

Tax Liability and schedule, for Sales Tax (Consumption Tax)

【Basic Rule】

When a company earns **taxable revenue** subject to sales tax, even foreign companies need to file sales tax. Basically the gross revenue amount exceed 10 million yen, two years later you become a sales tax payer.

【What is the Taxable Revenue ? 】

Revenue of selling goods/services in Japan, including transferring business assets.

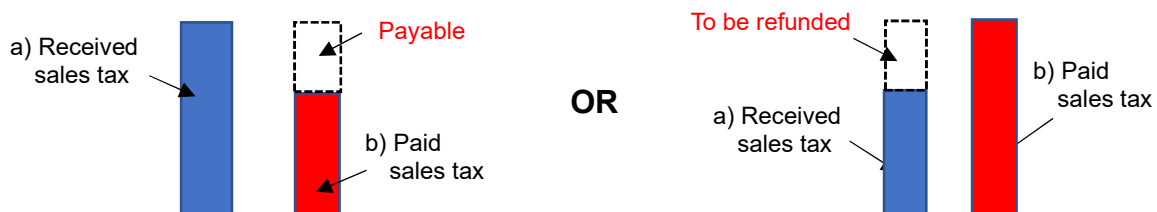
【What is the Non-Taxable?】

- Revenue of selling goods/services to foreign country (treated as “taxable but 0%”)
- Selling or transferring land.
- Receiving insurance, a certain type of compensation or cash aid
- Other non-taxable revenue as specified by Japanese law.

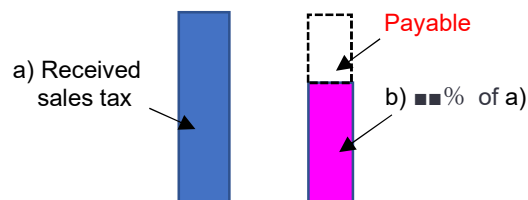
【How much is the Tax payable amount ?】

There are two choices of calculation.

Choice 1; Use the actual amount of revenue and expenses. (ordinary way)



Choice 2; Use the actual gross revenue amount only.



Note 1; This calculation way is applied only when you meet all the following conditions.

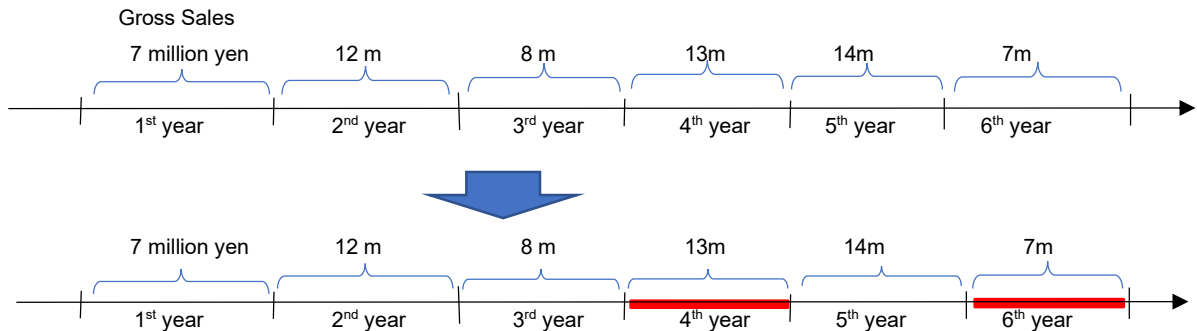
- a) You submitted a certain application form before the day the fiscal year start.
- b) Gross Revenue amount of two years ago was less than 50 million yen.
- c) You haven't submitted the form 消費税課税事業者選択届出書.

Note 2; When you choose this calculation way, you need to continue it for at least 2 fiscal years.

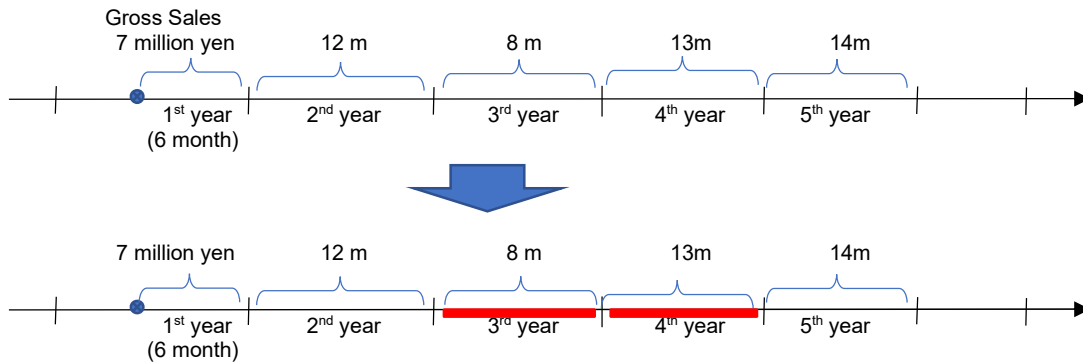
Note 3; The “■■%” above depends on what category your business is.

