



# ATTENTION ALL BUSINESS OWNERS

## The method for invoice storage is changing

### What will change?

#### ~ **September 30, 2023** (Rate-classified Invoice Storage Method)

In order to apply for tax credit for consumption tax on purchases, businesses must retain a "Rate-classified Invoice." Any business can issue this type of invoice.

#### **October 1, 2023** ~ (Qualified Invoice Storage Method (Invoice System))

In order to apply for tax credit for consumption tax on purchases, businesses must retain a "Qualified Invoice." Only businesses who have registered with the District Director of the tax office as a "Qualified Invoice Issuing Business" are able to issue this type of invoice.

### Do I have to register?

Registering as a Qualified Invoice Issuing Business is **optional**. Even if you are a tax-exempt business (business with taxable sales of 10 million yen or less), you should consider whether to register based on the nature of your business, and other factors. Please consider the following points when making your decision.



#### Do my clients need me to issue Qualified Invoices?

- If your clients are regular consumers or tax-exempt businesses, they will likely not need you to issue Qualified Invoices.
- If your clients are tax-paying businesses, in principle, they will need your business to issue a Qualified Invoice in order to receive tax credits for consumption tax on their purchases.
- If you have a small number of clients, it might be advisable to consult directly with each one.



#### If my business registers as a Qualified Invoice Issuing Business, what happens?

- If requested by a client, your business will be able to issue a Qualified Invoice.
- If you are a tax-exempt business and choose to register, you will then be required to file consumption tax returns as a taxable business.



#### If my business *doesn't* register, what happens?

- If requested by a client, your business will *not* be able to issue a Qualified Invoice.
- Your business will still be able to issue regular invoices.



For more details, check out the NTA's website!  
(Japanese only)

<https://www.nta.go.jp/taxes/shiraberu/zeimokubetsu/shohi/keigenzeiritsu/pdf/0022009-057.pdf>

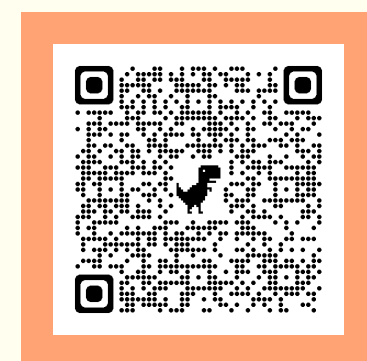
### How do I register?

In order for your business to become a Qualified Invoice Issuing Business, you must complete registration procedures. The process is described below.

① Submit an "Application to Register as a Qualified Invoice Issuing Business" to the proper tax office. \*You can apply online using e-Tax, or by postal mail.

② If your business passes the screening by the Tax Office, and is registered as a Qualified Invoice Issuing Business, you will be sent a "Notification of Registration (登録通知書)" with a designated registration number.

\*Please keep the registration number and other information in a safe place.



For more details, check out the NTA's website!  
(Japanese only)

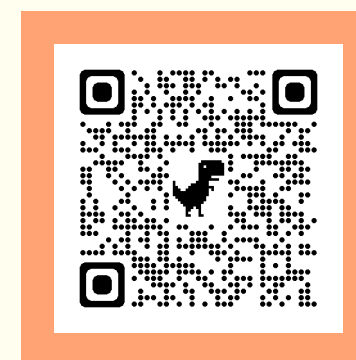
[https://www.nta.go.jp/taxes/shiraberu/zeimokubetsu/shohi/keigenzeiritsu/invoice\\_shinei.htm](https://www.nta.go.jp/taxes/shiraberu/zeimokubetsu/shohi/keigenzeiritsu/invoice_shinei.htm)

### Is there a deadline?

There is no deadline, but if you want to start issuing Qualified Invoices from October 1, 2023, you need to apply for registration by **September 30, 2023**. It may take some time after application to receive the Notification of Registration, so those who wish to register should apply as soon as possible.

## Burden Reduction Measures for Small Businesses (20% Special Provision)

For those who change from a tax-exempt business to a taxable business upon registration as a Qualified Invoice Issuing Business, the amount of tax credit for purchases may be considered as a "Special Tax Credit." In other words, this special provision allows the business to pay just 20% of the sales tax.



