

Q & A about Platform Taxation of
Consumption Tax
(For Platform businesses)

July 2024
National Tax Agency
Consumption Tax Office

Explanatory Notes

- Abbreviations of articles and other documents cited in the text and at the end of the text are as follows.

Act Consumption Tax Act (Act No. 108 of 1988)

ITA Income Tax Act (Act No. 33 of 1965)

CTA Corporation Tax Act (Act No. 34 of 1965)

Order Order for the Enforcement of the Consumption Tax Act (Cabinet Order No. 360 of 1988)

Regulations Regulations for Enforcement of the Consumption Tax Act (Order for Ministry of Finance No. 53 of 1988)

Supplementary provisions of the revised Act

..... Supplementary provisions for the partial revision of Income Tax Act etc. (Act No. 8 of 2024)

Circular Consumption Tax Act Basic Circular

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I Overview of platform taxation

(Overview of “platform taxation”)

Question 1: Please provide an overview for “platform taxation.”

[Answer]

Regarding the provision of electronic services (such as app distribution)^{*1} performed by business operators targeting consumers, etc. in Japan (excluding provision of electronic services^{*}² towards business operators; hereinafter “B2C provision of electronic services”), each business operator performing the provision of services is supposed to do tax declaration and tax payments, whether the business operator is a domestic business operator or a foreign business (see Question 2).

In the partial revision of the Consumption Tax Act, etc. (tax reform of FY2024), the following was prescribed: in cases of B2C provision of electronic services by a foreign business performed via digital platform (see Question 3) on April 1, 2025 onwards, if the service proceeds are collected via a specified platform business^{*3}, it is construed that the specified platform business provided the services and that the entity has to submit tax returns and pay taxes (platform taxation) (Article 15-2 ① of the Act).

- *1 “Provision of electronic services” means provision of services using telecommunication lines (Internet, etc.) such as app distribution, delivery of electronic books, music tunes, etc.
- *2 Regarding the provision of electronic services performed by foreign businesses, if service recipients are limited to ordinary business operators depending on the service nature or the transaction conditions for service provision, such category is called “B2B provision of electronic services.”
- *3 Specified platform businesses are the business operators as designated by the Commissioner of the NTA, that meet specific requirements (see Question 13).

- Regarding the B2C provision of electronic services, if it is performed by foreign businesses via a digital platform, as well as if the proceeds from the provided services are collected via a specified platform business, it is subject to the platform taxation. Therefore, the following cases are not subject to the platform taxation.
 - Cases where B2C provision of electronic services is performed by domestic business operators via a digital platform
 - Cases where B2C provision of electronic services is performed not via a digital platform
 - Cases where B2C provision of electronic services is performed via a digital platform and proceeds from the provided services are collected not via a specified platform business operator (see Question 8)
- Regarding the B2C provision of electronic services not subject to the platform taxation, each business operator that provides the services will continue to do tax declaration and tax payments as before.
- Regarding the B2B provision of electronic services, each business operator that receives the services will continue to do tax declaration and tax payments as before (reverse charge method).

(Definition of a “foreign business”)

Question 2: What kind of entity is a foreign business?

[Answer]

Regarding the B2C provision of electronic services performed by foreign businesses using a digital platform, if the proceeds from the provided services are collected via a specified platform business, such cases are subject to the platform taxation.

Herein, a “foreign business” is either of the following (Article 2 ① 4-2 of the Act, Article 2 ① 5 of the ITA, Article 2-4 of the CTA).

① Sole proprietor who is a non-resident*¹

* 1 Non-resident is an individual other than residents (individuals holding a postal address in Japan or having kept holding a residence in Japan for one year or longer until today).

② Foreign corporation*²

* 2 Foreign corporation is a corporation other than domestic corporations (corporations having its head office or the main office in Japan).

(Definition of “digital platform”)

Question 3: What is a “digital platform”?

[Answer]

Regarding the B2C provision of electronic services performed by foreign businesses using a digital platform, if the proceeds from the provided services are collected via a specified platform business, such cases are subject to the platform taxation.

“Digital platform” is a place constructed through computer-used information processing, expecting its uses by unspecified and large number of entities. It is a place where entities other than the provider of the place perform B2C provision of electronic services, constantly displaying information related to the B2C provision of electronic services using telecommunication lines, targeting unspecified and large number of entities. Specific examples include application stores, online shopping malls for electronic books, etc. (Article 15-2 ① of the Act).

II Scope of the subjects of the platform taxation, etc.

(Goods sales via shopping websites)

Question 4: Our company is running a shopping website on the Internet. Are the goods sales by a foreign business performed via our shopping website subject to the platform taxation?

[Answer]

In cases of B2C provision of electronic services carried out by a foreign business via a digital platform, if the proceeds from the provided services are received via a specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

Since goods sales do not fall under the category of provision of electronic services, such sales are not subject to the platform taxation (Article 2 ① 8-3 of the Act).

(B2C provision of electronic services performed towards entities not having a postal address nor a residence in Japan)

Question 5: Our company is a platform business. Regarding the game app distribution carried out by foreign businesses using the digital platform provided by us, towards foreign tourists traveling in Japan (those who have no postal address nor a residence in Japan) (B2C provision of electronic services), are such cases subject to the platform taxation?

[Answer]

In cases of B2C provision of electronic services performed by a foreign business via a digital platform, if the proceeds from the provided services are received via a specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

While consumption taxes are imposed on asset transfer, asset lending, and service provision performed domestically by business operators as business obtaining sales proceeds. Given that, when determining whether provision of electronic services was done within Japan or not, it is prescribed that it should be determined depending on whether postal address, or residence, or head office location, etc. of each service recipient exists within Japan or not (Article 4 ③ 3 of the Act).

For this reason, as suggested in your question, when talking about the B2C provision of electronic services performed towards those who do not have a postal address nor residence in Japan, they are not the services performed in Japan, so they are not subject to consumption tax. Therefore, such cases are not subject to the platform taxation.

Judgment on whether postal address, etc. of an entity receiving the electronic services is in Japan or not should be made per objective and reasonable criteria. For example, confirmation is performed by collating the postal address registered by the customer over the Internet and the information on the issuing country of the credit card used by the customer for payments, etc. As such, it is prescribed that judgment should be made using a reasonable and objective method depending on the nature of each, etc. (5-7-15-2 of the Circular).

