

Definite Plan for the Comprehensive Reform of Social Security and Tax

July 1, 2011
Cabinet Report

The Definite Plan for the Comprehensive Reform of Social Security and Tax (which was decided by the Headquarters of the Government and Ruling Parties for Social Security Reform on June 30, 2011) is hereby reported as shown in separate documents.

Definite Plan for the Comprehensive Reform of Social Security and Tax

June 30, 2011

Decision by the Headquarters of the Government and
Ruling Parties for Social Security Reform

Introduction

The Headquarters of the Government and Ruling Parties for Social Security Reform was established in October 2010 for the comprehensive reform of social security and tax. Since then, we have been energetically discussing related issues; the Academic Experts Committee on Social Security Reform was held from November to December 2010; the Council for Intensive Discussion on Social Security Reform was held from February to June 2011. During this time, the ruling parties (the Democratic Party and the People's New Party) have had deep discussions at the Democratic Party's Research Committee for the Comprehensive Reform of Social Security and Tax, etc., and have summarized reports, etc.

In line with the "Promotion of Social Security Reform" (Cabinet Decision on December 14, 2010) (Appendix 1), and based on the results of these concentrated deliberations by the government and the ruling parties, this plan summarizes the specific directions of the comprehensive reform of social security and tax. Under this plan, the government and the ruling parties will further deepen the deliberations and will seek to substantiate them.

For the realization of the reform, the understanding and cooperation of the general public is necessary, regardless of different standpoints, and based on wide-ranging discussion. We hereby call for the opposition parties to participate in mutual consultation for social security reform.

The Great East Japan Earthquake, which took place on March 11 this year, has caused unprecedented damage to Japan. In order to overcome this national crisis, we need to promote measures aiming for not only recovery from the disaster but also the realization of a vibrant Japan. We will give adequate consideration to the affected region and sufferers and will balance the reconstruction policies with the comprehensive reform of social security and tax. From the future-oriented point of view, the affected region will be reconstructed as an advanced model of Japan, where the birthrate declines and population ages.

I. The whole picture of the reform of social security

1. Basic concept of social security reform: aiming for the realization of “medium-scale and highly functional social security”

Since the 1960s, when the basic framework of the current social security system was formulated, up until this day, there have been drastic changes in social and economic circumstances, including (i) changes in the employment base, such as increases of irregular employment; (ii) the weakening of the safety-net functions of local communities and families; (iii) a conspicuous decrease in the population, especially the working generations; (iv) a rapid increase of costs associated with social security because of the aging population; (v) difficult economic and financial conditions such as stagnation of the economy and long-term deflation; and (vi) the weakening of the safety-net functions of corporations.

Considering such circumstances, we need to go back to the original concept of social security, which supports the independence of the people and facilitates the establishment of a social foundation that enables the people to live with peace of mind, and to recover and strengthen the original functions of social security.

For social security reform, it is important to respect the accumulation of various discussions since the National Commission on Social Security and the Council for Realization of a Reassuring Society and to acknowledge the “three philosophies” ((i) assurance of participation, (ii) universalism, and (iii) vitality based on peace of mind) and the “five principles” ((i) consideration for all the generations, (ii) investment for the future, (iii) a decentralized and pluralistic supply system, (iv) comprehensive support, and (v) stable financial resources that do not shift the burden to the future generations), which were designated in the report of the Academic Experts Committee for Social Security Reform held in December last year.

First, we will deal with the frayed safety net and the widening of income inequality. By strengthening the income redistribution function and expanding the expenditure related to families, we will seek to secure the safety of all the generations and to increase each individual citizen’s peace of mind. For this purpose, it must be ensured that everyone, including those who have fallen out of the safety net, can actually feel the benefits of social security. We will aim for a society whose system is neutral to the individual’s choice about way of living and way of working, including childbirth and child raising; where participation is assured through employment, etc.; and in which children can grow soundly through interaction with family and society and in a good environment.

Robust social security will be achieved through participation of the people in a system of mutual

support. Therefore, we will confront the real problems faced by the people, such as inadequate services, job shortage, working poor, social exclusion, and abuse, and seek to improve the quality by information disclosure and requisite increase of efficiency. The reformed social security system will be supported by the most appropriate balance between self-help, mutual assistance, and public assistance, in a more fair and equitable manner. We will aim for the establishment of a comprehensive support system that stands on the side of the people who are in need of support, and a society where medical and long-term care support are realized so that the people can live with dignity in local communities.

Aiming for the realization of social security, with which the people can actually feel more of the benefit and satisfaction, and firmly maintaining universal healthcare insurance and pension, we will seek to establish a middle-scale and highly functional social security system; the system will assume a balance between benefits and burdens and will be designed in consideration of each level of the benefits and the burdens in developed countries of the OECD.

Based on the basic concept of the reform as described above and with the aim of infallibly strengthening the required functions of social security and, at the same time, ensuring sustainability of the whole social security, we will implement reforms of the overall system, while considering the following points.

- (i) Basically, to support the preservation of individual dignity and independence and self-help of individuals through the system of mutual assistance and cooperation among the people while paying attention to an optimum balance between self-help, mutual assistance, and public assistance; to avoid income inequality, an increase in poverty and social exclusion; and to establish a system by which each of the people can perform at his/her maximum potential, actively participate in a society, have his/her “place and opportunity” and support the social economy
- (ii) To enhance necessary functions, and will prioritize benefits thoroughly and rationalize system operations, at the same time; to firmly secure truly necessary benefits and to seek for optimization of burdens; and to realize a system that can meet the expectations of the people, is highly functional, and is sustainable in the medium and long term
- (iii) To implement reform focusing on fairness not only among generations but also within a generation in both the aspects of benefit and burden
- (iv) To pay attention to the interrelationship between social security, finance, and the economy; to achieve social security reform and fiscal consolidation simultaneously; and to realize a positive cycle of social security reform and economic growth
- (v) To sort out the entire picture of the social security benefits, including those of local governments’

independent projects from the standpoint of the people; and to promote the simplification and improvement of quality of the system, including promotion of one-stop services, by incorporating experiences and ideas in the local fields, with the aim of adequately meeting the diversified needs of local communities and individuals

2. Priority order of the reform and directions of specific reforms in individual areas

(1) Priority order of the reform

Taking into account the “basic directions of social security reform” ((i) consideration for all the generations and investment for the future; (ii) assurance of participation and comprehensive support (a society in which everyone can participate); (iii) universalism and decentralized and pluralistic supply system of services; and (iv) vitality based on peace of mind), as stated in the proposal of the Ministry of Health, Labour and Welfare, we will give priority to the following matters.

- (i) Measures for the support of children and child raising and employment of young people
- (ii) Reform of medical and long-term care services, etc.
- (iii) Pension reform
- (iv) “Measures against poverty and income inequality (multilayered safety net)” and “measures for low-income earners” as cross-system issues

(2) Specific reforms in individual areas

As for the specific reforms in individual areas, we will enhance required functions, and will prioritize benefits thoroughly and rationalize system operations, at the same time, while basically dealing with the following points.

- (i) To seek to steadily implement the three mainpoints of “assurance,” “mutual support,” and “growth” as presented by the Prime Minister on May 23 and 30
- (ii) To implement functional enhancement fundamentally by strengthening the framework of social insurance (mutual assistance and solidarity) in which the relationship between burdens and benefits is clearly defined
- (iii) On the basis of (i) and (ii) above, to seek to strengthen the safety-net functions, by expanding the scope of application and implementing measures for low-income people in the social insurance system, from the viewpoint of preventing the division or polarization of society and reproduction of

poverty and income inequality

- (iv) To review the aspects of both benefits and burdens, from the viewpoint of securing fairness and strengthening the income redistribution function not only among generations but also within a generation (especially within the elderly generation)
- (v) To seek to realize a service supply system which contributes to growth and is based on the local community, including participation of various entities in service fields such as medical care, long-term care and childcare, etc., and creation of the “New Public Commons”

The contents and reform process of the items to be enhanced and prioritized or rationalized in individual areas are as indicated in columns A to C of Appendix 2 “Specific measures, process, and estimated costs of the social security reform.” For a description of each reform item, specific numerical targets are indicated as far as possible; if an item is closely linked to the growth strategy, a note to that effect is added.

<Major reform items in individual areas (items to be enhanced/items to be prioritized or rationalized)>

I Children and child raising

- To realize functional enhancements such as the quantitative expansion of childcare, etc., in accordance with the circumstances of the local community and the integration of kindergarten and day nursery, in line with the implementation of the new system for children and child raising, etc.
 - Resolution of the problem of the waiting-list children, realization of high-quality school education and childcare, enhancement of after-school care clubs, and improvement of social orphanages
 - Promotion of participation by diverse business entities in childcare, etc.; effective use of existing facilities; and unification of implementation system

II Medical and long-term care services, etc.

