Significance and Role of Tax

Taxes are a form of membership dues to society.

Public services cover everything from social security and welfare, including pensions and medical care, to social infrastructure development, such as waterworks and roads, as well as to education, policing, firefighting and national defense. These services are essential to our daily lives yet cost money. Taxes are used to fund these public services. In order for everyone to help each other in an effort to form a better society, it is necessary that the tax burden is shared broadly and fairly among the members of society. This is why it is best to say that taxes are membership dues to society.

Society backed up through its members supporting each other

Adequate and stable taxes are required to fund public services

In order to fund public services, tax revenue needs to be secured in a stable manner and in sufficient quantity. The basic principle is that the total amount of money required for public services such as social security benefits is balanced with the burden of taxation and social insurance premiums. It is our responsibility to ensure that these burdens will not be passed on to future generations.

Participation and selection

It is up to us to choose the level of public services provided for us, including social security benefits, and the burden to be imposed on us for these public services.
Principles of Fairness, Transparency and Confidence

As members of society, we must share the tax burden broadly and fairly. Fairness, transparency and confidence should be the guiding principles for designing and operating the tax system.

**Fairness**
The tax system must be fair to all taxpayers.

**Transparency**
The tax system must be transparent and easy to understand.

**Confidence**
The tax system must gain confidence of all taxpayers for their payment of taxes.

The principle of fairness has different aspects. **Horizontal fairness** means that people with equal economic power are required to bear an equal burden. **Vertical fairness** means that people with larger economic power are required to bear a larger burden. In recent years, a new concept of fairness, inter-generational fairness, has taken on importance, focusing on fairness in the tax burden between different generations or the balance between benefits and burdens in each generation.

A tax system adaptable to structural changes in economy and society

Japan is facing diverse problems, ranging from the concurrent progression of the declining birthrate and the aging of society, to the rapid advance in globalization, social disparities, limited resources, and environmental issues, including climate change. We must build a tax system that can accommodate these structural changes in society and economy.