

Japan's Fixed Assets Tax in Context (1)

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Introduction

Japan's principal recurrent tax on immobile property is the fixed assets tax (*koteishisanzei*). This paper centres on the intricacies of Japan's Fixed Assets Tax (FAT) assessment and administration, while paying due regard to other relevant (but comparatively minor) recurrent taxes on property, such as the City Planning Tax (CPT). It also situates the FAT in the context of Japanese policymakers' increasingly well coordinated programmes to use the tax, in conjunction with other fiscal and regulatory mechanisms, to bolster municipal tax bases and economies by encouraging "compact city" urban density, municipal energy efficiency and distributed energy autonomy, climate resilient structures and communities, and other important objectives.

Japanese initiatives are perhaps especially instructive, as its trials anticipate the major economies' collective future. Japan confronts the developed world's most rapid ageing and population decline, coupled with a gross public debt of 226% of GDP in 2014, "the highest level ever recoded in an OECD country¹." Japan is also at the forefront of coping with the fiscal and other impacts of climate change on the city, an issue of increasing salience generally as well as prominent in research by the authoritative Lincoln Institute of Land Policy²). Among the developed economies, Japan is perhaps the most exposed to the already visible and accelerating effects of

1) See *OECD Economic Surveys, Japan*, April 2015 (Overview), p. 8: [http://www.oecd.org/eco/surveys/Japan 2015 overview.pdf](http://www.oecd.org/eco/surveys/Japan%2015%20overview.pdf)

2) See, for example, William Solecki, "Climate Change and U.S. Cities: Vulnerability, Impacts, and Adaptation," in George W. McCarthy, Gregory K. Ingram, and Samuel A. Moody (eds) *Land and the City*, Lincoln Institute of Land Policy, 2016: [http://www.lincolnst.edu/pubs/3589_Land and the City](http://www.lincolnst.edu/pubs/3589_Land%20and%20the%20City)

climate change, notably the effects of extreme weather on the built environment and its critical infrastructures³⁾.

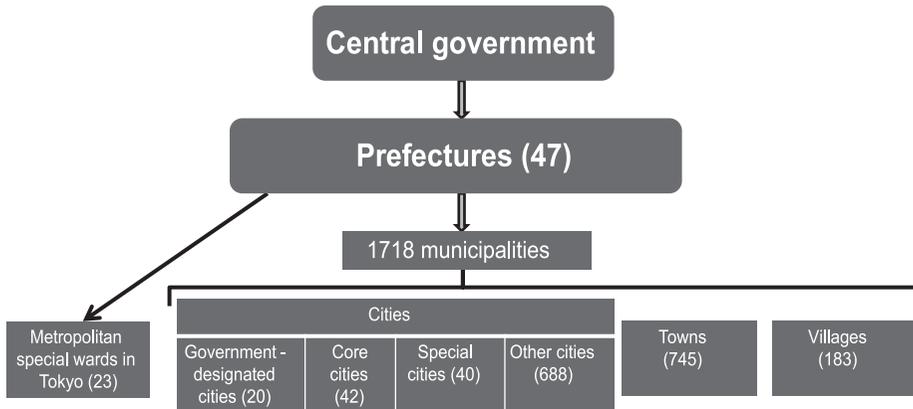
The report begins with an overview of Japan's governance and the intergovernmental fiscal system. Japan's intergovernmental assignment of taxation and spending leaves a large role for transfers (earmarked and general subsidies) that, together with spatial plans and regulatory policy, are a key mechanism through which the central government shapes local fiscal and economic options. The report then turns to review the property tax base as well as administrative and other pertinent details of the FAT and CPT. It then concludes with a summary and assessment of ongoing reforms to the FAT itself, as well as reforms encompassing it. The report includes the central government's controversial measures to compensate subsidy dependent subnational governments for undertaking targeted exemptions to the FAT. It also sketches the emergent role of the FAT in the Japanese state's impressive and accelerating turn to smart, compact city urbanization.

Japan's Intergovernmental System

Japan is a unitary state, with a three tier system of government. These tiers comprise the central government and two levels of subnational government. The latter two levels are prefectures (regional tier governments) and municipalities (cities, towns and villages). Japanese subnational tax system is governed by the central state's Local Tax Law (*chihouzeihou*). Among other things, the Local Tax Law grants prefectures and municipalities the authority to levy taxes, including the FAT.

The figure (below) on the "Structure of Japan's Territorial Governance" shows that Japan's 47 prefectures, which include Tokyo Metropolitan Government (TMG), compose Japan's regional tier of governance. The local tier comprises 1718 municipalities (790 cities, 745 towns and 183 villages). The prefectures possess considerably stronger administrative and fiscal powers than their municipal counterparts, and also have significantly different tax systems and spending responsibilities. Moreover, the municipalities themselves are not uniform, being subdivided further into 20 designated

3) On this, see Andrew DeWit, "Disaster Risk Reduction and Resilience as Structural Reform in Abenomics," *The Asia Pacific Journal*, Vol. 13, Issue 1, No. 3, January 5, 2015



Source : Adapted from Uda (2015)⁵⁾.

The Structure of Japan's Territorial Governance

cities (cities of over 500,000 residents, designated by cabinet ordinance), 45 core cities (cities of over 200,000 residents, designated by cabinet order), 39 special cities (also over 200,000, and 688 others. The 20 designated cities, as well as the 23 special wards of Tokyo, possess administrative and fiscal autonomy largely comparable to prefectures within their own municipal jurisdictions. The rest of the municipalities are, for the most part, differentiated by population size, though the special cities can provide some degree of prefectural level services (such as in welfare, planning, and environmental services)⁴⁾.