- To rationalize or prioritize, and to functionally enhance, the service supply system in accordance with the actual circumstances of the local community; for this purpose, we will comprehensively review the systems of medical service fees and long-term care fees and improve legal systems in order to develop infrastructure for reformed medical and long-term care services.
 - Differentiation and strengthening of, and cooperation between, functions of hospitals and hospital beds; correction of uneven distribution among regions and hospital departments;

strengthening of preventive measures; enhancement, etc., of in-home medical care; establishment of an integrated community care system, strengthening of care management functions, and enhancement of accommodation-type services; reformation of rooms in facilities into units consisting private rooms and a common room; and increase in manpower associated with prioritization

- To shorten average length of hospital stay; appropriating outpatient consultation; reduction of multiple consultations, multiple examinations, medication overdose, etc., by effectively using ICT; and preventive long-term care and prevention of aggravation
- To strengthen the safety-net functions and to prioritize benefits in the medical care and long-term care insurance systems, through the enhancement of functions of the insurers
- a) To expand the scope of application of employees' health insurance and to stabilize, strengthen, and regionally widen the financial base of the national health insurance
 - To expand the application of employees' health insurance to part-time workers, to shift the fiscal administration of the national health insurance from the municipal level to the prefectural level, and to strengthen the financial base of the national health insurance
- b) To reinforce the factors of burden according to each capacity to bear the cost of long-term care insurance, to pay attention to low-income earners, and to prioritize benefits
 - To further reduce the insurance premiums of Primary Insured Persons to be paid by low-income earners
 - To calculate long-term care levy on medical insurers in proportion to total amounts of insured persons' wages; to prioritize the benefits that are effective in preventing aggravation
- c) To address advanced and long-term medical services (to strengthen the safety-net function) and to prioritize benefits
 - To examine the reduction of burden by reviewing the high-cost medical care benefit system, and fixed payment upon medical consultation according to the scale of the reduction, etc. (to also examine appropriation of outpatient consultation taking into account role-sharing among hospitals and clinics); and to pay attention, however, to fixed payment upon medical consultation in the case of low-income earners
- d) Others
 - To examine the total accumulation system and measures for low-income earners and regressivity, etc.
 - To further promote the use of generic medicines, to review the medicinal costs to be borne by

patients, and to review the government support to the national health insurance association

- To review the medical system for the elderly (to establish a burden system that is fair to both the elderly generation and young generation, to introduce assistance calculation by total remuneration rate, and to review the self-pay burden)

III Pension

- To promote discussions and environmental improvement for a national consensus and to strive for the realization of the “establishment of new pension system”
 - Earnings-related pension (social insurance system) and minimum-guaranteed pension (tax financed)
- To improve the current system in line with the right direction of pension reform
 - To strengthen the minimum-guarantee function and to review the pension for high-income earners
 - To expand the application of the employee’s pension to part-time workers, to review the system of No.3 insured persons, to review the old-age pension for active employees, to exempt payment of insurance premium during the period of child-care leave, and to unify employees’ pensions
 - To examine the macroeconomic slide, increase in the pension eligibility age, and increase in the upper limit of standard remuneration
- To rationalize operations (to improve operations and systems)

IV Employment promotion

- With the aim of realizing a society with participation of all the people, we will actively work to secure stable employment for young people, to eliminate the M-shaped curve of the women’s employment rate, to create a society in which people can continue working regardless of their age, and to promote the employment of disabled persons. At this time, related organizations will cooperate with each other to comprehensively implement the policies for employment promotion along with welfare, industrial promotion, and educational policies, according to the circumstances of local communities.
- To seek to realize decent work (human work with job satisfaction)
- To examine the financial resources of employment insurance and the job-seeker support system, in consideration of the provisions of related laws

V Items to be enhanced, prioritized, and rationalized, other than I to IV

- To improve the service infrastructure; to promote medical innovation; to establish a secondary safety-net; to review public assistance (prioritization and rationalization, such as enhancement of the support for employment and independence; appropriation of medical assistance, etc.; full implementation of measures to prevent the illegal receipt of benefits; and strengthening of cooperation among related organizations); to comprehensively enhance the measures for disabled persons (support with no systemic gaps and support for the shift to local communities and community life); to examine the measures for intractable diseases; and to present a new, reassuring community model in the context of recovery from the earthquake disaster
- It is essential to cultivate children and young people, who will lead the next generation, for improved sustainability of the social security system. In addition to the social security system reform as described above, we will, in line with the increase in the mobility of employment, take measures to establish an educational environment that enables the acquisition of skills and ensures employment, to ensure the quality of education and equal opportunity and to strengthen support especially for students, etc., who have achieved good records in spite of financial difficulties.

VI Local independent projects

- Taking into account the direction of the reforms as described above, local governments will implement local independent projects related to social security in addition to systems related to national expenditure, according to the actual circumstances of local communities.

[Regrouped] Measures against poverty and income inequality—the establishment of a multilayered safety net

- One-stop service in which employment support and livelihood support are integrated
- To expand the application of social insurance to part-time workers
- To strengthen the measures for low-income earners under the social insurance system
 - To give consideration to low-income earners under the national health insurance and long-term care insurance at the municipal level; to address advanced and long-term medical services (to strengthen the safety-net function); to examine the total accumulation system; and to strengthen the minimum-guarantee function of the pension system
- To establish the secondary safety net

- To establish a job-seeker support system and to implement continuous support for those who have multiple difficulties (to promote social inclusion by such means as personal support and one-stop service)
- To review public assistance

(3) Early introduction of the common number system for social security and tax

The primary purposes of introduction of the number system for social security and tax are promoting social security for those who are truly in need of support and providing its effectively and properly. By the introduction, it will be possible to ensure the fairness and clarity of benefits and burdens of the people, to promote the further convenience of the people, and to rationalize and streamline administration.

At the introduction, we must gain the consent and understanding of the people by taking adequate measures for personal information protection in the aspects of both the institution and system and presenting the costs and benefits. We formulated the “outline of the number system for social security and tax” in June, and aim to submit bills to the Diet as soon as possible in and after this autumn.

II. Estimated social security costs

1. Costs required for strengthening of functions (simultaneous implementation of enhancement and prioritization/rationalization)

The estimated costs (public expenditures) required for the items to be enhanced and prioritized/rationalized in each area of children and child raising; medical and long-term care services, etc.; and pension are as indicated in columns D and E of Appendix 2.

Throughout the reform, the additional costs (public expenditures) required for strengthening functions (simultaneous implementation of enhancement and prioritization/rationalization) are estimated at about 2.7 trillion yen; the approximate plan for 2015 is as follows:

Amount required for enhancement : about 3.8 trillion yen

Amount reduced by prioritization/rationalization : up to about minus 1.2 trillion yen

The costs additionally required (public expenditures) for each area in 2015 is estimated as follows:

I Children and child raising : about 0.7 trillion yen

(Hereafter, we will consider the measures with an amount exceeding about 1 trillion yen, including financial resources other than those from the comprehensive taxation reform.)

II Medical and long-term care services, etc. : up to about almost 1.6 trillion yen

(including the amount of up to about 0.4 trillion yen from the total accumulation system)

III Pension :up to about 0.6 trillion yen

(Regrouped: Measures against poverty and income inequality : up to about 1.4 trillion yen
(including the amount of up to about 0.4 trillion yen from the total accumulation system))

2. Estimate of the whole (national and local) public expenditures required for social security benefits

As for the current cost estimate for social security benefits, the fundamental statistics basically do not include local independent projects. From now on we will study the whole condition and will comprehensively sort out the entire picture and estimated costs of the social security benefits including the local independent projects.¹

III. Basic concept of the Comprehensive Reform of Social Security and Tax

1. Basic framework to secure stable financial resources for social security

(1) To secure stable financial resources for the social security system by using consumption tax revenue as the main financial resource

Taking into account a number of reports such as the interim report of the “Research Committee for the Comprehensive Reform of Tax and Social Security” of the Democratic Party, and the provisions of the related laws for the financial resources for social security, (national and local) consumption taxation will be secured as the main financial resource for the public expenditures required for social security benefits, from the standpoint of fair and universal sharing of the costs for social security, which widely benefits the

¹ On the basis of the budget of FY 2011, public expenditures of the national and local governments for social security benefits are 39.4 trillion yen.

On the other hand, according to the Ministry of Internal Affairs and Communications, it is estimated that the expenditures related to social security under the local independent projects will be 7.7 trillion yen in FY 2011.

people, by every generation.

