

Platform Taxation of Consumption Tax

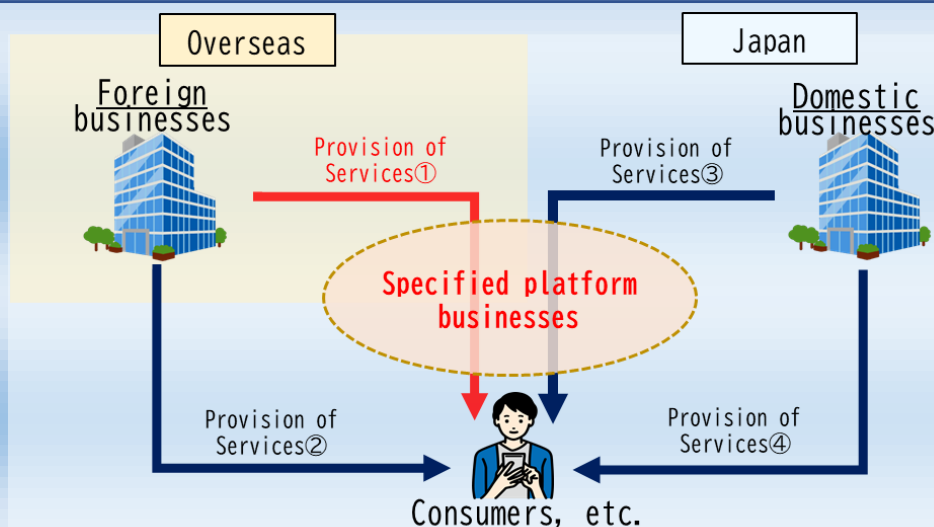
National Tax Agency April, 2024

Overview of Platform Taxation

Businesses who provide electronic services*¹ such as application distribution for the consumers in Japan (excluding provision of B2B (business-to-business) electronic services*², hereinafter referred to as “**provision of B2C (business-to-consumer) electronic services**”) are required to file and pay the consumption tax on such services, regardless of whether such businesses are domestic or foreign businesses*³.

According to the partial revision of the Consumption Tax Act, etc. on and after April 1, 2025, if **a foreign business provides B2C electronic services via a digital platform*⁴** and receives the compensation for the provision of such services via **a specified platform business*⁵**, such services shall be deemed as such specified platform business provides the services and **the specified platform business is required to file and pay the consumption tax.**

- *1 Provision of electronic services refers to the provision of services via telecommunication lines (e.g., Internet), such as the distribution of e-books and music, in addition to the application distribution.
- *2 B2B electronic services means electronic services provided by foreign businesses, where the recipients of such services are usually limited to businesses due to the nature of the services or the terms and conditions, etc., pertaining to the provision of such services.
- *3 Foreign businesses means nonresident individual businesses as stipulated in the Income Tax Act and foreign corporations as stipulated in the Corporation Tax Act.
- *4 Digital platforms include, for example, app stores, online malls, etc.
- *5 Specified platform businesses are businesses that have been designated by the Commissioner of the National Tax Agency as being platform businesses that meet certain requirements.



<Taxpayers Liable to Pay Tax on Provision of B2C Electronic Services before and after Revision of Consumption Tax Act >

	Provision of Services①	Provision of Services②	Provision of Services③	Provision of Services④
Before	Foreign businesses	Foreign businesses	Domestic businesses	Domestic businesses
After	Specified platform businesses	Foreign businesses	Domestic businesses	Domestic businesses

- The platform taxation is applied to the provision of **B2C electronic services via a digital platform by a foreign business**, and **the compensation for the provision of such services is received via a specified platform business**. Therefore, **the following cases are not subject to the platform taxation.**
 - When a **domestic business** provides B2C electronic services via a digital platform
 - When providing B2C electronic services **without going through** a digital platform
 - Where B2C electronic services are provided via a digital platform and the compensation for the provision of such services is received **without going through** a specified platform business.
- **The provision of B2C electronic services that are not subject to platform taxation** will continue to be subject to tax filing and payment on the consumption tax by the business that provides such services.
- **The provision of B2B electronic services** will continue to be subject to tax filing and payment on the consumption tax by **the business that receives such services** (reverse charge mechanism).

For Foreign Businesses that Provide B2C Electronic Services

1 Subjects of the platform taxation are as follows.

- ◆ Subjects of the platform taxation are as follows.
 - ✓ The provision of B2C electronic services via a digital platform by a foreign business,
 - ✓ And the receipt of compensation for the provision of such services via a “**specified platform business**”.
- ◆ “**Specified platform business**” means a business that has been designated by the Commissioner of the National Tax Agency as a platform business that meets certain requirements.

