

December 14, 2018

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
on FY 2019 Tax Reform Outline**

1. The fiscal 2019 tax reform outline presents tax reductions for car owners and mortgages, with careful considerations to the fiscal discipline. These reflect the ruling parties' perspectives to level out the total demand and stabilize the economy before and after the consumption tax rate hike. We view their stance positively as showing a firm commitment to implement the tax increase next year. Now, the government should figure out the total fiscal burden and how to finance it without delay, and simultaneously demonstrate to the public the cost-effectiveness of individual measures that should be in line with the government's fiscal consolidation targets.
2. The latest tax reform outline further increases the incentives to be given to businesses that make high-level investments. These are the measures to be taken for economic growth, enhancing R&D quality, and promoting active investments. Specifically, the R&D tax system allows for personnel expenses of project managers to be included in the R&D costs of joint research with universities, and for venture businesses to enjoy higher tax credit rates and higher maximum threshold of tax deduction. We positively appreciate these measures.
3. With the business activities becoming more diversified as seen in the use of virtual currencies, or crypto-assets and the Internet, a system equivalent to those of other advanced nations is now ready to allow the tax authorities to access personal information. We believe it is appropriate. For the convenience of tax payers, the "once-only principle" should be secured without delay through information sharing among the competent authorities. Meanwhile, there is a pressing need to study an appropriate tax scheme for IT businesses that earn profits across the border by utilizing digital data.
4. Looking ahead, the government and the ruling parties should provide an

overall medium- to long-term picture of the tax scheme for income tax, inheritance tax, gift tax, and others. Any reviews of this picture and its quick results must reflect the three principles of tax to be “fair, neutral, and simple,” economic vitality of aging society, and fundamental societal changes due to globalization, digitization, and socialization¹.

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¹ In this context, the word "socialization" is used to describe a contemporary society where a broad spectrum of entities are in constant contact with each other. Today, it is easier to bypass boundaries that separate businesses from individuals and cities from outlying areas to create new communities and societies. This environment allows social entrepreneurs, nonprofit organizations, and others to contribute more effective solutions to our global problems.