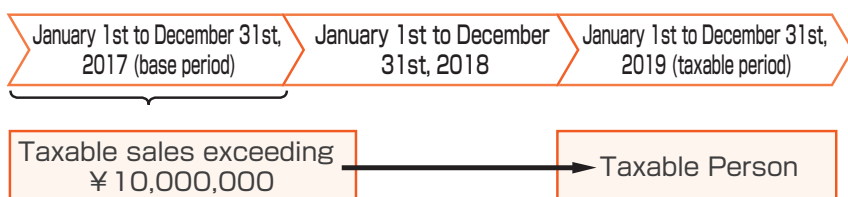


## Those who must file final returns

Sole proprietors who at any stage fall under either of the following categories are required to file the Consumption and Local Consumption Taxes Final Return for 2019. The final return for consumption and local consumption taxes is filed in one final return form.

- (1) Sole proprietor which had **taxable sales** amounting to more than 10 million yen during **the base period** (2017), (see following figure) or
- (2) Sole proprietor which do not fall under category (1) above but have submitted the "Report on the Selection of Taxable Proprietors Status for Consumption Tax"
- (3) Sole proprietor which do not fall under category (1) and (2) above and whose taxable sales for a specified period (the period from January 1, 2018 through June 30, 2018) exceeds 10 million yen. Alternatively, the criteria of 10 million yen for a specified period can be judged by using the total amount of salary and related payments instead of using the amount of taxes sales.



**Note** If you fall under either (1) to (3), you need to file the final return for 2019, even if the amount of taxable sales during 2019 were 10 million yen or less. The simplified tax system is applicable to Sole proprietors whose taxable sales for the base period (2017) were 50 million yen or less and who has submitted the "Report on the Selection of the Simplified Tax System for Consumption Tax."

## Amount of consumption and local consumption taxes payable

- Payable consumption taxes calculation method if applying the simplified tax system

$$\text{Consumption taxes on taxable sales during the taxable period} - \left( \text{Consumption taxes on taxable sales during the taxable period} \times \text{Deemed purchase rate} \right) = \text{Payable consumption taxes}$$

- Ordinary payable consumption taxes calculation method

$$\text{Consumption taxes on taxable sales during the taxable period} - \text{Consumption taxes on taxable purchases during the taxable period} = \text{Payable consumption taxes}$$

- Local payable consumption taxes calculation method

$$\text{Payable consumption taxes} \times \text{Rate of local consumption tax} = \text{Payable local consumption taxes}$$

## Difference between Consumption/Local Consumption Taxes and Income Tax

- Consumption and local consumption tax calculation

The payable consumption taxes must be calculated based on taxable sales and taxable purchases for the taxpayer's entire business without regard to income category. The payable amount of local consumption tax must be calculated based on the payable consumption taxes.

- Income tax calculation

If a Sole proprietor earns two or more categories of income from among businesses, real estate, and forestry income, the income tax levied based on the income calculated for each category.

### Important terms

#### Base period

Benchmark period for determining whether or not the Sole proprietors is a Taxable person or a Tax-exempt business and if the simplified tax system can be applied. The base period for Sole proprietors is the second proceeding year before the taxable period.

#### Taxable period

Base of time used for calculating the amount of consumption and local consumption taxes payable. In principle, the taxable period for Sole proprietors is from January 1st to December 31st.

#### Taxable sales

Sum of the amount of sales relating to transactions subject to consumption tax (excluding consumption and local consumption taxes) and the amount of Tax-exempt sales such as those relating to export transactions. Those with returns, discounts or rebates should be deducted from the sum of these amounts (excluding consumption and local consumption taxes). In the case of Tax-exempt business in 2017, the consumption tax is not included in the sales. In this case, the Sales (except for Non-taxable sales) would be the taxable sales amount for 2017. (Do not exclude for tax.)

#### Taxable sales

See "What the taxable sales?" on P4.

### Calculation of payable consumption taxes

In the simplified tax system, the consumption tax deductible from the consumption taxes on taxable sales is calculated by multiplying the consumption taxes on taxable sales by the deemed purchase ratio. Therefore, it is not necessary to calculate the consumption taxes on actual taxable purchases.

