NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

AUGUST 2026

Japan: Proposed Consumption Tax Changes

MARKET INTELLIGENCE REPORT

Summary

- Japan is progressing plans for a temporary reduction in the rate of consumption tax applied to food items in response to inflation and rising living costs. Japan currently applies a 10% consumption tax, with an 8% reduced rate for take-home food and non-alcoholic beverages. On 5 August the administration of Prime Minister Takaichi announced it would lower consumption tax on food items to 1% for a period of two years, starting April 2027. Legislative changes are required.

- For New Zealand exporters, particularly food and beverage suppliers, a lower food tax could modestly improve consumer demand and retail competitiveness for imported products such as dairy, kiwifruit, and meat. However, the impact on restaurant demand is unclear given the potential for the consumption tax rate difference between dine-in meals and take-home foods to grow. The proposed changes would not change the structure of the consumption tax system and the points at which consumption tax is payable.

Report

Japan is progressing plans for a temporary reduction in the consumption tax applied to food items as part of the government's response to inflation and cost-of-living pressures.

Under the current system, Japan applies a standard 10% consumption tax, with a reduced 8% rate for take-home food and non-alcoholic beverages introduced in 2019.

The Takaichi Government campaigned on temporary elimination of consumption tax on food items. The Government is reportedly aiming to submit enabling legislation later in 2026, with implementation from April 2027, aligned with the start of Japan's fiscal year.

While Prime Minister Takaichi initially advocated for a full 0% rate, momentum shifted toward a compromise 1% rate. Officials argue this would allow faster implementation because many point-of-sale and accounting systems across Japan are not configured to handle a zero-tax rate without extensive upgrades. Government estimates suggest changing systems for a 1% rate could be completed within five to six months, versus up to a year for a 0% rate.

Implications for New Zealand exporters

For New Zealand exporters, especially in the food and beverage sector, a reduction in Japan's consumption tax on food products would likely be marginally positive for consumer demand and retail price competitiveness. Imported products sold through supermarkets and retail channels – including dairy, kiwifruit, meat, seafood and processed foods – would generally benefit in the same way as domestic products if covered under the reduced tax category.

Restaurant sales may not benefit equally, as Japan's existing reduced tax framework distinguishes some dine-in transactions from take-home food products. Exporters heavily exposed to food service channels should monitor final policy design carefully. An increase in the difference in the consumption tax rate for dine-in transactions vs take-home products has the potential to reduce demand for dine-in options. There have been some suggestions that the government is looking at how it can support the hospitality sector.

The proposed changes would not change the structure of the consumption tax system, the points at which consumption tax is payable, and at which points tax refunds can be sought. It may have cash flow implications for businesses given a lower consumption tax rate would apply on food and beverage related transactions.

More info

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.govt.nz

To get email alerts when new reports are published, go to our subscription page.

To learn more about exporting to this market, New Zealand Trade & Enterprise's comprehensive market guides cover export regulations, business culture, market-entry strategies and more.

To contact the Export Helpdesk

email exports@mfat.govt.nz

call 0800 824 605

visit Tradebarriers.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.