

The Keidanren's Proposal: "Growth Strategy 2010"

13 April 2010

Nippon Keidanren

I. Putting the New Economic Growth Strategy into Practice

Current situation and issues facing Japan

- ◆ Emerging from the deflationary situation as soon as possible is an issue of pressing concern.
- ◆ The economic growth targets of “nominal growth of over 3% and real growth of over 2%” established in the government’s growth strategy are commended.
- ◆ In order to achieve the targets, it is vital for the public and private sectors to combine efforts and take up the challenge, and to formulate and implement a comprehensive growth strategy as soon as possible.

Working toward resolving the issues

- ◆ Important to be determined, and to be prepared to carry out all that should be done in order to achieve a breakthrough from the difficult circumstances.
- ◆ Vital to establish an overall picture that sets out the timelines clearly.
- ◆ Essential to generate money to be used for the growth strategy.

II. Key points of "Growth Strategy 2010"

4 perspectives

- ◆ Creating employment by enhancing the international competitiveness of Japanese companies
- ◆ Importance of capturing aspects of demand and supply, large corporations and medium-small companies in an integrated manner.
- ◆ Need for a comprehensive reform of taxes, public finance, and social security.
- ◆ Promoting "Public Innovation*"

*Innovation takes place within the government, government policies are subjected to a zero-base review, and novel methods that eliminate precedent principles are introduced. Through these processes, efforts are made to make e-government a reality, and to introduce a regional government system (doshu-sei.)

The 3 pillars of basic economic policies

- ◆ Strengthening Japanese industries that are internationally competitive
- ◆ Creating new domestic demand and enhancing growth potential
- ◆ Developing a flexible labor market equipped with a safety net

Implementation issues

- ◆ Drawing up a work schedule and ensuring the implementation of the PDCA cycle
- ◆ Establish a special growth strategy budget to ensure the effective implementation of the New Growth Strategy

III. 6 Strategies and Regulation Reform for Growth

1. Strategy for Becoming an Environment and Energy Power – Utilizing Japan’s strengths -

- Actively utilize the most advanced environmental and energy technologies in the world to create a society with a small environmental load.
- Foster new demand by reinforcing our efforts to tackle environmental issues, and by tying this to the development of the national economy and employment security, aim to create a balance between the environment and economy.

[Necessary measures]

- In order to stir initial demand for assets and services with small environmental loads, such as green vehicles and household appliances as well as energy management systems for buildings, grant policy incentives in the form of time-limited and focused tax measures and subsidies, eco-points, etc.
- Liberalize trade in the area of environmental products and services such as electric vehicles and LED, with the aim of achieving economic growth while contributing to the international society.
- From the perspective of developing and disseminating innovative technologies, formulate a medium to long-term vision and roadmap for a low-carbon and recycling-oriented society, and share it among the government, industry, and academia.

Key Technologies for Achieving Green Innovation

| | | | | | | |
|---|--|---|--|---|---|-----------------|
| 1. Widespread practical introduction/overseas expansion phase | Household use | Electric vehicles (EV) | Hybrid/plug-in hybrid vehicles | Organic EL | | |
| | Widespread introduction in Japan <small>* Direct overseas roll-out possible for some products</small> | Solar power generation | Stationary fuel cells | Heat pumps (including inverter control) | LED lighting | |
| | | Lithium ion batteries | Nickel hydrogen batteries | Energy-saving home appliances | Eco-housing | |
| | | Green IT (energy-saving IT devices, environmental IT solutions) | Cogeneration | Green logistics | | |
| | | Sodium sulfur (NaS) batteries | High-efficiency electric motors | High-efficiency industrial furnaces | High-efficiency reaction processes (membrane separation, catalysts, etc.) | |
| | Commercial use | Geothermal power generation | Power generation from waste | Power generation using waste heat | High-efficiency production processes (process improvement) | super coke oven |
| | Overseas expansion/collaboration | Nuclear power generation | High-efficiency thermal power generation (operation and maintenance, clean coal) | Use of biofuels | | |
| | | Modal shift to railways (including bullet train) | Water-related technologies | Hydroelectric power generation (including micro hydroelectric power generation) | | |
| | | Power transmission and distribution | Insurance supporting environmental business, assistance and loans for introduction of environmental facilities, etc. | Soil remediation | | |
| | Regulatory reform | Wind power generation | Waste recycling (simplification and speeding up of administrative procedures, etc.) | | | |
| 2. Trial / Verification phase | Standardisation | Japanese-version smart grid system (smart meters, accumulator modules, etc.) | | | | |
| | | Energy management systems (HEMS, BEMS, FEMS, CEMS, etc.) | | | | |
| | | Infrastructure for EV usage (communication link between vehicle and regular recharging infrastructure, rapid-charge connectors, safety of in-vehicle batteries, etc.) | | | | |
| | | High-efficiency superconductor power transmission | Power consumption measurement methods (including products) | | | |
| | | Methods of assessing solar power generation performance | Methods of assessing stationary fuel cell performance | | | |
| | | Methods of calculating product-level GHG emissions (including methods of calculating environmental contribution) | | | | |
| | | Intelligent transportation systems (ITS) (CO ₂ monitoring systems) | Methods of measuring CO ₂ emissions | | | |
| | | Thermal characteristics of waste-derived fuels (RDF, RPF) | Performance of bioplastics | | | |
| | | Infrastructure for hydrogen utilization | Fuel cell vehicles | Clean fuel (DME, etc.) vehicles | | |
| | | Model system for modal shift to bicycles | CO ₂ capture and storage (CCS) | | | |
| 3. R&D phase | R&D | Multipurpose heat pumps | Eco compact city model systems | | | |
| | | Applications | | | | |
| | | Fuel cell/gas turbine (FC/GT) hybrid thermal power generation | | | | |
| | | Integrated coal gasification combined cycle (IGCC) thermal power generation | Integrated coal gasification fuel cell combined cycle (IGFC) thermal power generation | | | |
| | | Solar thermal power generation | Fast reactors (nuclear power) | | | |
| | | Small- and medium-sized nuclear reactors | Advanced ultra-supercritical pressure (A-USC) thermal power generation | | | |
| | | Next-generation air conditioning (comfortable, advanced -function, etc) | | | | |
| | | High-efficiency hydrogen production equipment (using petrochemical gas) | High-efficiency solar power generation | | | |
| | | Power electronics (SiC, GaN devices) | Closed-loop-recycling of plastics | | | |
| | | Biochemicals (biomass-derived polymers, chemical synthesis from inedible biomass, etc.) | | | | |
| Basic research | R&D | Water treatment (innovative separation membranes, etc.) | Ultra-high efficiency heat pumps | | | |
| | | Biomass fuel cells (stationary) | New-type secondary batteries (post-lithium, etc.) | | | |
| | | Gas turbine/fuel cell (GT/FC) combined power generation (stationary fuel cells) | | | | |
| | | Fuels using marine biomass | Innovative energy-saving technologies for transportation machinery (including materials and design technologies) | | | |
| | | Next-generation light water reactors | Power electronics (diamond devices) | | | |
| | | Direct reduction steelmaking processes | New-structure/new-material solar cells | | | |
| | | Rare metal substitution technologies (next-generation motors, secondary battery materials, etc.) | | | | |
| | | Artificial photosynthesis (e.g., production of methanol from CO ₂) | | | | |
| | | Solar power generation in space | Nuclear fusion | | | |

