

## *Taxing Energy Use 2018*

### **Japan**

This note describes the taxation of energy use in Japan. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Japan:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

### 1. Energy tax profiles for Japan

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

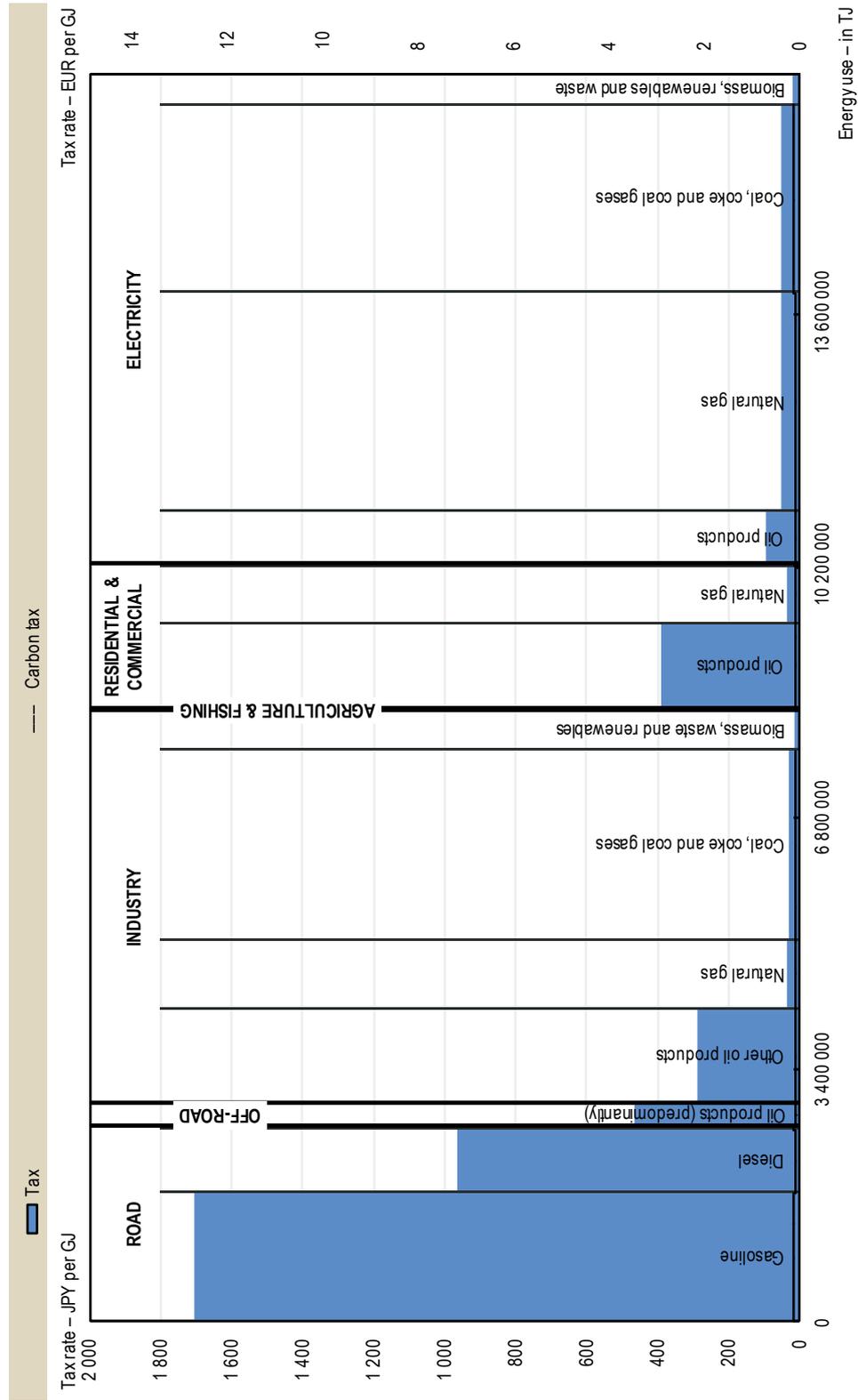


Figure 2. Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, including electricity output taxes and carbon emissions from biomass

