

## Table for determining the taxable transactions

This table contains an approximate standard for determining the taxable transactions with respect to consumption tax for each item appearing in the income statement for business and other income. Examine the nature of a transaction well whenever actually determining its taxability.

Taxability determination table(for sales, etc. and real estate income)

| Account   | Taxable /Not taxable | Items not relating to taxable sales   |
|---|----------------------|---|
| Amount of sales (revenue including miscellaneous revenue) | △                    | Medical fees paid for by the social insurance system(NON)<br>Proceeds from the sale of merchandise coupons(NON)<br>Proceeds from land sales(NON)<br>Interest received(NON)<br>House rents(NON)<br>Insurance benefits(UN)<br>Subsidies, benefits, and aids that cannot be valued(UN)<br>Revenue from transactions effectuated abroad(UN)<br>Revenue from exports(EX) |

Taxability determination table(for agriculture income)

| Account                          | Taxable /Not taxable | Items not relating to taxable sales  |
|----------------------------------|----------------------|--|
| Amount of sales                  | △                    | Revenue from exports(EX)   |
| Household consumption            | ○                    |  |
| Business consumption             | ▽                    | Business consumption of seeds and seedlings  |
| Miscellaneous revenue            | △                    | Subsidies on which a value cannot be assigned(UN)<br>Insurance benefits(UN)<br>Subsidies, benefits, and aids that cannot be valued(UN)<br>Interest received(NON) |
| Subtotal                         |                      |  |
| Agricultural commodity inventory | Initial Year-end     |  |

Meaning of the symbols:

- .....Transactions relating to taxable sales
- ×.....Transactions not relating to taxable sales
- △.....Most transactions are relating to taxable sales, however, some are not
- ▽.....Most transactions are not relating to taxable sales, however, some are

- NON.....Non-taxable transactions
- UN.....Transactions not subject to consumption tax (untaxable transactions)
- EX.....Tax-exempt transactions

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

### Special method of the reduced tax rate sales ratio

Small and medium business entities that have difficulty in classifying sales into the reduced tax rate and the standard 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.

- \* Small and medium business entities are business entities whose taxable sales amount during a base period does not exceed 50 million yen.
- \* 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.
- \* "Difficulties" in special circumstances represent cases in which tax rate-specific management failed regarding sales during the taxable period to which special treatment applies, where the level of difficulties remains unchanged.

[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.

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

## Process for registry and application for the qualified invoice-based method (the invoice system)

On October 1, 2023, the qualified invoice-based method (the invoice system) as a method to receive tax credit for consumption tax on purchases corresponding to multiple tax rates will take effect.

Under the invoice system, in order for the buyer to receive tax credit for consumption tax on purchases, as a general rule, retention of the "qualified invoice", etc. issued by the "business issuer of qualified invoice" will be required.

In order for the seller to issue a qualified invoice, it must be registered as an "business issuer of qualified invoice" by the District Director of the tax office of jurisdiction.

Once successfully registered following an examination by the tax office, the registration number and other information will be notified, and information concerning the business operator (name, registration number, registry date) will be published on the "Announcement Site of Business Issuers of Qualified Invoice (of the National Tax Agency)."

### [Points that require attention when registering]

Whether or not to be registered is up to the business operator.

Even a taxable business will not be automatically registered. The business operator will need to go through the registration process.

In order to issue a qualified invoice after the system goes into effect on October 1, 2023, as a general rule, the registration process must be completed by March 31, 2023.