

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

Date: 6/29/2017

GAIN Report Number: JA7095

Japan

Post: Tokyo

Approving Oak Chips for Wine Production Reduces Tax Rate

Report Categories:

Agricultural Situation
Wine

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Report Highlights:

On April 01, 2017, the Japanese National Taxation Agency issued an announcement that included an approval for the use of oak chips in the production of wine. This approval will change the tax category and effectively reduce the liquor tax for wine treated with oak chips from 220,000 Japanese Yen per kilo liter (approximately \$1,980/kilo liter) to 80,000 Japanese Yen per kilo liter (approximately \$720/kilo liter). This revision will take effect on April 1, 2018.

General Information:

Japan's Liquor Tax Act contains several tax categories for alcoholic beverages – each based on the beverage's properties, such as ingredients and alcohol by volume. The tax category for “fruit wine” is defined as:

- a. an alcohol beverage obtained from the normal alcoholic fermentation of fruit ingredients, which contains not more than 20 percent of alcohol by volume; or
- b. an alcohol beverage obtained from the normal alcoholic fermentation of fruit ingredients with added saccharides, which contains not more than 15 percent of alcohol by volume.

A separate tax category for “sweetened fruit wine” is defined as fruit wine produced with added sugar, brandy or plants, including oak chips.

In April 2017, the GOJ announced the approval for the use of oak chips in the production of wine that will take effect April 1, 2018. The approval makes wine produced with oak chips eligible for the tax category definition of “fruit wine.” In Japan, “fruit wine” includes any fruit wine treated with oak chips for the exudation of their components. Previously, wine treated with oak chips was considered “sweetened fruit wine.” The new tax category reduces the tax applied to wine treated with oak chips from the current 220,000 Japanese Yen per kilo liter (JPY/kL) for sweetened fruit wine to 80,000 JPY/kL for fruit wine.¹

This change in the tax category will also affect the labeling requirement of wine treated with oak-chips. Beginning on April 1, 2018, wine treated with oak-chips will be labelled as “fruit wine”, rather than the current label of “sweetened fruit wine.” However, wine treated with oak-chips may be labelled with either “fruit wine” or “sweetened fruit wine” during the transitional period between April 1 and September 30, 2018.

Lastly, this revised definition of “fruit wine” will also affect the tax category for “brandy” made from wine that was treated with oak chips. The current tax category of brandy is “distilled fruit wine”, but will also include the distillation of wine treated with oak-chips from April 01, 2018.

¹ The GOJ proposes to increase the tax on fruit wine from 80,000 JPY/kL (\$720/kL) to 90,000 JPY/kL (\$810/kL) on October 1, 2020. This date, however, is not fixed and may be delayed.