

## Calculate your consumption tax

Calculate your consumption tax, enter the appropriate figures in ① to ⑨ of Schedule 1-3 and complete Schedule 2-3.

### step.1 Arrange all taxable transactions in order

Enter the amounts by tax rate from ledgers, etc.(separate accounting) to table for calculating taxable transactions(Table A).

### step.2 Calculate your total amount of taxable sales

$$\text{Amount of sales} - \text{Non-taxable sales, etc.} = \text{Taxable sales (tax included)}$$

Please use the table for calculating taxable transactions (Table A) and the table for calculating taxable sales (Table B) to determine your tax base.

### step.3 Calculate your tax base

$$\text{Taxable sales (tax included)} \times \left( \frac{100}{108} \text{ or } \frac{100}{110} \right) = \text{Tax base}$$

Please use the table for calculating taxable purchases (Table C) to calculate your total taxable purchases for each source of income as determined in the table for calculating taxable transactions (Table A).

### step.4 Calculate your consumption tax

$$\text{Tax base} \times (6.24\% \text{ or } 7.8\%) = \text{Consumption tax}$$

Please use the table for calculating the taxable sales ratio and the amount of deductible tax on purchases (Schedule 2-3) to determine the amount of deductible tax on purchases.

### step.5 Calculate your total taxable purchases

$$\text{Amount of purchases} - \text{Non-taxable purchases, etc.} = \text{Taxable purchases}$$

### step.6 Calculate the amount of the transfer value of taxable assets, etc.

$$\text{Taxable sales (tax excluded)} + \text{Tax exempted sales} = \text{The amount of the transfer value of taxable assets, etc.}$$

### step.7 Calculate the amount of the transfer value of assets, etc.

$$\text{The amount of the transfer value of taxable assets, etc.} + \text{Non-taxable sales} = \text{The amount of the transfer value of assets, etc.}$$

### step.8 Calculate the taxable sales ratio

Calculations the ratio of the amount of the transfer value of taxable assets, etc. (step 7) to the amount of the transfer value of assets, etc.(step 6).

$$\frac{\text{The amount of the transfer value of taxable assets, etc.}}{\text{The amount of the transfer value of assets, etc.}} = \text{Taxable sales ratio}$$

### step.9 Calculate the consumption taxes on taxable purchase

$$\text{Total taxable purchases for each source of income (tax included)} \times \left( \frac{6.24}{108} \text{ or } \frac{7.8}{110} \right) - \text{Amount of refund for purchases (tax included)} \times \left( \frac{6.24}{108} \text{ or } \frac{7.8}{110} \right) = \text{Consumption taxes on taxable purchases}$$

### step.10 Calculate the consumption tax on specific taxable purchase

\* Sole proprietors with a taxable sales ratio (step 8) under 95% and have received business-to-business electronic services need to calculate. See P48 for details.

## step.11 Calculate the consumption taxes on taxable freight

\* Calculates this item in the event there is an amount of consumption taxes on taxable freight received from bonded areas.

## step.12 Calculate the consumption tax adjustment if you have been granted or have lost tax liability exemption

\* Sole proprietors classified as Tax-exempt business in 2019 and became Taxable Person in 2020, or Sole proprietors classified as Taxable person in 2020 and will become a Tax-exempt business in 2021 should adjust the consumption tax levied on inventories.

## step.13 Calculate the total amount of taxes on taxable purchases, etc.

\* Calculate the sum of the "Consumption taxes on taxable purchases"(step 9), "Calculate the consumption tax on specific taxable purchases"(step 10), "Consumption taxes on taxable freight"(step 11) and "Consumption taxes adjustment"(step 12).

$$\text{Consumption taxes on taxable purchases} + \text{Consumption taxes on taxable freight} \pm \text{Consumption taxes adjustment} = \text{Total amount of taxes on taxable purchases, etc.}$$

## step.14~16 Calculate the amount of deductible tax on purchases

■ The entire amount of taxes on taxable purchases, etc. is deductible if taxable sales amounting to 500 million yen or less during the taxable period and the taxable sales ratio (step 8) is 95% or more.

$$\text{Total amount of taxes on taxable purchases, etc.} = \text{Amount of deductible tax on purchases}$$

■ If taxable sales amounting to more than 500 million yen during the taxable period or the taxable sales ratio (step 8) is less than 95%, the amount resulting from one of the following calculation methods is the amount of deductible tax on purchases.

### < Itemized method >

$$\text{Portion of the total amount of taxes on taxable purchases, etc. required only for taxable sales} + \left( \text{Portion of the total amount of taxes on taxable purchases, etc. required for both taxable and non-taxable sales} \times \text{Taxable sales ratio} \right) = \text{Amount of deductible tax on purchases}$$

### < Proportional method >

$$\text{Total amount of taxes on taxable purchases, etc.} \times \text{Taxable sales ratio} = \text{Amount of deductible tax on purchases}$$

\* If an adjustment for the consumption tax levied on fixed assets subject to adjustment is deemed necessary, modify that adjustment amount and calculate the "Amount of deductible tax on purchases".

Note

Business using the proportional method must have applied that method for 2 years or more consecutively to change to the itemized method.

## step.17 Calculate the amount of tax adjustment for excess deduction

\* Calculated only in the event the amount of the deductible tax on purchases is applicable.

## step.18 Calculate the amount of tax on value of refunds, etc.

\* Calculate if applicable.

## step.19 Calculate the amount of tax relating to bad debt

\* Calculate if there is bad debt.

