

# KPMG Japan e-Tax News



## TAX UPDATE

### CONSUMPTION TAX RATE INCREASE – TWO AND A HALF YEAR DELAY

On 1 June 2016, Prime Minister Shinzo Abe made an announcement on the increase in the consumption tax rate from 8 percent to 10 percent as follows:

- He decided to postpone the planned increase in the consumption tax rate over concerns the increase could stifle domestic demand and trigger an economic downturn.
- The increase should be postponed to 1 October 2019 (i.e. by two and a half years). At that time, a multiple tax rate system should be introduced.
- He will seek a mandate for his decision to delay the consumption tax increase in the Upper House election to be held on 10 July.

The Japanese government planned to increase the consumption tax rate in two stages. The first stage to increase the consumption tax rate from 5 percent to 8 percent was implemented on 1 April 2014 as planned. The second increase in the tax rate from 8 percent to 10 percent which was originally due to happen on 1 October 2015 was postponed to 1 April 2017. Such increase will now be delayed from the original plan for four years in total if it is postponed again based on the Prime Minister Abe's decision.

It is expected that a bill to amend the Consumption Tax Law to postpone the increase in the tax rate will be submitted to and discussed in an extraordinary session of the Japanese Diet later this year.

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