

The Supplementary guide on the Guideline for Consumption Tax Refund Procedure

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Introduction

This Supplementary Guide provides the Offices of the Commissioner General of Section (*1) with further supplementary explanation on the contents of the Guideline for Consumption Tax Refund Procedure (hereinafter simply referred to as 'the Guideline') with regard to the refund procedures of Japanese consumption tax (*2).

(*1) The Office of the Commissioners General of Section (hereinafter referred to as “the Office”) refers to an individual, corporation or other organisation designated in advance by each Official Participant through the One Stop Shop (please refer to the Guidelines of Procedures concerning Direct Taxes 1-6), and this is a business staff organisation established for the preparation and operation of the Expo 2025 (hereinafter referred to as “the Expo”).

Since the One Stop Shop provides support for consumption tax refunds procedures, only to the Office in principle, they are required to be established by the time when the Official Participant start the refund procedures. (Note that the Office is exempt from direct tax on non-commercial activities related to the Expo.) Therefore, this guide is written on the assumption that the concerned Office is the party who receives the delivery or service for the taxable transaction and submits the consumption tax refund declaration.

Please note that it is not mandatory to register as a legal entity in Japan for the Office.

(*2) Hereafter, it all refers to Japanese consumption tax.

Support for the refund procedures

If, after reviewing the Guideline and this supplementary guide, the Office of the Commissioner General of Section need assistance from the One Stop Shop, please contact us as soon as possible so that we can refer you to a specialist tax accountant.

(If your Office already have an advisory tax accountant, etc., and do not need the support of the One Stop Shop, please ask your Office’s advisory tax accountant to complete the necessary procedures.)

※If your Office wish to apply for the consumption tax refund every three months or every month, it will also be required to submit a "Notification of Choosing Application for Special Provisions on Taxable Period for Consumption Tax"(the Guideline, 2-1).

However, the One Stop Shop supports only one declaration per year in principle. (Monthly tax refund procedure declarations are not eligible for support. As for the support for declaration every three months (quarterly), there is a certain limit to support, so it is necessary to consult individually as to whether or not it will be possible.)

Deadline of submission of “the Report on the Selection of Taxable Proprietor Status for Consumption Tax” to the District Director of tax office

As described in Attachment 1, 2-1 of the Guideline, in order to receive a refund of consumption tax, the "the Report on the Selection of Taxable Proprietor Status for Consumption Tax" is required to be submitted in advance to the District Director of tax office at the taxpayer's place for tax payment (as below).

[Principle] Until the day before the start date of the taxable period for which your Office would like to receive a refund of consumption tax

[Special Exception] If the taxable period for which your Office would like to receive the refund is the taxable period when your Office's business started in Japan, the deadline is the last day of the taxable period.

<Regarding the case “when your Office's business started in Japan” as [Special Exceptions], >

For example, the case of “when your Office's business started in Japan in 2023” means the case where the Office concludes in Japan in 2023 any contract related to preparations for the Expo (e.g. design of the pavilion, procurement of materials, or renting of office in Japan. It excludes the case where it is just in the negotiation stage that is not leading to the conclusion of the contract.).

However, even if the above contract is concluded in 2023, if any of the following cases apply to your Office, it will not fall under the case where "your Office's business started in Japan in 2023".

*The case where the Office or its staffs are not involved in the negotiation of all contracts signed during 2023 by the Office, such as the case where the government officials of the respective Official Participant are the ones who negotiate and sign the contracts, and the delivery or provision of services to the Office relating to that contract has not taken place during 2023.

*The case where the Office does not yet have an office in Japan and contract negotiations are mainly conducted in the home country by e-mail, telephone, etc.

*The case where the Office has only concluded a lease contract (or only obtained permission to use the office) for an office in Japan for the Expo related business during 2023, and is not yet ready to start business practically at that office.

