

Basic Program on Reducing Administrative Burden

March 29, 2017

Subcommittee for Administrative Burden Reduction

Council for Promotion of Regulatory Reform

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I. Background

1. The Need for Promotion of Regulatory Reform, Simplification of Administrative Procedures, and Evolution of Information Technology in an Integrated and Unified Manner and the Japan Revitalization Strategy 2016.

(1) The Need for Promotion of Regulatory Reform, Simplification of Administrative Procedures, and Evolution of Information Technology in an Integrated and Unified Manner

Japan is one of the first countries in the world to face a dramatic decline in population. To achieve sustained growth, it is essential to overcome the constraints of economic supply by boosting the country's productivity.

In order to achieve the government's published goal of "600 trillion yen GDP economy", it is necessary to improve the country's business environment and to boost their productivity by reducing the administrative burden encountered by businesses.

(2) Japan Revitalization Strategy 2016

In light of such circumstances, the Japan Revitalization Strategy 2016, approved by the Cabinet on June 2, 2016, states that the following efforts shall be carried out:

Japan Revitalization Strategy 2016

(On June 2, 2016, the Cabinet granted approval) (Abstract)

Section 1

2. Regulatory and Institutional Reforms Making the Revolution in Productivity Happen

(1) Introduction of a new mechanism for regulatory and institutional reforms

- ii) Introduction of a new methodology for regulatory and institutional reforms to promote regulatory reforms, simplification of administrative procedures, and evolution of information technology in an integrated and unified manner from the entrepreneur's perspective

- First of all, reach a conclusion toward fundamental simplification of regulatory and administrative procedures relating to activities of foreign companies making investments in Japan within one year.

[Reach a conclusion within one year (with respect to those issues for which a conclusion can be reached early, determine concrete measures as advanced efforts within this year, and start to implement them)]

- Taking the status of the performance of the above-mentioned efforts into consideration, conduct surveys on how foreign countries are coping with those issues, consider how regulatory and procedural costs should be reduced and goals should be set up and then decide focused areas where the government should promote regulatory reforms, simplification of administrative procedures; and evolution of information technology in an integrated and unified manner and on a full-scale basis by the middle of next year, and promote systematic efforts.

[Decide focused areas and reduction goals by the middle of next year]

Section 2

II. Regulation and System Reform to realize revolution in productivity

1. Introduction of a new mechanism for Regulatory and Institutional Reforms

- ii) Introduction of new methodologies for regulation and system reform to proceed with regulation reform and simplification and computerization of administrative procedures from the standpoint of business operators

- In order to thoroughly support business operators in improvement of productivity with the aim of making Japan “the most business-friendly country in the world” and bring a “600 trillion yen GDP economy” into reality, the Government will introduce new methodologies for regulation and system reform to concurrently proceed with regulation reform and simplification and computerization of administrative procedures, and systematically take actions to reduce regulatory and administrative procedure costs from the standpoint of business operators by setting a time line. To this end, conclusions will be reached within one year to fundamentally simplify the regulatory and administrative procedures related to the activities of foreign companies investing in Japan (if a conclusion can be reached earlier, the Government will determine specific measures as up-front actions within the year and implement them promptly). For the areas other than those related to the activities of foreign companies investing in Japan, the Government will decide specific measures, if it is possible to start up-front actions, within the year and implement them promptly. Considering the status of the implementation of those up-front actions and the actions related to the activities of foreign companies investing in Japan, the Government will conduct surveys into the methodologies adopted by foreign countries, and examine the approaches to reduce regulatory and procedural costs and how goals should be set. Then, the Government will decide focused areas where the government should promote regulation reform, simplification of administrative procedures; and evolution of information technology in an integrated and unified manner and on a full-scale basis by the end of this fiscal year, decide the goals to reduce regulatory and administrative procedural costs, and promote systematic efforts to accomplish them.

2. Preceding Efforts

(1) Overview of Two Preceding Efforts

Meetings have been held by the Council for Promotion of Foreign Direct Investment in Japan to formulate policy in accordance with the following directive in the Japan Revitalization Strategy 2016: “reach a conclusion toward fundamental simplification of regulatory and administrative procedures relating to activities of foreign companies making investments in Japan within one year.” Meetings have also been held by the Council on Investments for the Future to formulate policy in accordance with the following directive: “For the areas other than those related to the activities of foreign companies investing in Japan, the Government will decide specific measures, if it is possible to start up-front actions, within the year and implement them promptly.”

(2) Discussions in the Council for Promotion of Foreign Direct Investment in Japan (the Working Group for Revising Regulations and Administrative Procedures)

The Working Group for Revising Regulations and Administrative Procedures, under the Council for Promotion of Foreign Direct Investment in Japan, had discussed issues concerning the activities of foreign companies investing in Japan. Between August and December 2016, three meetings of the working group had been held, and at the fourth meeting, the “Immediate Report” was adopted on December 22, 2016. And “Final Report” was adopted on April 24, 2017 covering the following issues: incorporation and registration of companies, status of residence, one-stop administrative services, provision of information in foreign languages and enhancement of consultation services for foreign companies, and import-related issues.

(3) Discussions in the Council on Investments for the Future (Committee for Promotion of Structural Reform)

The Committee for Promotion of Structural Reform, a group within the Council on Investments for the Future, has discussed all issues not related to the activities of foreign companies investing in Japan. On December 12, 2016, the following four initiatives were given preceding status: “‘smart’ industrial safety,” “development of the world’s most advanced chemical substances,” “i-Construction: a revolution in productivity at construction sites,” and “a platform to assist start-up companies.” On January 27, 2017, these four initiatives were reported to a meeting of the Council on Investments for the Future.

