

Minutes of the 3rd Meeting of the Accommodation Tax Study Subcommittee of the Study
Committee for Securing Financial Resources for Tourism Promotion in Hakuba Village in
FY2024

Date and Time	Friday, October 18, 2024, 13:30–15:50
L o c a t i o n	Hakuba Village Hall, Room 302

Committee Members (titles omitted)

Professor, Department of International Society, Faculty of Modern Liberal Arts, Tokyo Woman's Christian University	Noriko Yagasaki	a t t e n d
Deputy Secretary General, Hakuba Village Tourism Bureau	Yuya Shinji	a t t e n d
Chairman, Hakuba Sasaka Tourist Association	Yuichi Nakamura	a t t e n d
Hakuba Goryu Tourism Association Secretariat	Fumio Sato	a t t e n d
Chairman, Happo One Tourist Association	Tetsuya Maruyama	a t t e n d
Hakuba Iwatake Tourist Association Vice President	KIRIKUBO, Masayoshi	n o n - attendance
Director, Nagano Ryokan Hotel Association Hakuba Branch	Kazuma Maruyama	n o n - attendance
Hakuba Village Lodging Innovation Team	Tomohiko Maruyama	a t t e n d
Hakuba Village Hotel Council Secretariat	Kenji Shibata	a t t e n d
Representative of Hakuba Oshuku Club	Mayumi Ito	a t t e n d
President, HIBA (Hakuba International Business Association)	Ian Miller	a t t e n d

Attendance 10

Observers (titles omitted)

Hakuba Village Vice Mayor	Hisao Yoshida	a t t e n d
Chairperson of the Hakuba Village Assembly Industry and Economy Committee	Tatsuya Kirikubo	a t t e n d

Secretariat

Hakuba Village Office, Tax Section Chief	Yusuke Ota	a t t e n d
Head of Taxation Section, Taxation Division, Hakuba Village Hall	Tsuyoshi Ichii	a t t e n d

Opening (13:30)

<Tax Section Chief Ota.

Mr. Kohei Kirikubo and Mr. Kazuma Maruyama are absent today, and Mr. Ian Miller will be joining us online from the United States.

The main item for discussion at today's study group will be the framework of the tax system, and we will proceed for a maximum of approximately two hours, so I ask for everyone's cooperation. Now, Mr. Maruyama, Vice Chairman, will call the meeting to order.

<Tomohiko Maruyama, Vice Chairman

He declared the meeting open.

1 a fine thing to say (used as part of a sarcastic response to a rude remark)

<Chairman Shibata

Good afternoon everyone and thank you for taking time out of your busy schedule to gather here today. Also, thank you Dr. Yagasaki for coming from so far away.

As you know, the Governor announced the tentative framework of the tourism promotion tax in his explanation of the proposal at the September 26th regular meeting of the prefectural assembly. The tax on lodging activities, the so-called lodging tax, is targeted to be introduced in April 2026, with a flat rate of 300 yen per person per night, a tax exemption point of 3,000 yen, and a tax exemption for those participating in school excursions and other events. A briefing on the lodging tax study was held last August 8, with Mr. Wakabayashi, Director of Nagano Prefecture's Mountain Highlands Tourism Division, explaining the prefectural framework, and Mr. Ota, Director of the Tax Division, explaining the study of the village system. The briefing was attended by over 60 people, including online participants. The prefecture has been holding public comments and explanatory meetings for prefectural residents, and according to press reports, the prefectural assembly has proposed a fixed rate system. According to information, the prefectural assembly and the Ryokan Hotel Association have proposed a fixed-rate system instead of a flat-rate system, and today's main issue for consideration is the tax rate. If the prefecture changes to a fixed rate system in the future, we will have to start all over again, but at today's subcommittee meeting, we will discuss the fixed rate system announced by the prefecture at this time, in accordance with the report.

2 matters to be reported

(1) Future schedule

<Chairman Shibata

Please explain item 1 of the report, the schedule for the future, from the secretariat.

<Tax Section Chief Ota.

He explained the future schedule based on the materials.

<Chairman Shibata

The secretariat explained the schedule. Are there any questions from everyone?

<Chairman Shibata

Can we talk about the schedule? It may change depending on how the prefecture moves in the future. I think it will be based on the current situation. Now, please continue with your explanation of the independent taxation.

3 agenda

(1) Original taxation

<Chairman Shibata

Please explain item 1, original taxation, from the secretariat.

<Tax Section Chief Ota.

He explained the original taxation based on the documents.

<Chairman Shibata

The secretariat explained about the unique taxation from a variety of perspectives. The initial lodging tax study committee, chaired by Mr. Yamada, said that the prefecture would pay 25% and the village 75% of the tax. If Dr. Yagasaki has any advice or information, including how the 300 yen was arrived at, please let us know.

<Noriko Yagasaki, Committee Member

As it turns out, the county commissioners are not involved in the specifics of the tax amount, etc., such as the 300 yen. I was surprised to hear this for the first time. The prefectural committee heard only the general outlines of the lodging tax system, such as whether it should be implemented, and if so, whether it should be a fixed rate or a flat rate, whether there should be tax exemption points, what points to keep in mind, and what kind of use the tax should be put to. The prefectural committee's report also discusses both fixed rate and declining rate methods of taxation. In the end, the prefectural government was given the responsibility to make the final decision and design the taxation system.