Japan also possesses a comparatively high degree of population density, of 340.8 persons per km² (third highest among the OECD 34) and relatively low municipal fragmentation. These features are important for controlling the per capita cost of delivering public services as well as maintaining infrastructure, one of Japan's critical

4) A slightly dated, though still largely accurate English language account of Japanese subnational government categories and their respective responsibilities can be found in Andrew Stevens, "Growth in second tier cities: urban policy lessons from Japan," Briefing for Core Cities Group, Japan Local Government Centre, November 2013: http://www.corecities.com/sites/default/files/images/publications/Growth%20in%20second%20tier%20cities%20%20urban%20policy%20lessons%20from%20Japan_0.pdf

5) Noboyuki Uda, "Japan: Fiscal Discipline of Local Governments," Paper given to IMF, ADB, PRI Conference on "Fiscal Policy for Long Term Growth and Sustainability in Aging Societies," June 10 11, 2015, Tokyo: <http://www.mof.go.jp/english/pri/research/conference/tff2015e.htm>

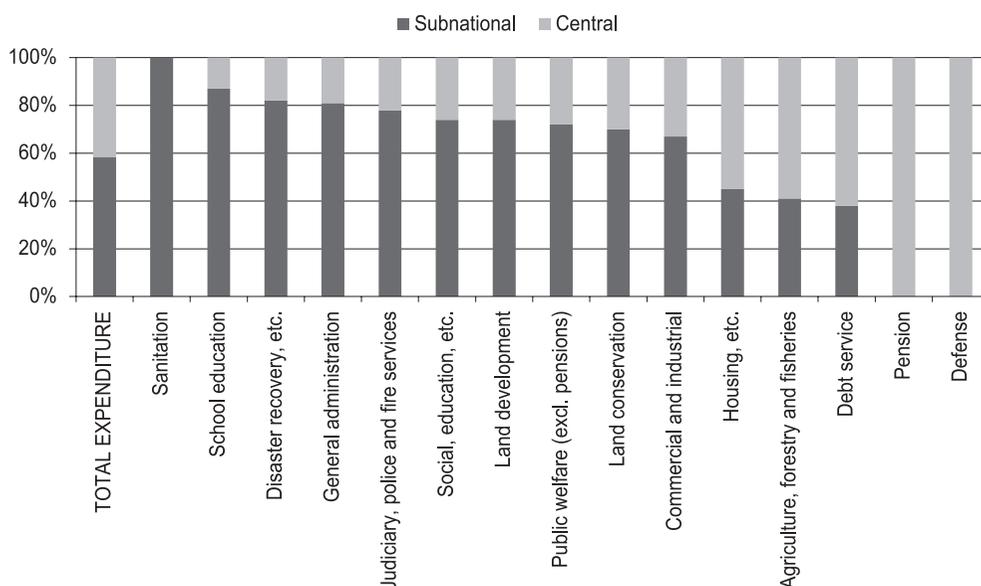
Municipal Fragmentation in Japan and OECD 34, 2014 15			
	Avg # inhabitants	Avg # Muni/100,000	Avg Muni Area (km ²)
Japan	73,895	1.4	220
OECD 34	9,440	10.6	271

Source: "Subnational Governments in OECD Countries: Key Data, 2015 Edition," OECD

challenges. Japan's municipal fragmentation, relative to the average among the OECD 34, is displayed in the table "Municipal Fragmentation in Japan and OECD 34, 2014 15." The table shows that Japan's average number of inhabitants per municipality and average number of municipalities per 100,000 inhabitants are considerable higher than the respective figures for the OECD 34 as a whole. At the same time, Japan's average municipal area, of 220 km², is a good deal lower than the overall OECD 34 average of 271 km².

Japan's Fiscal Regime

Japan's fiscal regime is not especially large. Japan's general government spending in Fiscal Year (FY) 2013 was 42.4% of GDP, as compared to 39.0% in the US,



Source: Adapted from Uda (2015).

Japan's Intergovernmental Allocation of Spending

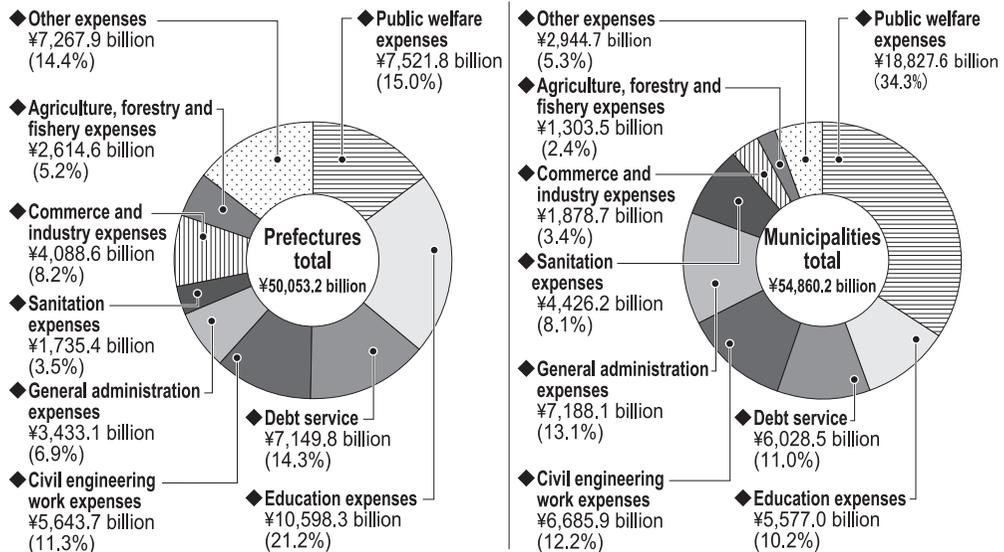
45.0% in the UK, and 52.4% in Sweden⁶⁾. In FY 2013, Japan's subnational government revenues comprised 16.6% of GDP and 50% of total public revenues. These numbers are consistent with the general trends in the OECD 34, where subnational government revenue for FY 2013 averaged 16% of GDP and 42.6% of total public sector revenues. Japan's main sources of subnational government revenue are nearly evenly split between taxes and grants and subsidies, with 44.1% of subnational revenues derived from taxes and 46.2% from grants and subsidies. The averages for the OECD 33 (excluding Chile) are 43.7% for subnational taxes and 37.3% for grants and subsidies⁷⁾.

Japan's subnational governments have a prominent role in program delivery. They are responsible for about 58.3% of general government spending versus 41.7% for the central government (FY 2013 data), as shown in the above figure on "Japan's Intergovernmental Allocation of Spending." Public welfare (social insurance related) spending composed 31.8% of Japan's total government spending of YEN 165.8 trillion for FY 2013. Of this, Japan's subnational governments performed 72% of the spending, with the remaining 28% being done by the central government. The next largest category of government spending, aside from debt redemption, was general administration. Japan subnational governments undertook roughly 81% of these expenditures, whereas the national government did the remainder. The subnational government role was even more prominent in the next major spending category of education, which represented 11.6% of general government spending. Fully 87% of spending on schools was performed by subnational governments, with the remaining 13% delivered by the central government.

