



# Japanese Tax System and its Reform

**Ichiro OISHI**

Director, International Tax Policy Division,  
Tax Bureau, Ministry of Finance, Japan

IMF-Japan High Level Tax Conference for Asian and  
Pacific Countries in Tokyo, February 2012

## **Table of Contents**

1. Overview of Japanese Fiscal Situation
2. Japanese Tax System & International Comparison
3. Fundamental Reform of the Tax System  
[Appendix: Tax Measures for Earthquake Reconstruction]

# International Comparison of General Government Gross Debt

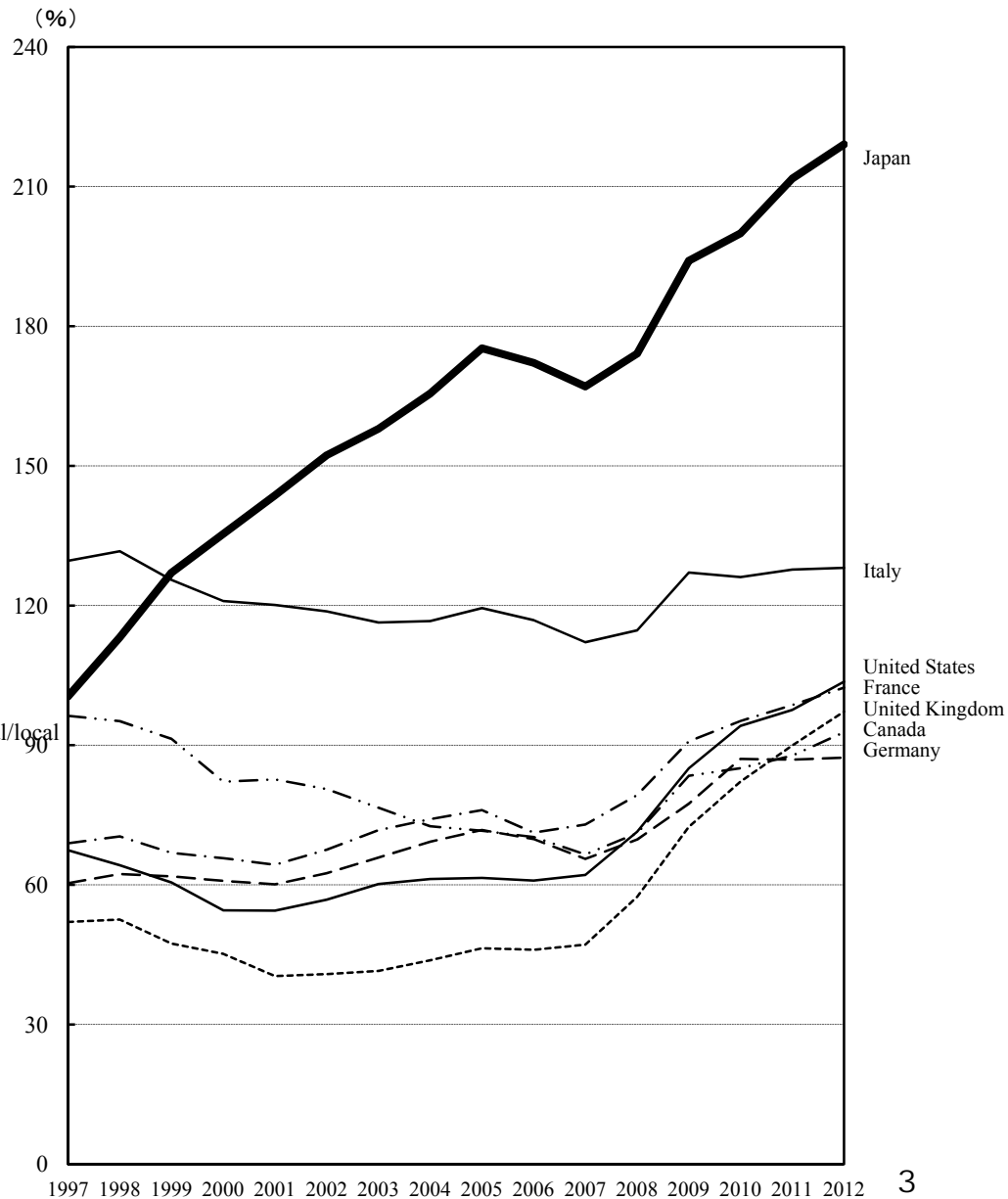
CY	1997-2004 (%)								
	1997	1998	1999	2000	2001	2002	2003	2004	
Japan	100.5	113.2	127.0	135.4	143.7	152.3	158.0	165.5	
U.S.	67.4	64.2	60.5	54.5	54.4	56.8	60.2	61.3	
U.K.	52.0	52.5	47.4	45.2	40.4	40.8	41.5	43.8	
Germany	60.4	62.3	61.8	60.8	60.1	62.5	65.9	69.3	
France	68.9	70.4	66.9	65.7	64.3	67.5	71.7	74.1	
Italy	129.6	131.7	125.5	121.0	120.1	118.7	116.3	116.7	
Canada	96.3	95.2	91.4	82.1	82.7	80.6	76.6	72.6	

CY	2005-2012 (%)								
	2005	2006	2007	2008	2009	2010	2011	2012	
Japan	175.3	172.1	167.0	174.1	194.1	200.0	211.7	219.1	
U.S.	61.5	60.9	62.1	71.4	85.0	94.2	97.6	103.6	
U.K.	46.4	46.0	47.2	57.4	72.4	82.2	90.0	97.2	
Germany	71.8	69.8	65.6	69.7	77.4	87.1	86.9	87.3	
France	76.0	71.2	73.0	79.3	90.8	95.2	98.6	102.4	
Italy	119.4	116.9	112.1	114.7	127.1	126.1	127.7	128.1	
Canada	71.6	70.3	66.5	71.1	83.4	85.1	87.8	92.8	

(Source) OECD "Economic Outlook 90" (December, 2011)

(Note 1) Figures represent the general government-based data (including the central/local governments and the social security funds).

(Note 2) FY2012 draft budget is not reflected in the above data.



# International Comparison of General Government Financial Balances

(%)

CY	1997	1998	1999	2000	2001	2002	2003	2004
Japan	-5.8	-7.2	-8.5	-8.2	-6.5	-7.9	-8.0	-6.6
U.S.	-1.9	-0.9	-0.7	-0.1	-2.2	-5.5	-6.3	-5.8
U.K.	-2.2	-0.1	0.9	3.7	0.6	-2.0	-3.7	-3.6
Germany	-2.7	-2.3	-1.6	1.1	-3.1	-3.8	-4.1	-3.8
France	-3.3	-2.6	-1.8	-1.5	-1.7	-3.3	-4.1	-3.6
Italy	-2.7	-2.9	-2.0	-0.9	-3.2	-3.2	-3.6	-3.6
Canada	0.2	0.1	1.6	2.9	0.7	-0.1	-0.1	0.9

CY	2005	2006	2007	2008	2009	2010	2011	2012
Japan	-5.2	-3.5	-2.8	-3.3	-9.3	-8.1	-8.8	-8.4
U.S.	-4.6	-3.6	-4.3	-7.8	-12.5	-11.2	-10.4	-9.9
U.K.	-3.3	-2.7	-2.8	-5.0	-11.0	-10.4	-9.4	-8.7
Germany	-3.3	-1.7	0.2	-0.1	-3.2	-4.3	-1.2	-1.1
France	-3.0	-2.4	-2.7	-3.3	-7.6	-7.1	-5.7	-4.5
Italy	-4.5	-3.4	-1.6	-2.7	-5.4	-4.5	-3.6	-1.6
Canada	1.5	1.6	1.4	-0.4	-4.9	-5.6	-5.0	-4.1

(Source) OECD "Economic Outlook 90" (December, 2011)

(Note) Figures represent the general government-based data (including the central/local governments and the social security funds), except for Japan and the U.S where the figures of the social security funds are excluded.

The following figures include social security.

(%)

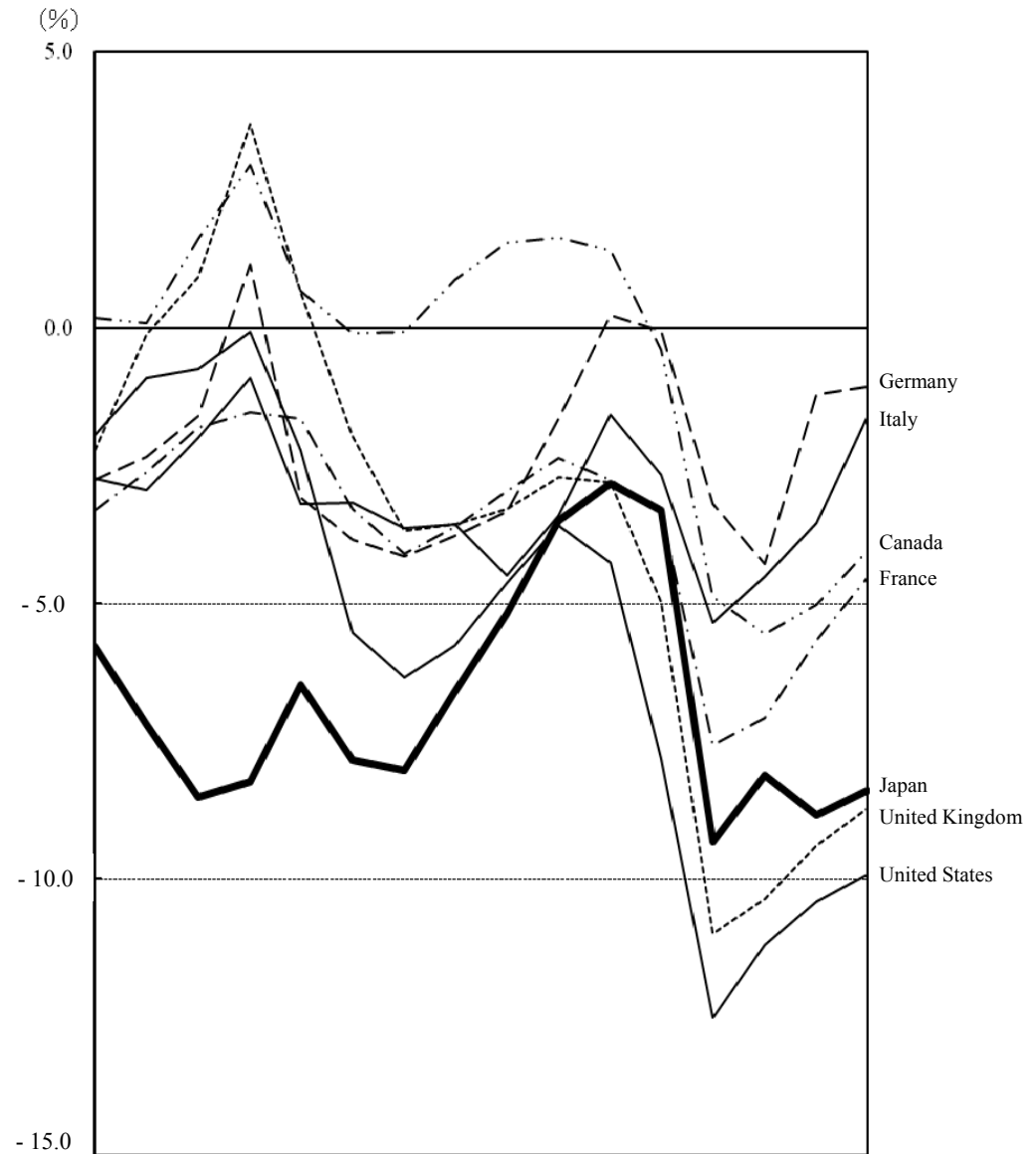
CY	1997	1998	1999	2000	2001	2002	2003	2004
Japan	-4.0	-5.8	-7.4	-7.6	-6.3	-8.0	-7.9	-6.2
U.S.	-0.9	0.3	0.7	1.5	-0.6	-4.0	-5.0	-4.4

CY	2005	2006	2007	2008	2009	2010	2011	2012
Japan	-4.8	-3.4	-3.0	-3.9	-10.5	-9.0	-9.7	-9.4
U.S.	-3.3	-2.2	-2.9	-6.6	-11.6	-10.7	-10.0	-9.3