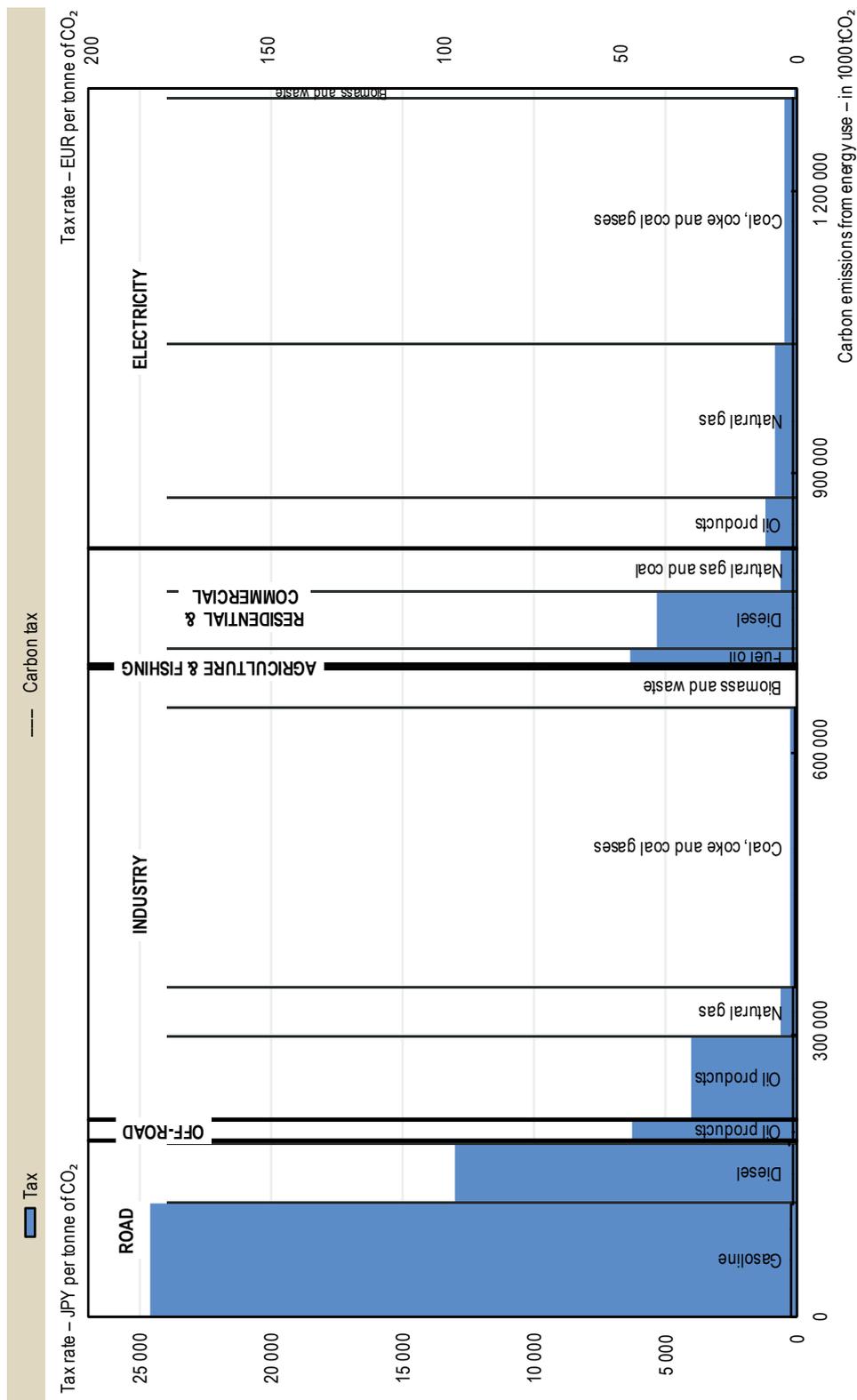
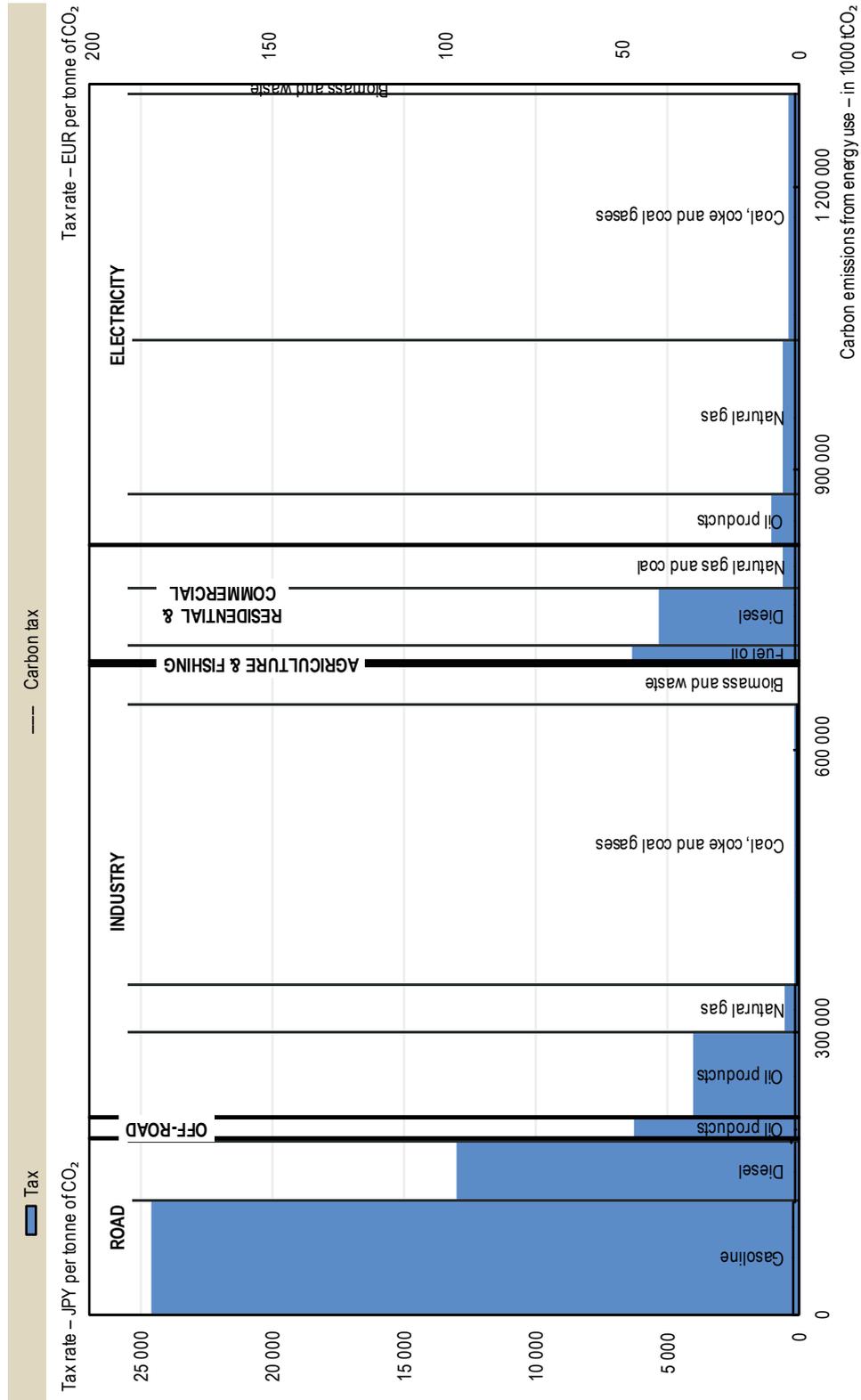


