

# Japan's Consumption Tax ~Introduction of tax invoice system

## Impact on your business

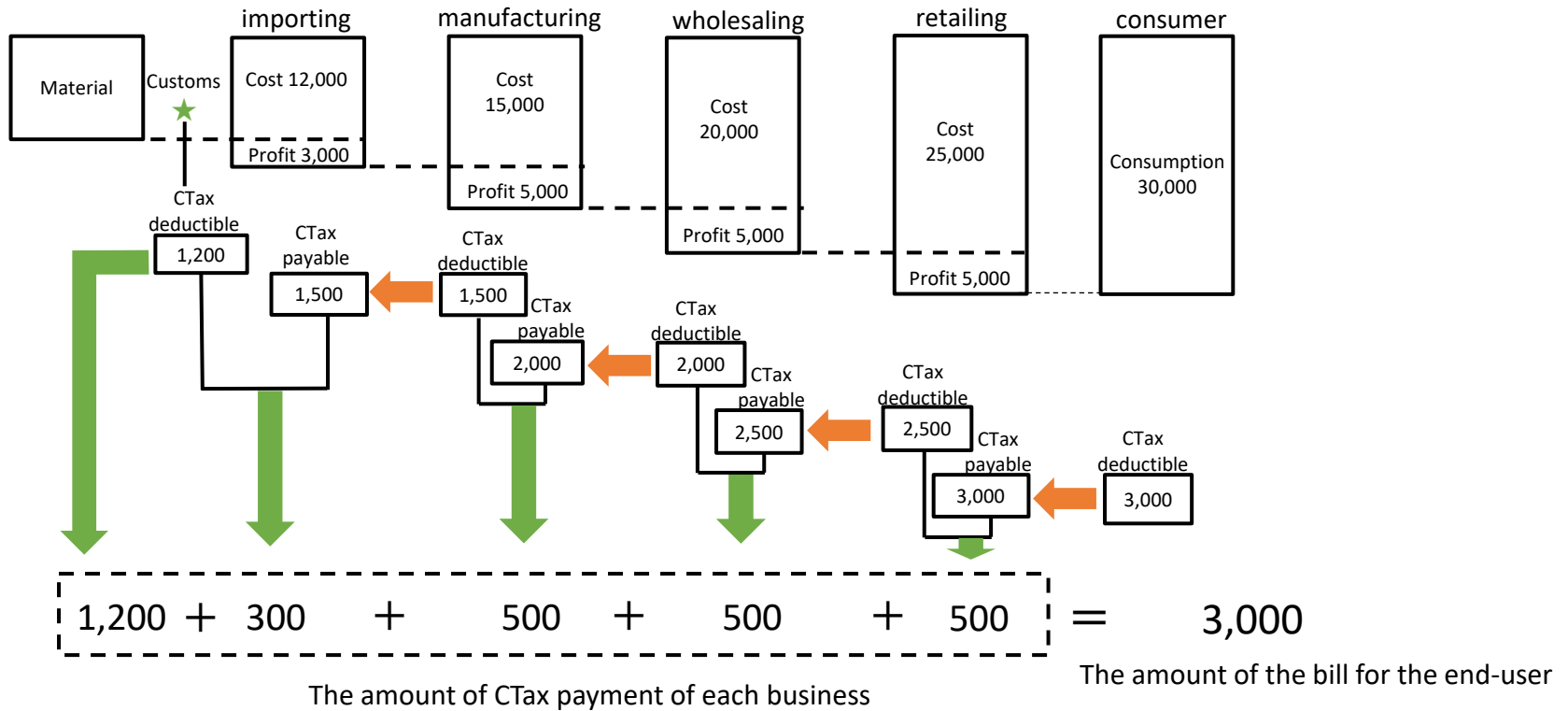


**TGN Soleil**  
**Accounting Firm**

# Structure of C Tax

Multiple tax rates  
10% or 8%

From October 1<sup>st</sup> 2019



1-2

# Multiple Consumption Tax Rate

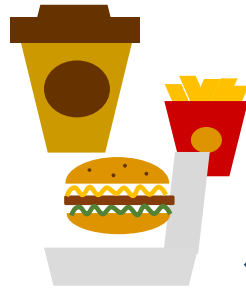
8%

Reduced Tax rate

Foods and Drinks

Newspapers

Foods & Drinks



Take out

Newspaper

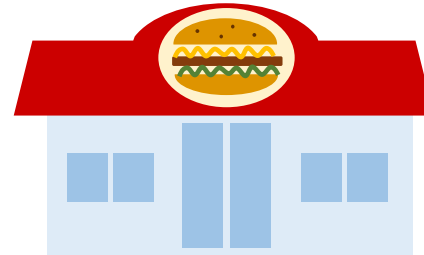
Standard Tax rate

10%

Restaurant

Alcohol

Others



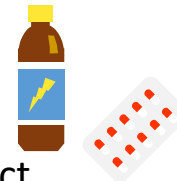
Restaurant



Beer

Wine

Pharmaceutical/  
medicated product



Water

# Timeline for qualified invoice system

The multiple consumption tax rate system started.



## Taxable sales

1

- ( i ) the sales or lease of an asset or the supply of services in **Japan**