III. 6 Strategies and Regulation Reform for Growth

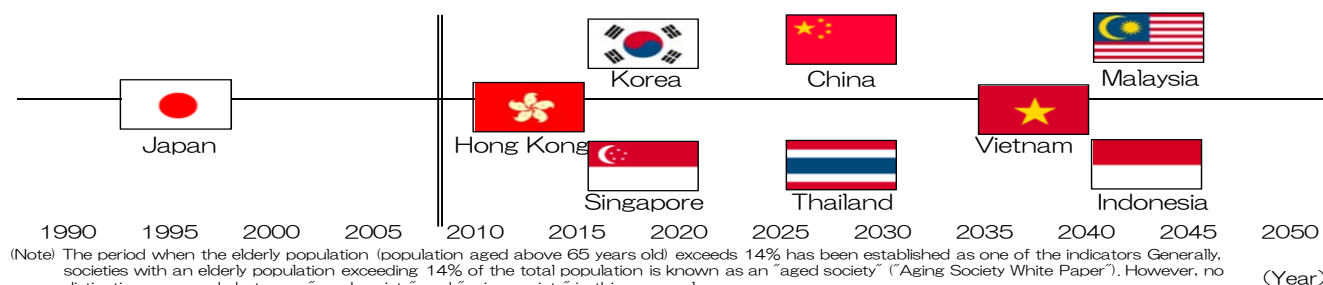
2. Health Strategy – Utilizing Japan’s strengths -

- Businesses serving the needs of senior citizens form a significant industry with growth potential, while the industrialization of medical and nursing-related industries remains an issue.
- Establish a business model that is appropriate for a society that senior citizens can spend their lives in with a sense of security, and take early steps to build up a system that can efficiently provide quality services to senior citizens.

[Necessary measures]

- Expand areas in which prices may be determined by the service provider, such as systems where health insurance treatment is given alongside non-health insurance treatment, or medical treatment at one’s own expense, etc.
- Environmental improvement centered on financial aspects, aimed at advancing research and development of revolutionary pharmaceuticals and medical equipment.
- Develop infrastructure for an efficient medical supplies system that actively utilizes ICT such as the networks among medical institutions, and raise the standards of medical treatment.
- Take the medical industry into overseas markets (attracting patients from overseas)
- Expand medical and nursing services to support home care, and build up systems that are supported by collaborations between medical care and nursing.
- Develop products such as nursing robots to assist senior citizens in becoming more independent, and promote the development of rehabilitation technologies.

Timeline showing when the percentage of senior citizens exceeds 14%



III. 6 Strategies and Regulation Reform for Growth

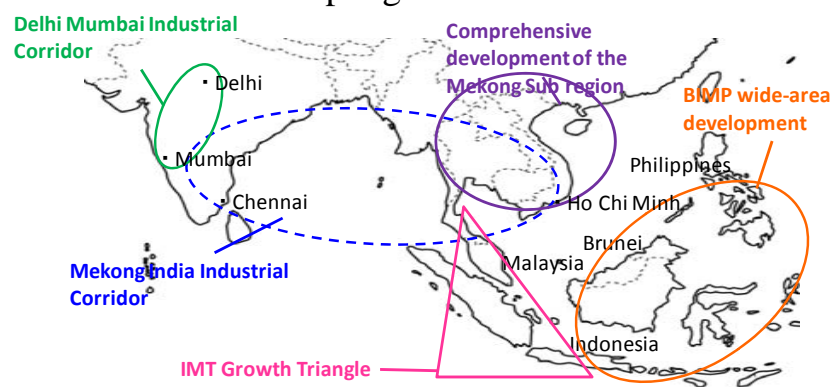
3. Asian Economic Strategy – Expanding the economic frontier -

- It is important to work toward revitalizing regional trade and investments, in order to strengthen economic ties with the countries of Asia that are experiencing rapid economic development. It is also vital to develop regional infrastructure to support these trade activities.

[Necessary measures]

- Fill the EPA/FTA gap in Asia, and make the FTAAP (Free Trade Area of the Asia-Pacific) a reality
- Take on large-scale overseas projects (develop infrastructure) through radically reviewing the ODA and encouraging top diplomacy that sees cooperation between the public and private sectors
- Develop the bond market in order to fund trade and revitalize investment activities in the Asia region
- Abolish the practice of shipping to designated areas that impose compulsory requirements at the time of export declarations (principle of bonded shipment)
- Enhance functions at hub airports such as airports in the Tokyo Metropolitan area (Narita and Haneda) and Kansai International Airport, improve accessibility, and enhance convenience for users
- Further stimulate the contents industry through large-scale, systematic marketing that involves the collaboration of the public and private sectors

Plan to develop regional infrastructure in Asia



(Note) IMT: Indonesia, Malaysia, Thailand

BIMP: Brunei, Indonesia, Malaysia, Philippines

(Source): Drawn up based on materials from the Ministry of Economy, Trade and Industry

III. 6 Strategies and Regulation Reform for Growth

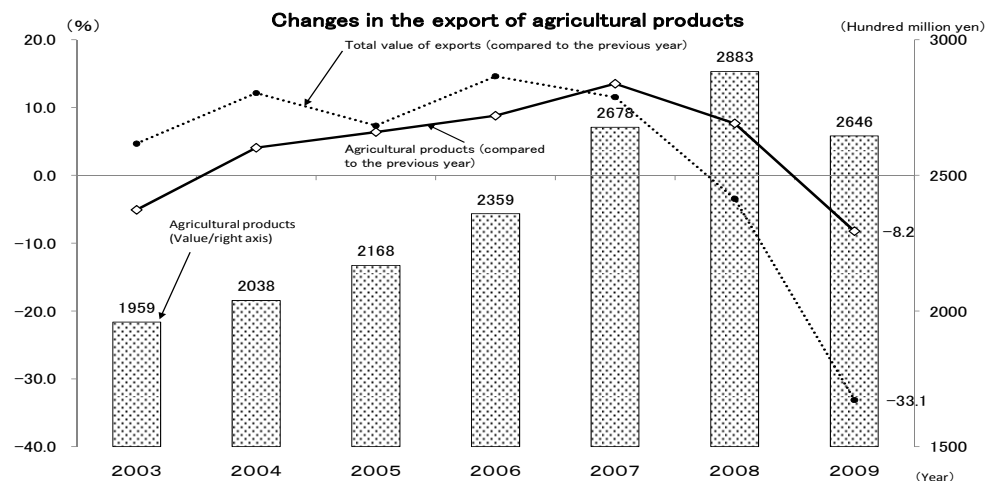
4. Strategy for Promoting a Tourism and Local Revitalization

– Expanding the economic frontier –

- Work toward stirring up demand to encourage independence and revitalization of localities, in order to inject energy into both metropolitan and local cities, and to raise growth levels throughout Japan.

[Necessary measures]

- Develop and disseminate the concept of new tourism (experience-based tourism) that utilizes a variety of tourism resources, including rural areas and entertainment contents such as TV dramas, movies, anime, games, etc.
- Enact basic laws and develop promotion systems to facilitate the introduction of a regional government system (doshu-sei.)
- Develop the high-standard arterial highways that are genuinely necessary in order to bring about growth in the localities.
- Implement export strategies through “All Japan,” aimed at strengthening the foundations of agricultural production and advancing exports of agricultural products.
- Provide support for the creation of quality housing stock (prolong Eco-point system for housing.)