(B2C provision of electronic services performed by a platform business itself using its digital platform)

Question 6: Our company is a platform business falling under the category of foreign businesses. We are distributing apps that we developed ourselves using our own digital platform (B2C provision of electronic services) and are collecting the proceeds from the distributed apps directly from application users. Is such app distribution subject to the platform taxation?

[Answer]

Regarding the B2C provision of electronic services performed by a foreign business using a

digital platform, if the proceeds from the provided services are collected via a specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

Regarding the distribution of apps of in-house development, etc. (B2C provision of electronic services) performed by a platform business using its own digital platform, it is not what is performed using a digital platform provided by other platform business. In addition, when addressing your question, proceeds for the distributed apps of in-house development, etc. are collected directly from app users, so such cases are not subject to the platform taxation (5-8-9 of the Circular). However, regarding the B2C provision of electronic services performed by the platform business itself towards the consumers, etc. in Japan, based on the taxable sales of the platform business itself, it is necessary to calculate the payable consumption tax amount and carry out tax declaration and tax payments.

However, the amount for a platform business to determine whether it satisfies the specific requirements for a specified platform business (see Question 13) or not does not include the proceeds from the B2C provision of electronic services to domestic consumers, etc. as performed by the platform business itself, so attention must be paid to this point.

(Definition of “collection of charges via platform business”)

Question 7: Our company is a platform business that distributes apps created by other business operators and provides settlement service. The user covenants for the platform provided by our company prescribe the following: for the proceeds from the apps distributed by foreign businesses using the platform (B2C provision of electronic services), our company collects them from app users, deducts certain fees from them, and pays the residual amounts to the foreign businesses performing the app distribution. Our company is outsourcing this payment operation to foreign businesses to an external business operator, so the foreign businesses performing app distribution will receive the proceeds from the apps distributed from that external business operator. Are such cases subject to the platform taxation?

[Answer]

In cases of B2C provision of electronic services performed by foreign businesses via a digital platform, if the proceeds from the provided services are received via a specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

Regarding your question, you said the user covenants for the platform provided by your company prescribe as follows: for the proceeds from the app distribution (B2C provision of electronic services), your company as a platform business collects them from app users and pay them net of fees to the foreign businesses performing app distribution. Therefore, your company is an entity that “receives the proceeds from the provided services through a platform business,” even if the payment operation to foreign businesses is being outsourced to an external business

operator.

Therefore, if your company is a specified platform business, the app distribution performed by foreign businesses using the digital platform provided by your company (B2C provision of electronic services) is subject to the platform taxation.

(Note) The same does apply to judgments on whether a platform business satisfies the specific requirements for a specified platform business or not (see Question 13).

(In case proceeds from B2C provision of electronic services are collected not via the platform business)

Question 8: Our company is a platform business. There are cases where foreign businesses are performing app distribution (B2C provision of electronic services) via the digital platform provided by us, and they are collecting the proceeds from the distributed apps directly from application users, not via our company. Are such cases subject to the platform taxation?

[Answer]

Regarding the B2C provision of electronic services performed by foreign businesses using a digital platform, if the proceeds for the provided services are collected via the specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

Regarding the app distribution (B2C provision of electronic services) you questioned, since the foreign businesses collect the proceeds for the distributed apps directly from application users not via your company, such services are not subject to the platform taxation.

(Note) When determining whether a platform business meets specific requirements for a specified platform business (see Question 13) or not, even if the case is B2C provision of electronic services performed by a foreign business using a digital platform, if proceeds are not collected via a platform business, amounts of such proceeds will not be included in the amount to be used to see whether ¥5 billion threshold is exceeded or not (specific requirements).

(B2C provision of electronic services against in-game usable coins which are regarded as prepaid payment instruments)

Question 9: Our company is a platform business. Among the foreign businesses that are providing game apps using the digital platform provided by our company (B2C provision of electronic services), there are some entities that are issuing coins (falling under the category of prepaid payment instruments as prescribed in the Payment Services Act) usable only for purchases of in-game items, etc. and collecting the proceeds via our company. Is the coin issuance performed by such foreign businesses subject to the platform taxation? Also, is the provision of in-game items against the issued coins (B2C provision of electronic services)

subject to the platform taxation?

[Answer]

Regarding your question, issuance of coins usable only for purchases of in-game items, etc. (prepaid payment instruments as prescribed in the Payment Services Act.; the same does apply hereunder) is not regarded as asset transfer nor service provision (6-4-5 of the Circular), so consumption tax is not imposed on it. Therefore, it is not subject to the platform taxation.

On the other hand, regarding the provision of in-game items performed by foreign businesses against the coins that can be used only for purchases of in-game items, etc. (B2C provision of electronic services), if it is via a digital platform as well as if the proceeds from the provided services (amounts corresponding to the issued coins) are collected via a specified platform business, it is subject to the platform taxation.

As suggested in your question, regarding the provision of in-game items against issued coins that is subject to the platform taxation, in principle, when the provision of in-game items is implemented against the issued coins, the amounts are recorded as taxable sales of the specified platform business.

However, if it is difficult for the specified platform business to grasp the timing of the provision of in-game items against issued coins as well as if the issued coins can be used only for purchases of certain items, etc. in specific games, when having collected the proceeds corresponding to the issued coins, it is allowed to record them as taxable sales of the specified platform business, as far as this is applied on a continuous basis.

(Note) 1 When determining whether a platform business meets specific requirements for a specified platform business (see Question 13) or not as well, judgment can be made using the amounts collected against the issued coins.

(Note) 2 When applying the above proviso on the day the designation as a specified platform business takes effect onwards, ensure a notification that it will be subject to the specified platform taxation, etc. (see Question 16); and before that date, notify the foreign businesses performing B2C provision of electronic services subject to the platform taxation of the following items.

- That starting with the B2C provision of electronic services (provision of certain items, etc.) in relation to the prepaid payment instruments (coins) that are issued on or after the date the designation as a specified platform business takes effect, the platform taxation will apply.
- Regarding the B2C provision of electronic services in relation to the prepaid payment instruments that were issued before that date, it is not subject to the platform taxation. Therefore, proceeds from such provision will continue to be treated as taxable sales of the foreign businesses.

