

Hometown Tax and Regional Activation



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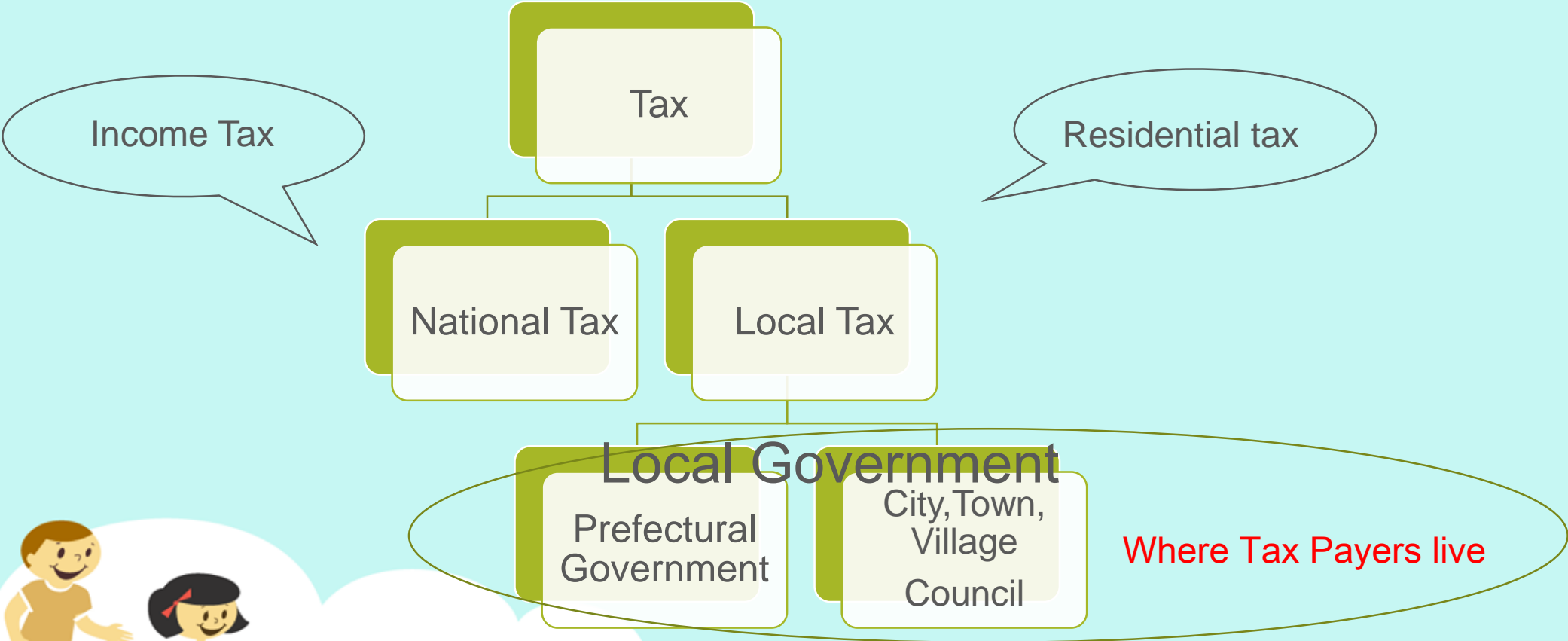


What is Hometown Tax?

- Unique donation system
- Introduced in 2008 by Ministry of Internal Affairs and Communications
- One measure for regional activation and to improve regional disparities



Background



Local Governments (LGs) with larger workforce populations = more tax revenue



Background

Outflow of the rural population in Japan

Many working age people tend to move to urban areas for better jobs.

LGs in rural areas have difficulty getting enough tax revenue from working population.



Working population disparities create tax revenue disparities between local and urban areas.



Background

LGs provide child care and education services.

➔ sense of gratitude for and pride in the LG

Facing hometown's financial difficulties,

Many Japanese people who leave their hometown and eager to repay to their hometown.



