

Japanese Performance Tax / Japanese Withholding Tax

This tax is levied on foreign performers earning money in Japan. This tax is a flat percentage of gross income. Each performer (group) must file a tax return in Japan. Filing of the tax return is handled in two methods.

The first is a simple EZ form with limited deductions. Creative Man will file this tax return on your behalf.

The second method requires a Japanese CPA to file a long form version with multiple deductions. In most cases it is not cost effective, as the cost of the accountant exceeds the difference in tax.

Groups based in Germany with German corporations are subjects to a 15.42% tax rate. All other groups are subject to 20.42% tax rate. For German corporations in Germany to qualify for the lower tax rate, the corporation must not be owned by the performing members of the group. Additionally a tax form must be signed prior to the tour dates by a officer of the corporation, stating they are a German corporation, which qualifies for the lower rate. Several of these forms are audited by the Japanese government each year.

Using the EZ form there are two standard deductions. Airfare and Freight. Each of these deductions must have an accompanying original invoice, wire transfer payment debit and line item on the performance contract. The original invoice must be made out to Creative Man Productions, with the Tokyo office address. No other addresses or payees are acceptable. Costs of these two items are then reduced from the gross to the total of the net tax base, which should be reflected in the contract. Limitations of deductions amounts are reflected by a percentage of the fee. For most cases we ask to be kept under 50% of total guarantee amount.

An original invoice is a printed document on invoice style paper. Preferably not from a laser printer. When a laser printer is the only option, preprinted company letterhead should be used, and must be signed by the issuer of the invoice. Fax, copied, or e-mailed invoices are not acceptable. The invoice must be addressed to Creative Man Productions, with the companies Tokyo address.

Direct wire payments from Creative Man must be made to the travel agent and freight company which match to the cent the amount of the invoice.

Tax certificates can be requested from Creative Man, which shows the amount of tax paid to the government your domestic tax purposes.

Merchandise Tax

Merchandise is also subject to sales tax. Creative Man requires for the artist that a certified product merchandiser in Japan is used for import purposes. The custom services works with the tax board to insure that tax is paid on the merchandise that is imported. The merchandiser is then required to collect and pay sales tax on merchandise sold in Japan.

Merchandise which is shipped directly to Creative Man will not be accepted. Creative Man will not be responsible for the tax liability of imported merchandise.

If you do not know a Japanese merchandise company please ask us for recommendations.

Reverse Consumption Tax.

The Japanese government has decided to modify the tax law, in relation to foreign companies, Businesses, Actors, Musicians, Entertainers and Athletes providing physical services, in Japan and remotely providing services electronically into Japan from abroad.

The new system implements a “Reverse Consumption Taxation” Therefore companies and individuals providing such service are subject to pay the standard consumption tax rate on any income earned from Japan. Current Consumption tax is 8% and is expected to be raised to 10% in 2017. This tax is in addition to the current withholding tax of 20.42% on artist’s earnings.

To be clear, the modification in the law is that the Japanese company doing business with the foreign company providing goods or services in Japan must deposit the consumption tax to the Japanese tax authority on the foreign companies behalf.

Prior to this modification, all artists were required to pay this consumption tax, however the Japanese tax authority had no way to enforce such a payment. Artists/companies, which had chosen to file the long, form tax returns, in order to maximize deductions were the only artists, which would effectually pay this consumption tax. By making this modification to the tax system, the government is now effectively closing this tax loophole.

The tax base may be reduced by having the promoter make direct payments for Airfare and Freight directly to travel agency’s and freight companies. Consumption tax is calculated from the tax base after Airfare and Freight payments. Artist withholding tax is calculated from the adjusted base less consumption tax.

Calculation.

Guarantee: \$10,000.00 USD

	USD	JPY
Guarantee	\$10,000.00	¥1,210,000
Airfare	\$1,000.00	¥121,000
Freight	\$1,000.00	¥121,000
Taxable Base	\$8,000.00	¥968,000
8% Reverse Consumption Tax	\$592.59	¥71,704
Tax Base Less Consumption Tax	\$7,407.41	¥896,296
20.42% Artist Withholding Tax	\$1,512.59	¥183,024
Net	\$5,894.81	¥713,273

Letters from the Japanese tax authority will still be available for the payments made on the 20.42% Artist withholding tax, however these letters will not include the deposits made as part of the reverse consumption tax. It is our belief that the Japanese tax authority will issue some type of receipt in the future, however this has not been confirmed.

Groups and Artists that wish to hire a Japanese accountant may still file the long tax form, which might qualify for additional deductions against the Artist withholding tax, however these deductions will not eliminate the consumption tax payments.

A detailed explanation is available in Japanese.

<https://www.nta.go.jp/shiraberu/ippanjoho/pamph/pdf/tokuteiekimu.pdf#search=%27%E5%9B%BD%E5%A4%96%E4%BA%8B%E6%A5%AD%E8%80%85+%E8%8A%B8%E8%83%BD+%E6%B6%88%E8%B2%BB%E7%A8%8E%27>

It is expected that the rate of consumption tax will increase from 8% to 10% in 2017, for all companies in Japan.