## step.20 Calculate the subtotal of deductions

$$\text{Amount of deductible tax on purchases} + \text{Amount of tax on value of refunds, etc.} + \text{Amount of tax relating to bad debt} = \text{Subtotal of deductible tax}$$

## step.21 Calculate the balance or the amount of tax refundable for insufficient deduction

$$\text{Consumption tax} + \text{Amount of tax adjustment for excess deduction} - \text{Subtotal of deductible tax} = \text{Balance* or Tax refundable for insufficient deduction}$$

(\*rounded down to the nearest ¥100)

Basic knowledge

Preparation

Procedures

Completing your return

Calculation

Local consumption tax calculation

Enter the value in the return form (Page 1 and Page 2)

Other items

Filing and paying

Income tax adjustment

Rough draft return form

### Bad debt

No deductions can be claimed for bad debt unless you have kept ample documentation that certifies the facts supporting the writing off of doubtful receivables and provides clear details pertaining to the bad debt.

# Calculate the local consumption tax

Calculate the amount of local consumption tax and enter it in ⑩ to ⑬ of Schedule 1-3.

**step.22** Enter the amount of consumption tax representing the local tax base

**step.23** Calculate either the amount of the tax payable or the amount of tax refundable

$$\begin{array}{l} \text{Balance or} \\ \text{Tax refundable for} \\ \text{insufficient deduction} \end{array} \times \frac{22}{78} = \begin{array}{l} \text{Amount of tax payable* or} \\ \text{Amount of tax refundable} \\ \text{(*rounded down to the nearest ¥100)} \end{array}$$

Enter the appropriate figures in the return form(Page 1 and Page 2).

**step.24** Enter in the return form(Page 2)

Enter in the return form(Page 2) from Schedule 1-3.

**step.25** Enter the appropriate figures in ① to ⑨,⑮,⑯ of the return form(Page 1)

Enter the appropriate figures in the return form(Page 1) from the return form(Page 2) and Schedule 1-3,2-3.

**step.26** ⑩ of the return form (Page 1) Enter the interim payment

**step.27** ⑪ of the return form (Page 1) Calculate the amount of consumption tax payable

**step.28** ⑫ of the return form (Page 1) Calculate the amount of refundable interim payment

**step.29** Enter the appropriate figures in ⑰ to ⑳ of the return form(Page 1)

Enter the appropriate figures in the return form(Page 1) from Schedule 1-3.

**step.30** ㉑ of the return form (Page 1) Enter the transferable interim payment (if applicable)

**step.31** ㉒ of the return form (Page 1) Calculate the transferable amount of tax payable

**step.32** ㉓ of the return form (Page 1) Calculate the transferable interim payment refundable

**step.33** ㉔ of the return form (Page 1) Calculate the total consumption tax and local consumption taxes (payable or refundable)

$$\begin{array}{l} \left( \begin{array}{l} \text{"①Amount of} \\ \text{tax payable"} \end{array} + \begin{array}{l} \text{"②Transferable} \\ \text{tax payable"} \end{array} \right) - \left( \begin{array}{l} \text{"⑧Tax refundable} \\ \text{for insufficient} \\ \text{deduction"} \end{array} + \begin{array}{l} \text{"⑫Refundable} \\ \text{interim} \\ \text{payment"} \end{array} + \begin{array}{l} \text{"⑰Amount} \\ \text{refundable"} \end{array} + \begin{array}{l} \text{"⑳Transferable} \\ \text{interim payment} \\ \text{refundable"} \end{array} \right) \\ = \text{"㉔Total consumption and local consumption on taxes"} \end{array}$$

## Enter other items

Enter place for tax payment, the business name, your individual number, your name and any supplementary information

\* See P34 for details.

## Submit your return form

There are 3 ways to submit your final return form.

1. File by e-Tax
2. Send it by post or courier ("shinshobin" only) to the Tax office covering your jurisdiction
3. Hand it in at the reception counter of the Tax office covering your jurisdiction

\* See P37 for details.

## Paying your consumption and local consumption taxes

There are 5 ways of paying your tax.

1. Tax payment by transfer account
2. Payment using e-Tax
3. Payment using a credit card
4. Payment at convenience stores
5. By presenting cash and your tax payment slip to the financial institution or to the Tax office covering your jurisdiction by due date for tax payment

\* See P37 for details.

About interim filing and payment for 2021

**If the final consumption tax amount is more than 480 thousand yen for 2020, you need to file and pay for Interim return for 2021, in accordance with the following categories.**

- "If the amount is more than 480 thousand yen but 4 million yen or less (one interim filing and payment a year)"  
Please file and pay for 6/12 of the final consumption tax amount for 2020 and 22/78 of that amount as local consumption tax by Tuesday, August 31, 2021.
  - "If the amount is more than 4 million yen but 48 million yen or less (three interim filing and payment a year)" and "If the amount is more than 48 million yen (eleven interim filings and payments a year)"  
Please ask the Tax Office in your jurisdiction about the due date of filing and payment, etc.
- \* Any business required to file interim consumption tax returns must file and pay for 22/78 of the interim payment amount of consumption tax as the interim payment amount of local consumption tax together with the interim consumption tax returns.

### About voluntary interim return system

If the final consumption tax amount (excluding local consumption tax amount) in the previous year is 480 thousand yen or less (without an obligation of interim tax returns) but if you submit a "Notification of filing voluntary interim tax returns" to the District Director of the Tax office in your jurisdiction at the payment location, you can voluntarily file and pay for interim tax returns starting for the June interim return period, the last day of which first arrives on and after the day when the said notification is submitted.

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