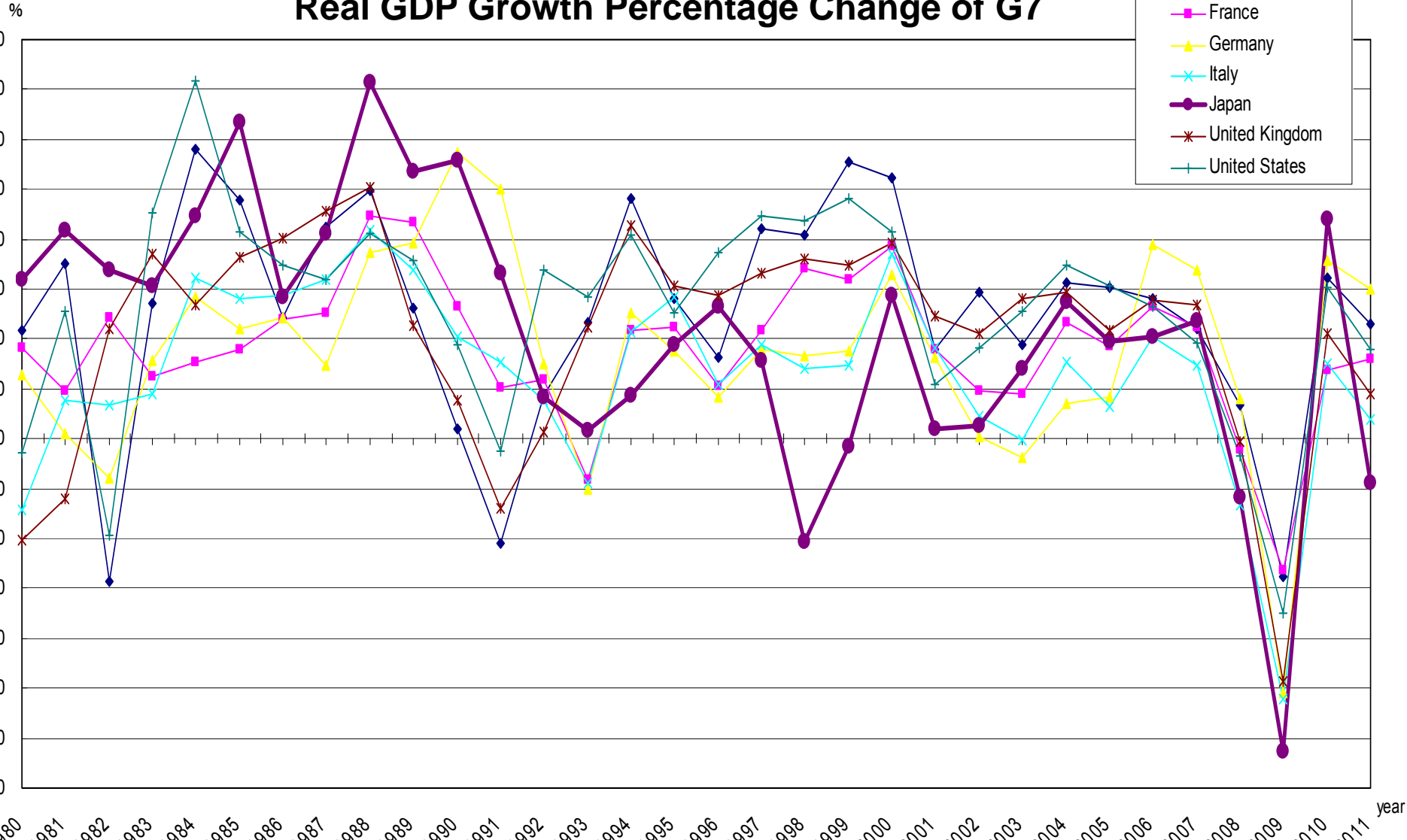
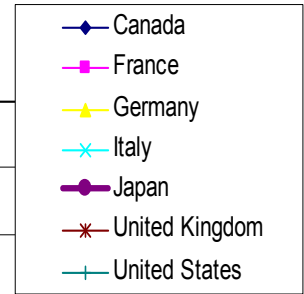
(Source) OECD "Economic Outlook 90" (December, 2011)

(Note 1) FY2012 draft budget is not reflected in the above data.

(Note 2) Figures for Japan are adjusted to exclude special factors.

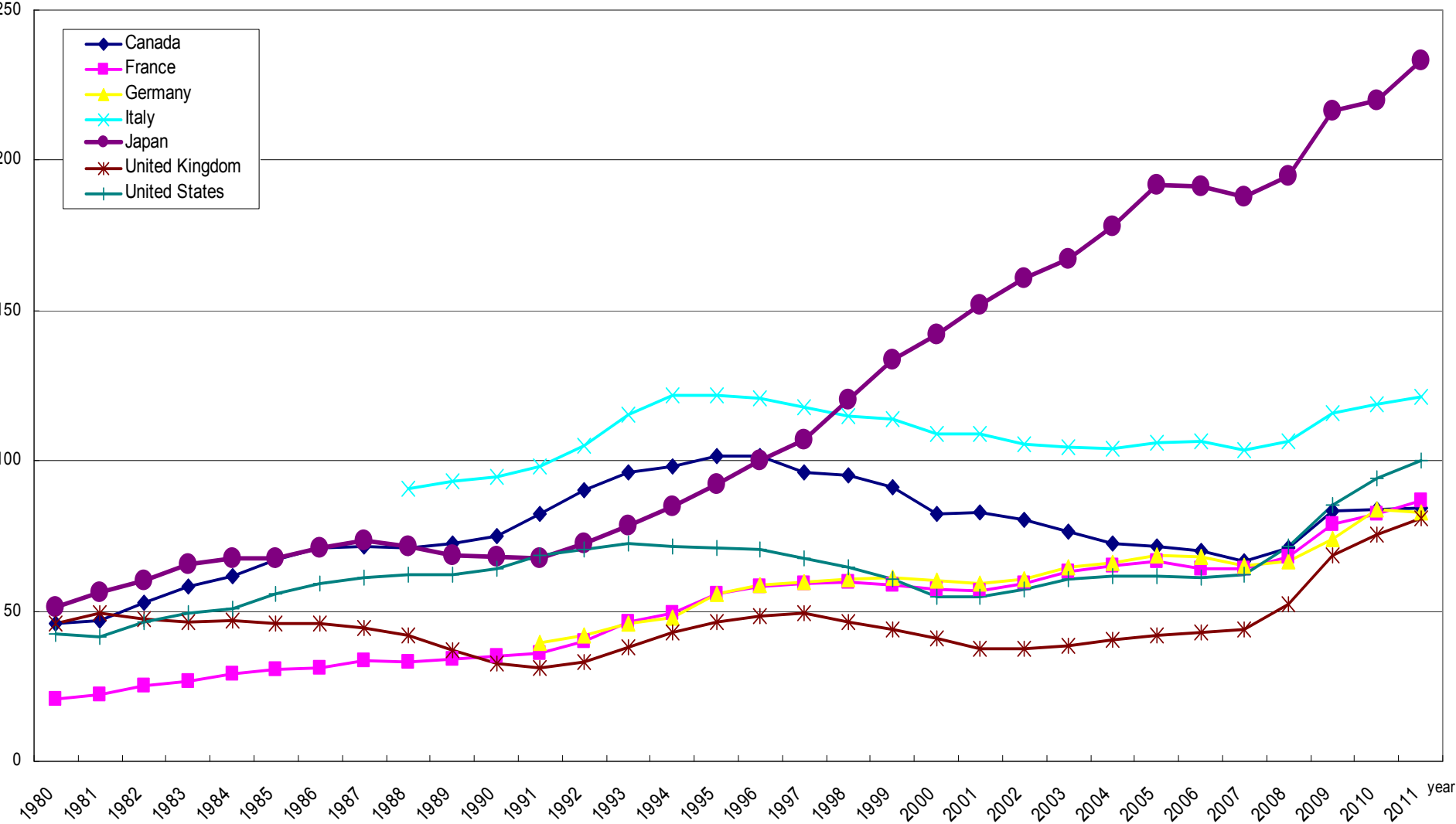


## Real GDP Growth Percentage Change of G7



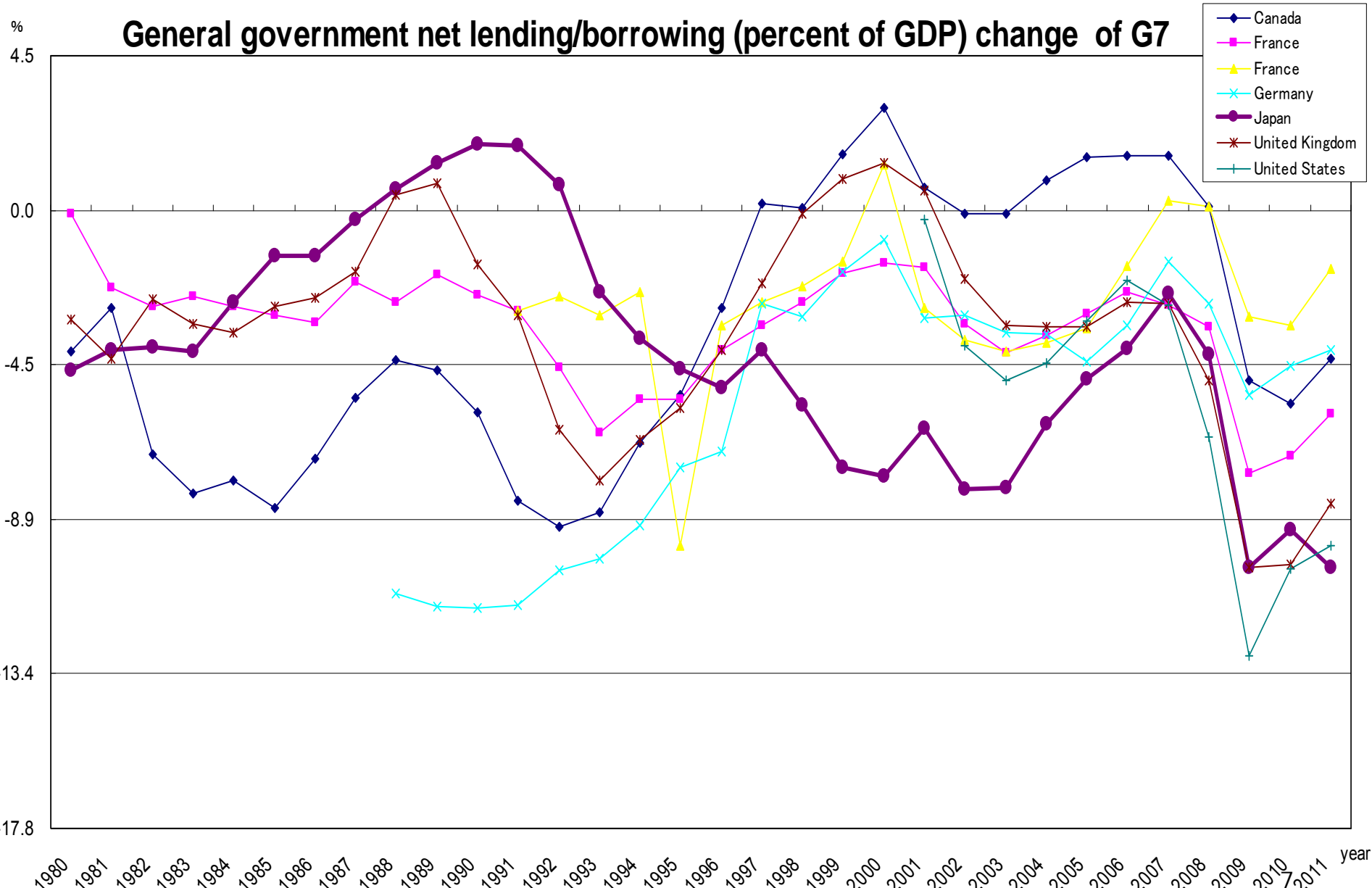
From International Monetary Fund, World Economic Outlook Database

# General government gross debt (percent of GDP) of G7



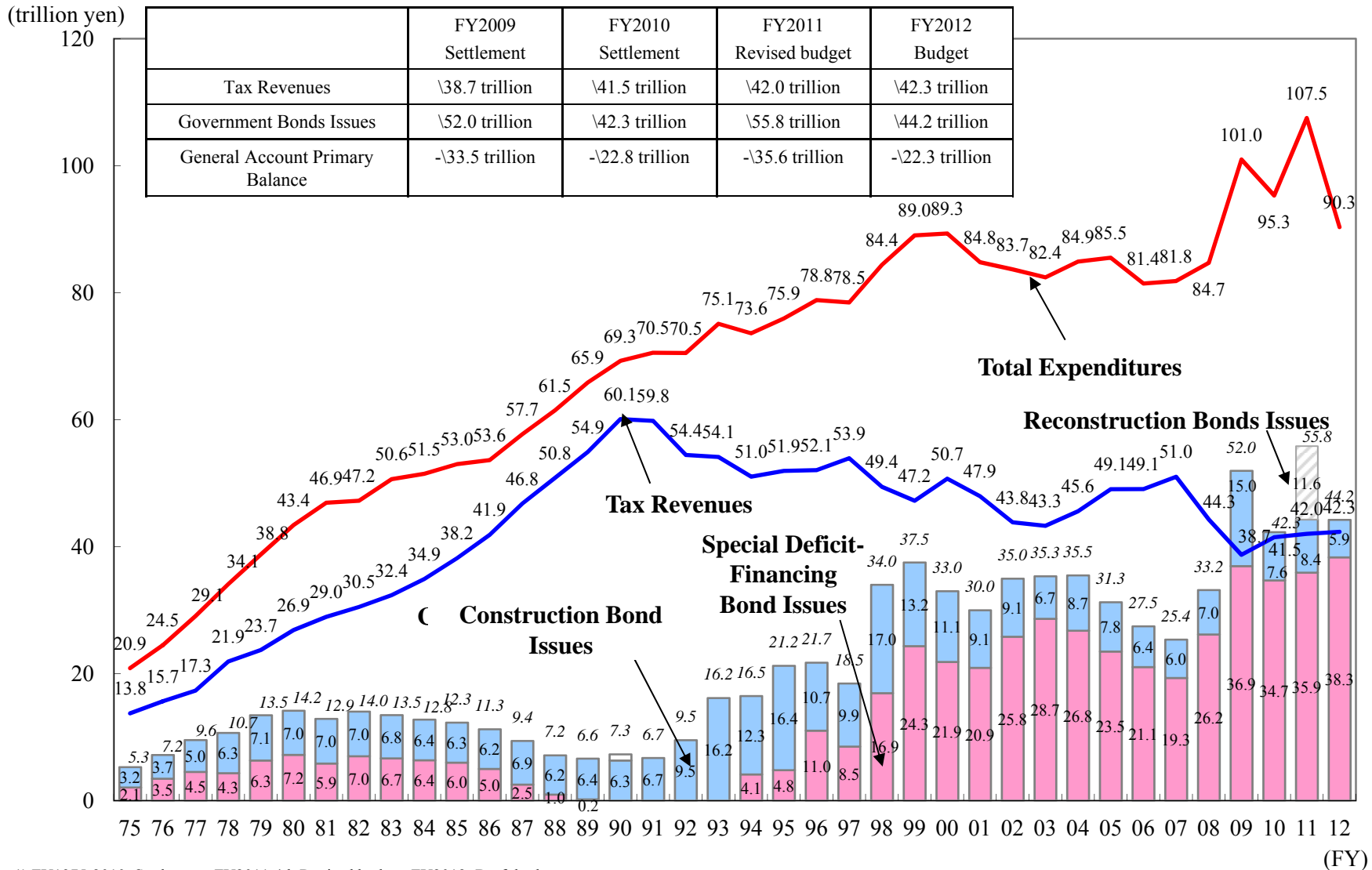
From International Monetary Fund, World Economic Outlook Database

# General government net lending/borrowing (percent of GDP) change of G7



From International Monetary Fund, World Economic Outlook Database

# General Account Tax Revenues and Government Bond Issues



(Note 1) FY1975-2010: Settlement, FY2011:4th Revised budget, FY2012: Draft budget

(Note 2) Ad-hoc deficit-financing bonds (approx. 1 trillion yen) were issued in FY1990 as a source of funds to support peace and reconstruction efforts in the Persian Gulf Region.