【Reference】

○ Payment Services Act (excerpts)
(Definitions)

Article 3 The term “prepaid payment instruments” as used in this Chapter means any of the following instruments:

- (i) certificates, electronic devices, or other items (hereinafter referred to as "certificates, etc." in this Chapter) or numbers, markings, or other signs (including additions to the amount recorded in the certificate, etc. by electronic or magnetic means in exchange for the receipt of consideration equivalent to the additional amount recorded) issued in exchange for the receipt of consideration equivalent to the amount (if the amount is found each time to be converted to and indicated as an amount indicated in another unit, include the number of that unit; the same applies hereinafter in this item and in paragraph (3)) recorded in the certificate, etc. or recorded using electronic or magnetic means (meaning in electronic form, magnetic form, or any other form that is impossible to perceive by the human senses alone; the same applies hereinafter in this paragraph) which can be used for the purpose of paying consideration for the purchase or leasing of goods, etc. or the receipt of provision of services from the issuer or the person designated by the issuer (referred to as the "issuer, etc." in the following item) by way of presentation, delivery, notification, or other means;
- (ii) certificates, etc. or numbers, markings, or other signs issued in exchange for the receipt of consideration equivalent to the quantity of goods, etc. or services recorded in the certificate, etc. or recorded using electronic or magnetic means (including additions to the quantity of goods, etc. or services recorded in the certificate, etc. by electronic or magnetic means in exchange for the receipt of consideration equivalent to the recorded additional quantity) which can be used for the purpose of claiming the delivery or provision of those goods, etc. or services from the issuer, etc. by way of presentation, delivery, notification, or other means.

Article 2 ~ 10 (Snip)

(Judgment on whether the business operator that performs B2C provision of electronic services is a foreign business or not)

Question 10: In platform business, when determining whether a case is subject to the platform taxation or not, how should we proceed to see whether a business operator performing B2C provision of electronic services via the digital platform provided by it is a foreign business or not?

[Answer]

In cases of B2C provision of electronic services performed by foreign businesses via a digital platform, if the proceeds from the provided services are received via a specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

In platform business, when determining whether the case is subject to the platform taxation, you need to see whether the business operator performing B2C provision of electronic services via the digital platform provided by it is a foreign business not having any postal address nor head office, etc. in Japan (see Question 2) or not. In doing so, for example, you may judge it per objective and reasonable criteria, such as using the location of the head office as notified by the business operator in the platform utilization agreement, etc. (5-8-8 of the Circular).

(Confirming whether a foreign business performing B2C provision of electronic services is a taxable business operator or not)

Question 11: In platform business, when determining whether a case is subject to the platform

taxation or not, is it necessary for us to confirm whether a foreign business performing B2C provision of electronic services via the digital platform provided by us is a consumption tax taxable business operator or not?

[Answer]

Irrespective of whether a foreign business performing provision of electronic services via a digital platform is a consumption tax taxable business operator or not, in cases of B2C provision of electronic services performed by foreign businesses via a digital platform, if the proceeds from the provided services are received via a specified platform business, such cases are subject to the platform taxation (Article 15-2 ① of the Act).

Therefore, in platform business, when determining whether a case is subject to the platform taxation or not, is it not necessary for you to confirm whether a foreign business performing B2C provision of electronic services via the digital platform provided by you is a consumption tax taxable business operator or not.

(Confirmation of whether the counterparty of B2C provision of electronic services is a consumer)

Question 12: In platform business, when determining whether it is subject to the platform taxation, is it necessary for us to confirm whether the counterparty (user) of B2C provision of electronic services is a consumer or not?

[Answer]

“B2B provision of electronic services” is excluded from the provision of electronic services that is subject to the platform taxation. Herewith “B2B provision of electronic services” represents the services “where service recipients are limited to ordinary business operators depending on the nature of the services, or the transaction conditions for the service provision, etc.” from among the electronic services provided by foreign businesses (Article 2 ① 8-4, Article 15-2 ① of the Act).

As such, whether “B2B provision of electronic services” is applicable or not is determined based on whether service recipients are limited to ordinary business operators or not depending on the nature of the services, or the transaction conditions for the service provision, etc. Therefore, if what is categorized as “B2C provision of electronic services” is provided to business operators, it will not be treated as “B2B provision of electronic services.”

Dor this reason, if provision of electronic services by foreign businesses via a digital platform is categorized as “B2C provision of electronic services” (not falling under the category of B2B provision of electronic services), it is not necessary to confirm whether the counterparty (user) of the B2C provision of electronic services is a consumer or not, when determining whether the platform business is subject to the platform taxation.

III Designation as a specified platform business, etc.

(Obligation to submit a notification about platform business)

Question 13: Please explain concerning the specific requirements for a specified platform business, and the obligation to submit a notification about platform business.

[Answer]

When specific requirements are satisfied for a platform business, the entity needs to submit a “Designation Notification for a specified platform business” (hereinafter a “Designation Notification”) to the Commissioner of the NTA via the District Director of the competent Tax Office of the place for tax payment, by the submission deadline for a tax return of the taxation period^{*1*2} (Article 15-2 ③ of the Act).

If the entity is already a specified platform business as of the last day of the taxation period, it is not necessary to submit Designation Notification, even if specific requirements came to be satisfied for the taxation period.

《Specific requirements》

That in a taxation period for a platform business, out of the amount of proceeds from the B2C provision of electronic services performed in Japan by foreign businesses using the digital platform provided by it, total amount of the proceeds collected via the platform business^{*3*4,5} exceeds ¥5 billion

- * 1 In case there is no tax declaration obligation, it should be the submission deadline assuming that there were tax declaration obligation (for a corporation, in principle, within 2 months counting from the day following the last day of the target fiscal year).
- * 2 In case of a corporation, submission should be within 2 months counting from the day following the last day of the taxation period. However, if the special provision on submission deadline for a tax return (Article 45-2 ① of the Act) is applicable, that extended submission deadline is applicable.
- * 3 If there are any applicable consumption tax amount and local consumption tax amount to be imposed on the B2C provision of electronic services, such amounts should be included.
- * 4 In case of a taxation period that is less than one full year, the total amount will be divided by the number of months constituting that taxation period, and the result will be multiplied by 12 to get the target value.
- * 5 In case a platform business provides multiple digital platforms, out of the amount of the proceeds from the B2C provision of electronic services using all of those digital platforms provided by it, what will be counted is the total amount of the proceeds collected via the platform business.

