

JP Tax Calculation Service Methodology

Last updated on 20 August, 2018.

Contents

1.0 Purpose	2
2.0 Overview	2
3.0 Seller Tax Obligation Setting	3
3.1 Professional Seller Accounts	3
3.2 Individual Seller Accounts	3
4.0 Determining the Taxing Jurisdiction	3
4.1 Ship-from location:	3
4.2 Ship-to location:	3
5.0 Assigning a Product Tax Code (PTC).....	4
5.1 Assigning an ASIN Level Product Tax Code (PTC).....	4
6.0 Determining the Tax Exclusive/Inclusive Price.....	4
6.1 Tax Exclusive Price Calculation:	4
7.0 Ancillary Charges:.....	5
8.0 Time of Sale for Tax Calculation.....	7
9.0 Refunds	7
9.1 Products shipped using FBA:.....	9
9.2 Seller-fulfilled products:.....	9
10.0 Consumption Tax Rate Maintenance.....	9
11.0 Tax Calculation Activation.....	9
12.0 Deactivation	10

1.0 Purpose

This document describes the methodology we apply to calculate consumption tax for sellers who specify that they have a tax obligation in Japan.

Please read this Tax Calculation Methodology carefully before using Amazon's Tax Calculation Service. Sellers are responsible for the accuracy of all calculations, tax reporting and any other tax-related obligations. Sellers should consult a tax advisor if they need assistance in determining their tax obligations.

2.0 Overview

Amazon will only perform consumption tax calculations based on a seller's configured tax obligation settings. Amazon does not perform tax calculations in jurisdictions located outside of Japan.

Amazon uses a third party calculation engine, Vertex Indirect Tax O Series, to support consumption tax calculations in Japan.

The service includes support for the following consumption tax related functions:

- Consumption tax rates;
- Tax jurisdiction determination;
- Tax exclusive price logic:
 - i.e. how consumption tax will be imputed from the seller's tax inclusive display price;
- Product tax codes (PTCs) to support product-specific taxability:
 - e.g. taxable products, vs tax exempt products;
- The ability to specify a **single**, default ship from location for seller-fulfilled orders;
- The ability to set an ASIN/SKU level product tax code (PTC);
- Consumption tax calculation report;
- Tax exempt calculations on exported shipments;

Our service **does not** currently include support for the following calculations and related functions:

- The ability to specify **multiple** ship from locations for seller-fulfilled orders;
- Calculation on PrimeNow transactions;
- Calculation on digital products and services;
- Calculation of customs duties due on the importation of goods:
 - e.g. clothing products imported from China into Japan;
- Post-transaction tax calculation or reporting corrections;

Our tax calculation service relies on the seller's tax settings. Sellers are solely responsible for ensuring that their information and settings are at all times accurate. We do not represent or warrant that the tax calculations produced by our services will at all times be correct and we are under no obligation to (but may in our discretion) verify or correct the information supplied by the seller.

3.0 Seller Tax Obligation Setting

Amazon provides sellers with the ability to specify their consumption tax obligation status. If a seller specifies that they are tax obligated, Amazon will calculate consumption tax in accordance with the relevant tax settings on the seller's account. Sellers who are tax obligated will also display tax inclusive and tax exclusive prices to Amazon Business customers.

Amazon will not calculate consumption tax or display tax exclusive prices for sellers who specify they are not tax obligated.

Sellers can find their tax obligation setting within *Account Information* under *Consumption Tax Settings*.

3.1 Professional Seller Accounts

All professional seller accounts will automatically be deemed tax obligated. Sellers can change their tax obligation settings at any time within their *Consumption Tax Settings*.

3.2 Individual Seller Accounts

Individual seller accounts will automatically be deemed not tax obligated. Individual sellers can change their tax obligation setting at any time with their *Consumption Tax Settings*.

4.0 Determining the Taxing Jurisdiction

The Vertex jurisdiction selection logic uses information from three transaction-related details to determine the Jurisdiction of taxation.

- Tax obligation status;
- Ship-from location;
- Ship-to location.

4.1 Ship-from location:

A. Products shipped using Fulfillment by Amazon (FBA): For tax calculation purposes, upon shipment of the product, the final tax calculation will use the actual ship-from location for shipments originating from an Amazon fulfillment location.

B. Seller-fulfilled products: For tax calculation purposes, seller-fulfilled shipments will use the default ship from location configured within your tax settings.

4.2 Ship-to location:

The ship-to location is based on the customer-supplied country, county/province, city and postal code details. The tax calculation service will calculate tax based on the jurisdiction our system determines to have the highest confidence level as matching the customer-supplied address.

