

Special exception for calculating the tax amount for small and medium business entities

Small and medium business entities that have difficulty in classifying sales or purchases into the reduced tax rate and the standard tax rate may use a special exception for calculating the sales tax amount or purchase tax amount in a certain period from October 1, 2019 (The following special exception is available to businesses that select simplified taxation).

Small and medium business entities

Small and medium business entities are business entities whose taxable sales amount during a base period does not 50 million yen.

Special exception for calculating the sales tax amount (special exception for the reduced sales rate)

Small and medium business entities that have difficulty in classifying sales by tax rate may calculate the sales tax amount, using taxable sales (tax included) subject to the reduced tax rate that can be obtained by multiplying the taxable amount (tax included) by the rate of taxable sales (tax included) subject to the reduced tax rate during 10 business days, which are part of taxable sales (tax included) during the same 10 normal consecutive business days. The applicable period is from October 1, 2019 to September 30, 2023, in a taxable period.

* 10 normal consecutive business days can be any given 10 consecutive business days when you conduct ordinary business within a period that you intend to adopt the relevant special exception.

[Cases with difficulty in calculating the above rate]

Small and medium business entities that have difficulty in calculating the reduced tax rate purchase ratio or the reduced tax rate sales ratio and mainly transfer assets subject to the reduction may use a rate of 50/100.

* Business entities that mainly transfer assets subject to the reduction refer to business entities whose taxable sales subject to the reduced tax rate account is nearly 50% or more of taxable sales during the applicable period.

Taxable sales (tax included) subject to the reduced tax rate by calculation under the special exception.

$$\begin{array}{|c|} \hline \text{Taxable sales} \\ \hline \text{(tax included)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{The reduced tax rate} \\ \hline \text{sales ratio or 50\%} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Taxable sales are subject to the} \\ \hline \text{reduced tax rate(tax included)} \\ \hline \end{array}$$

Special exception for notification of the simplified tax system

Regarding the adoption of the simplified tax system, small- and medium-sized businesses that have difficulty in classifying purchases by tax rate may adopt this system from a taxable period in which they submit a "Report on the selection of the simplified tax system for consumption tax" (hereinafter referred to as "Report on the selection of the simplified tax system") during a taxable period between October 1, 2019 and September 30, 2020.

However, if they select the special exception for notification of the simplified tax system, they cannot stop adopting the simplified tax system unless having adopted for two consecutive years. The above case does not apply if they close their business.

* The Report on the Selection of the Simplified Tax System in which the special provision is applied for 2020 is required to be submitted by December 31, 2020.