As for the (national and local) consumption tax revenue, the national revenue is currently allocated to the three costs for the elderly under the general budget provisions. In the future, on the basis of the three costs for the elderly, we will expand the fields that are to be allocated to the “costs required for the social security benefits under the established systems of pension, medical care, and long-term care and the measures to deal with the falling birthrate” (“four costs of social security”; Article 104 of the supplementary provisions of the Tax Reform Act 2009). Considering the relationship between the scale of the consumption tax revenue and these costs, we will seek to enhance both the national and local consumption tax revenues in order to secure stable financial resources for social security.

(2) To make clear the use of the consumption tax revenue

All the (national and local) consumption tax revenues (excluding the current local consumption tax) will be used for the people and will not be used for the enlargement of the bureaucracy.² We will clarify the purpose of use of the consumption tax revenue by fully implementing divisional accounting, etc.; from a legal standpoint and an accounting standpoint, it will be clarified that the consumption tax revenue will be in principle used for the purpose of social security (the consumption tax revenue will be the financial resource for social security).

Further, in the future, the (national and local) consumption tax revenues will be secured as the main and stable financial resources of the whole public expenditure for social security benefits; by doing so, the social security system will be further stabilized and strengthened.

(3) To secure stable financial resources for social security benefits provided by the national and local governments

In order to implement the reform as described in (1) and (2) above, the role of local governments, which design and implement services near local residents, is extremely important, in the light of the concept of social security that should provide comprehensive support for each of the people. Decentralization will significantly increase the reliability of social security. As for the current (national and local) consumption tax revenues, the allocation of consumption tax revenues to the national and local governments (the tax allocation to the local governments includes the current local consumption tax and the part of the current national consumption tax that is allocated to the local governments by the local tax

² See the “Intermediary program to establish sustainable social security and to secure its stable financial resources” (Cabinet decision on December 24, 2008) as cited in the report of the expert review meeting.

grant ratio) and the basic framework of the tax allocation to the local governments will not be changed, taking into account the background up to now. On the basis of this assumption, an increased part of the (national and local) consumption tax revenues will be allocated in accordance with the role sharing between the national government and local government for social security benefits within the fields as described in (1) above; we will seek to secure stable financial resources for social security benefits provided by local governments, which support the social security system in cooperation with the national government.

In the light of the concept of securing stable financial resources under social security reform this time, we will comprehensively sort out the relevant issues as described in II-2 and implement the reform of local tax systems, etc., as described in IV (5) in order to secure the necessary and stable financial resources for local independent projects.

(4) To gradually increase the Consumption tax rate

In consideration of (1) to (3) above, we will, as a first step towards securing stable financial resources sufficient for the scale of total social security benefits, raise the Consumption tax rate (national and local) in stages to 10% by the middle of 2010's, to secure stable financial resources urgently required for the Comprehensive Reform of Social Security. (Appendix 3)

2. Simultaneous achievement of securing stable financial resources for social security reform and fiscal consolidation

We cannot allow the social security costs, which are the investment for the future, to be shifted to the future generations. Many of the current financial resources for social security benefits rely on deficit bonds; the burden is placed on the future generations. From the perspectives of not only the concept of social security but also the critical financial conditions of the national and local governments, we cannot any longer leave such circumstances as they are. We need to go back, as fast as possible, to the principle that “the costs of the social security, which benefits the current generation, must be borne by the current generation.”³

The social security reform this time aims for the “strengthening of functions of social security” and “maintaining of the functions: securing of sustainability of the system.” The securing of financial

³ The interim report of the “Research Committee for the Comprehensive Reform of Tax and Social Security” of the Democratic Party

resources for social security reform and ensuring of fiscal consolidation do not conflict with each other; both targets can be achieved only by simultaneously achieving both of them.⁴

As per this way of thinking, we will, under the Comprehensive Reform of Social Security and Tax, simultaneously achieve fiscal consolidation by securing stable financial resources for social security benefits.

Specifically, we will, as a first step towards securing stable financial resources sufficient for the scale of total social security benefits, raise the Consumption tax rate (national and local) in stages to 10% by the middle of 2010's. This increase in the national and local consumption tax rates will cover the following costs: the costs required for "strengthening of the functions" as indicated in II-1 above; the costs to be increased because of the aging population, etc.; the costs required in order to ensure that the national government's burden regarding the basic pension will be increased to 50% (in the National Commission on Social Security, the total of these three costs were estimated as "strengthening of the functions"); the costs required for "maintaining of the functions" that are shifted to the future generations; and the costs required for the increase in social security expenditures, etc., associated with the increase in the consumption tax rate. In this way, we aim to secure stable financial resources for social security.⁵

On the basis of these measures, we will seek to achieve the target of fiscal consolidation⁶ by FY2015⁷; this will be the milestone for the "simultaneous achievement of securing stable financial resources for social security and fiscal consolidation."

⁴ "If only the enhancement of social security is sought and the fiscal rehabilitation is postponed, the social security system will eventually stop working. However, if the quality of social security is sacrificed in a reform aiming only for fiscal consolidation, we will not be able to bring out the vigor of the society and will fail to realize the whole concept of sustainable Japan, which is sought by the fiscal rehabilitation" (Report of the Academic Expert Committee).

⁵ We will take into account the issues that will be comprehensively sorted out under II-2.

⁶ In the "Fiscal Management Strategy" (Cabinet decision on June 22, 2010), it was decided that that for the national and local governments primary balance and the national government primary balance, the deficit ratio to GDP shall be halved from the ratio in FY 2010 by FY 2015 at the latest, and the surplus shall be achieved by FY 2020 at the latest; and that from FY 2021, a stable reduction in the ratio of public debt to GDP for both national and local governments shall be maintained.

⁷ The amount required for the achievement of the aimed fiscal rehabilitation is based on the "Economic and Fiscal Projection for Medium to Long Term Analysis" by the Cabinet Office (January 2011) (to be revised in the middle of this year).

IV. The Comprehensive Reform of the Tax System

As for the Comprehensive Reform of the Tax System, we will examine relevant issues on the basis of the following standpoints and will promote the reforms of individual income taxation, corporation taxation, consumption taxation, and property taxation, paying attention to consistency with the procedures of social security reform and in line with the direction of reform as presented in Article 104, paragraph 3, of the supplementary provisions of the Tax Reform Act 2009 and the FY2010/FY2011 Tax Reform Outlines (Cabinet decision). Additionally, we will examine the issues related to local communities while giving full consideration to the opinions of local entities.

(1) Individual Income Taxation

From the viewpoint of alleviating disparities and restoring its income redistribution function, various tax deductions and the tax rate structure are to be reviewed, in light of the shifting employment structure and employment status. We will conduct a study of refundable tax credits in conjunction with a review of the related social security system on the premise of the introduction of a single identification number system for capturing income. With regard to the taxation of financial and securities transactions, the integration of taxation on financial income will also be promoted.

(2) Corporation Taxation

From the perspective of maintaining and enhancing international competitiveness, securing and promoting the establishment of foreign businesses in Japan, and promoting employment and domestic investment, the effective corporate income tax rate will be reduced in conjunction with a tax-base broadening, with due consideration given to international tax harmony and competitive conditions among developed countries. The preferential corporate tax rate for small or medium-sized enterprises (SMEs), which is an important driver of local economies and accounts for a large part of employment, will also be reduced in conjunction with a review of the Special Tax Measures for SMEs.

(3) Consumption taxation

We will amend (national and local) Consumption Tax provisions, in accordance with this plan. As for the issue of regressivity, when the tax rate reaches a certain level and countermeasures should become necessary, in consideration of the redistribution of the tax and social security system overall, from the viewpoint of the simplicity and efficiency of the tax system, the government will consider

prioritizing an expenditure scheme, rather than multiple tax rates, as the basis for its comprehensive measures.

In addition to promoting fairness of taxation to ensure the reliability of Consumption Tax, the government will also examine issues in the relationships between Consumption Tax and individual excise taxes.

As for the taxation on energy, from the viewpoint of mitigating global warming, we will introduce taxation for controlling the emission of energy-originated CO₂. We will also conduct a study of ways to secure revenue sources for local governments to promote their global warming countermeasures in a comprehensive way. We will consider a review of automobile taxes to make the tax system simpler and “greener” and to reduce the taxpayers’ burden, paying due attention to global warming and the fiscal conditions of the national and local governments.

(4) Property Taxation

From the viewpoint of alleviating descendent disparities and restoring its income redistribution function, we will consider optimizing the property tax burden by reviewing the inheritance tax base and tax rate structure. From the perspective of encouraging the prompt transfer of assets from the elderly generation to the working generation and of revitalizing the Japanese economy through more effective use of these assets, we will also reduce gift taxes, with due consideration given to the entrenchment of disparities across generations. Moreover, we will consider a review of the taxation on inheritance of businesses, which pays attention to operational circumstances.