(Source) Ministry of Agriculture, Forestry and Fisheries, "Foreign Trade of Agricultural, Forestry and Fishery Products"

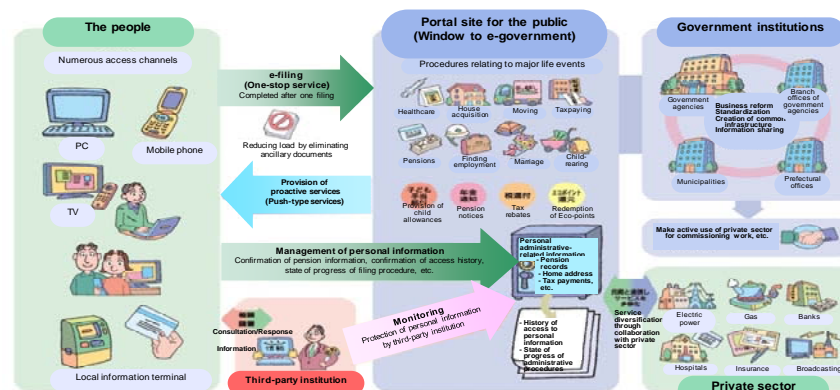
III. 6 Strategies and Regulation Reform for Growth

5. Science and Technology Strategies

- Developing foundations to stimulate growth -

- Innovation based on science and technology is the source for medium to long term economic growth.
 - It is necessary to make the transition to innovation policies, based on scientific technology policies, which capture human resource development, intellectual property policies, and regulatory and systemic reforms as a whole.
- [Necessary measures]
- Enhance commanding functions through the establishment of a “Strategic headquarters for science, technology, and innovation ” (provisional name), and make the transition to innovation policies that capture human resource management, intellectual property policies, and regulatory reform as a whole.
 - Make the government’s research and development investment to GDP ratio of 1% a reality, with the aim of achieving a stable and secure research and development investment to GDP ratio of more than 4% (public and private sectors combined).
 - Promote e-government.
 - Promote driving support systems that utilize technologies which facilitate communication between routes and vehicle lanes, GPS, etc., in order to develop safe social systems.

Image of e-government



From the pamphlet *Denshi gyosei ga tsukuru kokumin honi no arata na seifu no sugata* [The configuration of the new people-based national government created by e-government], published by the Keizai Koho Center.

III. 6 Strategies and Regulation Reform for Growth

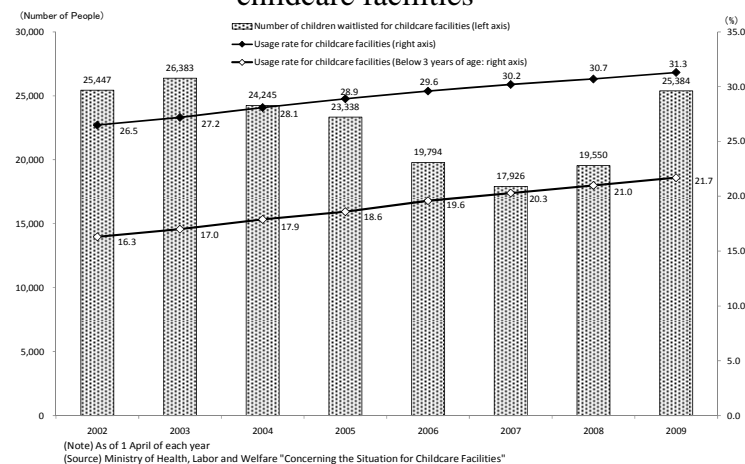
6. Employment and Human Resources Strategies - Developing foundations to stimulate growth -

- As the problem of declining birth rates becomes increasingly serious, human resources that can work independently and carve out the future of this country are becoming increasingly important.
- Furthermore, as corporate activities become increasingly globalized, nurturing and securing human resources that can adapt to the globalizing environment has become an issue of great importance as it is linked directly to issues of competitiveness.

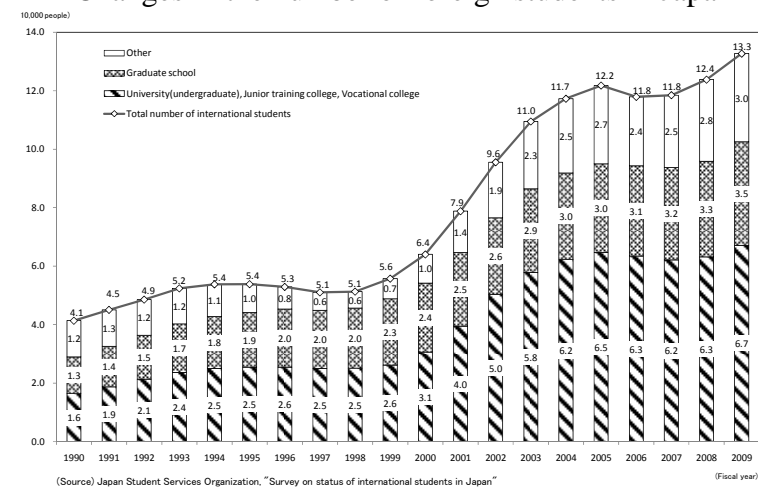
[Necessary measures]

- Create an environment that allows for flexible working styles, and reinforce the safety net functions in the labor market.
- From the perspective of providing support to help parents balance work and parenting duties, put in efforts to reduce the number of children on waiting lists for childcare facilities by diversifying and expanding childcare services.
- Arrange an environment that enables teachers or schools to improve school operations and the quality of lessons by expanding the school choice system of public schools or enriching the evaluation system of schools and teachers, etc.
- Promote globalization of education and research, and increase intake of talented foreign students by taking steps such as providing sufficient scholarships to foreign students.

Changes in the number of children on waiting lists for childcare facilities



Changes in the number of foreign students in Japan



III. 6 Strategies and Regulation Reform for Growth

7. Examples of Regulations that Hinder Growth (categorized by strategy)

- Strategy for becoming an environment and energy power
 - Developing and spreading recyclable energy
 - Consistent efforts to use nuclear power
 - Promoting next-generation automobiles
 - Reducing greenhouse gases in the transportation sector by promoting modal shifts
 - Complete cyclical use of domestic resources through the promotion of recycling activities
 - Making advancements in rebuilding old buildings
 - Reviewing regulations in response to low-carbon advancements in society
- Health strategy
 - Providing a variety of user-oriented services
 - Developing and spreading revolutionary healthcare technologies, etc.
- Asian economic strategy
 - Eliminating factors that hinder the flow of people, objects, and money
 - Providing support for the development of infrastructure in Asia
 - Enhancing globalization from within, creating an attractive environment for domestic businesses
 - Developing domestic systems that reduce barriers for foreign talent working in Japan

