THE REFORM OF THE LOCAL TAX SYSTEM

By Saburo Shiomi

Various Bills providing for the fundamental reform of the tax system, national and local, were passed by the 75th session of the Diet and were put into force from the fiscal year 1940—1941. This was, indeed, an epoch-making undertaking. In my article entitled the Reform of the Tax System, which was published in Kyoto University Economic Review, Vol. XV, No. 2, I described these Government measures with some comment thereon. These measures were passed by the Diet in their essentials, but these do not necessarily tally in every detail with the revised tax system. In the present article, I propose to deal with that part of the reform which concerns local taxation.

CHAPTER 1. DISTINGUISHING FEATURES OF THE REFORM OF THE LOCAL TAX SYSTEM

The Tax System Commission, which was established within the Finance Department during fiscal year 1937—1938, preparatory to the fundamental reform of the tax system, fixed four items as the objective of the reform. These items were (1) to ensure the fair incidence of the burden of taxation, both national and local, (2) to promote accord with various economic measures, (3) to establish an elastic tax system, while ensuring an increase in revenue, and (4) to simplify the tax system. The second-mentioned item, namely, the promotion of accord with various economic measures, concerned chiefly the reform of the national tax system; it did not pay so much attention in the reform of the local tax system. The main aims of the reform of the local tax
system were, therefore, to ensure the fair incidence of burden, to establish an elastic tax system which ensured an increase in revenue, and to simplify the tax system. The following "outlines of the local tax reform plan" were drafted tentatively, and submitted to the small committee of the Tax System Commision by the Local Affairs Bureau of the Home Office for the attainment of these aims, and it was along the lines of this plan that the reform of the local tax system was effected. The contents of the "outlines of the local tax reform plan" were as follows:—

1. Matters relative to the local tax system

With a view to promoting a fair incidence of the burden of local taxation and placing the finance of local public bodies on a firm basis, the bunyozet (redistribution tax) system was to be created, and the local taxes with independent sources of revenue to consist mainly of butsuzei (impersonal taxes).

(1) The land, the house, and business taxes, to constitute independent sources of revenue for prefectures, cities, towns and villages.

(A) The standards of assessment to be as follows:—
   (a) Land tax — Rental value of land.
   (b) House tax — Rental value of houses.
   (c) Business tax — Net business profit.

(B) The rates of taxation to be fixed, as a general rule, as follows:—
   (a) Land tax Eight per cent.
   (b) House tax Seven per cent.
   (c) Business tax Six per cent.

A measure of elasticity to be allowed in the rates of taxation in order to ensure elasticity in the finance of public bodies.

(C) The exemption point to be set somewhere around ¥ 400 in the business tax (the business tax and the business surtax now in force to be abolished).

(D) The bunyozet (redistribution tax) and surtaxes to be
applied jointly as the method of taxation.

(2) The *kosuwari* (household rate), hitherto collected as a municipal, town or village tax, to be abolished, and the following measures to be taken to meet the resulting situation:

(A) The principle for all people to share in the burden, to be preserved by the imposition of *shichosonminzei* (citizen's tax), to which reference is made elsewhere.

(B) Elasticity in municipal, town and village finance to be preserved through elasticity given to the rates of taxation in regard to land, house and business taxes.

(3) The *shichosonminzei* (citizen's tax) to be inaugurated as a municipal, town, or village tax, and this tax to be imposed substantially along the following lines:

(A) The tax to be imposed on the head of the family domiciled in the city, town, or village concerned or the juridical person who has an office in the city, town, or village concerned. Poor persons dependent on others for support to be exempted from taxation.

(B) A simple method of assessment to be adopted by the municipalities, towns, or villages concerned according to the circumstances actually prevailing locally.

(C) The rates of taxation or the amount of assessment to be subject to the following restrictions:

(a) The maximum amount per taxpayer on the average to be fixed.

(b) The maximum amount to be imposed on the highest taxpayer to be fixed.

(4) The miscellaneous tax, and the municipal, town, or village special taxes, to be properly adjusted.

(5) The "object" (special) tax system to be adjusted and extended on the following lines:

(A) The town planning special tax to be adjusted and extended, chiefly for urban districts.

(B) The imposition of "object" taxes to be recognized, chiefly for agrarian districts, for the promotion of cooperative undertakings.
(6) The imposition of surtaxes not to be recognized in regard to the bunrui shotokuzei (classified income tax), the general income tax and the juridical person tax.

(7) The bunyozei (redistribution tax) system to be applied along the following lines (barring land tax, house tax, and business tax):

A) Part of the classified income tax, the general income tax, the juridical person tax, the yukyo inshoku (wining and dining tax) and the admission tax to form the redistribution tax.

