

Minutes of the 1st 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	Monday, June 17, 2024, 14:45–16:00
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	n o n - attendance
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	a t t e n d
Director, Nagano Ryokan Hotel Association Hakuba Branch	Kazuma Maruyama	a t t e n d
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	Tsuyoshi Ichii	a t t e n d

Village Hall		
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Opening (14:45)

[Claire Ota, Tax Section Chief]

He declared the meeting open.

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

[Claire Ota, Tax Section Chief]

As was explained at the joint study group meeting, while Nagano Prefecture is considering the introduction of a lodging tax ahead of other prefectures, Hakuba Village cannot postpone its decision, so this group will not discuss whether or not to introduce a lodging tax, good or bad, but will design a specific tax system in preparation for its introduction.

At today's study group meeting, after electing a chairperson and vice chairperson, we will propose items to be discussed and a schedule for the future, and we would like to receive your comments. The meeting will last approximately one hour.

Dr. Yagasaki of Tokyo Women's University, an academic expert, will give a few words of greeting.

Noriko Yagasaki, Committee Member

I have been asked to speak to you as an academician. I would like to provide information so that we can have a good discussion and compile good contents. I am personally involved in the introduction of the lodging tax in Kyoto City. Kyoto City is in the process of reviewing the tax as this year marks five years since its introduction. I was also involved in discussions in Nagano Prefecture. Mie Prefecture is also studying the issue, although they are two or three steps away from introducing a lodging tax. I believe that each prefecture is now in the process of deciding when and how to introduce a lodging tax, and we would like to cooperate with them so that something good for Hakuba Village can be created.

## **2** agenda

### (1) Election of the Chairperson and Vice Chairperson of the Section

[Claire Ota, Tax Section Chief]

Article 4, Paragraph 1 of the Regulations for Establishment stipulates that the regular vice chairpersons shall be elected by the committee members from among themselves. I would

like to hear any suggestions from the committee members on how to do so.

Tetsuya Maruyama, Committee Member

The two members of the study committee are aware of the progress of the discussion so far, and we would like to ask them to serve as the chair and vice-chair of the committee.

[Claire Ota, Tax Section Chief]

It was proposed that Kenji Shibata and Tomohiko Maruyama be appointed as the chairpersons of the subcommittee. Since there was no proposal as to which of the two should be the chairperson of the subcommittee, the secretariat will propose the chairperson.

I would like to ask Commissioner Shibata to be the chairperson of the subcommittee and Commissioner Tomohiko Maruyama to be the vice chairperson.

There were no objections.

[Claire Ota, Tax Section Chief]

Committee member Shibata is selected as the Chair of the subcommittee and committee member Tomohiko Maruyama is selected as the Vice Chair of the subcommittee.

## (2) Items to be considered and schedule

[Claire Ota, Tax Section Chief]

He explained the items to be considered and the schedule of the subcommittee according to "Ref.1".

Noriko Yagasaki, Committee Member

There are many things that are treated by the county in the county tax review process. Since it is one of those things that has not been decided, it was not included in this document, but for example, with regard to tax rates, two options have been put forth: a flat rate system and a declining rate system. The study group, including us as committee members, is considering the merits and demerits of a tiered flat-rate system and a fixed-rate system. However, if the prefectural and municipal governments work together, it would be better to combine the two, since confusion would arise if one has a different tax rate or if the fixed rate and declining rate are combined. Niseko Town was initially considering a declining rate system, but we have heard that they gave up on the declining rate system because Hokkaido is introducing a fixed rate system. The prefectural government's study group is also discussing the need to clarify what the money will be used for and how the lodging tax collected at the expense of lodging businesses will be used. We have also heard that school

excursions will not be exempted, but there is an idea to provide support for school excursions from the aspect of tourism promotion measures instead.

Tetsuya Maruyama, Committee Member

In Japan, many places set a fixed amount, but they charge regardless of whether it is an adult or a child. Many foreign countries do not collect from children, but is there any discussion about this in Japan?

