

Project Report (Summary)

The Industrial Economics Research Project for FY2021

(Research and Study on the Tax Compliance of Japanese Companies and
Changes in Economic and Social Structures and their Impact on the Tax System
due to the Advancement of the Fourth Industrial Revolution)

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NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.

Summary of the report

- In this study, we conducted two main surveys and studies: (1) Analysis of the actual tax burden on companies and the relationship between the tax system and corporate behavior, and (2) exchange of opinions on medium- to long-term economic and industrial policy issues.

① Analysis of the actual tax burden on companies and the relationship between the tax system and corporate behavior

- Conducted a questionnaire survey of companies with capital of over 100 million yen on the actual tax burden and the relationship between the tax system and corporate behavior.

Summary of Survey (p.3)

- Conduct research and analysis based on the above results
 - Actual state of the tax burden on enterprises
 - Relationship between Taxation and Corporate Behavior
 - Status of Efforts for Corporate Growth

Analysis Results (p.4)

② exchange of opinions on medium- to long-term economic and industrial policy issues

- ✓ Conducted 3 online meetings with invited experts to exchange opinions on medium- and long-term economic and industrial policy issues, with a focus on the tax system.
- ✓ The agenda included mid- to long-term economic and social issues that should be considered in light of recent changes in the economic and social structure, and the ideal tax and other policies that should be implemented in light of these issues.

Outline of Discussions (p. 5 ~ 6)

Outline of the survey

- We conducted a questionnaire survey on tax awareness, etc., and used the results to analyze the actual tax burden on companies and the relationship between the tax system and corporate behavior. The industries of the companies that responded were tabulated according to the following industrial classifications.

<Outline of the survey>

	Summary
Target of the survey	17,753 Companies with capital over 100 million yen (Excluding companies returned due to missing addresses, etc.)
Method	Send ID and PW of individual companies by mail, and answer on the web.
Survey period	October 11, 2021~December 9, 2021 (The deadline on the survey form was Friday, November 5, but the collection period was extended based on the status of collection and other factors. Written and e-mail responses were also accepted upon request.)
Number of collections	3,342
Response Rate	18.8%

< Industry Classification >

Industry Classification for Aggregation	Total =3,342	Industry Classification
Construction industry	6.9%	Construction industry
Material-based manufacturing	11.7%	Pulp and paper, chemicals, pharmaceuticals, petroleum and coal products, rubber products, glass and clay products, iron and steel, and non-ferrous metals
Processed and assembled manufacturing industry	12.2%	Machinery, electrical equipment, transportation equipment, and precision instruments
Other manufacturing	8.2%	Foodstuffs, textiles, metals and other products
Infrastructure services	19.8%	Electrical and gas, land transportation, shipping, air transportation, warehousing and transportation, and information and communications
Retail industries	12.9%	Wholesaling and Retailing Business
Finance and Real Estate	15.7%	Banking, securities and commodity futures trading, insurance, other financial services, and real estate
Other services	11.6%	Service industry
Not applicable	1.0%	Fisheries, Agriculture and Forestry, Mining, etc.

Analysis Results Overview

Actual state of the tax burden on enterprises

- The questionnaire survey examined how the tax burden on the enterprise was changed by the corporate tax reform implemented from FY2015 to FY2016, and the actual sense of tax burden. The survey results showed that the answer that the tax burden "increased" exceeded the answer that the tax burden "decreased".
- When the responses regarding changes in the tax burden were classified according to the amount of taxable income, many of the enterprises that recorded less than ¥100 million in taxable income and losses reported an increase in the burden. On the other hand, the larger the amount of capital, the larger the response when the burden is reduced.

Relationship between Taxation and Corporate Behavior

- We analyzed how each investment amount by amount of taxable income changed in fiscal 2014 and fiscal 2020.
- Domestic capital investments, Overseas Capital Investments R&D investments are basically the same trend in fiscal 2014 and fiscal 2020.
- No results were identified that suggested a link between corporate investment behavior and changes in the tax system.

Status of Efforts for Corporate Growth

- Domestic capital Investments and R&D investments tend to be large in the manufacturing industry as a whole.
- R&D expenditures are particularly high in processing-type manufacturing and materials-type manufacturing. It is estimated that R&D related to CASE(Connected, Autonomous, Shared, Electric, biotechnology, and SDGs in the automotive industry.

Study Group on Economic and Social Structural Changes due to the Fourth Industrial Revolution and the Taxation System

- Conducted 3 online meetings with invited experts to exchange opinions on medium- and long-term economic and industrial policy issues, with a focus on the tax system.

List of Members

役職	氏名（敬称略）	所属
Chairperson	MORINOBU Shigeki	Research Director, The Tokyo Foundation for Policy Research
Member	ASATSUMA Akiyuki	Professor, Department of Law, Rikkyo University
Member	UMEZAWA Takaaki	Japan Chairman, A.T. Kearney
Member	OHASHI Hiroshi	Dean, Graduate School of Public Policy, The University of TOKYO Professor, Faculty of Economics, The University of TOKYO
Member	KATAGIRI Naoto	Associate professor, Osaka University Law School
Member	SATO Motohiro	Professor, Graduate School of Economics, Hitotsubashi University
Member	MURAKAMI Yumiko	General Partner, MPower Partners
Member	MOROTOMI Toru	Professor, Kyoto University Graduate School of Global Environmental Studies (GSGES)

Outline of the session

回	開催日時	主な検討内容
First Session	Monday, December 20, 2021 10 : 00～12 : 00	● Employment system, human investment, startups and large companies
2nd Session	Wednesday, February 21, 2022 10 : 00～12 : 00	● Measures to support startups
3rd Session	Friday, March 14, 2022 15 : 00～17 : 00	● Employment system

Agenda and discussion points for each session

- Throughout the three meetings, we mainly discussed changes in the employment system and the revitalization of startups.

<Agenda and discussion points for each session>

Session	Agenda	Discussion points
First Session	• Change in employment system/strengthening of human investment	• Promoting individual reskill investment • Promote investment in human resources by companies • The state of measures to increase labor market mobility
	• Startup activation and business restructuring of large companies	• Tax issues related to financing • (non-tax) issues related to fundraising • Necessity of improving diversity Need to release management resources of large companies • Need to identify areas of concentrated support in Japan
2nd Session	• Revitalization of startups	• Current issues that may contribute to the low number of entrepreneurs: (1) lack of familiarity with entrepreneurship, (2) insufficient entrepreneurship education, (3) fear of failure, etc. • How the Japanese tax system should be based on the perspective of attracting foreign entrepreneurs and investors • SME support system • Trends in Taxation Focused on Individuals
3rd Session	• Employment System Status and Changes	• Challenges in developing digital infrastructure and data linkage mechanisms related to personal information • Future policies for the tax system in general, the withholding system, and the social insurance system • Promotion of human investment by individuals • Support system for the unemployed • Promotion of dual- and side-employment • Promote entrepreneurship by foreigners and attract foreign entrepreneurs

