

# Tax/Social Security Reform and Information System

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## Abstract

This paper investigates the importance of information system in the reform of the Japanese tax and social security. Information system does not only indicate technology related to computer networks, but it also covers institutional infrastructure for fiscal systems such as the system of social security number. First, the importance of net burden or net benefit for each individual is stressed. A simple conceptual model to show the overall net tax burden and social security benefit is introduced. From this point of view, it is argued that a specific element in the fiscal system such as Earned Income Tax Credit is not essential in the comprehensive reform in tax/social security systems. Second, it is pointed out that the role of information is critical in determining the effectiveness of taxation. Information returns and withholding system should also be examined from the viewpoint of tax compliance and privacy. Third, the paper suggests that it is necessary for the Japanese policymakers to start serious preparations to introduce taxpayers' identification number system.