(Note) Notification will be required when the institutional system newly starts and there will be transitional measures for the designation (see Question 15).

(Reference) You can obtain the Designation Notification form through download from [the NTA website](#).

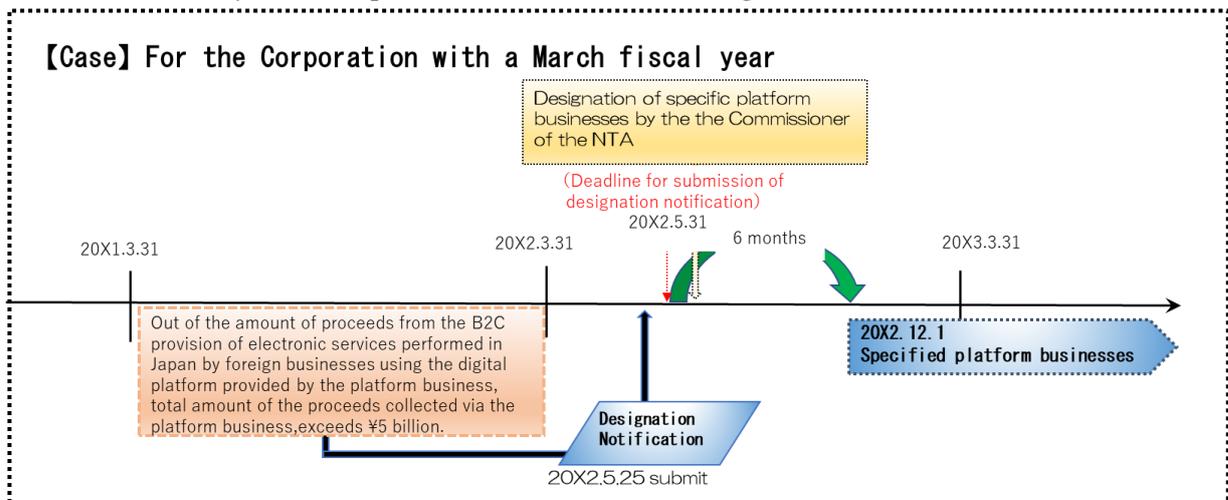
(Designation of a specified platform business and the date it takes effect)

Question 14: Please explain the designation of a specified platform business and the date it takes effect.

[Answer]

When a Designation Notifications submitted by a platform business, the Commissioner of the NTA will designate it as a specified platform business (even when a Designation Notification is not submitted, if specific requirements (see Question 13) are satisfied, such entity will be designated as a specified platform business) (Article 15-2 ② of the Act).

Such designation will take effect on the first day of the month following the month which will include the day after elapse of 6 months from the submission deadline for the Designation Notification(see Question 13) (in case no Designation Notification is submitted by the submission deadline, from the date designation notice is issued) (from the day designation takes effect, target services become subject to the platform taxation) (see the figure below).



(Note) Notification is required when the institutional system starts and there will be transitional measures concerning designation (see Question 15).

When a specified platform business is designated by the Commissioner of the NTA, a written notice will be sent to the specified platform business, and at the same time, the following items will be publicized through the NTA website (Article 15-2 ④ of the Act, Article 29 ⑤ of the Order).

- 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**

(Notification required when the institutional system starts and transitional measures for designation)

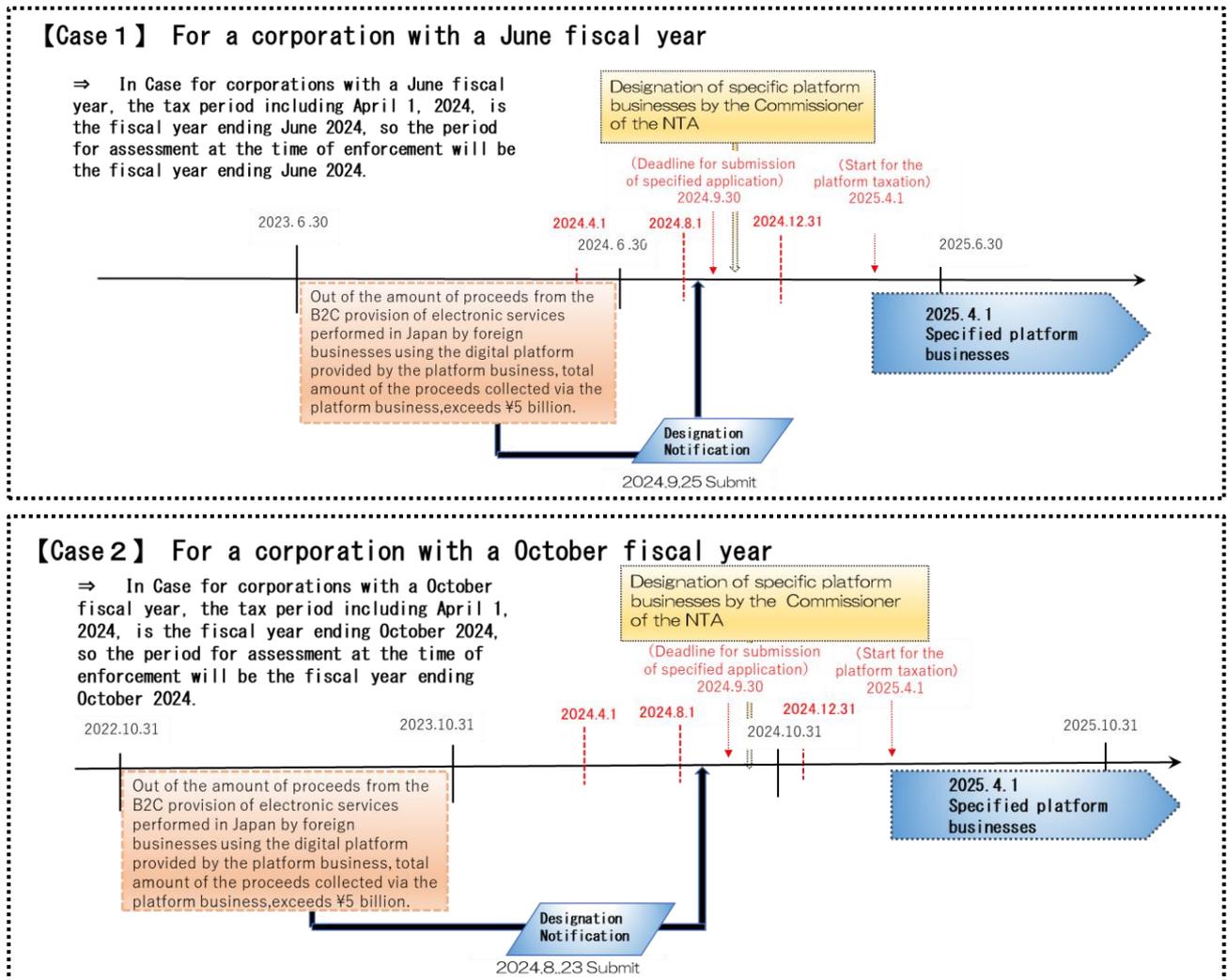
Question 15: Please explain the notification requirement when the institutional system starts and the transitional measures for designation.

