



Japan

The local name for VAT: Consumption Tax (CT)

New amendments are effective since 1 October 2015 under the Act for Partial Revision of the Income Tax Act and Other Acts (Act No. 9 of 2015).

VAT Standard rate

The standard VAT rate in Japan in 2024 is 10%.

VAT Reduced rate

There is no reduced rate established.

Threshold

A business with taxable sales not exceeding 10 million yen in the base period for the taxable period is exempt from consumption tax obligation.

Pieces of evidence

Evidence for identification of place of consumption can include:

- Address of the service recipients;
- Matched to details of the supplied credit card.

E-services list

The provision of electronic services covers for instance the following transactions when these transactions involve payment for services:

- Provision of e-books, digital newspapers, music, videos, and software (including various applications such as games) via the internet;
- Services that allow customers to use software and databases in the cloud;
- Services that provide customers with storage space to save their electronic data in the cloud;
- Distribution of advertisements via internet;
- Services that allow customers to access shopping and auction sites on the internet (e.g., charges on posting goods for sale, etc.);
- Services that allow customers to access the place to sell game software and other products on the internet;
- Provision via internet reservation website for accommodation and restaurants (those who charge on posting for the website from the businesses that operate accommodation and restaurants);
- English lessons are provided via internet.

Electronic services do not include the provision of services that mediates other people's telecommunications using telephone, telegraph, and other telecommunication equipment – in other words, use of telecommunication networks such as telephone, FAX, and access to the internet.

Electronic services also exclude services notifying the results of transfer assets via telecommunication networks, when the notification is ancillary to the transfer of other assets.

Registration procedure

A foreign service provider that intends to register as a registered foreign business is required to fill in an "Application for registration as a registered foreign business" form and submit the application to the Commissioner of NTA via the district director of the tax office with jurisdiction over the place for tax payment.

A sole proprietor without an address or domicile in Japan and a corporation without a head office or an office in Japan are required to designate a Tax Agent to deal with the submission of tax returns and notification documents, and tax payments.

Penalties

Failure to file tax returns (which are due two months after year end) exposes the non-resident to penalties as follows:

Penalty for not filing a return – 15% of the JCT payable (plus an additional 5% of the portion exceeding JPY 500,000);

Interest – for 2015 the rate is 2.8% per annum for the period from the original due date to two months after the payment due date on an assessment or late filing. Any amount unpaid after this date is subject to 9.1% per annum interest charge.