Please note:

Consumption tax will only be calculated on orders that are shipped into the country of Japan.

5.0 Assigning a Product Tax Code (PTC)

As a system default, the standard rate PTC (A_GEN_STANDARD) will be set as the seller default PTC and will yield the standard consumption tax rate for products shipped within or into Japan. The seller default PTC will not be configurable. If a seller offers non-taxable products, they will have the ability to set the non taxable PTC (A_GEN_NOTAX) at the ASIN level. The ASIN level PTC assignment will take precedence over the seller default PTC.

Please note:

All PTC's must be spelled correctly, as displayed in Seller Central help pages, for them to be effective in tax calculations. Invalid PTC's will be disregarded in tax calculations in favor of the seller's default PTC.

5.1 Assigning an ASIN Level Product Tax Code (PTC)

The ASIN level PTC can be set at the *offer* level within *manage your inventory*. The Product Tax Code setting will allow you to set the two following PTCs.

A_GEN_STANDARD will yield the 8% consumption tax rate.

A_GEN_NOTAX will yield a 0% consumption tax rate.

6.0 Determining the Tax Exclusive/Inclusive Price

Amazon's tax calculation service uses the seller-provided tax inclusive selling price ("Display price"), the seller's tax obligation status (tax obligated or tax exempt), and the PTC to derive the tax exclusive price ("tax exclusive price").

6.1 Tax Exclusive Price Calculation:

Sellers are expected to provide an item display price targeted at customers on the Japanese marketplace.

Therefore, generally, the imputation of tax from the display price will be performed as follows:

- If a seller is tax obligated in Japan, we will use the tax rate of the product in Japan to derive the tax exclusive price.
 - **Example of taxable offer:**
A tax obligated seller that lists an item at 1080 JPY on Amazon.co.jp, will see the following tax exclusive price for an item subject to consumption tax:
 $1080 \text{ JPY} / (1 + 0.08) = 1000 \text{ JPY (tax exclusive price)}$
 - **Example of non taxable offer:**
A tax obligated seller that lists a non taxable item at 1080 JPY on Amazon.co.jp, will see

the following tax exclusive price for an item subject to consumption tax:
 $1080 \text{ JPY} / (1 + 0.00) = \mathbf{1080 \text{ JPY (tax exclusive price)}}$

- If a seller is not tax obligated in Japan, the price listed will not have a tax calculation and no exclusive price will be displayed.

Please note: Amazon Business Sellers

The logic outlined above will be used to determine the tax exclusive item price shown to Amazon Business customers on the Amazon website as part of their Amazon Business shopping experience.

7.0 Ancillary Charges:

A. Promotions:

Promotions are fixed-price inclusive, meaning the tax inclusive promotion value is only determined upon the calculation of the final tax inclusive selling price. The tax calculated on the promotion follows the tax rate associated with the item. Once the tax inclusive promotion value is determined, we will use the tax rate associated with the item to derive the tax exclusive promotion value.

Example:

A tax obligated seller lists an item at 1080 JPY on Amazon.co.jp and sells the item to a customer with a 10% promotion:

Tax exclusive item price calculation: $1080 \text{ JPY} / (1 + 0.08) = \mathbf{1000 \text{ JPY}}$

*Tax inclusive item promotion calculation: $1080 \text{ JPY} * 0.10 = \mathbf{108 \text{ JPY}}$*

Tax exclusive item promotion calculation: $108 \text{ JPY} / (1 + 0.08) = \mathbf{100 \text{ JPY}}$

Final tax inclusive item price calculation: $1080 \text{ JPY} - 108 \text{ JPY} = \mathbf{972 \text{ JPY}}$

B. Shipping Charges:

Shipping charges in Japan treated as always taxable, unless the shipment is destined to a location outside of Japan. Shipping charges are fixed-price inclusive, meaning the price of shipping will not vary based upon the consumption tax result.

Example:

A tax obligated seller ships a product domestically to a customer located in Japan, where consumption tax is due.

Fixed tax inclusive shipping charge to a JP customer: $\mathbf{500 \text{ JPY}}$

tax exclusive shipping price calculation: $500 \text{ JPY} / (1 + 0.08) = \mathbf{463 \text{ JPY}}$

A tax obligated seller ships a product internationally to a US based customer, where consumption tax is not due.