3. Discussions in the Subcommittee for Administrative Burden Reduction

(1) Establishment of the Subcommittee for Administrative Burden Reduction

On September 12, 2016, at the first meeting of the Council for Promotion of Regulatory Reform, the Prime Minister consulted the council members about “the basic issues concerning regulatory reform necessary to advance the structural reform of economy and society, including regulatory reform using information/communications technology to simplify administrative procedures.” In response, the Subcommittee for Administrative Burden Reduction was established pursuant to the Cabinet Order on the Council for Promotion of Regulatory Reform (Cabinet Order No. 303 of 2016), to promote regulatory reform, simplification of administrative procedures, and evolution of information technology in an integrated and unified manner.

(2) Past Discussions in the Subcommittee for Administrative Burden Reduction (Part 1)

Between the first meeting of the Subcommittee for Administrative Burden Reduction on September 20, 2016 and the seventh meeting on December 12, 2016, public hearings about the preceding efforts by the council for promotion of foreign direct investment in Japan and the council on investments for the future (described above) were held, and discussions were held on a wide range of topics, including preceding efforts in Japan and ideas concerning regulatory and administrative costs. In particular, the Japan Revitalization Strategy 2016 was taken into account when reviewing the efforts by other countries to reduce the administrative costs, and valuable insights were gained from those efforts. The focus was placed on understanding the needs of businesses from their perspective and the burden they feel, with respect to administrative procedures.

(3) Overview of Efforts by Foreign Countries

The Japan Revitalization Strategy 2016 states that the government should conduct surveys concerning methodologies adopted by foreign countries, before deciding on areas of focus where reduction of administrative costs should be achieved, and setting a goal for the total cost reduction in these areas. The Subcommittee for Administrative Burden Reduction conducted surveys, using a business trip to Europe, and by making use of surveys commissioned by relevant ministries and agencies, in order to study the approaches in other countries to reducing regulatory and administrative costs.

The findings showed that administrative costs and paperwork burden in Europe and the US were considerably reduced in the decade following the year 2000. Once the reduction was complete in the 2000s, they introduced various methodologies, such as the “one-in, one-out” rule, whereby any new administrative costs should be offset by cuts in existing costs.

i. Methodologies in Europe and the US in the decade following the year 2000

In the decade following the year 2000, many countries, including the UK, Denmark, Germany, France, and Canada, set their respective government-wide goals to reduce administrative costs imposed on businesses by their governments by a certain percentage (e.g., 25%), and in order to achieve these goals, they used the Standard Cost Model (SCM) to quantify administrative costs, and undertook the task of reducing these costs over certain periods of years. Administrative costs are administrative burdens imposed on businesses in complying with regulatory requirements. The Standard Cost Model (SCM) is a method of measuring administrative costs by identifying administrative procedures that place information obligations on businesses. The costs that businesses incur are measured in quantities of time converted to monetary value by conducting interviews and questionnaire surveys with businesses. Each of these countries set a goal to reduce its costs by a certain percentage, and then measured the administrative costs throughout the government, and at the same time each ministry of respective countries formulated its specific reduction plan. The advantage of the SCM is that it enables the quantification of administrative costs using simple calculations: “Internal costs (hourly pay \times number of hours spent) + External costs (hourly rate \times number of hours spent) + Overhead (e.g., postage).” However, it has been pointed out that the disadvantage is that it takes too much time and money to measure the costs.¹

In the US, the burden incurred by regulations requiring businesses to provide information is referred to as “paperwork burden.” The paperwork burden is measured using a simple calculation: “Response time (amount of time it takes each respondent to provide the information) \times Number of respondents \times Number of responses required each year.” The US measures the paperwork burden as an amount of time, rather than an amount of money, and has been trying to reduce this amount.

¹ For example, the UK hired a private consultancy firm to perform the cost calculations, and they cost 17 million pounds (approximately 2.2 billion yen) and took approximately 12 months to complete. It took about 20 months for Denmark, and about 27 months for Germany.

	Reduction target	Use of the SCM	Period of time	Target		Results achieved	
UK	Administrative costs (Measured in money)	✓	2005–2010	25% reduction * The same target across all ministries, except HM Revenues and Customs, 10%, Cabinet Office, 35%, and Office for National Statistics, 19%		26.6% reduction (3.5 billion pounds (approx. 455 billion yen))	
Denmark	Administrative costs (Measured in money)	✓	2001–2010	25% reduction		24.6% reduction	
Germany	Administrative costs (Measured in money)	✓	2006–2011	25% reduction		22.5% reduction (11 billion euros (approx. 1 trillion 260 billion yen)) * 25% reduction achieved in 2012	
France	Administrative costs (Measured in money)	✓	2007–2011	25% reduction		(Not available)	
Canada	Number of administrative procedures and information obligations required for small and medium-sized businesses	—	2007–2008	20% reduction		Achieved in 2009	
US	Paperwork burden (Measured primarily in time)	—	Fiscal years 1981–2001 (Targets were set intermittently) Note: No target has been set since fiscal year 2002	1981	15% reduction	4.0% reduction	Achieved in 1981–1982
				1982		12.8% reduction	
				1983	10% reduction	8.4% reduction	
				1986	5% reduction	3.11% reduction	
				1987	5% reduction	1.73% reduction	
				1988	5% reduction	3.51% reduction	
				1989	5% reduction	0.75% reduction	
				1996	10% reduction	0.77% reduction	
				1997	10% reduction	1.83% reduction	
				1998	5% reduction	0.96% increase	
				1999	5% reduction	2.6% increase	
				2000	5% reduction	2.5% increase	
2001	5% reduction	1.1% increase					

Note 1: The information in the table is based on government reports and OECD reports.

Note 2: Austria, Belgium, and Norway, among others, also use the SCM, but their information is omitted from this table due to limited information made available to the public.

ii. Methodologies in Europe and the US in the 2010s

In the 2010s, Europe and the US introduced various methods of reducing administrative costs.