(5) Local taxation systems

We will move forward with the construction of local taxation systems that provide stable revenue and whose revenue gaps among jurisdictions are small. To this end, we will review local corporate taxation, and will consider enhancing the local consumption tax system from the perspective of promoting government decentralization and securing central and local government stable revenue sources for social security programs. In order to establish local autonomy through the tax system, we will take forward the reform of the local tax system by expanding "independent judgment" and the "responsibility of execution".

(6) Others

In addition to the reforms mentioned above, we will facilitate tax compliance and enforcement,

including the introduction of an identification number system for social security and tax, and will study an international solidarity levy and other international tax measures to promote investments, while securing domestic taxation rights by preventing international tax avoidance.

In line with the direction described above, we are engaging in urgently required reforms as part of the drastic reform of the taxation systems, under the taxation system reform of 2010 and 2011. We will continuously aim for the earlier realization of the taxation system revision in 2011 as currently deliberated in the Diet.

V. Schedule of the Comprehensive Reform of Social Security and Tax

For the comprehensive reform of social security and tax, we will have sincere discussions at the “discussion forum between the national and local governments” and will smoothly and steadily promote the reforms at the national and local levels.

Along with the Comprehensive Reform of the Tax System, the social security reform will sequentially be implemented without delay in each area, according to the schedule as shown in Appendix 2.

For the Comprehensive Reform of the Tax System, the government and Bank of Japan will work together to overcome deflation and revitalize the economy; in order to implement without delay the Comprehensive Reform of the Tax system, including Consumption tax, on the condition that the economic situation is improved through the measures above, the government will take the necessary legislative measures in FY2011 in accordance with the roadmap as described in Article 104 of the supplementary provisions of the Tax Reform Act 2009.⁸

The “improvement of the economic situation” mentioned above will be comprehensively judged by checking the status of improvement of various economic indices such as the nominal and real growth rates and by assessing the process of economic recovery from the impact of the Great East Japan

⁸ Article 104, paragraph 1, of the supplementary provisions of the Tax Reform Act 2009: Taking into account the fiscal measures required in order to ensure that the national government’s burden of the basic pension will be reduced by 50%, and the estimated costs required for social security benefits, including pension, medical care, and long-term care and for the measures to address low birthrate, and in order to implement the comprehensive reform of the tax system, including consumption tax, on a gradual basis and without delay, the government shall take the necessary legislative measures by FY2011, on the assumption that concentrated measures aiming for economic recovery within three years including 2008 will improve the economic situation. In this case, the objective of the reform shall be to establish a sustainable fiscal structure by mid-2010 (meaning the period from 2010 to 2019).

Earthquake, etc. and trends in the international economy, etc. Upon the implementation of the Comprehensive Reform of the Tax System, we will formulate an arrangement that can flexibly respond to unpredicted economic fluctuation. The necessary measures described above will be substantiated at the time of legislation, after adequate examination, including consideration of reference economic indices and their figures, by the government and ruling parties.

On the basis of the schedule described above, we will strengthen the measures for the reduction of the Diet seats, the reduction of personal expenses relating to public servants, unremitting administrative reforms such as the reform of special accounts and public procurement reform, and thorough elimination of wasteful expenditures with effectively revising budget, etc.; we will promote the reform of social security and tax comprehensively, by gaining understanding and cooperation from the people.

VI. Policies for overcoming deflation and the realization of a virtuous cycle with economic growth

In order to overcome deflation, the government will strongly and comprehensively make policy efforts to the utmost extent. While maintaining close information exchange and collaboration with the Bank of Japan, the government expects that the Bank of Japan will support the economy through appropriate and flexible monetary policy management. By such efforts, we will put the Japanese economy on the track of full-scale growth. Through the Comprehensive Reform of Social Security and Tax, a potential demand will be realized in the social security area; the establishment of a dependable social security system will lead to employment creation and the expansion of consumption; such a virtuous cycle will contribute to economic growth and a stable increase of the prices.

Social security has functions to contribute to economic growth in the aspects of both demand and supply. We will promote several reforms from the standpoint of improving the convenience of the users and the people and developing new industrial fields; these reforms include the improvement of the environment for employment creation in the medical care and long-term care fields and for the creation of new private services, appropriation of social security costs by effectively using technologies such as ICT, improvement of service quality, promotion of medical care innovation and life innovation, earlier elimination of drug lag and device lag, improvement of operations of the advanced medical care system, promotion of new participation by diversified business entities including private corporations, and creation of the “New Public Commons.”

Promotion of Social Security Reform

(December 14, 2010
Cabinet Decision)

The social security reform shall be implemented in accordance with the basic policies listed below.

1. Basic policies for the social security reform

- In order to realize a feeling of safety of the people living in an aging society with a declining birthrate, it is essential that the “strengthening of functions of social security” and the “fiscal consolidation” that sustains the social security are achieved simultaneously; such achievements will eventually lead to economic growth, through the stabilization of people’s living and expansion of employment and consumption.
- For this purpose, the basic directions of the reform were stated in the “Interim Report of the Research Committee for the Comprehensive Reform of Tax and Social Security” of the Democratic Party and the “Report of the Academic Experts Committee for Social Security Reform: Social Security Vision Aiming for Secureness and Vitalization”.
- The government and ruling parties respect the contents of these reports, shall clarify the substantial reform plan with the aim of stabilizing and strengthening the social security and identifying the necessary financial resources, and comprehensively advance the reform of the tax system in order to secure the stable necessary financial resources and to achieve fiscal consolidation simultaneously; the definite plan as well as the time schedule shall be formulated by mid-2011, and we shall pursue the realization of the plan obtaining the people’s consensus.

As the measures for children and child raising and for the support of young people, which must be taken on a priority basis, we shall accelerate a relevant consideration aiming for earlier submission of the bills for Child Allowance Aid Act, the act concerning a New System for Children and Child Raising (provisional name), and the Job-Applicant Support Act (provisional name).

- In order to realize the reforms described above, the understanding and cooperation of the people must be gained, on the basis of wide-ranging discussions that go beyond individual positions/boundaries. We will honestly and openly propose before and ask each of the opposition parties to participate in discussions for the social security reform; this includes the establishment of a permanent all-party conference as a forum for such discussions.

2. Number System for Social Security and Tax

- Aiming for the realization of a society that is highly convenient for the people, it is important that the Number System for Social Security and Tax should be promoted while carrying campaign widely and gaining the people's understanding.
- For this purpose, the basic directions were stated in the "Interim Report" of the Panel on Identification Number System for Social Security and Tax. We shall make efforts to summarize the basic policies by around January of the next year and to submit bills to the Diet as soon as possible in and after autumn next year, after discussions among the people.

	A Enhancement (Amount indicates public expenditures (2015))	B Prioritization/Rationalization (Amount indicates public expenditures (2015))	C Schedule	D Amount required (Public expenditures) in 2015	E Amount required (Public expenditures) in 2025
I. Children & child raising	○ Functional enhancements such as the quantitative expanding of childcare in accordance with the circumstance of the local community and the integration of kindergarten and day nursery, in line with the implementation of the new system for children and child raising, etc. - Quantitative expanding and strengthening of the system, etc., of childcare for children 0 to 2 years old (resolution of the problem of waiting-list children) - Realization of high-quality school education and childcare (Integration of kindergarten and day nursery) → Utilization ratio of childcare for children aged less than 3 years 2010: 23% → 2014: 35% (2017: 44%) - Enhancement of comprehensive support for child raising (Support for childcare in families and local communities) - Enhancement of after-school care clubs → Number of children using the after-school care clubs 2010: 810 thousand →2014: 1.11 million - Enhancement of social orphanages ○ Improvement of the employment rate of women ☆ → ○ Increase in the number of employees working in childcare services, etc. ☆ → Employment rate of women (aged 25 to 44) 2009: 66% → 2020: 73% - Establishment of a comprehensive and integrated system for administration, financial resources, and benefits	- Promotion of participation in childcare services, etc., by diversified business entities, through the introduction of the system that local governments designate providers meeting the standard as official providers ☆ Improvement of quality along with setting the standards to secure quality - Effective use of existing facilities such as kindergartens and promotion of diversified childcare services such as small-sized or family-like childcare - Unification of implementation system at the national and local levels (Establishment of the "Ministry of Children and Families" (provisional name), etc.)	Earlier formulation of the specific plan for a new system ↓ Bills will be submitted as soon as possible along with the Comprehensive Reform of the Tax System	About 0.7 trillion yen * Hereafter, we will consider the measures with about 1 trillion yen, including financial resources other than those from the Comprehensive Reform of the Tax System.	About 1 trillion yen * Hereafter, the amount required for the measures indicated in the left column will be examined in the future during the examination of the New System.
	Total of Enhancement (2015) About 0.7 trillion yen * Hereafter, we will consider the measures with an amount exceeding about 1 trillion yen, including financial resources other than those from the Comprehensive Reform of the Tax System.	Total of Prioritization/Rationalization (2015) —		About 0.7 trillion yen * Hereafter, we will consider the measures with about 1 trillion yen, including financial resources other than those from the Comprehensive reform of the Tax.	About 1 trillion yen * The amount required for the measures indicated in the left column will be examined in the future during the examination of the New System.

