



FY2015 Japanese National Budget

In Japan, an annual national budget is arranged for the fiscal year (starting on 1 April and end in 31 March next year). In general, after Cabinet approves the budget drafted by the Minister of Finance, it is submitted to ordinary Diet starting from January for discussion at both upper and lower houses and then finally authorized by the end of March. In addition to the annual budget, a supplementary budget arranged to amend or add something to the regular budget for the fiscal year, if so required.

Point 1

FY2015 budget is the largest ever in expense size with reduced amount of JGB issuance on a tax revenue increase **Interim target keeping fiscal consolidation will be achieved**

- On 14 January 2015, the budget for FY 2015 was approved by the Abe's Cabinet. The general account amounts to JPY96.34trillion which was the largest ever in expense size. For the revenue side, the JGB (Japanese government bond) issuance is planned to decrease as tax revenues are expected to increase substantially on corporate earnings expansion. As the result, the dependency ratio on debt issue will improve to 38.3% from the 43.0% in previous year, below 40% level for the first time in six years. The fiscal primary balance, difference of the total revenue (excluding the revenue from the JGB issuance) and total government expenditure, is forecasted to improve to the deficit of JPY13.41trillion, by cutting JPY4.57trillion deficit. Therefore, the government's interim target of securing fiscal consolidation, aiming to halve the ratio of primary balance deficit to GDP from -6.6% in FY2010 to -3.3% by the FY2015 seems to be achievable.

Point 2

Trend of increase in social security expenditure will continue **Focus are on revitalisation of regional economy and increasing support for fostering children**

- As to the expenditure, social security expenditure related to medical and nursing care for the aged are expected to expand to JPY31.53trillion, adding substantial JPY 1.3trillion. Despite the government payment for the care service charges to servicers would be reduced to some extent, the total expenditure will be increased because of the increase in population in elderly age. The issues of securing sufficient revenue source to cope with the increasing social security expenditure in the aging society, still remains.
- The FY2015 budget also focused on the regional economy revitalisation and giving more support for child-care and education. For the regional revitalisation, JPY1trillion was allocated to regional cities to give citizens more business and job opportunities. And for the child care supporting, the government has decided to launch a new program in April to accelerate eliminating queue on the waiting list for nursery schools.

This well-balanced budget with realistic tax reforms should promote the growth strategies on Abenomics

■ Set to work on the corporate tax reforms compatible with keeping fiscal soundness

On the 14th January, outline of the tax reform for FY2015 was also approved by the Cabinet. By this reform, the effective corporate tax rate, relatively higher than those of foreign countries, will be lowered from 34.62%. To secure enough alternative fiscal resources, the reform aims to collect taxes from wider range of taxpayers than now, not limited to the profit-making companies; by means of enhancing a taxation system on a size-based business tax way which focuses on business scale as well as on their profits of tax privileged companies.

■ In expectation for keeping Japan on a virtuous cycle of economic growth

The stimulative budget and the tax reforms for FY2015 includes important elements of the growth strategy of Abenomics. Supported by these policies, Japan is trying to steadily keeping the trend of “positive economic growth cycle” through combining corporate earnings expansion with wage raising to stimulate consumptions.

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