

Tax Reforms: Japanese Experience

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Tax Reform in 1950

Objectives

- ✓ Economic stabilisation in the post-War period
- ✓ Establishment of fair and simple taxation
- ✓ Domestic resource mobilisation

Main points

- ◆ Put importance on direct taxation, esp. the personal income tax
- ◆ Strengthen property taxation
- ◆ Simplify the corporation tax and indirect taxes
- ◆ Improve tax compliance
- ◆ Establish effective tax administration

Tax Compliance and Administration

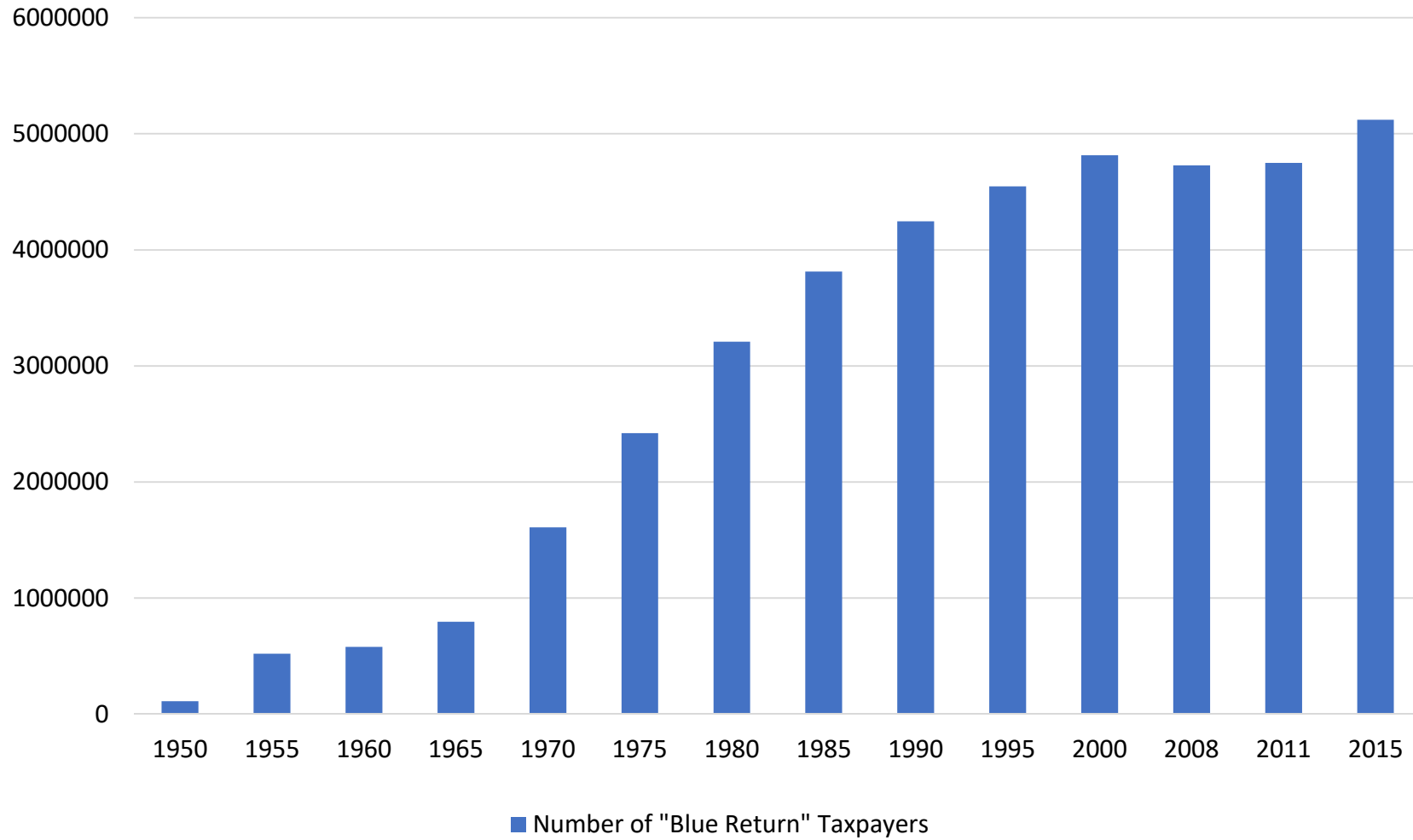
Improve tax compliance – self-assessment system