- ( ii ) when carried out as part of a **business**
- ( iii ) with compensation













2

Imported goods into Japan  
Removing the imported goods from bounded warehouse.



*Non-residents without a fixed place of business in Japan must appoint a tax representative to handle tax administration*

The main non-taxable transaction : **Ctax does not apply to the following items**

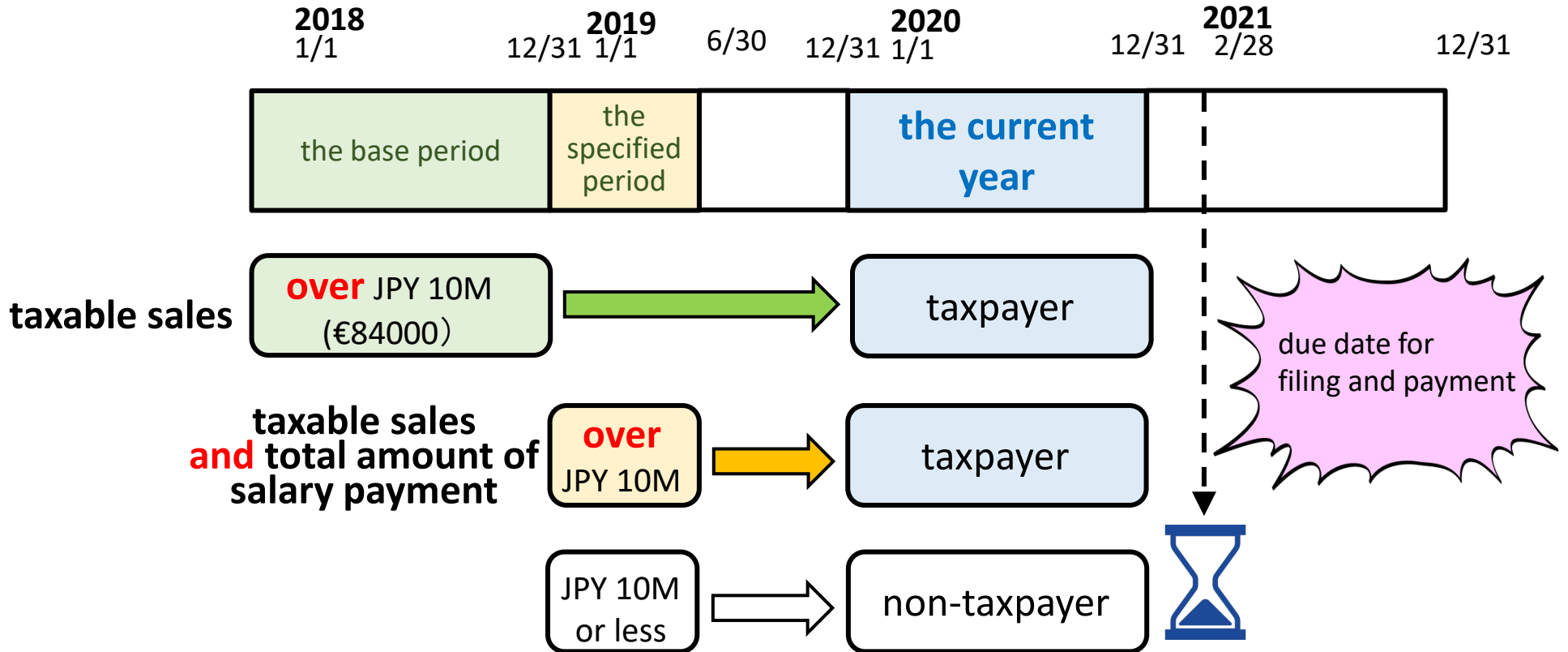
-  sales or leases of **land**
-  sales of securities
-  financial transaction conducted in Japan
-  insurance premiums
-  services carried out by the central/local government
-  services performed in an international context
-  medical care
-  social welfare activities
-  education
-  rental of housing
-  exported goods and services
-  goods purchased from tax-free shopping for non-residents