Fixed tax inclusive shipping charge to a US customer: $\mathbf{500 \text{ JPY}}$

tax exclusive shipping price calculation: $500 \text{ JPY} / (1 + 0.00) = \mathbf{500 \text{ JPY}}$

Please note:

Shipping charges are allocated across all line items in a shipment and tax is calculated individually on the allocated amounts. Due to rounding, there may be small differences when calculating tax on the total shipping charge vs the allocated shipping charge.

C. Gift Wrap Charges:

Gift wrap charges in Japan treated as always taxable, unless the shipment is destined to a location

outside of Japan. Gift wrap charges are fixed-price inclusive, meaning the price of gift wrapping will not vary based upon the consumption tax result. Only the tax exclusive gift wrap charge may vary from one transaction to another.

Example:

A tax obligated seller gift wraps a product and ships it domestically to a customer located in Japan, where consumption tax is due.

Fixed tax inclusive gift wrap charge to a JP customer: 308 JPY
tax exclusive gift wrap price calculation: 308 JPY / (1 + 0.08) = 285 JPY

A tax obligated seller ships a product internationally to a US based customer, where consumption tax is not due.

Fixed tax inclusive gift wrap charge shipped to a US customer: 308 JPY
tax exclusive shipping price calculation: 308 JPY/ (1 + 0.00) = 308 JPY

8.0 Time of Sale for Tax Calculation

Consumption tax is pre-calculated at order checkout using the tax calculation rules and rates in effect on the order checkout date. However, the tax actually charged to the customer will be based on the tax calculation rules at the time a payment method charge is authorized.

Depending on how a shipment is fulfilled, payment method charge authorization could occur shortly after an order is submitted or immediately prior to product shipment.

Many factors can change between the order checkout date and the payment method charge authorization date. As a result, the pre-calculated tax amount may differ from the amount actually charged. For example - tax calculation rules or rates may change and this could lead to an increase or decrease in the consumption tax charged and hence an increase or decrease in the price margin.

Please note:

Tax is calculated on each line item individually and not on the shipment total. Due to rounding, there may be small differences when calculating tax on the shipment total vs individual line items.

Example:

Tax inclusive item price is 100 JPY, 10 units in 1 order: $100 - 100 / (1 + 0.08) = 7.7 \times 10 = 77$ JPY for total tax amount.

	Item Price	Tax exclusive	Tax	Shipping Fee	Tax exclusive	Tax
Calculated from single unit	1,000	930	70	648	598	50
Calculated from Total level	1,000	926	74	648	600	48

9.0 Refunds

Full refunds will be treated as tax inclusive and tax calculations on full refunds will follow the tax calculation treatment of the original sales transaction to which it relates.

Partial refunds will be treated as tax exclusive and tax will be calculated on top of the monetary refund amount entered. Tax calculation on the partial refund will follow the taxability treatment of the original sales transaction to which it relates.

Example (Partial Refund):

A seller wants to issue a partial refund to the customer.

*Original sale price: **1080 JPY***

Tax exclusive price: $1080 \text{ JPY} / (1 + 0.08) = \mathbf{1000 \text{ JPY}}$

*Tax amount: **80 JPY***

Partial refund amount: 500 JPY

*Partial refund tax calculation: 500JPY * .08 = 40 JPY*

Tax Inclusive refund amount: 540 JPY

The customer refund process will depend on whether the product is shipped using Fulfillment by Amazon (FBA) or is seller-fulfilled.

9.1 Products shipped using FBA:

The tax calculation services will calculate tax on customer returned and non-customer return related refunds and adjustments, e.g. a seller issues a partial refund against the product but did not require the customer to return it.

Please note:

We will not calculate consumption tax on adjustments designated as concession/goodwill. Our tax calculation services performs tax calculations on the return of physical goods without regard to the period of time between the original sale and the return.

9.2 Seller-fulfilled products:

Our tax calculation services will calculate consumption tax on any refunds issued by the seller via Seller Central. All such refunds are issued at the sole discretion of the seller.

Please note:

We will not calculate consumption tax on adjustments designated as concession/goodwill.

10.0 Consumption Tax Rate Maintenance

Tax rates, as well as tax calculation rules and logic, are supplied by our third party provider, Vertex, which provides monthly updates that we implement approximately three to five days before the end of the calendar month.

11.0 Tax Calculation Activation

Once a seller specifies they are tax obligated, tax calculations will be begin immediately.

Please Note:

It may take 4 hours for the settings to propagate and become active on the website.

12.0 Deactivation

Sellers will be able to change their tax status to not tax obligated at any time through their *tax settings*.

Please Note:

It may take 4 hours for the settings to propagate and become active on the website.