- “Blue return” scheme to improve bookkeeping (1950)
- Tax savings union to prepare for tax payments (1951)
- Certified public tax accountants (1951)

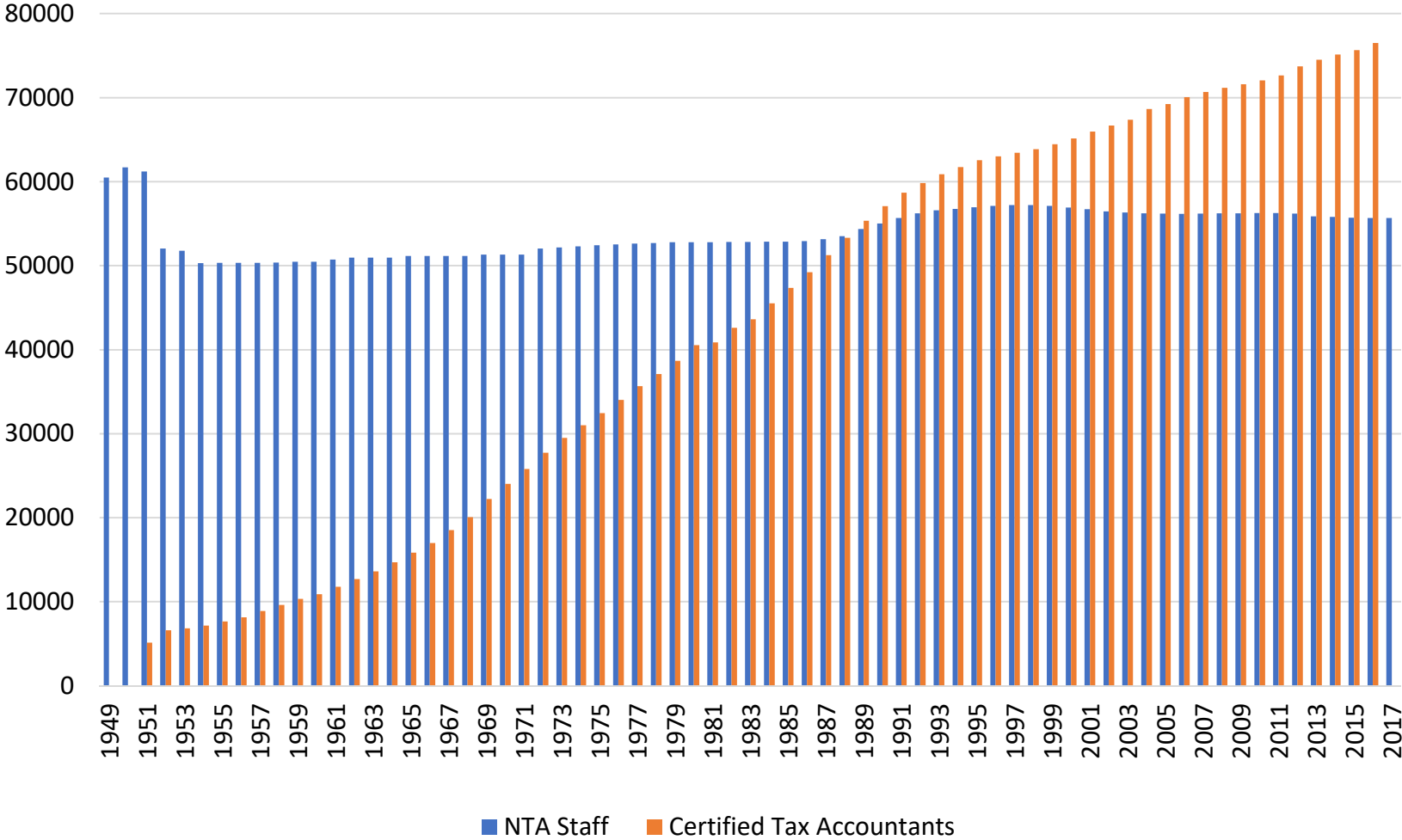
Establish effective tax administration

- National Tax Agency (1949)
