# Japan e-Invoicing Changes

## Simplified Invoicing and Settlement (SIS)

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**Version History:**

| Version | Date | Changes |
|---------|------|---------|
| 1.0 | 15-Jun-2023 | Version 1.0 published. |

# Contents

## 1. Introduction

Japan will introduce a new qualified invoice regime for Japanese Consumption Tax (JCT) with effect from 1st October 2023. The new system will align the JCT regime more closely with European-style VAT regimes, and to claim input tax credit, the purchaser will be required to retain 'qualified invoices' issued by 'qualified invoice issuers' (QII).

The new system will require sellers to include their QII number in invoices for a purchaser receiving such invoices to be able to take an input credit for the JCT in that invoice.

While SIS already handles these requirements, this document has been issued to guide SIS users.

## 2. Overview of changes

1. How to show the Japan Consumption Tax (JCT) / QII number on the SIS invoice (Miscellaneous Billing Category).
2. Calculation method of JCT.
   - Currently JCT is calculated on each transaction
   - The new regulation requires to calculate in the following sequence as the rounding has to happen at the final invoice level and not at individual line level.
     - I. Sum the taxable amount
     - II. Apply tax rate to the sum of taxable amount
3. Invoices raised in a currency other than Japanese Yen (JPY).

## 3. How to manage these changes in SIS

1. **Show Japan Consumption Tax (JCT) / QII number on SIS invoice (Miscellaneous Billing Category).**

   a) Ensure that you have captured your JCT / QII number in SIS member profile for the necessary Location ID's under the 'TAX/VAT Registration #.' Field. This will allow the number to appear under the invoices.

   To access the SIS Member profile screen on IS-WEB go to:
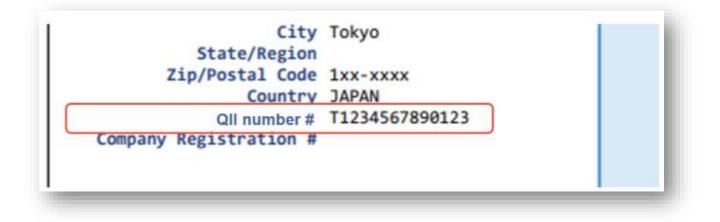   *Home >>Profile and User Management >> Manage Member Profile*

b) A new SIS invoice layout (language template) 'j1-Japan Qualified Invoice' has been released in SIS Release 1.18 on 22nd June 2023. For invoices generated with this layout the text will show as 'QII number #' instead of the 'Tax/VAT Registration #'.

Details on how to use a language template are in Annexure 1 at the end of this document.

```
                      City  Tokyo
               State/Region
            Zip/Postal Code  1xx-xxxx
                   Country   JAPAN
               QII number #  T1234567890123
        Company Registration #
```

If the template is not selected, the invoice will continue to be generated with the field name as 'Tax/VAT Registration #'.

```
                      City  Tokyo
               State/Region
            Zip/Postal Code  1xx-xxxx
                   Country   JAPAN
      Tax/VAT Registration #  T1234567890123
        Company Registration #
```

## 2. Calculation method of JCT

The new regulation requires to calculate in the following sequence.
   a. Sum the taxable amount
   b. Apply tax rate to the sum of taxable amount

If there are multiple rows the calculation of the tax could have rounding issues if applied at a line-item level. Hence the recommendation is to apply the tax at the invoice level. This way the rounding at the line item can be avoided and show the total amount at Invoice level. Refer to example below where no tax is captured at the line-item level, but the total tax captured at invoice level.



Note: Even if there are different tax percentages within an invoice you can capture it at invoice level. In the next example you have one item of 10% and the other for 8%. The tax is captured at header level which shows two separate lines.

### 3. Invoices raised in a currency other than Japanese Yen (JPY).

Even if the currency is not JPY, the JCT amount should be shown in JPY. This can be shown by using the Total tax amount local fields available in SIS shown below.



If sending information via the IS-XML, the data can be entered in fields 'TotalTaxAmountLocal @CurrencyCode' and 'LocalTaxExchangeRate'.

Notes:

- While you may enter the Total tax amount in local currency with decimals, the SIS PDF will round it as per the currency code. Example: Japanese Yen – 0 decimals.
- Exchange rates: It is recommended that the exchange rate used is mentioned on the invoice. The 'Header notes' field can be used for this.

Should you have any further queries do contact SIS Operations via a case in the IATA Customer portal.

More information about the changes can be found at the Japan National Tax Agency's website.

## Annexure 1

Language templates in SIS: This is an option in SIS where the user can define at an invoice level whether they would like to display the text labels on an invoice in another language example in Spanish or French. This has been further expanded to also display different text on an invoice for example by selecting/putting pf- Proforma invoice, the invoice will have the heading as 'Proforma Invoice'.

For Japan a new template 'j1 - Japan Qualified Invoice' is being introduced. If this template is selected then the invoice will display the label 'QII number #' instead of 'Tax/VAT Registration #'.



**How to use a language template in SIS?**

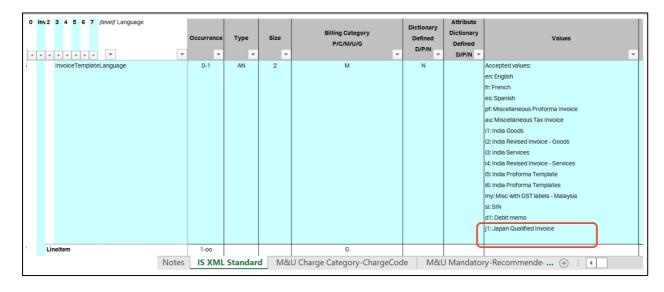**IS-WEB:** While capturing an invoice in IS-WEB select 'Invoice Template Language'

The following list opens. Select the 'Japan Qualified Invoice'. This will ensure that the invoice gets generated with the label as 'QII number'.



**IS-XML:** When sending an invoice in IS-XML, In the 'InvoiceTemplateLanguage' node send 'j1' which will ensure that the Japan Qualified invoice template will be selected.

IS-XML standard:



IS-XML example:

```
<Attachment>
  <AttachmentIndicatorOriginal>Y</AttachmentIndicatorOriginal>
</Attachment>
<InvoiceTemplateLanguage>j1</InvoiceTemplateLanguage>
</InvoiceHeader>
```