

Appendix 8 Notes on the results of the CPI on the increase of consumer tax rate in October, 2019

• The treatment of the consumer tax for calculation of the CPI

The objective of the CPI is to measure the movements in prices of goods and services purchased by households. Therefore, the CPI reflects what consumers actually pay, including the consumer tax. The results from October 2019 onward include the effects of the increase of consumer tax rate.

• The treatment of non-taxable items

The main items excluded from taxation are as follows (*).

Housing	.....	"Rent", "Fire & earthquake insurance premium"
Medical care	.....	"Hearing aids", "Medical treatment", "Delivery fees in national & public hospital"
Transportation & communication	.....	"Charges for driving license", "Automotive insurance premium (compulsion)", "Automotive insurance premium (option)"
Education	.....	"Junior high school fees (private)", "High school fees (public)", "High school fees (private)", "College & university fees (national)", "College & university fees (private)", "Junior college fees (private)", "Kindergarten fees (public)", "Kindergarten fees (private)", "Special training school fees (private)", "School textbooks"
Miscellaneous	.....	"Charges for accident insurance", "Nursery school fees", "Charges for nursing care", "Charges for administrative certificates", "Charges for acquisition of passport"

• The treatment of the items which are subject to transitional measures

On the consumer tax increase in October 2019, as for selected items which are subject to transitional measures in such cases as when charges for September are included in the fee calculation under the Consumer Tax Act, the same measures for each items are also reflected in the CPI.

The main items which are subject to transitional measures are as follows.

[The items that we adopt prices including 8% tax rate in Oct. 2019, and an 10% rate following Nov. 2019.]

Fuel, light & water charges	.....	"Electricity", "Gas, manufactured & piped", "Liquefied propane"
Transportation & communication	.....	"Telephone charges(fixed-line phone)", "Telephone charges(mobile phone)" (excluding some carriers)

[The items that we adopt prices including 8% tax rate in the same term in case that the transitional measures are stipulated in respective municipal bylaw]

Fuel, light & water charges		"Water charges", "Sewerage charges"
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• The treatment of the items which are subject to reduced tax rate

As for the items which are subject to reduced tax rate, we adopt prices with its rate (8%) and reflect them in the CPI. Of the " Meals outside the home", we adopt the prices with the reduced tax rate for the items which are subject to the reduced tax rate system and the items which account for high proportion of take-out.

Food	.....	All items excluding "Alcoholic beverages" and "Meals outside the home" (Of the "Meals outside the home", "Delivered pizza", "Fried Chickens (eating out)", "Doughnuts (eating out)", "School lunch (elementary school)", "School lunch (Junior high school)" are subject to reduced tax rate.)
Medical care	.....	"Health fortification-A", "Health fortification-B"
Culture & recreation	.....	"Newspapers(regional)", "Newspapers(national)"

(*) The items which fall into the non-taxable items stipulated by Article 6 in Consumer Tax Act(Act No. 108 1988)

In addition, there are items which are untaxed by Article 4, and the part of surveyed items which are subject to dispensation to tax liability for small-scale enterprises (under 10 million yen of amount of taxable sales) by Article 9.