[Answer]

If in the taxation period including April 1, 2024 for platform business (in case the taxation period ends on August 1, 2024 or later, it should be the previous taxation period before that taxation period; hereinafter “judgment period when it gets enforced”), specific requirements (see Question 13) are met, it is necessary to submit a Designation Notification by September 30, 2024

(Article 13 ⑦, Supplementary Provisions of the revised Act).

Concerning the judgment period when it gets enforced, if a specified platform business is designated by the Commissioner of the NTA by December 31, 2024, the designation will take effect on April 1, 2025 (Article 13 ⑧, Supplementary Provisions of the revised Act) (see the figure below).



(Notice to a foreign business when it is designated as a specified platform business)

Question 16: When having received a notice on the designation as a specified platform business from the Commissioner of the NTA, should we notify the target entities that their services will become subject to the platform taxation, targeting the foreign businesses that perform B2C provision of electronic services via the digital platform provided by us?

[Answer]

When having received a notice on the designation as a specified platform business from the Commissioner of the NTA, the platform business needs to promptly notify the foreign businesses that perform the B2C provision of electronic services subject to the platform taxation of the following: the B2C provision of electronic services will become subject to the platform taxation; and the date it will become subject to the platform taxation (the date the designation as a specified

platform business takes effect) (Article 15-2 ⑤ of the Act).

As for notification, forms and methods of notification may be chosen at discretion: for instance, notification items are clearly indicated in line with explanations on the changed items when user covenants with foreign businesses were changed at the start of the platform taxation; or notification items are clearly indicated in ordinary communication emails exchanged with foreign businesses. However, if notification items are described only on the website of the specified platform business or if they are described only in the user covenants of the digital platform provided by the specified platform business, that does not sufficiently constitute a “notification” to foreign businesses. Pay attention to this point.

Anyway, foreign businesses need to be properly notified for enabling them to recognize that the B2C provision of electronic services will newly become subject to the platform taxation.

(Tax declaration and tax payments after designated as a specified platform business)

Question 17: When having received a notice on the designation as a specified platform business from the Commissioner of the NTA, regarding the B2C provision of electronic services which will become subject to the platform taxation, is it correct that the specified platform business will have to cover the tax declaration and tax payments?

[Answer]

Regarding the B2C provision of electronic services which will become subject to the platform taxation, based on the taxable sales from the specified platform business, consumption tax amount will have to be calculated and tax declaration and tax payments will need to be done accordingly on the day the designation as a specified platform business takes effect onwards (on the day the services become subject to the platform taxation onwards) (Article 15-2 ① of the Act). Note that when submitting a tax return, it needs to attach a statement that describes the total amount of the proceeds from the B2C provision of electronic services that will become subject to the platform taxation, etc. (Article 15-2 ⑮ of the Act, Article 11-5 ⑤ of the Regulations).

(Obligation to issue invoices for the provision of electronic services that will become subject to the platform taxation)

Question 18: Our company is a specified platform business as well as a qualified invoice issuer (invoice issuer). If regarding the B2C provision of electronic services that will become subject to the platform taxation, if we are asked by a service provision counterparty (taxable business operator) to issue qualified invoices (invoices), is our company supposed to issue qualified invoices?

[Answer]

Regarding the B2C provision of electronic services that will become subject to the platform

taxation, it will be construed that services are provided by the specified platform business. Therefore, if the specified platform business is a qualified invoice issuer (invoice issuer), when issuance of qualified invoices (invoices) is requested by any service provision counterparty (taxable business operator) regarding the B2C provision of electronic services that will become subject to the platform taxation, the specified platform business needs to issue qualified invoices, irrespective of whether the foreign business that performs B2C provision of electronic services is a qualified invoice issuer or not (Article 15-2 ① and Article 57-4 ① of the Act).

In this case, the “representative’s name or name of the qualified invoice issuer” and the “registration number” to be described on qualified invoices should be the “representative’s name or the entity name” and the “registration number” of the specified platform business.

The B2C provision of electronic services that will become subject to the platform taxation is regarded as a business that is allowed to issue simplified qualified invoices (simplified invoices) (Article 57-4 ② of the Act, Article 70-11 of the Order).

When compared with descriptions on qualified invoices, those on simplified qualified invoices are different in the following points: description on “representative’s name or the name of the business operator to receive documents” is not required; either description on “consumption tax amount, etc. for each tax rate category” or description on “applicable tax rate” alone will suffice. Specific items to be described on simplified qualified invoices are as follows.

- ① Representative’s name or the entity name and the registration number for the qualified invoice issuer
- ② Date the taxable assets were transferred, etc.
- ③ Details of the assets or the services relating to the transfer, etc. of taxable assets (in case taxable assets were transferred, etc. where the taxable assets were subject to mitigation measures, details of the assets and that the transfer was for the taxable assets subject to mitigation measures)
- ④ Regarding the transfer, etc. of taxable assets, segmental total amount of tax-excluded amounts or tax-included amounts for each of the tax rate segments
- ⑤ Consumption tax amount, etc. or applicable tax rate for each tax rate category*
* You may describe both “consumption tax amount, etc. for each tax rate category” and each “applicable tax rate.”

(Is it necessary to recognize deemed purchases by specified platform business or not?)

Question 19: In the B2C provision of electronic services that will become subject to the platform taxation, I now understand that the services are deemed to have been provided by the specified platform business. Can I interpret that the specified platform business was a recipient of the B2C provision of electronic services from foreign businesses (that it implemented taxable purchases from them)?

