6. Tax measures to secure financial resources for defense capability enhancement

Stable financial resources will be secured by expenditure cut and revenue increase for drastic reinforcement of Japan’s defense capability. The tax increases will be implemented in phased manner toward FY2027, and 1 trillion yen will be secured in FY2027. Specifically, the following measures will be taken with respect to corporate tax, income tax, and tobacco tax.

① Corporate Tax

② Income Tax

③ Tobacco Tax
The tax increase equivalent to 3 yen per stick will be implemented in stages, while ensuring predictability, with due consideration of the impact on domestic leaf tobacco farmers.

In order to ensure predictability, it is necessary to present the issues and proceed with discussion in advance. If it is the case to implement the tax increase in FY2025, it needs to be decided in the 2024 tax reform proposal (to be decided in Dec 2024) at the latest.

The above measures will be implemented at an appropriate timing after 2024.
Tax measures to secure financial resources for defense capability enhancement

2022 Tax Reform Proposal

The tax increase equivalent to 3 yen per stick will be implemented in stages, while ensuring predictability, with due consideration of the impact on domestic leaf tobacco farmers.

- Tobacco Taxation Issues
  - Difference in tax burden exists between HTP and CC (up to 30%) → Lack of tax parity
  - Utilize increased revenues from tax optimization (elimination of tax difference) to fund the defense budget

- with due consideration of the impact on domestic leaf tobacco farmers
  - Implement the taxation optimization prior to the tobacco tax increase

- in stages, while ensuring predictability
  - Implement in stages based on the schedule to fund the defense budget (clarify the overall picture in advance)

- The tax increase equivalent to 3 yen per stick
  - Secure the financial resources equivalent to 3 yen per stick by eliminating the tax difference on HTP and increase the tobacco tax.