Treatment of the Consumption Tax Rate Change in the Corporate Goods Price Index (CGPI) and the Corporate Services Price Index (CSPI)

The Bank of Japan (BOJ) compiles the Domestic Corporate Goods Price Index (DCGPI) and the Corporate Services Price Index (CSPI) based on individual prices with the consumption tax included.¹ In addition, the BOJ compiles reference indexes of both the DGCPI and the CSPI based on individual prices excluding the consumption tax (These data can be obtained at “BOJ Time-Series Data Search²”).

Due to the consumption tax rate change in April 2014,³ the tax rate on most goods and services in the CGPI and the CSPI will be increased to 8% (up from the current 5%) from preliminary figures for April 2014.⁴ There are several goods and services, however, whose tax rate will temporarily remain 5%⁵ or those which are not traded in April due to their business practices.⁶ Tax rates in these cases will be treated in line with actual business activities.

¹ The Export Price Index (EPI), the Import Price Index (IPI), the Index by Stage of Demand and Use (ISDU), and the Input-Output Price Index of the Manufacturing Industry by Sector (IOPI) are all compiled based on individual prices excluding the consumption tax.
² http://www.stat-search.boj.or.jp/index_en.html
³ The consumption tax in Japan was introduced in April 1989, and its initial tax rate was 3%. In April 1997, the tax rate was increased to 5%. It is scheduled to be increased to 8% in April 2014.
⁴ There are some services in the CSPI which are non-taxable or exempt from taxation so the BOJ does not apply the consumption tax rate in the calculation of their indexes (For example, Insurance services, International money transmission and receipt, International air passenger transportation, International mail services, and Ocean freight transportation).
⁵ For example, Electric power, Gas, and Water for industrial users in the DCGPI; and Domestic passenger transportation, Civil engineering and architectural services, Fixed telephone services, Cellular phone services, and Sewage disposal in the CSPI.
⁶ For example, Leaf tobacco and Sugar beet in the DCGPI.