Looking at the prefectural government's schedule, it is already in the public comment phase. After that, there will be a phase of consultation with the municipalities, so it will depend on how much we can say in this consultation with the municipalities, but we have to keep in mind that there is a possibility that the process may proceed without major changes if we are on this kind of process. However, in the case of Hakuba Village, we have to be aware of the possibility that the process may go forward without major changes. However, Hakuba Village has the discretion to levy its own taxes, so we can think and devise our own taxation system. I think this is very important.

As for the lodging tax, when it was first introduced, there were very few prefectures and municipalities that took both. Tokyo and Osaka started out as stand-alone entities, and it was not until later that both the prefectural and municipal governments came out with their own taxation schemes. Now that the prefectural government has presented us with a proposal like this, I think it is important for us to consider how far we can take our own ideas and come up with a good one.

I think the materials you have explained are very clear in logic and overall flow, and contain the necessary information properly when considering taxes. Kyoto City has recently reviewed and is finalizing the final draft of the report, but the specific figures, such as how much to revise the tax amount, are being worked out by the city office. Basically, the logic is to determine how much administrative demand there is, how much money can be allocated to that demand, how much is insufficient, and if tourists are to pay for the shortfall, then the amount of the accommodation tax should be about this much. The Hakuba Village data is in line with this logic, and I think it is appropriate. Kyoto City is expected to receive 4.8 billion yen in accommodation tax, but the administrative demand is 6.2 billion yen, which is more than 1 billion yen short. I think it is very easy to understand how much of the 300 million yen in Hakuba Village will be covered by the lodging tax. I would appreciate it if you could provide additional information on the prefectural government.

<Tax Section Chief Ota.

The reason why the prefectural government is asking for 300 yen is based on a briefing session for prefectural residents that was just held. The reason why the prefectural government is asking for 300 yen is explained at the prefectural citizens' briefing session, right?

First, there was an explanation of the concept behind the adoption of the flat rate system and the concept behind the adoption of the 300 yen. He explained that the fixed rate system was adopted because it is easier to coordinate taxation with municipalities that are considering their own taxation, and because it is easier for guests to understand. (As indicated by an asterisk (*) in the handout, in the case of the fixed rate system, the tax base, or the amount to which the tax rate is applied, overlaps with the consumption tax, and there is a risk of being considered double taxation. The second point is that it is appropriate to set the tax amount at a certain level, considering the fact that the benefit to travelers is constant regardless of the room charge. The second point is that it is necessary for the prefectural government and municipalities to work together to implement measures, and the tax amount is set at 300 yen, based on the fact that the system incorporates financial support for municipalities in the prefectural government and the tax amount in the municipalities that have already introduced the system or are currently considering it. The third point is that according to statistics, tourism consumption is about 40,000 yen per person, so we believe that 300 yen is not excessive. Finally, the tax amount of 300 yen is not excessive in terms of the scale of business expected in the prefecture. This is why we have set the tax at a flat rate of 300 yen.

<Chairman Shibata

You have given us a lot of information, but I would like to hear about any information about the Ryokan Hotel Association, as far as you can tell us about it.

<Tetsuya Maruyama, Committee Member

Like Mr. Yagasaki, the Ryokan Hotel Association has also submitted a written request to the prefectural government. We have received reports of meetings with the governor, the Liberal Democratic Party, and the opposition parties, and we have listed three requests.

Request 1: The tax rate should be 200 yen instead of the flat rate of 300 yen. Second, the tax exemption point should be set at less than 6,000 yen. Third, for municipalities that levy their own taxes, we would like the tax rate to be 100 yen instead of 150 yen, which is half the tax rate. We have submitted these three requests based on the fact that the tax rate has been set at 200 yen. These are the requests of the Ryokan Hotel Association, and I believe they are also reflected in the public comments.

<Chairman Shibata

The secretariat has explained about the independent taxation, and I would like to ask if any of you have any questions or comments on this matter. As explained by the secretariat, it is advantageous to introduce our own revenue source, regardless of how much we decide to charge as a village, as explained in the materials.

<Tetsuya Maruyama, Committee Member

May I ask? If Hakuba Village were to implement a levy and collection method, how much would it cost and what kind of method did you consider? For example, it would be possible to apply online for bath tax, instead of having to transcribe and re-enter all the information. We would like to know a little bit more about how you envision this, including DXing.

<Tax Section Chief Ota.

I do not have a clear answer to this question, but I believe that it is necessary to make efforts to reduce the burden on those who are obligated to collect special taxes. One way to do this would be to offer incentives, as indicated by the prefectural government, and another would be to introduce a simple system to support such efforts. In either case, we believe that the use of digital technology is the way to go.

The work burden in this document is evaluated in terms of administrative work burden. In fact, whether or not the special tax collector imposes its own taxation, the special tax collector will always bear the burden, so this data is evaluated from the perspective of the administrative workload.

<Yuichi Nakamura, Member of the Committee> <Yuichi Nakamura, Member of the Committee

I read page 9 of the document, and it says that if we don't do the original taxation in proposal A, we have 128 million yen, and if we do the original taxation in proposal B, we have 125 million yen? So, it would be better not to impose the original taxation, wouldn't it?

