

2 December 2025 (No. of pages: 1)

Japanese report: 26 November 2025

# Roadmap for Implementing Refundable Tax Credits

## *Early Realization Possible with “Tax Credits Accompanied by Social Insurance Premium Refunds”*

Financial & Capital Market Research  
Dept.**Shungo Koreeda****Ryuta Hiraishi**

Economic Research Dept.

**Hirohito Hatanaka****Ryohei Yoshida****Kisuke Yoshii**

### Summary

- The Sanae Takaichi administration plans to carry out an integrated reform of the structure of tax and social security burdens and benefits, positioning refundable tax credits as a key instrument. In Japan, low-income households generally face a high net burden from taxes and social security, while benefits and tax relief for low-income families with children are particularly limited.
- To address these imbalances, we examined proposals for introducing refundable tax credits, referencing examples from other countries and estimating the fiscal scale for four types and 15 cases, as well as considering administrative challenges. In the United States, about 30% of payments are improper, highlighting the need for precise capture of assets and income or a system design that minimizes improper payments.
- In Japan, households with dependents under social insurance or pensioners already have a low net burden, making them unsuitable as targets for new benefits. Under these constraints, if burden adjustments are to be implemented promptly, introducing “tax credits accompanied by social insurance premium refunds” for labor income would be a strong option.
- This should serve as the first step, followed by efforts to develop frameworks for capturing income and assets and to review the overall tax and social security system, aiming to update the scheme into a more sophisticated system that accurately reflects needs.