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Annual Review of Social Insurance Premium

Every July employers are required to submit a report to the Pension Office to determine the appropriate level of social insurance premiums for each employee. This procedure is called the Annual Review of Social Insurance Premium or *SanteiKiso Todoke*. The new premium determined in this process is effective from September to August of the following year. The employee's portion of the premium is withheld from the monthly salary and paid, along with the employer's portion, to the authorities by the end of the following month.

The report for the annual review provides the Pension Office with the individual remuneration amounts paid in the three-month period from preceding April to June. The remuneration must include all wages and allowances paid on a monthly basis including variable payments such as overtime pay. Bonus payments paid on an annual or semi-annual basis are excluded from the report as such payments are subject to a separate method of premium contribution.

■ Monthly Standard Remuneration

Based on the monthly average salary obtained by the report, the Pension Office determines each employee's Monthly Standard Remuneration (MSR), which is a base remuneration to calculate premium. There are 50 ranks of MSR (58,000 yen - 1,390,000 yen) for health insurance and 31 ranks (88,000 yen - 620,000 yen) for welfare pension insurance. For instance, the MSR for an employee who receives 785,000 yen as the three months' average salary will be 790,000 for health insurance and 620,000 for welfare pension insurance. The MSR determined in this process is valid from September to August of the following year.

Premium is calculated by multiplying the MSR by the premium rate as shown below.

	MSR		Rate		Premium
Health insurance:	790,000	×	9.87%	=	79,973
Nursing care insurance:	790,000	×	1.79%	=	14,141
Welfare pension:	620,000	×	18.3%	=	113,460
Children welfare fund:	620,000	×	0.36%	=	2,232

The total premium is shared by employer and employee equally, except the Children Welfare Fund that is borne by employer only. Nursing Care Insurance applies to employees aged 40 and over.

Note: The ceiling of MSR for welfare pension will be raised to 650,000 (Rank 32) effective from September 2020.

■ Special Calculation Rules

The employer is required to report the 3 months' remuneration of all employees registered with social insurance as of July 1. Depending on the employee's work situation, the MSR is determined in different ways, as exampled below:

a) Employees on unpaid leave: The existing MSR remains for those who have not been paid for the whole three months.
b) New hires joined in April - June: The MSR is determined by the months with at least 17 working days, disregarding the months with fewer than 17 working days.
c) Part-time employees: The above new hire's rule will apply. When the employee has worked less than 17 days for the three months, the months with 15 and 16 workings days are only considered. If all the three months are with less than 15 working days, the existing MSR remains.

■ Non-Periodical Change of Premium

In principle, a new premium determined by the annual review remains unchanged until next year's review process. However, if a significant change occurs in an individual's remuneration, the monthly premium can be adjusted prior to the following annual review in July. A significant change is defined as a remuneration adjustment in which the MSR moves up or down by at least 2 ranks on the MSR table. This rule only applies to increase/decrease of fixed remuneration such as basic salary, position allowance, commutation allowance, etc., or when the salary structure is changed. The change of variable remuneration such as overtime pay does not become a trigger. For instance, the MSR will not be revised even though the 2 ranks move occurs due to an increase in overtime pay.

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