<Tax Section Chief Ota.

Proposal B is based on a comparison using the flat rate of 300 yen, or a flat rate of fixed amount, as indicated by the prefecture. However, the village would like to secure financial resources, statistics, and authority. Considering this, we are proposing to use Proposal C, which is a tiered flat-rate system, in which the amount of tax varies according to the stage of the accommodation charge.

<Chairman Shibata

As explained by the secretariat, Proposal A and B would only increase the amount of work required, so we think that Proposal A is fine, but if Proposal C imposes its own taxation,

for example, 500 yen or 1,000 yen for accommodation costing 50,000 yen or more, which is expected to increase in the future in view of the current situation in Hakuba, then Proposal C would be better. In light of the current situation in Hakuba, and taking into consideration the situation of accommodations in the high price range that are expected to increase in the future, the secretariat's proposal is that Proposal C is a good idea.

<Noriko Yagasaki, Committee Member

I would like to ask a question or point out something related to the above, but on page 9, there is a figure of 42,929,000 yen for the priority grant, which is exactly what Mr. Nakamura has just pointed out. However, this priority grant is the 50 yen in light green on page 8, right? It does not necessarily mean that all of this money will come to Hakuba Village. However, Hakuba Village is definitely the number one village in Nagano Prefecture, but there is also a statement below that says that the grant will be screened according to the priority policies set by the prefecture. Next to this, in gray and white letters, it says that the subsidy project will be 50 yen and that municipalities will receive 10/10, but it also says that it will be focused and the use of the funds will be limited as much as possible, so it is better to think that the funds will not be given free hand. It is more appropriate to think of it as a resource that will gradually be used to guide the prefecture in the direction it wants to take.

<Mayumi Ito, Committee Member

I was wondering where this amount of 250 yen came from. It seems to have come out of nowhere, so I would like an explanation.

<Tax Section Chief Ota.

I apologize. I didn't explain it clearly, but the proposed phased-in flat-rate system will be discussed later in the tax rate discussion, and since the tax rate for the village has not yet been decided, I am making a tentative estimate here based on the Kyoto City example.

In the case of Kyoto City, the tax rate is 200 yen for amounts between 5,000 yen and 20,000 yen, but that would be 150 yen for prefectural tax and 50 yen for village tax, so the tax rate is tentatively placed.

<Mayumi Ito, Committee Member

So you are thinking that the prefecture would receive 300 yen and the village would receive 250 yen?

<Tax Section Chief Ota.

This is the overall tax rate, so we receive 250 yen from the customer, 150 yen from the county, and 100 yen from the village tax.

<Chairman Shibata

The idea of a tiered flat-rate system with its own funds is a proposal that takes into consideration the so-called low-price range and small-scale facilities. As explained earlier by the secretariat, the prefectural government's flat-rate system is basically 300 yen per person regardless of the amount of stay, so I am a little concerned about whether the five municipalities (Achi Village, Matsumoto City, Karuizawa Town, Yamanouchi Town, and Hakuba Village) will impose their own taxation. I don't know how the other municipalities would choose to do so, but if we compare, for example, Otani Village and Hakuba Village, Hakuba Village has a tiered flat-rate system, while Otani Village will remain in Nagano Prefecture, so that 300 yen in Otani Village will be 500 yen in Hakuba Village, and vice versa. The opposite is true for Hakuba Village, where the price would be 250 yen. Another thing is that the prefectural government's explanation is basically based on the concept of separating meals and lodging, so when the cost of meals is not included in the price, there are no set rules for how much is the cost of meals and how much is the cost of lodging, even though the price is set at 20,000 yen per night and 2 meals per night. For example, if a room is priced at 20,000 yen, but the cost of meals is 10,000 yen and the cost of lodging is 10,000 yen, this may be an issue. According to our estimation, this approach would generate more tax revenue.

<MARUYAMA, Vice Chairman

I would like to clarify something. The draft proposal from Nagano Prefecture still has room for improvement, is that correct? For example, is it correct to think that there is still room for change in this draft proposal, which will be improved upon by various requests from union associations and other stakeholders?

<Tax Section Chief Ota.

To this end, we are now collecting feedback from prefectural residents and businesses through public meetings and public comments, and we may reflect such feedback.

<MARUYAMA, Vice Chairman

Is it correct to say that we will make a decision on what we should do in the event that the prefecture implements a lodging tax?

<Tax Section Chief Ota.

That is correct. The prefectural government is aiming to introduce the tax in April 2026.

Therefore, Hakuba Village may or may not be able to levy its own taxation on the premise that the introduction of the taxation will take place. As the chairman of the subcommittee mentioned at the beginning of the meeting, what is being announced now is a fixed amount, so today's position is that we will examine the issue based on that.