Noriko Yagasaki, Committee Member

This is because the lodging tax is a tax on the act of lodging. The idea is the same as the consumption tax, whereby a child or an adult pays consumption tax on the purchase of this plastic bottle. Instead, it is up to each community to decide how to provide support.

Chairman Shibata

The bath tax does not collect from those under 12 years of age. Why is there a difference between these two taxes on the same act?

[Claire Ota, Tax Section Chief]

The bath tax is based on a tax exemption provision, but we do not know the reason for this.

Noriko Yagasaki, Committee Member

The bath tax is also a tax on conduct, but exemptions from taxation for those under 12 years of age are becoming more common.

[Ian Miller, committee member].

Will the village, the prefecture, or us be responsible for collecting the money? Foreign owners are often not in Japan, and we do not know if they are paid in Japanese yen, and we assume their accounts are paid in dollars from guests.

[Claire Ota, Tax Section Chief]

If it is in a foreign currency, the amount calculated by converting into yen shall be taxed as the accommodation charge. The tax should be collected and paid by the facility. However, if the facility is not usually located in Japan, a tax payment administrator is designated as stipulated by law, and that tax payment administrator is responsible for tax payment-related matters.

Tetsuya Maruyama, Committee Member

For example, in the current question, when a person booked through an OTA and stayed overseas, even if the payment was completed with a credit card first, the accommodation tax

was paid locally. Perhaps we should think in terms of such a system.

Noriko Yagasaki, Committee Member

This is a very important point of view, and especially in Hakuba, an international tourist destination, this story must be cleared up by all means. The same thing happened in Kyoto. As I said, many foreign companies and foreign-affiliated hotels are working to see if OTAs can collect the fees on their behalf.

[Ian Miller, committee member].

What happens if I don't pay? Will it be sold (seized) like property taxes?

[Claire Ota, Tax Section Chief]

Since it will be introduced as a tax, if it is a crime under the tax law, it will be punished there first. In addition, if it takes the form of a delinquency, the Village would then be responsible for the subsequent disposition of the delinquency, such as seizure. If the tax is imposed by the prefecture, the prefecture will take care of the affairs, and if the tax is imposed by the village, the village will take care of the affairs.

Mayumi Ito, Committee Member

In the case of condominiums, there are cases where the owner has friends and acquaintances stay at the condominium to earn income, and some of them probably do not have a license (under the Ryokan Business Law). Do you expect that such places, such as vacation homes, can now be thoroughly investigated, and that you will be able to collect the fees?

[Claire Ota, Tax Section Chief]

First, in terms of not having a license under the Inn Business Law, there are penalties under the Inn Business Law. If they have a permit and do not report it to us, the village will go to investigate and instruct them to report it, but also tax them. If they don't pay the tax, the village will impose a penalty for delinquency.

Mayumi Ito, Committee Member

If so, does that mean there is a penalty when it is discovered?

[Claire Ota, Tax Section Chief]

It does not mean that penalties will be imposed out of the blue. As for the Ryokan Business Law, we have heard that the prefecture will first provide guidance on the application.

Mayumi Ito, Committee Member

So there is no immediate penalty for operating without a permit, and merely instructing

an application is not enforceable?

Is that place really unauthorized? I hear that it is sometimes a foreigner, and that there are quite a few cases of deception in the form of friends. Doesn't this mean that the honest person loses out?

[Claire Ota, Tax Section Chief]

To ensure that this does not happen, we will ensure fairness.

Mayumi Ito, Committee Member

Is there a numerical target for how much can be done? I don't know how many cottages and villas there are, or what kind of information they will gather, but I am quite concerned about it.

Tetsuya Maruyama, Committee Member

It is important that Commissioner Miller is participating in this meeting, and since a new tax system will be introduced in Hakuba Village, I think it is most important that HIBA disseminate such information to the public. That is why we are here this time. There may be some facilities that are not able to get the tax now, but we are participating in this meeting because we think that we should ask HIBA what we can do to make it possible for those facilities to get the tax, and we should also consult with Dr. Yagasaki and discuss ways to do so constantly. We should all think about that together, not about whether we can or cannot do it, but how we can do it, and if not this way, we cannot do it, so we should all talk about what we should do then.