		A Enhancement (Amount indicates public expenditures (2015))	B Prioritization/Rationalization (Amount indicates public expenditures (2015))	C Schedule	D Amount required (Public expenditures) in 2015	E Amount required (Public expenditures) in 2025
II. Medical and long-term care services, etc. (→)	○ Rationalization/prioritization and functional enhancement of the supply system of medical and long-term care services in accordance with the circumstance of the local community— comprehensive review the systems of the medical fees and long-term care fees and improve legal systems in order to develop infrastructure for reformed medical and long-term care systems	- Differentiation and strengthening of, and cooperation between, the functions of hospitals and hospital beds (Concentration of medical resources to medical acute care; functional enhancement of hospitalization by strengthening the functions of medical subacute and chronic care; reform of mental health care; correction of uneven distribution of doctors or among regions and departments; strengthening of preventive measures, etc.) - Enhancement of in-home care, etc. (Strengthening and appreciation of comprehensive medical care in clinics, etc., and home care support functions; planned improvement of visiting home care, etc.) (About 870 billion yen)	Shortening average length of hospital stay, etc. (About minus 430 billion yen)		About 0.4 trillion yen	About 1.3 trillion yen
	→	Staffs, etc., for the high-degree acute period: Twofold increase in 2025 from the current base Staffs, etc., for general acute period: Increase by about 60% in 2025 from the current base In-home care, etc.: 170 thousand persons/day in 2011 → 290 thousand persons/day in 2025	○ Average length of hospital stay: about 19–20 days in 2011 → For the high-degree acute period: about 15–16 days in 2025 → For the general acute period: about 9 days in 2025 ○ Number of hospital beds: in general, at the current level ○ Mental health care: hospitalization days will be reduced by about 10% in 2025	After 2012, medical fees and long-term care fees will be systematically reviewed.		
	→		- Appropriation of outpatient consultation, etc. (prevention of adult diseases, medical care cooperation, ICT, the number system and strengthening of insurer functions, etc.) (about minus 120 billion yen) - Reduction of multiple consultations or examinations or medication overdose, etc., by effectively using ICT	Improvement of legal systems for infrastructure development: Bills will be submitted by around 2012.	About minus 0.1 trillion yen	About minus 0.6 trillion yen
	→	- Enhancement of in-home long-term care such as an integrated community care system, functional enhancement of care management, and enhancement of accommodation-type services, etc. - Reformation of rooms in facilities into units consisting private rooms and a common room (About 250 billion yen)	- Preventive long-term care and prevention of aggravation - Prioritization of long-term care facilities (shift to in-home care) (About minus 180 billion yen)	The desired medical and long-term care services will be realized by around 2025.	About 0.1 trillion yen	About 1.2 trillion yen
	→	Increase in manpower along with the above prioritization ☆ (About 240 billion yen)	Number of persons requiring long-term care: To be reduced by 3% in 2025 from the current base		About 0.2 trillion yen	About 0.4 trillion yen
Subtotal of medical and long-term care (1)		Total of Enhancement (2015) Up to about 1.4 trillion yen	Total of Prioritization/Rationalization (2015) Up to About 0.7 trillion yen	(Estimate in the case when the functional differentiation, etc., above is fully implemented)		
					Up to about 0.6 trillion yen	Up to about 2.3 trillion yen

Enhancement A (Amount indicates public expenditures (2015))		Prioritization/Rationalization B (Amount indicates public expenditures (2015))		C Schedule	D Amount required (Public expenditures) in 2015	E Amount required (Public expenditures) in 2025
○ Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressivity				After 2012, bills will be promptly submitted along with the Comprehensive Reform of the Tax System ↓ Sequential implementation	Up to about 0.3 trillion yen ... to be examined along with the extension of application of the employee's health insurance and the calculation of levies on medical insurers in proportion to total amounts of insured persons' wages	—
a Expansion of the scope of application of the employee's health insurance, and stabilization, strengthening and regional widening of the financial base of the national health insurance • Extension of the application of the employee's health insurance to part-time workers → For example, if the employee's health insurance is extended to the same level as employment insurance, about 4 million insured persons (= minus 160 billion yen in case of full implementation) • Transfer of fiscal management of the national pension insurance from the municipal level to the prefectural level • Strengthening of the financial base (Enhancement, etc., of reduction of premiums paid by low-income earners (about 220 billion yen)) * Fiscal impact may be fluctuated depending on the extended scope of application and the scale of measures for the national health insurance.						
b Reinforcement of the factors of burden according to each capacity to bear the cost of long-term care insurance and paying attention to low-income earners; prioritization of benefits • Further reduction of the insurance premiums of Primary Insured Persons to be paid by low-income earners (up to about 130 billion yen) • Calculation of levies on medical insurers in proportion to total amounts of insured persons' wages (minus 160 billion yen if fully implemented) • Prioritization of benefits that are effective in preventing aggravation, such as functional training for mild-degree persons * Fiscal impact may be fluctuated depending on scale of functional enhancement and prioritization.						
c Measures for advanced and long-term medical care (strengthening of the safety-net functions) and prioritization of benefits • Reduction of burdens by reviewing the high-cost medical care benefit system for expensive long-term medical care (Measures for expensive long-term medical care, reduction of burdens by reviewing income classification, etc.) (up to about 130 billion yen) • Fixed payment upon medical consultation, etc. (to be implemented according to the scale of reduction of burdens by reviewing expensive medical service costs (appropriation of outpatient consultation will also be examined taking into account the role-sharing between hospitals and clinics). If, for example, 100 yen is paid for the initial or subsequent consultation, minus 130 billion yen.) However, attention must be paid to low-income earners. * Reviewed contents may be fluctuated depending on scale of functional enhancement and prioritization.					Up to about 0.1 trillion yen ... to be examined along with the fixed payment upon medical consultation, etc.	—
d Others • The total accumulation system (on the assumption that the information collaboration base such as the number system will be introduced) • Examination of the measures for low-income earners and regressivity, etc. • Further promotion of the use of generic medicines, and reviewing of the medicinal costs to be borne by patients. (The burdens to be placed on patients for pharmaceutical products will be reviewed considering the price level of OTC products.) • Reviewing of the government grant to the national health insurance association • Reviewing of the medical system for the elderly (establishment of a burden system that is fair to both the elderly generation and the young generation, introduction of assistance calculation by the total remuneration rate and reviewing of the self-pay burden, etc., taking into account the summary of the Reform Council for Elderly Medical System, etc.)				Total accumulation system: To be introduced after the introduction of the number system in 2015	The total accumulation system Up to about 0.4 trillion yen	
Subtotal of medical and long-term care (2)		Total of Enhancement (2015)		Total of Prioritization /Rationalization (2015)	Up to about almost 1 trillion yen	—
Total of medical and long-term care (2)		Total of Enhancement (2015)		Total of Prioritization /Rationalization (2015)	Up to about almost 1.6 trillion yen	Up to about 2.3 trillion yen

		A Enhancement (Amount indicates public expenditures (2015))	B Prioritization/Rationalization (Amount indicates public expenditures (2015))	C Schedule	D Amount required (Public expenditures) in 2015	E Amount required (Public expenditures) in 2025
III. Pension		[Establishment of a new pension system] Everyone will join the only public pension system, which is comprised of the "earnings-related pension" and "minimum-guarantee pension." ○ Earnings-related pension (social insurance system) • All people will join the same system, regardless of job type. If the amount of income is the same, the amount of premiums and benefits will be the same. • The insurance premium will be around 15% (part of the old-age pension) • The insurance premiums paid will be accumulated in the records; the interest will accrue by a theoretical interest rate, and the amount of annual pension will be calculated by dividing the total amount by the average life expectancy at the beginning of pension eligibility age. ○ Minimum-guarantee pension (tax financed) • The maximum amount of the minimum-guarantee pension is 70 thousand yen (current amount) • The full amount will be paid up to a certain income level on the basis of average lifelong annual income (= insurance premiums to be paid); if this income level is exceeded, the pension amount will be gradually reduced and will become zero at a certain point. • We will develop a system under which every recipient can generally receive a pension of 70 thousand yen or more, when the earnings-related pension and the minimum-guarantee pension are combined.		To promote discussions and environmental improvement for a national consensus and to strive for the realization of a new system		
	(Note 2)	[Improvement of the current system] ○ Strengthening of the minimum-guarantee function • Additional amount for low-income earners • Additional amount to the disability basic pension • Shortening of the eligibility period } About 0.6 trillion yen * The fiscal scale of additional amounts for low-income earners and additional amounts to the disability basic pension may be fluctuated depending on the number of persons eligible, on the level required for additional amounts, on whether a means test is introduced or not, etc. * The above amount is determined on the basis of assumptions such as that the monthly amount of 16 thousand yen (the difference between 70 thousand yen and 54 thousand yen, which is the average amount of the old-age basic pension) will be added for persons whose annual income is less than 650 thousand yen (in the case of a single person).	○ Reviewing of pension benefits for high-income earners To be examined along with the additional amounts for low-income earners For this purpose, the reduction of tax deduction for public pension, etc., will also be examined. * As for the reviewing of pension benefits for high-income earners, the fiscal scale may be fluctuated depending on the number of persons to whom-reduction applies. * If the reduction hypothetically starts from an annual income of 10 million yen (and the part to be paid by public expenses is totally reduced in the case of an annual income of 15 million yen or over), the public expenses will decrease by about 45 billion yen.	After 2012, bills will be promptly submitted along with the Comprehensive Reform of the Tax System  Sequential implementation	Up to about 0.6 trillion yen	Up to about 0.7 trillion yen