[Answer]

Regarding the B2C provision of electronic services that will become subject to the platform taxation, it is prescribed that it will be deemed the specified platform business performed that (Article 15-2 ① of the Act). However, the specified platform business will not be deemed to have received the B2C provision of electronic services (have implemented taxable purchases) from foreign businesses.

(Restrictions on application of the tax exemption threshold system for specified platform businesses)

Question 20: Even in case of a specified platform business, if taxable sales amount was ¥10 million or less in the reference period, is such entity treated as a tax-exempted business operator?

[Answer]

In case of a specified platform business, during the taxation periods when the designation is effective (when it is subject to the platform taxation), the tax exemption threshold system is not applicable to it (Article 9 ① and Article 15-2 ⑭ of the Act).

Also, the simplified taxation system as well is not applicable (Article 37 ① and Article 15-2 ⑭ of the Act).

(Note) Even in case of a platform business, which has been a tax-exempted business operator, if it is designated as a specified platform business and its designation as a specified platform business takes effect midway of a taxation period (becomes subject to the platform taxation), taxable business operator status should be applied to it from the first day of that taxation period.

(Calculation of the share of taxable sales when having become a specified platform business)

Question 21: Our company (FY ends in September) will become a specified platform business on April 1, 2025. In this case, how should we calculate the share of taxable sales for FYE September 2025?

[Answer]

Regarding the B2C provision of electronic services that will become subject to the platform taxation, it will be deemed as has been provided by the specified platform business (Article 15-2 ① of the Act).

Therefore, regarding your question, since you mentioned that your company will become a specified platform business on April 1, 2025, data treatment in calculating the share of taxable sales for FYE September 2025 will be as follows: proceeds from the B2C provision of electronic services that will become subject to the platform taxation, to be carried out in April ~ September 2025, will be included in both the numerator figure and the denominator figure. (Article 30 ⑥ of the Act, Article 48 ① of the Order).

(In case proceeds from the B2C provision of electronic services subject to the platform taxation were returned)

Question 22: Our company will become a specified platform business on April 1, 2025. Regarding the B2C provision of electronic services carried out by a foreign business using the digital platform provided by our company before that day (that is, regarding what could become subject to the platform taxation, if carried out on that day onwards), if the proceeds are partially returned, etc. on that day or later, is it allowed for our company to deduct the consumption tax amount corresponding to the amount of returned funds?

[Answer]

Regarding the B2C provision of electronic services performed by a foreign business using the digital platform before the services become subject to the platform taxation, if all or part of the proceeds were returned, the foreign business will deduct the consumption tax amount corresponding to the returned amount. Therefore, even if such funds are returned on April 1, 2025 (when your company will become a specified platform business) or later, your company will not be allowed to deduct the consumption tax amount corresponding to the returned amount.

Regarding the B2C provision of electronic services that will become subject to the platform taxation, it is deemed that the services are provided by the specified platform business. Therefore, if proceeds are returned on April 1, 2025 (when your company will become a specified platform business) or later, in relation to the B2C provision of electronic services that will become subject to the platform taxation as performed by a foreign business, your company, as a specified platform business, will be allowed to deduct the consumption tax amount corresponding to the returned amount (Article 38 ① of the Act).

(Judgment on the obligation of interim tax declaration when having become a specified platform business, and calculation of interim tax payment amount)

Question 23: Our company (FY ends in March) will become a specified platform business on April 1, 2025. In this case, what will be the judgment on the obligation of interim tax declaration for FYE March 2026 and how should we calculate the interim tax payment amount?

[Answer]

Whether the obligation of interim tax declaration arises or not will be determined based on the declared consumption tax amount for the latest taxation period. In addition, the interim tax payment amount will be calculated based on the declared consumption tax amount for the for the latest taxation period (Article 42 ① of the Act).

Therefore, though your company will become a specified platform business on April 1, 2025, as suggested in your question, judgment on the obligation of interim tax declaration for FYE March

2026 and calculation of interim tax payment amount will be performed, based on the declared consumption tax amount for FYE March 2025 (the latest taxation period).

If regarding the interim declaration target period, interim tax declaration and ensuing tax payment are performed using the consumption tax amount, etc. that was calculated based on tentative financials not based on the declared consumption tax amount for the latest taxation period, ensure the following: include the amount of proceeds from the B2C provision of electronic services that will become subject to the platform taxation (to be performed on April 1, 2025 or later) in the taxable sales amount, when calculating the interim tax payment amount (Article 43 ① of the Act).

IV Changing publicized items for a specified platform business, cancellation of designation, etc. (Changing publicized items for a specified platform business)

Question 24: After designated as a specified platform business, if the name of the digital platform to be provided by us, etc. are changed, what kind of procedures should we pursue?

[Answer]

If any change arises to the name of the digital platform, representative’s name and name of the specified platform business for any specified platform business publicized through the NTA website, the specified platform business should submit a “Notification to change publicized items for a specified platform business” to the Commissioner of the NTA via the District Director of the competent Tax Office of the place for tax payment (Article 15-2 ⑥ of the Act, Article 29 ⑤ of the Order).

After a “Notification to change publicized items for a specified platform business” was once submitted, any changed item to its content will be publicized through the NTA website.

(Reference) You can download the form of “Notification to change publicized items for a specified platform business” from the [NTA website](#).

(In case you have inherited digital platform operated by a specified platform business through merger, etc.)

Question 25: Our company absorbed Company X, which is a designated specified platform business, inheriting the digital platform business of Company X in its entirety. In such a case, how will the platform taxation be applied to it? Also, are there any specific procedures that our company should pursue?

[Answer]

In case a business operator has inherited the digital platform-related business from a specified platform business through a merger or a business carveout, or in case it has taken over the

business, the surviving corporation having inherited the business through a merger or a carveout or the business operator having taken over the business (excluding specified platform business) is deemed by the Commissioner of the NTA to have received the designation as a specified platform business effective on the date of the merger, etc. (Article 29 ① of the Order).

Therefore, addressing your question, regarding the B2C provision of electronic services performed by foreign businesses using the digital platform inherited by your company, if proceeds from the provided services are collected through your company having become a specified platform business, your company will have to file tax returns and pay taxes on the day of the merger, etc. onwards.

