

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.

*Regarding the amount of sales tax and tax amount on purchases for the period starting on October 1, 2023 (when the qualified invoice-based method [the invoice system] took effect), the calculation method based on "deduction calculation" (whereby deduction is applied to the total transaction value in the calculation for each applicable tax rate) is hereby shown.

Regarding the calculation method and how to fill in a tax return in case "accumulation calculation" (whereby the amounts of consumption tax, etc. described on qualified invoices are accumulated in the calculation) is applied, see the special corner for the invoice system on the website of the National Tax Agency.

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).

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.2 Calculate your total amount of taxable sales

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

Q. What items are included in the amount of sales revenue?

A. The following revenue sources are included: business income from product sales, agriculture, etc.; proceeds from real estate property sales; proceeds from sales of fixed assets for business, etc.

step.3 Calculate your tax base

$$\text{Taxable sales (tax included)} \times \left(\frac{100}{108} \text{ or } \frac{100}{110} \right) = \text{Tax base (*rounded down to the nearest ¥1,000)}$$

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 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.5 Calculate your total taxable purchases

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

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.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 P47 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 2022 and became Taxable Person in 2023, or Sole proprietors classified as Taxable person in 2023 and will become a Tax-exempt business in 2024 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".

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

Note

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

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.

Q. Please tell me about the cases where tax return for refund is applied.

A. Tax return for refund is applied in the following cases: when the tax amount in interim tax return filing is larger than that in tax return filing, etc.; and when the amount of consumption tax for the taxable purchases, etc. is larger than that for the taxable sales.

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

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

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

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

Use the following documents as reference when completing your final return form. They are most useful when prepared in advance.

* See P34 for details.

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in the return form
(Page 1 and Page 2)

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Submit your return form

Details of how to submit the final return form are as follows.

1. File by e-Tax
2. Send it by post or courier ("shinshobin" only) to the Tax office covering your jurisdiction or the Submission Processing Center applicable to your postal address.
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

The payment method is as follows.

1. Tax payment by transfer account
2. Direct Payment (Account transfer via e-Tax)
3. Payment via Internet banking or at ATM
4. Payment by credit card
5. Payment by smartphone app
6. Cash payment at convenience stores using QR code
7. 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.

What is tax payment by transfer account?

Tax payment by transfer account is quite a convenient system whereby the tax amount is automatically debited from the deposit or savings account with a financial institution that was designated in advance. To apply for the tax payment by transfer account, please refer to Page 37.

About interim filing and payment for 2024

If the final consumption tax amount is more than 480 thousand yen for 2023, you need to file and pay for Interim return for 2024, 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 2023 and 22/78 of that amount as local consumption tax by Monday, September 2, 2024.
- "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 payment a year)"
Please refer to the website of the National Tax Agency (<https://www.nta.go.jp>) 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.

The final day of the target period for the interim tax declaration for 2024 income will be Sunday, June 30, 2024. Therefore, if you want the application starting with the interim tax declaration for 2024 income, submit a notice to the District Director of the tax office in charge by that day.

* Amount of the interim tax to be paid should be 6/12 of the amount of consumption tax in the final tax return of the previous year. When paying the interim consumption tax, you should pay the interim local consumption tax at the same time.

**Consumption tax and local consumption tax are the taxes that will be eventually assumed by consumers; they have the nature of deposits payable.
Please ensure proper tax return filing and payment within the due date.**