



Webinar 127: Consumption Tax When Doing Business with Japan

30 October, 2018, 10:00-11:00 CET



- Moderator:
 - Lyckle Griek, JTPP Helpdesk Manager
- Today's speaker
 - Mrs. Hiroko Koido, TGN Soleil Tax Accounting Firm



- Today's programme
 - Introduction
 - Presentation by Mrs. Koido
 - Q&A Session



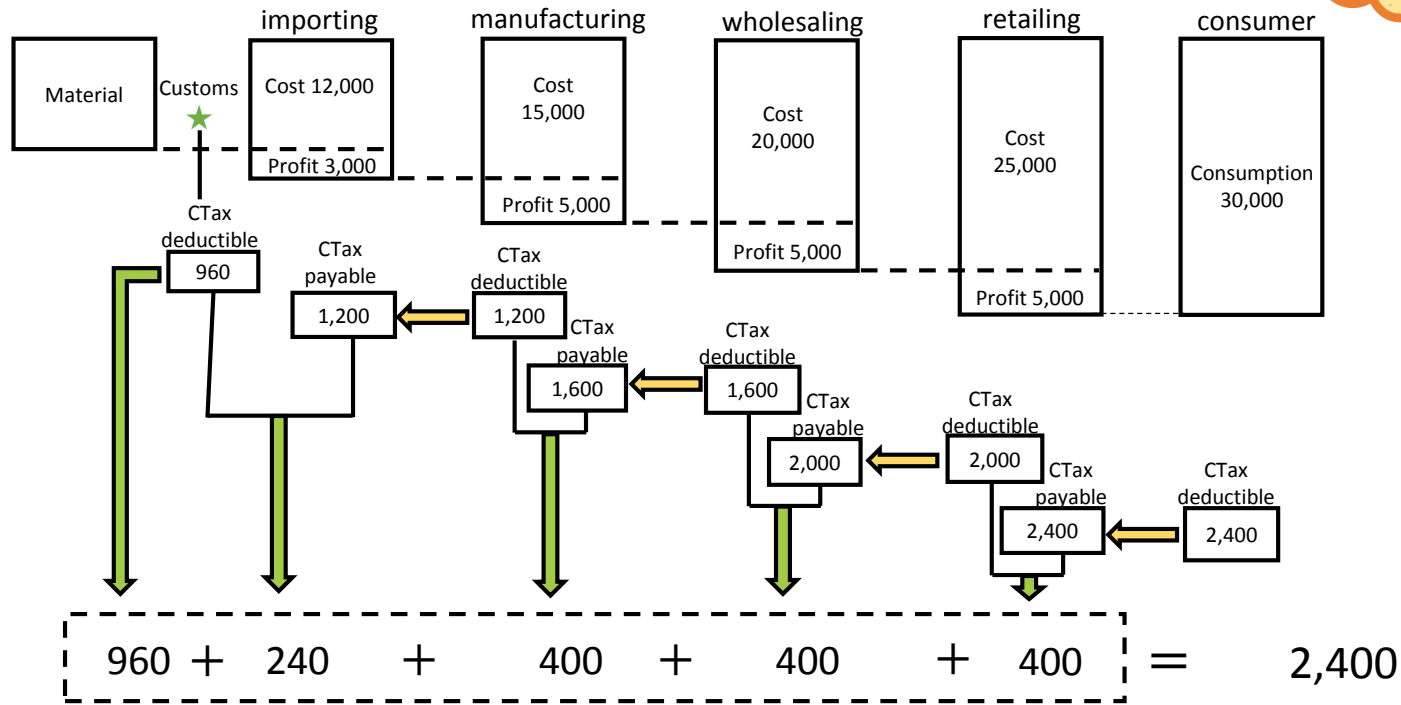
**Consumption Tax When Doing Business
with Japan**



**TGN Soleil
Accounting Firm**



Structure of Consumption Tax



The amount of CTax payment of each business

The amount of the bill for the end-user

***10% from October 1st 2019**

2

Vat base

Taxable transaction



(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) by an individual or a company