<MARUYAMA, Vice Chairman

At the beginning of the meeting, Mr. Yagasaki made a statement that he was not aware of the contents of the plan, which was a bit shocking from our point of view, but it is a bit strange that a plan that was created by inviting someone like Mr. Yagasaki and spending money to study it together, was published as a framework plan without the knowledge of Mr. Yagasaki and others. It is a strange feeling, but I guess, for example, a person who stays at a hotel for 3,000 yen pays 300 yen, which is 10% of the cost of the stay. That's a 10% lodging tax. I think it is a bit much. In addition, a person who stays for 3,000 yen pays a consumption tax of 300 yen and a bath tax of 150 yen, so a person who stays for 3,000 yen pays 750 yen in taxes. I feel that the impact is quite large. As explained by Mr. Ota, what we need to decide here is whether or not to use our own financial resources. I think most people would agree that this is an absolutely necessary source of revenue to preserve this tourist attraction for future generations, but we have no idea how to design the system, and we have to carefully consider the fact that we will become a special tax collector with penalties, without eliminating any of the hassles and uncertainties for those of us who are obligated to collect special taxes. I have done various simulations. We have conducted various simulations, but we think that it would be better to use our own financial resources while retaining the amount we pay to the prefectural government plus an additional portion of our taxable income. Therefore, I hope that we can make a decision here while listening to everyone's opinions. Personally, I think that it would be better to have our own financial resources.

<Chairman Shibata

One of the opinions expressed at the recent briefing was that since we are the ones who actually collect the fees face to face with the customers, we should be able to clearly explain to the customers what the money is used for, for example. This is an opinion that is sure to come up at explanatory meetings and study groups.

<Mayumi Ito, Committee Member

As you said, we have heard that it would be a problem if we could not explain to the guests what the money would be used for. In the explanation given earlier, the prefectural government said that all guests receive the same administrative services, but what exactly are those administrative services?

Also, it's how it's used. Secondary transportation, shuttle buses, and demand transportation are used only by customers, right? The study group on the case of Kyoto City, where a Kyoto City official was present, showed that Kyoto City has its own problems and that one of them is over-tourism, such as traffic congestion. So, we understand that one of the problems is overtourism, such as traffic congestion. I understand that Kyoto City has its own problems, and one of them is overtourism, such as traffic congestion. Also, there are many shrines and temples in the city that do not receive much property tax. So, we are going to impose taxes on them. I also understand that the property tax is low because high-rise buildings cannot be built, and that is why the accommodation tax is imposed. But in the case of Nagano Prefecture, as well as Hakuba Village, they want to become a world-class tourist destination, so they are asking for money to pay for it. I wonder about that. I think they should do that on their own. For example, if there is a problem with tourism in Hakuba Village, they could recycle garbage, for example, and say, "We will turn it into compost, so please give it to us for that purpose, so that we can protect the snow. I would like to see more money spent in areas that are more important to the customers, such as "the Oito Line is about to be closed, so we want to support this line. If I were a tourist, I would not want to visit Hakuba Village because I would think that I should do it myself. I would like you to reconsider the use of the land. I would like to ask you to reconsider the use of this area.

<Tax Section Chief Ota.

As for the use of the funds, I have already shown you in the materials, but at the current stage, we have taken it from the framework to the project level. In addition, the timing of the tax collection is April 2026, and the timing of the next Tourist Attraction Management Committee meeting is the same as April 2026. In terms of taxation, we will review the plan again in three years, so it is necessary to verify the tax revenues and the effects of the projects during this period.

In 2025, the Tourism Area Management Committee will be asked when to implement specific projects for the most recent three years, as well as projects that should be implemented over the long term and during the planning period, and we will present more specific projects for implementation in the next fiscal year.

<Chairman Shibata

It is good that the Tourist Attraction Management Council is discussing various issues and creating a framework, but in winter, for example, there are many cases where the shuttle buses are over capacity and many buses are left unloaded, there are no places to eat dinner, cabs are not available at night, and reservations for meals are not possible. For example, in the winter season, the shuttle buses are oversubscribed and there are many unloaded buses, there are no places to eat for dinner, it is difficult to find taxis at night, and it is

impossible to make reservations for meals.

In any case, as to whether or not to implement this original taxation (tiered flat-rate system), are you all in agreement that we will do so? Since the prefectural government is still in a state of flux, this is only a tentative direction, but the conclusion of the subcommittee is that Hakuba Village will implement its own taxation of goods.

<Yuichi Nakamura, Member of the Committee> <Yuichi Nakamura, Member of the Committee

I would like you to advertise on the Internet or in any other way that taxpayers and payers will be satisfied with the premise of taxation, and that it is OK to pay if that is the case.

<Tax Section Chief Ota.

We would like to take time to make sure that overnight travelers understand that Hakuba has introduced a lodging tax, and also to ask for the cooperation of lodging facilities that are obligated to collect the tax. We would like to submit the ordinance to the March 2025 council meeting and use the period of 2025 as a preparation period and a period for publicizing the ordinance.

(2) Outline of the Lodging Tax System

<Chairman Shibata

As the second item for discussion, the secretariat would like to explain the framework of the lodging tax system.

Name

<Tax Section Chief Ota.

Based on the materials, he explained the name among the framework of the lodging tax system.

<Chairman Shibata

The secretariat has proposed a name for the project, but if you have any comments on this, please feel free to share them.

<Tetsuya Maruyama, Committee Member

As was mentioned at previous meetings and at the tourism management meeting, I think the basic premise of Hakuba is to consider a name that includes the English name, so is it correct to include this aspect in the consideration?