The figure on "Japan's Subnational Government Expenditures, FY 2013" reveals the differences between the regional and local tiers. The prefectures' major expenditure categories include education, which consists of secondary education, salaries and personnel administration of elementary and middle school teachers. The prefectures also have a large role in public welfare, centring on livelihood support in towns and

6) See "General Government Spending," OECD Data: <https://data.oecd.org/gga/general-government-spending.htm>

7) See "Subnational Governments in OECD Countries: Key Data, 2015 Edition," OECD: <http://www.oecd.org/regional/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2015.pdf>



Public welfare expenses : Expenses for the construction and operation of welfare facilities for children, the elderly, the mentally and physically disabled, etc., and for the implementation of public assistance, etc.
 Education expenses : Expenses for school education, social education, etc.
 Civil engineering work expenses : Expenses for the construction and maintenance of public facilities, such as roads, rivers, housing, and parks.
 Debt service : Expenses for the payment of principal, interest, etc., on debts.

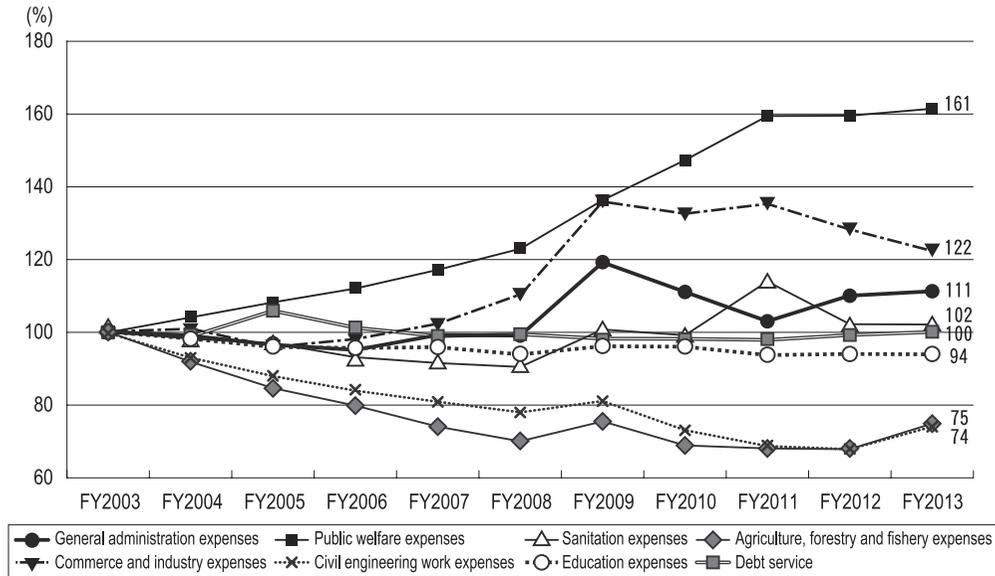
Source : Ministry of Internal Affairs and Communications, *Local Public Finance, 2015*, p. 11 : http://www.soumu.go.jp/iken/zaisei/27data/chihouzaisei_2015_en.pdf

Japan's Subnational Government Expenditures, FY 2013 (by Level of Government and Expenditure Category)

villages, child welfare policy, and employment training.

The figure also shows that Japan's municipalities play a strong role in public welfare and education, including livelihood support in cities, child welfare, national health insurance, aging insurance, waterworks, waste disposal, residential records, and fire fighting as well as elementary and middle schools, and kindergartens. Municipalities also have significant responsibilities in public works (in the figure, "Civil engineering work expenses"). These public works include urban planning, municipal roadways, some harbours, public housing, and sewers.

The figure "Trends in Japan's Subnational Government Expenditure, FY 2003 FY 2013" indicates that expenditures on public welfare have risen 1.63 times over the decade to FY 2013. This is to be expected, in light of Japan's rapid ageing. Public works (again, "civil engineering works expenses") declined over the same period, as the overall public sector retreated from the 1990s policy of enormous infrastructure



Note: FY2003=100

Source : Ministry of Internal Affairs and Communications, *White Paper on Local Public Finance, 2015*
 : http://www.soumu.go.jp/iken/zaisei/27data/chihouzaisei_2015_en.pdf

Trends in Japan's Subnational Government Expenditure, FY 2003 FY 2013

investment (which peaked at YEN 15 trillion in FY 1998 and declined to YEN 6 trillion in the initial budget for FY 2013⁸⁾). However, the data in the figure indicate that public works expenses are again rising with increasing maintenance and replacement costs⁹⁾.

Postwar Japan's intergovernmental system evolved as a "construction state," one in which the central government led a massive investment in conventional car dependent urbanization, especially outside of TMG¹⁰⁾. This past shapes the present.

8) See (in Japanese) p.8 of "Aspects of the FY 2013 MLIT and Public Works Related Budget," Ministry of Finance Budget Bureau, January 2015 : https://www.mof.go.jp/budget/budger_workflow/budget/fy2015/seifuan27/05_13.pdf

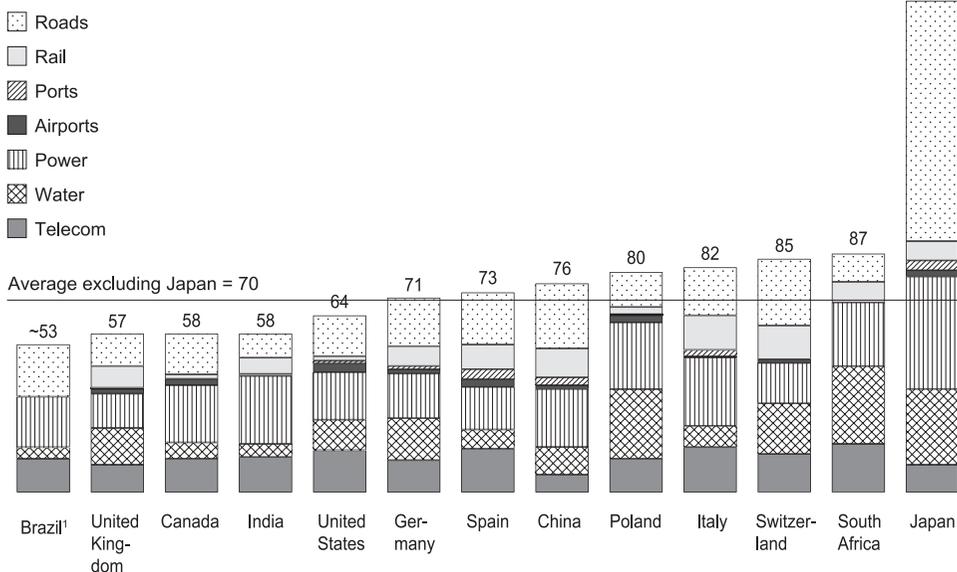
9) Indeed, a point of emphasis in the FY 2016 budget will be an increase in subnational government spending devoted to disaster resilience as well as infrastructure maintenance. On this, see (in Japanese) "Disaster resilience and ageing countermeasures made a priority," *Sankei Shimbun*, December 24, 2015 : http://www.sankei.com/affairs/news/151224/afr1512240023_n1.html

10) For a detailed account of how the construction state drove Japan's urban sprawl, see Andre Sorenson, *The Making of Urban Japan: Cities and Planning from Edo to the Twenty First Century*, Routledge, 2002.