When the Commissioner of the National Tax Agency designates a specified platform business, it will be publicized on the National Tax Agency website.

※ Specified platform businesses that will be subject to platform taxation from April 1, 2025 will be designated by December 31, 2024, and the designation will be publicized on the National Tax Agency’s website.

Matters concerning Specified Platform Businesses to be Publicized on National Tax Agency’s Website

- ① **Name of the digital platform** of the specified platform business
- ② **Individual name or name** of the specified platform business
- ③ **Date on which the designation** as a specified platform business **becomes effective**

- ◆ In addition, **the specified platform business** designated by the Commissioner of the National Tax Agency is required to notify the **foreign business** that provides B2C electronic services subject to platform taxation that it is subject to platform taxation and the date on which the platform taxation becomes effective (the date on which the designation of the specified platform business becomes effective).

2 Cases subject to Platform Taxation

- ◆ If the provision of B2C electronic services by foreign businesses are subject to platform taxation, the specified platform businesses file and pay the consumption tax on such B2C services, therefore, foreign businesses are not required to file and pay the consumption tax.

In addition to the provision of B2C electronic services subject to platform taxation, those who are engaged in transactions subject to consumption taxation may be required to file and pay the consumption tax on such transactions.
- ◆ The provision of B2C electronic services subject to platform taxation is deemed to be conducted by a specified platform business, so even if the foreign business is a business issuer of qualified invoice, such foreign business is not obliged to issue a qualified invoice for the provision of B2C electronic services subject to platform taxation.

For Platform Businesses

1 Obligation of Notification

- ◆ The platform business meeting the requirements for designation, is required to submit a **“Designation Notification for the specified platform business”** (hereinafter “Designation Notification”) to the Commissioner of the National Tax Agency via the tax office superintendent having jurisdiction over the place of tax payment by the due date* of filing a final return for the taxable period.

《Requirements for Designation》

The total amount of compensation received via the platform business for the provision of B2C electronic services provided by foreign businesses in Japan via the digital platform provided by such platform business for that taxable period exceeds 5 billion yen.

※ For those who have no filing obligation, the due date shall be the filing deadline as if there were an obligation (for a corporation, in principle, within two months from the day following the last day of the fiscal year).

2 Designation and Publication of Specified Platform Businesses by Commissioner of National Tax Agency

- ◆ When a Designation Notification is submitted by a platform business, the Commissioner of the National Tax Agency will designate it as a specified platform business (even the case that no Designation Notification is submitted, such platform business will be designated as a specified platform business if it meets the designation requirements.
Such designation shall be effective on the first day of the month following the month in which six months have elapsed since the deadline for submission of the Designation Notification (or the date of issuance of the designation notice if no Designation Notification has been submitted by that deadline). (It shall be subject to platform taxation from the date when the designation becomes effective.)

【Notification and Designation at Commencement of System (Transitional Measures)】

Those who meet the designation requirements during the taxable period that includes April 1, 2024 (or, if such taxable period is a taxable period ending on or after August 1, 2024, then the taxable period preceding such taxable period. Such period is hereinafter referred to as “the determination period at the time of enforcement”) are required to submit a Designation Notification by September 30, 2024.

In this case, the Commissioner of the National Tax Agency will designate the platform business for the determination period at the time of enforcement as the specified platform business by December 31, 2024, and its designation will be effective as of April 1, 2025.

- ◆ The Commissioner of the National Tax Agency notifies to the specified platform business in writing and publicizes it on the website of the National Tax Agency when the Commissioner designates the specified platform business.

Matters concerning Specified Platform Businesses to be Publicized on National Tax Agency’s Website

- ① **Name of the digital platform** of the specified platform business
- ② **Individual name or name** of the specified platform business
- ③ **Date on which the designation** as a specified platform business **becomes effective**

3 For Those Designated as Specified Platform Business

- ◆ The specified platform business designated by the Commissioner of the National Tax Agency is required to notify the foreign business that provides B2C electronic services subject to platform taxation that it is subject to platform taxation and the date on which the platform taxation becomes effective (the date on which the designation of the specified platform business becomes effective).
- ◆ For the provision of B2C electronic services subject to platform taxation, the specified platform business files a tax return and pays tax for the services.
In addition, it is required to attach to such income tax return a detailed statement showing the total amount of compensation, etc. for the provision of B2C electronic services subject to platform taxation.
- ◆ If a specified platform business is a business issuer of qualified invoice, it is obliged to issue a qualified invoice for the provision of B2C electronic services subject to platform taxation.