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JAPAN – TAX CONSIDERATIONS FOR THE PROVISION OF SHORT-TERM ACCOMMODATIONS

The following information can provide a starting point to help you learn about some of the tax requirements that might apply to you when providing short-term accommodations in Japan.

Tax laws are complicated and frequently amended, so it is important to ensure that you keep up-to-date with any and all applicable tax obligations and remain tax compliant. Please note that the timely preparation, filing and payment of taxes are your responsibility.

The provision of short-term accommodations in Japan is generally subject to the following types of taxes, and if applicable, you will be required to file and pay such taxes in Japan: ¹

- Individual Income Tax (*shotoku zei*)
- Japanese Consumption Tax ("JCT") (*shohi zei*)
- Fixed Assets Tax (*kotei shisan zei*) and City Planning Tax (*toshi keikaku zei*)

Please understand that the information in this guide is merely intended to provide a general overview and is thus not comprehensive or intended to provide any specific legal advice. If you have any questions or concerns regarding your tax obligations in Japan, please consult with your local Japan tax office or seek advice from a qualified Japanese tax professional.

Please note that we do not update the information in this guide in real time, so you should confirm that the laws or procedures discussed herein have not changed in the time since this guide's publication date.

We also draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

INDIVIDUAL INCOME TAX

If you earn income in Japan, it is likely that you will be required to pay a percentage of that

¹ Depending on your situation and location of the property, you may be subject to hotel tax or accommodation tax (*shukuhaku zei*). Hotel tax or accommodation tax is not a nationwide tax and is only applicable in certain limited prefectures/cities in Japan. Thus, such taxes are not covered in this tax guide. In addition, once a national income tax return filing is made, local inhabitants tax will be subsequently levied, and depending on the size of the business or certain other factors, local enterprise tax may also be subsequently levied, although generally no tax return filings are required for these taxes.

income as tax to the Japanese tax authorities. Below is a brief overview of the taxes that may arise on income earned from the provision of short-term accommodations in Japan and information on how to pay such taxes to the Japanese tax authorities.

Japan's taxable year runs from 1 January to 31 December (*i.e.*, the calendar year).

Classification of income derived from short-term rentals

The treatment of income may vary depending on the income's classification, but the calculation of taxable (net) income for each income category is, in a broad sense, identical. For further guidance on the classification of income from short-term rentals, please see the Japanese tax authorities' website (Japanese only). Depending on your specific situation, income derived from short-term rentals will be classified as one of the following income types:

- business income (*jigyo shotoku*)
- real estate income (*fudosan shotoku*)
- miscellaneous income (*zatsu shotoku*)

Individual income tax in Japan (national taxes)

Generally, you are required to file an individual income tax return and pay individual income tax in Japan if you are a Japanese resident taxpayer (*kyojyusha*) who earns income, regardless of the source, or a Japanese non-resident taxpayer (*hi-kyojyusha*) who earns Japanese domestic source income (such as real estate income).

More precisely, for Japanese income tax purposes, there are two taxpayer status categories:

- (1) Resident. A Japanese resident is an individual who has a domicile in Japan, or who has resided in Japan continuously for more than one year. This category is subdivided into:
 - a. Permanent residents. A Japanese "permanent resident" for tax purposes is a resident individual other than a non-permanent resident.
 - b. Non-permanent residents. A Japanese "non-permanent resident" is a resident foreign national individual who has not resided in Japan for five years, cumulatively, out of the last 10 years.
- (2) Non-resident. A non-resident is an individual other than a resident.

The determination of whether an individual has a "domicile" in Japan is made based on the individual's specific facts, circumstances and actual conditions. Relevant factors include whether the individual maintains a primary home in Japan; the individual's profession; whether their spouse and children are living with them (or if not, where the spouse and children are located); and where the individual's assets are located.

The scope of the taxable income for the above taxpayer status categories is as follows:

Category	Taxation
Permanent resident	Worldwide income
Non-permanent resident	Japan source income and foreign source income that is either remitted into or paid within Japan
Non-resident	Japan source income

Generally, if you (i) earn miscellaneous income of JPY 200,000 or less during the calendar year and earn no other types of income (other than single source remuneration income from a single employer (*kyuyo shotoku*) totaling JPY 20,000,000 or less during the same calendar year and are subject to a year-end tax adjustment by the employer (*nenmatsu chosei*),² or (ii) earn any income totaling JPY 480,000 (the amount equivalent to the basic deduction) or less during the calendar year, you are generally not required to file an individual income tax return and pay individual income tax. For further guidance on tax filing requirements, please see the Japanese tax authorities' website (Japanese only).

There are a wide range of tax deductions available in Japan, all with their own conditions and ranges (see section "Tax deductions" below).