## Filing and payments

- 📌 Filing and payments annually.
- 📌 Due within 2 months of the end of a corporation's fiscal year.  
For individuals , due by March 31 of the year following the end of calendar year.
- 📌 The interim return is required depending on the amount paid as CTax for the previous year.  
(The interim payments are required at the semi-annual basis , quarterly basis or monthly basis.)

# Filing and payments ~taxpayer







# Filing and payments ~taxpayer



Newly established companies



Its paid-in capital at the beginning of the fiscal year is JPY 10M or more

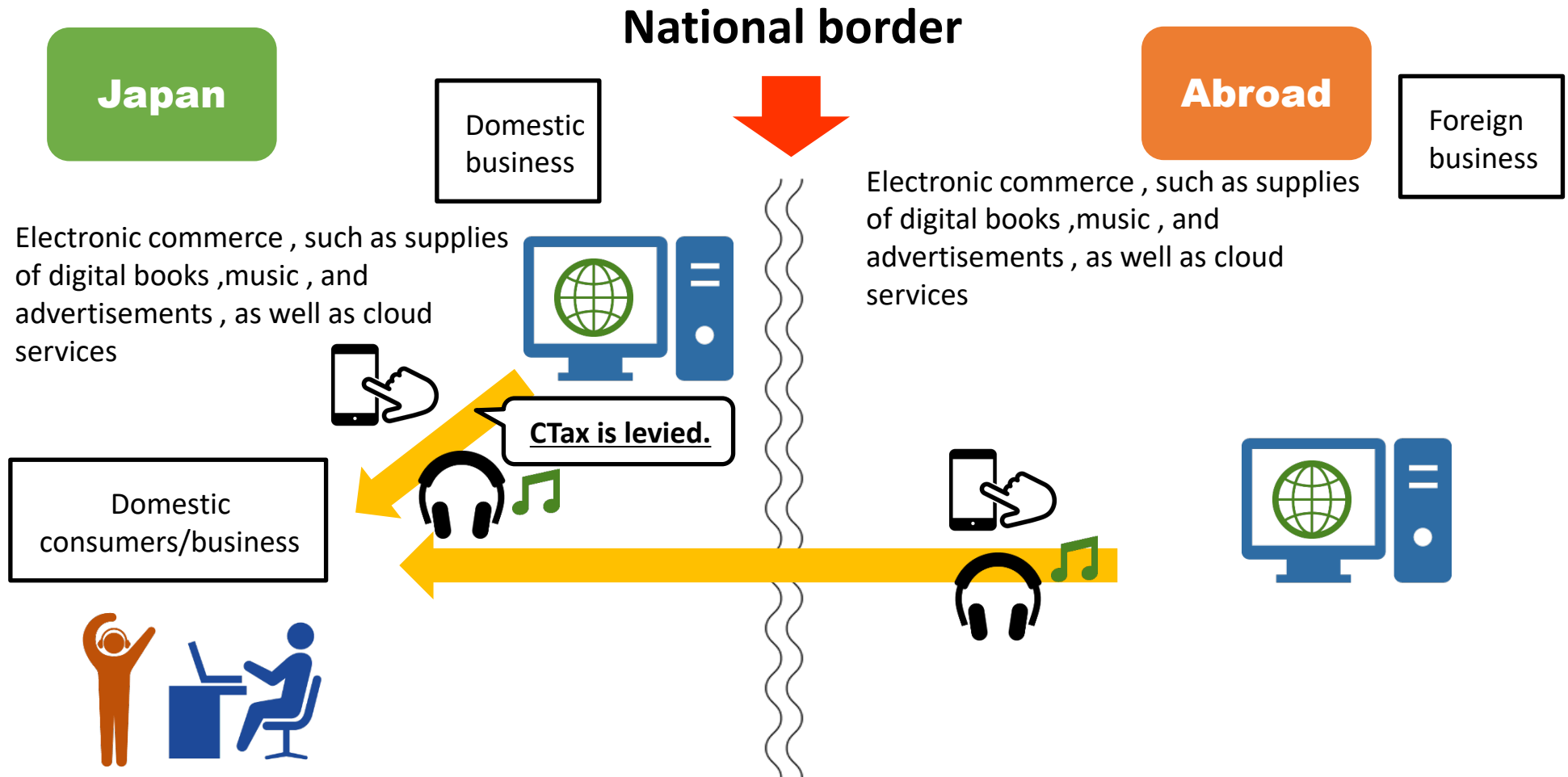


**taxpayer status**



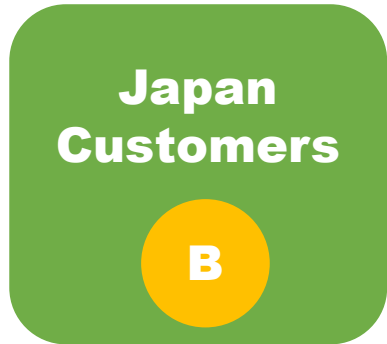
Election of the taxpayer status

# Ctax on cross-border supplies of services

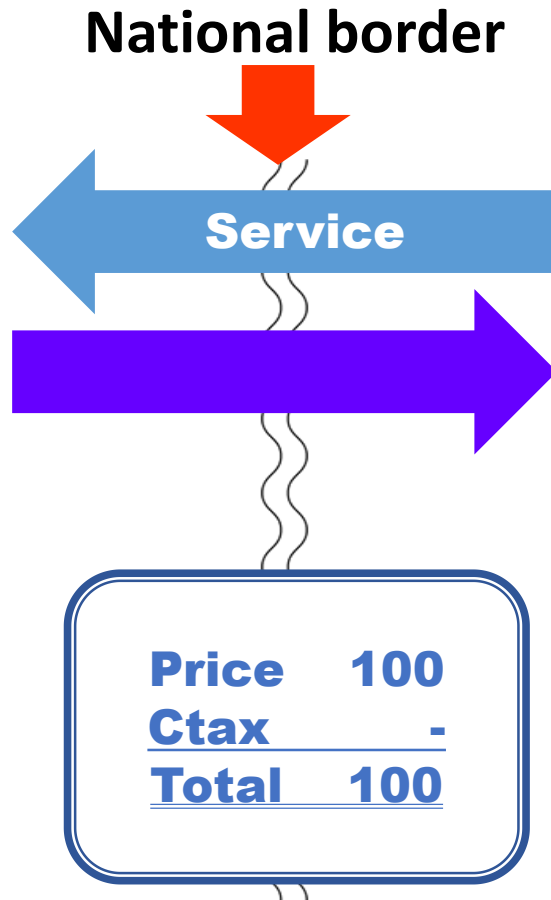


# Rule for "B2B"

~Reverse Charge mechanism



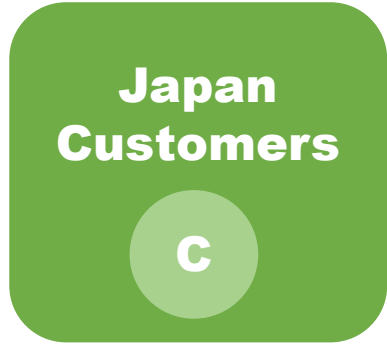
**Clear** that they are Business customers



