

1. Determination of Custom Duty Rates

Article 3 of the Customs Law

Import duties shall be assessed on imported goods (with the exception of correspondence) in accordance with this law, as well as the Custom Duties Fixed Rates Law and other customs laws. However, when there are special provisions concerning customs duties in treaties, those provisions shall apply.

(Supplement) In principle priority in the application of tax rates shall be given in order to custom agreement tax rates, temporary tax rates (per the Law on Interim Tariffs), general tax rates (per the Table of Customs Fixed Rates). This is with the proviso that if custom agreement duty rates are lower than interim tax rates or basic tax rates, then they shall apply

2. Customs Duties Fixed Rates Law

Duties on imported goods are determined from the value and number of the goods based on the bases of taxation (taxation guidelines) as shown in the accompanying table.

Supplementary Table Table of Duty Rates

No.	Item	Tax (% of value)
Category 24 Tobacco and manufactured tobacco substitutes		
24. 02	Cigars, cheroots, cigarillos and cigarettes (limited to products made from tobacco or tobacco substitutes.)	
2402. 10	Cigars, cheroots and cigarillos (only products containing tobacco)	20%
2402. 20	Cigarettes (only products containing tobacco)	8.5% or 290 yen 70 sen (Y290.70) per 1,000 units
24. 03	Other manufactured tobacco and manufactured tobacco substitute products, sheet tobacco and tobacco extracts and essences	
2403. 10	Smoking tobacco (without regard to whether it includes tobacco substitutes or the amounts of such additives)	
	- Pipe Tobacco	35%

3. General Agreement on Tariffs and Trade (GATT)

General Agreement on Tariffs and Trade (GATT) Article 2 Schedule

1 (b) The products described in Part I of the Schedule relating to any contracting party, which are the products of territories of other contracting parties, shall on their importation into the territory to which the Schedule relates, and subject to the terms, conditions or qualifications set forth in the that Schedule, be exempt from ordinary customs duties in excess of those set forth and provided therein.

Japan Concessionary Schedule Section 1 Schedule of Preferential Nations Customs Duty Rates

Customs Duties Rate Schedule	Products	Final Duty Rate
24. 02	Cigars, cheroots, cigarillos and cigarettes (Limited to products made from tobacco or tobacco substitutes)	
2402. 10	Cigars, cheroots and cigarillos (Limited to products containing tobacco.)	16%
2402. 20	Cigarettes (Limited to products containing tobacco)	8.5% or 290 yen 70 sen (Yen 290.70) per 1,000 units
24. 03	Other manufactured tobacco and manufactured tobacco substitute products, sheet tobacco and tobacco extracts and essences	
2403. 10	Smoking tobacco (without regard to whether it includes tobacco substitutes or the amounts of such)	
	- Pipe Tobacco	29.8%

4. The Law on Interim Tariff Measures

Article 1 of the Law on Interim Tariff Measures

This law, for the sake of the promotion of healthy development of the national economy, establishes temporary, special exemptions to the Customs Duties Fixed Rates Law (1910, Law No. 54) and the Customs Law (1954, Law No. 61) concerning adjustments to the custom duties rates for essential items.

Article 2 of the Law on Interim Tariff Measures

For the items shown in Attached Schedule 1, the rates for custom duties on imports made of such items through March 31, 2007 (in cases where the product name is different from that in product name column of this schedule or where period is otherwise established, the periods in question shall run up till this period or into this period) are established as shown in the said schedule.

Attached Schedule 1

Customs Duties Fixed Rates Law Separate Schedule No	Product Name	Duty Rate
2402. 20	Cigarettes (Limited to products containing tobacco)	Duty Free

5. Summary

Implemented duty rates are shown below.

Cigarettes: Duty free (Temporary duty rate)

Pipe tobacco: 29.8% (Customs agreement rate)

Cigars: 16% (Customs agreement rate)