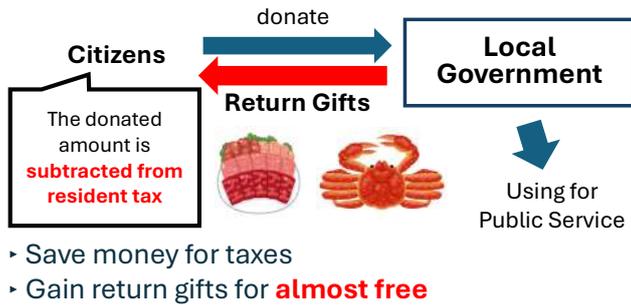


“Furusato NISA” for Local Area Development

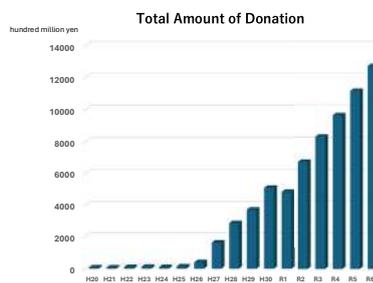
Gunma Chuo Secondary School 2025

Introduction

What is “Furusato Nozei”?



“Furusato Nozei” system is becoming popular



- Total Amount of the donation is rapidly growing.
- In the past 5 years, the amount has grown by more than 2.5 times.

Causes

- It seems to offer **only benefits** to users

However, is that true?

Problems with “Furusato Nozei”

Principles of Tax “Benefits Principle”

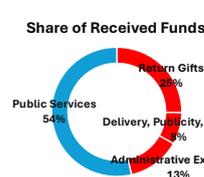
→Taxpayers should pay for public services **in proportion to the benefits they receive.**

But...

- Donating to another city reduces the own city’s tax revenue.
 - It makes the city’s public services such as education, and fire service
 - This disadvantage affects **not only those who receive return gifts but also those who do not receive the gifts**
- Urban areas face shortage of tax revenue
 - Urban areas have larger population and that means more people use the system than other areas. It causes shortage of the revenue.

Underlying Issue

“Furusato Nozei” System is for **the local development.**



But...

- Only about half of the funds are used for public services
- This system creates competition over a limited pie of the local tax revenue, so **the pie itself is not getting bigger.**

➔ **How do we achieve long-term and overall growth of local tax revenue?**

Proposal

Solution : **Investment**

- Development of Local Area
- ⇔ **Development of Local Companies**

Aim of New System

- Investment in local companies and their growth
- Local Job Creation
- Growth in Corporate Tax Revenue**
(Growth in Population and Resident Tax Revenue)

- ➔ **Resolve the Problem of “Benefits Principle”**
- ➔ **Local Areas would Truly Develop**

Suggestion : “Furusato NISA”

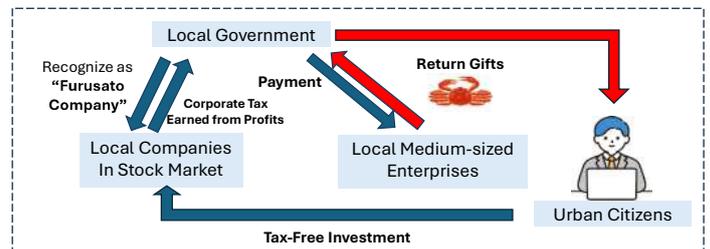
“Furusato Nozei” ✕ “NISA”

•Return Gifts System



•Tax Free Investment System
→Normally, there is a tax on profits we gained with investment. But with this, we can invest tax-free

⇔ **People can receive return gifts by investing in local companies**



Evaluation

Merits

- Consumption from local businesses would increase
- Both large companies and small and medium company can benefit
- Job Creation → Growth in **Population / Local Government’s Revenue**
- The shortage of tax revenue in urban areas would be resolved

Problems

- How to choose up “Furusato Company”
- If government runs a deficit
- What areas are urban and not

Points should be confirmed

- Whether job creation relates an increase of population or not ?
- NISA

Conclusion

By stopping “Furusato Nozei” but keeping its good points and combining it with “NISA”, investment in local companies would be promoted. The growth of local companies leads to job creation and the tax revenue increase. Therefore, this would achieve regional revitalization with fewer problems as a tax system.

References
Survey Results on the Current Status of the Furusato Nozei (Hometown Tax Donation) Program (FY 2025 Survey) Source: Ministry of Internal Affairs and Communications (MIC), Japan
Source: Irasutoya