(Note 3) Reconstruction bonds(approx.11.6)trillion yen are issued in FY2011, which are used as a temporary means until when the financial resources are secured by the revenues including the special tax for reconstruction. Measures and projects for reconstruction from the Great East Japan Earthquake, expected to be implemented within the first five years (FY2011-FY2015), would be financed by reconstruction bonds issuance.

(Note 4) General Account Primary Balance is calculated based on the easy-to-use method of National Debt Service minus Government Bond Issues, and is different from the Central Government Primary Balance on an SNA basis.



# Factor Analysis of Increase in Government Bonds Outstanding since the 1990s

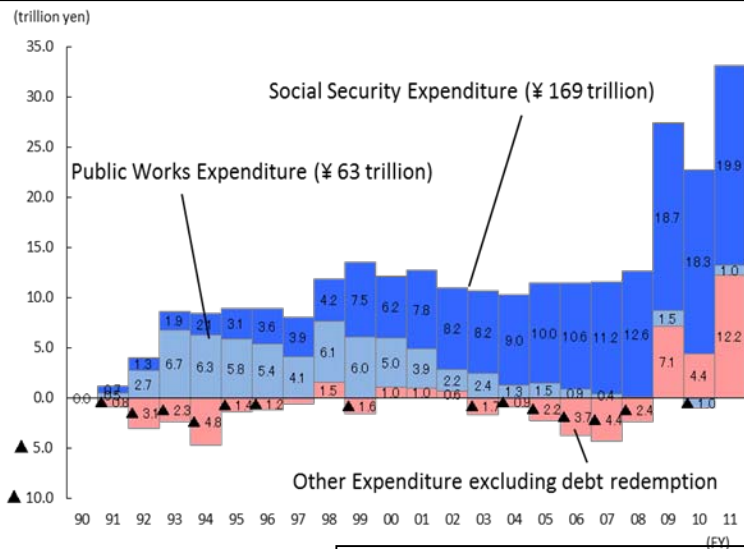
The factors of increase in government bond outstanding are summarized as follows:

Expenditure side ... Increase in public works expenditure in the 1990s and growth of social security expenditure of recent years associated with the progress of population aging

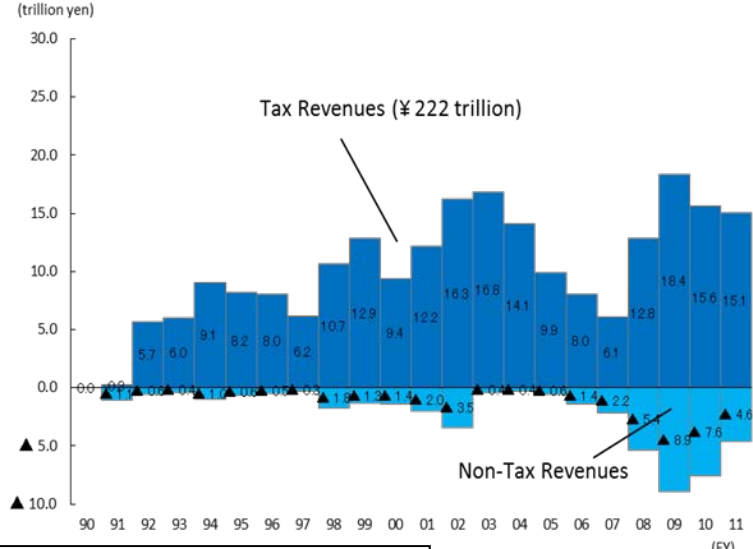
Revenue side ... Tax revenue decline which results from economic downturn and tax cut measures for economic stimulus

Increase in Government Bonds Outstanding from FY1990 to FY2011: \ 510 trillion

Contribution of Expenditures : \ 228 trillion



Effect of receipt decline: \ 176 trillion



Impact from balance gap in FY1990: \ 60 trillion

\ 3 trillion (Deficit in FY1990) × 21 fiscal years (FY1990–FY2011) = 60

Other factors (long-term debt transferred from Japan National Railway, etc.): \ 46 trillion

(Note 1) FY1990-FY2010: Settlement, FY2011: 4th Revised Budget.  
 (Note 2) 11.6 trillion yen of Increase in government bonds outstanding from FY1990 to FY2011 is Reconstruction Bond issuance for financial resources of measures for reconstruction from the Great East Japan Earthquake. The resources for redemption of Reconstruction Bonds is secured by the revenues including the special tax for reconstruction.

## Recent Changes in Social and Economic Circumstances

Since the 1960s, when the basic framework of the current social security system was formulated, there have been drastic changes in social and economic circumstances.

### Aging Society with Declining Birthrate

Arrival of the depopulating society and the rapidly aging society

#### Ratio of the population (65 or older)

7.9% (1970) → **23.0%** (2010)

#### Total fertility rate

2.13 (1970) → **1.39** (2010)

### Employment Environment

Increase in the number of irregular employment

#### Number of irregular employees

6.04 million (1984) → **17.56 million** (2010)  
(15% of all employees\*) (34% of all employees\*)

\*excluding executive officers

### Family Structure

Decrease in the number of multigenerational households and increase in the number of elderly single-person households

#### Number of single-person/couple households of which the head is 65 or older

0.96 million (1970) → **10.81 million** (2010)  
(3% of all households) (20% of all households)

### Stagnant Economic Growth

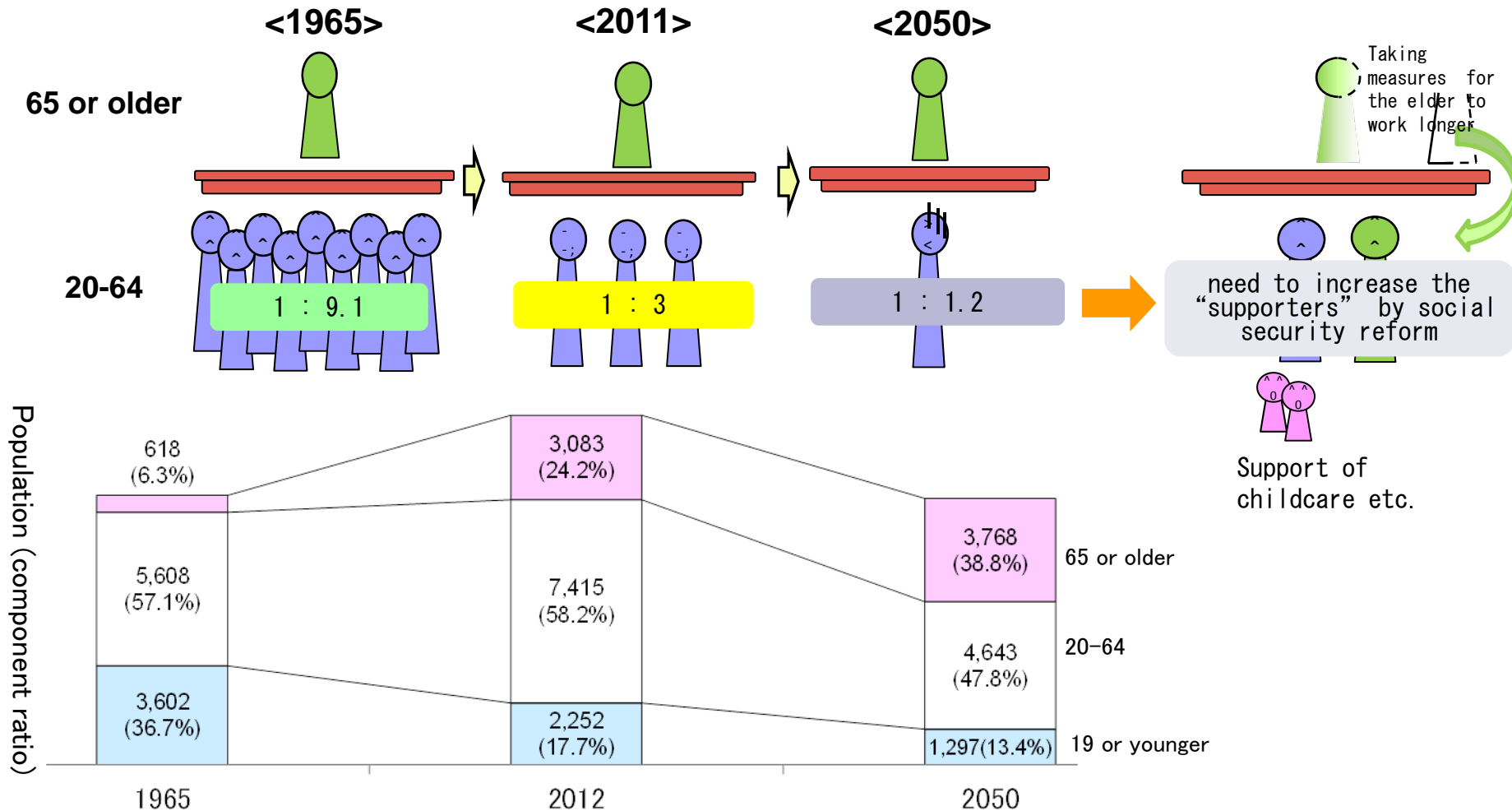
Structural causes such as aging society with declining birthrate

#### Real economic growth rate

9.1% → **0.9%**  
(average rate from FY 1956 through FY 1973) (average rate from FY 1991 through FY 2010)

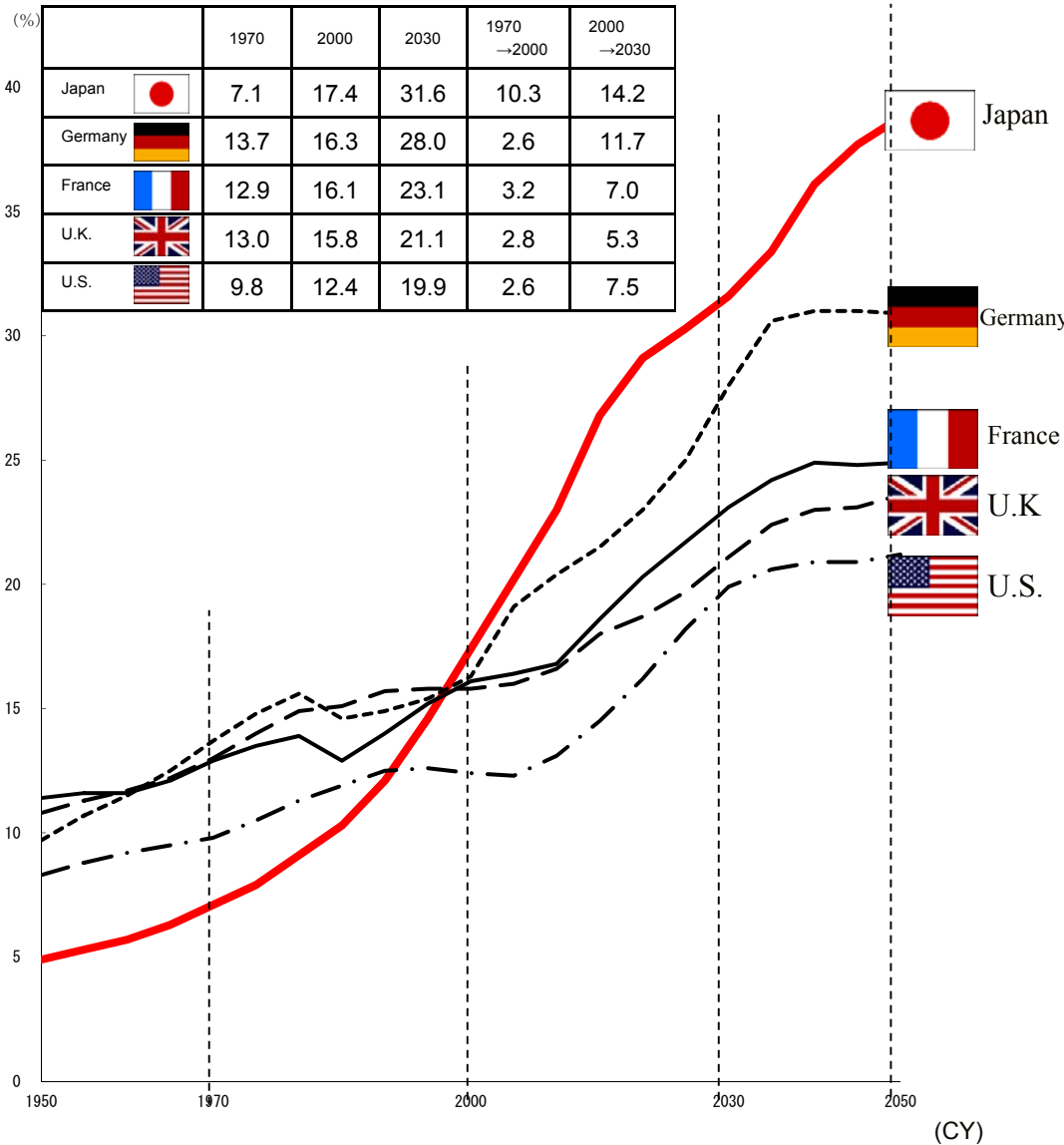
(出所) aging population rate and number of single-person and couple households of which the head is 65 years and older: "National Census" (Ministry of Internal Affairs and Communications), total fertility rate: "Vital Statistics" (Ministry of Health, Labour and Welfare), number of irregular employees: "Labour Force Survey" (Ministry of Internal Affairs and Communications), real economic growth rate: "SNA (National Account of Japan)" (Cabinet Office)

Concerns about the sustainability of the current social security system - in the future, only one young person will have to support one elder.



