

Table for determining taxability of consumption tax transactions

This table contains an approximate standard for determining the taxability of transactions with respect to consumption tax for each item appearing in the blue return financial statement for business 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 (taxable sales or taxable purchases) not relating to taxable transactions |
|--|-------------------------------------|----------------------------|--|
| Amount of sales (revenue) (including miscellaneous revenue) | | △ | Non-taxable transactions Medical fees paid for by the social insurance system, proceeds from the sale of merchandise coupons, proceeds from land sales, interest income, house rents Transactions excluded from consumption tax Subsidies, benefits, and aids that cannot be valued, Insurance benefits, revenue from transactions effectuated abroad Tax-exempt transactions Revenue from exports |
| | Initial merchandise inventory | × | (Note) |
| | Purchases | △ | Purchase price of land and merchandise coupons; transportation insurance premiums |
| | Subtotal | | |
| | Year-end merchandise inventory | × | (Note) |
| Cost of goods sold | Net cost of goods sold | | |
| | Balance | | |
| Business expenses | Taxes and duties | ▽ | Enterprise tax, stamp tax, fixed property tax, automobile tax; ordinary membership fees for trade organizations and commercial associations |
| | Freight and handling expenses | △ | International freight |
| | Water, heat and light expenses | ○ | |
| | Travel expenses and carfare | △ | International traveling and lodging expenses |
| | Communications expenses | △ | International correspondence and postal expenses |
| | Advertising expenses | △ | Prepaid cards cost |
| | Entertainment expenses | △ | Cash disbursements for expressions of congratulations and condolence, farewell gifts, gift certificates, beer coupons, prepaid cards, etc. |
| | Cost of supplies | × | Fully excluded from taxable purchases |
| | Repair expenses | ○ | |
| | Consumables expenses | ○ | |
| | Depreciation expenses | × | Fully excluded from taxable purchases (Depreciable asset purchase prices are taxable purchases.) |
| | Welfare expenses | ▽ | Statutory welfare expenses such as health insurance premiums, gifts and money for congratulations or condolence (Expenses for recreational trips are taxable purchases.) |
| | Salaries and wages | ▽ | Salaries, bonuses, retirement allowances (travel allowances are taxable purchases.) |
| | Subcontractor fees | ○ | |
| | Interest and discount expenses | × | Fully excluded from taxable purchases |
| | Land and house rents | △ | Land rents, house rents |
| | Bad debt | × | (Note) Separately qualifies as a deduction relating to bad debt |
| | Fees and commissions | △ | Registration, licensing, patent and other charges prescribed by governmental regulation |
| | Miscellaneous expenses | △ | Compensation for damages |
| | Total | | |
| | Balance | | |
| Reserves | Reserves for bad debts carried back | × | |
| | Reserve for wage of family employee | × | |
| | Reserve for bad debts carried over | × | |
| Income before the special deduction for blue returns | | | |
| Special deduction for blue returns | | × | |
| Income | | | |

Taxability determination table (for agriculture income)

| Account | | Taxable/ Not taxable | Items (taxable sales or taxable purchases) not relating to taxable transactions |
|--|---|----------------------------|--|
| Revenue | Sales | △ | Tax-exempt transactions Export transaction and other revenue |
| | Household consumption | ○ | |
| | Business consumption | ▽ | Business consumption of seeds and seedlings |
| | Miscellaneous revenue | △ | Non-taxable transactions Subsidies, benefits, and aids that cannot be valued, Interest income Transactions excluded from consumption tax Subsidies and insurance benefits on which a value cannot be assigned |
| | Subtotal | | |
| | Agricultural commodity inventory | Initial Year-end | (Note) |
| | Total | | |
| | Taxes and duties | ▽ | Revenue stamp tax, fixed property tax, automobile tax |
| | Seed/seedling expenses | △ | Self-sufficient portion |
| | Feeder livestock cost | △ | Self-sufficient portion |
| Business expenses | Fertilizer expenses | △ | Self-sufficient portion |
| | Feedstuff expenses | △ | Self-sufficient portion |
| | Farm tool expenses | ○ | |
| | Agricultural chemicals and hygiene expenses | ○ | |
| | Various materials expenses | ○ | |
| | Repair expenses | ○ | |
| | Light, heat and power cost | ○ | |
| | Apparel expenses | ○ | |
| | Agricultural mutual relief contributions | × | Fully excluded from taxable purchases |
| | Depreciation expenses | × | Fully excluded from taxable purchases (Depreciable asset purchase prices are taxable purchases.) |
| | Freight and handling expenses | △ | International freight |
| | Labor expenses | ▽ | Labor costs (However, room and board expenses are taxable purchases.) |
| | Interest and discount expenses | × | Fully excluded from taxable purchases |
| | Land rents and lease expenses | △ | Land rents |
| | Land improvement expenses | ▽ | Current amount levied, special amount levied relating to roads and waterways |
| | Bad debt | × | (Note) Separately qualifies as a deduction relating to bad debt |
| | Miscellaneous expenses | △ | Compensation for damages |
| | Subtotal | | |
| | Inventory other than agricultural commodities | Initial Year-end | (Note) |
| | Expenses for raising fruit trees and livestock deducted from necessary expenses | | If deducting revenue derived from the sales of unripe fruits from cultivation expenses, add the amount to taxable sales. |
| | Total | | |
| | Balance | | |
| Reserves | Reserves for bad debts carried back | × | |
| | Reserve for wage of family employee | × | |
| | Reserve for bad debts carried over | × | |
| Income before the special deduction for blue returns | | | |
| Special deduction for blue returns | | × | |
| Income | | | |

(Note)

Sole proprietors who were Tax-exempt business operators in 2023 or who will become so in 2025 must calculate their consumption tax adjustment amount.(see P22)

The following are symbols used in the table above.

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