KEIZAI DOYUKAI

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Statement by Akio Yamaguchi, Chairperson of Keizai Doyukai
on Lowering Food and Beverage Consumption Tax to Effectively Zero

Today, Prime Minister Takaichi announced the full-fledged introduction in FY2029 of a carefully designed, income-linked cash transfer scheme. To bridge the gap of the two years until then, the consumption tax on food and beverages will be lowered in April 2027 from current 8% to 1%—with that 1% tax revenue fully recycled into advance cash transfer to make the tax burden effectively zero.

We welcome the establishment of the refundable tax credit scheme Keizai Doyukai has long recommended for middle- and low-income active workers.

Meanwhile, lowering the consumption tax on food and beverages to effectively zero is likely to raise serious concerns in financial markets. To maintain market confidence in Japan's fiscal health, we urge the government to clarify the following three points during upcoming legislative deliberations and institutional design.

1. Roadmap for securing stable fiscal resources
   The cost of funding the consumption tax reduction is estimated at roughly 5 trillion yen per year. Covering this amount solely through revisions of subsidies and special tax measures—as mentioned in the prime minister's press conference—is extremely challenging. Looking ahead to the full-fledged introduction of the carefully designed, income-linked cash transfer scheme, the government must present a concrete roadmap for securing stable fiscal resources, rather than relying on stopgap revenue sources such as special account reserves.

2. Exit strategy for bridging measures
   Establishing an exit strategy after the two years' bridging period—specifically, how to return the food and beverage consumption tax to 8%—is critically important. We call on the government and ruling parties to ensure the firm implementation of the tax rate's restoration, backed by the necessary legislation. To achieve this, the government must provide sufficient predictability for the public and businesses through measures to mitigate front-loaded demand and subsequent backlash around the transition date, alongside a timeline for business support.

3. Thorough fiscal expenditure reform
   Facing continuously rising social security benefits head-on, the government must press ahead with thorough institutional reform. In giving concrete aspect to the reform agenda outlined in the "Basic Policy on Economic and Fiscal Management and Reform 2026" while clarifying its

roadmap, we urge the government to hold a vision for handing over a sustainable system to the next generations, face the pain of reform, and overhaul benefits and contributions without exception.

Keizai Doyukai is fully committed to achieving the Comprehensive Reform of Social Security and Tax that is responsible for future generations. Going forward, it will propose an optimal model for the refundable tax credit scheme, while actively sharing its perspectives through the National Council on Social Security.

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