



# Japan

## The local name for CT: Consumption Tax (CT)

New amendments are effective from 1st October 2015 under the Act for Partial Revision of the Income Tax Act and Other Acts (Act No. 9 of 2015). Foreign companies engaged in possessing warehousing and distributing goods in Japan may be subjected to Consumption tax.

## Standard VAT rate

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

## CT Reduced rate

8%

Certain products and services are eligible for the special reduced rate, including:

- Food except for alcoholic drinks;
- Newspapers are issued twice a week or more.

## Threshold

### Base period threshold

A company will be required to register for CT, file returns, and pay CT in Japan for the current period, where its sales in the “base period” exceed JPY 10 million (approximately EUR 81,000). The “base period” is the fiscal year two years before

the current fiscal year. For example, if a foreign company had CT taxable sales exceeding JPY 10 million in Japan in 2018, the entity would be considered a mandatory CT payer for 2020 concerning sales on or after January 1, 2020.

## **Specified period threshold**

Even if CT taxable sales, in the base period (i.e. 2018) did not exceed JPY 10 million, the entity will still be considered a mandatory consumption taxpayer for the current fiscal year (i.e. 2020) if CT taxable sales in the first half of the previous year (the “specified period”; in the case of 2020, the period of January to June in 2019) exceeded JPY 10 million. We know that it sounds complicated – you may link your Japan Amazon store to the LOVAT platform and we will inform you when you will reach the threshold. This service is free.

## **Deductible CT**

CT on taxable purchases paid to Japanese suppliers may be deducted from CT on taxable sales when calculating the amount of CT to be paid.

## **Registration procedure**

When a company should register, the owners will be required to complete and submit a CT registration form, along with supporting documentation:

- Certificate of incorporation (along with the translation into Japanese);
- Trade register extract (along with the translation into Japanese);
- Articles of Associations (along with the translation into Japanese of the main provisions);
- Passports of Directors and shareholders;
- Power of Attorney for a tax agent.

## **Tax representative**

Foreign taxable companies are obliged to appoint a tax representative to handle all formalities related to VAT registration and filing.

## Record keeping

Japan's consumption tax law currently has not adopted a CT invoicing system. However, Japan requires taxpayers to maintain books and records to support amounts paid and claimed. All valid tax invoices must contain the following particulars:

- the full name of the supplier;
- the date of the taxable transaction;
- the description of the taxable transaction;
- the total amount charged on the taxable transaction;
- the full name of the person to whom the goods or services are supplied.

## CT payment and filing date

CT returns and payments are due on an annual basis within two months from the end of the business year – February 28th.

Companies can also keep track of deadlines at the [LOVAT portal](#).

## Penalties

### No-filing tax

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 CT payable (plus an additional 5% of the portion exceeding JPY 500,000);
- Interest – the rate is 9.1% per annum for the period from the original due date to two months after the payment due date on an assessment or late filing.

### Late-payment tax

Where CE is paid after the due date, late-payment tax is levied by the tax office on the tax amount for the period from the due date to the date when the tax was paid:

- The tax rate is 7.3% for the first two months;
- The tax rate is 14,6% for the period after the first two months.

