

1. Introduction

Japan will implement a new invoice system for Japanese consumption tax (JCT) on 1 October 2023. The new system will require business customers to retain qualified invoices which fulfil certain conditions in order for them to claim input JCT credits while requiring sellers to issue such qualified invoices.

2. Application

Sellers need to submit applications by **March 2023** to be registered to issue qualified invoices (“registered issuers”).

3. Review: New invoice system

The new invoice system is a "qualified invoice method". An invoice that meets the prescribed requirements (Refer to 3.1.) is a "qualified invoice". By issuing or storing an invoice, input tax credit can be applied in JCT return.

The invoice system is applied to both the seller and the buyer. The seller must deliver the qualified invoice when requested by the counterparty (buyer). The buyer is required to keep the invoice issued by the counterparty (seller) in principle.

The seller must be a "registered issuer" as of October 1, 2023, when the invoice system begins.

3.1. Conditions of qualified invoice

In addition to the items mentioned on current invoice, the following two additional items are required on the qualified invoice.

- Tax amount per tax rate
- Identification number of the registered supplier

Items to be included on invoices and accounting records

<Invoice ~ Sep 2023>

- Name of the customer
- Date of the transaction
- Content of the transaction
- Amount of the transaction
- Name of the supplier

① a wording "The taxable purchase is subject to the reduced tax rate."
② Amount of the taxable supplies per tax rate

<Qualified Invoice Oct 2023 ~ >

- Name of the customer
- Date of the transaction
- Content of the transaction
- Amount of the transaction
- Name of the supplier

① a wording "The taxable purchase is subject to the reduced tax rate."
② Amount of the taxable supplies per tax rate
③ Tax amount per tax rate
④ Identification number of the registered

請求書

〇〇御中 TMF Group 様
東京都千代田区霞が関
Tel:03-9999-9999

10月分 16,400円 (税込)

10月10日	Xxxxxx (1)	5,400円
10月12日	Yyyyyy	11,000円
合計		16,400円

②

10%対象	10,000円
8%対象	5,000円

①

(1) 8%適用商品

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事業者番号 xxx-xxxxxxx

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③

①

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4. Transitional measures for taxable purchases from tax-exempt enterprises, etc.

Tax-exempt enterprises, etc. are those with annual taxable sales of 10 million yen or less, and they are exempt from filing JCT return / payment.

Under the invoice system, input tax on taxable purchases from enterprises, etc. other than the qualified invoice issuers, such as tax-exempt enterprises, etc., cannot in principle be deducted against output tax in JCT return. However, as a transitional measure, for the time being after the introduction of the invoice system, a certain percentage of input tax on taxable purchases can be deducted even with the current invoice.

Details are as follows.

- October 2023 – September 2026 : 80% of taxable purchases
- October 2026 – September 2029 : 50% of taxable purchases

5. Impact on tax-exempt enterprises, etc.

If a tax-exempt enterprise becomes a qualified invoicing issuer, it will be no longer a tax-exempt enterprise even if the annual taxable sales are less than 10 million yen two period previously, and it will be obliged to file JCT returns.

On the other hand, if the enterprise does not become a qualified invoicing business, there may be a situation where suppliers will not do business with the enterprise due to the inability of tax credit.