

## 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/<br>Not<br>taxable  | Items (taxable sales or taxable purchases)<br>not relating to taxable transactions   |
|---|---|--|
| Amount of sales (revenue) (including miscellaneous revenue) | △   | <b>Non-taxable transactions</b><br>Medical fees paid for by the social insurance system, proceeds from the sale of merchandise coupons, proceeds from land sales, interest income, house rents<br><b>Transactions excluded from consumption tax</b><br>Subsidies, benefits, and aids that cannot be valued, insurance benefits, revenue from transactions effectuated abroad<br><b>Tax-exempt transactions</b><br>Revenue from exports   |
| Cost of goods sold  | Initial merchandise inventory<br>Purchases<br>Subtotal<br>Year-end merchandise inventory<br>Net cost of goods sold<br>Balance   | (Note)<br>Purchase price of land and merchandise coupons; transportation insurance premiums<br>(Note)<br>(Note)  |
| Business expenses   | Taxes and duties<br>Freight and handling expenses<br>Water, heat and light expenses<br>Travel expenses and carfare<br>Communications expenses<br>Advertising expenses<br>Entertainment expenses<br>Cost of supplies<br>Repair expenses<br>Consumables expenses<br>Depreciation expenses<br>Welfare expenses<br>Salaries and wages<br>Subcontractor fees<br>Interest and discount expenses<br>Land and house rents<br>Bad debt<br>Fees and commissions<br>Miscellaneous expenses<br>Total<br>Balance | Enterprise tax, stamp tax, fixed property tax, automobile tax; ordinary membership fees for trade organizations and commercial associations<br>International freight<br>(Note)<br>International traveling and lodging expenses<br>International correspondence and postal expenses<br>Prepaid cards cost<br>Cash disbursements for expressions of congratulations and condolence, farewell gifts, gift certificates, beer coupons, prepaid cards, etc.<br>Fully excluded from taxable purchases<br>(Note)<br>Fully excluded from taxable purchases (Depreciable asset purchase prices are taxable purchases.)<br>Statutory welfare expenses such as health insurance premiums, gifts and money for congratulations or condolence (Expenses for recreational trips are taxable purchases.)<br>Salaries, bonuses, retirement allowances (travel allowances are taxable purchases.)<br>Fully excluded from taxable purchases<br>Fully excluded from taxable purchases<br>Land rents, house rents<br>(Note) Separately qualifies as a deduction relating to bad debt<br>Registration, licensing, patent and other charges prescribed by governmental regulation<br>Compensation for damages<br>(Note) Separately qualifies as a deduction relating to bad debt |
| Reserves  | Reserves for bad debts carried back<br>Reserve for wage of family employee<br>Reserve for bad debts carried over<br>Income before the special deduction for blue returns<br>Special deduction for blue returns<br>Income  | (Note)<br>Sole proprietors who were Tax-exempt business operators in 2024 or who will become so in 2026 must calculate their consumption tax adjustment amount.(see P22)   |

### Taxability determination table (for agriculture income)

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

(Note)

Sole proprietors who were Tax-exempt business operators in 2024 or who will become so in 2026 must calculate their consumption tax adjustment amount.(see P22)

The following are symbols used in the table above.

○ .....Transactions relating to taxable sales (purchases)

× .....Transactions not 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