pension levy in Japan will not be counted in your homeland.

Thus, if you are returning to a country with a social security agreement with Japan or you are planning to come back to Japan, you might need to consider carefully whether to claim for the pension LSWP.

If you die after submitting a claim, but before the claim is paid, the fund can be paid to your spouse, a child, a parent, a grandchild, a grandparent, a sibling or other relatives within the third degree of kinship.

An LSWP from the NPS is not subject to any withholding tax but that of EPS is subject to 20.42% withholding tax which arises from income tax and special recovery income tax.

You can claim a tax refund for the income tax and the special recovery income tax arising from the lump sum withdrawal payment from the EPS *kosei nenkin*.

If you are not obliged to submit a final tax return for the fiscal year, you can receive a tax refund after submitting the final tax return for the fiscal year if the total income tax for the year is calculated to be less than the total of the tax you paid including the withheld tax from your income and estimated tax you paid. This claim is called *kanpushinkoku*.

As a foreigner you can submit a notification of a tax agent to the tax office which exercises jurisdiction regarding the tax for your address in Japan before you depart Japan. The qualification for the tax agent is only that the agent has residential registration in Japan.

The withdrawal payment depends on the amount you paid in.⁵

⁵ For details, see:

JPS lump-sum withdrawal payment page in Japanese:

<http://www.nenkin.go.jp/service/jukyu/sonota-kyufu/dattai-ichiji/20150406.html>

JPS lump-sum withdrawal payment page in Japanese and English:

How to claim for the Pension Lump Sum Withdrawal Payment

Obtain the claim form from any Japanese Pension System *nenkin* offices in Japan, or home page of Japanese Pension System (JPS), *nihon nenkin kikou*.⁶ You will also need these documents:

- A copy of your passport (the pages with your photo, name, date of birth, signature, resident status and the date you departed Japan)
- A document that confirms your bank account details
- Your *nenkin* booklet

You need to send the above documents with the filled-in claim form to the JPS headquarters.

Methods to claim:

- Telegraphic
- Postal mail
- Visit Japan as a tourist and claim at a JPS office counter.

Voluntary withdrawal:

There is a system called Voluntary Withdrawal *nin-i dattai*. You can apply for Voluntary Withdrawal if you are not likely to be entitled as a recipient.

To receive the annual pension in Japan, you are required to have paid the levy for a total of 25 years (will be shortened to 10 years in August 2017) during the compulsory levy payment period which is when you are 20 to 59 years old and the voluntary payment period until 70 years old. If it is clear that you would not be qualified to receive the annual pension in the future when you started to live in Japan, there is a provision for Voluntary Withdrawal from the pensions.

If you are from a country that has a Social Security Agreement with Japan and the total period of levy payment, including the period you made such payment in your own country, are not likely to reach 25 years (currently), you can use this voluntary pension withdrawal.

<http://www.nenkin.go.jp/service/jukyu/sonota-kyufu/dattai-ichiji/20150406.files/0000027134j8XYGrnzED.pdf>

<http://www.nenkin.go.jp/international/english/lumpsum/lumpsum.files/0000019735Jtb6lIblfc.pdf>

For the amount of payment in English: see page 8 of the above.

⁶ Japanese Pension System Organization (JPS) homepage in Japanese:
<http://www.nenkin.go.jp/index.html>

However, if you are from a country without the Social Security Agreement with Japan and under 45 years old, or if you have already paid in to the pension system for the qualifying period, you cannot currently use this voluntary pension withdrawal system.

Survivors' Pension:

There are 3 types of Survivors' Pension *izoku nenkin*:⁷

- Survivors' Basic Pension *izoku kiso nenkin*, (beneficiary of NPS),
- Survivors' Employees' Pension *izoku kosei nenkin* (beneficiary of EPS), and
- Widows' Pension *kafu nenkin* (beneficiary of NPS).

