

**Statement by Takeshi Niinami, Chairperson of Keizai Doyukai
on FY2024 Tax Reform Outline**

1. The fiscal 2024 tax reform outline (the “Outline”) was finalized and draws attention on how to finance policy measures awaiting further expansion; defense, green transformation (GX), and child and child-rearing policies. While the Outline shows the total amount of financing to cover these important policy measures, the huge government expenditures of trillions of yen have been determined in the Outline before ensuring the relevant financial resources. The processes that lead to such a result are considered a lack of discipline from a viewpoint of sound fiscal management.
2. Following the cost-push type inflation, the wage hikes this year were said to be seen for the first time in about last thirty years. Triggered by such rising wages, the hikes are expected to continue in 2024, thereby turning real wage growth positive. Against such a backdrop, child and child-rearing support should not be financed by tax increase or higher social insurance costs, which reduce working generation’s disposable income. We request the government to start with wise spending backed up by full-fledged evidence-based policymaking (EBPM), while pursuing government expenditure reform.
3. We welcome the policy direction of supporting further wage hikes in the tax system for wage increase, including allowing companies that are losing money to carry over the tax break. Meanwhile, the government’s support through the tax system does not have a power to raise wages by itself. Regardless of the availability of the support from the tax system, the momentum is to be promoted further for businesses to seek higher productivity and proactively pursue wage hikes as recognition of employee contributions.
4. Incentives for supply side through tax benefits, such as the tax system to boost domestic production in strategic areas and the “innovation box” tax break, will either reduce the supply-demand gap or make it disappear. Thus, they are preferable in a sense that they may help put the brakes on fiscal stimulus for demand increase. We request the government to implement measures for promoting domestic investment for a quick result and in a robust manner, thereby paving the way for a private-sector-driven economy.