B) The redistribution tax to be distributed among public bodies with special reference to what denote the financial strength and financial requirements of such bodies (a decline in revenue due to the tax reform also to be taken into consideration within the transition period).

C) The redistribution tax to form a special account in the national treasury and care to be taken to see that a fair balance is maintained in revenue between fiscal years.

Note:

A) A system for beneficiaries to share in the burden of expenditure to be provided.

B) The following revisions to be effected in the division of expenditures between the State and local treasuries.

a) The salaries for primary school teachers to be borne by prefectures.

b) The State subsidy for compulsory education expenditure to be granted at fixed rates.

c) The rates at which police expenditure is borne jointly by the State and prefectures to be made uniform.

2. Matters relative to the method of levying the land, house, and business tax

As regards the imposition of the land, house, and business tax, the redistribution tax and the surtaxes to be applied jointly along the following lines:

1) The standard of assessment in the redistribution tax to be as follows:
(a) Land tax. The rental value of land under the Land Tax Law in force, to be the standard of assessment.
(b) House tax. The rental value of houses fixed as the result of an investigation to be conducted by the Government, to be the standard of assessment.
(c) Business tax. In the case of individuals, incomes assessed for the imposition of classified income tax as regards their respective business incomes to be the standard, while in regard to juridical persons, the incomes assessed for the imposition of the juridical person tax to be the standard.

(2) The rates of the redistribution tax to be something like the following:
   (A) Land tax 2 per cent.
   (B) House tax 1.75 per cent.
   (C) Business tax 1.5 per cent.

Lots of arable land cultivated by their owners, the rental value of which falls short of ¥200, to be exempted from taxation.

(3) The bunyozei (redistribution tax) to be distributed among the Hokkaido and prefectures from which it has been collected.

(4) The rates of the surtax to be something like the following (the way to be left open for the imposition of the land surtax even on lots of arable land which are cultivated by their owners and the rental value of which falls short of ¥200):
   (A) The Hokkaido and prefectures 100 per cent.
   (B) Cities, towns and villages 200 per cent.

The rates actually to be imposed by each public body to be the same for each tax in principle.

Note:
For the fiscal years 1940—1941 and 1941—1942, however, house tax to be assessed in the same way as at present. As regards the fixing of the rental value of houses, the Government to devise some appropriate measures.
The reform of the national taxation and of local taxation are inseparably related to each other. Nor is it possible to settle the question of local taxation without reference to the problem of the adjustment of local expenditure. In the study of the reform of local taxation, therefore, it is imperative that reference should be made either to the reform of national taxes and to the adjustment of local expenditure.

The reform of national taxation is simple in the sense that it is concerned with the single unit of national finance. Not so with the reform of local taxes, however. For there are 47 prefectures including the Hokkaido, some 150 cities and about 11,200 towns and villages, each forming one unit of local finance. In attending to the reform of local taxes therefore, care must be taken to see that not only is an equilibrium maintained between revenue and expenditure in local finance as a whole, but that the needs of each unit of local finance are satisfied. It is for this reason that in the reform of local taxation in 1940, great difficulty was experienced in deciding the point of whether the three profit taxes, viz. land, house, and business taxes, should be made national taxes or local, or great pains were taken in dovetailing the kanpuzei (recession tax) and haisuzei (distribution tax) in the system. In the present article, attention will largely be directed to a general review of the local tax reform problem, instead of entering into a detailed discussion of individual units of local finance.

CHAPTER 2. REORGANIZATION OF THE LOCAL TAX SYSTEM

As laws bearing on the reform of local taxation, various Bills passed the 75th session of the Diet, such as the Local Taxation Bill (promulgated as Law No. 60 under date of March 29th, 1940), the Local Bunyozet (Redistribution Tax) Bill (promulgated as Law No. 61 under date of March 29th, 1940), the Prefectural System Revision Bill, the Municipal System Revision Bill, the Town and Village System Revision
Prefectural taxes before revision

National surtaxes
1. Land surtax
2. Business profit surtax
3. Income surtax
4. Mining surtax
5. Alluvial mining lots surtax
6. Exchange business surtax

Ordinary taxes
1. Special land tax
2. House tax
3. Business tax
4. Miscellaneous tax

Independent taxes
1. Land rate
2. Business profit rate
3. Special land tax
4. House tax

Taxable items legally designated

Taxable items not legally designated

Town planning special taxes
1. Land rate
2. Business profit rate
3. Special land tax

"Object" taxes
1. Land surtax
2. Business profit surtax
3. Income surtax

Under Disaster Relief Fund Law
1. Land surtax
2. Business profit surtax
3. Income surtax

1. Shipping
2. Vehicles
3. Electric poles
4. Safes
5. Dogs
6. Hunting
7. Butchery
8. Acquisition of immovable property
9. Fishery
10. Geisha (and the like)

