

Japan e-Invoicing Changes Simplified Invoicing and Settlement (SIS)

Version 1.0 June 2023





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Version History:

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





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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. <u>Show Japan Consumption Tax (JCT) / QII number on SIS invoice (Miscellaneous Billing Category).</u>

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

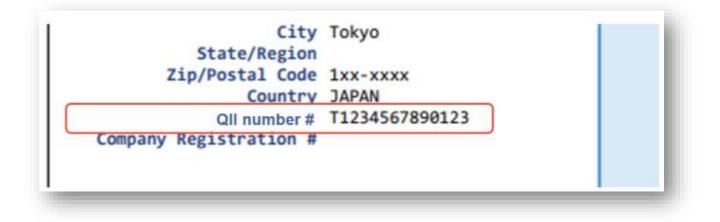
JCT/C	₩ number		
Main Location Details			
Company Registration ID:	Tax/VAT Registration #: T1234567890123 Address Line2:	Add. Tax/VAT Registration #:	
* City Name:	Postal Code:	* Country Name: Please Select	Subdivision Name:





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 <u>Annexure 1</u> at the end of this document.



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







2. <u>Calculation method of JCT</u>

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.

Invoice Number: QII2051310 <u>Billing Member's Local</u>	tion ID: Main-Tol	kyo-JP	* Invoice Date: 28-Apr-23 Billed Member's Loc	cation ID: Main-Tokyo-	JP	Ground	Category: Handling f Billing Member:		
Billing Year/Month/Peri 2023-Apr-3	iod:		* Currency of Billing JPY-Yen	E.		Tax Amo 6636.20			
otal Amount in Billing 72998.200	Tax Breakdo	wn						×	
CH Agreement Indicat	Tax Breakd	own List							
	Sr. No.	Tax Text	Tax Base Amount	Tax Percent	Tax Calculated Amount	Tax Category	Tax Name		
fotal Tax Amount Loca 0.000	1		66362.000	10.000	6636.200		CONSUMPTION		
Rejection Invoice:									
Note Description:									

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.

Invoice Number: QII2051311			* Invoice Date: 28-Apr-23				arge Category: und Handling		
<u>Billing Member's L</u>	ocation	ID: Main-Tokyo-JP	Billed Member	s Location ID: Main-Tol	kyo-JP	Cont	act of Billing Member:		
Billing Year/Month/ 023-Apr-3	Period:		* Currency of E JPY-Yen	Billing:			Amount: 0.000		
otal Amount in Bi 7080.000	Tax B	reakdown						×	
H Agreement Inc	Tax E	Breakdown List							
	Sr. No	o. Tax Text	Tax Base Amount	Tax Percent	Tax Calculated Amount	Tax Category	Tax Name		
tal Tax Amount .000	1	STANDARD	46000.000	10.000	4600.000		CONSUMPTION		
ejection Invoice:	2	Items subject to reduce tax rates	6000.000	8.000	480.000		CONSUMPTION		

Tax Breakdown	Level	Label	Tax Text	Base Amount	Tax Rate	Tax Amount
	Invoice	CONSUMPTION	STANDARD	46,000	10.00%	4,60
	Invoice	CONSUMPTION	Items subject to reduce tax rates	6,000	8.00%	48





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.

			Total Invoice Tax Amo Total Invoice VAT Amo			76.00 0.00
			Total Due in Currency of Bill	ing	USD	836.00
		Total Due in Currency of	Clearance @ Exchange Rate 1.00	000	USD	836.00
Tax Breakdown	Level	Label	Tax Text	Base Amount	Tax Rate	Tax Amount
2	Invoice	CONSUMPTION	STANDARD	760.00	10.00%	76.00
TAX/VAT in Local Cu information		Exchange Rate From Do	c. Curr. To Local Curr.	Local Currency Code		Amnt. in Local urr.
-		1 USD = 12	7.82000 JPY	JPY		9,714
Page 1 Of 2						/
-	-					_
PO. Number		Bling Member's Locator (0) Main-Tokyo-JP	Billed Member's Location ID-Titlan-Secul AR	Contact of Billing Member.		onfact of Billed Member.
* Settlement Method:		Billing Ver/Month/Period	* Curreper of Billing	Tax Amount		T Amount
ICH	-	023-May-3	USD-US Dollar	76.000		
Add/Deduct Charge	8	atal Amount in Billing Currency: 36.000	* Currency of Clearance: USD	* Exchange Rate: 1.00000	8	tal Amount in Clearance Currency: 36.000
Digital Signature: N: No	ci	H Agreement Indicator	CH Due Date: DD-MMM-YY	Invoice Owner. Ayako Ebara	In	roice Template Language:
Total Tax Amount Local Currency Code: JPY-Yen		Mal Tax Amount Locat 714 320	Local Tax Exchange Rate: 127.82000			

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.