(Source) "Population Estimates" and "National Census" (Ministry of Internal Affairs and Communications), "Population Projection for Japan (middle fertility and mortality projection)" (National Institute of Population and Security Research)

### Ratio of People Older than 65 years to the Total Population



### Japanese Life Expectancy

	1961	1973	2010
Life Expectancy (male)	66.0	70.7	79.6
Life Expectancy (female)	70.8	76.0	86.4
Life Expectancy at age 65 (male)	11.9	13.2	18.9
Life Expectancy at age 65 (female)	14.1	16.1	23.9
Life Expectancy at age 75 (male)	6.7	7.4	11.6
Life Expectancy at age 75 (female)	7.8	9.1	15.4

(Source) Japan CY1950-2010: "National Census" (Ministry of Internal Affairs and Communications)  
 CY2011-2050: "Japanese Future Demographic Projections" (National Institute of Population and Social Security Research) (January, 2012)  
 Other Countries: "World Population Prospects: The 2010 Revision" (United Nations)

(Source) "Abridged Life Tables 2010" (Ministry of Health, Labour and Welfare) (October, 2011)

## Table of Contents

1. Overview of Japanese Fiscal Situation

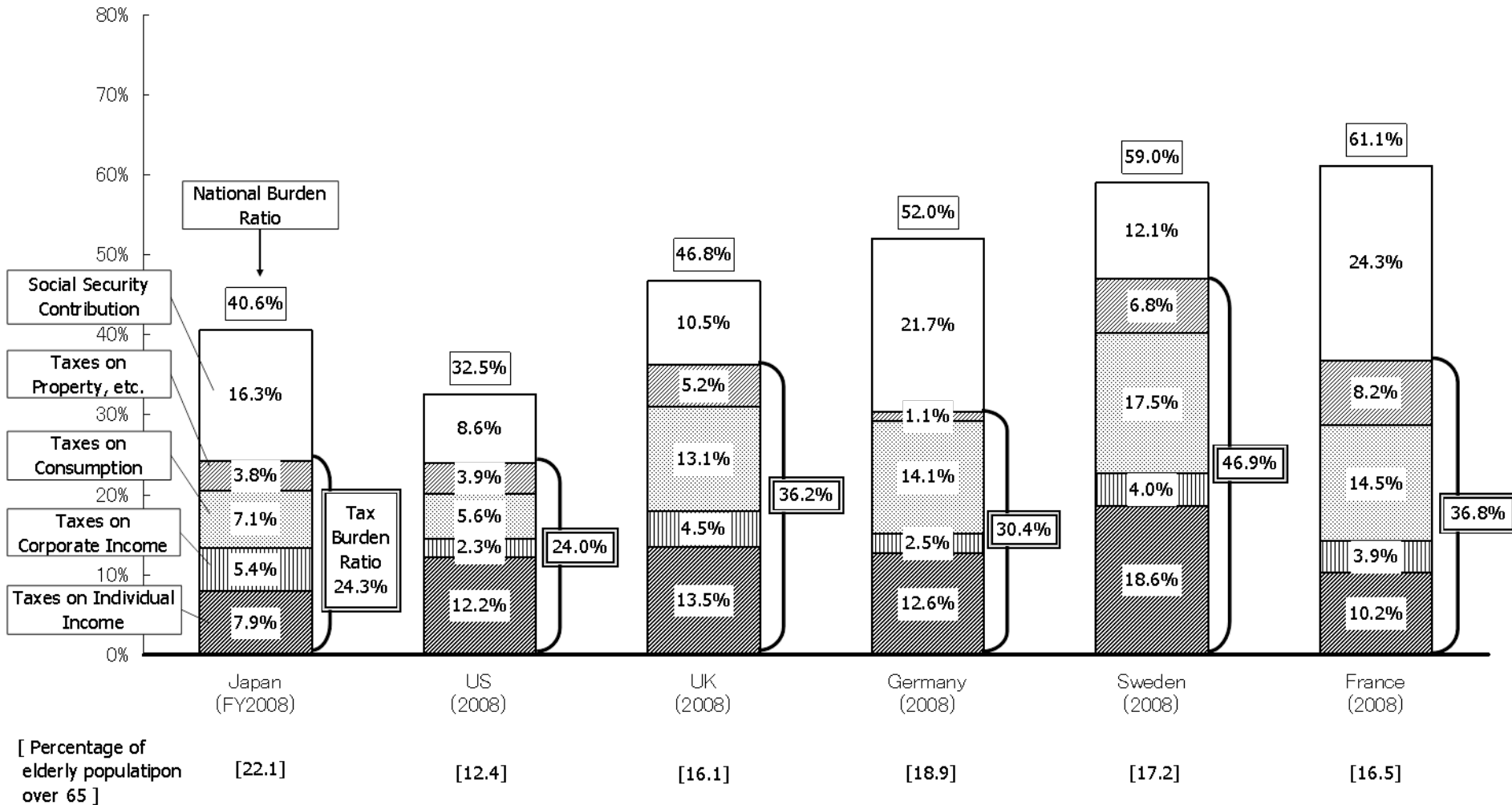
2. Japanese Tax System & International  
Comparison

3. Fundamental Reform of the Tax System

[Appendix: Tax Measures for Earthquake  
Reconstruction]

# International Comparison of National Burden Ratio

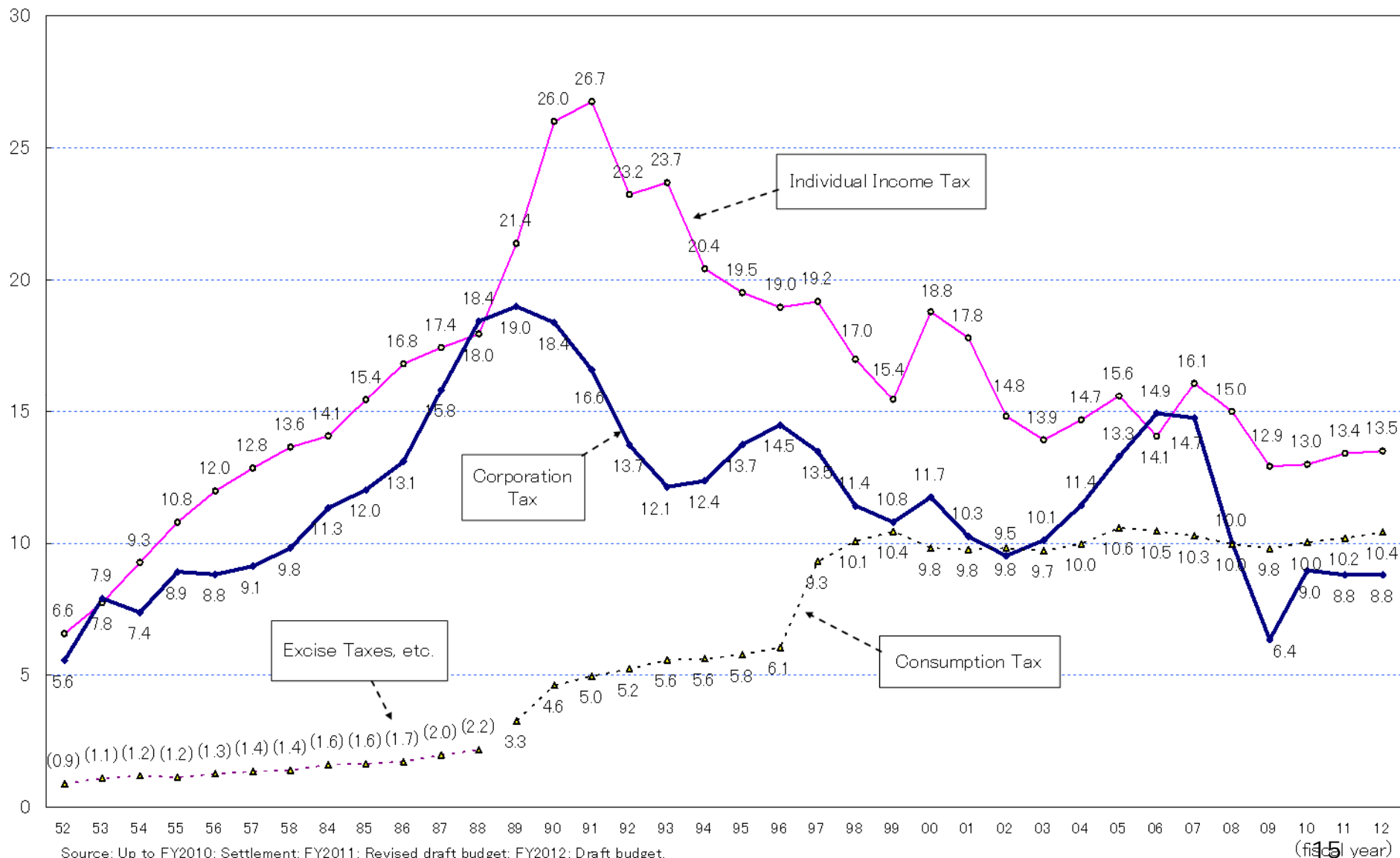
$$\text{National Burden Ratio} = (\text{Tax} + \text{Social Security Burden}) / \text{National Income}$$



Main Source: Settlement of FY2008 for Japan; OECD "Revenue Statistics 1965-2009" and "National Accounts 1997-2009" for other countries.

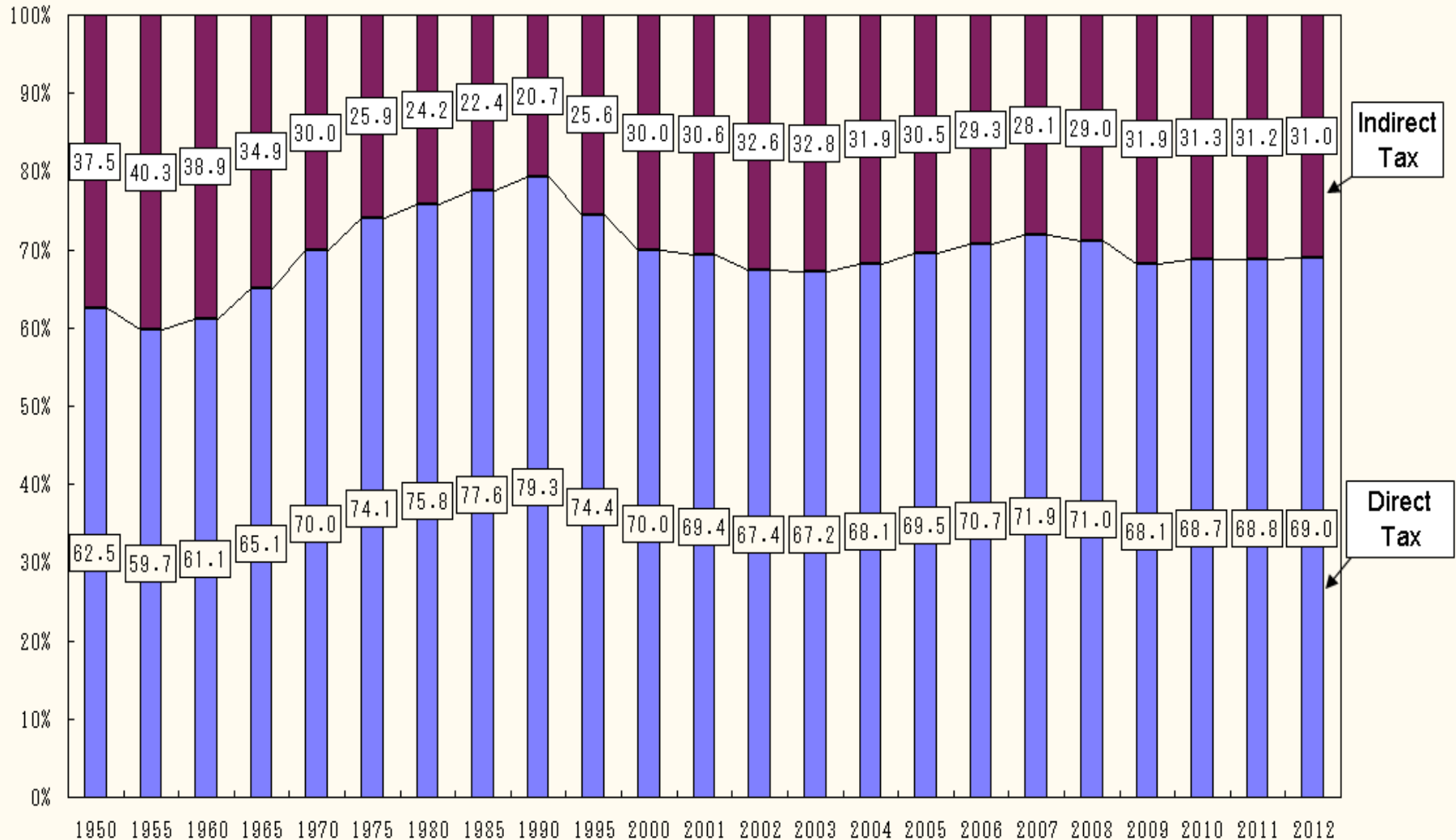
# Historical Changes of Revenues from Major Taxes

(Trillion Yen)