【Detail about Tax liability】

Basic Rule; the gross taxable revenue exceeds 10 million yen, two years later you become a sales tax payer.



Exception 1; When the first fiscal year is less than 12 months.



In that case, you need to file sales tax in 3rd and 4th year.

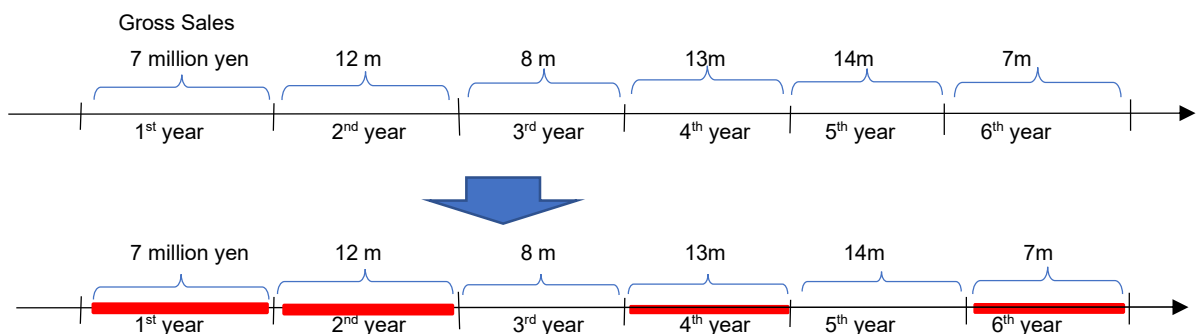
Because you established a company, and the first year's taxable revenue is regarded like this;

$$7 \text{ million yen in 6 months} \rightarrow 7,000,000\text{yen} \div 6\text{months} = 1,166,666\text{yen}$$

$$1,166,666\text{yen} \times 12\text{months} = 13,999,992\text{yen}$$

Please note that this rule is not applied to individuals, only to companies.

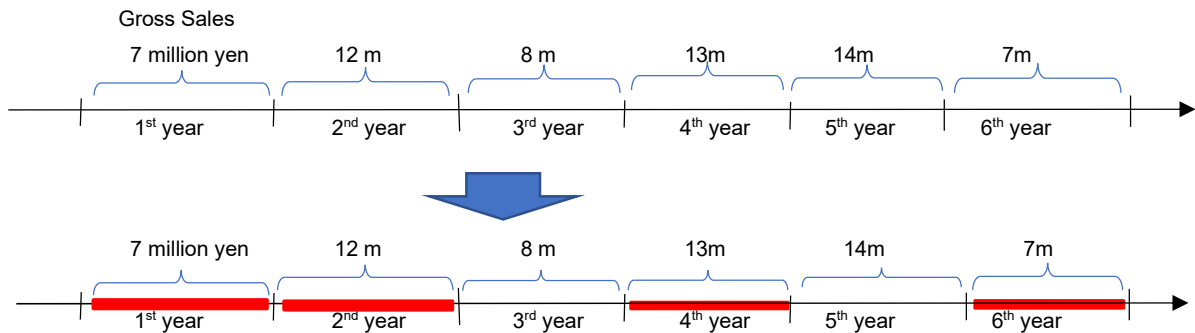
Exception 2; When the capital amount is 10 million yen or more.



In that case, you need to file sales tax in 1st and 2nd years.

Exception 3; The capital amount is less than 10 million yen.

