

Japan Tax Bulletin

Tax reform of filing extension and interest tax

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The filing deadline of consumption tax return is within two months after the end of taxation period (a taxation period is basically a financial year of a company) in principle. The tax reform of an extension for consumption tax filing deadline for the companies comes into force after the financial year ended March 31, 2021.

1. Requirements and procedures

A company that has been approved an extension of filing deadline for corporate tax return will be able to submit an application to request an extension for consumption tax filing deadline.

Companies need to submit an application to the tax authority for extended deadline by the end of a financial year that they would like to take an extension. It will be applied to and after the taxation period which the end of the financial year that the application is submitted belongs.

2. Payment deadline of tax liability

The payment deadline of consumption tax is the same as filing deadline. The companies that have been approved a filing extension, the deadline of payment will be extended as well, however an interest tax will be imposed during the extended period. Therefore most of the companies choose to pay estimated consumption tax amount due within two months after the end of taxation period to avoid to pay interest tax.

3. Penalty tax / interest tax for payment overdue

(1) Penalty tax

Penalty tax will be imposed if a company pays its tax liability amount after the payment deadline. Penalty tax amount is not deductible under corporate tax calculation.

Penalty tax is calculated based on the tax liability amount with the following rate for the period after the payment deadline until the date of payment.

- For the first two months after the payment deadline

7.3% in principle, but if the rate of “special standard ratio* + 1%” is lower than 7.3%, the rate will be “special standard ratio + 1%”. (The rate for 2020, 2.6%)

- For further period

14.6% in principle, but if the rate of “special standard ratio + 7.3%” is lower than 14.6%, the rate will be “special standard ratio + 7.3%”. (The rate for 2020, 8.9%)

* Special standard ratio is established by Minister of Finance by December 15, the previous year of each year, based on average short-term loan contract interest rate on banks + 1%. The rate for 2020 is 1.6%.

(2) Interest tax

When extension of filing deadline is applied, interest tax will be imposed if the company pays the tax liability amount during the period after the two months of financial year ends until the payment deadline.

Not like penalty tax, interest tax amount is deductible under corporation tax calculation.

The rate of tax interest is 7.3% in principle, but if the rate of “special standard ratio + 1%” is lower than 7.3%, the rate will be “special standard ratio + 1%”. (The rate for 2020, 2.6%)

(3) Tax reform on the rate

From January 1, 2021 onwards, the special standard ratio using for tax interest calculation will be reduced from “average short-term loan contract interest rate on banks + 1%” to “average short-term loan contract interest rate on banks + 0.5%”.

This change will apply not to the penalty tax calculation (no change under the penalty tax calculation).

4. Summary table of filing/payment deadlines for Japan tax for companies

Corporate tax/Local tax (Enterprise tax, Inhabitant tax)	
Payment/Filing	
Principle	Within two months after the financial year end
Optional	Can be extended 1 to 4 months based on company pre-application.
Consumption tax	
Payment/Filing	
Principle	Within two months after the financial year end
Optional	If company has been approved an extension for filing on corporate tax, can be extended one month based on company's pre-application. - Before the financial year ended March 31, 2020 No extension



Withholding tax	
Payment	10 th of the following month (from the month where supplier invoice was paid)
Filing	No specific filing is required per payment (covered by payment slips). Annual report (Hoteichosho) is due by the end of January
Business Premises Tax	
Payment	Within two months after the financial year end (no extension)
Filing	Within two months after the financial year end (no extension)
Fixed asset tax (depreciable asset) – imposed by official assessment method	
Payment	End of each month of June, September, December and February (Payment slips are issued by local tax office in every June)
Filing	January 31, filing is for the purpose to provide the information regarding to the fixed assets