Figure 3. Effective tax rates on energy use in national currency and EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output, including carbon emissions from biomass





## 2. Country-specific notes

This note describes the taxation of energy use in Japan. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Japan operates two emissions trading system (ETS) at subnational level, not shown in the energy tax profiles.<sup>1</sup>

### *Energy and carbon taxes*

The main taxes on energy use in Japan are the following:

- The Petroleum and Coal tax applies to oil products, natural gas and coal and coke consumption across all sectors, including when used to generate electricity.
- A CO<sub>2</sub> tax applies to the same fuels as the Petroleum and Coal tax.
- Oil products used in the transport sector are subject to additional specific taxes.
- Electricity output is taxed (per MWh) at a uniform rate.

The rates at which these taxes apply can further differ across fuels and different users, as described below.

These taxes are included in the energy tax profiles of Japan, but the tax on electricity output is only included when separately indicated (see below). Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

### *Effective tax rates on energy use for different fuels and users*

The tax rates on different fuels and uses are linked to Japan's energy use<sup>2</sup> to calculate effective tax rates on energy use (in JPY/GJ and EUR/TJ) or CO<sub>2</sub> emissions from energy use (in JPY/tCO<sub>2</sub> and EUR/tCO<sub>2</sub>). Energy use and the CO<sub>2</sub> emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Japanese energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a significantly lower rate in

1. The OECD's [Effective Carbon Rates](#) contains information on emissions trading systems.

2. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

terms of TJ and in terms of CO<sub>2</sub>. LPG and natural gas are taxed at lower effective rates than gasoline and diesel.

- Fossil fuels used in the **off-road** sector are taxed, but at lower effective rates than fuel use in road transport. Aviation gasoline is taxed at a lower statutory rate than gasoline for road use.
- Fossil fuels used in the **industrial** and **residential and commercial** sectors are taxed except when used in petrochemical production.
- Within the **agriculture and fishing** sector, only fuels used for fishing activities are taxed; fuels used in agriculture are untaxed.
- Fossil fuels used to generate **electricity** are taxed, as is electricity output (per MWh).

### ***Reported tax expenditures and rebates***

Japan does not report any tax expenditures with regards to the taxes included in the *Taxing Energy Use* database.

## *Sources*

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the sources included in *Taxing Energy Use 2018* (OECD, 2018), and consultation with national delegates, the following country-specific source was used:

Japanese Ministry of Environment (undated), “Details on the carbon tax”, [https://www.env.go.jp/en/policy/tax/env-tax/20121001a\\_dct.pdf](https://www.env.go.jp/en/policy/tax/env-tax/20121001a_dct.pdf).