A way to help LGs to get sufficient tax revenue and
a way for people to repay their hometown

Hometown Tax System

- ◆ Money for hometown and/or other LGs
- ◆ Payer decides how much Hometown Tax to give
- ◆ Payer decides what the Hometown Tax will be used for
e.g. education, international relations, childcare
- ◆ Receive credits for income and residential tax

≠ Tax = Donation for LGs



Why is it called Hometown Tax?

Because the culture of giving donations is not widespread in Japan

Japanese Government intentionally uses the word ***Tax*** rather than ***Donation***



Unique Features

that helped make Hometown tax popular

1. Attractive Gifts (local specialties)

2. Tax Credits

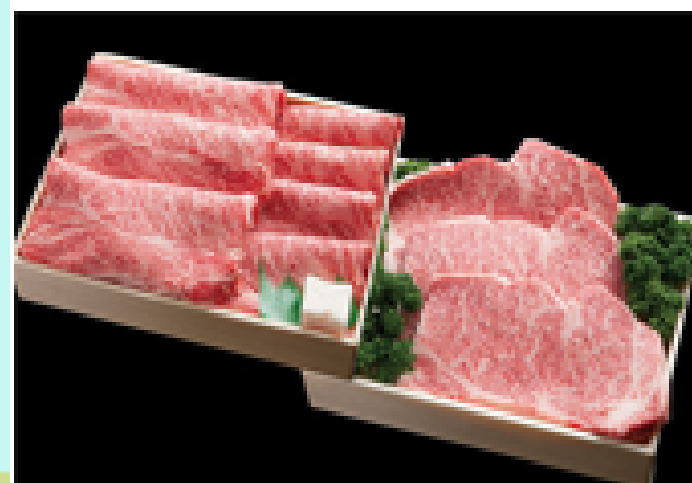


Attractive Gifts

Many LGs send valuable gifts to donors as a token of gratitude

Eg, Kobe City sends donors:

- Kobe Beef
- Nada Sake



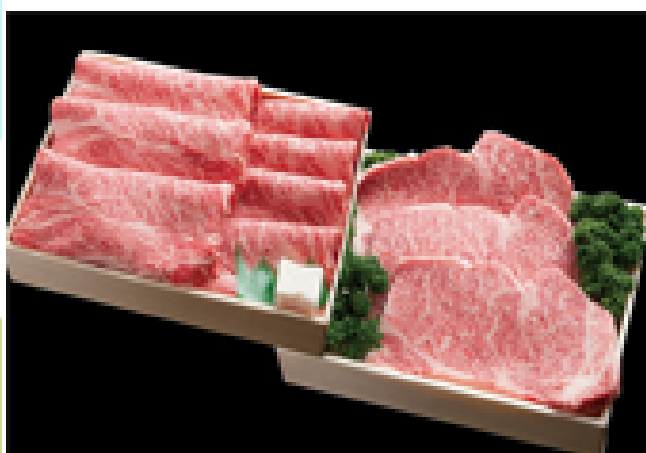
Tax Credits

1 AUD \approx 86 JPY

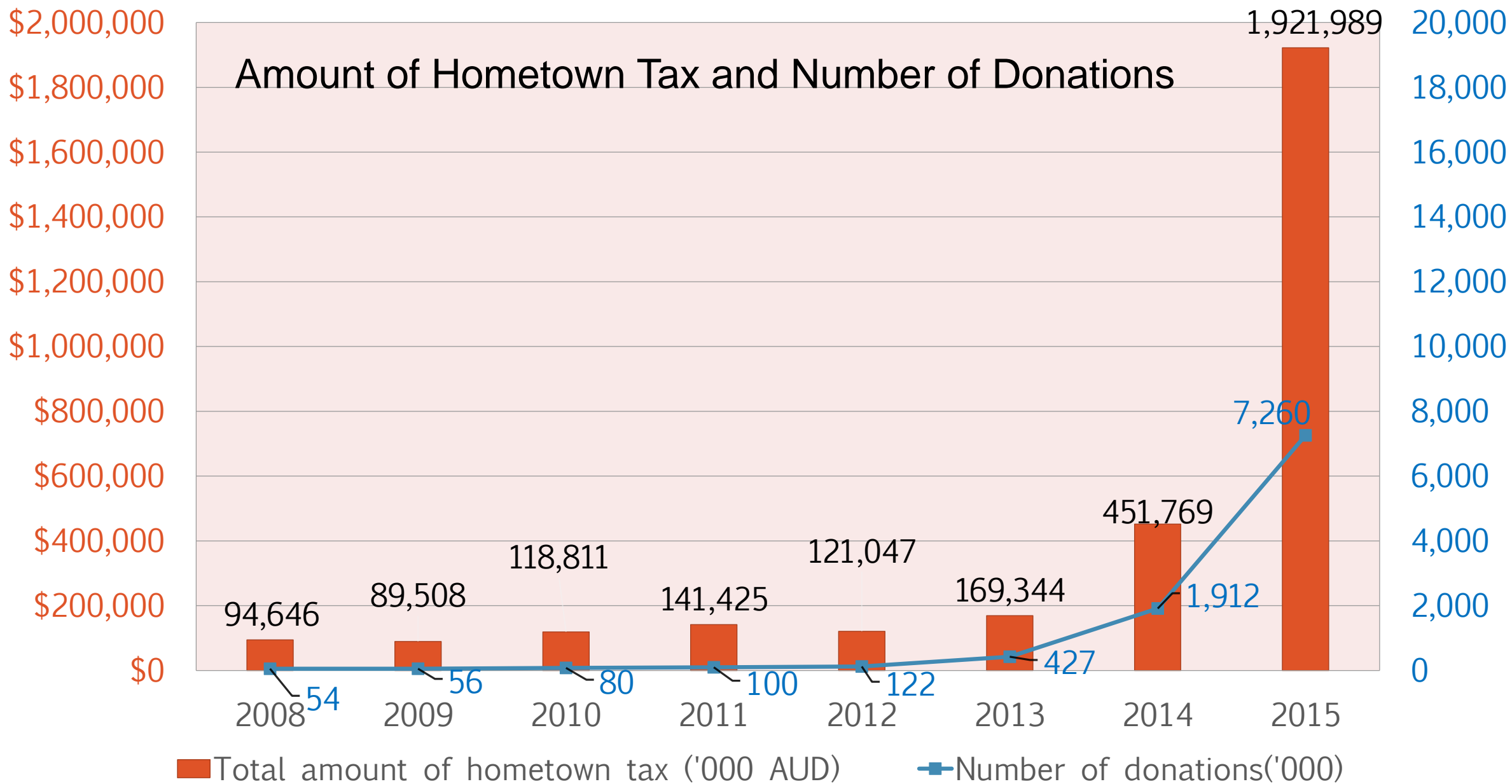
Total amount of Hometown Tax **minus 2,000 yen (23 AUD)**
= credit for income tax and residential tax

*Eg, 300 AUD – 23 AUD = **277 AUD** tax credit*

+ Donors can get gifts worth more than 23 AUD



Amount of Hometown Tax and Number of Donations



Top 3 Benefits

1. Helps people think more about how to best use taxes
2. Gives people a way to repay or help their hometown and/or other LGs
3. Helps LGs and donors reconsider policies and governance in their local areas

Ref. the Ministry of Internal Affairs and Communications, Hometown Tax Portal Website
http://www.soumu.go.jp/main_sosiki/jichi_zeisei/czaisei/czaisei_seido/furusato/policy/



Local Governments can:



- increase revenue
- use the funds to reactivate their town

Donors can:

- get valuable gifts with just 23 AUD
- get tax credits
- get involved in local governance by deciding how their payments are used



Good Practice

Donations to the Tohoku region to help reconstruction efforts after the Great East Japan Earthquake and Tsunami in 2011