- Independent internal inspectors (1949)
- National Tax Conference Group (1950) → National Tax Tribunal (1970)
- National Tax College (1964) ← Taxation Training Institute (1941)

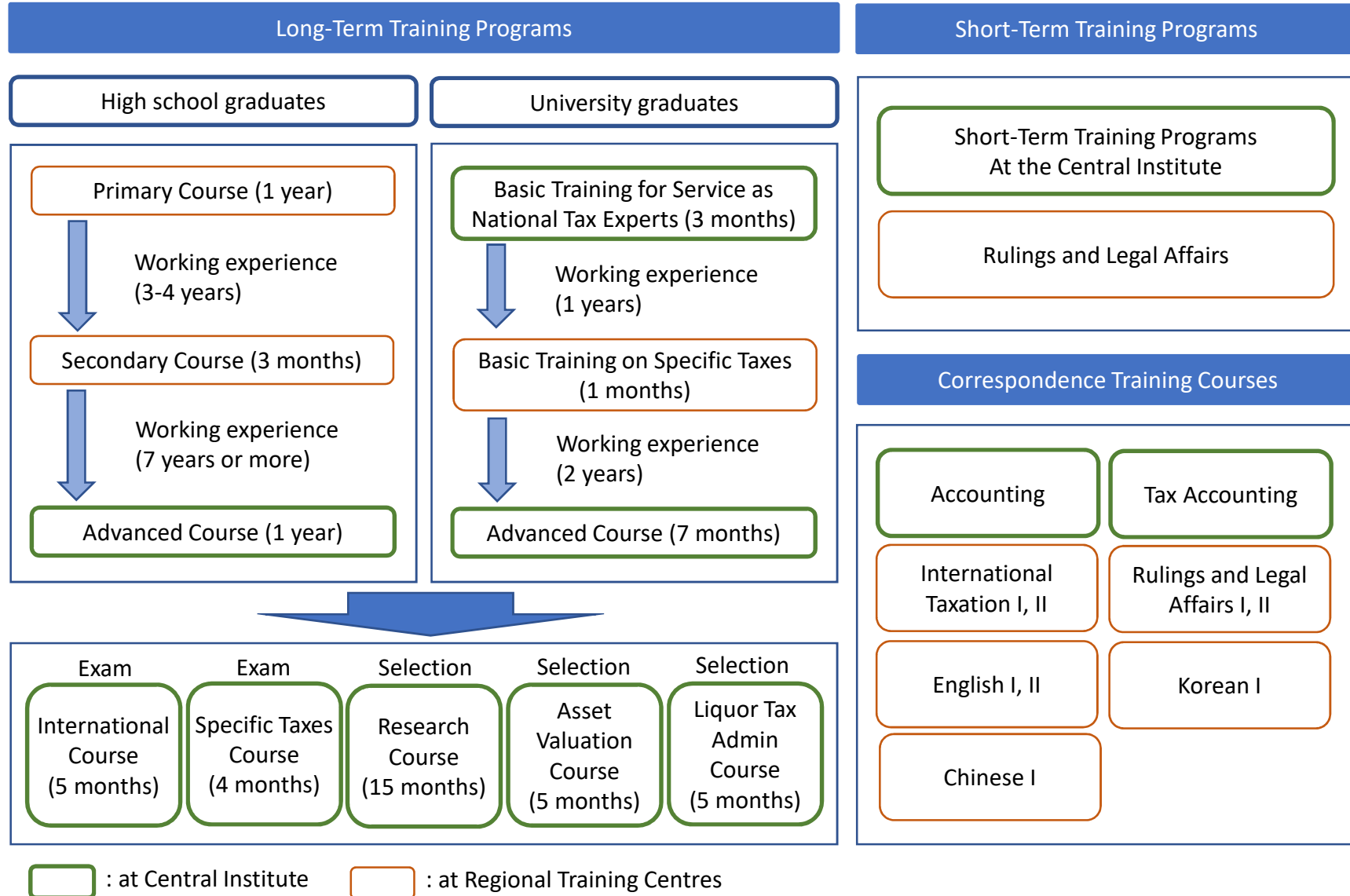
Number of "Blue Return" Taxpayers (Individuals)