The UK and Denmark had already measured the existing administrative costs (stock) throughout their governments in the decade following the year 2000. With the benefit of the past measurements, in the 2010s, they could set their reduction targets in terms of absolute amounts of money instead of the reduction rates previously used.²

Germany, Canada, the UK, and the US³ had focused on reducing the administrative costs due to

² For example, from 2005 to 2010, the UK set its goal for reducing the total of its administrative costs by 25%. It did not set a numerical target from 2010 to 2015, but it successfully reduced regulatory costs by 10 billion pounds (1 trillion 323.5 billion yen). Based on this achievement, the UK set its target to reduce regulatory costs by 10 billion pounds during the period between 2015 and 2020, as it had succeeded in doing so in the previous 5 years.

Denmark set the goal of reducing total compliance costs by 3 billion kronen during the period between 2015 and 2020. Compliance costs include administrative costs and indirect financial costs. An example of an indirect financial cost is the expense of a filter to comply with environmental requirements.




³ On January 30, 2017, the US President signed an executive order that introduced a “one-in, two-out” rule for new

the existing stocks of regulations in the decade following the year 2000, and then adopted schemes such as the “one-in, one-out” rule, which requires any new administrative costs to be compensated by cuts in existing costs.

France did not set a reduction target, but conducted telephone interviews with businesses to understand their needs concerning administrative procedures, and selected focused areas where procedures could be improved. Based on the details of such selected focused areas, France formed ten working groups that were respectively organized for each of the life events of business enterprises, such as starting up a company or expanding it, and consisting of individuals from the public and private sectors, with each group responsible for studying specific, tangible measures related to one of these areas.

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020				
UK	(Stock)					Reduce administrative costs by 25%													Reduce regulatory costs by 10 billion pounds (Cutting Red Tape Review)						
	(Baseline measurement)																								
	(Flow)					SCM baseline measurement (12 months)													One-in, one-out ⇒ One-in, two-out						
Denmark	(Stock)	Reduce administrative costs by 25%															Reduce 3 billion DKK								
	(Baseline measurement)																								
Germany	(Stock)					Reduce administrative costs by 25%																			
	(Baseline measurement)																								
	(Flow)					SCM baseline measurement (27 months)													One-in, one-out						
France	(Stock)					Reduce administrative costs by 25%															* Results not available to the public				
	(Flow)																	Simplification (nonnumerical target)							
Canada	(Stock)										Reduce the number of information obligations and procedures by 20%														
	(Baseline measurement)																								
	(Flow)					Measurement by the number of information obligations and procedures (6 months)													One-for-one						
US	(Stock)	Reduce paperwork burden																							
	(Flow)																								

Note:

-  The focus is on reducing existing costs (stock)
-  The focus is on maintaining the status quo (flow)
-  SCM baseline measurement

* In the US, the Paperwork Reduction Act was enacted in 1980, and from the 1980s to 2001, targets were set intermittently to minimize the paperwork burden based on the same Act. (No numerical target has been set since 2002.)

(4) Understanding the Needs of Businesses

The Japan Revitalization Strategy 2016 states that “simplification of administrative procedures” should proceed “from the standpoint of businesses.” Since it is important to understand the needs

regulations. For any new regulation issued by an administrative body of the federal government, at least two prior regulations should be identified for elimination and fully offset increased costs.

of businesses regarding cost reduction, public hearings⁴ were held with organizations, a questionnaire survey⁵ was sent out to respective businesses, and the public comment was implemented on the Cabinet Office website.⁶

Based on the results of the questionnaire survey, quantitative tendency about procedures and issues that were the most burdensome for businesses were identified. Through public hearings held with organizations and opinions solicited through the Cabinet Office website, information of specific examples of burdens imposed by administrative procedures was collected.

After sorting out and analyzing these needs of businesses, procedures that place burdens on a business at each stage of its development were identified, such as those at the stage of startup, continuation, expansion, closedown, and succession. Such burdens were found both in the procedures common to all ministries and agencies, such as applying for business approvals/licenses and subsidies, and the individual procedures, such as social insurance and taxes. Specific issues were assigned to different Areas, such as: “It is too much work to create documents for submission,” “Procedures are not available for online completion,” “Different formats are required for a single procedure by different offices,” “The same documents have to be submitted to multiple organizations, departments, and representatives.”

In order to “decide focused areas,” “set numerical target of cost reduction,” and “promote systematic efforts,” as mandated by the Japan Revitalization Strategy 2016, the aforementioned needs of businesses must be identified and met.

(5) Past Discussions in the Subcommittee for Administrative Burden Reduction (Part 2)

At the eighth meeting, held on January 19, 2016, based on the reviews and discussions on the survey results noted above, a rough draft was created regarding “prioritized areas,” “government-wide unified reduction targets,” and “implementation of strategic actions in Japan.” It called for the selection of prioritized Areas in which burdens imposed on businesses should be reduced, setting a

⁴ During the third, fourth, and fifth meetings, comments were requested from each of the following 13 organizations regarding 187 items: The Japan Federation of Certified Administrative Procedures Legal Specialists Associations, the Japan Federation of Certified Public Tax Accountants’ Associations, the Japan Federation of Labor and Social Security Attorneys Associations, the Japan Federation of Shiho-Shoshi Lawyers’ Associations, Keidanren (Japan Business Federation), the Japan Association of Corporate Executives, The Japan Chamber of Commerce and Industry, the Central Federation of Societies of Commerce and Industry, the National Federation of Small Business Associations, the Japan Association of New Economy, the Japan External Trade Organization, Bizceed Co., Ltd., Akinai Research Institute. (The names are listed in the order that the comments were made.)

⁵ In November 2016, the Cabinet Office sent out a questionnaire to respective businesses in cooperation with the Japan Chamber of Commerce and Industry, Keidanren (Japan Business Federation), and the Japan Association of Corporate Executives. The companies surveyed were member companies of these organizations, and about 800 companies responded to the survey.

⁶ For a month from November 16 until December 15, 2016, the Cabinet Office solicited opinions through its website, and a total of 105 comments were sent.

government-wide quantitative target for the reduction of the administrative costs, and the formulation of specific reduction plans by each ministry.