Iwate, Miyagi and Fukushima Prefectures

2010 Financial year: approx. 47,000 AUD

2011 Financial year: approx. 56 mil. AUD

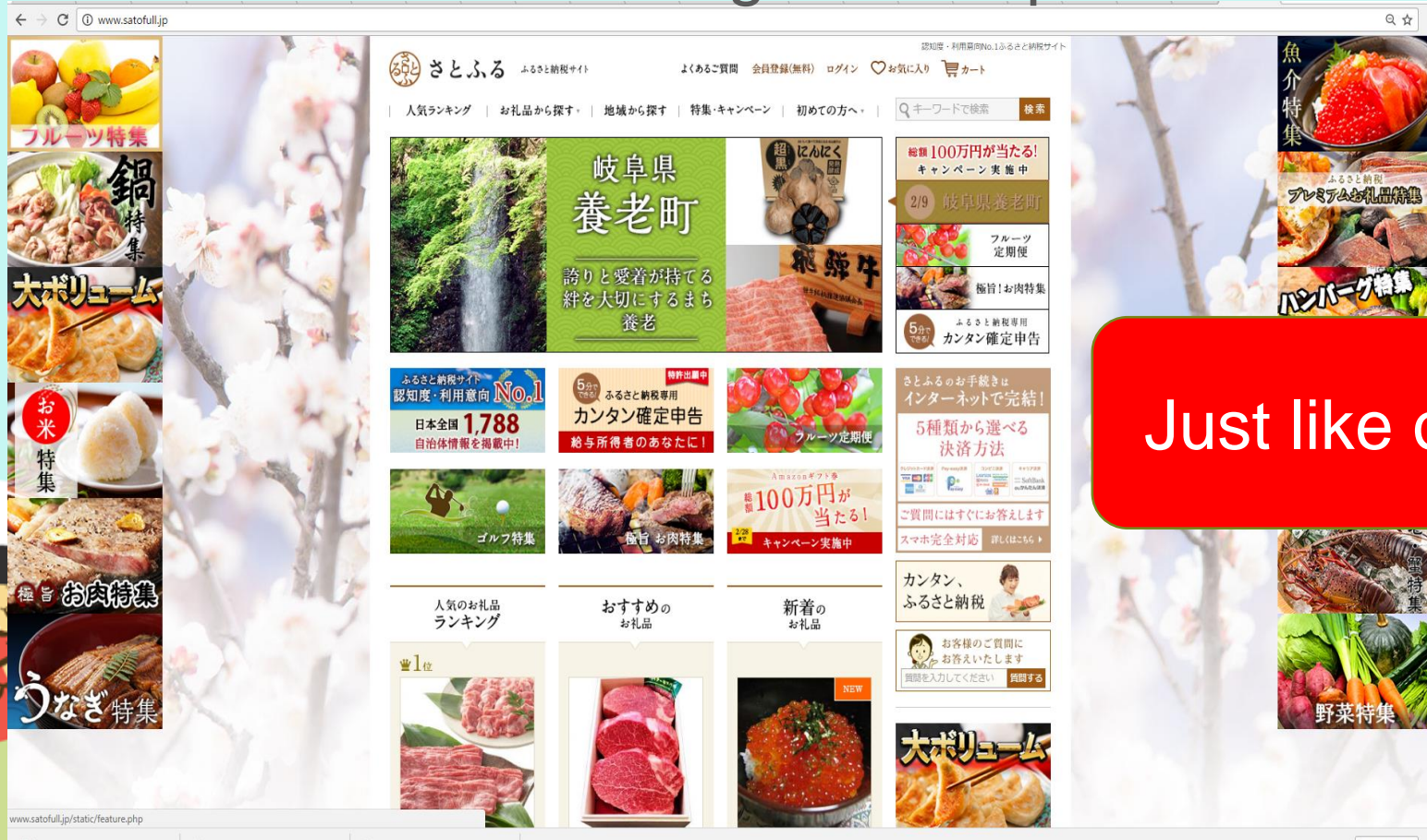
39% of total donations in 2011!



Challenges

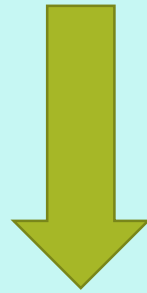
■ The gap between expectations and reality

Donors focus more on gifts than policies



Challenges

- Excessive competition between LGs (ie, increasing value of gifts)



New disparities between LGs who offer attractive gifts and those who do not



Future Plans

- How to address these challenges:

Reach a compromise between expectation and reality

Utilise gifts as an effective way to promote their LG

Make gifts a trigger to understand the LG and its policies

- Hometown Tax for Companies commenced in 2016.



Thank you for listening

