

# 1. Learn about the Significance and Role of "Tax"

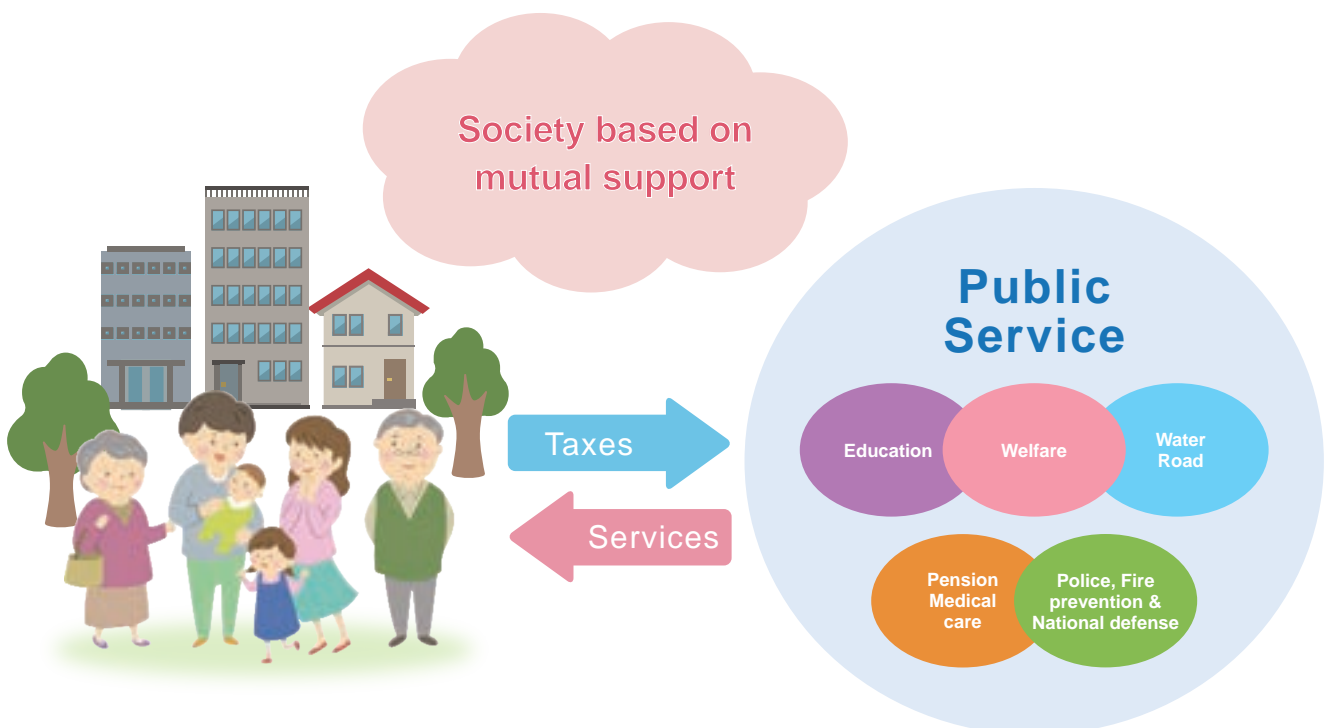
## 1 "Tax" is a "Society Membership Fee"

**Public services** such as social security (e.g. pensions and medical care), infrastructure (e.g. tap water and road), education, police services, fire prevention, and defense services are indispensable for our life. However, such provision does not come for free.

It is socially inappropriate to provide social security and education only for people who can afford the costs. It is also difficult to provide police and defense services only for people who need them. If **public services** are left to be provided by the private sector under the market principles, they may fail to be provided in sufficient volume or at sufficient levels.

Thus, public services should be implemented in the public sector by using taxes to accommodate the need of public services.

People need to broadly and fairly share the costs of **public services** to support each other and build a better society. Therefore, taxes can be accurately described as a **"society membership fee"**.



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## 2 The Role of "Tax"

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### 1 Fund Raising

The tax system is positioned as the most direct and important means to **raise funds** for the **public services**.

### 2 Income Redistribution

Income tax and Inheritance tax have **progressivity**, which demand a greater burden on people with economic power, and they play a role in **redistributing** income and assets in conjunction with expenditures of social security benefits, etc.

### 3 Economic Stabilization

The tax automatically limits economic fluctuations and **stabilizes the economy** by holding down total demand through a tax revenue rise during an economic boom and stimulating total demand through a tax revenue decline during a slump.

## 3 The Three Principles of "Tax"

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### Principle of Fairness

- "Horizontal fairness" principle: requires people with the same economic capacity to pay the same tax
- "Vertical fairness" principle: requires people with greater economic capacity to pay higher tax
- In recent years, "fairness across generations" has become more important

### Principle of Neutrality

Tax system should not distort economic activities by individuals and business corporations

### Principle of Simplicity

Tax system should be as simple as possible and made understandable