III. 6 Strategies and Regulation Reform for Growth

7. Examples of Regulations that Hinder Growth (categorized by strategy)

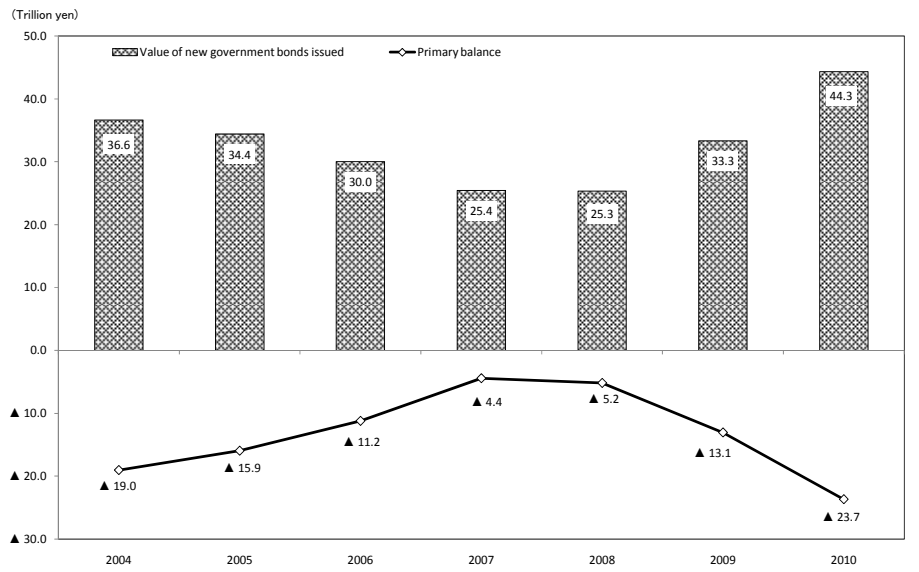
- Strategy for promoting a tourism and local revitalization
 - Developing attractive tourist areas
 - Revitalizing metropolitan cities
 - Increase in or efficient maintenance and management of social capital stock
 - Growth and industrialization of the agriculture, forestry, and fishery industries
 - Revitalization of housing investments
- Science and technology strategies
 - Encouraging the active use of information and communication technologies
- Employment and human resources strategies
 - Enhancing jobseeker support systems
 - Diversifying and increasing the number of childcare services

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

1. Public Finance

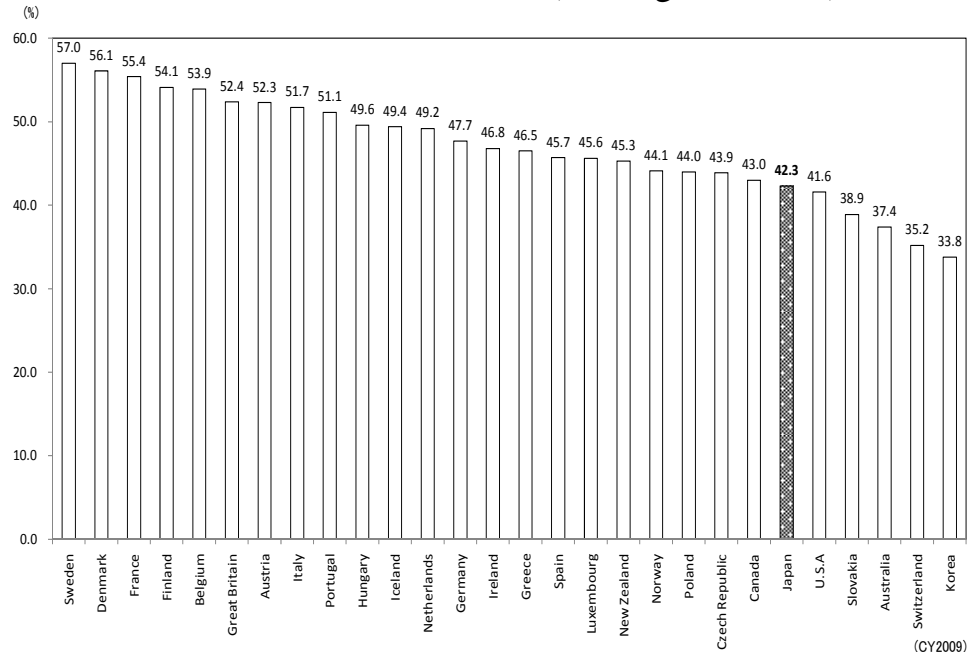
- Japan's public finance for fiscal 2010 saw the highest levels of newly-issued government bonds in history (44.3 trillion yen) and losses in basic fiscal revenue (23.7 trillion yen). However, the scale of Japan's fiscal expenditures is relatively small when compared to that of other major economies.

Changes in value of newly-issued government bonds and primary balance



(Note) Figures prior to fiscal 2009 were forecasts as at that point in time, and figures for fiscal 2010 are based on government proposals (Source) Ministry of Finance

Fiscal expenditures among the governments of OECD member countries (ratio against GDP)



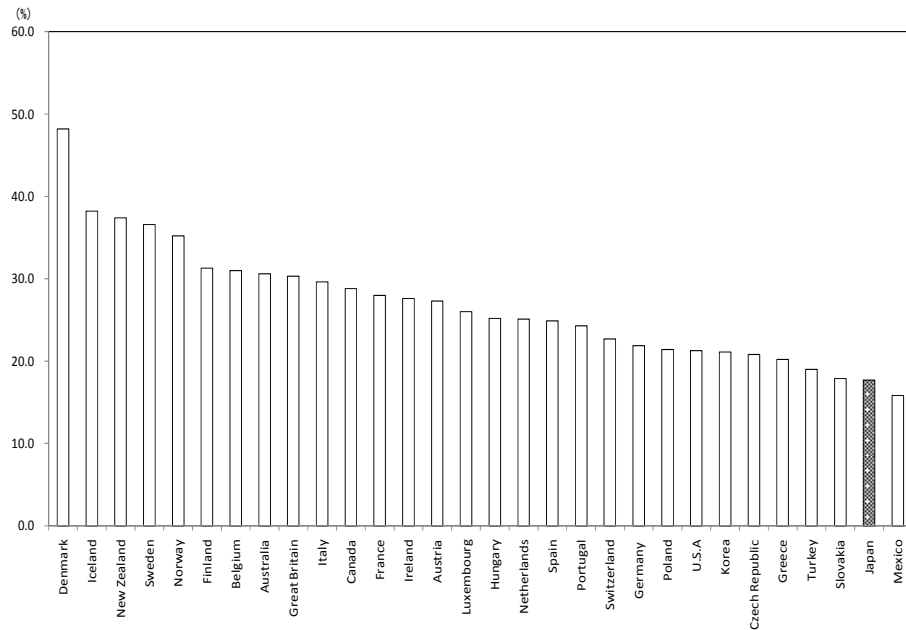
(Note) Figures are based on general government information (combined figures for central government, local government, and social security funds) (Source) Ministry of Finance

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

1. Public Finance

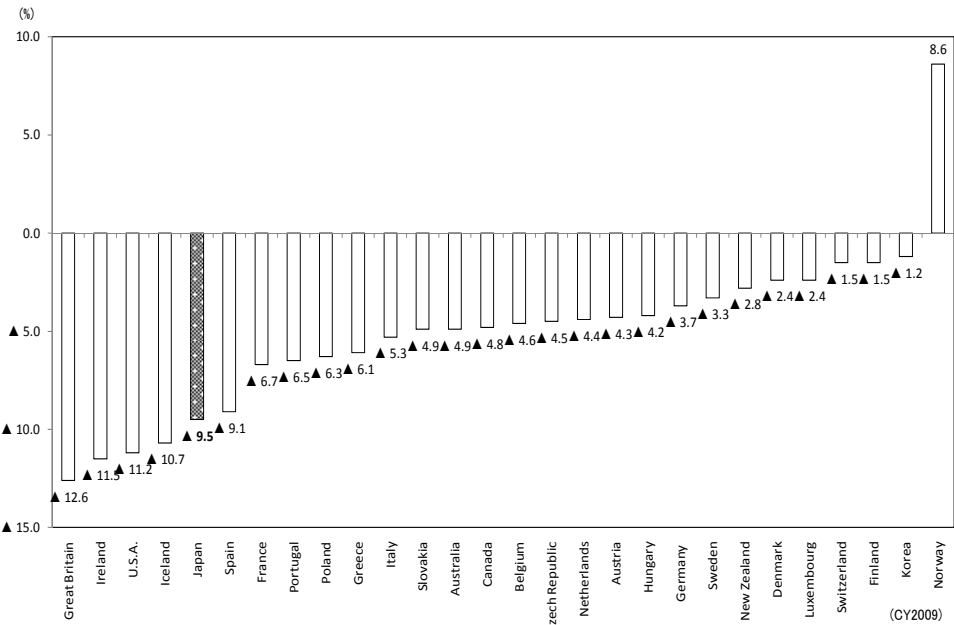
- As tax revenue is extremely low in Japan, a significant budget deficit results.