Typical expenses that can be deducted from an individual's income with respect to short-term rentals

Expenses that are **directly connected** with renting the property can be deducted from income. This may include, but is not limited, to the following:

- gas, water, and electricity expense (insofar as the expense relates to usage by the tenants)
- cleaning expense (insofar as the expense is related to tenant stays)
- maintenance costs, repair costs and depreciation of the properties (insofar as the expenses relate to tenant stays)
- service fees charged by Airbnb

Tax deductions

As income tax is imposed on income at progressive rates (for tax residents), Japanese tax law allows various deductions from individual income. Determining which deductions apply largely depends on the specific facts and circumstances of each individual case. Therefore, we strongly encourage you to contact your local tax advisor to determine which tax deductions apply. You may also refer to the Japanese tax authorities' website (Japanese only) for additional information.

Japanese individual income tax rates

² In the case of (i), please note that you may be required to file an inhabitant's tax return and pay inhabitant's tax to the local government authorities.

The tax rates applicable to Japanese tax residents are as follows:

Total taxable income (JPY)	Income tax ³ (%)	Inhabitant's tax (%)	Total (%)
0 - 1,950,000	5.105	10	15.105
1,950,001 - 3,330,000	10.21	10	20.21
3,330,001 - 6,950,000	20.42	10	30.42
6,950,001 - 9,000,000	23.483	10	33.483
9,000,001 - 18,000,000	33.693	10	43.693
18,000,001 - 40,000,000	40.84	10	50.84
40,000,001-and above	45.945	10	55.945

A 20.42% flat tax rate is applicable to non-residents.

Japanese individual income tax obligations of a Japanese resident that receives foreign short-term rental income

Japanese permanent resident taxpayers must generally report their worldwide income (i.e., both Japan and foreign sourced income), while Japanese non-permanent resident taxpayers must report their Japan source income and foreign source income that is either remitted into or paid within Japan. Japanese non-resident taxpayers only need to report their Japan source income.

Income derived from foreign property owned by a Japanese resident taxpayer is generally also subject to tax in the country where the property is located. In general, a foreign tax credit may be available to provide relief from double taxation with respect to the portion of the Japanese tax related to the foreign property.

Tax return filings in Japan

You can file an individual income tax return by mailing hard copy documents to the responsible tax office or by using the e-tax system. For additional detail on the e-tax system, please see the Japanese tax authorities' website (Japanese only).

Tax returns – filing and payment deadlines

Individuals have a mandatory calendar year tax year. The individual income tax return filing/tax payment deadline is 15 March of the following year (if the date is on a Saturday or Sunday, then the due date is automatically extended to the next Monday). Therefore, an individual income tax return/tax due for 2023 must be filed/paid before 15 March 2024. If you have applied for payment by wire transfer in advance, while you cannot extend the due date for the filing of the tax return, the tax payment due date can be extended to mid-April (the exact date will be

³ Including Special Income Tax for Reconstruction (*fukko tokubetsu shotoku ze*).

announced by the NTA each year, please see the Japanese tax authorities' website (Japanese only)).

Penalties

Please be aware that if you file the tax return after the due date but before receiving a notification from the tax authorities, a late-filing penalty of 5% (of the individual income tax liability) may be imposed. If you do not file the tax return by the due date and receive a notification from the tax authorities regarding the commencement of a tax audit, a non-filing penalty of 15% (of the lesser of JPY 500,000 or the individual income tax liability,) 20% (of the portion of the individual income tax liability that exceeds JPY 500,000, but no more than JPY 3,000,000) plus 30% (of the portion of the individual income tax liability that exceeds JPY 3,000,000) may be imposed.⁴

In addition, so-called delinquency tax (similar to interest) of 2.4% per annum (for the first two months from the payment due date) or 8.7% per annum (after the first two months from the payment due date) of the individual income tax liability may be imposed in the event of a late payment. Note that the delinquency tax rates listed above are for late payments in 2023, and the applicable rates for preceding/subsequent years may differ.

In addition, in the event of under-reporting (*i.e.*, the income amount reported is less than actual amount of income), a under-reporting penalty of 10% (of the lesser of JPY 500,000 or the individual income tax liability) plus 15% (of the portion of the individual income tax liability that exceeds JPY 500,000) and delinquency tax would apply. However, if a revised tax return is filed before receiving contact from the tax office, no penalty tax should apply (only delinquency tax would be payable).

Japanese tax authority contact information

The contact information for the Japanese tax authorities can be found on the Japanese tax authorities' website.

⁴ The 30% penalty applies for tax filings with an original due date on or after 1 January 2024 (*i.e.*, the penalty applies for individual income tax filings for FY 2023 or after).

JAPANESE CONSUMPTION TAX (“JCT”)

JCT can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Generally speaking, JCT is a tax on consumption in Japan. Most goods and services supplied in Japan are subject to JCT. A person who supplies goods and/or services in Japan may have to charge and collect JCT and pay the collected JCT to the Japanese tax authorities. As with all taxes, we encourage you to consult with a Japanese tax adviser regarding your potential JCT obligations in Japan.

