



December 14, 2017

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On FY 2018 Tax Reform Outline**

1. The fiscal 2018 tax reform outline focuses on full-scale *work style reform* and promotion of both *human resources development revolution* and *productivity revolution*, toward realization of Abe administration's *society for promoting dynamic engagement of all citizens*. We appreciate that such key issues are incorporated in the outline.
2. However, we must admit that it is a patchwork reform with overall tax system vision lacking. Further, it is clear now that the target of the FY 2020 primary balance surplus is to be revised due to the funding needs for *human resources development revolution*. We need 'a social security system that accommodates the needs of all generations' from the perspectives of the lifelong benefits and burdens. We will look to the next reform to be the one that promotes the integrated reform of social security and taxation, in response to the changing society on the basis of ensuring both economic revitalization and fiscal consolidation.
3. Although the concept of squeezing employment income deduction and raising basic exemption in individual income taxation is positively evaluated, there remain issues such as unfair tax regime (between office worker and self-employment) and the complexity in taxing child-rearing generations. Comprehensive and far-reaching reforms are necessary, with discussions on a framework of capturing income more efficiently with measures including use of Individual Numbers.
4. Corporate tax measures in the reform, such as support to the wage hike and capital expenditure as well as business succession tax scheme, are welcomed. But, considering the global development of corporate tax reduction such as in the United States and France, we need simpler Special Measures Concerning Taxation and discussions on further cut of corporate tax rate.

5. The purposes of introducing the international tourist tax (tentative name) and forest environment tax (tentative name) are agreeable. Meanwhile, the implementation of these new taxes should be disciplined to ensure the wise spending from the perspectives of their roles to play. Finally, we request the use of tobacco tax revenue increase to strengthen the measures against passive smoking

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