At a press conference held on 1 June 2016, Japan’s Prime Minister, Shinzo Abe, announced a second postponement of the consumption tax rate increase to 10% that had been slated for 1 April 2017.

Consumption tax rate increases were originally scheduled in two stages, the first to 8% on 1 April 2014 and then to 10% on 1 October 2015, with a caveat articulated in the “economic resiliency” clause in the Act for Partial Amendment of the Consumption Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (the Act) promulgated on 22 August 2012 (Act No. 68, 2012). The first increase to 8% was duly implemented on 1 April 2014 in accordance with the Act.

The economic resiliency clause, stipulated in Article 18, paragraph 3 of the Supplemental Provisions of the Act, states that any increase in the consumption tax rate shall be made only after comprehensive consideration of the current economic climate based on various indicators including the nominal and real economic growth rate, and commodity price trends.

Accordingly, the second stage increase to 10% was postponed to 1 April 2017 after amendment of the Act based on an overall consideration of economic conditions. Pursuant to the amendment, the economic resiliency clause was repealed and the increase was expected to occur on that date.
However, the Prime Minister announced that he had decided to postpone the consumption tax rate hike again to avoid disruption to domestic demand as policy measures are being taken against the backdrop of a global economy that presents significant risks. The Prime Minister also announced that the increase in the consumption tax rate to 10% was postponed again to 1 October 2019, two and a half years later than the current deadline of 1 April 2017. For this re-postponement, another revision of the Act is expected to occur.

It was further announced that reduced tax rates will come into effect upon implementation of the increase to 10% (second postponement date). With this latest postponement, it is expected that the date for transitional measures to be implemented upon the consumption tax rate increase to also be postponed.

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