

~Important Notice~

# The Treatment Regarding Consumption Tax on Sales of Goods in Japan by Foreign Enterprises

For foreign enterprises

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Please re-confirm your tax obligations, including those for transactions in past fiscal years, as the sale of goods and other activities conducted by foreign corporations within Japan (including sales to Japan via the Internet) may be subject to Japanese consumption tax as domestic transactions.

Even if customs duties or consumption tax (import consumption tax) are imposed when goods are imported into Japan, an additional consumption tax return and payment may be required when those goods are subsequently sold within Japan.

An overview of transactions subject to consumption tax is as follows. For more detailed information, please refer to the websites listed in the “Reference” sections or consult with a tax professional, such as Certified Public Tax Accountants, or both.

## 1 Taxpayers

When goods are sold, services are provided, or assets are leased, such transactions are subject to consumption tax. For domestic transactions, an enterprise that transfers taxable assets is the subject that is obligated to pay consumption tax (taxpayers).

Therefore, the enterprise is obligated to pay consumption tax on the transfer of taxable assets conducted within Japan (“domestic transactions” related to the transfer of taxable assets).

Please notice that, even for a small enterprise (with taxable sales of 10 million yen or less during the base period for the tax period), the tax payment obligation is not exempted if the enterprise is registered as an “Invoice Issuer”.

[Reference] National Tax Agency : 「消費税のあらまし」 (Pages 18-19)

(<https://www.nta.go.jp/publication/pamph/shohi/aramashi/pdf/007.pdf>) (Japanese only)



## 2 Transactions Subject to Taxation (Domestic Transactions)

Consumption tax is levied on domestic transactions.

When an enterprise engages in transfer of assets between Japan and abroad, the transfer is classified as a domestic transaction if the assets are located within Japan at the time the transfer of the assets takes place.

Therefore, for example, if a foreign corporation sells goods stored in a warehouse in Japan to a consumer in Japan via the Internet, it falls into the said domestic transaction.

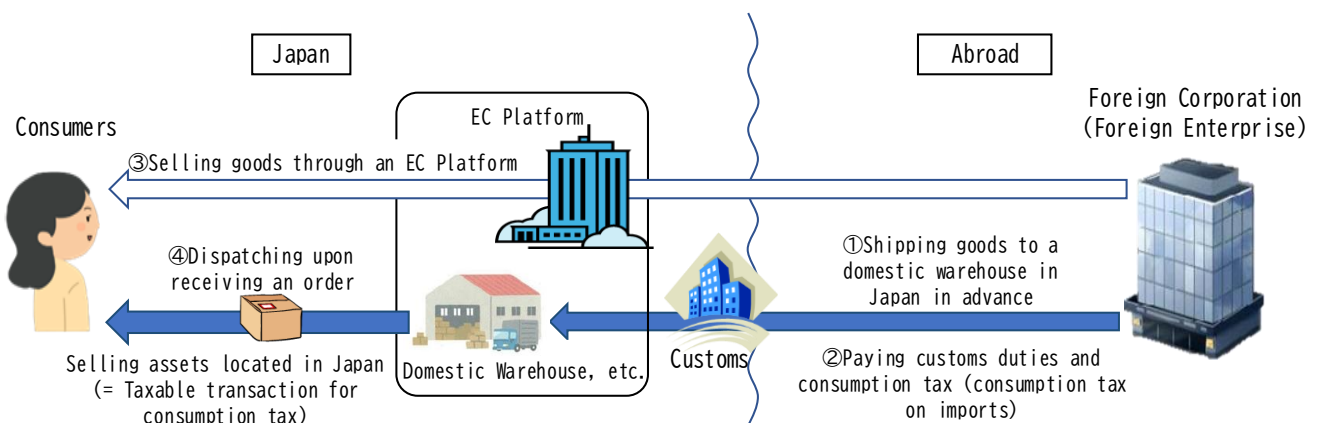
[Reference] National Tax Agency : 「消費税のあらまし」 (Page 9)

(<https://www.nta.go.jp/publication/pamph/shohi/aramashi/pdf/004.pdf>) (Japanese only)



### 3 Specific Examples of Sales of Goods Conducted Domestically by Foreign Corporation

#### Example where a tax return should be filed



Even if either customs duties or consumption tax or both is or are levied when goods are imported into Japan, a consumption tax return should be filed if, for example, the goods are stored in a warehouse in Japan in advance and then dispatched (sold) from that domestic warehouse upon receiving an order from a domestic consumer.

\* A consumption tax return should be also filed if an order is received and the goods are dispatched (sold) from a domestic warehouse without using a platform.

### 4 Tax Base

The amount that is used as the basis of calculation for the tax amount of consumption tax is called the “tax base”. The amount of consumption tax related to taxable sales is calculated by multiplying the total amount of the tax base (referred to as “the tax base amount”) by the tax rate.

In the case of domestic transactions, the consideration (payment) received for the transfer of taxable assets is the tax base.

[Reference] National Tax Agency : 「消費税のあらまし」 (Page 27)

(<https://www.nta.go.jp/publication/pamph/shohi/aramashi/pdf/009.pdf>) (Japanese only)



(Note) “Transfer of taxable assets” refers to transfer of assets other than transfer of assets classified as non-taxable. For an overview of transfer of assets that are non-taxable, please refer to the following website.

[Reference] National Tax Agency : 「消費税のあらまし」 (Page 12)

(<https://www.nta.go.jp/publication/pamph/shohi/aramashi/pdf/005.pdf>) (Japanese only)



[Reference] National Tax Agency : Basic knowledge | Consumption Tax

([https://www.nta.go.jp/english/taxes/consumption\\_tax/01.htm](https://www.nta.go.jp/english/taxes/consumption_tax/01.htm)) (English available)

