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Economic Effects of Zero Consumption Tax on Food & Beverage Products

Will reduce financial burden by 88,000 yen per household annually and boost personal consumption by 0.5 tril yen.

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Summary

- Prime Minister Sanae Takaichi announced at a January 19, 2026 press conference her intention to set the consumption tax rate on food & beverage products to zero for a limited period of two years. Estimates indicate this would reduce household expenses by 88,000 yen per year per household.
- The estimated stimulus effect on personal consumption is around 0.5 tril yen (with a GDP boost of 0.3 tril yen). Because the tax reduction targets items with low price elasticity of demand (being that they are necessities), the economic effect is likely to be limited despite the need for massive fiscal expenditure of 4.8 tril yen annually.