Imported goods into Japan

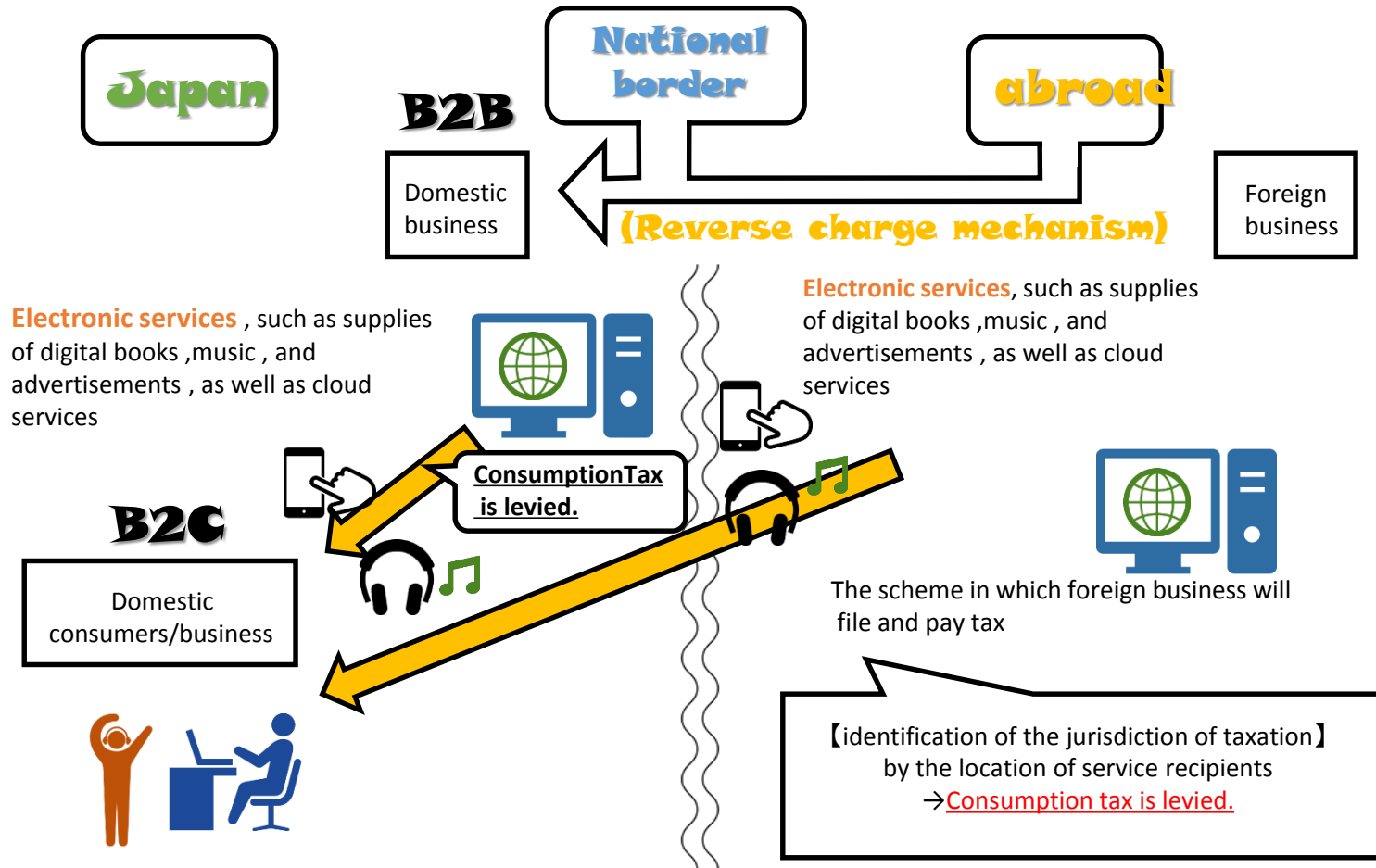
Removing the imported goods from bounded warehouse.



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

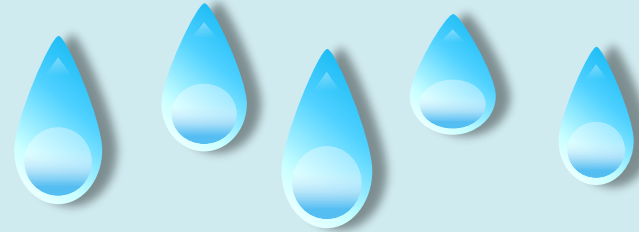


Consumption tax on cross-border supplies of services





Case 1



Company A (EU company) is developing software and provides maintenance services.

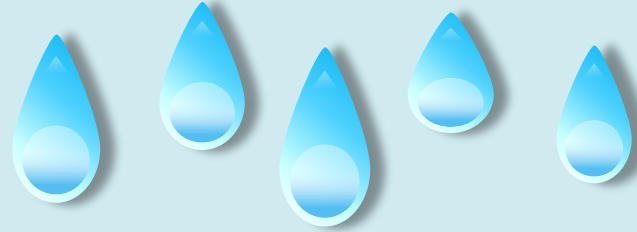
“I made a contract with a Japanese company.

Is it “provision of B2B electronic services” and should the reverse charge mechanism be applied?”



Case 1

A1



Yes, it should, as long as it is provided via internet or in the cloud.