Survivors' Basic Pension from NPS *izoku kiso nenkin*

If your deceased spouse satisfied the criteria for the qualifying period as a recipient for the Old Age Basic Pension (the pension from NPS), you may receive the Survivors' Basic Pension.

Please note that in the case of death of your spouse, the duration of his levy payment has to be at least 2/3 of the period of cover.

The recipient of this pension is limited to the spouse with a child who was financially dependent on the deceased, or the financially dependent children. Such children have to be 18 year old or younger at the end of fiscal year which is March 31st, to receive this pension. If the child is a Category 1 or 2 recipient of the Disability Pension, then the children can be up to 20 years old.

The amount of payment is:

- 780,100 yen for the spouse, and
- 224,500 yen per child (up to the second child), and
- 74,800 yen from the third child onwards. (These amounts apply for the 2016 fiscal year).

Survivors' Employees' Pension from EPS *izoku kosei nenkin*

If your spouse was covered by the Employees' Pension system, *kosei nenkin*, and was working at the time of death, or if your spouse had paid the levies for the pension for the requirement period for the entitlement, you may receive a Survivors' Employees' Pension *izoku kosei nenkin*, as well as the Survivors' Basic Pension *izoku kiso nenkin*, if your circumstances meet the relevant criteria.⁸

⁷ For who can become recipients in Japanese:

<http://www.nenkin.go.jp/service/jukyu/izokunenkin/jukyu-yoken/20150424.html>

⁸For more information (in Japanese) see:

<http://www.nenkin.go.jp/service/jukyu/izokunenkin/jukyu-yoken/20150424.html>

Widowed Wife's Pension from NPS *kafu nenkin*

If your spouse was only covered by NPS (meaning not covered by EPS), he had paid at least 25 years (including the exemption period) in to the NPS, he had not have received the Old Age Basic Pension, and if you had been married for 10 years or more and were financially dependent on him at the time of death, as the surviving wife, you can receive $\frac{3}{4}$ of your late husband's entitlement to the *rorei kiso nenkin*, while you are 60 to 64 year old.

Pension Division at the time of Divorce

When you have a divorce with your Japanese spouse you may claim some portion of your spouse's pension benefits.

~~For legal advice regarding divorce, please contact me, Masami Sato, at:~~
<http://www.tokyointernational.jp>

The Pension Division at the Time of Divorce is a system that allows division of a part of the EPS *kosei nenkin* levy payment accumulated by your spouse and/or you during the period of marriage.

For example, if you have a Japanese husband, the amount of pension that he will receive in the future (a proportion of the EPS) can be divided. This does not mean that you will receive half of your ex-husband's pension. You will receive proportional amount of his remuneration part *hoshu-hirei-bubun* of the EPS. If he is self-employed and only has *kokumin nenkin* coverage, there cannot be any division of the pension. The claim for the division should be made within 2 years after the divorce.

If you have a divorce while receiving the pension and the date of the divorce is not prior to April 2007, you can use this Pension Division System. You can receive the proportional pension from the next month after you applied. You cannot receive the pension between the divorce and the time of application.

There are 2 types of Pension divisions:

- Divisions by agreement (applies to divorces from 1st April 2007 onwards). The proportion is reached through discussion between you and your spouse. If the decision is not made by discussion, the decision has to be made by the court system. The maximum proportion for your payment is $\frac{1}{2}$ of the accumulated EPS levies paid in by your spouse.
- Division for Category 3 insured person (applies to divorces from 1st April 2008 onwards). $\frac{1}{2}$ of the accumulated EPS, *kosei nenkin*, levies paid in by your spouse will become your payment by legal enforcement.

For more information in English, see page 5 of:
<http://www.nenkin.go.jp/international/english/healthinsurance/employee.html>

Note: regarding the NPS, Category 2 means you are covered through EPS, Category 3 means you are the dependent spouse of Category 2 insured, and Category 1 means you are not Category 2 or 3 and are covered by the NPS.