1. Keepers of waitresses
2. Acreage of land
3. Electric fans
4. Servants
5. Presentation-tickets
6. Tanks
7. Hot-springs
8. Gramophones
9. Tramways
10. Raft
11. Acquisition of ships
12. Billiard tables
13. Musical instruments
14. Gas pipes
15. Advertisements
16. Underground electric lines
17. Cableway posts

1. Shipping
2. Vehicles
3. Electric poles
4. Safes
5. Dogs
6. Hunting
7. Butchery
8. Acquisition of immovable property
9. Fishery
10. Geisha (and the like)

THE REFORM OF THE LOCAL TAX SYSTEM

Bill, and the Hokkaido Local Expenditure Revision Bill. Of these laws, the most noteworthy are the Local Taxation Law, and the Local Redistribution Tax Law. These form the nucleus of the local taxation system now that the Law providing for local taxes and the Law concerning restrictions on local taxation has been abolished. (1) Let me now compare the local taxation systems before and after the revision in respect of prefectural taxes.
Prefectural taxes after revision

<table>
<thead>
<tr>
<th>National surtaxes</th>
<th>Ordinary taxes</th>
<th>Independent taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land surtax</td>
<td>1. Acreage tax</td>
<td>1. Land rate</td>
</tr>
</tbody>
</table>

In the form of direct imposition and collection

<table>
<thead>
<tr>
<th>Prefectural &quot;Object&quot; taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land rate</td>
</tr>
<tr>
<td>2. House rate</td>
</tr>
<tr>
<td>3. Business rate</td>
</tr>
<tr>
<td>4. Prefectural independent rate</td>
</tr>
</tbody>
</table>

In the form of indirect redistribution tax—whole of

<table>
<thead>
<tr>
<th>Irrigation taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land rate</td>
</tr>
<tr>
<td>2. Acreage rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>retrocession tax—whole of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Land tax</td>
</tr>
<tr>
<td>2. House tax</td>
</tr>
<tr>
<td>3. Business tax</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income tax</td>
</tr>
<tr>
<td>2. Juridical person tax</td>
</tr>
<tr>
<td>3. Admission tax</td>
</tr>
<tr>
<td>4. Yukyo Inshokuzei (Wining and dining tax)</td>
</tr>
</tbody>
</table>
Municipal, town and village taxes before revision

**Land surtax**

1. Household rate
2. Business profit rate
3. Income surtax
4. Mining surtax
5. Special land surtax
6. Prefectural surtaxes

Ordinary taxes

1. Household rate
2. Business profit rate
3. Special land tax provided for by Imperial Ordinances
4. Miscellaneous surtax
5. Others

Other

1. Gas-wells
2. Transfer of land and building
3. Piers
4. Stones
5. Bathing
6. Electric fans
7. Electric poles
8. Cattle
9. Timber export
10. Deforestation
11. Brothel keepers
12. Shipping
13. Exportation
14. Sea-weed gathering

The report of the local tax system
Municipal, town and village taxes after revision

In the form of direct imposition and collection

Ordinary taxes

1. Citizen's tax
2. Ship tax
3. Bicycle tax
4. Cart tax
5. Safe tax
6. Electric fan tax
7. Butchery tax
8. Dog tax
9. Items on which independent taxes are not imposed by prefectures
10. Items chosen with the approval of the competent Minister

Independent taxes

1. Land surtax
2. House surtax
3. Business surtax
4. Mining lots surtax
5. Acreage surtax
6. Shipping surtax
7. Motorcar surtax
8. Electric poles surtax
9. Surtax on acquisition of immovable property
10. Fishery rights surtax
11. Geisha surtax

Prefectural surtaxes

1. Acreage surtax
2. Shipping surtax
3. Motorcar surtax
4. Electric poles surtax
5. Surtax on acquisition of immovable property
6. Fishery rights surtax
7. Geisha surtax

National surtaxes

1. Land surtax
2. House surtax
3. Business surtax
4. Mining lots surtax

In the form of indirect redistribution taxes

Town planning tax

1. Land rate
2. Household rate
3. Business rate
4. Prefectural independent rate
5. Municipal, town and village independent tax
6. Items chosen with the approval of the competent Minister