For more details, check out the NTA's website! (Japanese only)

<https://www.nta.go.jp/publication/pamph/shohi/kaisei/202304/01.htm>

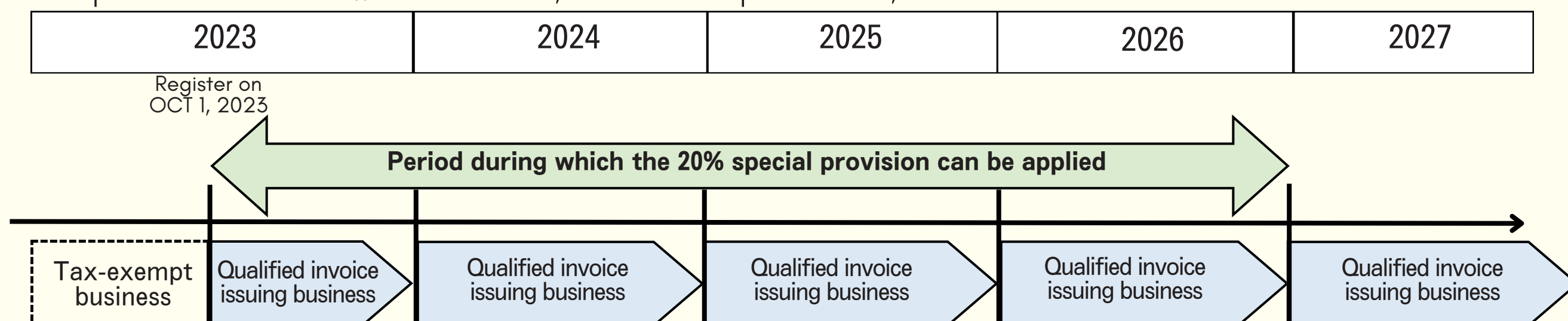
**Outline:** Calculate the amount of tax to be paid by subtracting 80% of the sales tax amount from the total amount of consumption tax related to sales.

\*No need to calculate the actual amount of purchase tax

\*Pay 20% of sales tax, regardless of industry

\*No prior notification required

**Timeline:** Each tax period that falls between October 1, 2023 and September 30, 2026



## Transitional Measures for Taxable Purchases from Tax-Exempt Businesses

In principle, starting from October 1, 2023, businesses who receive a **non-qualified invoice** (an invoice issued by a business other than a Qualified Invoice Issuing Business, such as tax-exempt businesses, regular consumers, etc.), are **not** eligible to apply for tax credit for the consumption tax on purchases.

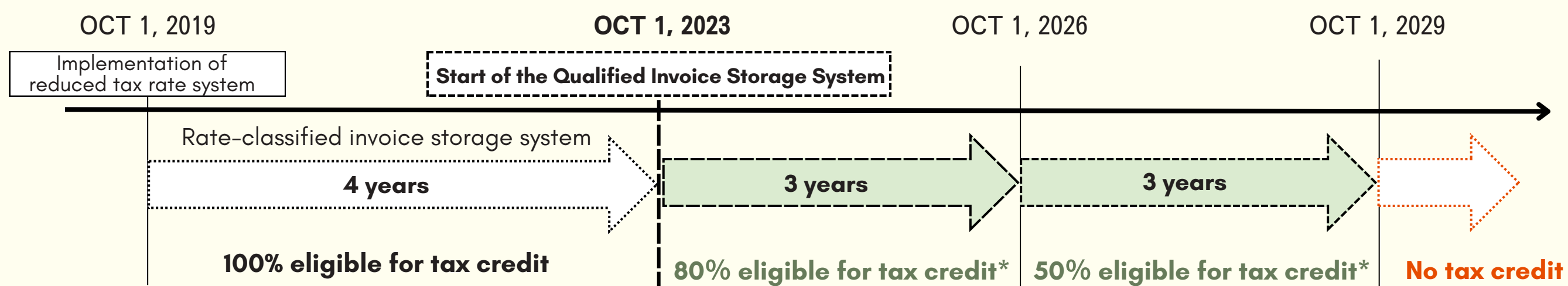


For more details, check out the NTA's website! (Japanese only)

<https://www.nta.go.jp/taxes/shiraberu/zeimokubetsu/shohi/keigenzeiritsu/pdf/qa/01-15.pdf>

However, for the first six years of the system, there will be **transitional measures** for businesses that receive a non-qualified invoice that allows a **certain percentage of the consumption tax** to be eligible for a tax credit.

**Outline / Timeline:**



\*When applying the purchase tax credit under this transitional measure, it is necessary to retain invoices that contain the same items as the Rate-Classification invoices issued by tax-exempt businesses, as well as a ledger stating that this transitional measure will be applied.

## Examples

\*The below examples are meant for reference only. Registration is entirely optional.



### Mr. A Translator (Tax-Exempt Business)

I'm working as a freelance translator. Most of my clients are large companies or administrative agencies, and it is likely that they will require me to issue Qualified Invoices. After consulting with my clients, I've decided to register as a Qualified Invoice Issuing Business.

### Mr. B Private Tutor (Tax-Exempt Business)

I am a sole-proprietor working as a private English tutor. Most of my clients consist of regular consumers, such as junior high school and high school students, so it is unlikely they will ask me to issue a Qualified Invoice. For this reason, I have decided *not* to register as a Qualified Invoice Issuing Business.

