

# Japan Tax Bulletin

## Consumption tax exemption

### November 2020

Transactions such as export sales are consumption tax exempt at tax rate 0%.

#### 1. *Export tax exemption*

Transactions which are subject to tax exemption are as follows;

- i. Transfers or leases of assets as export  
Exports between a parent company and a subsidiary are subject to this tax exemption. However, when a Japanese branch exports an asset to the head office or other branch in a foreign country, this transaction is an internal transaction and is not included in this export. In this case, it is necessary for the Japanese branch to book this transaction as an untaxable transaction, which is not subject to consumption tax, in this accounting processing.
- ii. Transfers or leases of foreign goods<sup>1</sup>  
Transfers of imported goods before the import procedures are included in this transaction.
- iii. International transportation, post, and communication
- iv. Provision services for foreign goods  
Services are such as stevedoring, transportation, storage, tallying or inspection of foreign goods.
- v. Transfers, leases or repairs of ships or airplanes by a shipping enterprise, etc.
- vi. Transfers or leases of intangible assets to non-residents<sup>2</sup>
- vii. Services which are provided to non-residents except services available in Japan  
Services available in Japan mean transport and storage services for assets in Japan, and services such as meals and accommodation in Japan. The services which are subject to tax exemption in this case are, for example, the transaction that a consulting company researches a market in Japan by requests from non-residents.

#### 2. *Tax exemption at export shops*<sup>3</sup>

When enterprises who manage export shops sell goods fulfilled certain requirements to non-residents, consumption tax for the sales are exempted. Actually, sales at export shops are the same as export transactions, therefore these sales are subject to tax exemption, because sales in export shops are expected that non-residents will purchase goods in the shop and finally export them. As a result, the transaction that foreign tourists purchase souvenirs in export shops and carry back to their countries is subject to tax exemption.

- i. Requirements to goods for tax exemption  
In order to be goods for tax exemption, it shall meet the both following requirements. Also, ingots of gold or platinum are excluded from goods for tax exemption.
  - a. the goods for the daily use
  - b. the purchasing amount is within the following ranges  
-In case of general goods, the range is 5,000 yen or more  
-In case of supplies, the range is 5,000 yen or more and 500,000 yen or less
- ii. Requirement in purchasing the goods  
When non-residents purchase goods, the enterprise who manages export shops must explain that goods purchased by the following methods are tax exempt.
  - a. Showing a non-resident's passport in purchasing the goods
  - b. Providing information written in the passports
  - c. When non-residents purchase supplies, it is necessary to wrap by specified method, adding to the above "a" and "b".
- iii. Others  
Enterprises who manage export shops must provide information of purchases to the Commissioner of the National Tax Administration by e-tax system promptly after selling the goods to non-residents. And it is required that the information of purchase is preserved in a tax payment place of the enterprises or export shops.

<sup>1</sup> "Foreign goods" means goods that have been permitted for export and goods that have arrived in Japan from a foreign country before import is permitted.

<sup>2</sup> "Non-residents" means individual enterprises and corporate enterprises except residents.

<sup>3</sup> "Export shops" means the shop which taxable enterprises manage and a tax office allows to sell goods for tax exemption to non-residents.