In addition, the business operator having inherited the digital platform-related business of a specified platform business through a merger or a carveout or the business operator having taken over the business needs to submit a “Notification on a merged corporation, etc. that is regarded as a designated specified platform business” to the Commissioner of the NTA via the District Director of the competent Tax Office of the place for tax payment without delay (Article 15-2 ③ of the Act, Article 29 ② of the Order).

When a specified platform business that can be deemed as a designated entity is grasped, the Commissioner of the NTA will notify the business operator that it is now deemed as a designated specified platform business; and at the same time, will publicize the digital platform name, etc. of the specified platform business through the NTA website (Article 15-2 ④ of the Act, Article 29 ④⑤ of the Order).

When having received a notice on the designation as a specified platform business from the Commissioner of the NTA, the platform business needs to promptly notify the foreign businesses that perform the B2C provision of electronic services subject to the platform taxation of the following: the B2C provision of electronic services will become subject to the platform taxation; and the date it will become subject to the platform taxation (the date the designation as a specified platform business takes effect) (Act Article 15-2 ⑤ of the Act) (see Question 16 for the notification methods).

(Reference) You can download the form of “Notification on a merged corporation, etc. that is regarded as a designated specified platform business” from the [NTA website](#).

(In case digital platform-related business has been transferred by a specified platform business)

Question 26: In case a specified platform business has discontinued its digital platform-related business in its entirety through transferring it to other business operator, any procedures are required?

[Answer]

In case a specified platform business has discontinued its digital platform-related business in its entirety to which the platform taxation is applied, through business transfer, etc., it needs to promptly submit a “Notification on discontinuation of specified platform business” to the Commissioner of the NTA via the District Director of the competent Tax Office of the place for tax payment (15-2 ⑩ of the Act).

In case it is recognized that a specified platform business has discontinued its digital platform-related business to which the platform taxation is applied, the Commissioner of the NTA will cancel the designation as a specified platform business (15-2 ⑪ of the Act).

(Reference) You can download the form of “Notification on discontinuation of specified platform business” from the [NTA website](#).

(Application for cancelling the designation as a specified platform business)

Question 27: Our company is a specified platform business. However, we have been reducing the digital platform-related business; total amount of proceeds from the B2C provision of electronic services that will be subject to the platform taxation has been less than ¥5 billion for 3 consecutive years. In such a case, will our company continue to be a specified platform business?

[Answer]

If the requirements to apply for designation cancellation are satisfied, a specified platform business may apply for cancelling the designation as a specified platform business, through submitting an “Application for cancelling the designation as a specified platform business” (hereinafter “Application for designation cancellation”) to the Commissioner of the NTA via the District Director of the competent Tax Office of the place for tax payment, by the submission deadline for the tax return of the third taxation period*¹ (Article 15-2 ⑦ of the Act).

《Requirements to apply for cancelling the designation》

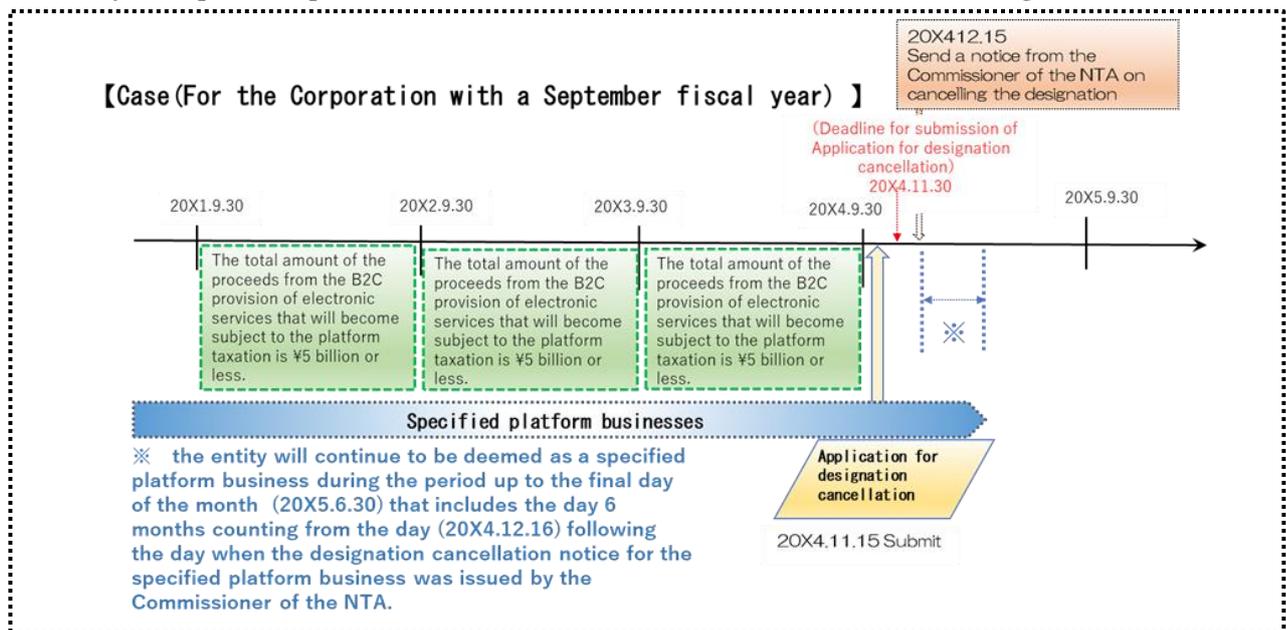
That the total amount of the proceeds*^{2*3} from the B2C provision of electronic services that will become subject to the platform taxation has continued to be less than ¥5 billion, in all taxation periods spanning from that taxation period to the taxation period that includes the day 3 years after the first day of that taxation period (the third taxation period).

- * 1 In case of a corporation, submission should be within 2 months counting from the day following the last day of the taxation period. However, if the special provision on submission deadline for a tax return (Article 45-2 ① of the Act) is applicable, that extended submission deadline is applicable.
- * 2 If there are any applicable consumption tax amount and local consumption tax amount to be imposed on the B2C provision of electronic services, such amounts should be included.
- * 3 In case of a taxation period that is less than one full year, the total amount will be divided by the number of months constituting that taxation period, and the result will be multiplied by 12 to get the target value.

By assessing the submitted application for designation cancellation, if the requirements for an application of designation cancellation are satisfied, the Commissioner of the NTA will cancel the

designation as a specified platform business (Article 15-2 ⑧ of the Act).