<Tax Section Chief Ota.

The literal translation would be Tourism Promotion Tax, but I am thinking to the point where that is not good enough.

<Tetsuya Maruyama, Committee Member

When I say "bath tax" to those who stay at inns, foreigners say that they only take a shower in their rooms, not in the hot spring. If you write "guest tax," "hotel tax," or "local tax," people will be convinced. However, if you say "tourism tax" in a slightly twisted way, there is always a dispute. We would like you to consider including these points so that foreigners can pay the tax. The Hakuba Village Tourism Promotion Tax is the name of the tax, but we are also required to collect taxes from other sources besides lodging, so I think it is fine to refer to it as the Hakuba Village Tourism Promotion Tax. This was brought up at the tourism management meeting, but there is always the argument that I am not a tourist because I am here on business, so I would like to hear your opinions on this matter as well, although they are very detailed.

<Ian Miller, Commissioner

Can you hear me? Ian. Over there (countries other than Japan that collect lodging tax), it's often called city tax. It doesn't have anything to do with tourism or anything, it's just a form of saying that since you are staying in this village, you have to pay this village's tax.

<Tax Section Chief Ota.

I have not thought about the English name, but I am sure that the prefectural government will consider the English name as well, so I would like to think that Hakuba Village could have its own name only in English, assuming that it is consistent. If you have an appropriate name, we would like to hear your suggestions.

<Chairman Shibata

Generally speaking, since this tax has been introduced nationwide, the name "lodging tax" would probably be most familiar to customers. So, for example, we could call it a tourism promotion tax, but when we put it on the receipts, we could use the name "lodging tax."

<Tax Section Chief Ota.

If you are talking about the operation of the system, I think it would be possible to use a name such as "lodging tax" in order to make it easier for lodging facilities to explain to customers in actual operation.

<Chairman Shibata

Since Nagano Prefecture has not yet come up with such specifics, we have decided to finalize the name of the tax in conjunction with that, and although it is a tentative name, we have decided to name it "Hakuba Village Tourism Promotion Tax" as a subcommittee.

Purpose (how to make ordinances)

<Tax Section Chief Ota.

He explained the purpose (how to make the ordinance) based on the documents as well.

Tax Rate

<Tax Section Chief Ota.

He explained the tax rates based on the documents.

<Chairman Shibata

Regarding the tax rate, the secretariat has based this on the Nagano Prefecture's draft framework, so it will change if the situation in Nagano Prefecture changes, but we would appreciate your opinion.

<Mayumi Ito, Committee Member

I think you were told earlier that the number of nights is Rakuten's data. I have a question mark as to how accurate that number is. Since foreign customers do not use Rakuten, I think it would be a good idea to check again with a different agent. Then, we can re-do the tax amount. As Mr. Maruyama mentioned earlier, there is also a Hakuba's original plan to set the tax exemption point at 6,000 yen or less, but I would appreciate it if you could calculate that as well.

<Tax Section Chief Ota.

Regarding the lodging tax estimates, I submitted a table in the previous document called Number of Lodgers in Hakuba Village. The total number of overnight stays is 943,500 nights. We used that as the number for both foreigners and Japanese. As for the distribution of accommodation rates for Japanese, we used the data I explained earlier from Rakuten. On the other hand, the distribution of room rates for foreign residents was based on a questionnaire survey and interviews with HIBA members, and the rates were set slightly higher than the

Japanese rates. Therefore, the distribution of rates for Japanese guests and that for overseas guests are different.

<Mayumi Ito, Committee Member

As a result, you have a figure that says it will be about this much.

<Tax Section Chief Ota.

Yes, it is.

<Ian Miller, Commissioner

Excuse me, this is Miller, can I ask you something? In the U.S. system, the tax rate is 6% for the county and 2% for the village, but in booking.com and Air B&B, the 8% tax is added to our prices. The agent collects the 8% and pays it directly to the village. It's very simple and we don't have to do any calculations. I am a little concerned about whether OTAs will be willing to go along with this system (tiered flat rate system). I'm not sure if the OTAs will do it,

I'm not sure about a flat rate of 5%, though.

<Tax Section Chief Ota.

I think the opinion is that a fixed rate system would be better, but what Nagano Prefecture has announced now is a fixed rate system of 300 yen. Hakuba Village has also established a fixed rate system based on this. For example, we considered the possibility of the prefectural government having a fixed rate system and the village having a fixed rate system, but this would be more complicated, and there is also the question of whether the fixed rate system and the fixed rate system should be mixed in the first place. We would like to consider this matter based on the prefectural government's draft proposal. If the prefectural government should switch to a fixed-rate system, Hakuba Village would also consider doing the same. Once the system is firmly established, which will probably be next fiscal year, we would like to spend about a year explaining it to guests, lodging facilities, and OTAs.

<Yuichi Nakamura, Member of the Committee> <Yuichi Nakamura, Member of the Committee

When you say the amount of accommodation, do you mean the amount including two meals per night?

<Tax Section Chief Ota.

Overnight stay rates are based on a no-overnights charge.

<Yuichi Nakamura, Member of the Committee> <Yuichi Nakamura, Member of the Committee

Understood.