<Image on the timing of submission>

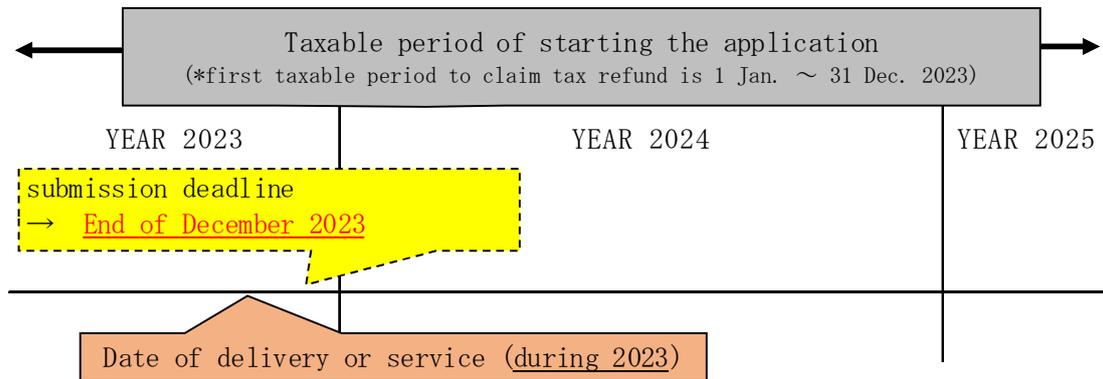
For example, in the case of (A) or (B) below, “the Report on the Selection of Taxable Proprietor Status for Consumption Tax” is required to be submitted by the end of December 2023.

In case (C), the deadline is the end of December 2024.

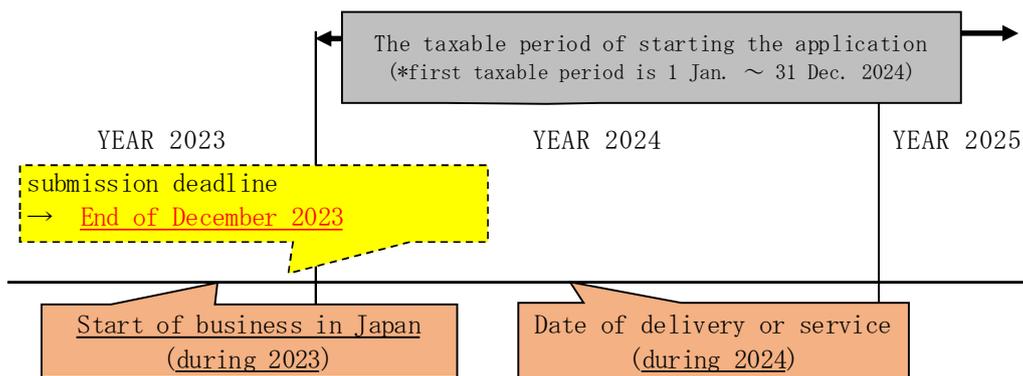
(The above cases are assumed on the basis that the respective Office has set its fiscal year which ends in December.)

(A) If your Office receives deliveries or services in Japan during 2023 and wishes to receive a refund of consumption tax paid on these deliveries or services (→ due date for submission is the end of December 2023, the last day of the taxable period from January to December 2023, by

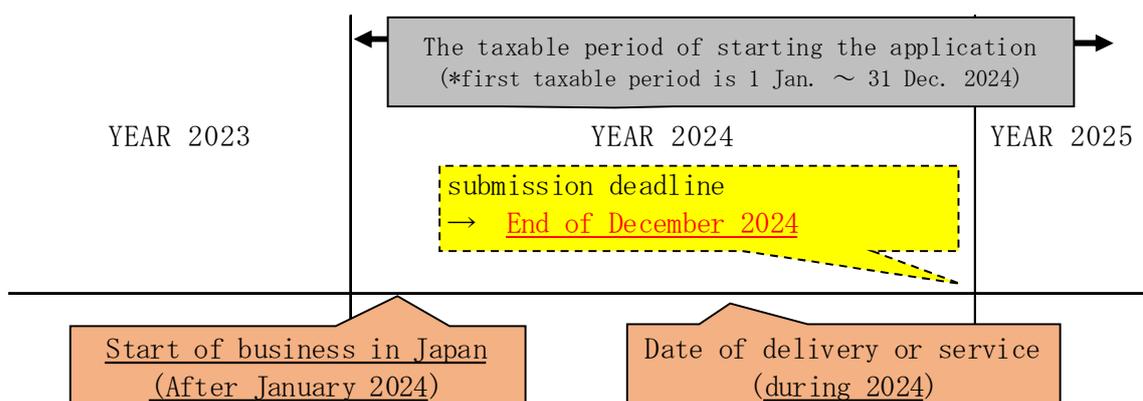
special exception).



