

# Japan shifts to tax refund system for tourist purchases by 2026



LOTTE Duty Free Shop's Ginza Store is located at Sukiyabashi Intersection connecting historic, cultural Hibiya District, to Ginza, Japan's most famous shopping street

Japan is implementing a significant change to its tourist consumption tax system, transitioning to a refund-based model. Starting in fiscal 2026, international visitors will need to pay consumption tax at point of purchase and claim refunds when departing the country.

The current system allows tourists to make tax-free purchases by showing their passports at duty free stores. However, concerns about fraud, particularly the resale of tax-exempt items within Japan, have driven the government and ruling parties to propose this reform.

Under the new system, tourists will receive their refunds at departure points such as airports, following customs verification that purchased items are being taken out of the country. Refunds will be available either in cash or through pre-registered credit cards. "The new system is expected to prevent resale or other fraudulent behaviour in Japan," according to government statements.

The reform will simplify current regulations by eliminating distinctions between "general" items like clothing and "consumables" such as cosmetics and food. The existing ¥500,000 (approximately US\$3,300) limit on consumables for tax exemptions will be removed, along with packaging requirements, reducing administrative burden on duty free stores.

The ruling parties' tax commissions plan to finalize system details in their fiscal 2025 tax reform guidelines by end of 2024. Implementation will follow legislative approval and establishment of

necessary management systems.

The need for reform is highlighted by a fiscal 2022 customs survey showing only 15.2% of duty free purchases exceeding ¥100 million (US\$660,000) could be verified as leaving the country, with most violators evading required tax payments. This change aligns Japan's practices with European and other international tax refund systems, enhancing oversight while maintaining visitor convenience.