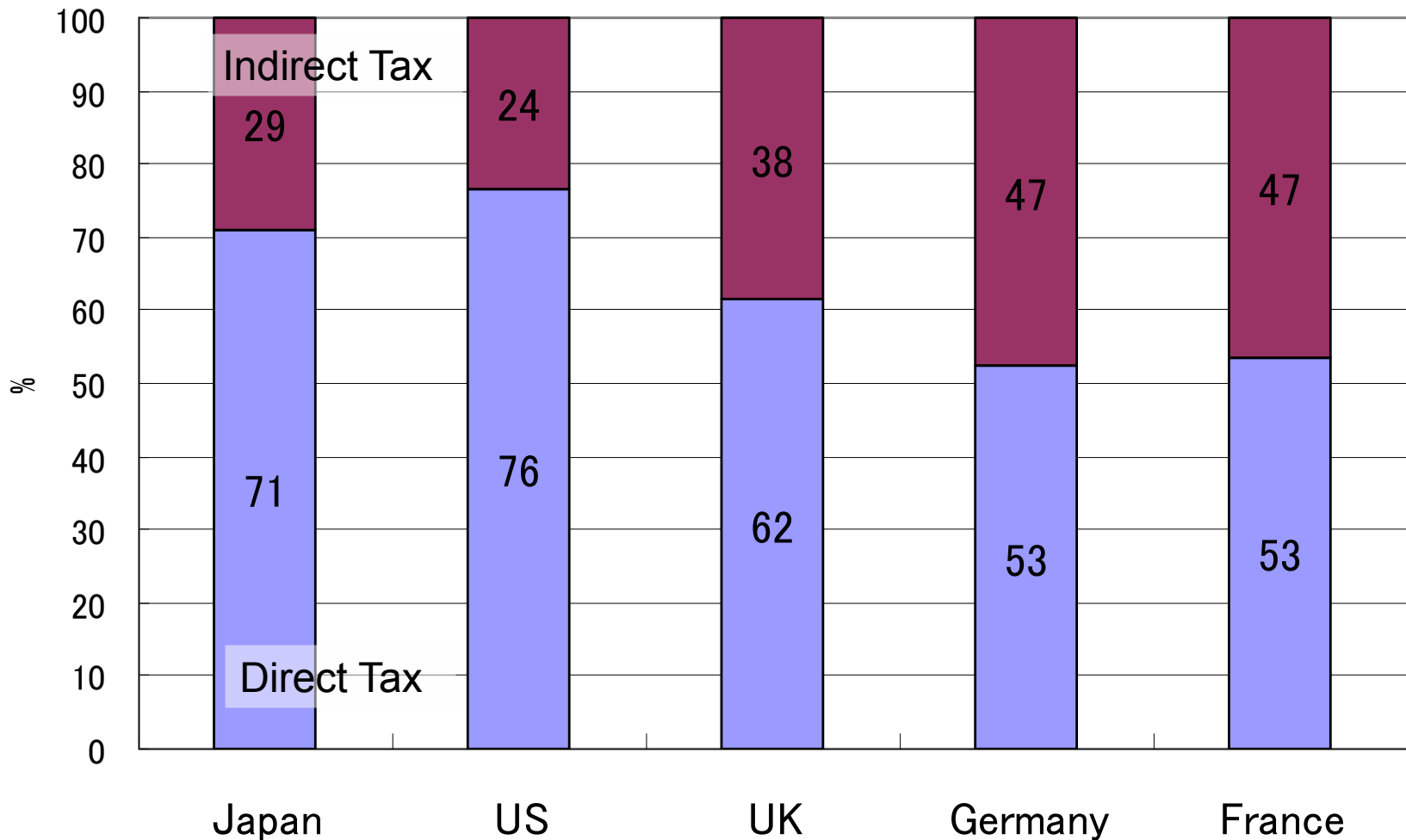
Source: Up to FY2010: Settlement; FY2011: Revised draft budget; FY2012: Draft budget.

### Share of Direct Tax and Indirect Tax (National tax and Local tax)





## Share of Direct Tax and Indirect Tax (National tax and Local tax) -International Comparison-

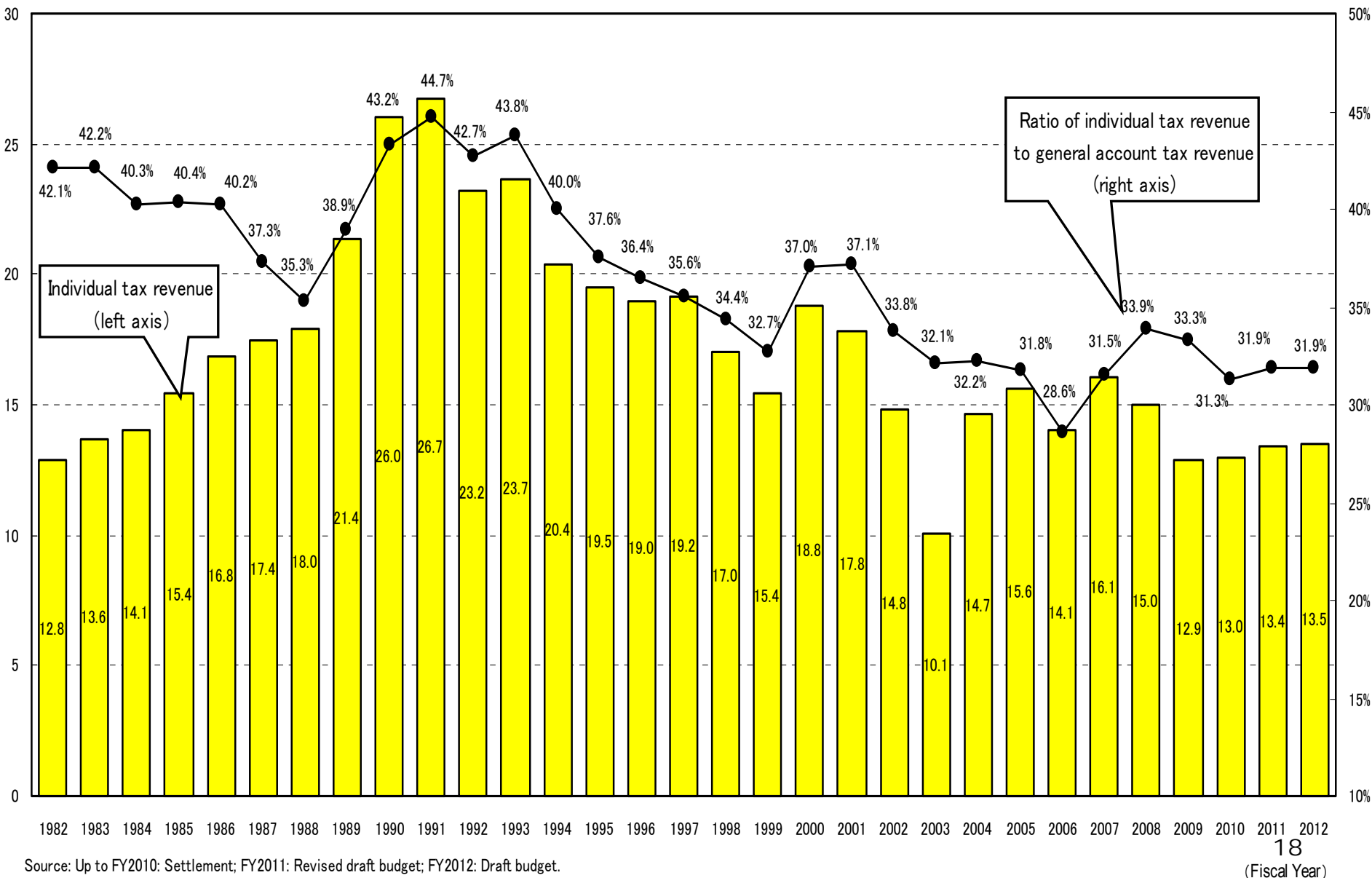


Source; Japan: FY2008 actual amount.

Other countries: 2008 data in OECD "Revenue Statistics 1965-2009"

# Changes in individual income tax revenue

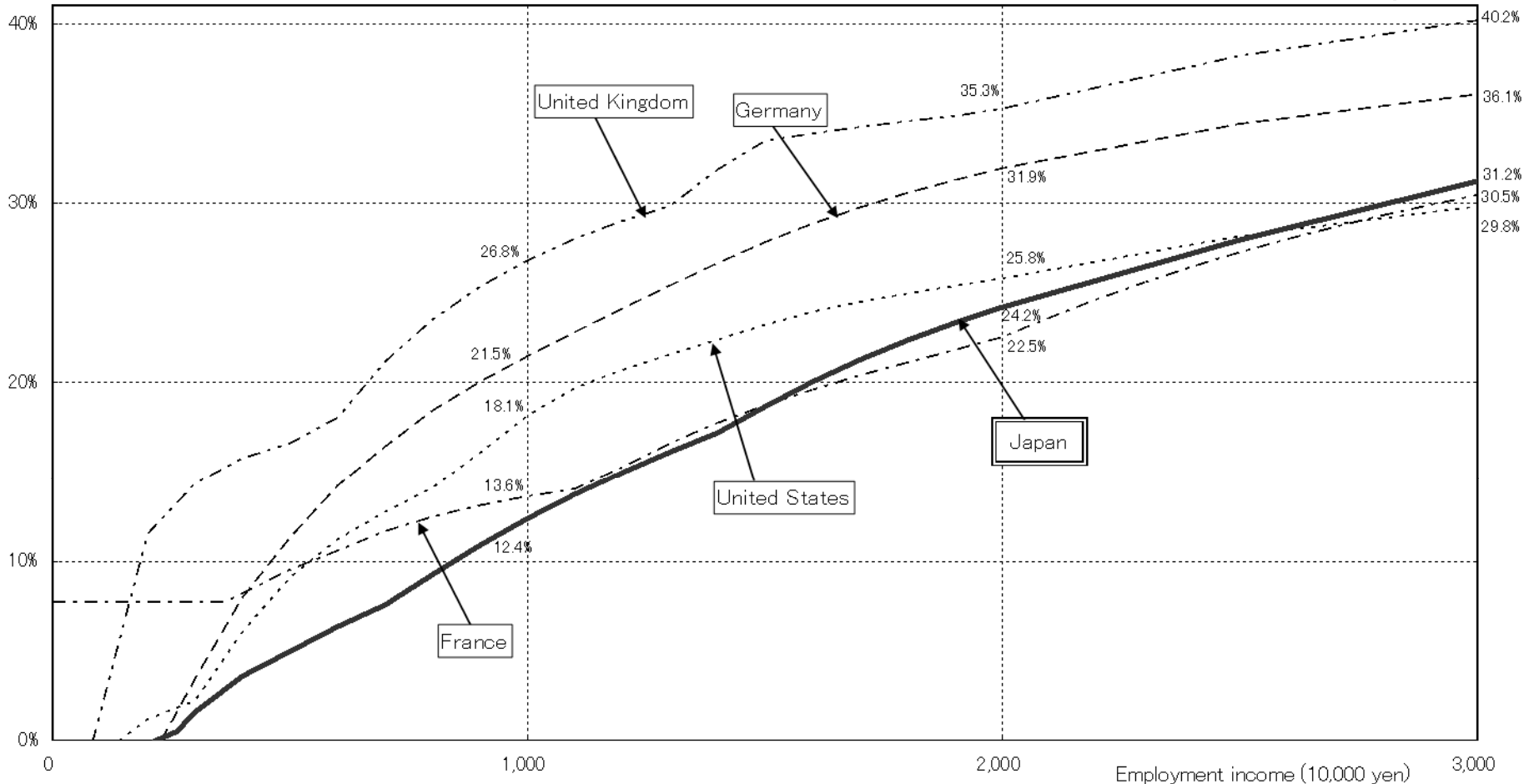
(trillion yen)



Source: Up to FY2010: Settlement; FY2011: Revised draft budget; FY2012: Draft budget.

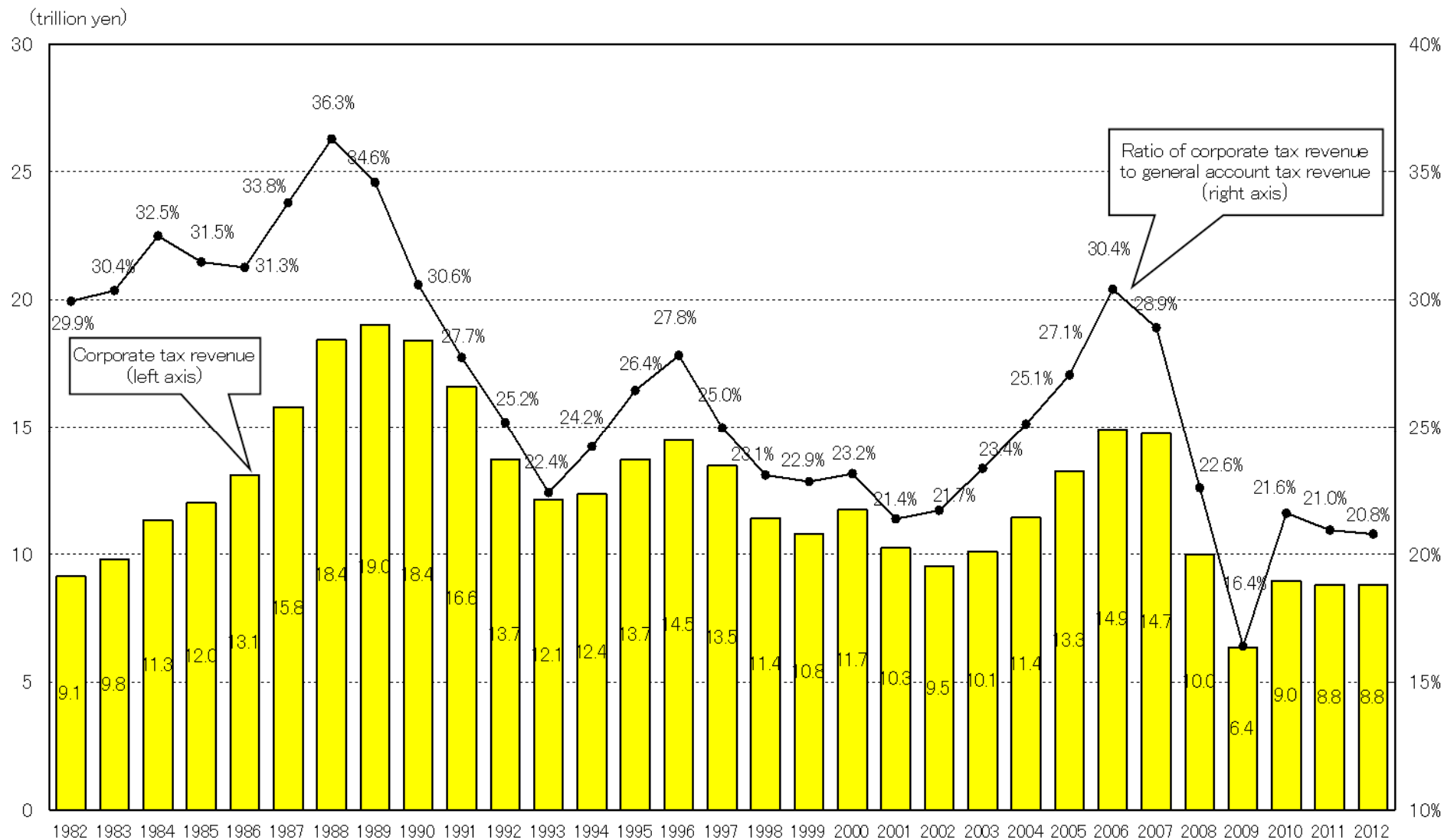
# International comparison of effective individual income tax rates (employment income earners with a spouse and two children)

