

# tax breaks inch closer



riot of sale price signs at a Seiyu GK supermarket in Tokyo on March 13. BLOOMBERG

spondents nationwide answered yes to the question: "If the consumption tax is raised to 10 percent, do you think the government should apply reduced rates to daily necessities?"

As many as 76 percent of the respondents in a joint nationwide poll in December by the Sankei Shimbun and Fuji News Network said that reduced rates "should be introduced" and 60.7 percent favored introducing them if the consumption tax rises to 10 percent as planned.

## How do the experts view reduced rates?

Consumer desires notwithstanding, experts doubt if they're worthwhile.

"First of all, the advantage of a value added tax (such as Japan's consumption tax) is that it can be collected from a broad range of payers, and that enables limiting the rate to a relatively

low level," said Hideo Kumano, chief economist at Dai-ichi Life Research Institute. "If reduced rates are applied to too many items, that would defeat the advantages of a value-added tax and ultimately make it look more like a commodity tax."

The commodity tax, levied on luxury items, was abolished when the consumption tax was introduced in 1989 at a flat rate of 3 percent.

"There is no regressivity in the consumption tax in the first place," argued Kazumasa Oguro, an associate professor of economics at Hosei University, in denying the notion that the less money a person makes, the more the tax hurts.

Oguro said statistics show that most people spend all of what they earn in their lifetime, regardless of income level.

That means that over the long term, everybody will even-

tually contribute 10 percent of their income to the government through the consumption tax, and that there is no need to look for ways to reduce the levy on lower-income people.

## Why is New Komeito so keen on reduced rates?

NHK commentator Shinji Ota, in an analysis posted on the public broadcaster's website, explains that when the consumption tax hike was first floated, New Komeito's supporters opposed it, but the party leadership persuaded them to accept it by promising to introduce reduced rates, mainly on food. The party is trying to keep this promise.

---

*The Weekly FYI appears Tuesdays. Readers are encouraged to send ideas, questions and opinions to [hodobu@japantimes.co.jp](mailto:hodobu@japantimes.co.jp).*

---