

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On Fiscal 2016 Tax Reform Outline**

1. Our evaluation to the fiscal 2016 tax reform outline is high as it reflects a quick response of the Abe administration that has addressed the corporate tax reform with a strong will in line with its aims of economic and fiscal revitalization. Having said that, the outline's overall picture is not always promising. It incorporates measures that lack the revenue-neutral mind, leading to a net tax reduction, and the postponing of the reform seeking tax increase. These issues must be appropriately dealt with going forward.
2. A big step forward is made for effective corporate tax rate that will be lowered to 29.97% in the coming fiscal year. We are hopeful for the acceleration of the reform resulting in even lower rate of 25%. Meanwhile, another challenge in the future is the standardization of Japan's accounting method of loss disposal as well as corporate profit in line with the international rules.
3. The size-based corporate tax should be applicable to the wider scope of corporations in order to seek reasonable burdens from everyone in the local community for the purpose of ensuring the alternative tax sources. The expansion of the size-based corporate tax will promote the business restructuring and the replacement of the old businesses with the new, contributing to the profitability enhancement of Japanese corporations. Furthermore, "Hometown tax for corporations" to be newly introduced is expected to stimulate local municipalities' creativity from the perspectives of corporate management while correcting the uneven distribution of the revenue sources.
4. We regret that the outline has finalized the reduced tax rates to be introduced in April 2017, simultaneously with the consumption tax increase. We must cite our earlier concerns on issues still pending such as lack of

social security financial resource, confusion on determining items the reduced tax rates should apply to, and burdens imposed on companies that must address extra work including the use of invoices. In this regard, the government should clarify how to compensate the lost revenue of around 1 trillion yen in detail without delay.

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