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*Keep impact of tax increase minimal*

Extraordinary Meeting of LDP’s Tobacco Parliament Member Federation

Extraordinary Meeting of Tobacco Parliament Member Federation of the Liberal Democratic Party (Chairperson: Shunichi Yamaguchi, member of the House of Representatives, Tokushima 2nd district) held an extraordinary meeting on May 30 at the Toshi Center Hotel in Chiyoda ward, Tokyo.

Article 4(1)b and Article 4(1)b attended from the Japan Tobacco Growers Association while Article 4(1)b and Article 4(1)b attended, and other members attended from the Japan Tobacconist Federation. They discussed the next period’s tobacco taxation, separate smoking rooms utilizing local tobacco tax, and so on.

In his opening address, Chairperson Yamaguchi said that, in regards to a tax hike to cover defense spending, “The 5-year tax increase program ending last year consisted of consecutive tax increases as a predictable method with the aim of preventing negative affects due to rapid tax hikes. In a sense, this was a promise that the government wouldn’t raise taxes for at least the next five years, but now it has suddenly surfaced again with the reasoning that sufficient funds can’t be secured for defense spending, therefore increased tobacco tax should serve as a budgetary resource. We’ve held discussions in various meetings, however the situation is becoming increasingly difficult to control, and only the direction is growing more solid. However, from our perspective, the promise was made that tax wouldn’t be increased for the interim, so we are of the understanding there is room for negotiation regarding the timing, etc.”

In regards to separate smoking rooms, Chairperson Yamaguchi went on to say “As for the utilization of local tobacco tax to improve smoking environments, the Ministry of Internal Affairs and Communications has issued notices to local governments encouraging this move, however tobacco tax is a general funding source, therefore how it is used varies depending on the judgment of the local government head. As such, I’d like to see more concrete action to achieve this objective. Perhaps it is better to use tobacco tax as federal tax that is distributed to local governments in the form of grants to establish smoking facilities. It seems this idea is in the works, but I’d like to see even just a little progress. We also want to achieve this goal in order to continue supporting the industry.”

Next, Article 4(1)b from the Japan Tobacco Growers Association gave an address and appealed for special support to realize a world with hope by stating “This latest tobacco tax hike proposed as funding for defense spending is an extremely heavy matter for us as stakeholders in the tobacco industry. The continuous tax increases for five years ending last October led to sales falling significantly and a surplus of raw ingredients which ultimately resulted in the recruitment of
discontinued crops two years ago. 40% of fellow tobacco growers across Japan had no choice but to discontinue their crops. Even at this stage it doesn’t sound right to me to target smokers in order to secure defense spending funds, however if a tax increase is unavoidable, I’d like consideration made toward minimizing the impact on tobacco growers, retailers, and so on.”

Attending parliament members expressed the following opinions; “In regards to a tax increase for the sake of defense spending, the aspect has changed significantly since the end of last year. Inflation and higher wages have resulted in greater income tax and consumption tax revenue, and it has also been tentatively calculated that tax revenue will rise due to the economic effects of directing funds to the defense industry. In light of these circumstances, I believe we are at a stage where we must thoroughly examine the matter of a tobacco tax increase.”

“Tobacco has taken root as an invaluable industry in Japan’s mountainous regions. However, tobacco growers are expressing their grave concerns regarding what to do about repeated tax hikes and the next tax increase for defense spending on the horizon. The Tax Commission has said it wants to consider the impact on Japanese tobacco growers, and it is crucial that this impact is examined very closely.”

“I believe it is important that local government taxes are used after a convincing explanation is presented and everyone shares an understanding. In terms of facilities for separate smoking environments, there is value in first firmly grasping the purpose of tax revenue spending, then establishing earmarked taxes.”

“I’ve been the head of the local government for over a decade and during that period we received practical funding exceeding 10 billion yen. I think if the Ministry of Internal Affairs and Communications tells local governments of just how big the amount is, it would be effective. There may be some heads of local governments who do not know about the actual circumstances and perhaps even some who haven’t grasped the tax increase amount, so I believe it’s important to ensure good understanding.”

Chief Director Tetsushi Sakamoto gave a summary of the meeting; raising the Federation’s objectives as shown below, which were unanimously approved.

1. If the future tobacco tax increase is unavoidable, achieve tax reform for heat-not-burn tobacco (tax reform equivalent to that for paper cigarettes) before the tax increase is applied to cigarettes.
2. Aim to postpone the tax increase after the tax reform for heat-not-burn tobacco as long as possible, and when the said tax increase is implemented, have it implemented in small, phased increments.
3. Seek the early establishment of a nationwide system to utilize part of local tobacco tax for separate smoking facilities both inside and outside public and private facilities, and have this included in the Items for Consideration of the 2024 Tax Reform Proposal.

Member of the LDP’s Special Committee on the Tobacco Industry, Akinori Eto, gave the closing address, stating “In order to firmly protect our resolutions, I’d like us to unite and do our absolute best
to draw up an outline for tax reform by the end of the year, however, even before that, I believe there is a need to thoroughly examine exactly how the tax should be. I’d like to hold a meeting of the Special Committee on the Tobacco Industry next and I ask you all to continue giving your open feedback and cooperating with the discussions.”