At the ninth and the tenth meetings, held on January 30 and February 2 of 2017 respectively, public hearings were made by the relevant ministries (the Ministry of Internal Affairs and Communications, the Ministry of Justice, the Ministry of Finance, the Ministry of Health, Labor, and Welfare, the Ministry of Economy, Trade, and Industry, and the Ministry of Land, Infrastructure, Transport, and Tourism) concerning the rough draft and the Areas of procedures that were candidates for being given priority status.

After the 11th meeting, on March 6th, 2017, based on the results of the aforementioned public hearings by the relevant ministries and other concerned organizations, the subcommittee for administrative burden reduction finally reached this report.

II Policies for Reducing Administrative Costs

1. Basic Idea of Reducing Administrative Costs to Meet the Needs of Businesses

(1) The Need for Reducing Administrative Costs

Past discussions and ideas

Concrete solutions to the problem of administrative burdens imposed on businesses are needed. The following activities were carried out in order to understand the needs of businesses:

i. Public hearings with organizations

Between the third and fifth meetings, opinions were solicited from a total of 13 organizations, such as economic organizations, professionals, government-affiliated organizations, and also from experts.

ii. Questionnaire survey of businesses

In November 2016, the Cabinet Office sent out a questionnaire in cooperation with the Japan Chamber of Commerce and Industry, Keidanren (Japan Business Federation), and the Japan Association of Corporate Executives. The companies surveyed were member companies of these organizations, and about 800 companies responded to the survey.

iii. Solicitation of opinions using the Cabinet Office website

From November to December 2016, opinions concerning the simplification of administrative procedures were solicited through the Cabinet Office website.

The survey responses showed that the issues businesses found the most burdensome were those concerning paperwork, such as “It is too much work to create documents for submission” and “It is difficult to understand how and what to write in application forms.”

Measures

In accordance with the Japan Revitalization Strategy 2016, approved in a cabinet meeting on June 2, 2016, a range of broad focused areas shall be selected, and systematic efforts for administrative cost reduction will be made by each ministry and agency. For other areas, each ministry and agency will make voluntary efforts to carry out the intent of the actions.

(2) Three Principles for Administrative Burden Reduction in Japan

Past discussions and ideas

The questionnaire responses showed that the issues businesses found the second most burdensome after the paperwork burden were the following:

- i. “Part or all of a procedure cannot be completed online.” “A procedure can be completed online, but the website is difficult to use.”
- ii. “The same documents have to be submitted to multiple organizations, departments, and representatives.”
- iii. “Different formats are required for a single procedure by different offices”

Measures

The government will uphold and adhere to the Three Principles for Administrative Burden Reduction in Japan stated below:

1st Principle: Pursuit of Thoroughness in Computerization of Administrative Procedure (Digital First Principle)

- Ministries and Agencies of Japanese Government shall pursue computerization of administrative procedure including attached documents as thoroughly as possible.

2nd Principle: Once Only (Once-Only Principle)

- In order for business not to inform various agencies of the same information, ministries and agencies shall share the information collected from Business.

3rd Principle: Uniform Documentary Forms

- Ministries and agencies shall maintain uniform documentary forms in case they request similar information on the background of similar policy objectives to the greatest extent possible.

Note 1: Ministries and agencies shall strive to reduce local governments’ administrative burden along with obtaining the understanding and cooperation of local governments.

Note 2: The second principle may widely apply not only to procedures within a single ministry or agency or within a single local government office, but also to procedures shared across government offices at the national and local levels.

(3) Issues that Need to be Addressed in order to Reduce Administrative Costs

Past Discussions and Ideas

In addition to the issues listed above, the questionnaire responses showed that the following issues were encountered by businesses:

- i. Making administrative procedures require less time
 - Completion of administrative procedures requires large amounts of time
- ii. Making procedures more transparent
 - Criteria for evaluation are unclear
 - Different organizations, departments, and representatives have different evaluation criteria for the same procedures
 - The progress of an application within an administrative body cannot be tracked once documents have been submitted
 - The reason for a document being requested is not always clear
 - How much time it will take to complete a procedure is uncertain

Measures

Each ministry and agency will address the reducing administrative burden mentioned above in an effort to reduce administrative costs.

2. Prioritized Areas

(1) Organizations that Will Work on Cost Reduction

Past discussions and ideas

The questionnaire responses showed that procedures requiring cost reduction and simplification are under the jurisdiction of a wide range of organizations, including the national government or the competent authorities, incorporated administrative agencies, and local governments.

Measures

Procedures requiring cost reduction and simplification are under the jurisdiction of the following organizations:

- i. The national government or the competent authorities of the national government
- ii. Incorporated administrative agencies, special public corporations, authorized corporations, and designated corporations
- iii. Local governments

Note 1: The understanding and cooperation of local governments are required to reduce administrative costs thereof.

Note 2: Procedures under the jurisdiction of the legislative and judicial branches of the government will be exempt from these efforts.

(2) Procedures Requiring Simplification

Past discussions and ideas

The questionnaire responses showed that procedures that impose costs on businesses in the range from typical ones, such as applications for business permits and licenses, to various ones such as providing responses to statistical studies and other surveys. These procedures require simplification.

Measures

The following procedures need to be addressed for simplification:

- i. Applications and registrations (except for appeals)
- ii. Providing responses to statistical studies and other surveys
- iii. Notifications issued via businesses
- iv. Payment of fees and taxes
- v. Obligations of writing, storing, and labeling documents
- vi. Identity verification obligation

Note: The following procedures will be exempt from these efforts:

- i. Submission of complaints and petitions
- ii. Provision of information (except for statistical studies and other surveys)
- iii. Notifications of administrative order(except for notifications issued via businesses); reference and writing of documents
- iv. Responsibility for omission

(3) Areas of Issues that Need to be Addressed

Past discussions and ideas

In order to advance the efforts, areas of issues that the individual procedures fall into need to be identified. There are many possible ways to categorize these individual procedures.

