

Study Group on Restructuring Taxation and Social Security Systems by Using Information Technology

Subject The Digital Agency was launched on Sept. 1, 2021, kicking off the digitalization of administrative procedures. However, the purpose of building a digital government is not simply to digitize administrative procedures. This is only a means, and the true purpose of building a digital government is to provide better administrative services effectively and efficiently.

In the specialized deliberations at the OECD and elsewhere, a digital government is regarded as an advanced form of NPM (new public management) (adopting evidence-based policies) which aims at effective and efficient administration by actively introducing management methods and other approaches used in the private sector. This means that the ultimate goal of digital government is, while keeping in line with the limited financial resources, to use advanced digital technology (which requires updating due to accelerating innovation) to rapidly and accurately obtain data on people's needs and preferences for administrative services for use in system design for the improvement of administrative services while sharing the policy outcome with them. Incorporating a mechanism for monitoring the digital government in this design is also important from the standpoint of NPM.

Building a digital government is not about just digitizing the existing government. It would be helpful in the future to clarify the difference with the existing government by reimagining the government from the ground up on the basis of the utilization of information technology, leaving

Subject aside feasibility considerations for the moment.

What, then, are the goals of public finance when building a digital government? The three functions of fiscal administration are: resource allocation, redistribution, and economic stability. The most important function is redistribution, with taxation and social security at its core. The goal of redistribution is reliable payment of benefits and fair sharing of burdens. With the use of digital technology, this is becoming achievable with greater precision. The key to this is the viewpoints of “visualization of redistribution,” “timely information on income,” and “push-type government services.”

As evident in the government’s cash payouts in response to the Covid pandemic based on a decision made on April 30, 2020, the main reason why Japan was unable to make payouts accurately and swiftly is that the government had no means to obtain information on the people’s income prior to redistribution in a timely manner.

For example, the UK has implemented a “Making Tax Digital” policy, and from 2013, RTI (Real Time Information) on income tax of all salaried workers have become available. The UK has a “PAYE” a system similar to Japan’s withholding tax system. Based on the RTI system, employers use software authorized by Her Majesty’s Revenue and Customs (HMRC; equivalent to Japan’s National Tax Agency) to file a “Full Payment Submission” (e.g. amount of wages, withholding tax, social insurance premiums) to the HMRC before or on every payday.

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Australia has also introduced its RTI system for wage payments, called the STP (Single Touch Payroll) (mandatory for establishments with 20 or more employees) in 2018, with a plan to make this a requirement for all employers eventually. This STP was proposed by the Australian Taxation Office and was developed by the national government in cooperation with the software industry. Timely information on income is not only vital for fair sharing of the burden, but also useful for purposes other than taxation, such as for redistribution policies.

The timely collection of income information also enables speedy payouts to all eligible individuals without fail. At the core of this is the concept of “push-type government services,” which is expected to be most useful in the area of social security. Using the Mynaportal, the government will be able to notify individual users of administrative services they need at the optimum time. To use such push-type government services, the users need to register the necessary information on Mynaportal in advance. However, in reality, there are still many cases in which users are unaware of payouts and tax cuts they are eligible for despite the improvements made in the system. Distrust of government is a factor to be reckoned with. If advance registration is made mandatory, it will be possible to avoid missing out on social security benefits, tax refunds, and other eligible payments due to failure to apply, and this will mean that the digital government is functioning effectively as a safety net.

Subject With the above points in mind, this project will conduct research on using IT to restructure taxation and social security systems and explore the direction to be taken in this undertaking.

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Date held (1) October 24, 2022
(2) December 15, 2022
(3) February 3, 2023
(4) March 16, 2023

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