

Outline of the Reduced Tax Rate System for Consumption Tax

The reduced tax rate system on the consumption tax is in operation from October 2019 to give considerations to the lower income group after the consumption tax hike. (in accordance with Article 7 of the Fundamental Tax Reform Act)

- Items covered by the reduced tax rate
 - Foods and beverages excluding liquors and eating-out
 - Subscribed newspapers issued twice or more per week

 - Reduced tax rate: 8% (6.24% in national tax and 1.76% in local tax)
Standard tax rate: 10% (7.8% in national tax and 2.2% in local tax)

 - Introduction of the invoice-based method
 - The invoice-based method will be introduced in October 2023.
 - Business entities seeking input tax deductions are required to preserve invoices and keep related books. The amount of tax deduction is calculated by totaling the amounts of tax written in the invoices or calculating the amounts of tax based on the total amount of transactions.
- (Transitional measures before the introduction of the invoice-based method)
- Implement measures to ensure separate accounting on the reduced rate and the standard rate respectively, while maintaining the current system of keeping commercial documents. Special rules will be established for the calculation of the amount of tax on sales and tax on purchases.
- (Transitional measures after the introduction of the invoice-based method)
- A partial deduction of input tax will be granted for purchases from tax-exempt business entities for a six-year period after the introduction of the invoice-based method.