

# Outline of Consumption Tax

	Outline of System	
	Domestic transactions	Import transactions
Object of taxation	Transfers of assets by business entities in Japan, etc.	Import cargo
Taxpayer	Business entities	Importers
Tax base	Amount of consideration for the transfer of taxable assets, etc.	Price for accepting import cargo
Tax rate	7.8% (10% including local consumption tax) * 6.24% (8% including local consumption tax) for foods and beverages (excluding liquors and eating-out services) and subscribed newspapers issued twice or more per week	
Calculation of amount of tax due	Amount of consumption tax due = taxable sales × respective tax rate – consumption tax on purchases (input tax)	
Tax exemption for export	Export transactions, etc. (e.g. export of cargo, international transportation and communication)	
Tax-exempt transactions (without the right to deduct)	Transfer or lease of land, financial and insurance transactions, medical, education and welfare services, rents for housing, etc.	
Special measures for SMEs	<p>(1) Tax exemption for SMEs Business entities with taxable sales of ¥10 million or under during the reference period (the year or business year before the previous one) (excluding qualified invoice issuers) are exempt from consumption tax. (Note 1) Tax exemption is not available for business entities making more than ¥10 million in taxable sales (or paying more than ¥10 million in salaries in the case of business entities other than foreign business entities) during the specified period (the first half of the previous year or business year). (Note 2) Tax exemption is not available for corporations that have no reference period and have ¥10 million or more in stated capital or capital contributions, or foreign corporations that had ¥10 million or more in stated capital or capital contributions at the time of commencing business in Japan. (Note 3) Tax exemption is not available for corporations that have no reference period and are incorporated by business entities, etc. making more than ¥500 million in taxable sales or more than ¥5 billion in gross revenue (including revenue earned abroad).</p>	
	<p>(2) Simplified taxation Business entities with taxable sales of ¥50 million or under during the reference period (excluding foreign business entities that have no permanent establishment on the first day of the taxable period) may regard the amount calculated by multiplying the amount of tax on sales by the deemed purchase rate as the amount of tax on purchases. (Deemed purchase rates) Type 1 business (wholesale): 90%      Type 2 business (retail<sup>(*)</sup>): 80%      Type 3 business (manufacturing, etc.<sup>(*)</sup>): 70% Type 4 business (other): 60%      Type 5 business (service): 50%      Type 6 business (real estate): 40% * A business producing agricultural, forestry or fishery products covered by the reduced consumption tax rate is categorized as Type 2 business (80%), and a business producing other agricultural, forestry or fishery products is categorized as Type 3 business (70%).</p>	
Filing of return and payment of tax	(1) Domestic transactions	
	(i) Final return	
	Corporations: must file a final return and pay the amount of tax due within two months from the day following the last day of the taxable period*	
	Individuals: must file a final return and pay the amount due by the last day of March of the following year.	
	* Corporations to which the special extension of the filing deadline for corporation tax is applied are eligible for a one-month extension of the filing deadline for consumption tax.	
	(Note 1) Consumption tax levied during the period of extension must be paid with interest tax.	
Filing of return and payment of tax	(Note 2) The taxable period may be divided into 4 or 12 times a year by making a notification.	
	(ii) Interim return	
	Annual amount of tax for the immediately preceding taxable period	Number of interim returns and amount of tax due (principle)
	Not more than ¥0.48 million	Once a year (optional); half of the annual amount of tax for the previous taxable period
	More than 0.48 million yen and not more than 4 million yen	Once a year (mandatory); half of the annual amount of tax for the previous taxable period
	More than 4 million yen and not more than 48 million yen	Three times a year (mandatory); one-fourth of the annual amount of tax for the previous taxable period for each filing
Filing of return and payment of tax	More than 48 million yen	11 times a year (mandatory); one-twelfth of the annual amount of tax for the previous taxable period for each filing
	(2) Import transactions: Importers must file a final return and pay the amount of tax due upon accepting the import cargo from the bonded area.	
Price indication	Taxable business entities must indicate tax-inclusive prices (total prices) for goods and services to consumers in advance by means of price tags and advertisements.	