Mayumi Ito, Committee Member

In fact, when we at the Oyado Club had a conversation with the village head, he told us that the subcommittee would decide whether to do it or not, and I was surprised because I participated in the meeting thinking that it had not yet been decided.

Tetsuya Maruyama, Committee Member

That is because Nagano Prefecture has decided to introduce it, so even if Hakuba Village does not introduce it, it will be introduced by the prefecture, so I think that is why the discussion took place.

Mayumi Ito, Committee Member

What I am being asked (by my colleagues) is why I cannot tell the prefectural government that Hakuba Village cannot introduce the system because of these problems. They are of the opinion that they would have liked to have been told that it might be a bit too much for us local governments to handle in the first place. Otherwise, I think it is a little different

to say that we have to do it by our superior's will or that we have to take it as soon as possible.

Tetsuya Maruyama, Committee Member

The prefecture is aware that this started without such discussions.

Noriko Yagasaki, Committee Member

I don't know if the speed of Nagano Prefecture matches that of the local government, but the prefecture seems to be putting them in as quickly as possible.

Fumio Sato, Committee Member

The transportation industry, such as restaurants, buses, and cabs, is not included in each of the subcommittees.

[Claire Ota, Tax Section Chief]

The subcommittee for the study of business contributions is currently composed mainly of cableway companies, and the Hakuba Chamber of Commerce and Industry and Aubus are in industries other than cableway companies. It is our image that we will start for the time being, and in the future, if necessary, we will ask other types of business such as food and beverage, retail, etc. to join us.

Fumio Sato, Committee Member

As mentioned earlier by Commissioner Ito, we conducted GoTo Travel inspections of foreign visitors, but some of them are staying at guesthouses as they are, and the caretakers are only here in the winter as part-time workers. Hakuba should take measures to make sure that such places are fully inspected, and I would like to see Hakuba do exactly that.

Kazuma Maruyama, Committee Member

We have heard that if we can provide information from our industry on what exactly we will be using (the lodging tax) for, we will have a better understanding of the issue.

Vice Chairman Maruyama

Subcommittee Chairman Shibata and I have been participating in the Financial Resources Security Review Committee for a year, and we have had discussions regarding the types of financial resources. There have been a lot of discussions at the Tourist Attraction Management Conference about how the financial resources would be used. If a lodging tax were to be introduced, Hakuba Village would probably have the advantage of introducing it on the same scale and at the same speed as the prefecture. The administration is working on both the use and funding of the tax. I think Hakuba Village is doing a very good job.

I would like to propose four points in this context.

The first is openness. Everyone can see our opinions and what we discuss.

The second point is to have English materials made. Ian is here now, but I think it would be better if we had materials in English. I think it would be good to have English materials for those who are at this meeting when they go back to their respective organizations to tell their stories, and for Ian when he tells HIBA. I would appreciate your consideration.

Third, I think it is necessary to resolve the emotional and anxious parts that Commissioner Ito refers to. The Innovation Team has been holding study sessions, and I think it would be good to have several study sessions in each district before the September study session. I think it is necessary to do something to resolve the anxiety.

The fourth point is my personal opinion, but I would like to suggest that, while there is a great deal of burden and anxiety for me as a person who would be obligated to collect the special tax, there is no case where a collection administration subsidy has been introduced yet, and that a 5% subsidy be provided for the first 5 years after introduction, or that after 5 years the subsidy be reduced to 2.5%, or that bath tax and this accommodation tax be paid under the same system. I wonder if it would be a good idea to talk about such a proposal as well.

[Claire] Kirikubo, Fairness Commissioner.

I have just heard each of the statements and am impressed with what is being said by each of the groups. In this context, I have a simple question: is the lodging tax to be imposed as a prefectural decision?

