KEIZAI DOYUKAI

24 January, 2013

Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai

On the Outline of Fiscal 2013 Tax Reform

1. It was noteworthy that the new government presented the Outline of Fiscal 2013 Tax Reform only within one month after the change of government at the very end of last year. I would also appreciate consideration made for the reform plan with regard to growth strategy and strengthening of competitiveness.

2. While the government pursues efforts to put Japan's public finances on sound footings, we regard increases in the top rate of income tax and accession tax as unavoidable.

3. Regarding the special measures for low-income earners at a time of an increase in the consumption tax rate, the plan of introducing a reduced income tax rate at the next consumption tax rate raise was dismissed. We regard this decision as appropriate, and expect the government to deliberate decision on this matter, based on thorough consideration of both advantages and disadvantages of these measures, such as applying reduced tax rates or introducing tax deductions with benefits.

4. I understand the expanded tax program for R&D is consistent with the basic ideas expressed in the joint statement by the government and the Bank of Japan, which clearly stated their aim to overcome deflation.

5. In any event, increasing revenue by raising the tax rate and cutting public expenditures alone cannot redress the current situation in which public spending substantially surpasses revenue. In addition to those efforts, we must achieve an increase in revenue through moderate economic growth and mild inflation. I believe that is the only plausible measure to realize our pledge to the global community and achieve a primary balance surplus by fiscal 2020.

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