

December 16, 2010

Statements by Masamitsu Sakurai, Chairman of Keizai Doyukai
"Cabinet Decision on the Outline of Tax Reform Proposals for Fiscal Year 2011"

1. I would like to appreciate the cabinet decision on the Outline of Tax Reform Proposals for Fiscal Year 2011 by Prime Minister Kan's leadership and the adjustment effort of the people concerned in such a difficult situation in that the execution of the economic growth strategy should be compatible with the financial discipline.
2. Especially, I welcome the 5% cut on effective corporate tax rate that is one of the pillars of a new growth strategy on the initiative of Prime Minister Kan. This reduction is significant in the point of having sent the message that Japan took the first step aiming at economic activation. However, for the recovery of competitive edge and the activation of economy and the society in our country, I hope to see the reduction of the corporation tax rate to the level be globally competitive along with the executions of FTA/EPA and the regulatory reform etc.
3. Moreover, this tax reform outline includes extremely important revisions to significantly change Japan's tax system such as the depreciation system as fiscal resources of corporate tax reductions and tax carry-over system, the review of tax scheme of various deductions of the income tax and inheritance tax and gift tax and so forth. However, it is a regret that although the examination was done, neither a vision on the income redistributing of the current government, nor the guiding principle and the vision of taxation that cope with an aged society were clearly shown. It is also regrettable that the outline has given the strong impression as if it was to be going to put the budget in the frame of a mid-term financial frame in the coming year though there is neither ideal way of the purpose of spending money of fiscal resources nor a review of policy priority.
4. There is a limit in the discussion about the tax revision excluding the consumption tax in order to maintain a recovery of fiscal discipline and a steady social security system. Sooner or later, the time will inevitably come when it is impossible to prepare the budgetary formulation. It is strongly requested to start immediately the reform of the drastic reform of the tax system including the consumption tax while the road map of fiscal health is drawn.