Header				from USD to JPY is	the xxxx ra	ate publis	hed b	,					
Line		ha ze Loc.						Unit	Base	Additional			Line
#	Service 2023-05-01 to	Code Code	e Product I	d Descript	10n (Quantity	UOM	Price	Amount	Amount	Тах	VAT	Amount
1	2023-05-01 10	Misc		Ground Handling	harges	1	EA	760.00	760.00	0.00	0.00	0.00	760.00
							Line	Item Sub Total	760.00	0.00	0.00	0.00	
			\backslash			Invoi	ice He	ader Sub Total		0.00	76.00	0.00	
			$\langle \rangle$			Total	Invoi	ce Base Amount					760.00
					To	tal Invoic	e Add	litional Amount					0.00
						Total	Invo	ice Tax Amount					76.00
			\setminus			Total	Invo	ice VAT Amount					0.00
				\backslash	Tota	al Due in	Curre	ency of Billing			USD		836.00
				Total Due in Curr	ency of Clear	rance @ Ex	chang	e Rate 1.00000			USD		836.00
	Tax Breakdown	Level		Label		Tax Text				Base Amount	Tax Rat		ax Amount
		Invoice	e	CONSUMPTION		STANDARD				760.00	10.00	6	76.00
1	AX/VAT in Local (for								Total Ta		. in Local
	information	n only)		Exchange Rate			al Cu	Jrr.	Local Curren	cy Code		Curr.	
				11	SD = 127.820	900 JPY			JPY				9,714
				•	_								
Origina	al Invoice:			R	ejection Invoice	c				Correspondence	Invoice:		
Note	S												
Note:				2	ote Description:								
				1	he rate used for	r conversion	from U	ISD to JPY is the xxx	ox rate published by	X0000X			
										1,			
				-									





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

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

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'

Create Miscellaneous Invo	ice		
* Billed Member:	* Invoice Number:	* Invoice Date: 01-May-23	* Charge Category: Please Select
P.O. Number:	* Billing Member's Location ID: Main-Tokyo-JP	Billed Member's Location ID:	Contact of Billing Member:
* Settlement Method: Please Select	* Billing Year/Month/Period: 2023-Apr-4	* Currency of Billing: Please Select	Tax Amount:
Add/Deduct Charge:	Total Amount in Billing Currency: 0.000	* Currency of Clearance:	* Exchange Rate: 0.00000
Digital Signature:	CH Agreement Indicator:	CH Due Date: DD-MMM-YY	Invoice Template Language:



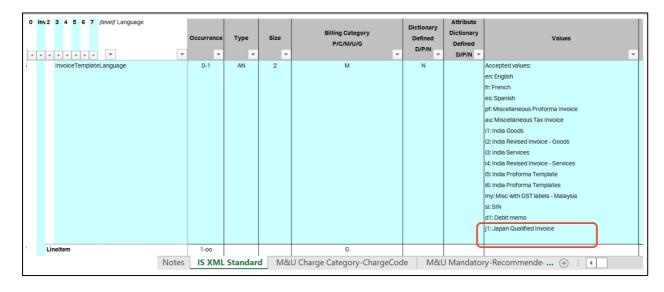


The following list opens. Select the 'Japan Qualified Invoice'. This will ensure that the invoice gets generated with the label as 'QII number'.

reate Miscellaneous Invoice	India Goods Debit memo India Services		
Billed Member: P.O. Number:	Invoice Number: Billing Member's Location ID:	* Invoice Date: 01-May-23 Billed Member's Location ID:	English Spanish French Miscellaneous Tax Invoice Miscellaneous Proforma Invoice
Settlement Method: Please Select	Main-Tokyo-JP * Billing Year/Month/Period: 2023-Apr-4	* Currency of Billing: Please Select	Misc with GST labels - Malaysia India Revised Invoice - Services SIN India Proforma Template Saudi Arabia
Add/Deduct Charge:	Total Amount in Billing Currency: 0.000 CH Agreement Indicator:	* Currency of Clearance: USD CH Due Date:	GST Template US sales taxes Japan Qualified Invoice
N: No 🗸		DD-MMM-YY	
Total Tax Amount Local Currency Code: Please Select	Total Tax Amount Local:	Local Tax Exchange Rate:	
Driginal Invoice:	Rejection Invoice:	Correspondence Invoice:	

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:

