

October 1, 2013

Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai
On the Government Decision
to Increase the Consumption Tax Rate to 8 % in April 2014

We welcome the cabinet decision to increase the consumption tax rate up to 8 percent in April 2014. We presume that it might have been a tough decision to make, considering the potential impact on the Japanese economy. However, it is significant that the government took the essential first step to maintain the international community's confidence in Japan's finances and improve the sustainability of the social security system in Japan.

Along with the tax rate increase, an effective tax reform and economic stimulus policy should be introduced so that the government can secure a path toward a tax rate increase to 10 percent in 2015. Such measures may include "simple benefits (a lump-sum payment)" for low-income earners to mitigate the impact of the tax increase, consideration to abolish the special corporate tax for the recovery from the damages caused by the Great East Japan Earthquake a year ahead of the original schedule, and enhanced reduction on corporate tax to encourage investment and wage increases by corporations. Among others, we do appreciate that the government clearly stated that it will swiftly review a potential reduction in the effective corporate tax rate.

Moving forward, the government must promptly enact the Industry Competitiveness Enhancement Bill and implement the Japan Revitalization Strategy, the third arrow of Abenomics, in order to bring the Japanese economy back on track to growth.

Corporations must return the benefits of any corporate tax reductions to society by making Japan's economic growth more powerful and sustainable through increased investment in facilities and wages.