If your ex-spouse dies, there would be no change to your entitlement.

If you become a Permanent Resident

You may qualify for the old age entitlement by just paying the levy once.

If you become a permanent resident or a Japanese citizen, the period you lived overseas before you came to Japan may be regarded as an empty period in relation to the eligibility period to receive the pension and can be added so that you can be entitled as a recipient.

However, because of your age, you may not be able to reach the required payment period to receive the pension in the future.

Further Information

The Japanese pensions system is under the jurisdiction of the Ministry of Health, Labour, and Welfare *kosei rodo sho*, and is managed by the Japan Pension System (JPS) *nihon nenkin kiko*.

We advise you to look first at the JPS websites: <http://www.nenkin.go.jp/>. You can then click the International button on the top right of the Home Page in Japanese:

-><http://www.nenkin.go.jp/international/index.html>

You can choose from following languages:

English, Chinese, Portuguese, Spanish, Korean, Tagalog, Russian, Indonesian, Thai, Vietnamese.

You will see that there are more information in English than other languages . When you want to know more detail than is available on the JPS web sites in English, you will find that there is more information in Japanese.

If you can choose English: <http://www.nenkin.go.jp/international/english/index.html>

JPS pages and PDFs in English:

About the NPS and its pamphlet:*

<http://www.nenkin.go.jp/international/english/nationalpension/nationalpension.html>

<http://www.nenkin.go.jp/international/pamphletenglish/index.files/0510.pdf>

About the EPS and its pamphlet:

<http://www.nenkin.go.jp/international/english/healthinsurance/employee.html>

http://www.nenkin.go.jp/international/pamphletenglish/index.files/0000000011_0000011202.pdf

About the Social Security Agreement:

<http://www.nenkin.go.jp/international/english/international/socialsecurity.html>

<http://www.nenkin.go.jp/international/english/international/purposes.html>

About the Lump Sum Withdrawal Payment:

<http://www.nenkin.go.jp/international/english/lumpsum/lumpsum.files/0000019735Jtb6llblfc.pdf>

<http://www.nenkin.go.jp/info/goiken-goyobou.html>

*Currently, when you ring the JPS number on its pamphlet in English there is no English service.

National Pension System and National Pension Fund are completely different systems.

Likewise, Employees' Pension System/Employees' Pension Insurance System and Employees' Pension Fund are completely different systems.

Glossary

Please note that *kokumin-nenkin* (public) and *kokumin-nenkin-kikin* (private) are totally different systems and *kousei-nenkin* (public) and *kousei-nenkin-kikin* (private) are totally different systems that even Japanese national may be confused.

Employees' Pension System and Employees' Pension Insurance System are the same system with different translation.

English	Abbreviation	Japanese	Japanese
Disability Basic Pension		shogai kiso nenkin	障害基礎年金
Disability Employees' Pension		shogai kousei nenkin	障害厚生年金
Employees' Pension Fund		kousei nenkin kikin	厚生年金基金
Employees' Pension System	EPS/EPIS	kousei nenkin	厚生年金
Employees' Pension Insurance System	EPS/EPIS	same as above	厚生年金
Japanese Pension Service		Nihon nenkin kikou	日本年金機構
Lump Sum Withdrawal Payment	LSWP	ichijidattaikin	一時脱退金

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National Pension Fund		kokumin nenkin kikin	国民年金基金
National Pension System	NPS	kokumin nenkin	国民年金
Old Age Basic Pension		Rorei kiso nenkin	老齡基礎年金
Old Age Employees' Pension		Rorei kosei nenkin	老齡厚生年金
Social Security Agreement		shakai hoshou kyoutei	社会保障協 定
Survivors' Basic Pension		Izoku kiso nenkin	遺族基礎年 金
Survivors' Employees' Pension		Izoku kosei nenkin	遺族厚生年 金
Widows' Pension		Kafu nenkin	寡婦年金