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Tax Update

NATIONAL TAX AGENCY – PUBLICATION OF Q&AS ON PLATFORM TAXATION OF CONSUMPTION TAX, ETC.

By virtue of the 2024 tax reform, a ‘Platform Taxation’ system was newly introduced under which among B2C (business to consumer) digital services provided in Japan through digital platforms (e.g., APP store, Online mall) by foreign suppliers on or 1 April 2025, the digital services for which consideration is received through specified platform operators^(*) are treated as having been provided by the specified platform operators, and the specified platform operator is liable to file and pay consumption tax on such digital services.

^(*) Specified platform operator means a person who is designated by the National Tax Agency (‘NTA’) because the total amount of consideration received by foreign suppliers through the platform operator out of the consideration for the B2C digital services provided in Japan through the platform operator’s digital platform exceeds JPY5 billion (on an annual basis and including consumption tax) during the taxable period of the platform operator.

On 30 July 2024, the NTA released the following information including Q&As on Platform Taxation of consumption tax:

1. Publication of Q&As on Platform Taxation of Consumption Tax

The following two Q&As (Japanese only) were released:

■ Q&A on Platform Taxation of Consumption Tax (for foreign suppliers)

This Q&A is for foreign suppliers providing B2C digital services in Japan through digital platforms. For example, the following items are clarified:

- Even in the case where a foreign supplier having a permanent establishment (‘PE’) in Japan provides B2C digital services to Japanese customers at its PE in Japan, such B2C digital services are subject to Platform Taxation where the foreign supplier provides the B2C digital services to Japanese customers through a digital platform and receives consideration for the provision through a specified platform operator.
- As the provision of B2C digital services subject to Platform Taxation is treated as having been provided by the specified platform operator,

there is no obligation to issue tax-qualified invoices even if the foreign supplier is a registered supplier under the Invoicing System.

- In the case where a foreign supplier provides B2C digital services to Japanese customers at its PE in Japan, even if the provision of B2C digital services is subject to Platform Taxation, the consumption tax on taxable purchases made in Japan by the foreign supplier (such as rent for the building of the PE in Japan) is creditable in the calculation of the consumption tax liability.

■ Q&A on Platform Taxation of Consumption Tax (for platform operators)

This Q&A is for platform operators providing digital platforms. For example, the following items are clarified:

- A platform operator who meets the conditions of a specified platform operator is required to submit a notification to the NTA by the filing due date of a final consumption tax return for the taxable period (by 30 September 2024 at the commencement of the Platform Taxation system). The form of the notification (Japanese version only) is downloadable from the NTA's website.
- A specified platform operator designated by the NTA is required to immediately notify the foreign suppliers, which provide B2C digital services subject to Platform Taxation, of the fact that the Platform Taxation will be applied and the date of application, regardless of the form or way of notification. However, if such information is provided only on the website of the specified platform operator or in the terms and conditions for use of the digital platform provided by the specified platform operator, it does not satisfy the requirement of a 'notification' to the foreign suppliers.
- As the provision of B2C digital services subject to Platform Taxation is treated as having been provided by the specified platform operator, if the specified platform operator is a registered supplier under the Invoicing System, the specified platform operator is required to issue tax-qualified invoices regardless of whether the foreign supplier who provides B2C digital services is a registered supplier or not.
- The special measure for consumption tax exemption system and the simplified tax credit system are not applied to specified platform operators during taxable periods for which the designation is effective. In addition, even if a platform operator has a tax-exempted status, the platform operator becomes a taxable person from the first day of the taxable period, in case where the designation as a specified platform operator becomes effective in the middle of the taxable period.

2. Establishment of an English Website on Platform Taxation of Consumption Tax

The website of '[Platform Taxation of Consumption Tax](#)' was established to provide information on Platform Taxation of consumption tax in English and other languages.

This website provides an overview of Platform Taxation in English, as well as the following English brochure:

■ [Platform Taxation of Consumption Tax](#) (PDF 433KB)

In addition to the English brochure, the Chinese version (Simplified Chinese, Traditional Chinese) and the Korean version are also provided.

It is also stated that the English version of the above Q&As will also be released on this website in the future.

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