

The 5<sup>th</sup> IMF-Japan High-Level Tax Conference for Asian Countries

# Tax Rates Progressivity in Japan

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**Table 1. Changes in the Tax Rate for the Highest Income Earners : National and Local (%)**

	<b>Income tax</b>	<b>Local tax</b>	<b>Sum.</b>
<b>1984</b>		<b>18</b>	<b>88</b>
<b>87</b>		<b>18</b>	<b>78</b>
<b>88</b>	<b>60</b>	<b>16</b>	<b>76</b>
<b>89</b>	<b>50</b>	<b>15</b>	<b>65</b>
<b>95</b>	<b>50</b>	<b>15</b>	<b>65</b>
<b>99</b>	<b>37</b>	<b>13</b>	<b>50</b>
<b>2006</b>	<b>40</b>	<b>10</b>	<b>50</b>
<b>15</b>	<b>45</b>	<b>10</b>	<b>55</b>

Note: These are the nominal tax rates. The effective bases are different.

**Table 2 Income Tax Rates**

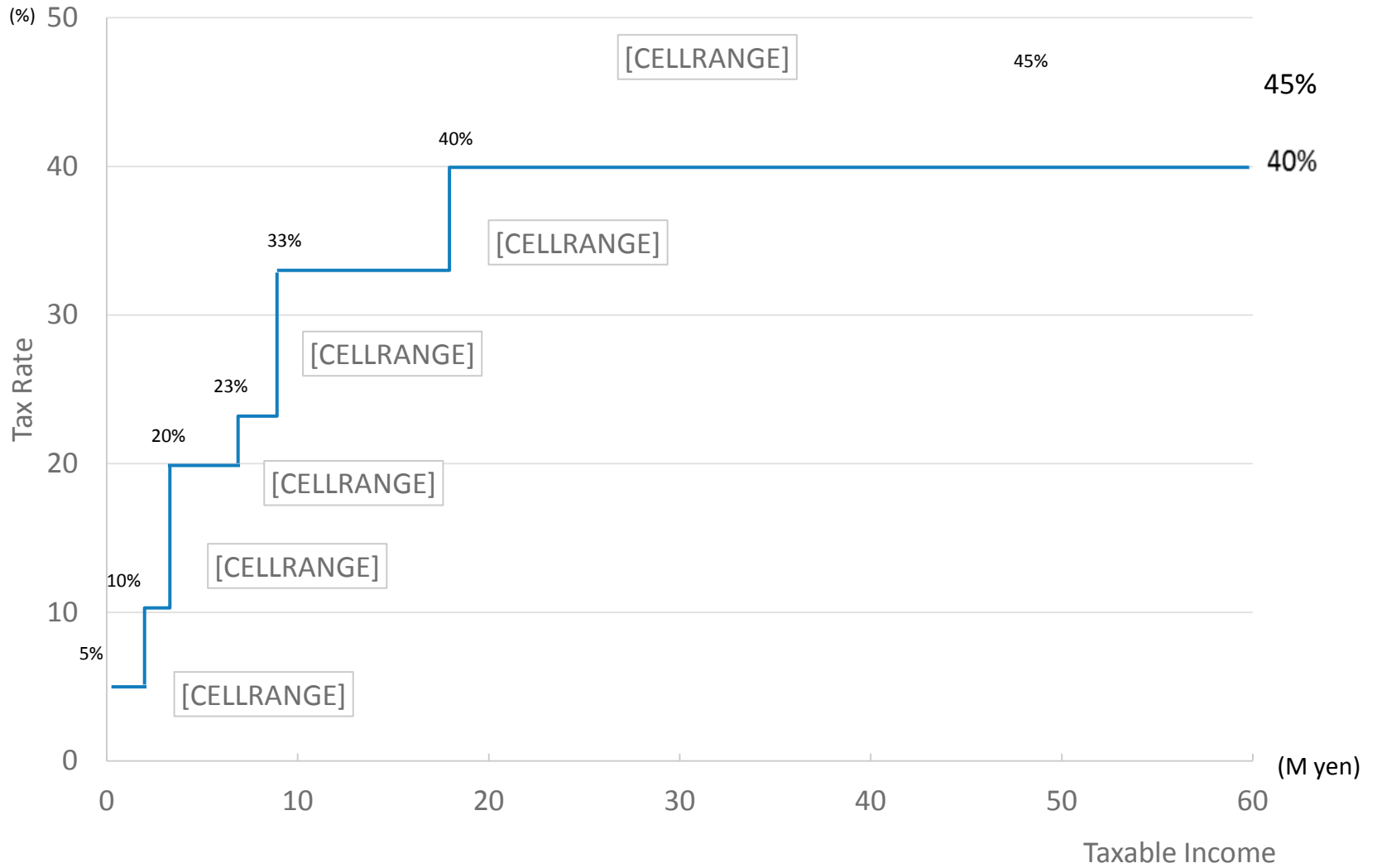
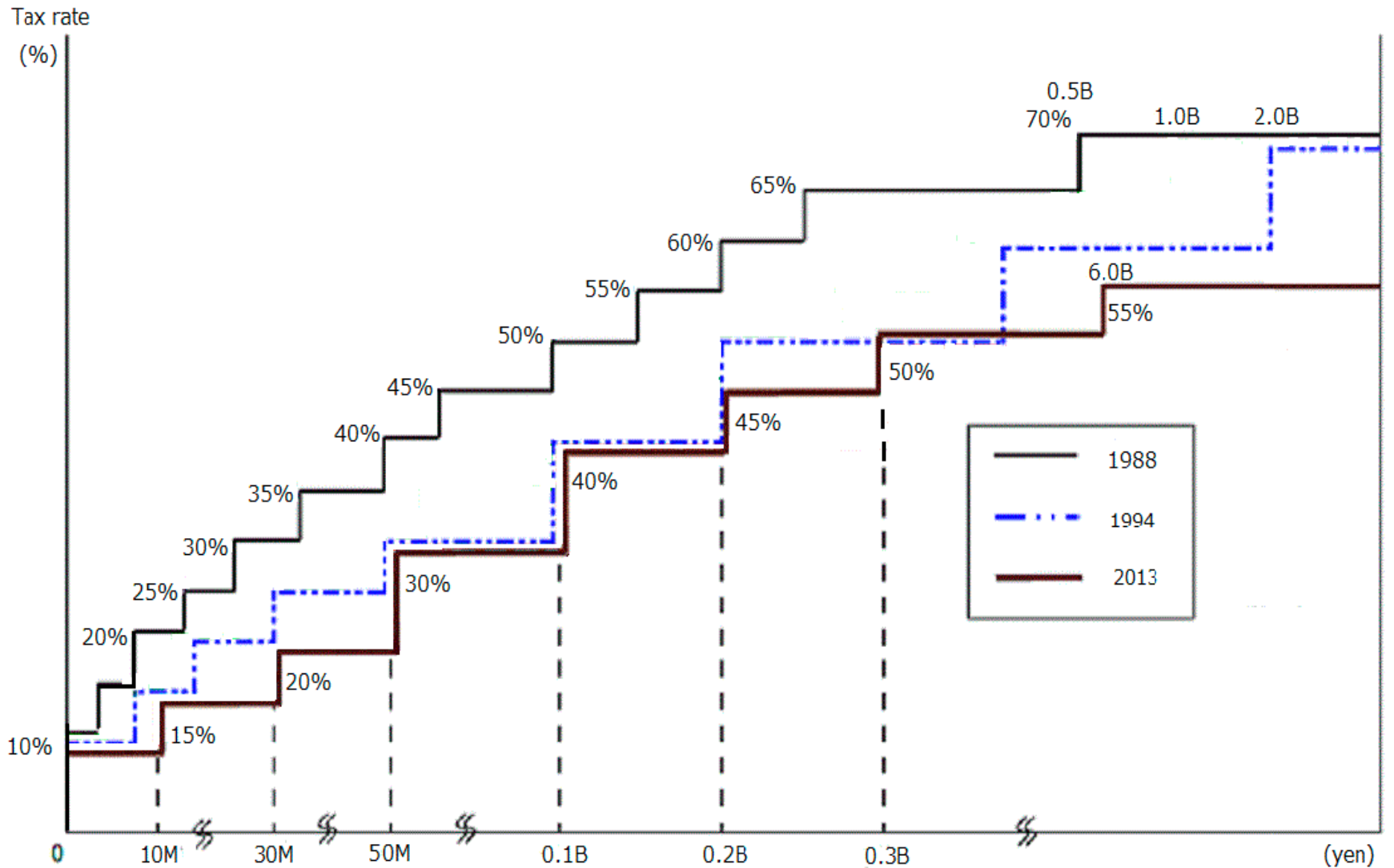


Table 3 Changes in Inheritance Tax Rates



## Discussions for Supporting Opinions and Non-supporting Opinions regarding Progressive Tax Rates for Higher Income Earners and Intergenerational Transfers.

### Supporting opinions

- (1) It is fair to prepare higher tax rates for high income earners, and to transfer incomes from the rich to the poor as a social justice. Higher inheritance tax rates are preferable in order to assure equal opportunity for all children.
- (2) The rich are able to pay more taxes than the poor, and this can provide the government with the sufficient amount of tax revenues.

### Non-supporting opinions

- (1) It does not raise tax revenues so much.
- (2) Several Asian countries do not have high tax rates. Thus, the rich and firms may move to these countries from Japan.
- (3) Some rich and productive people may reduce high work incentives, and thus it is likely to be detrimental for economic efficiency.

Wealth tax, which levies tax on the total wealth holding by individual persons, has not been installed yet in Japan. Taxation on interests, dividends, etc. and real estate, and on inheritances is an instrument.