Even when the designation has been cancelled in response to the submitted application for designation cancellation, the entity will continue to be deemed as a specified platform business during the period up to the final day of the month that includes the day 6 months counting from the day following the day when the designation cancellation notice for the specified platform business was issued by the Commissioner of the NTA. During this period, the entity will continue to be subject to the platform taxation. Therefore, regarding the B2C provision of electronic services subject to the platform taxation to be performed in the period the entity will continue to be deemed as a specified platform business, tax declaration and tax payment will have to be taken care of by the specified platform business (Article 15-2 ⑨ of the Act) (see the figure below).



(Reference) You can download the form of “Application for designation cancellation” from the [NTA website](#).

(In case a specified platform business has discontinued the digital platform-related business)

Question 28: In case a specified platform business has discontinued the digital platform-related business, what kind of procedures will be required?

[Answer]

When a specified platform business has discontinued the digital platform-related subject to the platform taxation, it needs to promptly submit a “Notification on discontinuation of specified platform business” to the Commissioner of the NTA via the District Director of the competent Tax Office of the place for tax payment (Article 15-2 ⑩ of the Act).

When it is recognized that a specified platform business has discontinued the digital platform-related business subject to the platform taxation, the Commissioner of the NTA will cancel the designation as a specified platform business (Article 15-2 ⑪ of the Act).

(Reference) You can download the form of “Notification on discontinuation of specified platform business” from the [NTA website](#).

(Cancelling the designation as a specified platform business)

Question 29: We heard that designation as a specified platform business is sometimes cancelled by the Commissioner of the NTA. In what cases, does this happen?

[Answer]

In addition to when an application for cancelling the designation is submitted by a specified platform business (see Question 27), when it is recognized that either of the following is applicable to a specified platform business, it is prescribed that the Commissioner of the NTA may cancel the designation as a specified platform business (Article 15-2 ⑧⑪ of the Act).

- ① That the specified platform business is recognized to have discontinued the digital platform-related business subject to the platform taxation (see Question 28)
- ② That regarding consumption tax, there was no submission of a tax return within the deadline as prescribed in Article 17-2 of the Act on General Rules for National Taxes (Due submission of a tax return), and that there was no justifiable reason for that no submission
- ③ That there is a current delinquency of national taxes, and that collection of the delinquent taxes is quite difficult
- ④ That there are difficulties in securing collection of consumption tax (for instance, the specified platform business is in a status hard to pay the consumption taxes on the B2C provision of electronic services that will become subject to the platform taxation)

When having cancelled the designation as a specified platform business, the Commissioner of the NTA will notify the business operator whose designation has been cancelled of that in writing and publicize the following items through the NTA website (Article 15-2 ⑫ of the Act).

- ① That the designation as a specified platform business has been cancelled
- ② Date the platform taxation will be no longer applicable to the entity

(Notice to foreign businesses when relevant designation as a specified platform business has been cancelled)

Question 30: When having received a notice from the Commissioner of the NTA on the cancellation of the designation as a specified platform business, should we notify the foreign businesses performing the B2C provision of electronic services using the digital platform provided by us that the services will become no longer subject to the platform taxation?

[Answer]

When having received a notice from the Commissioner of the NTA on the cancellation of the designation as a specified platform business, you need to promptly notify the foreign businesses

performing the B2C provision of electronic services that will no longer be subject to the platform taxation that the B2C provision of electronic services will no longer be subject to the platform taxation and of the date the services will no longer be subject to the platform taxation. (Article 15-2 ⑬ of the Act).

As for notification, forms and methods of notification may be chosen at discretion: for instance, notification items are clearly indicated in line with explanations on the changed items when user covenants with foreign businesses were changed following the designation cancellation; or notification items are clearly indicated in ordinary communication emails exchanged with foreign businesses. However, if notification items are described only on the website of the specified platform business or if they are described only in the user covenants of the digital platform provided by the specified platform business, that does not sufficiently constitute a “notification” to foreign businesses. Pay attention to this point.

Anyway, foreign businesses need to be properly notified for enabling them to recognize that the B2C provision of electronic services will no longer be subject to the platform taxation.

(Treatment of tax declaration and tax payment in case the designation as a specified platform business has been cancelled)

Question 31: When having received a notice from the Commissioner of the NTA on cancelling the designation as a specified platform business, regarding the B2C provision of electronic services performed on the day the services become no longer subject to the platform taxation onwards due to the cancellation, the ex-specified platform business will no longer be obligated to do tax declaration nor tax payments?

[Answer]

Regarding the B2C provision of electronic services performed by foreign businesses using the digital platform on the day the entity becomes no longer subject to the platform taxation due to the cancellation of the designation as a specified platform business onwards, the entity will be no longer required to calculate the consumption tax amount payable on taxable sales as a specified platform business nor to do tax declaration and pay taxes (Article 15-2 ① of the Act).

Putting aside the B2C provision of electronic services subject to the platform taxation, if there are any other consumption tax-imposed transactions being implemented, consumption tax declaration and payments are needed for such other transactions.

(Judgment on the obligation to pay taxes when the designation as a specified platform business has been cancelled)

Question 32: Designation for our company (FY ends in December) as a specified platform business will be cancelled effective on April 1, 2032. In such a case, when trying to determine

the tax payment obligation for FYE December 2033 and FYE December 2034, should we include the total amount of proceeds from the B2C provision of electronic services subject to the platform taxation in the taxable sales amount of the reference period?

[Answer]

Regarding the B2C provision of electronic services that will become subject to the platform taxation, it will be deemed as performed by the specified platform business (Article 15-2 ① of the Act).

Therefore, addressing your question, in your company's taxable sales amount of the reference period for FYE December 2033 (that is, FYE December 2031), the amount of proceeds from the B2C provision of electronic services subject to the platform taxation should be included.

Next, in the taxable sales amount in the reference period for FYE December 2034 (that is, FYE December 2032), the amount of proceeds from the B2C electronic services subject to the platform taxation or the proceeds from the services to be performed in January ~ March 2032 (when the platform taxation will be applicable) will be included; but the amount of proceeds from the B2C electronic services to be performed by foreign businesses in April ~ December 2032 (when the platform taxation will not be applicable) will not be included.

(Note) The same does apply to determination of the taxable sales amount for a specific period.