After discussions with economic organizations, a questionnaire survey was developed, which listed many areas of procedures as options and asked businesses to indicate which areas they found most burdensome.

Measures

Areas of issues are numbered 1 to 28 as shown below. The areas can be classified into “government-wide procedures” and “individual procedures.”

Government-wide procedures for:

- i. Business approvals and licenses
- ii. Submitting a bid to or entering into a contract with an administrative ministry or agency
- iii. Providing responses to statistical studies and other surveys
- iv. Subsidies

v. Permits and licenses required for other business activities

Individual procedures for:

- vi. Industrial safety
- vii. Facility safety (including fire protection)
- viii. Safe management of chemicals
 - ix. Safety and proper labeling of food, housewares and other supplies
 - x. Import and export permits for commodities
 - xi. Ports and harbors
- xii. Customs
- xiii. Utilization of roads and rivers
- xiv. National taxes
 - xv. Local taxes
- xvi. Social insurance
- xvii. administrative burden about procedures for employees' tax payments
- xviii. Issuance of certificates as the request from employees
- xix. Labor management of corporate members
 - xx. Land use
 - xxi. Environmental protection
- xxii. Buildings
- xxiii. Living environment
- xxiv. Application for and examination of intellectual property rights
 - xxv. Commercial registration
 - xxvi. Real estate registration
- xxvii. Succession a business (stock shares and business assets)
- xxviii. Other issues

(4) Basic Principles of Designation of Prioritized Areas

Past discussions and ideas

Reduction goals should be set to propel systematic efforts to reduce administrative costs in the prioritized areas of procedures. Additional measures may also be required for procedures in areas other than the prioritized ones to meet the needs of businesses.

Note: The Japan Revitalization Strategy 2016 (approved in a cabinet meeting on June 2, 2016)

Consider how regulatory and procedural costs should be reduced and goals should be set up and then decide focused areas where the government should promote regulatory reforms, simplification of administrative procedures; and evolution of information technology in an integrated and unified manner and on a full-scale basis by the middle of next year, and promote systematic efforts.

Measures

For the prioritized areas of procedures, the following efforts will be made:

- Each ministry or agency shall guide the formulation of plans to achieve reduction goals and promote efforts to reduce administrative costs, based on the “Three Principles for Administrative Burden Reduction in Japan” and the “Issues that Need to be Addressed in order to Reduce Administrative Costs” these two guidelines are stated above.
- The Subcommittee for Administrative Burden Reduction will keep track of progress on the efforts by respective ministries and agencies.

For other areas, the following efforts will be made:

- Each ministry or agency shall promote efforts to reduce administrative costs, based on the “Three Principles for Administrative Burden Reduction in Japan” and the “Issues that Need to be Addressed in order to Reduce Administrative Costs” these two guidelines are stated above.
- The Subcommittee for Administrative Burden Reduction, as needed, will request time schedules in order to keep track of progress on the efforts by respective ministries and agencies.

(5) Selection of Prioritized Areas

Past discussions and ideas

The Japan Revitalization Strategy 2016 states that the government will “decide focused areas” of administrative procedures.

Selection of focused areas should be adequately based on the results of the questionnaire surveys sent to businesses, highlighting where simplification can have the greatest effect.

Measures

The following nine areas are prioritized:
procedures for:

- | | |
|--|------------------------------|
| i. Business approvals and licenses | (Government-wide procedures) |
| ii. Social insurance | (Individual procedures) |
| iii. National taxes | (Individual procedures) |
| iv. Local taxes | (Individual procedures) |
| v. Subsidies | (Government-wide procedures) |
| vi. Providing responses to statistical studies and other surveys | (Government-wide procedures) |
| vii. Labor management of corporate members | (Individual procedures) |
| viii. Commercial registrations | (Individual procedures) |
| ix. Issuance of certificates as the request from corporate members | (Individual procedures) |

The “administrative burden about procedures for employees’ tax payments” will be discussed separately during meetings of the Investment Working Group, a group within the Council for Promotion of Regulatory Reform, to reduce society-wide administrative costs. The “submitting a bid to or entering into a contract with an administrative ministry or agency” will be discussed separately during meetings of the Subcommittee for Administrative Burden Reduction.

Note: The cumulative percentage of responses of the questionnaire surveys questionnaire sent to businesses that identified areas 1 to 9 above as burdensome was 69%.

3. Reduction Goals

(1) Definition of “Costs” Requiring Reduction

Past discussions and ideas

Based on domestic and foreign examples, regulatory costs imposed on businesses can be classified as follows:

Types of regulatory costs imposed on businesses according to the Standard Cost Model (SCM)

Compliance Costs	
Administrative Costs	Procedural costs imposed on businesses in complying with regulations, such as paperwork
Indirect Financial Costs	Costs of facility investments to meet regulatory requirements * An example of an indirect financial cost is the expense of a filter to comply with environmental requirements.
Direct Financial Costs	A sum of money, such as administrative charges and taxes, paid to the government or the competent authority
Long-Term Structural Costs	Costs arising from long-term structural consequences

In other countries, among the types of costs listed above, primal target of efforts to reduce is “administrative costs”.

According to the public hearings and questionnaire survey for the needs of businesses noted above, many issues that businesses found burdensome were related to administrative costs, such as paperwork burden.

Measures

The costs to be reduced are “administrative costs”.

(2) Measurement of Administrative Costs (How and What to Measure)

Past discussions and ideas

Administrative costs that are targeted for reduction are measured in the following terms:

i. Financial costs

The SCM estimates administrative costs using the following calculation:

Internal costs (hourly pay × number of hours spent) + External costs (hourly pay × number of hours spent)

This was a common methodology adopted in Europe in the decade following the year 2000. It takes too much time and money to estimate and calculate the costs.

ii. Time (number of hours spent)

Paperwork burden is measured in terms of the number of hours spent within a business to complete a procedure. This is a methodology adopted in the US.

iii. Magnitude of administrative burden businesses feel

The same questionnaire as the current one will be sent to businesses in the next several years, with the goal of reducing the present percentage of respondents who find each procedure “burdensome.”