Exhibit 38

Japan has accumulated the world's largest infrastructure stock

Total infrastructure stock, 2012
% of GDP



¹ For Brazil, road data contain all of transport. Brazil stock revised significantly upward to 46-54% from an earlier published version based on longer time series showing investment rates in the 1970s and 1980s two to three times as high as those in the 1990s and 2000s. The estimate shown is based on data provided courtesy of Armando Castelar.

SOURCE: ITF; GWI; IHS; national statistics; McKinsey Global Institute analysis

Japan has accumulated the world's largest infrastructure stock

McKinsey Global Institute estimates that Japan's infrastructure stock represented 179% of GDP in 2012, well in excess of the 70% average elsewhere. Moreover, McKinsey estimates that roughly half of this infrastructure stock is in roads, as is evident from their figure "Japan has accumulated the world's largest infrastructure stock¹¹⁾."

In fact, Japan's total road network of 1.27 million km is sixth largest in the world, exceeding Canada's 1.04 million km and just less than Russia's 1.28 million km. Japan's massive investment in roadways is rather a surprise, considering that Canada and Russia are well over 20 times the size of Japan's 377,955 km². Moreover, the subnational government share is extremely high: just under 1.2 million km of Japan's road network, or roughly 97.5%, is managed by the prefectures and municipalities, with the prefectures being in charge of 142,000 km and the municipalities overseeing

11) See *The Future of Japan: Reigniting Productivity and Growth*. McKinsey Global Institute, March, 2015.

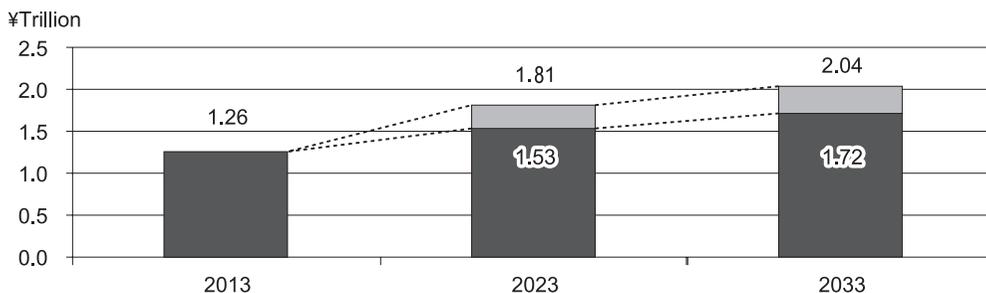
	<i>SNG share</i>	Percentage of assets over 50 years old		
		2013	2023	2033
Roads and bridges (> 2 km)	90	18	43	67
Tunnels	72	20	34	50
River management facilities	92.6	25	43	64
Sewerages	100	2	9	24
Port quays (> 4.5m)	100	8	32	58

Source : MLIT (2013).

Infrastructure Ageing in Japan

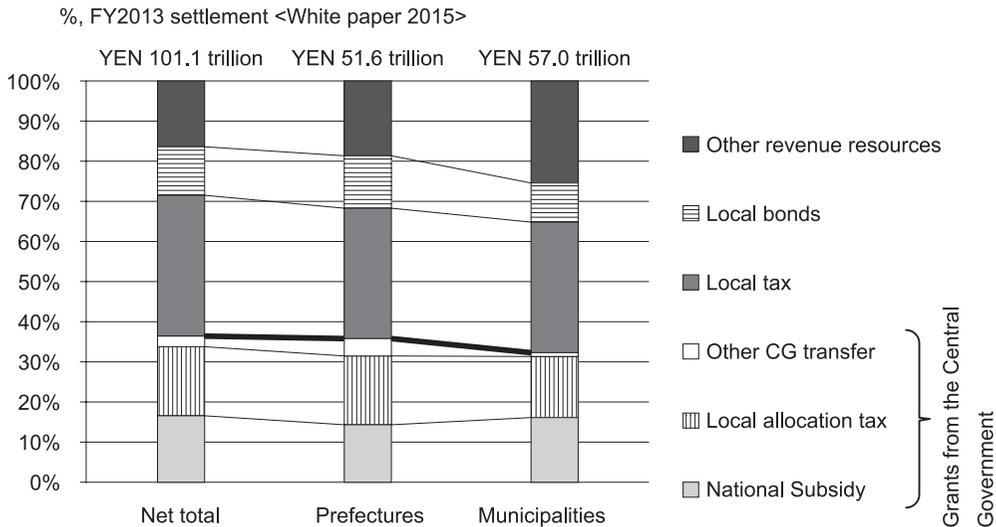
just above 1.05 million km. Similarly, Japan has over 144,000 km of all classes of rivers, of which only about 10,600 km are class A rivers directly under the authority of the national Ministry of Lands, Infrastructure and Transport. Over 77,000 km of Japan's class A rivers are under the administration of the prefectures together with 35.8 thousand kilometers of class B rivers. As evident in the figure on "Infrastructure Ageing in Japan," the increasing age of these past investments presents yet another serious fiscal challenge for subnational governments. As we shall see in the concluding section, the challenge is contributing to the pronounced turn to densification.

The figure on "Japan's Current and Projected Costs of Road Maintenance" is one indicator of this burden, especially for the municipalities that manage over 70% of all roadways. Japan's fiscal data indicate that infrastructure maintenance and repair expenses in FY 2013 totaled YEN 3.6 trillion. The bulk of that burden is borne by the municipalities, and financed by their own taxation as well as intergovernmental subsidies.