(as of January 2011)



- Notes:
1. Individual income tax and individual inhabitants tax are taken into account. (regarding France, in addition to income tax, social contributions (currently, 8% of income in total) are included)
  2. In the case of married couple with two children, regarding Japan, one of children is assumed to be eligible for the deduction for specified dependents and the other is assumed to be under 16. As for U.S., one of children is assumed to be under 17.
  3. Abolishment of the deduction for dependents (up to 15 years old) child for Inhabitants Tax (FY2012-) is taken into account in the calculation for Japan.
  4. Exchange rates used for comparisons are USD1.00=JPY82, GBP1.00=JPY131, 1.00EUR=JPY112. (Base exchange rate: Average actual market values in 19 November 2010)

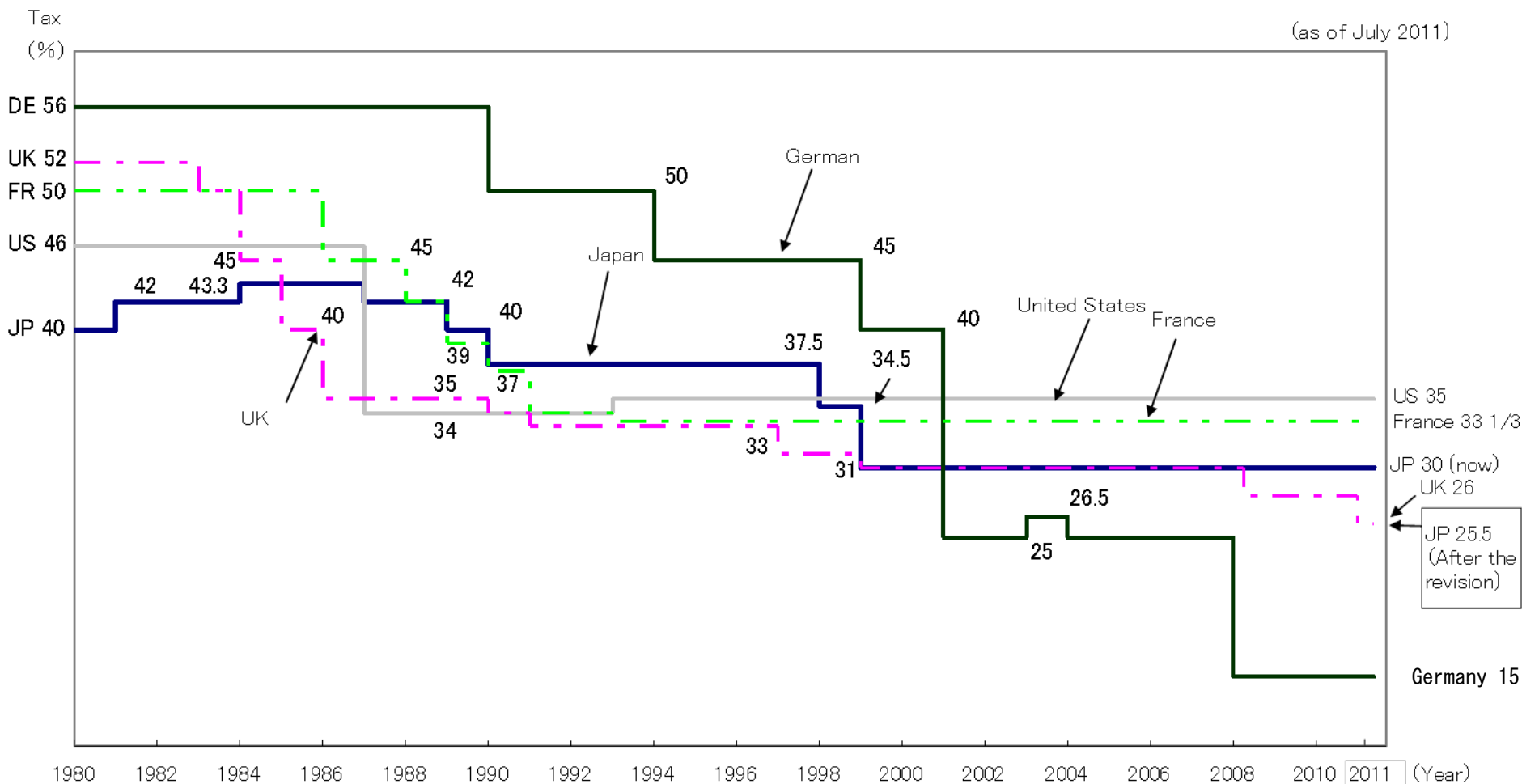
# Changes in corporation tax revenue



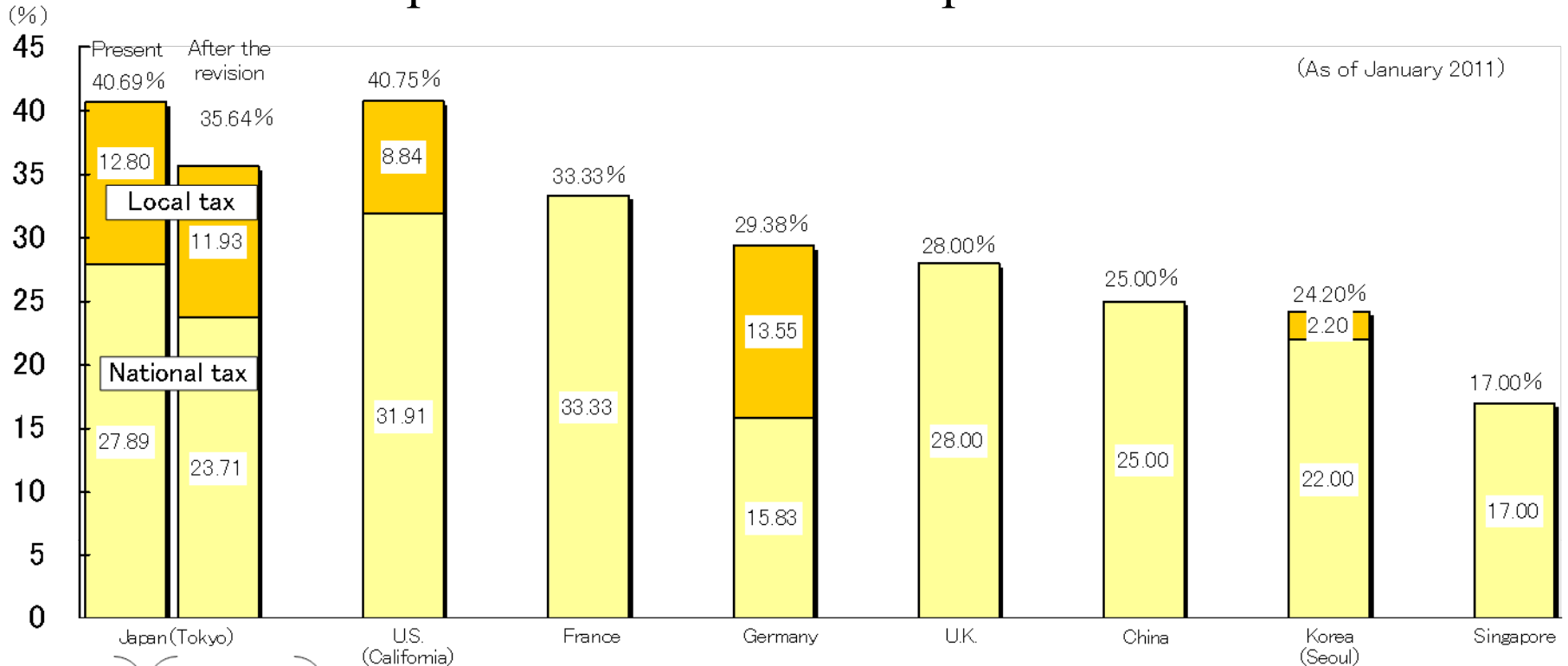
Source: Up to FY2010: Settlement; FY2011: Revised draft budget; FY2012: Draft budget.

(Fiscal Year)

# Changes in corporation tax rates in major countries



# International Comparison of Effective Corporate Income Tax Rates



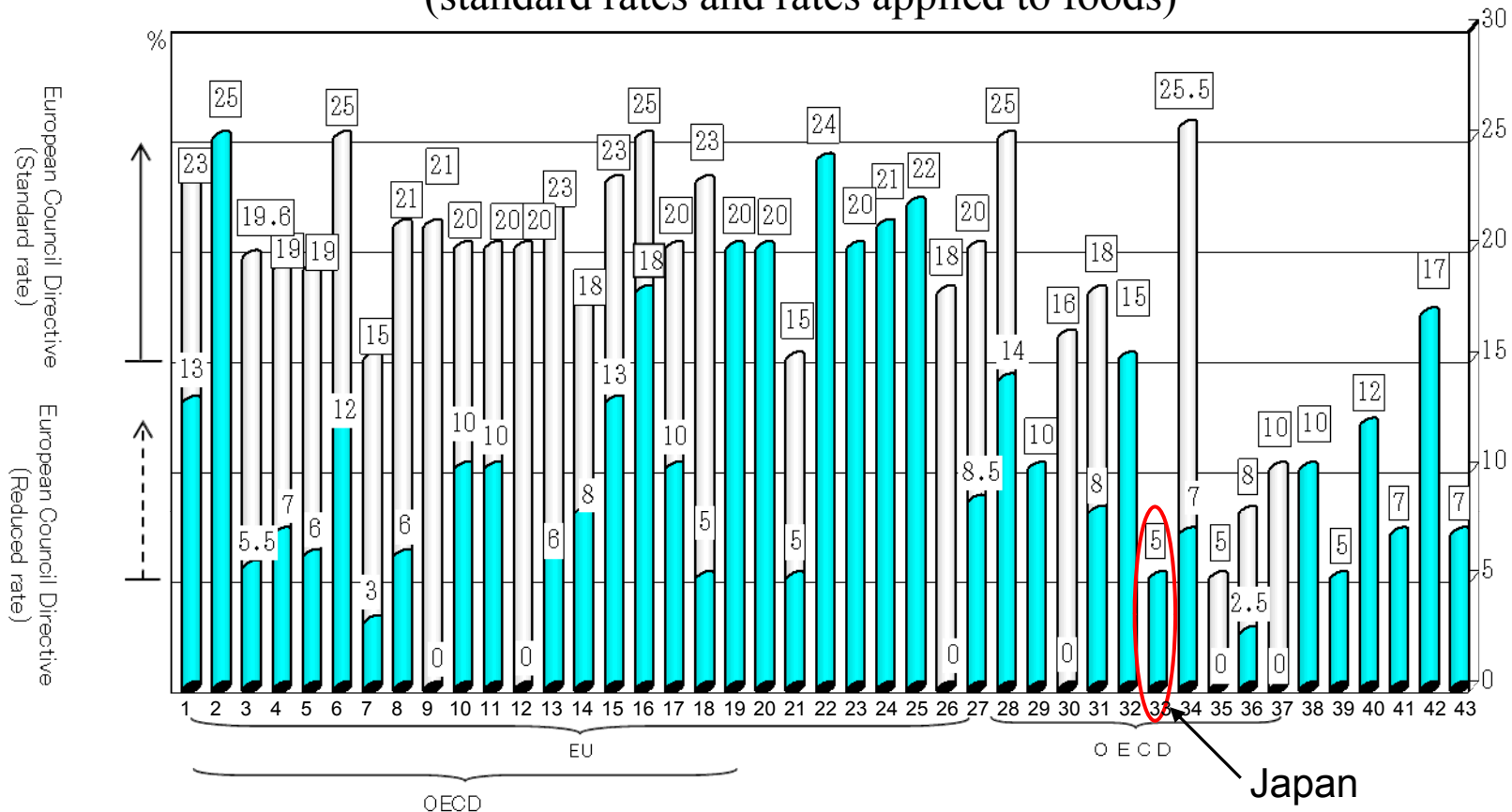
<p>Corporation tax rate : 30%</p> <p>Corporation Enterprise Tax rate : 3.26%</p> <p>Local Special Corporation Tax : Corporation Enterprise Tax payment × 148%</p> <p>Corporation Inhabitant Tax : Corporation Tax payment × 20.7%</p>	<p>Corporation tax rate : 25.5%</p> <p>Corporation Enterprise Tax rate : 3.26%</p> <p>Local Special Corporation Tax : Corporation Enterprise Tax payment × 143%</p> <p>Corporation Inhabitant Tax : Corporation Tax payment × 20.7%</p>	<p>Corporate tax rate : 35%</p> <p>State tax rate : 8.84%</p>	<p>Corporate tax rate : 33 1/3%</p>	<p>Corporate tax rate : 15%</p> <p>Solidarity surcharge : Corporation tax payment × 5.5%</p> <p>Trade tax rate : 13.55%</p>	<p>Corporate tax rate : 28%</p>	<p>Corporate tax rate : 25%</p>	<p>Corporate tax rate : 22%</p> <p>Inhabitant tax : Corporation tax payment × 10%</p>	<p>Corporate tax rate : 17%</p>
---	---	---	-------------------------------------	---	---------------------------------	---------------------------------	---	---------------------------------

Notes: 1. Deduction of the amount of local taxes is taken into account for calculating national taxes.  
 2. Japan's Corporation Enterprise Tax and Local Special Corporation Tax above are calculated under the assumption that the corporation has capital over 100 million yen, which is the lower limit subject to pro forma standard taxation. Per-income levy and per-capita levy are excluded from the calculation.  
 3. In the U.K., corporation tax rate was reduced to 26% from April 2011 and will be reduced to 25% from April 2012.