If you are currently renting a room located in Japan to guests for a short period (*i.e.*, less than one month per stay⁵), you should be required to apply JCT to your rental charge and pay the net JCT amount after deducting the available input JCT credit to the Japanese tax authorities. As Airbnb is not supplying the rental itself, it is the sole responsibility of the host to satisfy the local JCT obligations on the short-term rental charge.

Do I need to collect any JCT from guests if I am leasing short-term accommodations in Japan?

In general, individuals and corporations who are classified as JCT taxpayers (or *kazei jigyoisha*) must charge JCT on their supplies and pay the net JCT amount to the Japanese tax office.

Generally, an individual whose JCT taxable sales during the second preceding year (*kijyun kikan*) are more than JPY 10 million should be classified as a mandatory JCT taxpayer (*e.g.*, if JCT taxable sales of an individual are more than JPY 10 million in FY2021, the individual would become a JCT taxpayer in FY2023). Once an individual meets the threshold, the individual should timely submit a notification of becoming a mandatory JCT taxpayer. This applies to both Japan tax resident hosts and tax non-resident hosts.

On 1 October 2023, a so-called qualified invoice system entered into effect. Very briefly, guests who are JCT taxpayers must obtain qualified invoices to claim a JCT input credit in connection with the short-term rentals. In order to issue qualified invoices, you must be registered as a JCT taxpayer and be voluntarily registered as a qualified invoice issuer (regardless of whether you are a mandatory JCT taxpayer by virtue of exceeding the abovementioned threshold)⁶. In this regard, note that in order to become a qualified invoice issuer, an application must be submitted.

⁵ If the stay is one month or longer, generally, the rental charge should be classified as a JCT non-taxable transaction. (Article 16-2 of the Enforcement Order to the JCT Law.)

⁶ If you are not a mandatory JCT taxpayer but voluntarily registered as a JCT taxpayer to be a qualified invoice issuer, certain tax relief (so-called 20% special regime (*ni-wari tokurei*) which allows a deemed input JCT credit based on a deemed amount calculated by multiplying the output JCT amount by an 80% deemed input JCT ratio in a similar manner as the simplified JCT method referred to below) may be available. For more information, please see the Japanese tax authorities' website (Japanese only).

For additional detail on the qualified invoice system, please see the Japanese tax authorities' website (Japanese only).

If you are registered as a JCT taxpayer, you may also be allowed to deduct the available input JCT credit incurred in the same taxable year, limited to the aggregated input JCT amount shown in the qualified invoices retained in connection with your purchases for the business.⁷

We encourage you to consult a Japanese tax adviser if you need assistance in determining whether you are required to register for and charge JCT, and/or whether you are allowed to deduct input JCT incurred.

For further guidance on registering for JCT, please see the Japanese tax authorities' website (Japanese only).

If I am a JCT taxpayer, how do I collect JCT from guests?

If you determine that you need to charge JCT on the supplies that you provide to guests, please note that you must collect this JCT from the guests yourself, then report it/remit the net liability amount on a JCT return.

You may wish to set a JCT-inclusive accommodation price for guests (in which case the invoices must clearly state that the pricing is JCT inclusive). In such case, if you are supplying an accommodation, which is subject to JCT at a 10% rate, the amount of JCT due should be calculated by multiplying the agreed accommodation price by 10/110 (*i.e.*, back-calculating the JCT amount from the total price). For example, if you charge a total JCT-inclusive accommodation price of JPY 10,000, the JCT arising on this supply = JPY 10,000 * 10/110 = JPY 909.

When issuing a receipt or an invoice to your guests, certain formalities may be required (including with respect to the qualified invoice system mentioned above). For more information, please refer to the Japanese tax authorities' website (Japanese only).

Additionally, further guidance on filing JCT returns can also be found on the Japanese tax authorities' website (Japanese only).

JCT rates may change periodically. We recommend that you check on a regular basis with the local tax authority to get the most up-to-date JCT rates.

⁷ The limitation of input JCT credit is not applicable, if a JCT taxpayer applies the simplified JCT method referred to below, or applies the so-called 20% special regime. Even if you do not apply the abovementioned method/regime and are subject to the qualified invoice retention requirement for to claim a JCT input credit, certain transitional measures may apply for input JCT creditability for a 6 year period. (That said, under the transitional measures a full input JCT credit is not available, rather only a limited input JCT credit is available, such as an 80% input JCT credit until September 30, 2026 and a 50% input JCT credit from October 1, 2026 to September 30, 2029.)

As of this guide's publication date, the JCT rate applicable to supplies of accommodation (*i.e.*, short-term rentals) is 10%⁸, which is comprised of both national and local JCT.