Source: Ministry of Finance, 2015: http://www.mof.go.jp/about_mof/councils/fiscal_system_council/sub-of_fiscal_system/proceedings/material/zaiscia270511/05.pdf

Japan's Current and Projected Costs of Road Maintenance

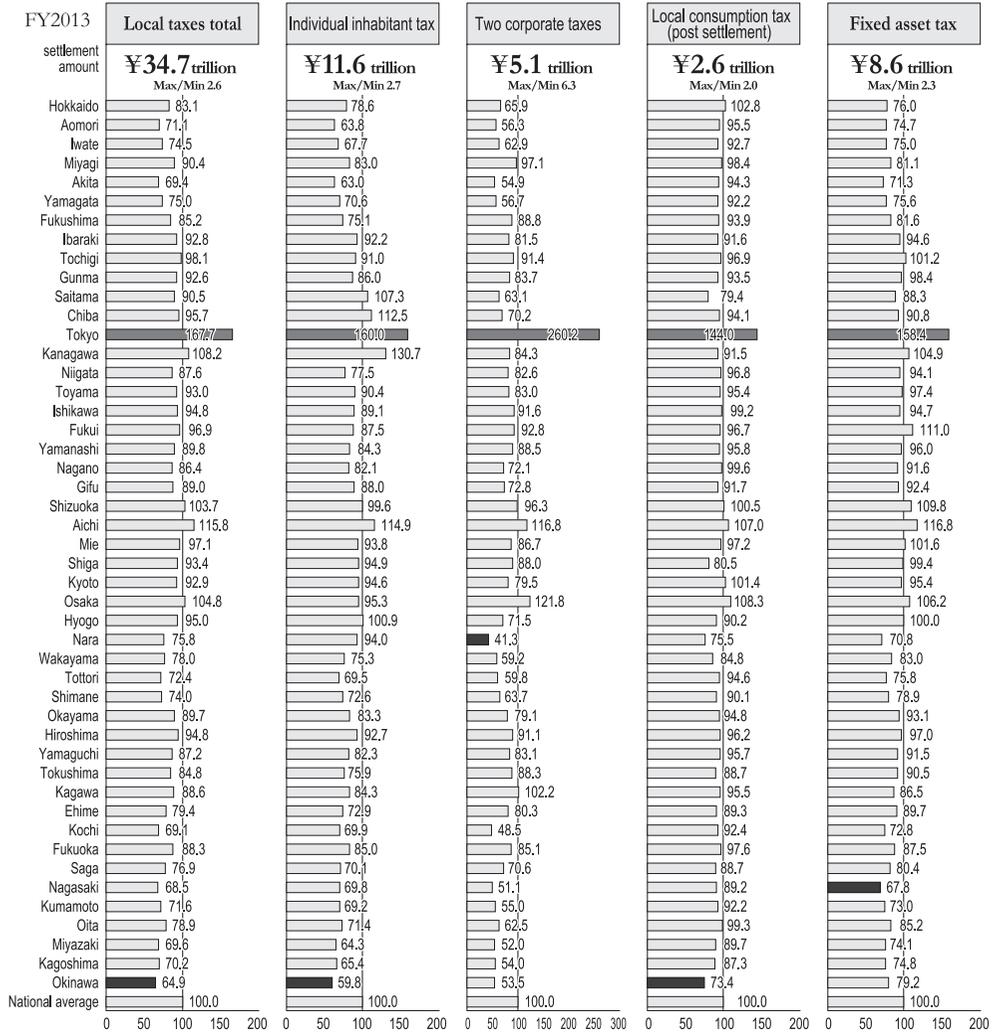


Source: Adapted from Uda, 2015

Revenues of Japan's subnational governments

The figure “Revenues of Japan’s subnational governments” displays the role of subsidies from the central government in subnational revenues. General subsidies in FY 2013 totaled just under YEN 20.28 trillion, comprising 20.1% of total subnational revenues of YEN 101.998 trillion from all sources. Targeted subsidies, whose expenditure was directly determined by central agency rules, totaled just under YEN 16.45 trillion and composed 16.3% of subnational revenues.

Overall, subnational governments in Japan received 36.4% of their revenues in the form of subsidies from the central government in FY 2013. But some subnational governments, most notably TMG, were almost entirely self financing. Excluding debt finance as well as fees and tariffs, in FY 2013 Tokyo raised 72.2% of its YEN 6.95 trillion in total revenues from its tax base. The FAT (which TMG levies on behalf of its 23 wards) and CPT revenues composed YEN 1.38 trillion, or 27.5% of TMG’s revenues. TMG’s high level of fiscal self sufficiency is, of course, based on the fact that the average level of its taxpayers’ income is very high and because it has the nation’s most intense concentration of businesses. In consequence, TMG enjoys Japan’s highest per capita tax share among prefectures. This is displayed in the figure below that shows versus a national average of 100 TMG’s 167.7 is nearly triple Okinawa’s 64.9.

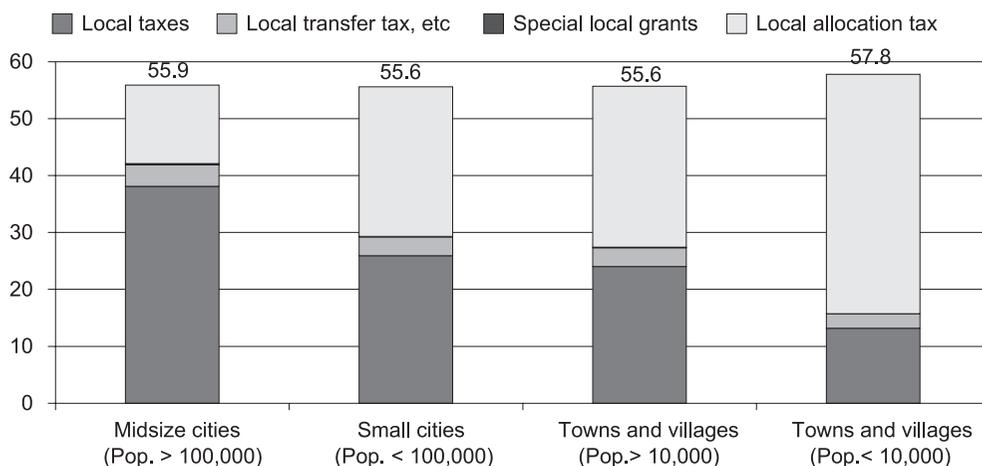


Notes : 1. "Max/min" indicates the value obtained by dividing the maximum value of per-capita tax revenue for each prefecture by the minimum value.
 2. Local tax revenue amounts do not include local corporation special transfer tax and also exclude overassessment and discretionary tax.
 3. Individual inhabitant tax revenue is the total of the prefectural individual inhabitant tax (on a per-capita basis and on an income basis) and the municipal individual inhabitant tax (on a per-capita basis and on an income basis), and excludes overassessment.
 4. Revenue from the two corporate taxes is the total of the corporate prefectural inhabitant tax, the corporate municipal inhabitant tax, and the corporate business tax, and excludes overassessment.
 5. Fixed asset tax revenues include prefectural amounts, and exclude overassessment.
 6. Calculations were made in accordance with the basic resident register population as of January 1, 2014.

