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Report Name: Japan to Reduce Consumption Tax on Grocery Food to One Percent

Country: Japan

Post: Tokyo

Report Category: Agricultural Situation

Prepared By: Daisuke Sasatani

Approved By: Erica Summe

Report Highlights:

Japan's Cabinet approved a plan to cut the consumption tax on grocery food from 8 to 1 percent for two years, beginning April 2027, while maintaining the dining-out tax at 10 percent. This would mark Japan's first consumption tax cut since 1989, fulfilling Prime Minister Takaichi's campaign pledge. FAS Japan anticipates a modest boost in food demand and a shift toward home dining. FAS Japan will continue to monitor market trends.

Japan’s Cabinet Approves Policy to Temporarily Reduce Consumption Tax on Food to One Percent

On August 5, 2026, Japan’s Cabinet unanimously approved a basic policy proposal to reduce the consumption tax on grocery food items for a limited two-year period beginning in April 2027.

The Cabinet decision includes the following elements:

- Beginning April 1, 2027, the consumption tax rate on food items will be reduced from the current 8 percent to 1 percent for a two-year period.
- Households in low- and middle-income brackets will receive a benefit payment equivalent to one percent of the consumption tax.
- The consumption tax on dining out (restaurant meals) is expected to remain at the current rate of 10 percent.

The Government of Japan (GOJ) plans to adopt its Tax Reform Outline in a Cabinet decision in September and submit related legislation to the extraordinary Diet session this fall. Given that the ruling coalition holds a majority in the Diet, the bill is expected to pass. If enacted, this would mark the first reduction in the consumption tax rate since its introduction in 1989.

Prime Minister Takaichi campaigned on a pledge to cut the consumption tax, a promise that contributed to the Liberal Democratic Party’s (LDP) historic landslide victory in the House of Representatives election held on February 8, 2026. Opposition parties also engaged with this pledge through discussions in a national council. Within the LDP itself, however, resistance to the tax cut remained strong, particularly among members who prioritize fiscal discipline, and reaching internal consensus took considerable time.

If the legislation passes and the consumption tax on food is reduced as expected, domestic food demand in Japan is expected to see a slight increase, all else being equal. Additionally, since the 10 percent consumption tax on dining out is expected to remain unchanged, a shift from eating out toward eating at home is also anticipated. The broader effects of this policy remain uncertain, and FAS Japan will continue to closely monitor domestic food supply and demand trends going forward.

Attachments:

No Attachments.