# International comparison of VAT rates

(standard rates and rates applied to foods)

(as of January 2011)

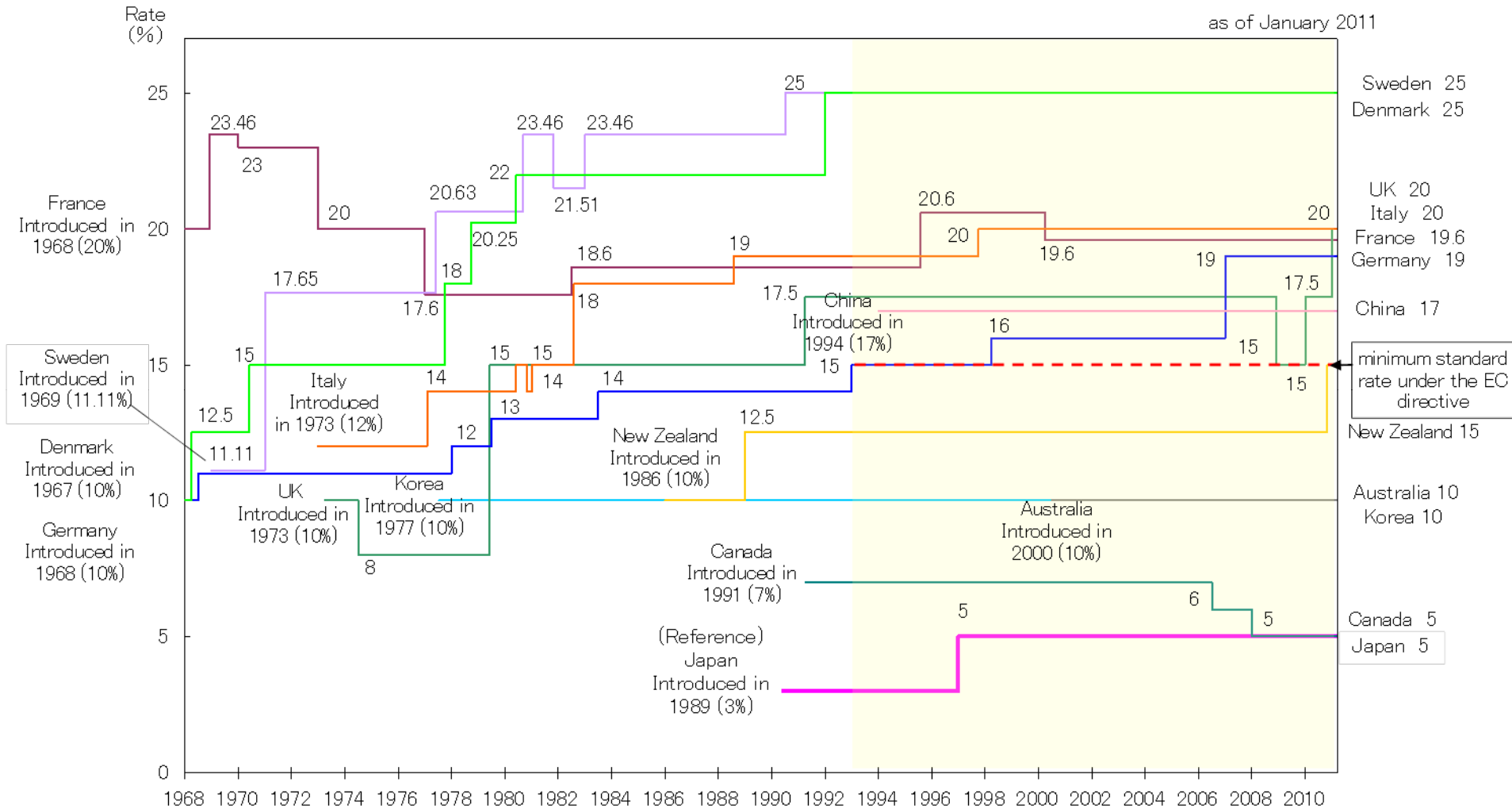


- 1 Finland 2 Denmark 3 France 4 Germany 5 Netherlands 6 Sweden 7 Luxembourg 8 Belgium 9 Ireland 10 Austria 11 Italy 12 United Kingdom 13 Portugal 14 Spain 15 Greece 16 Hungary 17 Czech Republic 18 Poland 19 Slovakia 20 Estonia 21 Cyprus 22 Romania 23 Bulgaria 24 Lithuania 25 Latvia 26 Malta 27 Slovenia 28 Norway 29 Korea 30 Mexico 31 Turkey 32 New Zealand 33 Japan 34 Iceland 35 Canada 36 Switzerland 37 Australia 38 Indonesia 39 Taiwan 40 Philippines 41 Thailand 42 China 43 Singapore

- Notes: 1. Of the 5% of Japan's consumption tax, one-fifth (1%) is local consumption tax (local tax).  
 2. In Canada, almost all provinces impose taxes such as retail sales tax in addition to goods and service tax (value-added tax) (e.g., 8% in Ontario).  
 3. In the United States, many of states, counties and cities impose sales taxes (e.g., New York City: 8.875%).  
 4. Of the figures above,  indicates the tax rate on food. The range of food to which the reduced tax rate applies varies by country, and therefore the standard rate may be applied to some foods. Different rates may apply to unprocessed farm products and certain other kinds of food.  
 5. Under the European Council Directive, the zero tax rate or reduced rates with less than 5% are prohibited in principle.

# Changes in value added tax rates (standard rates)

as of January 2011



Note: The standard rate in EU countries shall be 15% or more since 1993 under the European Council Directive.



## Table of Contents

1. Overview of Japanese Fiscal Situation

2. Japanese Tax System & International

Comparison

3. Fundamental Reform of the Tax System

[Appendix: Tax Measures for Earthquake  
Reconstruction]

As a first step for stable funding of social security system and fiscal consolidation, the government will implement the reform throughout the tax system, focusing on an increase of the consumption tax rate by 5 percent.

5 % increase of consumption tax rate

Used as financial resources for social security system

**Enhancement of the social security system**  
(issues regarding childcare, medical and long-term care services, and low-income earners etc.)

**JPY 2.7 trillion**

(equivalent to consumption tax rate of 1%)

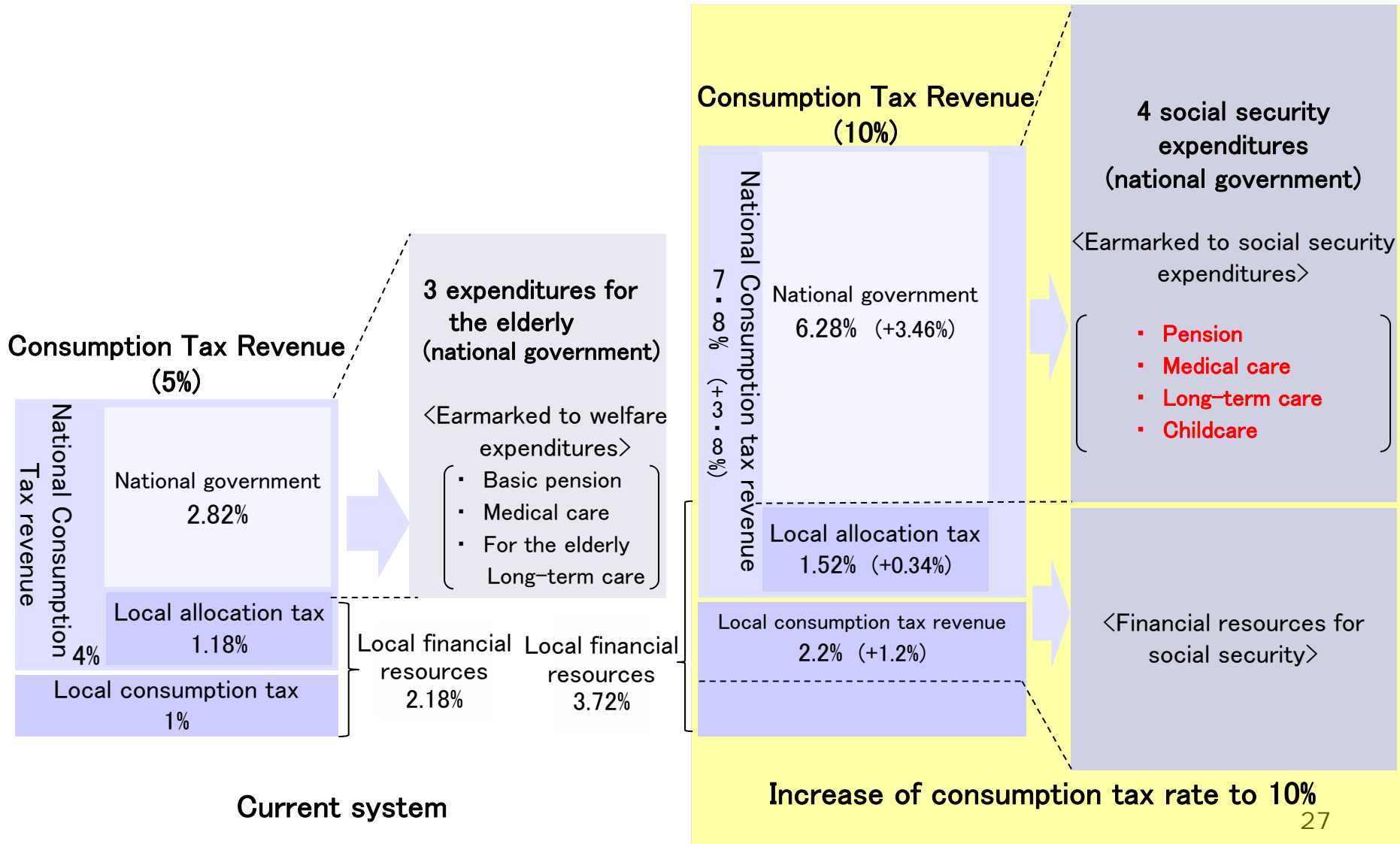
**Maintaining of the social security system**  
**JPY 10.8 trillion**

(equivalent to consumption tax rate of 4 %)

- **Increasing the national government's contribution ratio regarding the basic pension to 50% from 36.5% (JPY 2.9 trillion)**
- **Reducing the burdens shifted to the future generation (JPY 7.0 trillion)**
- **Covering the social security expenditure due to the increase of consumption tax rate (JPY 0.8 trillion)**

Contribution to fiscal consolidation

Additional national consumption tax revenue will be used for social security expenditures, namely pension, medical care, long-term care and childcare.



Solution for people who are not covered by the current social security system. (e.g. lack of day nurseries in urban area, medical services in rural area and intensive care home for the elderly)

We will secure financial resources equivalent to the revenue raised by 1% out of 5% (JPY 2.7 trillion in FY2015) to deal with these problems.

	Enhancement measures	Net expenditure in FY2015 (national and local governments)	
<b>Childcare</b>	<ul style="list-style-type: none"> <li>○ Increase of the quantity of childcare services</li> <li>○ Integration of kindergarten and day nursery</li> </ul>	JPY 0.7 trillion	JPY 2.7 trillion (Enhancement: JPY 3.8 trillion Rationalization: JPY -1.2 trillion)
<b>Medical and long-term care services</b>	<ul style="list-style-type: none"> <li>○ High-level hospital care, in-home medical and long-term care services wherever people live</li> </ul>	JPY 0.6 trillion	
	<ul style="list-style-type: none"> <li>○ Reduction of the premium of national health insurance etc.</li> </ul>	JPY 1 trillion or less	
<b>Pension</b>	<ul style="list-style-type: none"> <li>○ Addition of the amount of pension benefit for the low-income and low-pension elderly.</li> </ul>	JPY 0.6 trillion	

The national government's contribution ratio regarding the basic pension will be increased to 50% in order to secure the provision of pension benefit in the future.