Do I have to report JCT on Airbnb host service fees? How does the reverse charge work with respect to Airbnb host service fees, and what do I have to do as a host?

As Airbnb host service fees should be considered consideration for B2B electronically supplied services ("ESS") in nature (under Article 2 (8-4) of the JCT Law and Article 5-8-4 of the JCT Law Basic Circular), such fees should be subject to the so-called reverse charge mechanism. If you are a JCT taxpayer, you may be required to report the amount on your JCT return, which may increase your JCT liability.

However, as a result of temporary transitional measures, (a) if your taxable sales ratio is 95% or more, or (b) if you apply the simplified JCT taxation method, you are not required to report the reverse charge amount on your JCT return while the transitional measures are in effect.⁹

For more details, please consult with a Japanese tax advisor.

JCT returns

From the first year when you become a JCT taxpayer, you are required to file an annual JCT return by 31 March¹⁰ of the following year (*e.g.*, if you become a JCT taxpayer in 2023, you must file an annual JCT return by 1 April 2024).

From the second year of JCT taxpayer status, you may be required to file interim tax returns and remit the net JCT liability amount to the tax authorities monthly, quarterly or semiannually depending on your JCT liability for the previous year. If the JCT liability (national portion) for the previous fiscal year is: (i) more than JPY 480,000 but JPY 4 million or less, a JCT taxpayer is required to file an interim JCT return and/or pay interim JCT semi-annually; (ii) more than JPY 4 million but JPY 48 million or less, a JCT taxpayer is required to file an interim JCT return and/or pay interim JCT quarterly; and (iii) more than JPY 48 million, a JCT taxpayer is required to file an interim JCT return and/or pay interim JCT monthly. For more details, please see the Japanese tax authorities' website (Japanese only).

We recommend that you confirm your JCT-related tax filing obligations and the applicable invoice requirements with a local Japanese tax adviser.

Input JCT credit under the simplified JCT method.

⁸ More precisely, the 10% JCT rate is composed of the 7.8% national JCT rate and the 2.2% local JCT rate, and in preparing the tax return, calculation of the JCT liability must be made for both national JCT and local JCT.

⁹ Articles 42 and 44(2) of the 2015 supplementary provisions of the JCT Law. Such measures are provided in the form of temporary measures, but according to the explanation given by the Japanese tax authorities when ESS JCT was introduced in 2015, the measures are intended to be perpetual, in practice.

¹⁰ If the date is on a Saturday or Sunday, the due date is automatically extended to the next Monday.

Generally, JCT taxpayers are required to pay the net JCT liability amount after deducting the available input JCT credit amount from the actual JCT amount.

However, if your JCT taxable sales during the second preceding year (*kijyun kikan*) are JPY 50 million or less and you submit an application for the simplified JCT method before the first day of the taxable year for which you wish to apply the simplified JCT method, you can claim an input JCT credit based on a deemed amount by multiplying the output JCT amount by a certain deemed input JCT ratio (simplified JCT method (*kan-i kazei*)) (e.g., if the JCT taxable sales of an individual are JPY 50 million or less for FY2021, the individual can apply the simplified JCT method for FY2023 if the relevant application has been appropriately submitted). The deemed input JCT ratio depends on the classification of your business.¹¹ The simplified JCT method may result in a lower net JCT liability than if the method was not adopted.

Please note that in certain exceptional circumstances, the simplified JCT method may have adverse tax consequences (e.g., if you plan to have considerable amounts of JCT taxable purchase and the actual input JCT amount is greater than the deemed input JCT), so we encourage you to consult with a Japanese tax adviser in advance as to whether selecting the simplified JCT method would be beneficial.

More information on this topic can be found on the Japanese tax authorities' website ([Japanese only](#)).

Penalties

The penalty tax and delinquency tax treatment described for income tax above are also applicable to JCT. Please see the relevant section above.

¹¹ In the case of rental property ("*minpaku*"), the deemed JCT ratio is generally 50% (however, we recommend confirming the applicable rate with your Japanese tax advisor). For example, if the JCT taxable sales amount is JPY 20 million, the output JCT amount is JPY 2 million, if the simplified method is duly elected, and the deemed input JCT ratio is 50%, the net JCT tax liability to be paid would be JPY 1 million (JPY 2 million - (2 million x 50% deemed input JCT ratio)).

FIXED ASSETS TAX AND CITY PLANNING TAX

Depending on the location of your accommodation, you may be subject to local fixed asset tax (and city planning tax where applicable), which is payable by the end of February, June, September, and December based on an assessment issued by the local municipal tax office. The taxpayer responsible for such local fixed asset tax is the owner of the taxable property as of January 1 each year.

For additional information, please refer to the Tokyo Metropolitan Bureau of Taxation's website ([Japanese only](#)).