

IMF Seminar

“Fiscal Monitor: Taxing Times”

Comments

December 4, 2013

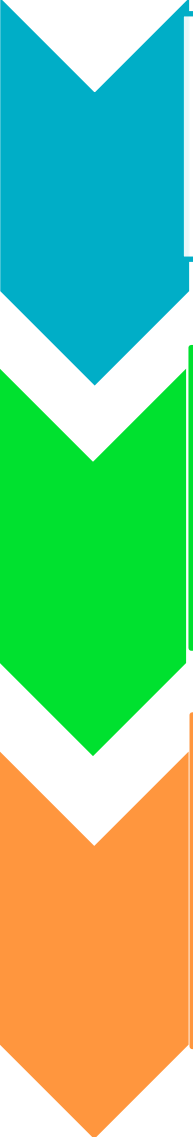
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General comments:

- 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

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- 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

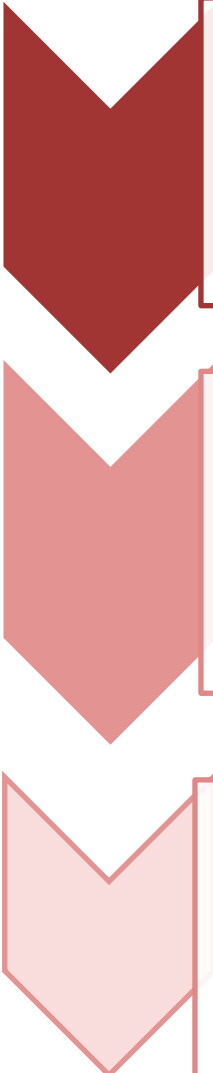


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graph TD; A[Important to Achieve Both] --> B[The Question is "How?"]; B --> C[How can (should) tax policies contribute to achieving both growth and adjustment?]
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The Question is "How?"

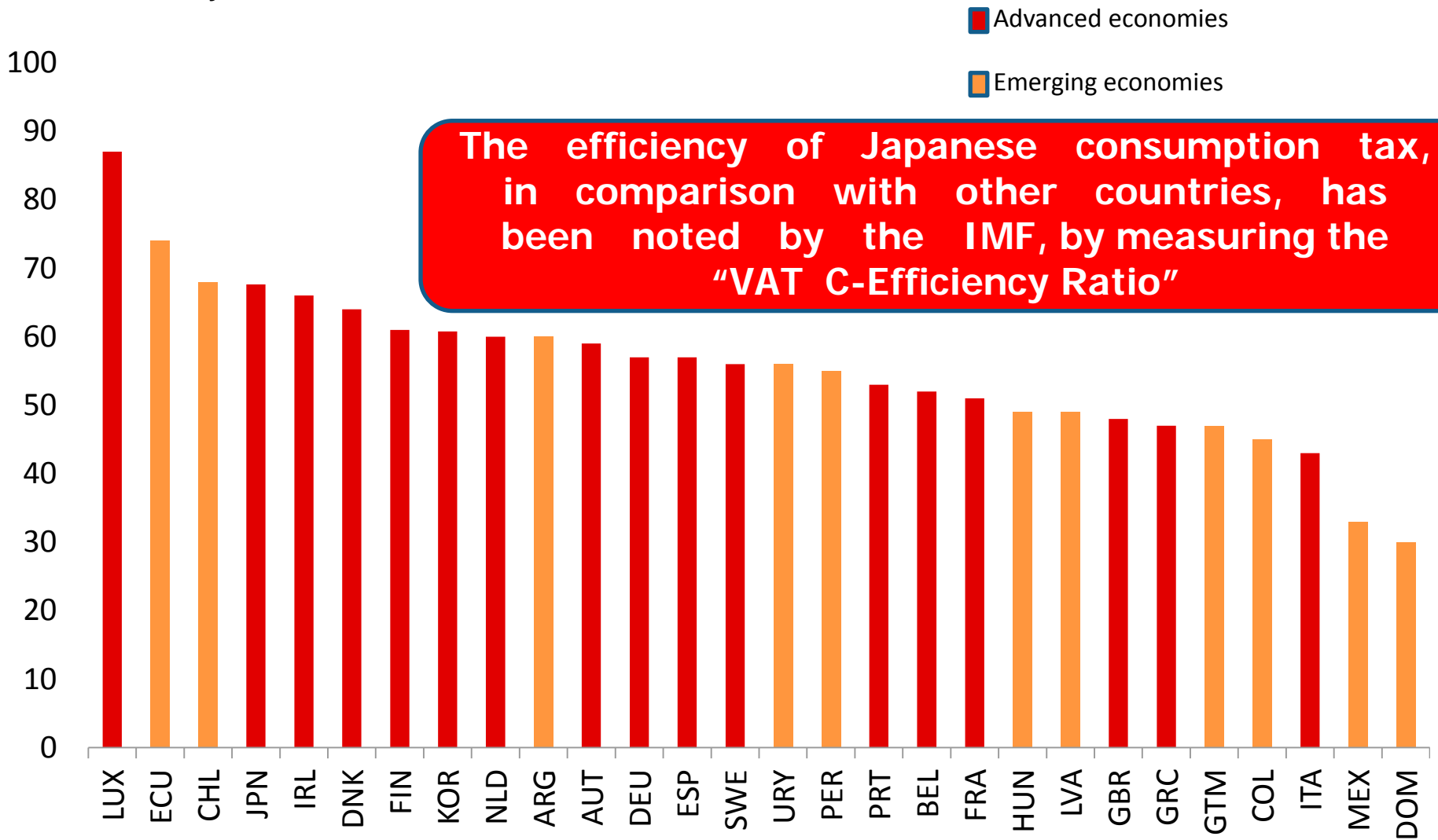
How can (should) tax policies contribute to achieving both growth and adjustment?

Corporate Income Tax

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- 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



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)