

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	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	Income before the special deduction for blue returns		
	Special deduction for blue returns	×	
	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)
- ×
- △Most transactions are relating to taxable sales (purchases), however, some are not
- ▽Most transactions are not relating to taxable sales (purchases), however, some are