When measuring administrative costs, the following points should be noted:

i. When setting a quantitative target, administrative costs should be calculated using an established method of calculation to achieve the greater effect.

It costs labor to calculate the “financial costs”. Furthermore, the calculated costs largely vary depending on hourly pay.

ii. It is not appropriate to spend large amounts of labor, money, and time to perform the cost calculations. Simple calculation methods should be considered.

Measures

Administrative costs requiring reduction are measured in terms of “Time”, which is the number of hours spent within a business to complete a procedure.

Time is measured as follows:

- i. For the main procedures in each area, each ministry or agency related to the area will calculate and announce the number of hours spent within a business. In calculating, gathering information directly from businesses via large-scale interviews or questionnaire surveys is not necessarily required. A certain supposition is acceptable in the measurement.
- ii. The efforts will be carried out starting fiscal year 2017. The cost calculation will be performed at the most appropriate time of the year. The calculation of procedural costs will be performed the following year around the same time period as the initial one to keep track of progress on the efforts.

(3) Time Period for the Reduction

Past discussions and ideas

In many countries, the task of reducing administrative costs was undertaken for a period of five years.

In Japan, many businesses demand that administrative costs be reduced as soon as possible.

However, it takes some time, in most cases, to carry out a major reform in the information system and law, and to garner the understanding and cooperation of local governments.

Measures

The duration will be for a period of three years, until fiscal year 2019. However, for some issues, this period may be extended to five years, until fiscal year 2021.

Note: In case this period is extended to a period longer than three years, each ministry or agency will fully explain why it is necessary to do so.

(4) Numerical Target of Cost Reduction

Past discussions and ideas

When an administrative cost to be reduced is measured in “time” (the number of hours spent), the corresponding numerical reduction target can be set as a “percentage”.

Measures

The numerical target is to reduce the total of administrative costs by 20%.

Note 1: For national taxes, numerical targets will be set separately, with attention given to the following issues:

1. For national taxes, the following points should be noted:
 - i. In Japan, unlike many other countries, the burden of proof in tax litigation is usually placed on tax authorities.
 - ii. A substantial increase in the procedural costs imposed on businesses will be inevitable in the future, due to the introduction of a reduced consumption tax rate, an invoicing system, and the need to address the issue of evasion of international taxes.
2. In other countries, it is not clear what factors contributed to reduced administrative costs in tax-related procedures, but it is at least assumed that the significantly greater use of electronic filing has played a role in this. Taking such an assumption into account, numerical targets will be set as follows:
 - i. It is assumed that electronic filing will be mandatory in the future; therefore, the goal for the utilization rate of electronic filing of corporate and consumption taxes, called “e-tax,” by major corporations is 100%.
 - ii. The corresponding goal for small to medium-sized corporations is 85%. Assuming that electronic filing will be mandatory in the future, the goal will be 100%.
3. Efforts will be made to reduce burdens imposed on businesses by computerization and simplifying procedures.
 - i. Promotion of greater use of electronic tax-filing
 - ii. Large improvements in the convenience of e-tax (a survey will be conducted concerning user satisfaction)
 - iii. Government offices those manage national taxes shall share the information thoroughly with those manage local taxes. (for example, a unified system of electronic filing for the registration of incorporation, where there will be no need to submit the same information more than once.)

Note 2: For local taxes, numerical targets will be set separately, taking issues similar to those in the case of national taxes into account. The understanding and cooperation of local governments are required to carry out the efforts.

1. The following numerical targets will be set for local taxes, based on the numerical targets for national taxes.
 - i. It is assumed that that electronic filing will be mandatory in the future; therefore, the goal for the utilization rate of electronic filing of corporate inhabitant and corporate enterprise taxes, called “eLTAX”, by major corporations is 100%.

- ii. The corresponding goal (of eLTAX) for small to medium-sized corporations is 70% or above. Assuming that electronic filing will be mandatory in the future, the goal (of eLTAX) in the future will be 100%.
2. Efforts will be made to reduce burdens imposed on businesses by computerization and simplifying procedures.
 - i. Promotion of greater use of electronic tax-filing
 - ii. Large improvements in the convenience of eLTAX (a survey will be conducted concerning user satisfaction)
 - iii. Government offices those manage local taxes shall share the information thoroughly with those manage national taxes. (for example, a unified system of electronic filing for the registration of incorporation, where there will be no need to submit the same information more than once.)

Note 3: “Providing responses to Statistical studies and other surveys” include: i. statistical studies based on the Statistics Act, and ii. other surveys, such as those soliciting opinions from businesses.

- i. For statistical studies based on the Statistics Act, the following points will be taken into account in setting a target for reducing the costs of existing statistical studies:

- Following the “Basic Policy for the Fundamental Reform of Economic Statistics,” published by “the Council on Economic and Fiscal Policy” on December 21, 2016, improvements will be made in the statistical studies based on the Statistics Act. Plans will be formulated to improve GDP statistics by reviewing national productivity, and to improve the precision of economic statistics including GDP statistics. When new improvements are made, burdens imposed on businesses may increase as a result, but detailed plans concerning this are not yet firm.

Therefore, no numerical targets are being set and no plans are being formulated for the time being concerning the newly introduced or improved statistical practices. However, efforts will be made to reduce burdens imposed on businesses by carrying out the intent of the efforts to reduce administrative costs noted in this program.

- To implement statistical reform, there are structural issues that need to be addressed within the administrative department for statistics, and one of the challenges is the reduction of burdens imposed on those requested to respond to surveys. Efforts will be made to reduce administrative costs of existing statistical studies based on review of those issues.