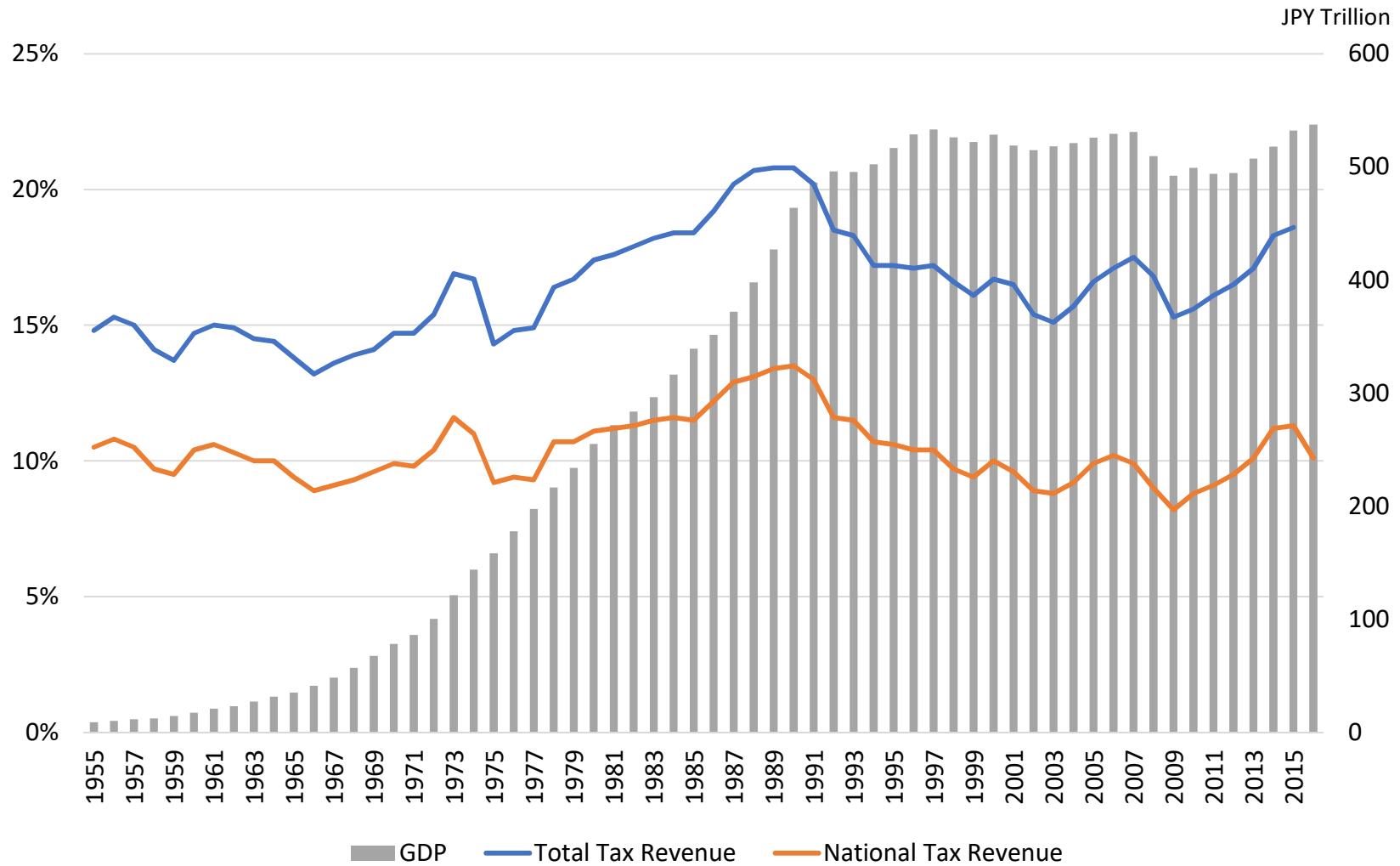
NTA Staff and Tax Accountants



Training Programs at National Tax College



Tax Revenue as % of GDP



Tax Reform in 1987-88