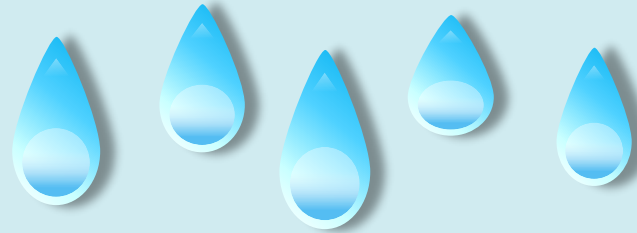
However, if Company A provides the software stored in a storage medium like a CD and installs it in Japan:

- It is not “provision of B2B electronic services”
- The consumption tax is levied and Company A files and pays consumption tax.



Case 2

Q2



Company B (EU company) is offering a data base via Internet or in the cloud.

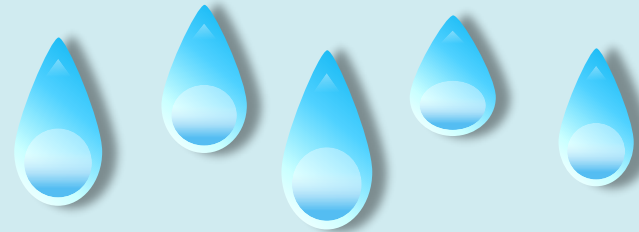
“Our clients can use it by providing their individual information and agreeing to the terms of service.

There are also some Japanese clients among them. We should file and pay Japanese consumption tax?”



Case 2

A2-1

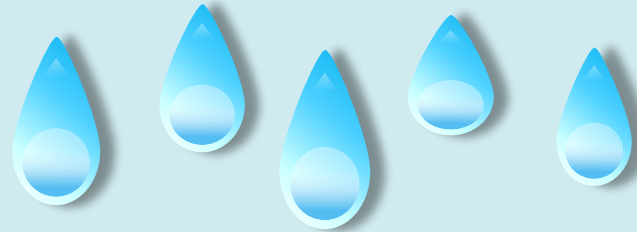


**Yes, you should.
It is “provision of **B2C** electronic
services”.**



Case 2

A2-2



Exemption threshold for businesses

In principle, a business with taxable sales in Japan not exceeding 10 million yen in the base period for the taxable period is exempt from consumption tax obligation.

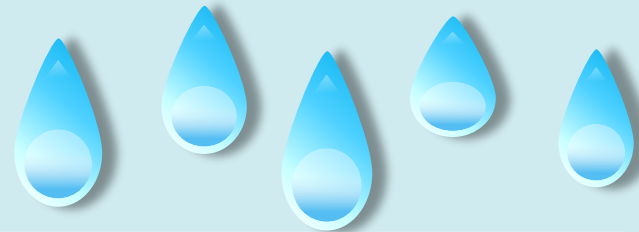
For example, if a foreign business provides electronic services only, its taxable sales would be the sales amount associated with B2C electronic services provided within Japan.

The taxable sales do not include sales associated with the provision of B2B electronic services.



Case 2

A2-3



Designation of a Tax Agent

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 submission of tax returns and notification documents, and tax payment.



Case 3



Company C (EU company) is selling goods to Japanese customers through a web-site operated by a Japanese company.

“We dispatch goods from here to them after receiving the order. Is Japanese CT levied in this case?”

We are planning to rent a storage in Japan to stock goods and dispatch them from there.”



Case 3

A3



- **In this case, No Japanese consumption tax is levied, as the goods exist outside of Japan.**
- **When Company C sells e-books, music, etc., it is “provision of B2C electronic services”.**
- **You file and pay the Japanese consumption tax when you dispatch the goods from the storage in Japan**



Case 4

Q4

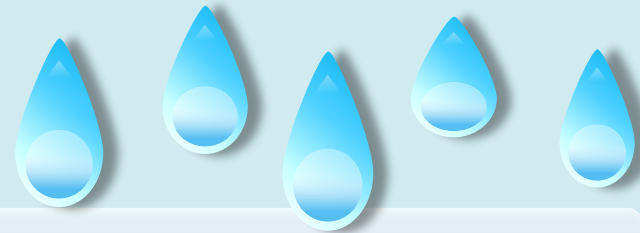


“Can you explain to us about the revision of a consumption taxation scheme for services related to entertainment and sports provided by foreign businesses?”



Case 4

A4



- **Service**
- **By film or theater actors/actress, musicians and any other entertainers or professional athletes**
- **B2B**
- **Reverse charge mechanism is applied**

THANK

YOU!



Q&A



Thank you for your attention!

jtpphelpdesk@eu-japan.eu

<http://www.eu-japan.eu/taxes-accounting>