<Chairman Shibata

As I mentioned at the beginning of this article, the rules for the separation of meals and accommodation are not shown at all, so when talking with OTAs, if we simply refer to the accommodation fee, it is clear, but if we exclude the cost of meals and only include the cost of accommodation, the range in this table will change considerably. If we take this proposal to the extreme, there is a strong possibility that all Japanese customers will pay 250 yen.

<Tax Section Chief Ota.

The Rakuten data also does not include all of the cost of one night and two meals, but it is almost all of the cost of one night and two meals, so if we assume only the cost of lodging from there, I think (the distribution of charges) would shift to the lower end of the range. If this is the case, the tax revenues are tentatively listed, but we honestly expect that the actual results will be less than this.

<Chairman Shibata

Specifically, you have shown proposals (1), (2), and (3), but I would like to ask if you have any suggestions for these, or if you have any suggestions of your own that you think would be better.

<Ian Miller, Commissioner

I think it is a little less progressive. I think it would be better to take a little more, especially from places with very high rates. How about 5%?

<Tax Section Chief Ota.

The municipalities that are ahead of us now have almost flat rates, but the highest tax amount is 2,000 yen for this 100,000 yen or more. Niseko Town is an example of a municipality that will start this November. I am not sure if it is good or bad to set a tax amount higher than that, so I have kept it at 2,000 yen. If the opinion of the committee is that 3,000 yen or 4,000 yen should be set at 100,000 yen or more, I would like to keep it that way in my report. Whether this is appropriate or not will be determined in the final discussion with the Ministry of Internal Affairs and Communications, so if the opinion of the front line is that it would be better to take it, then I think such a report is acceptable.

<Mayumi Ito, Committee Member

By the way, how many facilities are there that cost more than 100,000 yen per night, and how many people stay there in one winter?

<Tax Section Chief Ota.

Of the 943,500 overnight stays, 372,100 were foreign visitors to Japan. This is 5% of the total.

<Yuya Shinji, Committee Member

This is Shinji from the Tourism Bureau. How do you plan to calculate the cost of a cottage? A single cottage is probably 100,000 yen or 200,000 yen per night, and five people can stay there, but I don't think we can accurately grasp the number of people in a room rental.

<Tax Section Chief Ota.

The cost of renting a single room is divided by the number of people staying, and that is considered as the per-person room rate. Therefore, if one person stays at a 100,000 yen inn, the room will be classified as 100,000 yen, and if five people stay at the inn, the room will be classified as less than 20,000 yen per person. We are considering making calculations in this way.

<Noriko Yagasaki, Committee Member

The document on page 14 shows four evaluation points, A, B, C, and D. After receiving opinions on whether these four points are appropriate or not, we will make a decision on whether to give 9 points or 10 points based on the score if the points are appropriate. I think. I think points A, B, C, and D are reasonable. If you have any suggestions for further consideration, I would be happy to add them to the list.

B is based on the principle of "reasonable burden," which must be taken into account when considering taxes. C is the criterion of moral hazard, which is the consideration of whether or not to create a negative effect, and D is the criterion of how much the tax will meet the administrative needs. I think the third proposal with a score of 10 points is a good choice. However, I also very much agree with the point that it would be better to take the high cost part that you have just pointed out.

Especially because of the weak yen, foreigners do not think the price is as high as we feel it is, and in some hotels in Tokyo and Kyoto, the ADR per person is getting higher and higher. I am not sure if the fee should be set at 2,000 yen or a little higher, but I think it would be acceptable to include a reasonable burden for the high accommodation fee.

<Chairman Shibata

Thank you. I just received some advice from the doctor, but does anyone have any other suggestions?

<MARUYAMA, Vice Chairman

I am Maruyama, vice chairman of the subcommittee. I would like to confirm with Mr. Yagasaki, what is the percentage that Mr. Ota mentioned earlier about whether or not the MIC approval will be granted at the end of the project?

<Noriko Yagasaki, Committee Member

The MIC probably doesn't have clear criteria for that. I don't think they have them because it is a non-statutory purpose tax. However, if we are considering taxation, there are some basic principles of taxation, and I think we should look to see if they are being properly met, and if there is an excessive burden in relation to those principles.

I mentioned earlier that when the lodging tax was first introduced, there were not many examples, but at that time I was not that picky, but recently the number of cases has been increasing, so I think the Ministry of Internal Affairs and Communications will probably look at the overall balance and ask, "What about the burden of this? I think there is a possibility that the Ministry of Internal Affairs and Communications may ask, "What is the burden of this?