Source: Ministry of Internal Affairs and Communications, *Local Public Finance, 2015*, p. 11: http://www.soumu.go.jp/iken/zaisei/27data/chihouzaisei_2015_en.pdf

Japan's Subnational Government Tax Revenues, Total and Main Taxes, FY 2013
 (Per-Capita Revenue by Prefecture, with National Average as 100)

In FY 2013, Japan's highest average level of taxpayer income was recorded in TMG's Minato Ward, at YEN 12.67 million. Along with Minato Ward, six of TMG's other 23 wards ranked among Japan's top 10 subnational governments for highest average taxpayer income. In the same fiscal year, 683 of Japan's 1,119 firms with over



Note: The midsize and small cities categories exclude designated cities, core cities and special cities. "Local transfer tax" is an umbrella term covering national taxes of which a fixed proportion of revenue collected is transferred to local governments.

Source: Ministry of Internal Affairs and Communications (2014).

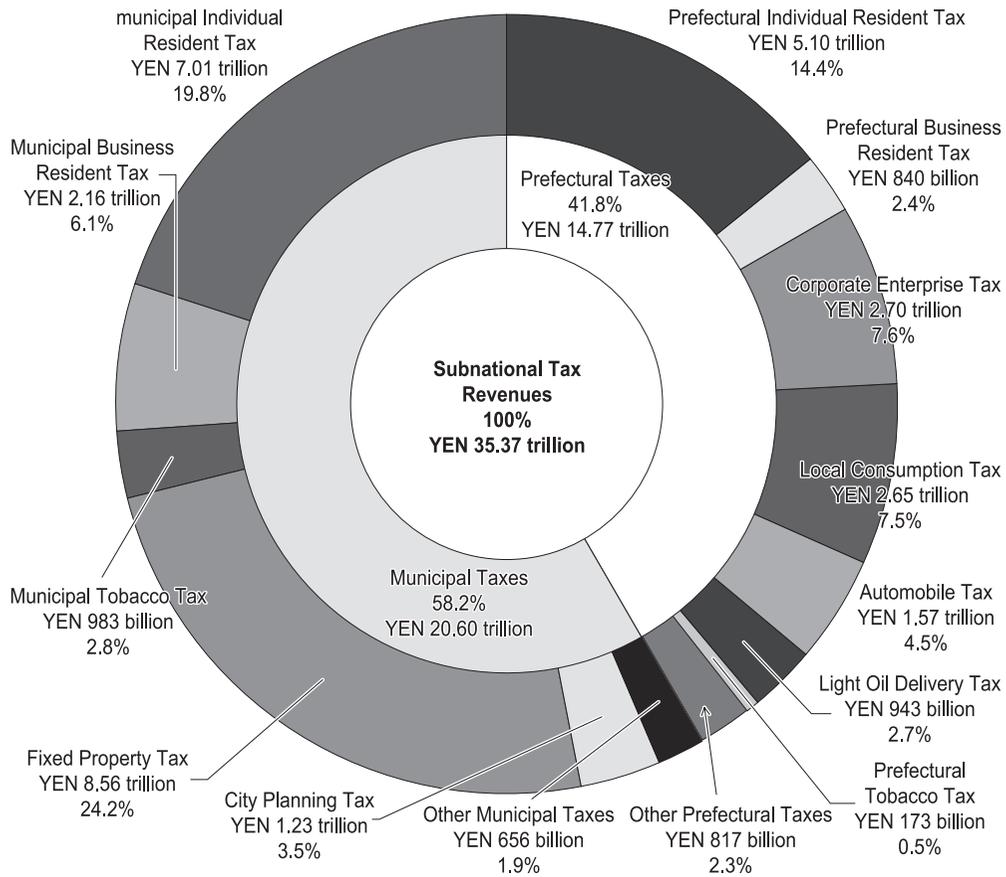
Percent share of Japanese municipalities' total revenues from general revenue sources, FY 2012

YEN 10 billion in capital had their head offices in Tokyo. This concentration of incomes and wealth in Tokyo has accelerated since the collapse of the bubble economy in the early 1990s.

By contrast with wealthy Tokyo, prefectures such as Okinawa, Shimane, and most of the Japan Sea coast, have relatively low per capita incomes and receive well over half of their revenues from the central government. The above figure "Percent share of Japanese municipalities' total revenues from general revenue sources, FY 2012," shows that towns and villages are especially reliance on general subsidies. Indeed, in FY 2012, towns and villages of fewer than 10,000 residents relied on general subsidies for 57.8% of their revenues.