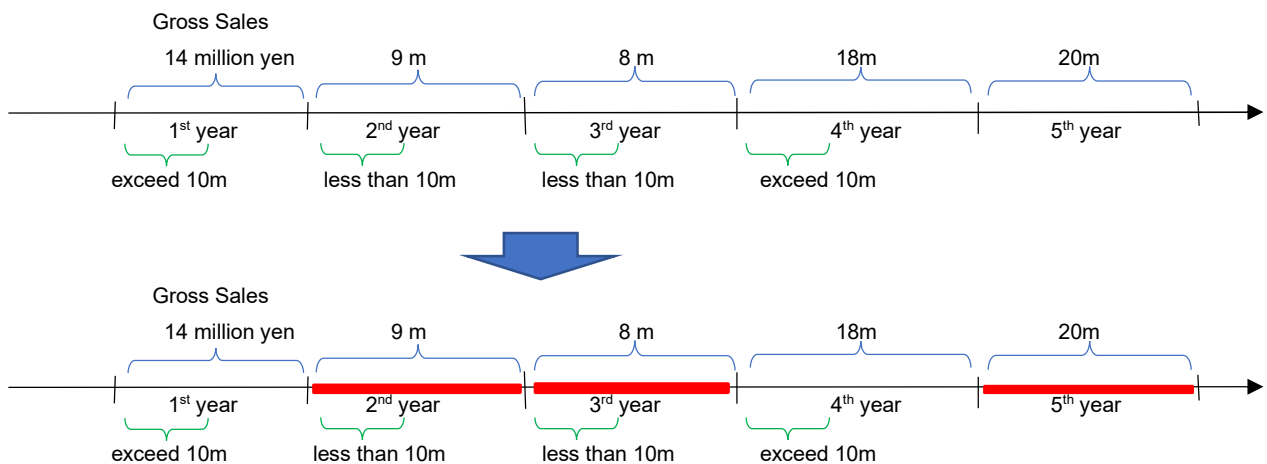
However, gross taxable revenue of the group company exceeds 500 million yen.



In that case, you need to file sales tax in 1st and 2nd years.

Exception 4; When the gross taxable revenue of the first half exceeds 10 million yen.

(or, when the total of salaries paid in the first half exceeds 10 million yen)



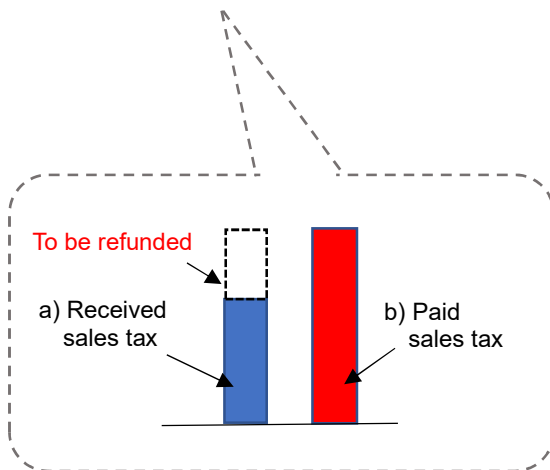
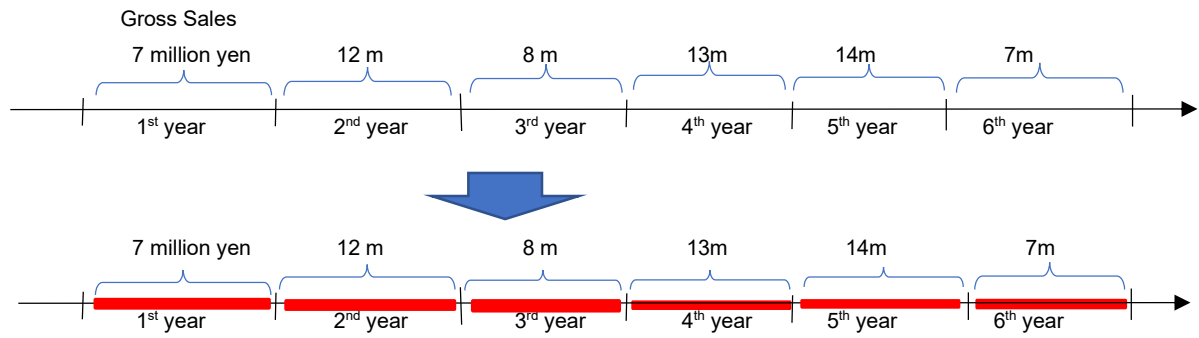
2nd year ... There's no "two years ago", but the taxable revenue in the first half of 1st year exceeds 10 million yen. In this case, you need to file sales tax.

3rd year ... Following the basic rule, need to file sales tax because the gross taxable revenue of 1st year exceeds 10 million yen.

4th year ... 2nd year's taxable revenue is less than 10 million yen, and the previous year's one is less than 10 million either. In this case, no need to file sales tax.

5th year ... 3rd year's taxable revenue is less than 10 million yen, but the previous year's one is more than 10 million yen. In this case, you need to file sales tax.

Exception 5; You can be a sales tax payer if you want to.



(For example)

When you spend a lot of money to renovation, repair, or expensive office supplies, you can claim a refund.

In this case, you need to submit a certain type application form and need to continue to file sales tax at least for 3 years.