Tax revenue among the governments of OECD member countries (ratio against GDP)



(Note) Figures for each country are as of 2006, except for Japan (fiscal 2006) and Mexico (2004)
 (Source) Ministry of Finance

Fiscal balance among the governments of OECD member countries (ratio against GDP)



(Note) Figures are based on general government information (combined figures for central government, local government, and social security funds). However, for Japan and the United States of America, social security funds are excluded.
 (CY2009)

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

1. Public Finance

- Budget formulation for fiscal 2011 is expected to be an extremely difficult task, with the need to ensure stable financial resources equivalent to the increase in the portion of basic pension funded from the national treasury, natural increase in social security benefits, full subsidies for child allowance, etc.

Items for which significant increases in new expenditures are expected in the budget formulation for fiscal 2011

| Items | Amount required |
|--|---|
| 1) Ensuring permanent financial resources equivalent to the increase in the portion of basic pension funded from the national treasury (1/3→1/2) | Approximately 2.5 trillion yen (1% when converted to consumption tax rate) |
| 2) Natural increase in social security benefits | Approximately 1 trillion yen per year |
| 3) Child care policy (full subsidies for child allowance) | Additional amount required: Approximately 3 trillion yen (more than 1% when converted to consumption tax rate) |

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

1. Public Finance

●It is vital to take steps to ensure a good balance of fiscal soundness and economic growth, including revenue structure reforms, such that Japan's public finances do not fall into critical conditions in the future.

●Hence, aim to improve fiscal revenues including interest payments while setting the achievement of a basic fiscal revenue (primary balance) surplus as the midterm target and to reduce debt to GDP ratio in a stable fashion in the long run.

●In addition, enact a Revenue and Expenditure Reform Act (provisional name), and provide institutional guarantees for efforts to improve fiscal soundness.

[Concrete measures to be taken]

(1) Increase nominal growth rate through the implementation of the growth strategy

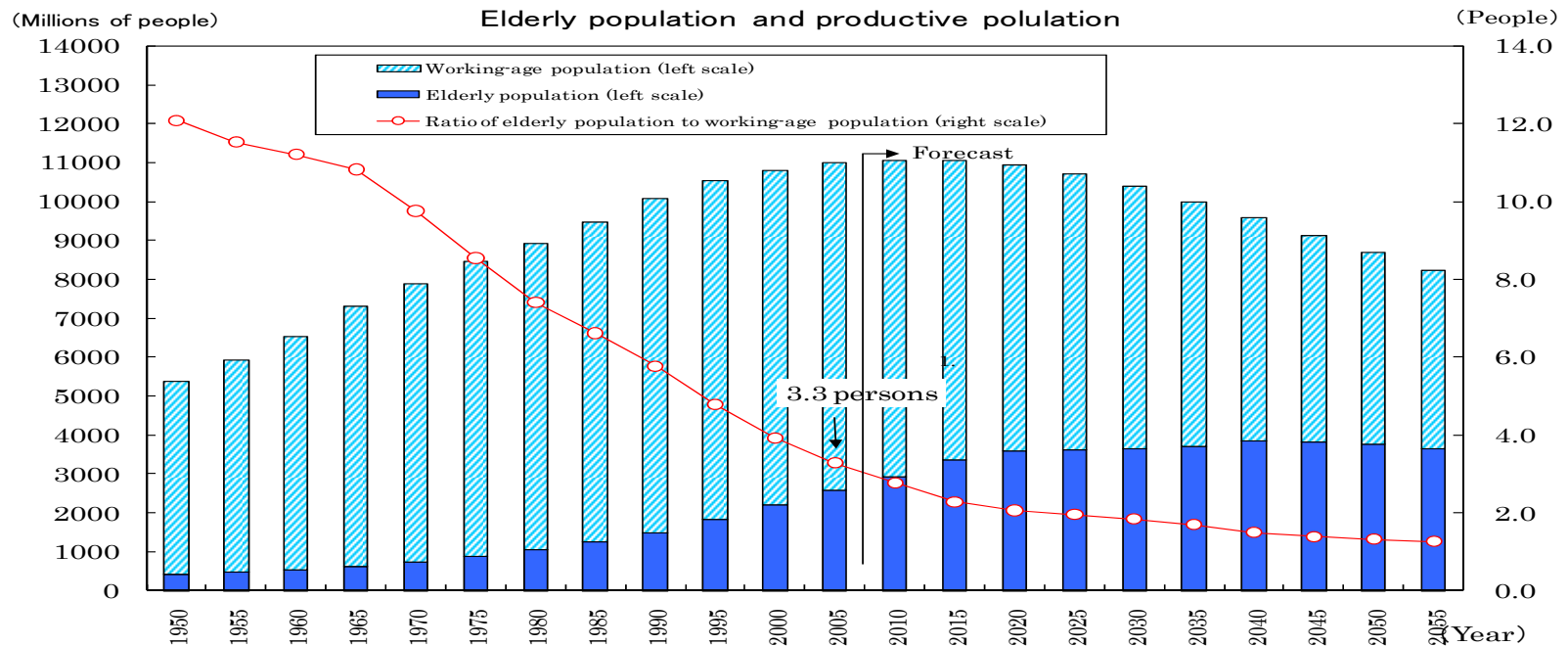
(2) Keep up efforts to prioritize and rationalize expenditures (continuously review special accounts and incorporated administrative agency, and introduce systems to clarify policy targets tied up with policy appraisals)

(3) Promote revenue structure reforms (such as the transition from an unstable and vulnerable revenue structure that overly depends on direct taxation, to a structure stabilized through an expansion of consumption taxes)

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

2. Social Security

- While elderly population in Japan increases, its productive population is on the decline.
- For the future, it is necessary to rebuild a social security system that is sustainable, and not excessively dependent upon the insurance premiums borne by the current working generation.