<MARUYAMA, Vice Chairman

The reason why I asked for confirmation is because the tax rate is a key point for everyone, and I think we need to have a thorough discussion about it. Ian, a member of the committee, said that the higher the rate, the higher the tax revenue. Personally, I am in favor of the three proposals to gradually increase the amount by a fixed amount, but I think the problem with the Nagano Prefecture's proposal is that users of low-priced facilities will not be overburdened and that there is no room for municipalities to levy their own taxation. I think we are pointing out that there is a problem when a person who pays 3,000 yen for lodging pays 300 yen, or 10% tax, and the prefectural government takes 150 yen out of that amount. For example, as the chairman mentioned earlier, if the tax amount is reduced to 200 yen, municipalities that levy their own taxes could reduce the amount they pay to the prefecture to 100 yen, or something like that. I would like to ask everyone to consider this. For example, if we set the rate at 3%, the fee for 3,000 yen would be 90 yen, but we would have to pay 150 yen, which is the current rate set by the prefectural government. This is a very important point, but since the tax exemption point is 3,000 yen, I think we should raise the tax exemption point, and I think we will probably get requests like that. So even if we pay 150 yen to the prefecture, 30 yen will come into the village. Considering this, I think it would be good if we could consider our volume zone and tax revenue while basing it on what Rakuten has put out. Basically, I personally think it would be good to raise Hakuba Village's number 3, step by step, or at a fixed rate.

<Yuya Shinji, Committee Member

This is the Tourism Bureau New Road. I also think that number 3 is the best. The reason for this is that from the standpoint of the Tourism Bureau, we would like to raise the value of Hakuba Village itself and brand it, and although we have said that we will review the taxation system in the future, we would like to raise it in stages in order to make Hakuba an area where we can get better accommodation rates. In order to raise the tax revenue of the village, it is my opinion that the tax rate should be raised as close to number 3 as possible, or as Commissioner Ian said, it could be raised a little more.

<Chairman Shibata

Many people seem to think that proposal #3 is a good idea.

The prefectural government will decide what the tax exemption point will be in the future, and if that is the case, that will be the standard.

<Tax Section Chief Ota.

We believe that it is desirable for the tax exemption point to be the same as the prefectural tax exemption point. One reason is that if the village sets up its own tax exemption point, it will be an administrative burden on the site, as if the village does not collect village tax but only prefectural tax.

<Chairman Shibata

In the proposal #3, 10,000 yen is the breakpoint and 200 yen, 300 yen for larger amounts, 20,000 yen, 50,000 yen, and 100,000 yen for larger amounts, and so on. Is this proposal acceptable? This is just a report at this stage, so the subcommittee will come to a conclusion.

At this point in time, the Subcommittee has decided that the tax rate will be the number 3 proposal. However, the high cost portion will require further consideration, and I think it would be better to listen to everyone's opinions before making a final decision. So, we would like to proceed in the direction of making a report in this manner, so thank you all for your cooperation.

<Tax Section Chief Ota.

Thank you very much.

4 Other

<Tax Section Chief Ota.

The first point is that the tax system, including the tax rate, was decided today, and this subcommittee has been entrusted with three reports on the tax system, burden reduction, and bath tax. We would like to submit a partial report on this part of the tax system to the village mayor in the form of a report. We would like to prepare a draft of this report, have the chairpersons of the subcommittees confirm it, and then report it to the village mayor and share it with the committee members.

And one more point. We would like to hold a public comment period for about one month from the beginning of November. In conjunction with the public comment period, we would like to arrange an opportunity for the Tax Section to visit each of the districts, where there are elected members from each organization, to explain the draft proposal. We would like to arrange a briefing session with each organization on the date that they would like us to visit them. Not only this time, but also after the public comments are over and before the tax system ordinance is adopted, we would like to hold several such briefings to gain the understanding of the public.

In addition, I would like you to take a look at the material that I have included here, which contains the penalties related to the lodging tax, as I mentioned earlier. The Ryokan Business Law, the Residential Accommodation Business Law, and the Local Tax Law each have penalties for violations. In addition, the Nagano Prefecture's Tourism Promotion Tax Ordinance, which I believe is the proposed ordinance, also mentioned at the previous briefing that three fines and one fine are planned. One distinctive feature is 1-1 of the Nagano Prefecture Tourism Promotion Tax Ordinance. It was to set a fine for violations of the obligation to present a registered special tax collector's certificate. This is an example of what other local governments have done, and Nagano Prefecture is planning to do the same thing. I hope you will take the time to look at this issue again.

*Because of an error in perception regarding the explanation of the first point above, the following correction was made and communicated by e-mail on October 24, 2011.

We explained that the secretariat would prepare a draft of the report, etc., which would be shared with the committee members and submitted to the village mayor after being reviewed by the regular vice chairpersons. I would like to make a correction.

<Chairman Shibata

I just wanted to confirm, but if the proposal #3 is made public as a draft report, there will be no way to go back. If it becomes public as a draft report, of course there will be no going back, but this figure will be a self-standing figure, and in that case, it would be OK for Hakuba Village to have a tax rate of 200 yen instead of Nagano Prefecture's 300 yen, right? (I don't know what each of the five municipalities (that levy their own taxes) will do, but if, for example, all the others start at 300 yen, but only Hakuba has a tax rate of

200 yen for taxpayers below 10,000 yen, then the prefecture was very particular about the 300 yen rate at the recent briefing, wasn't it? I think it is fine to add on to the 300 yen regardless of the price, but it is not like they are saying that they will have a problem with the reduction later on.

<Tax Section Chief Ota.

In principle, since the 150-yen limit has been set as the taxable area, that portion will be done based on Hakuba Village's right to tax autonomy, so there is no possibility that the prefectural government will say (no). Hakuba Village has not yet announced these figures, but we have already informed them that we would like to implement a tiered flat-rate system in order to give consideration to high and low taxation areas. (In the future), these figures will be communicated for the first time, but first of all, we should not be told that this is a bad idea.