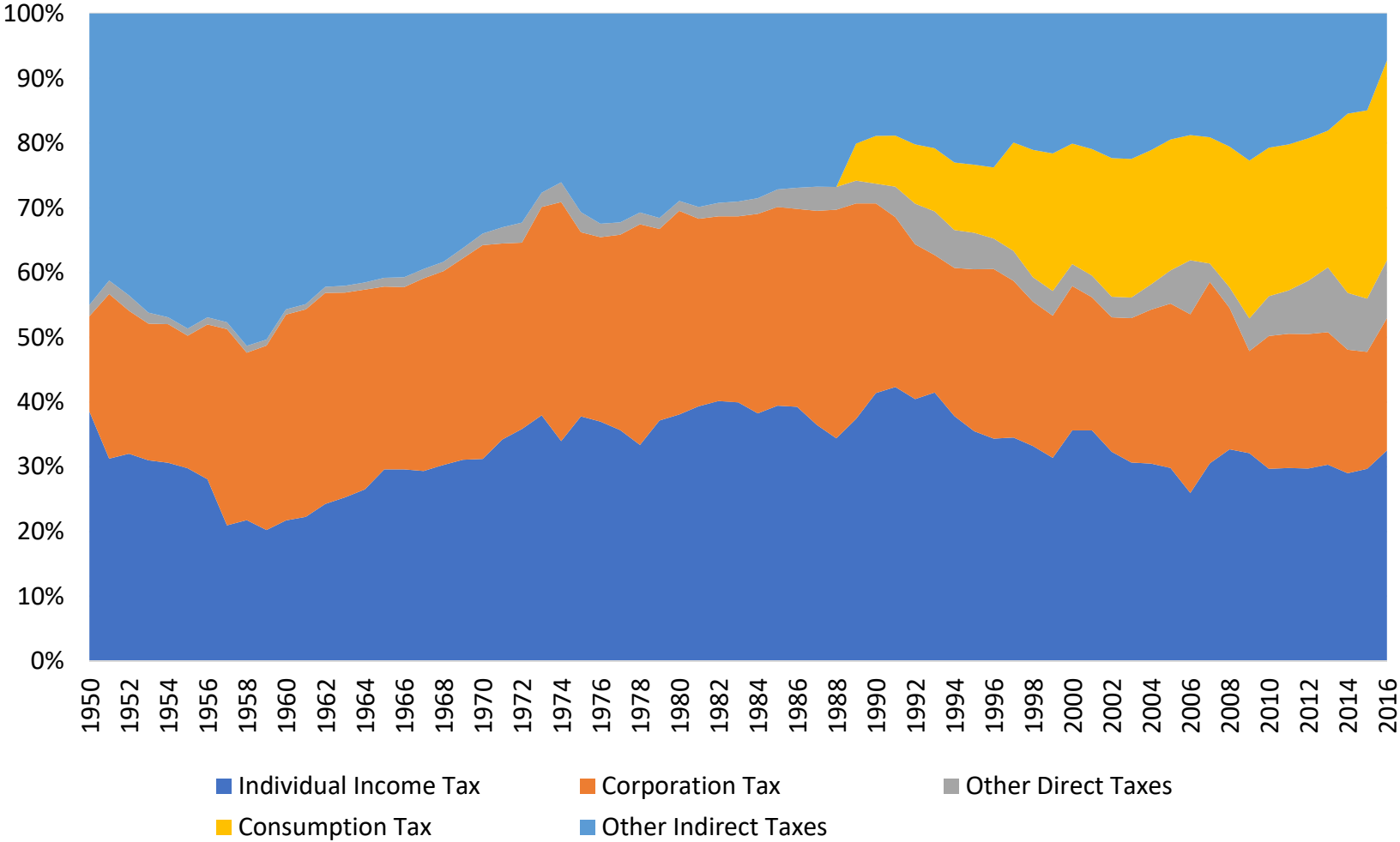
Objectives

- ✓ Adjustments in response to social and economic changes
- ✓ Equitable, fair, simple, neutral and revitalising taxation
- ✓ Revenue neutrality