		A Enhancement (Amount indicates public expenditures (2015))	B Prioritization/Rationalization (Amount indicates public expenditures (2015))	C Schedule	D Amount required (Public expenditures) in 2015	E Amount required (Public expenditures) in 2025
III. Pension (Note 2)		● Extension of the application of the employee's pension to part-time workers → For example, if the employee's pension is extended to the same level as the employment insurance, about 4 million people will be newly applied. ● Reviewing of the system of No.3 insured persons • To examine the measures to eliminate the feeling of inequality, taking into account the direction of a new pension system (income-splitting taxation method) ● Reviewing of the old-age pension for active employees • To examine that the amount of income above which the pension begins to be reduced for persons in their early 60s as the same amount as for persons in their late 60s ● Exemption from the payment of insurance premiums during the period of child-care leave ● Unification of employee's pension systems (● indicates that there will be no influence on public expenses)	○ Macroeconomic slide • To consider reform from the perspective of fairness among generations • If, hypothetically, the special exception level is eliminated in three years, the pension amount will be reduced by 2.5% and public expenses will decrease by 0.1 trillion yen each year. • After that, with a simple macroeconomic slide by minus 0.9% each year, the public expenses will decrease by 0.1 trillion yen each year. * The current system already takes into account the restraint in benefit payments owing to the implementation of a macroeconomic slide of a year, in which commodity prices and wages are increased. ○ Raise of pensionable age • By fully using examples of the average life expectancy and pensionable age in the developed countries (Europe and the US), we will consider a further increase in pensionable age to 68 to 70, while securing the employment of the elderly. • We will consider the acceleration of the schedule for raise of pensionable age for the employee's pension. • If pensionable age for the basic pension is raised, the public expenses will decrease, in a year raise, by about 0.5 trillion yen per one year. ● Increase in the upper limit of standard remuneration • We will consider a reform in reference to the health insurance system.	After 2012, bills will be promptly submitted  Sequential implementation * From now, we will clarify the forum of discussions and schedule for the entire "improvement of the current system" and will examine the issues with the aim of submitting bills.		
		[Rationalization of operations] Improvement of operations and systems				
Total of pension		Total of Enhancement (2015) About 0.6 trillion yen (To be fluctuated according to reform content)	Total of Prioritization/Rationalization (2015) { The amount fluctuates depending on the reform content. }		Up to about 0.6 trillion yen	Up to about 0.7 trillion yen

Total of the above amounts required in FY2015 (Public expenditures) = About 2.7 trillion yen
 (Approximately, about 3.8 trillion yen for enhancement and up to about minus 1.2 trillion yen for prioritization/rationalization)

Enhancement and Prioritization/Rationalization		Schedule
IV. Employment Promotion	○ Realization of a society in which everyone can participate ☆ - Securing the stable employment of young people by effectively using job cards, etc. - Elimination of the M-shaped curve of the women's employment rate - Creation of a society in which people can continue working regardless of their age, including consideration of the employment laws and regulations suitable to a super-aged society - Promotion of the employment of disabled persons, including the shift from welfare to employment - Cooperation among related organizations and comprehensive implementation of employment promotion policies, according to the circumstances of local communities	○ Continuous implementation of employment promotion policies - Employment rate 2009: 75% → 2020: 80% (Young people: 74% → 77%) (Women (aged 25 to 44): 66% → 73%) (Elderly: 57% → 63%) - Job card acquirers 3 million persons (2020) - Actual employment rate of disabled persons 1.8% (2020)
	○ Realization of decent work (human work with job satisfaction) - Establishment of a comprehensive vision in order to take cross-sectional measures for securing fair treatment of non-regular workers - Consideration of legal systems aiming for stable employment and the improvement of the treatment of fixed-term contract workers - Securing of the health and safety of workers through restraint of working long hours and measures for mental health	○ Comprehensive vision: To be formulated in 2011 ○ Development of legal systems: Conclusion will be reached in the Labor Policy Council in FY2011 and the required reform measures will be taken. ○ To examine and submit to the Diet as early as possible the bills for the amendment of the Industrial Safety and Health Act
	○ Examination of financial resources of employment insurance and the job-seeker support system	○ To be examined taking into account the provisions of the Employment Insurance Act and Job-seeker Support Act (Note 3)
Items to be Enhanced or Prioritized/Rationalized other than I to IV	○ Improvement of service infrastructure Realization of a desirable supply system for medical and long-term care services, and development of the infrastructure necessary for the achievement of service objectives, such as preschools, long-term care services, and after-school care clubs.	○ Planned and concentrated establishment of infrastructure
	○ Promotion of medical care innovation ☆ - Establishment of international-standard clinical study center hospitals, etc. - Practical consultation support in order to put seeds originating from Japan into practical use - Strengthening of the system of the Pharmaceuticals and Medical Devices Agency (PMDA) - Further examination of Assessment, etc., of innovation in the context of setting insurance reimbursement prices, from the medical economic perspective	○ Clinical study center hospitals: about 15 facilities will be established within 3 years from 2011 ○ Prioritized and continuous allocation of research funds to the clinical study center hospitals, etc. ○ Enhancement of review system, etc., of the PMDA: the number of full-time staffs will be increased to 751 persons by the end of 2013 (648 persons as of April 1, 2011); further enhancement measures will be taken while rationalization and efficiency are also promoted. ○ Rationalization of application/inspection procedures for the advanced medical system: to be examined aiming for implementation from 2011
	○ Establishment of the secondary safety net - Creation of the job-applicant support system - Seamless collaboration of the secondary safety-net policies, such as the job-seeker support system - Employment support for recipients of public assistance, etc. - Accompanying-type support for those who have multiple difficulties (promotion of social inclusion through personal support and one-stop services, etc.)	○ Job-seeker support system: established in 2011 ○ To be continuously and comprehensively promoted ○ Continuous implementation of the project ○ Establishment of a one-stop and accompanying-type specialized organization, which is controlled at the municipal level (To be sequentially established)
	→ Increase in the number of program participants, employed persons and persons whose income is increased	
	○ Examining of the housing support framework	○ To be examined along with reforms of related systems
	○ Reviewing of public assistance - Enhancement of the support menu for the independence and employment of recipients of public assistance who have the ability to earn an income, and strengthening of support - Prevention of chained poverty of children - Appropriation of medical assistance, etc., and full implementation of measures to prevent illegal receipts - Examination of standards for public assistance on the basis of objective data	○ Standards of public assistance: to be validated at the Standards Subcommittee (initiated in April 2011) by the end of 2012 ○ Other than standards for public assistance: consultation between the national government and local governments (initiated from May 2011) → Submission of bills where necessary
	○ Policies for disabled persons The Promotion Headquarters for Reform of System related to Disabled Persons will examine support with no systemic gaps, the shift of support for disabled persons to local communities, and support for community life	○ Submission of bills for the Act for Comprehensive Welfare of Disabled Persons (provisional name) in 2012, taking into account the examination by the Promotion Headquarters for Reform of System related to Disabled Persons
	○ Measures for intractable diseases Examination of support measures for the medical costs of intractable diseases, such as reviewing of expensive medical service fees for long-term and expensive medical care (regrouped)	○ Continuous and cross-system examination to be implemented
	○ Recovery from the earthquake disaster Presentation of the model of a new assurance region	○ To address in the context of recovery from the earthquake disaster
	○ Cultivation of children and young people who will lead the next generation To take measures to establish an educational environment that enables acquisition of skills and ensures employment. In line with the increase in the mobility of employment, Ensuring the quality of education and equal opportunity and to strengthen support (especially for students, etc., who have achieved good records in spite of financial difficulties)	○ To be continuously and comprehensively examined

(Note 1) The cost estimates are automatically calculated, by incorporating the estimates, etc., in the "Direction and specific measures for social security system reform" (May 12, 2011) by the Ministry of Health, Labour and Welfare and related sources for medical and long-term care, and the proposal of the Council for Intensive Discussion on Social Security Reform.