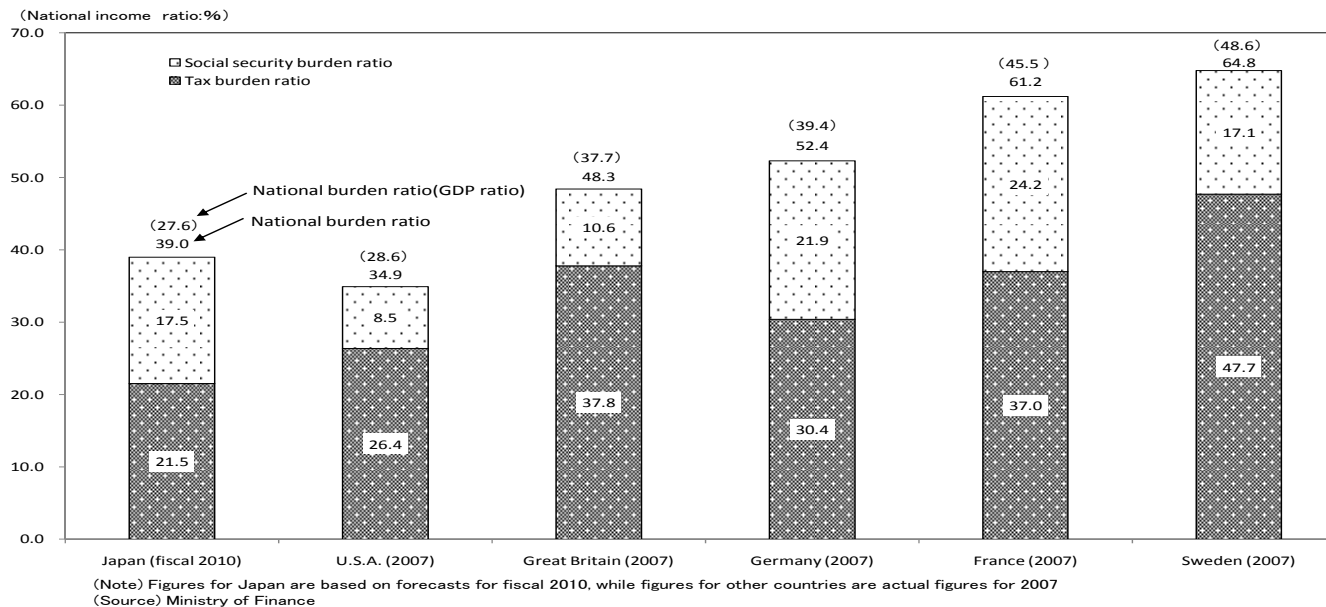
Sources: Ministry of Internal Affairs and Communications, *Population Census and Annual Report on Current Population Estimates*; National Institute of Population and Social Security Research, *Population Projections for Japan: 2006-2055*.

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

2. Social Security

- For the future, in order to support the safety net including the social security system, it is essential to establish principles to respond to increases in social security expenditures through swiftly raising consumption tax rate (consumption taxation targeted toward social security).
- Consequently, it is inevitable that the national burden ratio increases from the current 40% to approximately 50%.

Comparison of national burden ratios (Tax burden ratio + Social security burden ratio) among different countries



IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

2. Social Security

[Concrete measures that should be implemented as soon as possible]

- (1) Healthcare: Elderly healthcare reform, with the aim of increasing government's contribution (from the current 50% → 60~70%), etc.
- (2) Pensions: Ensuring 1/2 the portion of basic pension to be financed by government's contribution.
- (3) Child care policy: 1) Reform of the childcare system aimed at reducing the number of children on waitlists for childcare facilities and expanding childcare services, 2) Establishment of the “Child-support Conference” (tentative) comprising cabinet ministers, employees, employers and so on (The government undertakes policy decisions on measures for child care), and 3) Protest against proposed scheme to establish child-support foundation funds), etc.

[Concrete measures that should be implemented in the medium to long term]

Reinforcing the social safety net that can respond to diversification and mobility of employment, as we work toward the creation of a "Trampoline-type Society."

- (1) Expand the range of application of social insurance for contingent workforce.
- (2) Establish systems to ensure the security of workers' lives while they undergo public vocational training.
- (3) Secure opportunities for vocational training for the young and contingent workforce who have few opportunities to develop skills.
- (4) Enhance public loans and subsidy systems, and publicize the measures, etc.

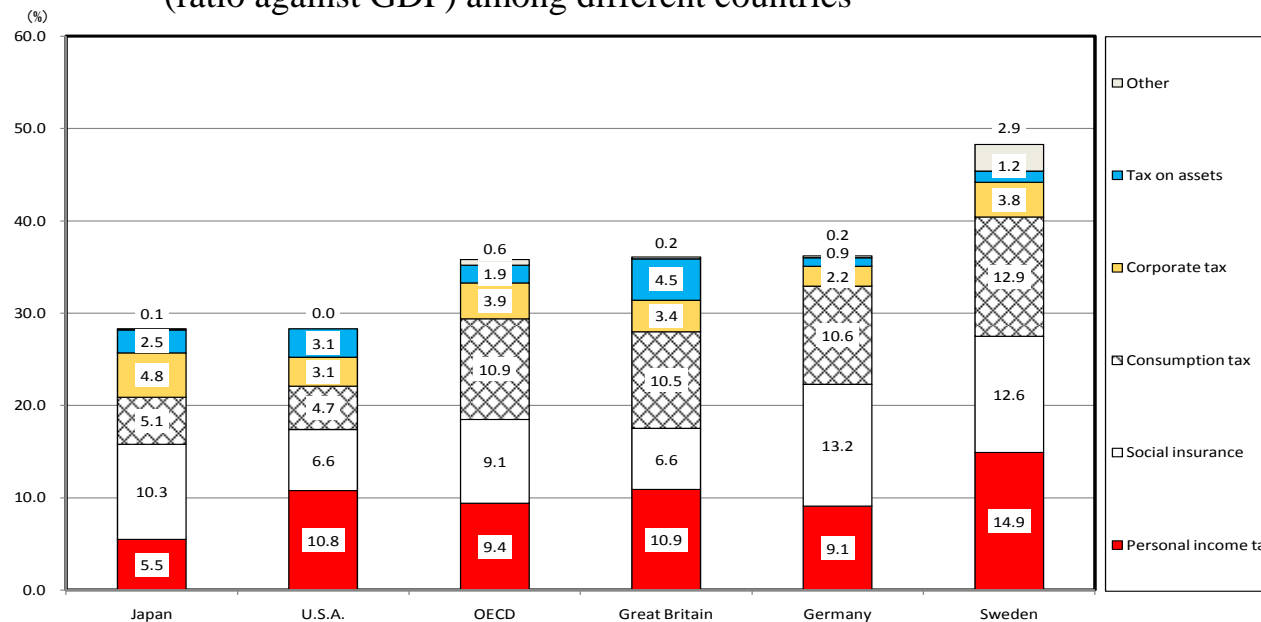
IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

[Reform perspectives]

- Japan’s tax system does not function adequately to support the fiscal system in a stable manner.
- There is a need to establish, in an integral manner, a tax system that can stand up to expenditure increases such as the expands of social security benefits in the medium to long term (expansion of consumption taxes, recovery of income tax function to ensure enough revenue, correction of excessive dependence on corporate income taxes)

Comparison of tax and social insurance payment burden breakdown (ratio against GDP) among different countries