Subnational Government Tax Revenues

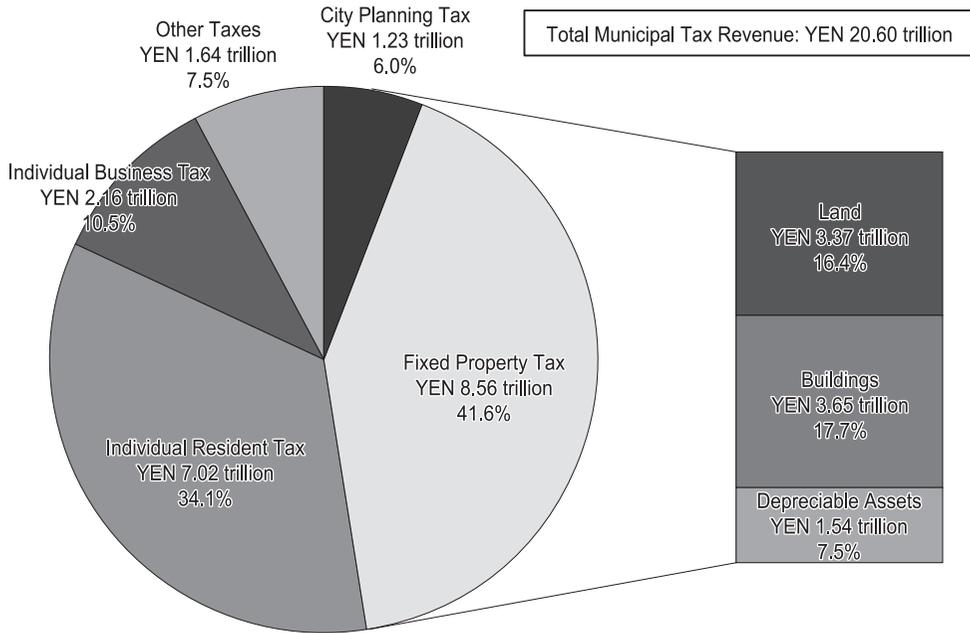
As for Japan's subnational governments' tax revenues, the figure "Japan's Subnational Government Tax Revenues, FY 2013" provides a summary of both the prefecture and the municipal levels. The FAT and CPT are clearly major taxes for the municipal level, and compose 27.7% of total subnational tax revenues.



Japan's Subnational Government Tax Revenues, FY 2013

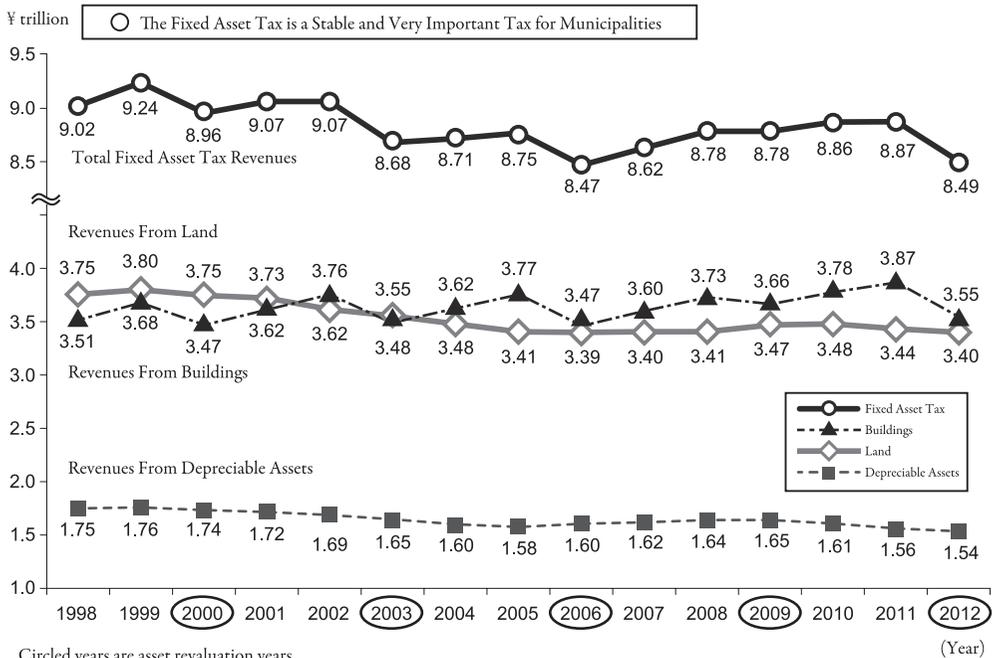
The figure “Japan’s Municipal Tax Revenues, FY 2013” provides a closer look at the municipal level of government’s tax base, and especially the FAT. The FAT is shown to represent 41.6% of total municipal taxation. Among the FAT’s component elements, taxes on land provide 16.4% of total municipal revenues, while the share for buildings is 17.7% and for depreciable assets is 7.5%. Meanwhile, the CPT brought in 6.0% of total municipal tax revenues.

The figure “Fixed Asset Tax Revenues, FY 1998 2012” shows the volume of revenues derived from the FAT, and its component elements, over the period FY 1998 to FY 2012. As the figure (translated from an October 28, 2014 MIC Tax Bureau Fixed Asset Tax Division submission to the Japanese cabinet) indicates, the FAT is a significant and stable source of tax revenues for Japan’s municipal tier of



Source: Ministry of Internal Affairs and Communication, October 27, 2015

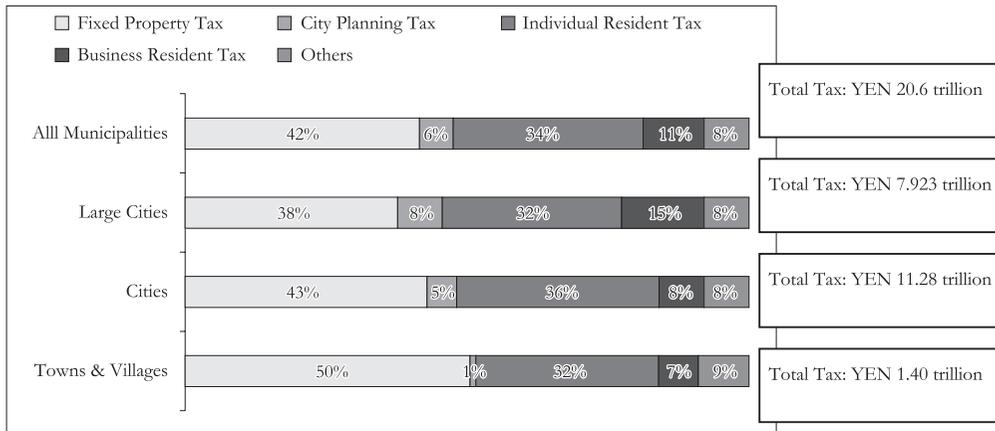
Japan's Municipal Tax Revenues, FY 2013



Circled years are asset revaluation years

Source: Ministry of Internal Affairs and Communications 2015: http://www.soumu.go.jp/main_content/000323314.pdf

Fixed Asset Tax Revenues, FY 1998 FY 2012



Note: "Large Cities" include the 20 designated cities as well as the 23 special wards of Tokyo Metropolitan Government (TMG) and TMG's revenues as well.

Source: Ministry of Internal Affairs and Communications, October 27, 2015

Japan's Fixed Property Tax in Various Categories of Municipalities' Tax Revenue Structures(FY 2013)

government. In fact, the figure emphasizes the stability and significance of the FAT, in protest against a METI led initiative to reduce the depreciable asset base of the FAT¹²⁾.