- ii. “Other surveys” will be discussed separately during meetings of the Subcommittee for Administrative Burden Reduction.

4. Implementation of Strategic Actions in Japan (in the Prioritized and Other Areas)

(1) Prioritized Areas

Measures

For procedures in the prioritized areas, the following efforts will be implemented systematically:

- i. Each ministry or agency shall adhere to the “Three Principles for Administrative Burden Reduction in Japan” and follow the guidelines provided by “Issues that Need to be Addressed in order to Reduce Administrative Costs” noted in this program. Measures that can be implemented at that point will be started as soon as possible.
- ii. Each ministry or agency shall formulate a basic implementing plan by the end of June 2017.
- iii. After July 2017, the Subcommittee for Administrative Burden Reduction will extensively examine the basic implementing plans formulated by ministries and agencies, including their efforts and targets, and request improvements as necessary.
- iv. Each ministry or agency will revise its basic implementing plan by March 2018, based on the opinions of the Subcommittee for Administrative Burden Reduction and the progress of the efforts.
- v. The Subcommittee for Administrative Burden Reduction will keep track of progress on the efforts by respective ministries and agencies.

(2) Other Areas

Measures

For other areas, the following efforts will be implemented:

- i. Each ministry or agency shall adhere to the “Three Principles for Administrative Burden Reduction in Japan” and follow the guidelines provided

by “Issues that Need to be Addressed in order to Reduce Administrative Costs” noted in this program.

- ii. The Subcommittee for Administrative Burden Reduction, as needed, will keep track of progress on the efforts by respective ministries and agencies, by utilizing specific measures such as requesting time schedules for corresponding ministries and agencies.

III Conclusion

This report has discussed the subcommittee's policy concerning the reduction of administrative costs in the prioritized areas of procedures and other areas. It is hoped that each ministry or agency will make active, steady, and systematic efforts to promote regulatory reform, simplification of administrative procedures, and evolution of information technology in an integrated and unified manner.

The Subcommittee for Administrative Burden Reduction will keep track of progress on the efforts by respective ministries and agencies, as indicated in "II 4. Implementation of Strategic Actions in Japan" in this program, and will continue to discuss the issues that remain to be addressed.

The promotion of regulatory reform, simplification of administrative procedures, and evolution of information technology pose ongoing challenges that require continuous efforts. The efforts continuously need to be carried out even after the period of this plan has ended. When introducing new regulations, discussions should be held from various perspectives and be meet the needs of businesses sufficiently, such as; whether they are really necessary, whether the regulatory burdens imposed on businesses are excessive for the regulatory goal to be achieved, whether the procedures required for compliance are simple enough, and whether information technology is used appropriately.

Efforts made to promote regulatory reform, simplification of administrative procedures, and evolution of information technology can minimize paperwork and achieve greater efficiency within the government and competent authorities, in addition to reducing burdens imposed on businesses.

Taking into account the public hearings and questionnaire survey for the needs of businesses noted above, the efforts must require the active involvement of local governments, as well as the involvement of the national government and competent authorities. It is hoped that local governments will understand the intent of this program and cooperate with offices of the national government in carrying out the plans for reducing administrative costs.

It is strongly hoped that a quick and consistent implementation of the plans described in this report will improve the productivity of businesses, and will promote the country's vigorous economic growth.

Types of Burdens Imposed by Administrative Procedures
(Questionnaire Survey Sent to Businesses)

Types of burdens imposed on businesses		Total			
			Startup	Continuation and Expansion	Termination and Succession
1	It is too much work to create documents for submission (Internal paperwork (including collecting documents) and payments to external professionals)	3707	584	2751	372
2	It is difficult to understand how and what to write in application forms	2205	416	1538	251
3	Different formats are required for a single procedure by different offices (e.g., local municipalities, local departments and agencies)	1212	123	982	107
4	Part or all of a procedure cannot be completed online (attachments need to be submitted separately in paper format or on a CD)	1197	166	931	100
5	Completion of administrative procedures requires large amounts of time	1110	187	838	85
6	The same documents have to be submitted to multiple organizations, departments, and representatives	967	202	670	95
7	Criteria for evaluation are unclear	967	106	818	43
8	Different organizations, departments, and representatives have different evaluation criteria for the same procedures	864	98	692	74
9	The progress of an application within an administrative body cannot be tracked once documents have been submitted	825	92	658	75
10	A procedure can be completed online, but the website is difficult to use (it is quicker to submit a document in a paper format)	680	67	543	70
11	The reason for a document being requested is not always clear	526	60	427	39
12	How much time it will take to complete a procedure is uncertain	450	57	355	38
13	Applications get rejected	118	15	95	8

Note 1: The total number of responses concerning burdens imposed by all procedures.

Note 2: The “total” is the total of responses that represented “burden” concerning all procedures at all stages of the development of a business, which are “startup,” “continuation and expansion,” and “termination and succession.”

Target Areas of the Efforts
(Results of Questionnaire Survey)

Appendix 2

1. Prioritized Areas

Areas			Total		
			Number of responses	Proportion of responses (%)	Cumulative percentage (%)
1	Procedures for business approvals and licenses	Government-wide procedures	574	11.2	11.2
2	Procedures for social insurance	Individual procedures	535	10.4	21.7
3	Procedures for national taxes	Individual procedures	473	9.2	30.9
4	Procedures for local taxes	Individual procedures	461	9.0	39.9
5	Procedures for subsidies	Government-wide procedures	398	7.8	47.7
6	Providing responses to statistical studies and other surveys	Government-wide procedures	349	6.8	54.5
7	Procedures for labor management of corporate members	Individual procedures	287	5.6	60.1
8	Procedures for commercial registrations	Individual procedures	285	5.6	65.7
9	Issuance of certificates as the request of corporate members	Individual procedures	188	3.7	69.3