Basic knowledge

Preparation

Procedures

Completing your return

Calculation

Local consumption tax calculation

Other items

Filing and paying

Income tax adjustment

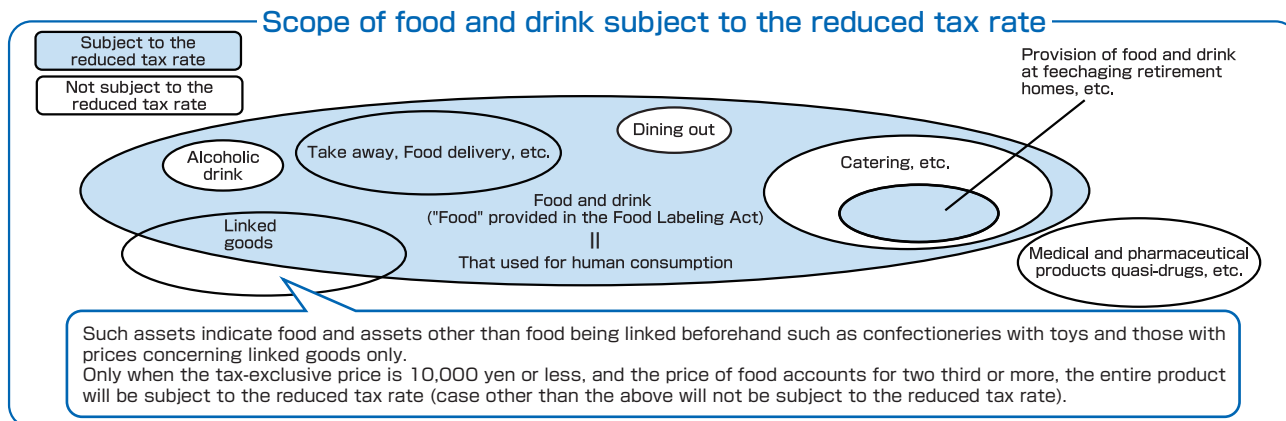
Rough draft return form

# A reduced tax rate system for consumption tax

The tax rate of national and local consumption taxes was raised from 8% to 10% on October 1, 2019, and at the same time, the reduced tax rate system for the consumption tax has been implemented.

## Items subject to the reduced tax

- (1) Food and drink excluding alcoholic drink and dining out
- (2) Newspapers issued more than twice a week (those based on subscriptions)



## Descriptions and storage of account books, invoices, etc. (from October 1, 2019, to September 30, 2023)

Business entities that make sales and purchases (expenses) of items subject to the reduced tax rate are required to add separate descriptions by tax rate to ones currently required when issuing invoices, etc. (separate accounting invoice) and making entries and other accounting treatments (separate accounting).

Taxable Person are required to store account books in compliance with classified accounting and invoices, etc. with classified descriptions in order to become eligible to tax credit for consumption tax on purchases (separate accounting-invoice-based method (simplified system)).

The difference of the Simple invoice-based method and Separate accounting invoice-based method

Period	Ledgers	Invoice, etc.
To September 30, 2019 (Simple invoice-based method)	① Name of the taxable purchase supplier ② Date, month and year ③ Transaction description ④ Price	① Name of the taxable purchase supplier ② Date, month and year ③ Transaction description ④ Price ⑤ Name of the invoice recipient*
From October 1, 2019, to September 30, 2023 (Separate accounting invoice-based method) (Note 1)	(In addition to the above) ⑤ The product is an items subject to the reduced tax rate	(In addition to the above) (Note 2) ⑥ The product is an items subject to the reduced tax rate ⑦ Tax-inclusive prices totaled according to different tax rates

(Note 1) Even under Separate accounting invoice-based method (simplified system), the storage of account books with necessary descriptions alone, as in the Simple invoice-based method, can meet the requirements for tax credit for consumption tax on purchases if there are unavoidable reasons for not receiving invoices in transactions, such as small-amount transactions of less than 30,000 yen and purchases from automatic vending machines.

(Note 2) When invoice that are issued by suppliers have no descriptions that read "(6) Items subject to the reduced tax rate" or "(7) The tax-included total amounts of items by tax rate," the business entities that received such invoice themselves may add descriptions concerning those matters alone, based on the fact of the relevant transaction.

## Examples described of ledgers and invoices

請求書

株〇〇御中

XX年11月2日

割り箸 550円

牛肉 ※ 5,400円

:

合計 43,600円

( 10%対象 22,000円 )  
( 8%対象 21,600円 )

※は軽減税率対象品目

(株)△△

The tax-included amounts by tax rate

The tax-included amounts must be described after tallying items by tax rate (10% and 8%).

Indicating that the reduced tax rate items subject

- (1) Marks, such as \* and ☆, shall be described on items subject to the reduced tax rate.
- (2) It is required to demonstrate clearly that the marks indicate items subject to the reduced tax rate.

総勘定元帳 (仕入れ) 株〇〇

XX年	月	日	摘要	借方	貸方
11	2		(株)△△ 雑貨	22,000	
11	2		(株)△△ 食料品 ※	21,600	
...	...		...	...	...

※は軽減税率対象品目

[Invoice]

In addition to the above, there are, for instance, the following methods.

- (1) Classify goods by tax rate and indicate that the classified goods are subject to the reduced tax rate in the same invoice.
- (2) Issue separate invoices for goods by tax rate.

[Ledgers]

Set up a column for tax rate classification and describe "8%" or the tax rate code. These methods are acceptable too.

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