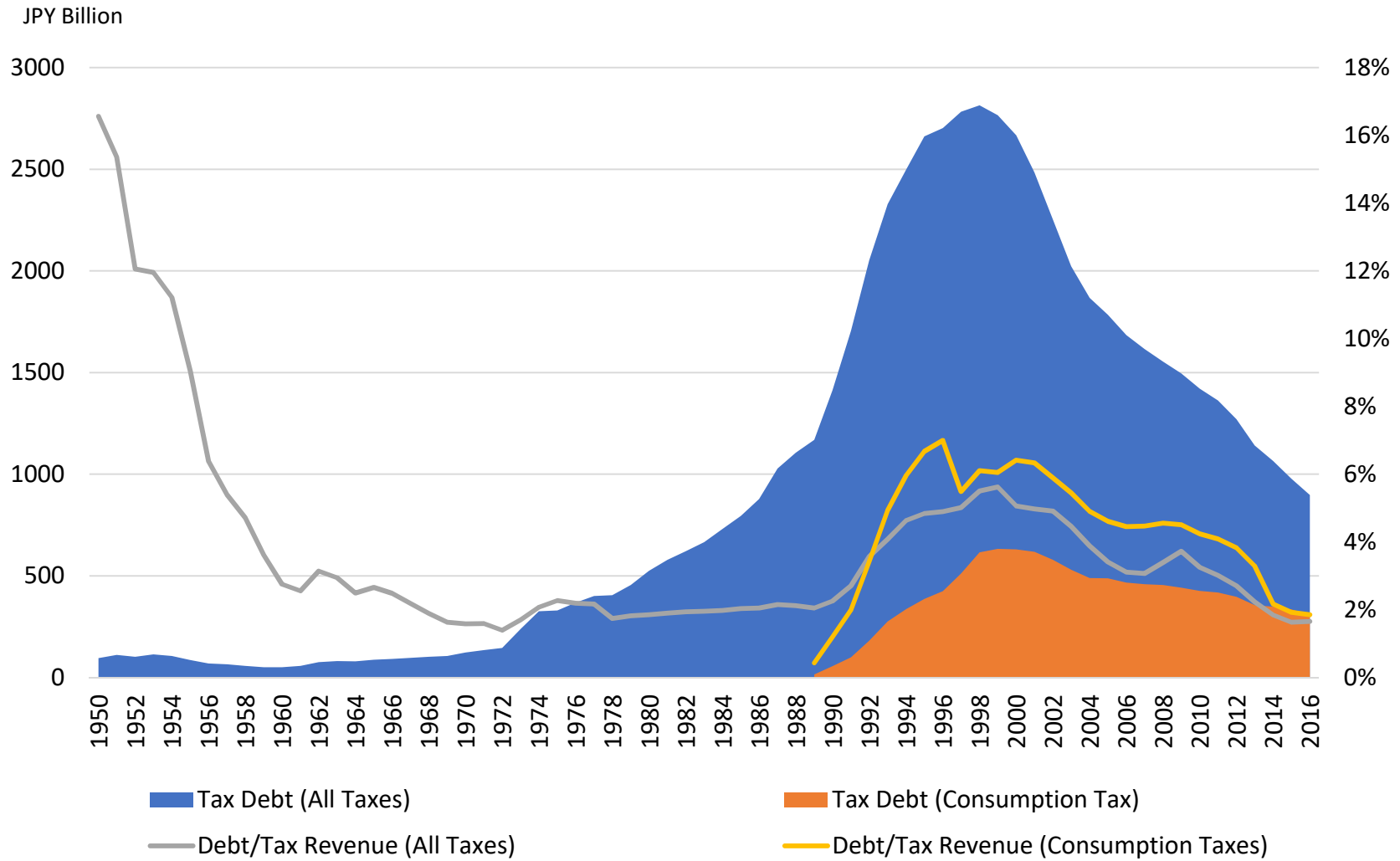
Main points

- ◆ Lower the highest rate and reduce the brackets of the income tax
- ◆ Reform taxation on financial incomes
- ◆ Simplify indirect taxes and introduce the consumption tax

Composition of National Taxes



Tax Debt



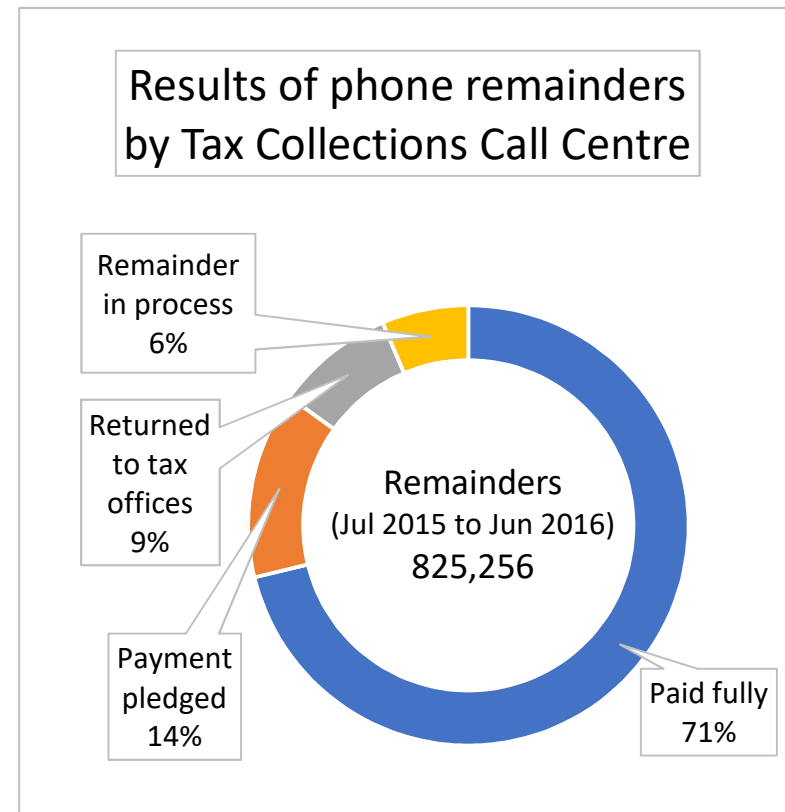
Tax Debt Management

Tax debt had piled up until late 1990s



Actions to reduce the tax debt:

- ◆ Advance notice letter or phone call to risky taxpayers so as to prevent tax delinquency
- ◆ Tax collections call centre (2002)
- ◆ More frequent due dates for the consumption tax payments (2004: quarterly → monthly)



Some Lessons

- ✓ To secure taxpayers' compliance, taxation should be designed to be equitable, fair and simple and reflecting social and economic realities.
- ✓ Any taxation must be enforced by fair, effective and efficient tax administration with qualified staff.
- ✓ Taxpayers' compliance can be enhanced by services (convenience) for taxpayers and tax education.