(B) If your Office starts a business in Japan during 2023 and receives deliveries or services in Japan during 2024 and wishes to receive a refund of consumption tax paid on these deliveries or services (→ the deadline for submission is, in principle, the end of December 2023, the day before the start of the tax period from January to December 2024).



(C) If your Office starts a business in Japan after January 2024, receives deliveries or services in Japan during 2024 and wishes to receive a refund of the consumption tax paid on these deliveries or services (the deadline for submission is the end of December 2024, the last day of the tax period from January to December 2024, by special exception).



Other references

<Consumption tax payment liability in Japan>

Under the Japanese Consumption Tax Law, an entity is not obliged to file a consumption tax declaration for each taxable period if both (i) and (ii) below apply (however, if the entity has submitted a "the Report on the Selection of Taxable Proprietor Status for Consumption Tax", it is obliged to file a declaration).

(i) The entity's the taxable sales in the reference period (the year two years prior to its current fiscal year) is less than or equal to JPY 10 million.

(ii) The entity's taxable sales in the specified period (the first half of the year one year prior to its current fiscal year) is less than or equal to JPY 10 million.

Therefore, the Office that has not carried out business activities in Japan within the last two years is usually not obliged to file a consumption tax declaration as the Office falls under both (i) and (ii) above (however, this also means that the Office is not allowed to file refund declaration and that the Office is allowed to file for a refund declaration only when "the Report on the Selection of Taxable Proprietor Status for Consumption Tax" is submitted and recognised.)

<In the case of newly established entity>

However,

(*1) if the Office is a newly established entity,

(*2) for taxable periods in which its capital is JPY 10 million or more in the first and second taxable years since its establishment, regardless of whether or not the Office falls under both (i) and (ii) above, it is obliged to file a consumption tax declaration.

From the third year since its establishment onwards, regardless of the amount of capital, the necessity of declaration will be distinguishable according to (i) and (ii) above (however, if the Office has submitted a "the Report on the Selection of Taxable Proprietor Status for Consumption Tax", the Office will be a Taxable Proprietor).

(*1) If an existing foreign corporation simply establishes a branch or office, it is not included in a "newly established foreign entity".

(*2) Whether or not the capital is JPY 10 million or more is determined for the first year by converting into yen the amount of capital at the time of establishment using the TTM at that same time, and for the second year by converting into yen the amount of capital on the first day of the second taxable period using the TTM on that same first day.

<Notices after the submission of "the Report on the Selection of Taxable Proprietor Status for Consumption Tax">

If your Office becomes a Taxable Proprietor by submitting a "the Report on the Selection of Taxable Proprietor Status for Consumption Tax", it is required for your Office to file a consumption tax declaration for each taxable period, regardless of whether or not there are

transactions eligible for a refund, unless your Office submits a notification of withdrawal of the Taxable Proprietor Status (once your Office has submitted a "the Report on the Selection of Taxable Proprietor Status for Consumption Tax", it cannot be cancelled for at least two years).

In addition, as a Taxable Proprietor, your Office is obliged to file a consumption tax declaration, so if your Office make sales subject to consumption tax (for example, carrying out commercial activities in Japan) and the amount of consumption tax received on those sales exceeds the paid amount of consumption tax, your Office will have to pay the tax on the amount of consumption tax that exceeds the paid amount, which is not refunded. (the Guideline 2-2)

Invoices and receipts received from the contracting parties must be preserved for the purpose of filing a refund (the Guideline 2-5).