Payment of  
insurance premiums

Disbursement of  
basic pension  
benefit in the  
future

Increase to 50%  
(equivalent to  
consumption tax rate  
of 1%)

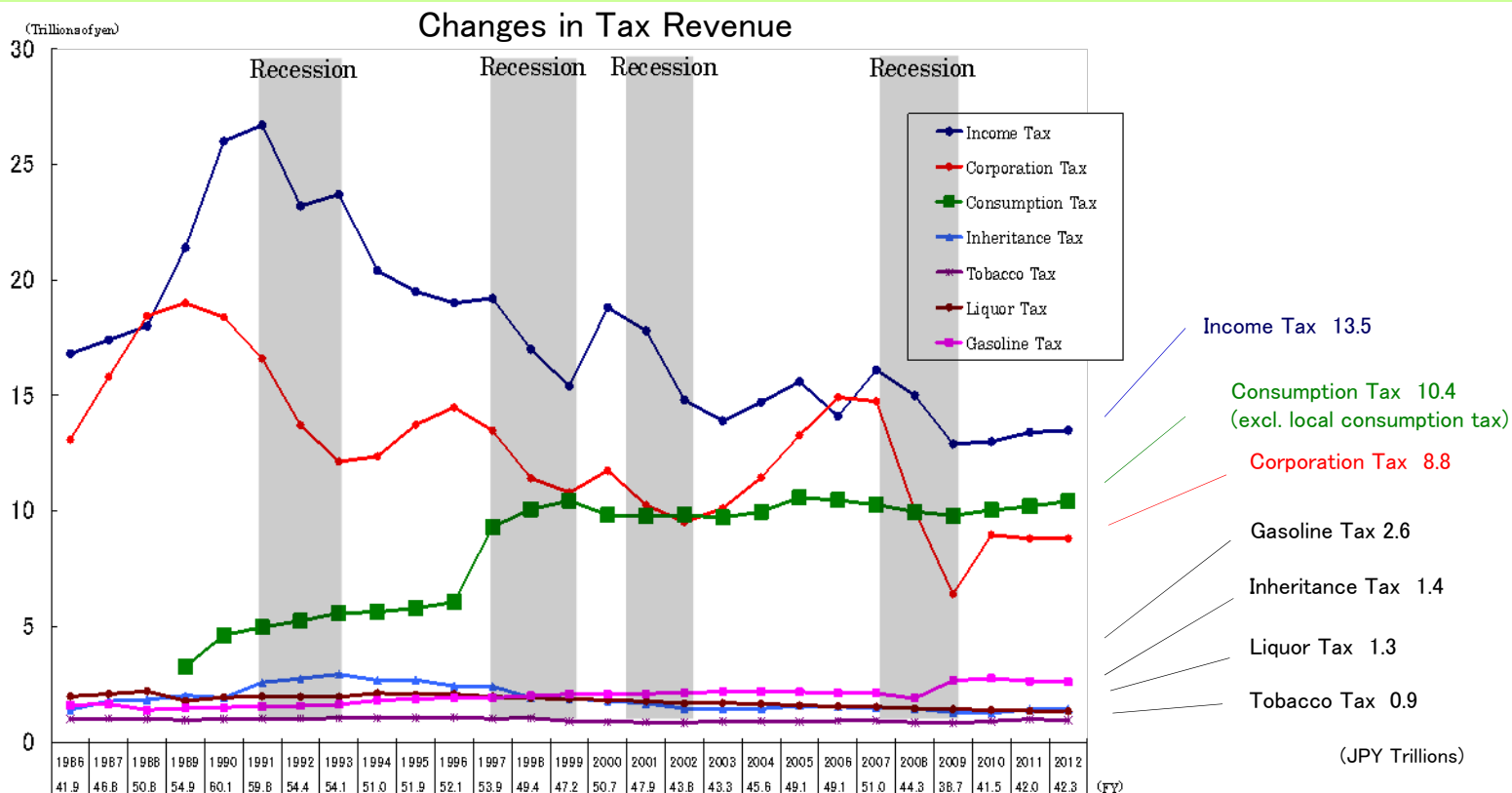
National  
government's  
burden  
(currently 36.5%)

Without the reform,  
more insurance  
premiums would be  
levied in the future.

# Why Consumption Tax?

## <Characteristics of consumption tax>

- Stable revenue source - not easily affected by changes in economic environment or population structure.
- Less distortive for economic activities - the burden not concentrated on particular groups (ex. working generation)
- Large amount of revenue.



**Consumption tax is suitable for stable financial resource for social security, in which people equally bears the social security expenditures.**

## Consumption Tax

### □ Earmarked to social security expenditures

#### ○ National consumption tax revenue will be legally earmarked to social security expenditures.

- For the 4 social security expenditures (pension, medical care, long-term care and childcare).
- Not for enlargement of bureaucracy, but for people.

#### ○ Local consumption tax revenue is used as financial sources for social security.

### □ Staged increase of the consumption tax rate

- **From 1<sup>st</sup> April, 2014**      8% (national:6.3%    local:1.7%)
- **From 1<sup>st</sup> October, 2015**    10% (national:7.8%    local:2.2%)

※ Including local allocation tax, local consumption tax revenue generated from this tax increase is equivalent to the consumption tax rate of 0.92% from April 1st 2014 and 1.54% from October 1<sup>st</sup>.

### □ Consideration for low-income earners

#### ○ Increased tax revenue is fully used for enhancing and maintaining the social security system

#### ○ Moreover, the government will implement the following measures for low-income earners, while maintaining a single consumption tax rate.

- Measures included in the enhancement of the social security system for low-income earners
- Introduction of redistribution policy including refundable tax credit after the full-scale introduction of “My Number” (common ID system).
- Implementation of “Simple financial benefit” as a provisional measure until the introduction of the above measure.

# Main Points of the Fundamental Tax System Reform

## Consumption Tax

- Staged increase of the consumption tax rate and its revenue used for the social security system
- Consideration for low-income earners
- Promotion of fairness of taxation

## Property Taxation

- Restoration of redistribution function and encouraging the transfer of assets to younger generations
  - Inheritance tax:
    - Reduction of basic deduction,
    - Increase of maximum rate
  - Gift tax:
    - Reduction of tax rate for the gift to children and grand children

## Individual Income Taxation

- Restoration of the income redistribution function
  - Increase of the maximum rate
  - Putting a ceiling for the employment income deduction
  - Abolishment of reduced rate for financial income
  - Introduction of Child Allowance Aid instead of income deduction regarding young dependents

## Others

### <Local taxation>

- Construction of local taxation system which provides stable revenue and has small revenue gap among jurisdictions

### <Number system>

- Obligation of writing “My Number” (common ID system) on tax returns and information returns (in FY 2015 or later)

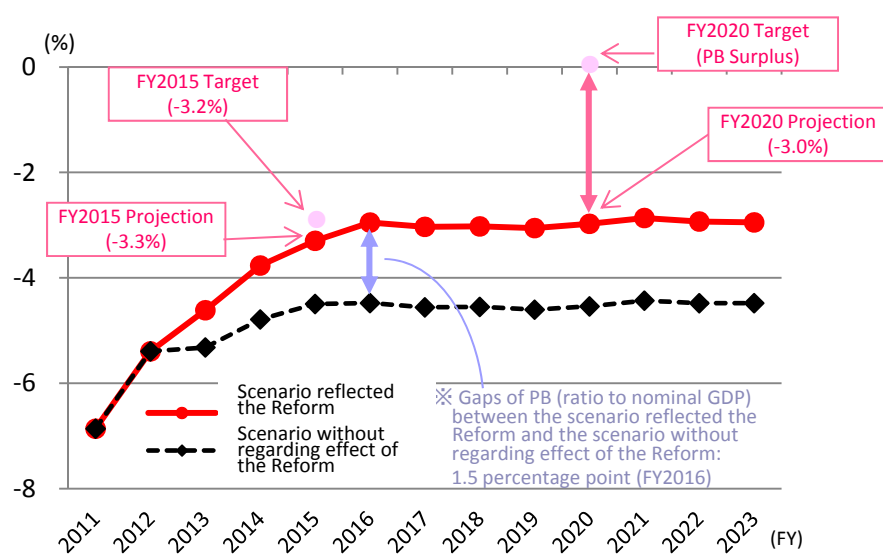
## Corporation Taxation

- Reduction of the corporate income tax rate by 4.5 % (equivalent to its effective rate of 5 %)

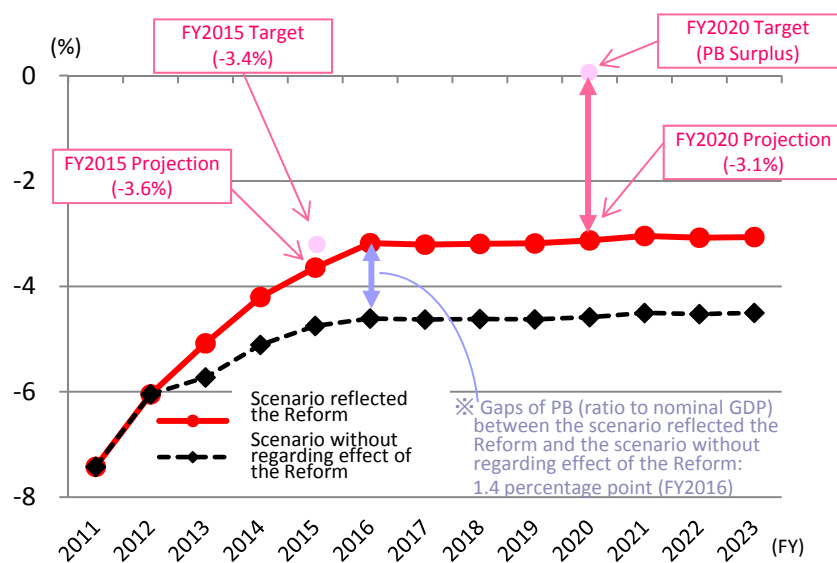


# Economic and Fiscal Projection for Medium to Long Term Analysis (Cabinet Office, January 24, 2012)

< Primary Balance of Central and Local Governments (ratio to nominal GDP) >



< Primary Balance of Central Government (ratio to nominal GDP) >



(Note 1) Based on "Detailed Plan for the Comprehensive Reform of Social Security and Tax", this projection assumed raising the consumption tax rate (national and local) gradually to 8% on April 1st, 2014 and to 10% on October 1st, 2015 as well as increasing expenditures in a certain amount through implementation of social security reform.

(Note 2) Expenditures and financial resources for recovery and reconstruction measures are excluded from the above figures.

## Status of the Achievement of the Fiscal Targets (Prudent Scenario)

	(yen, [ ratio to nominal GDP ])					
	Central and Local Governments			Central Governments		
	Primary Balance	Targets	Necessary Improvement	Primary Balance	Targets	Necessary Improvement
FY2015	-16.8 trillion [-3.3%]	-16.3 trillion [-3.2%]	0.5 trillion [0.1%]	-18.6 trillion [-3.6%]	-17.3 trillion [-3.4%]	1.3 trillion [0.2%]
FY2020	-16.6 trillion [-3.0%]	0.0 trillion [0.0%]	16.6 trillion [3.0%]	-17.4 trillion [-3.1%]	0.0 trillion [0.0%]	17.4 trillion [3.1%]

○ In FY2015, there are gaps between the targets and the projections for primary balance of central and local governments combined as well as that of central government. If the Comprehensive Reform after raising the consumption tax rate to 10% take effect through a whole fiscal year in FY2015, primary balance of central and local governments combined (ratio to nominal GDP) would be around -3.0% (target: -3.2%) and that of central government would be around -3.4% (target: -3.4%). Therefore, fiscal structure achievable the target is realized.

○ For primary balance of central and local governments combined as well as that of central government, further improvements of fiscal balance are needed to achieve the FY2020 target (PB surplus).

○ Despite the target to achieve stable reduction of public debt outstanding of central and local governments (ratio to nominal GDP) starting from FY2021, this projection shows that the outstanding will be accumulated. (FY2015: 193.1%, FY2020: 208.6%, FY2023: 221.0%)

## **Table of Contents**

1. Overview of Japanese Fiscal Situation
2. Japanese Tax System & International Comparison

### **3. Fundamental Reform of the Tax System**

[Appendix: Tax Measures for Earthquake Reconstruction]

# Tax Measures for Financial Resources of Earthquake Reconstruction

## 1. Basic Idea in the Basic Act on Reconstruction in Response to the Great East Japan Earthquake and Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake

The financial resources for recovery and reconstruction shall basically be borne by the entire current generation, collectively sharing the financial burden by solidarity and not be left as cost of future generations.

## 2. Scheme for Financial Resources

The scale of recovery and reconstruction measures for 5 years is calculated to approximately 19 trillion yen. Approximately 10.5 trillion yen of these measures will be secured by tax measures.

- Recovery and reconstruction measures \ 19 trillion (including the 1 <sup>st</sup> and 2 <sup>nd</sup> supplementary budget for FY2011)	- Financial resources for the 1 <sup>st</sup> and 2 <sup>nd</sup> supplementary budget for FY2011 \ 6 trillion
	- Expenditure reduction / Non-tax revenue \ 5 trillion
	- Remainder (tax measures) \ 8 trillion

Special financial resources for pension gap to be financed by Reconstruction Bonds \ 2.5 trillion

(Note) Additional 2 trillion yen will be gradually secured by expenditure reduction and Non-tax revenue in 10 years.

Total Around \ 10.5 trillion

# Tax Measures for Financial Resources of Earthquake Reconstruction

## 3. The Outline of Temporary Tax Measures

local taxes.

※ 0.8 trillion yen will be secured as

The Diet has approved the introduction of temporary surtax on Individual Income Tax and Corporation Tax.

Special Corporation Tax for Reconstruction

+

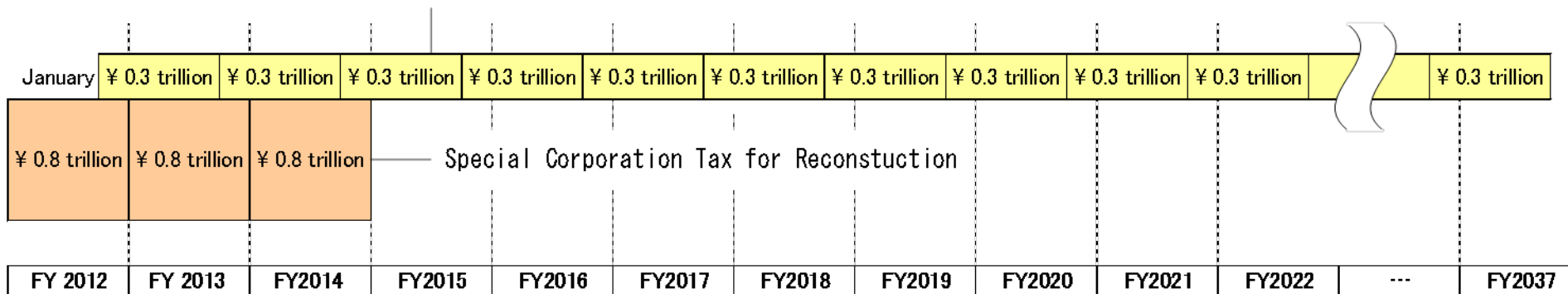
Special Individual Income Tax for Reconstruction

= 9.7 trillion yen

¥ 0.8 trillion /year (10%) × 3 years

¥ 0.3 trillion /year (2.1%) × 25 years

Special Individual Income Tax for Reconstruction



***Thank you!***