

Research Study on Development Assistance in Fiscal 2016

Designing Systems for Introducing International Solidarity Levies, Trial Calculation of Effects and Impacts, and Other Matters

Summary

1. Research objectives

In September 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development, aiming to solve global issues. A challenge is how to mobilize funds for development necessary for implementation of the Sustainable Development Goals (SDGs) which are encompassed in the 2030 Agenda. As an innovative method for the implementation of the SDGs, international solidarity levies have recently won much attention, and some countries have introduced such levies. In order for Japan to make international contributions more actively and reinforce its international influence, it is necessary to promote studies on introducing international solidarity levies.

Furthermore, Japan should also study other innovative funding methods besides new taxation schemes and international solidarity levies in order to consider a variety of options for mobilizing funds for development. It will contribute to enabling Japan to acquire international leadership in solving global issues as well as improve Japan's prosperity through sharing experiences and outcomes of these activities with the international community.

Based on the above-mentioned problem consciousness, this research study collects information relating to the introduction of international solidarity levies and proposes possible designs for introducing such levies in Japan. To be more precise, this study includes to design detailed systems for introducing solidarity levies on air tickets and financial transaction taxes, which have been already adopted in some countries, and other taxation methods worth studying. Each proposal is evaluated on the basis of technical issues including tax collection processes, effects on relevant industries, and other factors. At the end, this study summarizes matters that s to be necessary to be studied in the future in order to introduce international solidarity levies and sorts out future directions.

2. Method of research study

We established the Study Group on Designing Systems for Introducing International Solidarity Levies, which consists mainly of researchers on international solidarity levies, and we carried out research studies in the following steps: investigation of documents relating to international solidarity levies, presentation of possible systems for introducing international solidarity levies, evaluation of each proposal presented, and suggestion for further studies to implement proposals. The study group offered advice relating to the above-mentioned research studies from a professional standpoint, and we reflected the results of these discussions in the research studies.

3. Taxation methods subject to research studies

After grasping basic information on international solidarity levies through investigation of documents, we selected four taxation methods for focused studies on the designing of systems for introducing international solidarity levies, and they are listed in Table 1 below.

Table 1: Taxation methods subject to research studies

Taxation method	Main reasons for being selected
Solidarity levies on air tickets	Some foreign countries have already introduced solidarity levies on air tickets, and there are relatively ample data, information, and documents that can be used for studies.
Financial transaction taxes	The European Union is currently discussing to introduce financial transaction taxes (some countries have introduced simplified versions of financial transaction taxes), and there are relatively ample information and documents that can be used for studies.
Carbon taxes	The Lando Commission in France and the UN are conducting studies on introducing carbon taxes, together with solidarity levies on air tickets, financial transaction taxes, and other taxes.
Taxes on passport fees	Just like solidarity levies on air tickets, taxes on passport fees can make overseas travelers shoulder responsibilities relating to risks of infection due to overseas travel.

Furthermore, we also examined various methods for fund mobilization for solving global issues (including departure taxes and airline mileage donation systems).

4. Systems that were studied in this report

We formulated an assumed detailed system for each taxation method and analyzed each system from the following viewpoints: (1) taxpayer, (2) object of taxation, (3) tax base, (4) tax rate or tax amount, (5) possibility for price pass-through, (6) use of tax revenue, (7) simulation of tax revenue, and (8) relevant legislation. The outline of each proposed system is shown in Table 2.

Table 2: Proposed system for each taxation method (outline)

Taxation method	Proposed system (outline)
(1) Solidarity levies on air tickets	The diffusion or epidemic of infectious diseases is related to the mass transit of people and goods due to the development of airline networks. From the viewpoint of sharing the burden of cost against infectious diseases thinly and widely, we assumed a system in which a small amount of tax is paid at the time of purchase of an air ticket. The tax revenue is mainly used in the medical and health areas by contributions to the UNITAID (an international drug purchase facility) and investments in domestic measures against infectious diseases (Biosafety Level 4 [BSL-4], etc.).
(2) Financial transaction taxes	For the purpose of curbing speculative transactions and securing financial resources for global issues and financial crises, we assumed a system in which a small amount of tax is imposed on each financial product transaction. For the introduction of financial transaction taxes, we assumed the

