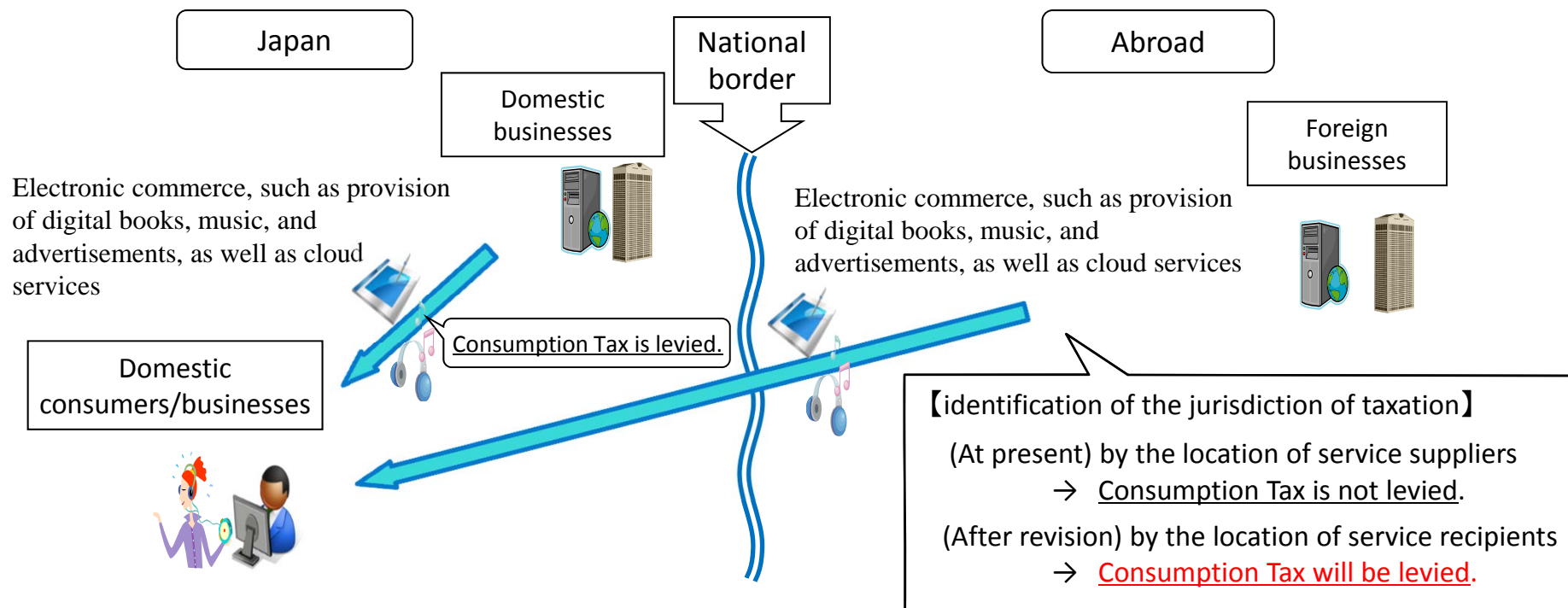


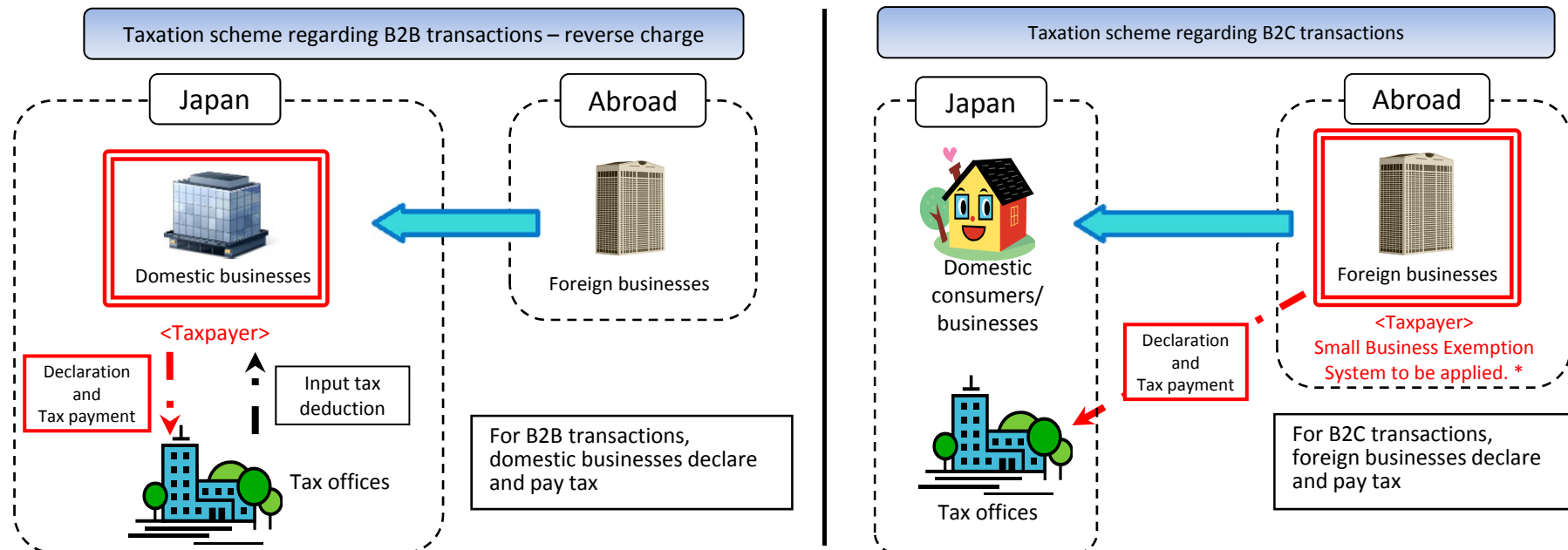
Revision of consumption taxation on cross-border supplies of services

- Extend the coverage of Japan Consumption Tax to cross-border supplies of electronic commerce by foreign businesses, such as the provision of digital books, music and advertisements, in order to ensure competitive equality between domestic and foreign businesses – effective on October 1, 2015.
- As to taxation on cross-border supplies of services other than electronic commerce, conduct further deliberations while taking into account discussions at the OECD.
(Note) electronic commerce : services supplied via electronic and telecommunication networks, excluding those ancillary to other transactions.



Revision of consumption taxation on cross-border supplies of services – taxation scheme –

- Concerning the taxation scheme where a service provider is a foreign business,
 - (i) with regard to B2B transactions⁽¹⁾, the “reverse charge mechanism”⁽²⁾ is introduced; and
 - (ii) with regard to B2C transactions⁽¹⁾, the foreign business declares and pays the tax.
 - (1) “B2B transactions” are services that are normally limited for businesses, concerning the nature, terms, etc. of the services provided (e.g., provision of advertisement). The other transactions are “B2C transactions” (e.g., provision of digital books and music).
 - (2) Mechanism in which service recipients are required to pay tax; whereas normally service providers would be required to do so.
 - (3) Considering administrative burdens, as to businesses whose rate of taxable sales to total sales is 95% or more, transactions subject to the reverse charge mechanism are exempt from tax filing.
 - (4) A foreign taxpayer who does not have its offices, etc. in Japan is required to appoint a resident to whom tax documents of the taxpayer are delivered (*Nouzei Kanrinin*).
- A registration system for foreign businesses is established (registration requires the foreign business to appoint a qualified agent (*Zeimu Dairinin*) or to have its offices, etc. in Japan). Input tax deduction is permitted only if the foreign service provider is registered, in order to prevent “input tax deduction without tax payment.”



* A business whose taxable turnover in Japan (2013FY) is equal or less than 10 million JPY is exempt from tax filing on Japanese Consumption Tax (2015FY).