

IMF Seminar

“Fiscal Monitor: Taxing Times”

Comments

December 4, 2013

Shigeo Kashiwagi

Keio University

General comments:

- Welcome the **timely publication** of **“Fiscal Monitor”** on a **topical subject**.
- The emphasis on the revenue side of fiscal consolidation might be more important and relevant ***in Japan***, than in any other country.

The Role of the IMF in Tax Policy Issues

- Tax policies are important for advanced countries with large fiscal deficits.
- They are also important for developing countries which are struggling to find resources to finance the cost of economic development.
- Policy advices and technical assistances in this area provided by international organizations such as the IMF play very important role.

Comments on IMF's Views

- Important to look at Japan's fiscal issues from **global viewpoints**.
- Appreciate useful information provided by the IMF.

- But, IMF's call for a "concrete medium term fiscal consolidation plan" seems to be too general.

- More specificity in the advice for "growth friendly consolidation plans" would have been welcomed.

“Growth and Adjustment”

Important to Achieve Both

The Question is “How?”

How can (should) tax policies contribute to achieving both growth and adjustment?

Corporate Income Tax

- How can *corporate income taxes* (CIT) be reformed to help sustain growth?
- If *CIT rates* were to be reduced, how should the loss in revenue be compensated?
- How should the *tax base* for CIT be broadened?

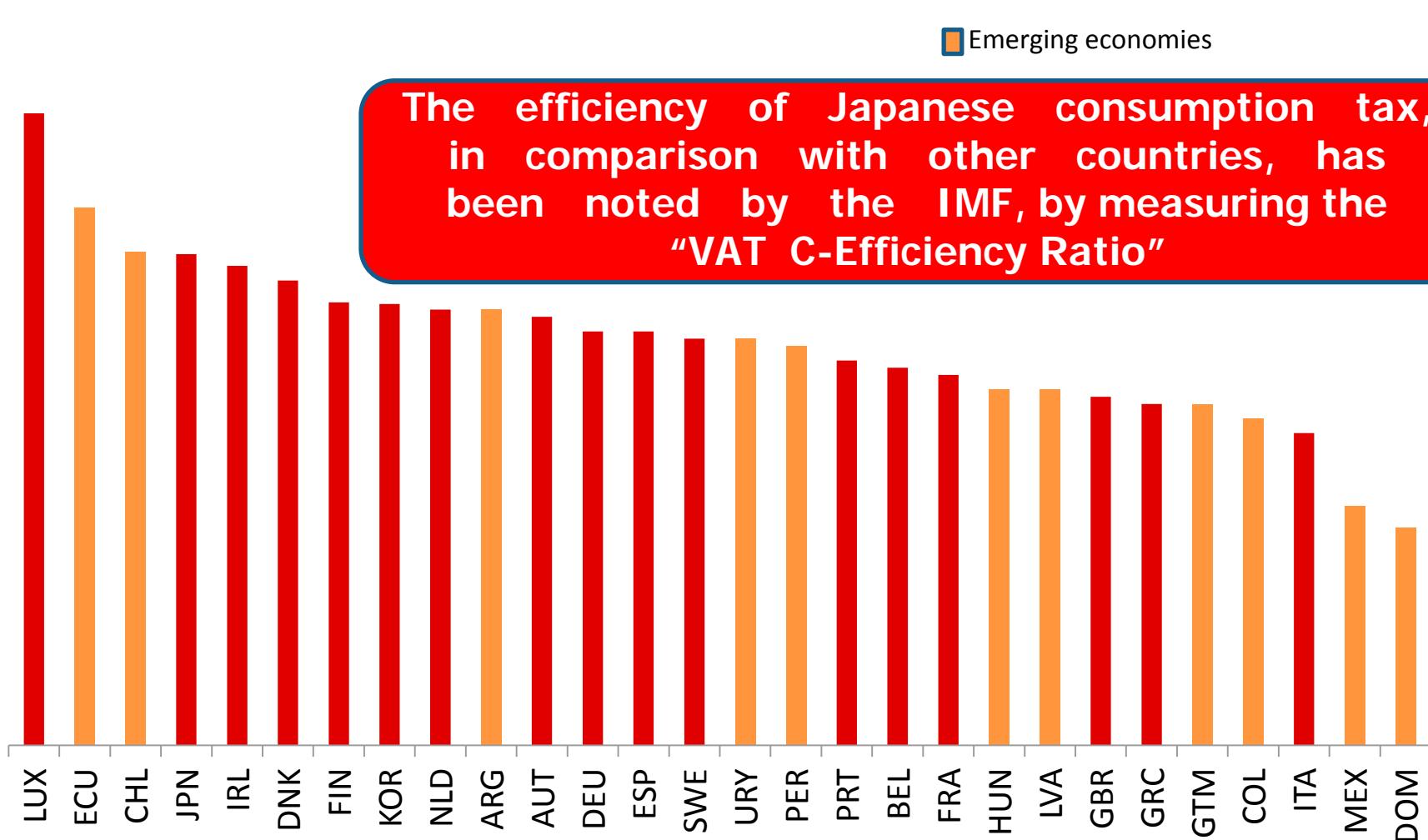
Measuring tax efficiency

VAT C-Efficiency

Advanced economies

Emerging economies

The efficiency of Japanese consumption tax, in comparison with other countries, has been noted by the IMF, by measuring the "VAT C-Efficiency Ratio"



Consumption Tax

- Does it make sense to introduce multiple rates in the Japanese VAT system and reduce its efficiency?
- “Introducing multiple rates should be avoided as it would dilute revenue gains, complicate tax administration, and impose a costly administrative burden on small and medium-sized enterprises. Instead, targeted transfers could be considered to compensate low-income households.”
 - IMF, “*Japan: 2013 Article IV Consultation*” (IMF Country Report No.13/253, p-14)