(Note 2) Through the measures under the Comprehensive Reform of the Tax System, the financial resources for one-half of the national government's contribution to the basic pension will be obtained. The necessary measures will be taken so that proper budget allocation is made each year until the implementation of the Comprehensive Reform of the Tax System.

(Note 3) The Employment Insurance Act: As for the national government's contribution to the employment insurance, the provisional measures for the national government's contribution will be abolished, after securing stable financial resources as promptly as possible.

The Job-seeker Support Act: For the examination of support measures for employment of specified job applicants after about 3 years from the enforcement of the Act, the cost burdens for the support measures will be examined promptly.

A Enhancement
(Amount indicates public expenditures (2015))

1. A one-stop service in which employment and livelihood support are integrated

2. Expansion of social insurance application

a Extension of the application of the employees' pension to part-time workers

b Expansion of the application of the employee's health insurance, and stabilization, strengthening, and widening of the financial base of the national health insurance

- Extension of the application of the employee's health insurance to part-time workers (minus 160 billion yen if fully implemented)

3. Strengthening of measures for low-income earners under the social insurance system

a Transfer of fiscal management of national health insurance from the municipal level to the prefectural level, and strengthening of its financial base
(Such as further reduction of premiums paid by low-income earners (up to about 220 billion yen))

- * Fiscal impact may be fluctuated according to the scope of enhanced application and the size of measures for the national health insurance

b Reinforcement of the elements of burden according to each capacity to bear the cost of long-term care insurance and paying attention to low-income earners, and prioritization of health benefits

- Further reduction of the class 1 insurance premiums to be paid by low-income earners (up to about 130 billion yen)
- * Fiscal impact may be fluctuated according to the scale of functional enhancement and prioritization

c Measures for the advanced and long-term medical services (strengthening of the safety-net function) and prioritization of benefits

- Reduction of burdens by reviewing the high-cost medical care benefit system for expensive long-term medical care (Measures for expensive long-term expensive medical care, reduction of burdens by reviewing income classification) (up to about 130 billion yen)
- * Reviewed contents may be fluctuated depending on scale of functional enhancement and prioritization

d Total accumulation system (assuming that the information collaboration base such as the number systems will be introduced)

e Strengthening of the minimum-guarantee function of the pension system

- Additional amounts for low-income earners
 - Additional amounts to the disability basic pension
 - Shortening of the eligibility period
- (About 0.6 trillion yen)

- * The fiscal scale of additional amounts for low-income earners and additional amounts to the disability basic pension may be fluctuated depending on the number of persons eligible, on the level required for additional amounts, and on whether a means test is introduced or not, etc.

- * The above amount is determined on the basis of assumptions such as that the monthly amount of 16 thousand yen (the difference between 70 thousand yen and 54 thousand yen, which is the average amount of the old-age basic pension) will be added for persons whose annual income is less than 650 thousand yen (in the case of a single person).

4. Establishment of the secondary safety net

a Creation of the job-seeker support system (including an examination on how the cost burdens should be)

b Continuous support for persons having multiple difficulties

c Employment support for recipients of public assistance, etc.

d Examination of the framework of housing support

5. Review of public assistance, which is the last safety net (Enhancement and prioritization/rationalization)

- Enhancement of the support menu for the independence and employment of recipients of public assistance who have the ability to earn an income and strengthening of support
- Prevention of chained poverty of children
- Appropriation of medical assistance, etc., and full implementation of measures to prevent illegal receipts
- Examination of standards for public assistance on the basis of objective data

D Amount required (Public expenditures)
in 2015

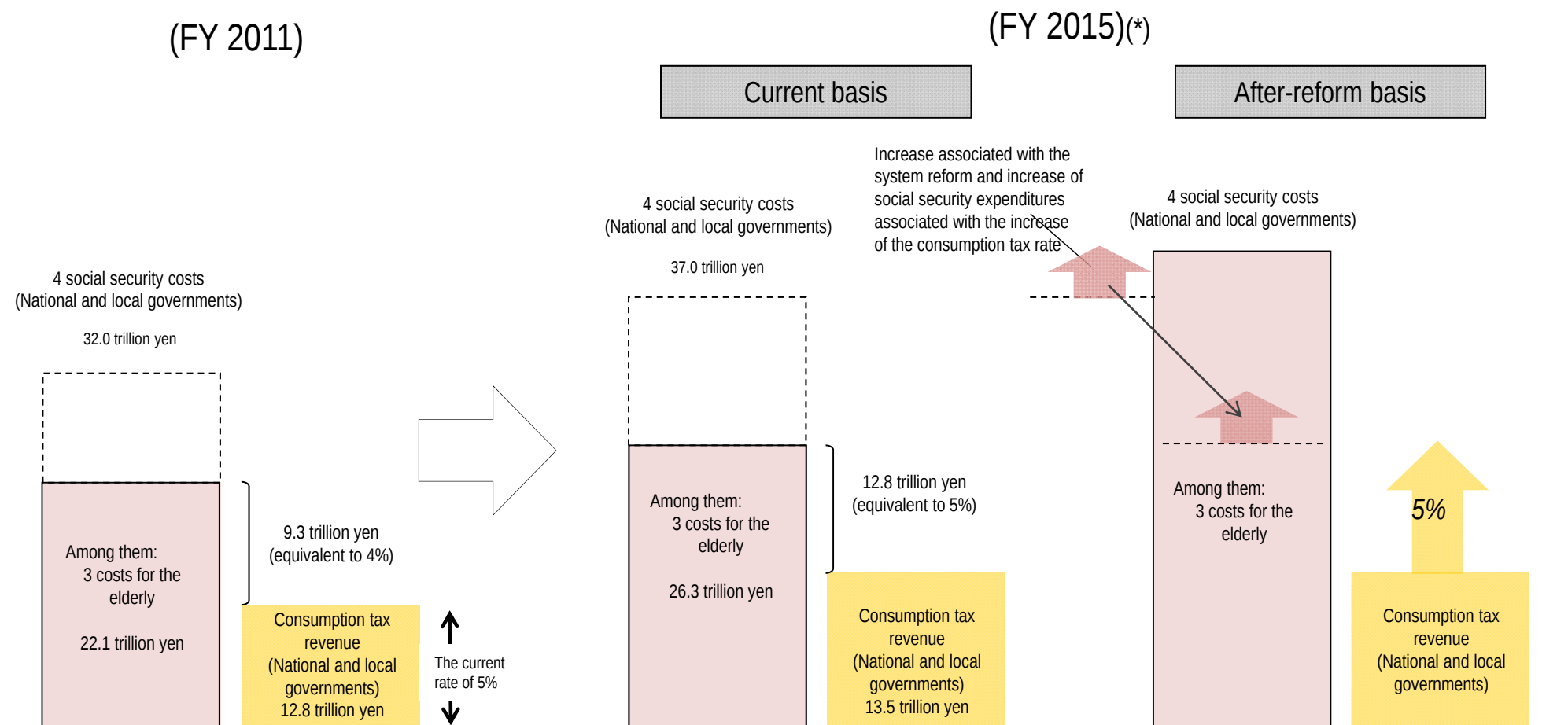
Up to about 0.3 trillion yen
... to be examined along with the expansion of the application of the employee's health insurance and total remuneration rate

Up to about 0.1 trillion yen
... to be examined along with the fixed payment upon medical consultation, etc.

Total accumulation system
Up to about 0.4 trillion yen

Up to about 0.6 trillion yen
... to be examined along with the reviewing of pension benefits for high-income earners

Up to about 1.4 trillion yen



(*) Under the Proposal, it is stated that "we will raise the Consumption tax rate(national and local) in stages to 10% by the middle of 2010's, to secure stable financial resources urgently required for the social security reform."

(Note1) As for the consumption tax revenues, the national revenue is currently allocated to the 3 costs for the elderly under the general budget provisions, and the local revenue is used as general financial resources.

(Note2) The specific areas to which the (national) consumption tax revenue will be allocated (as of FY 2015) will be examined in the future, considering the 3 costs for the elderly as the basics.

