

**Statement by Mutsuo Iwai, Acting Chairperson of Keizai Doyukai  
on FY2026 Tax Reform Outline**

1. The fiscal 2026 tax reform outline (the “Outline”) was finalized. While we appreciate the Outline’s stance to promote growth investments for a resilient economy, concerns over how the associated spending will be financed remain unresolved.
2. To stimulate robust investments, the Outline showcases measures such as introducing tax incentives for productivity-enhancing equipment investment, as well as expanding tax incentives for research and development and open innovation. We welcome these important measures that endorse corporate productivity enhancements. Businesses are responsible for delivering wage hikes that outpace inflation and achieving sustainable growth by generating added value through ambitious, forward-looking domestic investments.
3. The Outline raises the so-called “annual income ceiling” in the tax system from 1.6 million yen to 1.78 million yen, in line with the introduction of a scheme that increases the basic personal exemption to reflect rising prices. It is essential to ensure consistency within a broader, comprehensive income tax reform and at the same time, a thorough overhaul of the so-called “annual income ceiling” for social insurance contributions is unavoidable to eliminate workers’ intentional cut of working hours.
4. On the hometown tax payment system, the original objectives of the scheme—as well as the realities of the contributions and their use—should be reassessed. In this context, the contributions should not be subject to a tax-break ceiling if no return gifts are anticipated. We urge businesses involved in the system to reconsider the content of the reassessment, in collaboration with relevant social sectors, aiming for realizing “collaborative capitalism” that contributes to the resolution of social challenges.
5. We look forward to parliamentary deliberations going forward, aimed at pursuing the tax reforms responsible for securing financial resources from the standpoint of fiscal consolidation. In this regard, we call on the government and the ruling coalition to move swiftly on the “Comprehensive Reform of Tax and Social Security,” in order to establish a stable social security system as a foundation of Japan’s economic growth and the public life.