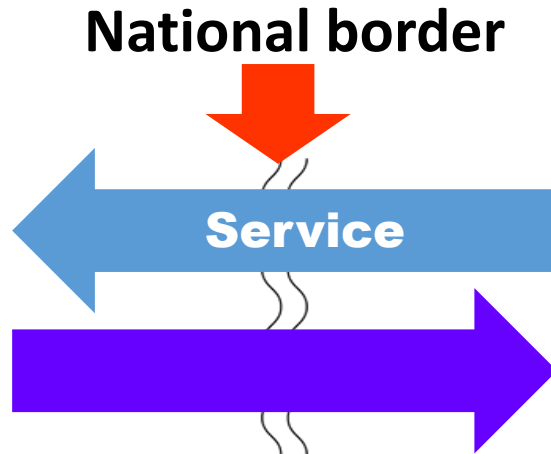
**No tax payment**

# Rule for "B2C"

~Foreign suppliers filing system



Not Clear that they are Business customers



Price	100
Ctax	10
<u>Total</u>	<u>110</u>

© Registration of foreign suppliers

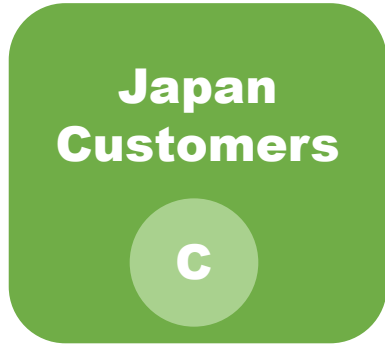
**(Q) EU business “X” distributes the game contents to their users in the world.**

**Should they pay C-tax for sales in Japan?**

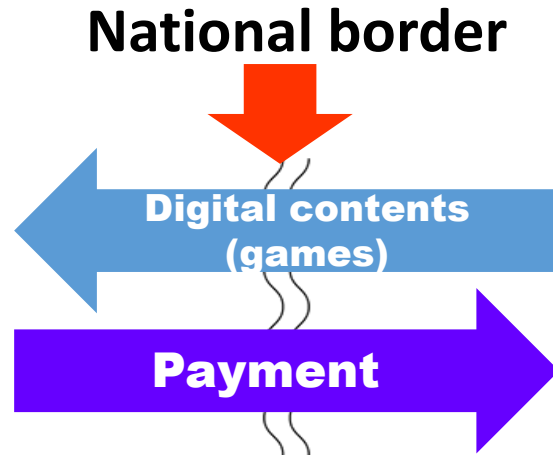
**(A) Yes, it is B2C transaction just for the Japanese users in Japan. If they have an obligation as a C-tax payer, they should pay it.**

**(Q) EU business “X” made a sub-commission agreement with a big game distributor “Y” out of Japan. “X” provides the game contents and “Y” distributes them. Should “X” pay C-tax?**

**(A) Yes.  
See next page. **



Not Clear that they are Business customers

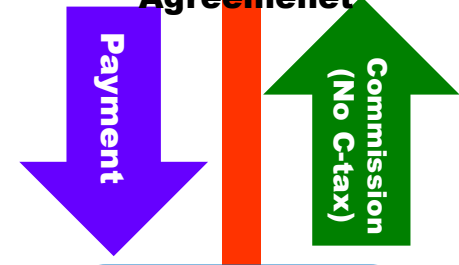


Price	100
Ctax	10
<u>Total</u>	<u>110</u>



<Y>

Sub-commission Agreement



<X>