[Claire Ota, Tax Section Chief]

It is not at a finalized stage. Since the governor announced at the end of May that he would work toward the introduction of a lodging tax, the prefectural office will probably steadily work on the tax system and ordinance, and the draft ordinance may be submitted to the Diet in December. Beyond that, when the tax will go into effect is a bit difficult for me to read, but I assume that the ordinance will be promulgated, followed by a preparation period of about a year.

[Claire] Kirikubo, Fairness Commissioner.

The point is that you want to introduce the tax before Nagano Prefecture's lodging tax.

[Claire Ota, Tax Section Chief]

We are not thinking of being ahead of Nagano Prefecture. We are thinking of introducing it at the same time as Nagano Prefecture, without delay.

[Claire] Kirikubo, Fairness Commissioner.

For example, if the village is late to the county, can it still apply later?

[Claire Ota, Tax Section Chief]

Applications may be filed. Non-statutory purpose taxes, such as lodging tax, would be implemented only after the municipalities consult with and obtain the consent of the Ministry of Internal Affairs and Communications. It is conceivable that the village could submit the application later than the prefecture, but the MIC probably knows that Nagano Prefecture has been preparing for it and probably knows that other municipalities are preparing for it, so even if Nagano Prefecture applies first, it will be instructed to apply at the same timing as the other municipalities.

[Claire] Kirikubo, Fairness Commissioner.

So it is still going to be this sense of schedule.

[Claire Ota, Tax Section Chief]

If a draft ordinance is to be submitted to the December council meeting, a preliminary draft would be presented, followed by public comment on the draft, and then the draft ordinance would be submitted. At the same time, the village would like to move forward, so the village office and the prefectural office would exchange information and learn of developments in the other side, and this subcommittee would also share information on the prefectural government's movements as we move forward.

[Committee Member Yuya Shinji]

Since I have never operated an inn myself, I cannot imagine the burden on lodging facilities, so I do not feel I can get involved in discussions on such matters, but I would like to explain to businesses, and since I am also in charge of hot springs, I would like to discuss how to use the bath tax with people involved in hot springs. I have heard that they would like to share these points with us and make the system better.

Chairman Shibata

This is the first time for me and Tomohiko Maruyama, who is also a member of the study committee, to participate for the first time, but those attending for the first time today are representatives of various industries and lack information and understanding. The Innovation Team and the Chamber of Commerce and Industry hold study sessions, but only about 30 people attend, and I don't think the lodging facilities have fully grasped this as their own business yet.

However, when I participated in the study group, many of the participants, including Ian and other foreigners, were in favor of the lodging tax. If the benefits of the tax to guests and hotels are made clear, I believe there will be more momentum to encourage lodging

facilities to cooperate. If the tax is collected and used for what purpose, for example, that would have to be discussed at another meeting. However, this information is not fully conveyed to lodging facilities, and there is also the issue of shuttle buses in winter, which is a pressing issue.

Of course, that is not the only issue, but it was said that there is no place to express such opinions, so I think that area is important. Accommodation facilities also participated in the study group, but the focus was more on cableway. Since today is the first meeting, there are still some demands in that area, but the schedule is quite tight, and the next meeting will be held every month from now on, and the date is set for July 19. If the tourism association or HIBA would like to hold a study session, please consult with the Tax Section Chief at the counter, and he will prepare materials and cooperate with the study session.

Tatsuya Kirikubo, observer.

As for the timeline, I feel that if Hakuba Village does not have a solid system in place when the prefectural government says it will start, there will be confusion when the special tax collector suddenly becomes a tax collector. The lodging tax is a tax on the act of staying overnight, and since there are many lodgings that include half board, if the prefectural government starts without clarifying whether the tax will be applied to meals or not, I feel that there will be confusion. The schedule is tight, but I feel that it would be better for Hakuba to have a somewhat solid system in place.

Mayumi Ito, Committee Member

Does this mean that all of this will be done in three subcommittees? Is there any possibility of adding another meeting?

[Claire Ota, Tax Section Chief]

Basically, we are thinking three times, but there is no possibility of another one under the circumstances of the study.

However, I would like to set a goal for December.