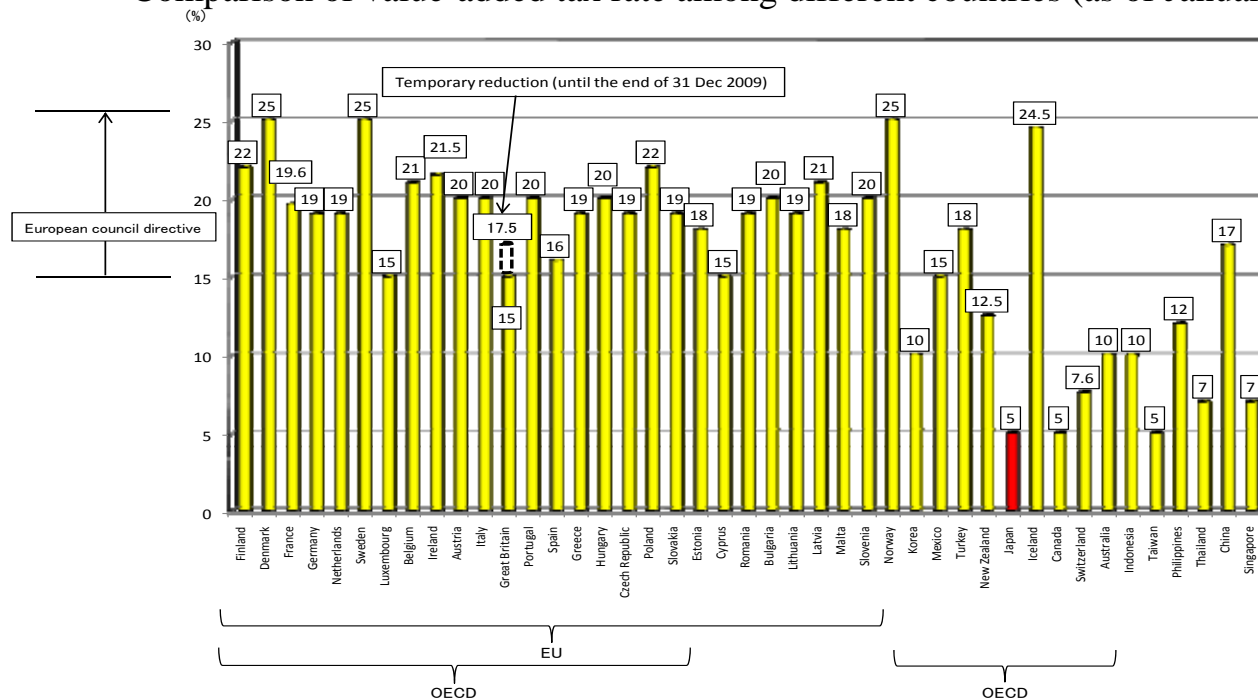
(Note) Figures are based on 2007 data. Under "Personal income," capital income is included in addition to income from employment.
 (Source) OECD "Revenue Statistics 1965-2008"

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

- (1) Expansion of consumption tax
- Compared to countries in Europe, Japan's consumption tax rate is significantly lower (Japan: 5%, countries in Europe: 15% to 25%)
 - From the perspective of securing stable financial resources to support the safety net including the social security system, the consumption tax rate will increase correspondingly with the increase in social security expenditures.

Comparison of value-added tax rate among different countries (as of January 2009)



(Source) Ministry of Finance

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

(1) Expansion of consumption tax

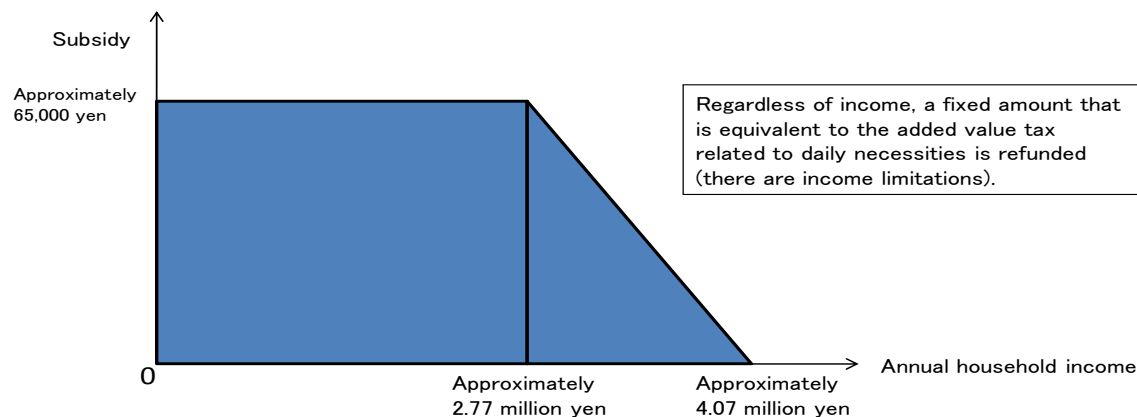
- Swift increase of tax rate

From fiscal 2011, take early steps to increase consumption tax rate (establish consumption taxation targeted for social security) gradually to 10% (for instance, at 2% every year). By the mid-2020s, the rate should be equivalent to 15% or above.

- Measures for regressiveness

When the consumption tax rate exceeds 10%, introduce refundable tax credits equivalent to the increase in consumption taxes expended on daily necessities for medium and low-income earners, on the premise that the identification number system used for social security and taxation in common will be introduced.

Diagram illustrating GST exemptions for Canada (in the case of a married couple and two children)



(Source) The Tax Commission

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

(2) Recovery of income tax functions

- Income taxes in Japan do not function in ensuring enough tax revenues, and there is an urgent need to re-establish income tax as the key form of taxation.
- With increasing employment mobility, diversification in working styles, and an aging population, recovering the redistribution functions of income tax and responding to the problem of declining birth rates are issues of pressing concern.
- Based on the premise of capturing income fairly, provide prioritized support for families with children as well as medium and low income earners through refundable tax credit.”

- 1) Review tax deductions (employment income, spouse, public pension, etc.)
- 2) Introduce refundable tax credit
- 3) Review the progressive tax rate structure
- 4) Review the further integration of financial income taxes
- 5) Establish a new tax system for non-profit organizations

Fall in revenue from the respective exemptions

| Item | National tax | Local tax | Total |
|---|--------------------------------|--------------------------------|---------------------------------|
| (1) Income tax exemption (relating to the portion of income exceeding 20 million yen) | Approximately 56.7 billion yen | Approximately 14.2 billion yen | Approximately 70.9 billion yen |
| (2) Spouse exemption | Approximately 620 billion yen | Approximately 550 billion yen | Approximately 1,170 billion yen |
| (3) Special spouse exemption | Approximately 30 billion yen | Approximately 30 billion yen | Approximately 60 billion yen |
| (4) Public pension exemption, etc. | Approximately 884 billion yen | Approximately 400 billion yen | Approximately 1,284 billion yen |