2. Other Areas

10	Administrative burden about procedures for employees' tax payments	Individual procedures	322	6.3	75.6
11	Procedures for submitting a bid to or entering into a contract with an administrative ministry or agency	Government-wide procedures	145	2.8	78.4
12	Procedures for facility safety (including fire protection)	Individual procedures	129	2.5	81.0
13	Procedures for buildings	Individual procedures	113	2.2	83.2
14	Procedures for import and export permits for commodities	Individual procedures	87	1.7	84.9
15	Procedures for application for and examination of intellectual property rights	Individual procedures	87	1.7	86.6
16	Procedures for land use	Individual procedures	82	1.6	88.2
17	Procedures for real estate registration	Individual procedures	76	1.5	89.7
18	Procedures for utilization of roads and rivers	Individual procedures	70	1.4	91.0
19	Procedures for environmental protection	Individual procedures	67	1.3	92.3
20	Procedures for customs	Individual procedures	66	1.3	93.6
21	Procedures for safe management of chemicals	Individual procedures	60	1.2	94.8
22	Procedures for succession of a business (stock shares and business assets)	Individual procedures	46	0.9	95.7

23	Procedures for industrial safety	Individual procedures	44	0.9	96.5
24	Procedures for ports and harbors	Individual procedures	29	0.6	97.1
25	Procedures for safety and proper labeling of food, housewares and other supplies	Individual procedures	28	0.5	97.7
26	Procedures for permits and licenses required for other business activities	Government-wide procedures	22	0.4	98.1
27	Procedures for living environment	Individual procedures	21	0.4	98.5
28	Procedures for other issues	Other procedures	77	1.5	100.0

Subcommittee for Administrative Burden Reduction
List of Committee Members and Expert Committee Members

Committee Members

Chair	Shigeru Takahashi	Professor, Faculty of Law, Hosei University
Vice-Chair	Ryuichi Morishita	Professor, Department of Clinical Gene Therapy, Graduate School of Medicine, Osaka University
	Miho Nosaka	Research Associate, Chuo Graduate School of Strategic Management, Chuo University
	Eiji Hara	President, Public Policy Planning & Consulting Co.
	Haruno Yoshida	Managing Director, BT Japan

Expert Committee Members

	Sadakazu Osaki	Head of Research, Nomura Research Institute, Ltd.
	Junichi Kawada	Director and Executive Vice President, JXTG Holdings, Inc.
	Jiro Kokuryo	Vice-President, Keio University; Professor, Faculty of Policy Management
	Soichiro Sakuma	Representative Director and Executive Vice- President, Nippon Steel & Sumitomo Metal Corporation
	Kanae Tsutsumi	CEO, Career Mam Co., Ltd.

Past Discussions of the Subcommittee for Administrative Burden Reduction

1st meeting	Sept. 20, 2016	<ul style="list-style-type: none"> - Appointment of a vice-chair - Operation policy of the subcommittee - Past and current status of the efforts regarding reduction of regulatory and administrative costs (1) Development of the Japan Revitalization Strategy 2016 (2) Efforts by foreign countries (3) Preceding efforts in Japan - Subcommittee procedures
2nd meeting	Oct. 3, 2016	<ul style="list-style-type: none"> - Status of preceding efforts in other departments - Methodologies adopted in foreign countries to reduce administrative costs - Ideas concerning regulatory and administrative costs - How to understand the needs of businesses
3rd meeting	Oct. 20, 2016	<ul style="list-style-type: none"> - Public hearings with organizations 1 <p>The Japan Federation of Certified Administrative Procedures Legal Specialists Associations, the Japan Federation of Certified Public Tax Accountants' Associations, the Japan Federation of Labor and Social Security Attorney's Associations</p>
4th meeting	Nov. 15, 2016	<ul style="list-style-type: none"> - Public hearings with organizations 2 <p>The Japan Federation of Shiho-Shoshi Lawyer's Associations, Keidanren (Japan Business Federation), the Japan Association of Corporate Executives</p> <ul style="list-style-type: none"> - Public hearings with relevant ministries and agencies <p>IT Strategic Headquarters, Cabinet Secretariat</p>
5th meeting	Nov. 21, 2016	<ul style="list-style-type: none"> - Public hearings with organization 3 <p>The Japan Chamber of Commerce and Industry, the Central Federation of Societies of Commerce and Industry, the National Federation of Small Business Associations, the Japan Association of New Economy, the Japan External Trade Organization, Bizceed Co. Ltd., Akinai Research Institute</p>
6th meeting	Dec. 13, 2016	<ul style="list-style-type: none"> - Insights for Japan's efforts, gained from the methodologies adopted by other countries - Results of the public hearings with organizations (identifying the needs of businesses)
7th meeting	Dec. 20, 2016	<ul style="list-style-type: none"> - Identifying the needs of businesses - Results of the questionnaire (identifying the needs of businesses)

		<ul style="list-style-type: none"> - Opinions concerning the reduction of regulatory and administrative costs (identifying the needs of businesses) - Status of advanced efforts in other departments - Issues to be discussed, concerning the prioritized areas, goals, and methods in reducing regulatory and administrative costs
8th meeting	Jan. 19, 2017	<ul style="list-style-type: none"> - A report on identifying the needs of businesses - Ideas concerning the prioritized areas, reduction targets, and implementation of strategic actions in Japan
9th meeting	Jan. 30, 2017	<ul style="list-style-type: none"> - Public hearings with relevant ministries and agencies 1 The Ministry of Internal Affairs and Communications, the Ministry of Finance, the Ministry of Economy, Trade, and Industry
10th meeting	Feb. 2, 2017	<ul style="list-style-type: none"> - Public hearings with relevant ministries and agencies 2 The Ministry of Justice, the Ministry of Health, Labor, and Welfare, the Ministry of Land, Infrastructure, Transport, and Tourism
11th meeting	Mar. 6, 2017	<ul style="list-style-type: none"> - Discussions concerning the report
12th meeting	Mar. 29, 2017	<ul style="list-style-type: none"> - Final report