Fumio Sato, Committee Member

If Hakuba Village were to do the same, it would be 50/50, but if Hakuba Village were to do the same, it would be easier to explain (to the members) that Hakuba Village would receive more income, or that Hakuba Village has a waste treatment facility and that maintenance and management of that part is difficult. I have the impression that the tax is more like "being taken" than "collected. It would be good to have materials that explain that taxes are something that is entrusted to us, not something that belongs to us.

Mayumi Ito, Committee Member

It is difficult to explain to customers without something that tells them, "This is what Hakuba Village will be like, and that is why we will collect the fee."

[Claire Ota, Tax Section Chief]

At this stage, the tax rates and tax exemptions for Nagano Prefecture have not been presented, but we can prepare other examples if you would like. By the time of the second study group meeting, we should have some idea of the framework that Nagano Prefecture has in mind, so we can use that as a basis to present something more specific for Hakuba Village.

Fumio Sato, Committee Member

It would be easier to understand if we had something like that when showing the minutes of each meeting to the association members.

[Ian Miller, committee member].

Can you share a list of accommodation providers and contact information from public health centers, etc.? I think foreigners will dispose of the letters as soon as they get them, so it is difficult for them to know when the new tax is introduced. We need to explain it before it starts.

[Claire Ota, Tax Section Chief]

A list of facilities with lodging licenses can be provided by the public health department. We would like to discuss ways to explain this to guests and lodging facilities in the future during this study group. We would like to receive opinions on how to provide this kind of information in this manner so that people will have a clear understanding that this is the system that has been established.

[Claire] Kirikubo, Fairness Commissioner.

Why is the optimization of the bath tax the third item on the list of considerations?

[Claire Ota, Tax Section Chief]

There is a bath tax levied on overnight guests. The tax is 150 yen per night, which would mean that both the bath tax and the lodging tax would be imposed on overnight guests. We would like to consider whether or not this will be understood and whether or not it will not be a burden, by comparing the purpose of each tax, the destination where it will be used, and other such factors.

[Claire] Kirikubo, Fairness Commissioner.

Is there a possibility that the bath tax will eventually be included in the lodging tax?

[Claire Ota, Tax Section Chief]

Such a thing is not possible.

[Claire] Kirikubo, Fairness Commissioner.

Then, as taxes, consumption tax, accommodation tax, and bath tax would be collected from guests.

Noriko Yagasaki, Committee Member

There was a suggestion earlier to create English-language materials as well, which is a very good initiative.

There is a translation tool called DeepL, which is highly accurate and can be used for papers, etc., and I hear that GPT-4 is also highly accurate.

The city of Kyoto provides subsidies for special collection of lodging tax, although we would like to show the example of Kyoto City next time how to explain this to businesses. The subsidy is 2.5% of the declared tax amount, with a maximum of 2 million yen. Considering the credit card fees, this is not a bad amount of support.

In addition, the local tax portal system (eLTAX) allows for electronic filing and delivery of tax returns.

Since it is the lodging business that explains to customers on site that this is what the lodging tax is for and asks them to pay it, it is too much of a burden to leave all of the explanation to the lodging business.

In Kyoto City, the city prepares easy-to-understand explanatory materials, which are then used by accommodation providers.

Kyoto City has been regularly checking for complaints since its introduction, but no major problems have been reported. However, when I pay the room charge through OTA at the time of reservation, but pay the room tax separately on site, why? I didn't hear about it. This is a problem that we have been working with the OTAs. This is something that can be explained in advance with the cooperation of OTAs, etc., or by designating OTAs as special tax collectors, and it is important to sort out and resolve any concerns.

### 3<sup>Other</sup>

Chairman Shibata

We would like to discuss specific issues in the next meeting. Committee members are

encouraged to participate in this meeting again to hear as many opinions as possible.

[Claire Ota, Tax Section Chief]

The next meeting will be July 19 at 1:30 pm. The date for the third meeting in August will be indicated as soon as possible.

Opening (16:00)

Vice Chairman Maruyama

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