

On Oct 1st Here's What Will Change About Living in Japan: It's Not Just the Consumption Tax Increase

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On October 1st, Japan's consumption tax will increase from 8% to 10%. This is the first rate hike in five and a half years. But it's not the only thing that will be changing. Below we give an overview of how the tax change will affect daily life, including various policies and subsidies being put in place to help alleviate the tax burden for individuals and families.

What will be increasing and by how much?

Consumption Tax

- The consumption tax will go up from 8% to 10%.
- Food and newspaper subscriptions will still be taxed at the 8% rate.
- Take-out food will be taxed at 8%. Restaurant meals will be taxed at a 10% rate.

Riding on JR

- The minimum price to ride on a JR East train (the network that serves greater Tokyo and the Kanto area) will increase on average 2%. For example, on the Yamanote line, the minimum price will increase from ¥133 to ¥136, if you use a train pass. The minimum price for a single ticket will stay at ¥140.
- The rate increase will be greater for people in Hokkaido. As of October 1st, JR Hokkaido will raise ticket prices by an average of 11.1%.

Utilities

The base rate for public utilities will also be increasing, but you may not see the change reflected until your November bill because utility companies will charge based on the time of actual usage and in some cases (such as for water bills), you may not receive a bill until November.

- Electricity. TEPCO (which serves greater Tokyo) plans to raise the unit-charge for a standard 10-ampere meter from ¥280.8 to ¥286. For more information, please see: [How to read your electricity bill in Japan](#)
- Water. For example for a three-person family living in the Tokyo area, the charge for a 2-month billing cycle (the standard cycle) will increase from an average of about ¥9,589 to ¥9,768.

Postal service and package couriers

The tax increase is also applicable to stamps and packages handled by JapanPost, which will round up the tax increase to the nearest 10-yen. Private couriers like Yamato and Sagawa will round up to the near ¥1-unit, but will offer small discounts if you pay by credit card.

Subsidies and tax relief measures

There are a number of subsidies and tax relief measures that will go into effect starting on October 1st.

Points back for cashless transactions

Get up to 5% “points back” directly from your credit card company or e-money processor if you pay by card or with an online payment platform on your smartphone. The government will be subsidizing cash back incentives until June 2020. Most online payment companies, except for LINE Pay and Rakuten Pay, will be offering “points back”.

Increase in the minimum wage

On October 1st, the national average minimum wage will increase by ¥27 to ¥901 per hour. The actual minimum wage is set at the prefectural level. For more on this, please see: [What is the minimum wage in Japan?](#)

Free nursery care for children aged 3 to 5

Public childcare/nursery care centers will no longer charge a fee for 3 to 5-year old children. For low-income households which are exempt from local residents’ tax, children zero to 2-years old will also receive free childcare. One thing to note is that in some cities, especially Tokyo, there is a long waiting list for public childcare centers.

Subsidies for low-income families and seniors

- Gift cards will be issued to low-income families and families with children. For information on this, please consult your local city or ward office.
- Low-income pensioners will receive as much as ¥60,000 from the government to supplement their income.

Cars

- A [reduction of as much as ¥4,500 in the annual automobile tax](#).
- Abolishment of the one-time transaction fee for buying a new car.

Wireless calling plans

- Starting October 1st, the government will no longer allow mobile phone companies to give big discounts on handsets that are tied to requiring you to sign-up for a long-term wireless plan.
- This was a practice in which carriers would offer steep discounts on the initial price of the handset, in return for contracts that effectively locked the consumer into long-term contracts. Some carriers would run campaigns selling slightly older generation phones for ¥1, but in exchange the user would be committed to a 2-year contract where there were high penalties for cancelling mid-term.
- For more on this, please see: [Mobile phone price plans are set to drop in 2019: here's what you need to know](#)
- Mobile phone companies will also be required to [cap the penalty fee for cancelling plans mid-term to ¥1,000](#) (about \$10). It used to cost on average ¥10,000.

Tax relief and subsidies for home buyers

Sales of newly constructed condominiums and free-standing houses are subject to consumption tax. Re-sale houses and apartments are not. The government is rolling out major tax incentives and subsidies to bolster the residential housing market. These include:

- A three-year extension of the mortgage deduction.
- Cash back (Sumai kyufukin) incentives for buying a home
- An increase in the tax exemption limit for monetary gifts (for example, from parents) used to buy a home
- Introduction of a housing point system to incentivize energy-saving, earthquake-resistance and barrier-free construction