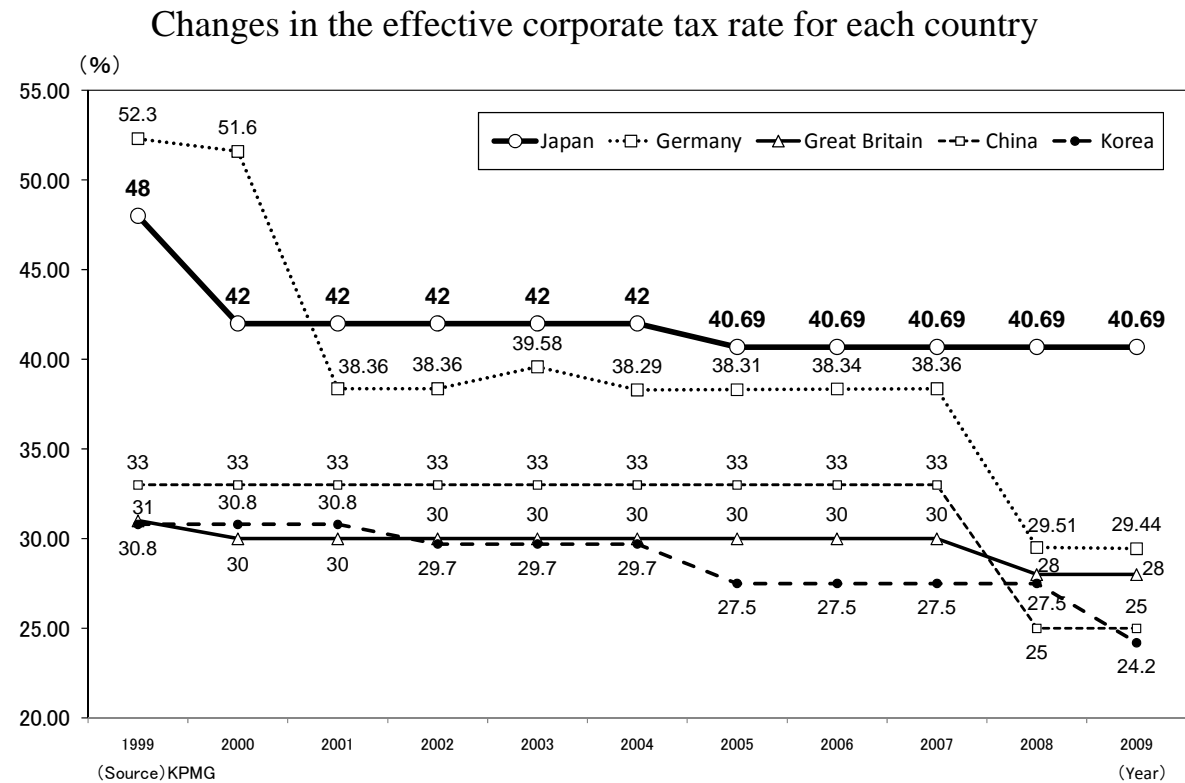
(Sources) Income exemptions are estimated based on the National Tax Agency’s “2008 Results of the statistical survey of actual statistics for salary in the private sector”
 Spouse exemption and special spouse exemption information are taken from documentation from the Tax Commission
 Public pension exemption information, etc. are estimated based on documentation from the Tax Commission and the Ministry of Finance

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

(3) Early reduction of effective corporate tax rate, etc.

- Countries all over the world are competing to reduce their effective corporate tax rates. As a vital pillar of the growth strategy, it is important to reduce our effective corporate tax rate, currently the world's highest rate (approximately 40%), to the global standard (30%) at an early stage.



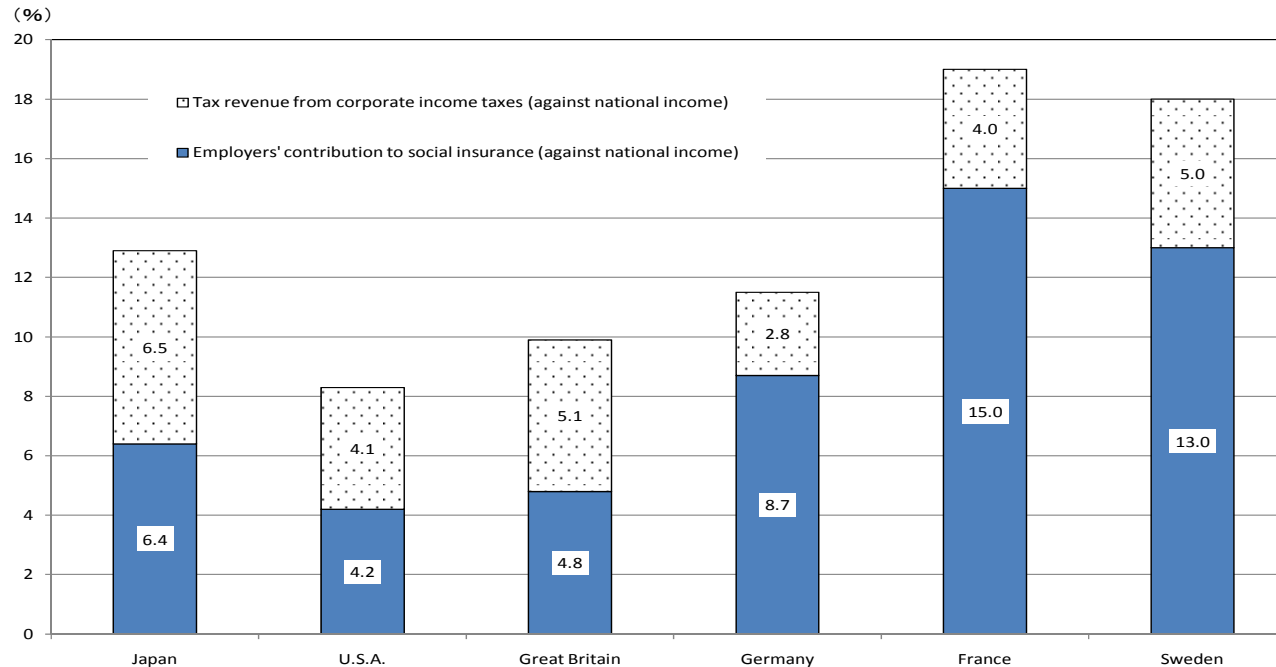
IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

(3) Early reduction of effective corporate tax rate, etc.

- There are opinions that the combined public burden imposed by taxes and social insurance payments are not necessarily considered high when compared to global standards. In Japan, however, social insurance payments including employer's contributions are on the rise every year; on the other hand, there are movements in Europe to reduce or review the excessively high social insurance payments.

Comparison of employers' contributions to social insurance payments and corporate income tax revenue among different countries (against GDP ratio)



Note: Comparison based on 2006 data for each country
(Source) The Tax Commission

IV. Comprehensive Reform of Taxes, Public Finance, and Social Security

3. Tax System

(4) Early introduction of the identification number system used for social security and taxation in common

- To provide appropriate subsidies in an efficient manner to those who truly need the safety net, and from the perspective of gaining a fair and accurate grasp of income, introduce at an early stage an identification number system that makes use of their residential registration code or social security number, which can be utilized in receiving social security benefits and in tax payment and so on. At the same time, strongly encourage online payment of tax.

Overview of identification number systems in major countries

(as of January 2010)

| Number used for taxation purposes | Country | Processes applicable | Year number was first used for taxation purposes |
|-----------------------------------|--------------------------|---|--|
| Social security number | Great Britain | Taxation (partial), social insurance, pensions, etc. | 1961 |
| | United States of America | Taxation, social insurance, pensions, elections, etc. | 1962 |
| | Canada | Taxation, unemployment benefits, pensions, etc. | 1967 |
| Residents' registration number | Sweden | Taxation, social insurance, residents' registration, elections, military service, various statistics, education, etc. | 1967 |
| | Denmark | Taxation, pensions, residents' registration, elections, military service, various statistics, education, etc. | 1968 |
| | Korea | Taxation, social security, residents' registration, elections, military service, various statistics, education, etc. | 1968 |
| | Finland | Taxation, social security, residents' registration, etc. | 1960s |
| | Norway | Taxation, social insurance, residents' registration, elections, military service, various statistics, education, etc. | 1971 |
| | Singapore | Taxation, pensions, residents' registration, elections, military service, vehicle registration, etc. | 1995 |
| | Netherlands | Taxation, social security, residents' registration, etc. | 2007 |
| Tax number | Italy | Taxation, residents' registration, elections, military service, authorizations, etc. | 1977 |
| | Australia | Taxation, income security, etc. | 1989 |
| | Germany | Taxation | 2009 |

(Note) In Great Britain, the number system is used for certain taxation processes such as payroll withholding and nontaxable personal savings
 (Source) Ministry of Finance