		following two steps: (1) introduction of the EU system currently under discussion and (2) introduction of Japan's own proposal.
(3) Carbon taxes	1) Raising of the rate of the currently imposed Tax for Climate Change Mitigation	The Tax for Climate Change Mitigation is currently imposed on the use of fossil fuel. We assumed a system in which the rate of the Tax for Climate Change Mitigation is raised for a portion of international solidarity levies.
	2) Imposition of taxes on international distribution services	We assumed a system in which a carbon tax is imposed on fossil fuel used for cross-border distribution and services that emit carbon dioxide.
	3) Imposition of taxes on distribution of used cars	We assumed a system in which a tax is imposed on distribution of used gasoline-powered cars (together with the automobile weight tax at the time of the mandatory automobile safety inspection). By exporting this taxation system to other countries, Japan may be able to play a leadership role in promoting measures against global warming, and Japanese automakers may see an increase in demand for their eco-friendly cars.
(4) Taxes on passport fees		We assumed a system in which based on a similar problem consciousness as that in the case of solidarity levies on air tickets, a small amount of tax is paid (as an extra fee) at the time of issuance or renewal of a passport, and the tax revenue is mainly used in the medical and health areas by making contributions to the UNITAID and investments in domestic measures against infectious diseases (BSL-4, etc.).
(5) Other taxation methods	1) Departure taxes	We assumed a system in which based on a similar problem consciousness as that in the case of solidarity levies on air tickets, everyone leaving Japan pays a small amount of tax, and the tax revenue is mainly used in the medical and health areas by contributions to the UNITAID and investments in domestic measures against infectious diseases (BSL-4, etc.).
	2) Airline mileage donation systems	As a non-taxation method aimed at mobilizing funds mainly for making international contributions, we assumed a system in which expired airline miles are donated for implementation of the SDGs, etc. In such a system, in order to promote donations for making international contributions, preferential taxation, such as the tax credit program for international contributions, are also provided.

5. Evaluation of each proposal

Based on discussions by the study group, questionnaires, hearings, etc., we evaluated each assumed system from the following viewpoints: legitimacy as a special-purpose tax, appropriateness and feasibility from the technical standpoint, effect on relevant industries, and public support. We also extracted challenges in introducing each system. The evaluation details are shown in Table 3.

Table 3: Evaluation of each proposal (abstract)

Taxation method	Legitimacy	Appropriateness and feasibility	Effect on relevant industries	Public support
(1) Solidarity levies on air tickets	- It is necessary to examine consistency with measures aimed at becoming a tourism-oriented country. etc.	- It is necessary to study in detail what tax collection processes and costs should be anticipated. etc.	- It is necessary to evaluate effects based not only on the number of users and other factors but also on airline companies' earnings. etc.	- About three-fourths of respondents to the questionnaire survey answered that they do not mind paying a lump-sum tax or a proportional tax. (However, just over 50% of respondents were in favor of international solidarity levies.) etc.
(2) Financial transaction taxes	- It is necessary to examine consistency with investment promotion policy in Japan and financial regulation measures, etc., in the world. etc.	- With the development of the information communication technology (ICT), not only the number of transactions that are traceable but also the number of transactions that are not easily traceable may increase. etc.	- It is assumed that the number of transactions will decline sharply if a financial transaction tax is introduced (based on experiences at the time of abolition of the securities transaction tax). etc.	—
(3) Carbon taxes 1) Raising of the rate of the Tax for Climate Change Mitigation	- It is necessary to clarify differences from the purpose of the currently imposed tax.	- It is necessary to study practical operational processes in employing the existing taxation scheme.	- Tax burdens may be shifted to households, etc.	—

2) Imposition of taxes on international distribution services	- It is necessary to examine consistency with the development of international emission standards.	- It is difficult to grasp the amount of carbon dioxide emissions from international distribution services. Another challenge is how to prevent tax avoidance and evasion.	- Tax burdens may be shifted to households, etc.	
3) Imposition of taxes on distribution of used cars	- There is a concern that double taxation might occur in relation to the eco-car tax break program, etc.	- It is necessary to study practical operational processes in employing the existing taxation scheme.	- Tax burdens may be shifted to households that possess gasoline-powered cars.	
(4) Taxes on passport fees	- It is necessary to discuss the legitimacy of taxation on the acquisition of a passport, which is an official document.	- It is necessary to study in detail what tax collection processes and costs should be anticipated. etc.	- The expected effects on the airline industry need to be understood in future studies.	- There is an argument that passport fees should be lowered for the purpose of becoming a tourism-oriented country. It is necessary to conduct studies regarding acceptance of taxes on passport fees.

*A departure tax is considered to be a kind of lump-sum solidarity levy on air tickets. Therefore, the same evaluations as those for solidarity levies on air tickets apply to departure taxes. As for airline mileage donation systems, there is an evaluation that donations, in essence, should be made based on the decision of each airline company, instead of creating a donation system.

6. Matters that seem to be necessary to be studied in order to introduce assumed systems and other matters

Based on the challenges extracted, we summarized matters that seem to be necessary to be studied further in the future, including the designing of a detailed system for each taxation method and the establishment of practical operational processes for the introduction of each method.

Based on these, we presented the following three major future directions for studies for the introduction of international solidarity levies.

First, specific taxation methods should be selected for further studies and elaboration of system design from the viewpoint of ensuring consistency with other measures and enhancing international influence. Second, practical operational processes, including tax collection processes, should be examined for studies and designs of specific taxation methods. Third, it should be re-examined how to fulfill global responsibilities and obligations as well as reduce disadvantages of globalization, which will ultimately contribute to peace and stability in the international community.