A further breakdown of municipal revenues, specifically the comparative reliance on the FAT and CPT, is seen in the figure "Japan's Fixed Property Tax in Various Categories of Municipalities' Tax Revenue Structures (FY 2013)." The figure shows that the degree of importance of the FAT in the tax base increases from 38% for large cities (meaning the 20 designated cities as well as TMG's 23 special wards) to 50% for towns and villages. By contrast the importance of the CPT increases from a mere 1.0% of town and village tax revenues to 8.0% in the case of large cities.

Property Taxes in Detail

1) Fixed Asset Tax (*koteishisanzei*)

The chart below on "Japan's Fixed Assets Tax as of 2015" shows that municipi-

12) As discussed in the last section of this report, the Japanese cabinet's plan to implement special tax measures to the depreciable asset base of the FAT was given cabinet assent on December 24, 2015, and will be implemented at the start of FY 2016, meaning April 1 of 2016.

Japan's Fixed Assets Tax as of 2015	
Object of Taxation	Land, buildings and depreciable assets
Taxing Authority	Municipalities (cities, towns and villages) assess, levy and collect the tax ; TMG levies the tax on behalf of its 23 special wards
Taxpayers	Registered owners of land, buildings and depreciable assets, in tax cadaster, as of January 1. As of FY 2013 : Land : 40.04 million persons Buildings : 40.038 million persons Depreciable assets : 4.19 million persons
Taxation Standard	Value (appropriate current price), with land and buildings being assessed every three years (the most recent assessment being 2015 and the next being scheduled for 2018)
Tax Rate	Standard tax rate : 1.4%. The maximum tax rate of 2.1% was abolished in 2004, giving municipalities greater taxation autonomy
Tax Exemption Limit	Land, YEN 300,000 ; Buildings, YEN 200,000 ; Depreciable Assets, YEN 1.5 million
Imposition Date	January 1 of the taxation year
Tax Revenues	YEN 8.5624 trillion (of which Land, YEN 3.374 trillion ; Buildings, YEN 3.6484 trillion ; Depreciable Assets, YEN 1.54 trillion)
Note : Data for tax revenues is FY 2013, but other data is FY 2014	

Source : Ministry of Internal Affairs and Communications, 2015 : http://www.cao.go.jp/zeicho/gijiroku/zeicho/2015/_icsFiles/afieldfile/2015/10/26/27zen25kai7.pdf

palties (and TMG for its 23 special wards) levy the FAT on land (agricultural land, residential land), structures (residential buildings, factories, and other buildings), and depreciable assets (construction equipment, machinery, factory equipment, and other assets). The Local Tax Law grants the municipalities the authority to levy the FAT via their own ordinances and in accordance with the Local Tax Law.

2) City Planning Tax (*toshikeikakuzei*)

As the chart on “The City Planning Tax in Japan, FY 2013” shows, in FY 2014, 651 municipalities levy the CPT, out of a total of 1,720 municipalities. The CPT revenues, a total of YEN 1.227 trillion in FY 2013, are in principle earmarked to finance city planning and land readjustment projects, but in fact flow into general revenues. The tax base of the CPT is much the same as the FAT, including land and houses ; however, the CPT is not levied on depreciable assets. The municipalities can set the tax rate of the City Planning Tax as high as 0.3 %. Many set the rate lower, and a great many do not levy the tax at all.

The City Planning Tax in Japan, FY 2013	
Object of Taxation	Land and building within municipal boundaries: 41.69 million plots and 29.81 million buildings
Taxing Authority	Municipalities that have city planning areas: 651 tax levying municipalities/1,720 total municipalities
Taxpayers	Owners of land and/or buildings: 21.10 million land holders, 26.18 million building owners
Taxation Base	Value (appropriate current price), with Fixed Asset Tax standard as appropriate price valuation
Tax Rate	Up to 0.3%
Tax Exemption Limit	Land, YEN 300,000; Buildings, YEN 200,000
Imposition Date	January 1 of the taxation year
Tax Revenues	YEN 1.227 trillion (of which Land, YEN 672.5 billion; Buildings, YEN 554.2 billion)
Note: Data for tax revenues in FY 2013, but other data is FY 2014	

Source: Ministry of Internal Affairs and Communications, 2015: http://www.soumu.go.jp/main_content/000377210.pdf

3) Business Office Tax (*jigyoushozei*)

The 76 cities that levy the Business Office Tax (BOT), as of January 1, 2015, include those with populations over 300,000, the designated cities, and the special wards of TMG. In precise legal terms, this is a tax on use (*shiyou*) rather than possession (*shoyuu*) per se. The object of the tax is firms whose office facilities exceed a floor area of 1,000 m² and/or employ more than 100 workers who are deemed regular staff according to the BOT. The tax rates are YEN 600/m² of floor space and 0.25% of the total amount of employee salaries. Generally, businesses with under 800 m² of office space within the given municipality are exempt from reporting requirements, and those with less than 1,000 m² of office space exempt from taxpaying obligations. In addition, firms are exempt from tax reporting requirements if they have fewer than 80 staff within the municipality, and they are exempt from taxpaying obligations if their total number of staff (total number of staff in the relevant municipality minus staff not subject to tax regulation, such as part time workers) is under 100 people¹³⁾.

13) An excellent visual outline (in Japanese) is available at "Business Office Tax," Saitama City, November 10, 2015: <http://www.city.saitama.jp/005/004/005/p005315.html>

Revenues from the BOT in FY 2013 totaled YEN 348.4 billion, of which YEN 253.1 billion (72.6%) were derived from real estate assets and YEN 95.3 billion (27.4%) were derived from the levy on the volume of employee salaries. The tax revenues are, in principle, devoted to the upkeep and improvement of transport related assets such as roadways; parks, green space and other public areas; water mains, sewers, waste treatment facilities and other infrastructure for delivery or disposal; canals and other waterways; schools, libraries, and other facilities for education and culture; hospital, day care facilities, and other health and welfare related facilities; works related to pollution control; works related to disaster prevention; other works, including those for urban development or otherwise maintaining or enhancing the urban environment¹⁴⁾.

14) An overview of the Business Office Tax and aggregate revenues and other particulars can be found (in Japanese) at “Overview of the Business Office Tax,” Ministry of Internal Affairs and Communications, 2015: http://www.soumu.go.jp/main_content/000377209.pdf