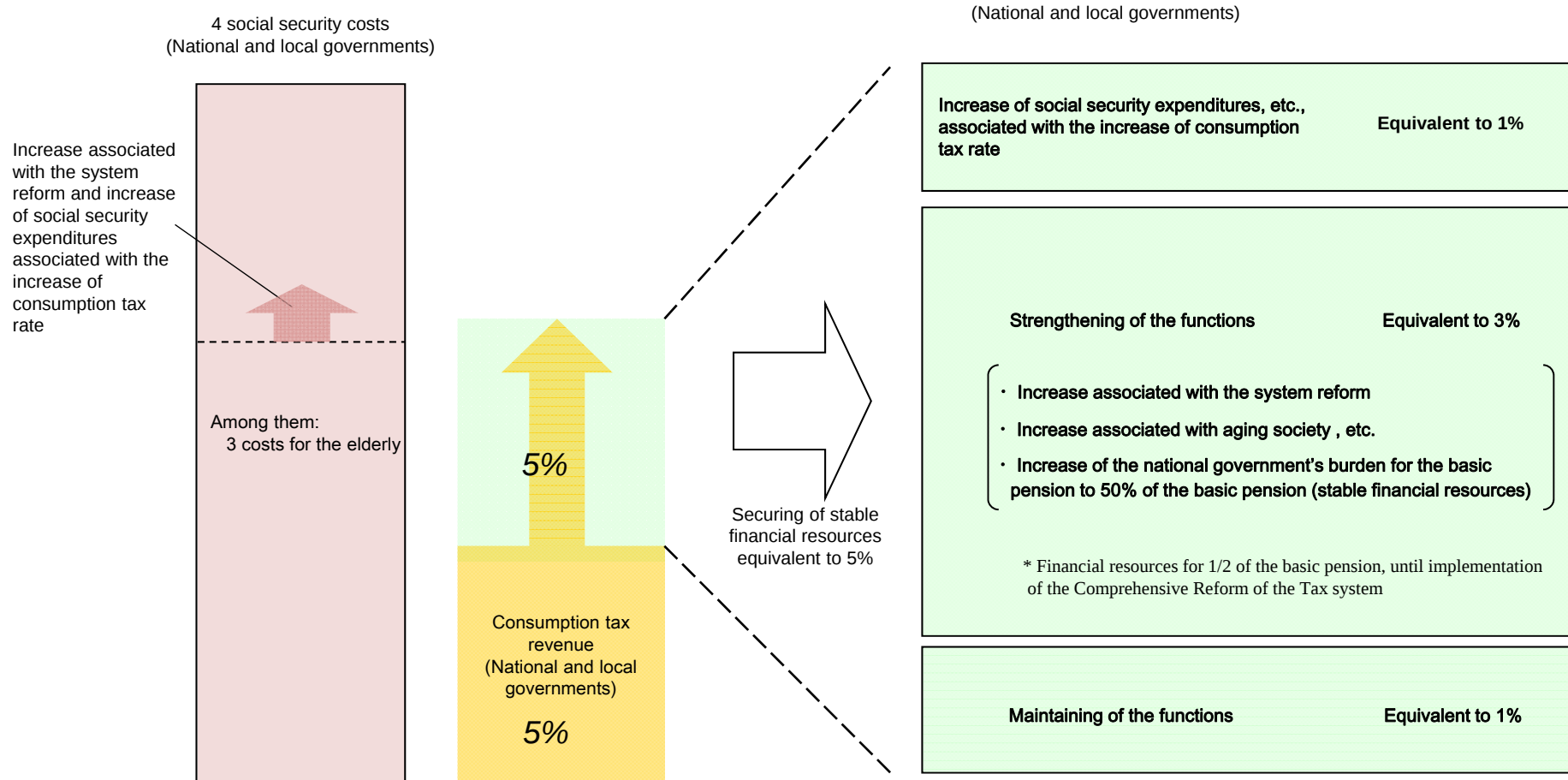
(Note3) The 4 social security costs mean the government contribution for social security benefits and the "costs required for the social security benefits under established systems of pension, medical care, and long-term care and the measures to deal with the falling birthrate" (Article 104 of the supplementary provisions of the Tax Reform Act of 2009). The required amount is estimated by the Ministry of Health, Labour and Welfare (as of May 2011). Basically, the amount does not include local independent projects; we will examine the whole status of local independent projects and comprehensively sort out the entire picture and cost estimate of the social security benefits, including local independent projects.

(Note4) The consumption tax revenue in FY 2015 is estimated on the basis of the "Medium and Long Term Estimate for Economic and Fiscal Policies" by the Cabinet Office (January 2011) (to be revised in the middle of 2011).

Securing of stable financial resources for social security reform

(FY 2015)(*)

After-reform basis



(*) Under the Definite Plan, it is stated that "we will raise the Consumption tax rate(national and local) in stages to 10% by the middle of 2010's, to secure stable financial resources urgently required for the social security reform."

(Note1) The increase of social security expenditures, etc., associated with the increase of consumption tax rate includes commodity procurement expenditures by the national and local governments, which are to be increased after the increase of the consumption tax rate. The amount required is based on the estimate by the Ministry of Finance (as of May 2011) and must be closely examined in the budgetary process in each year in the future.

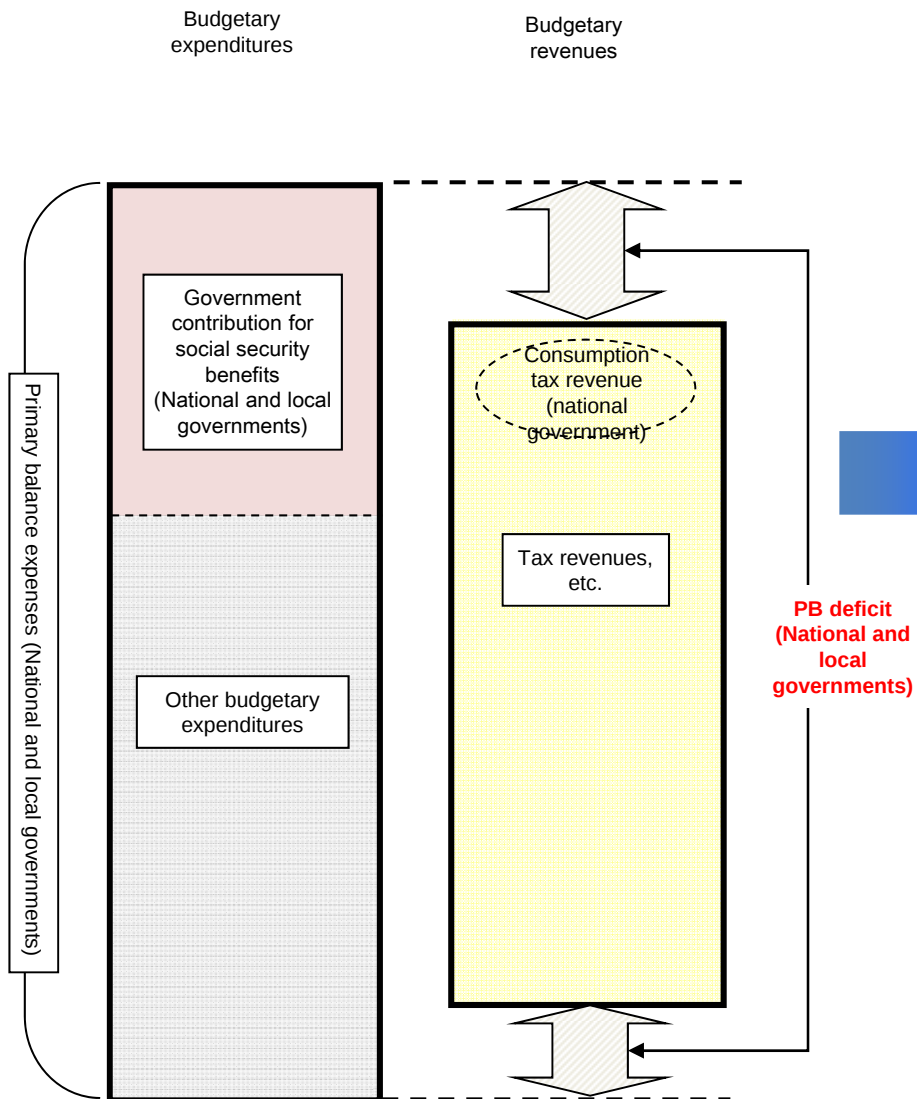
(Note2) The increase associated with the aging society etc. indicates a so-called natural increase, which exceeds the increase rate of economic growth.

(Note3) The amount of functional enhancement is based on the estimate by the Ministry of Health, Labour and Welfare (as of May 2011). The specific contents of the functional enhancement are as indicated in Appendix 2.

(Note4) The 4 social security costs mean the government contribution for social security benefits and the "costs required for the social security benefits under established systems of pension, medical care and long-term care and the measures to deal with the falling birthrate" (Article 104 of the supplementary provisions of the Tax Reform Act of 2009). The required amount is estimated by the Ministry of Health, Labour and Welfare (as of May 2011). Basically, the amount does not include local independent projects; we will examine the whole status of local independent projects and comprehensively sort out the entire picture and cost estimate of the social security benefits, including local independent projects.

Images of consumption tax revenue (of national and local governments) used as financial resources for social security and divisional accounting
(For reference)

< Current image >



< Future image >