I understand such concerns, so as a step before preparing a draft report, I would like to confirm with the prefecture that this is the kind of proposal we are considering, and that it is okay.

<MARUYAMA, Vice Chairman

You said in your previous explanation that you and the prefectural government have reached an agreement, but is there any written communication in this area? Do you have any written communication with Hakuba Village regarding the fixed amount of money you would like to spend?

<Tax Section Chief Ota.

We are not communicating in writing or otherwise. It is a verbal exchange.

<MARUYAMA, Vice Chairman

In Nagano Prefecture's explanation, the second word was that "consensus" had been reached, and I am honestly a little concerned about that. I would be happy if it were in writing, but I think it would be better to have it in writing since it would be necessary at the explanatory meeting. I think it would be better to have a document.

<Tax Section Chief Ota.

I believe that the prefectural government used the term "consensus building," but I do not believe that the five municipalities have accepted and agreed to all of the materials released by the prefectural government. The level of understanding of the prefectural government's thinking is about the same, but I honestly believe that they have not yet reached a consensus.

<Chairman Shibata

Do you feel that there is no information about the situation in other municipalities at the moment?

<Tax Section Chief Ota.

Achi Village is the only village that actually established a study committee and received a report. At the end of the last fiscal year, the committee was asked to decide on two levels of fees, 200 yen and 500 yen, and now that the prefectural government has proposed a flat fee of 300 yen, the committee will meet again to decide what to do about the issue. Other municipalities, such as Matsumoto City and Karuizawa Town, are going to hold a study committee meeting, so I think they may have their own ideas. I think that the consideration at these forums will not be complete until now.

<Chairman Shibata

Please confirm and make adjustments in this area.

<Mayumi Ito, Committee Member

I think it would be better if the five municipalities were to connect with each other, appeal to the prefecture, and move in the same direction, rather than independently.

<Tax Section Chief Ota.

Hakuba Village Office is working with this study group, but we are also coordinating with the five municipalities. We are currently exchanging information with each municipality on how they are moving forward and what they are considering in response to the prefectural government's actions. (We have a good relationship with each other.

<Yoshida, Deputy Mayor

As an observer, I would like to confirm that there was some discussion about the high price range of 100,000 or more in proposal (3), and there was some discussion that the price of 2,000 yen should be 5,000 yen. If we are going to give a wide range, I think one way would be to raise the price to 2,000 yen for now and include a note. I don't think we have confirmation on this point, so I was wondering if there are two ways to go about this, so I would like to ask for confirmation.

<Chairman Shibata

You mentioned your opinion about the high price range of \$100,000 and above.

<Tetsuya Maruyama, Committee Member

I would definitely ask you to specify that you would like to consider that we are being

flexible and that there is still room for discussion.

<Noriko Yagasaki, Committee Member

Do you have data on how many price ranges there are above 100,000 yen? Is there any data that can separate the price range above that, such as 150,000 yen or 200,000 yen, if we ask for it?

<Tax Section Chief Ota.

I do not have any documents on hand.

<Noriko Yagasaki, Committee Member

It is difficult to know without seeing the distribution, so it is difficult to decide here that, for example, 100,000–150,000 yen should be 2,000 yen, and over 150,000 yen should be 3,000 yen. Therefore, I think that the second method you mentioned, the cautionary note method, is appropriate.

<Tetsuya Maruyama, Committee Member

I would very much like to see a note added.

<Tax Section Chief Ota.

Rather than specifying a specific amount, we would like to add a note that further higher price ranges are open for consideration. We will ask the chairpersons of the regular and vice-chairpersons to check the condition of the note once.

<Chairman Shibata

Is there anything else from your side, if I may? That concludes our discussion.

<Mayumi Ito, Committee Member

I understand that the number of accommodations in the high price range is increasing, but I wonder if the village is going to leave the situation as it is, or is it going to be fine? There are many people who are concerned about this situation. Looking at the front of the station, there are holes all over the place (buildings have been erected or demolished), and people are wondering what will happen in the future.

<Yoshida, Deputy Mayor

There are some difficulties, but first of all, as far as transactions are concerned, even foreigners can be accepted in Japan, so it cannot be helped. We have discussed this in the agency meeting, but we have to think about what is the appropriate size and number of beds

for Hakuba in this region. We have started to share information within the agency on what we can do to achieve this, and we have begun to take steps in this direction, but we do not yet have a concrete system in place to do so.

From the viewpoint of the total number of beds as I mentioned earlier, what is the scale, not only beds but also meals, what is the related area, what is the range of the cableway, what is the number of each genre, and what is the appropriate range of the cableway, we need to grasp the number of each category. We hope you understand that we are now working on this matter.

<Mayumi Ito, Committee Member

I would like you to take action as soon as possible. However, as more and more villagers are moving out of the village, there are people who want to sell their properties when the price of real estate reaches a high level, and I am not sure if the local government can really make it work, I would like you to take action as soon as possible.

Closing (15:50)

<MARUYAMA, Vice Chairman

The committee thanked the members for their careful deliberations and declared the meeting adjourned.