"Object" taxes

1. Land rate
2. Acreage rate

Water utilization tax

1. Income tax
2. Juridical person tax
3. Admission tax
4. Wining and dining tax

Tax on joint enterprises

1. Income tax
2. Juridical person tax
3. Admission tax
4. Wining and dining tax

In the form of indirect redistribution taxes
(3) In comparing the old with the revised, local tax systems, "object" taxes claim first attention. Under the old system, the town planning special tax was the sole "object" tax, but under the revised system, the scope of object taxes has been extended considerably and put into better form. Secondly, the new system of the redistribution tax has been created. It is true that even under the old system, there existed a Government subsidy in the shape of a temporary grant-in-aid for local finance, but it was temporary by nature, with no permanent source of revenue provided. Under the new local tax system, a permanent system of local redistribution tax, with a definite source of revenue, was created. Thirdly, profit taxes have been made the sources of local revenue. So far as the form is concerned, due to the conversion of the house tax into a national tax, the three profit taxes of the land, house, and business taxes have become national taxes, but these taxes have, for all practical purposes, been turned into the sources of local revenue in consequence of the adoption of the retrocession tax system and the national surtax system. Fourthly, the income surtax has been abolished. Fifthly, the citizen's tax has been created in lieu of kosuwari (household rate) as an independent municipal, town and village tax.

Let me now give a general survey of the new local tax system with special reference to the local redistribution tax system, the national surtax, the independent taxes, the "object" taxes, and the State subsidy for compulsory education expenditure.

CHAPTER 3. THE LOCAL REDISTRIBUTION TAX SYSTEM

(1) The local redistribution tax system plays an important part as the link connecting national finance with local finance. It is true that even under the old tax system, steps were taken to relieve the excessive burden of local taxation through the grant of ¥ 45,000,000 to the prefectures
and ¥103,000,000 to cities, towns and villages in accordance with the regulations for the grant-in-aid for local finance. Deeming this temporary measure inadequate for the purpose, a special account has been created of grants to be made in the shape of the local redistribution tax under the revised tax system, so that national and local finance may be brought into harmony through the operation of the local redistribution tax law. This special account falls under the jurisdiction of the Home Office and the Finance Department, and the following appropriations are made in the Budgets for the fiscal years of 1940—1941 and 1941—1942.

### Revenue

<table>
<thead>
<tr>
<th>Section</th>
<th>Taxes</th>
<th>1941—1942</th>
<th>1940—1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land tax</td>
<td>Juridical person business tax</td>
<td>¥25,312,174</td>
<td>¥25,990,399</td>
</tr>
<tr>
<td></td>
<td>Individuals' business tax</td>
<td>57,213,373</td>
<td>20,078,391</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>92,828,312</td>
<td>25,478,790</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>118,140,486</td>
<td>76,565,644</td>
</tr>
<tr>
<td>Section 2</td>
<td>Transferred from the general account</td>
<td>320,062,681</td>
<td>277,355,620</td>
</tr>
<tr>
<td>Section 3</td>
<td>Miscellaneous incomes</td>
<td>Revenue from interest payments</td>
<td>131,559</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>131,659</td>
<td>50,000</td>
</tr>
<tr>
<td>Revenue Total</td>
<td></td>
<td>438,334,826</td>
<td>353,971,264</td>
</tr>
</tbody>
</table>

### Expenditure

<table>
<thead>
<tr>
<th>Section</th>
<th>Grants under local redistribution tax</th>
<th>1941—1942</th>
<th>1942—1943</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kanpuzei (retrocession tax) grants</td>
<td>¥109,133,100</td>
<td>¥76,561,498</td>
</tr>
<tr>
<td></td>
<td>Haifuzei (distribution tax) grants</td>
<td>220,062,681</td>
<td>277,355,620</td>
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<tr>
<td></td>
<td>Total</td>
<td>429,195,781</td>
<td>353,917,118</td>
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<tr>
<td>Section 2</td>
<td>Amount refunded (taxes refunded)</td>
<td>434,150</td>
<td>4,146</td>
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<tr>
<td>Section 3</td>
<td>Various outlays (sums redeemed)</td>
<td>100</td>
<td>—</td>
</tr>
<tr>
<td>Section 4</td>
<td>Reserve fund (first reserve fund)</td>
<td>131,559</td>
<td>50,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>¥429,761,590</td>
<td>¥353,971,264</td>
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As the above budgetary figures show, the grants under the local redistribution tax are of two kinds, namely, the *kanpuzei* (retrocession tax) grants and the *haifuzei* (distribution tax) grants. The former grants are for distribution among the prefectures and the latter among both the prefectures and the cities, towns and villages. The total amount
of revenues from land, house and business taxes is for
distribution as the retrocession tax grants, and it is to be
divided among the prefectures from which these taxes have
been collected. Such being the case, the retrocession tax
grants ought to be considered in conjunction with the land
surtax, the house surtax and the business surtax. Here,
attention will be confined to the haifuzei (distribution tax)
grants.

(2) The money for distribution under the distribution
tax grant consists of part of revenues from income, juridical
person, admission, and yukyo inshoku (wining and dining)
taxes. That is, a certain fixed amount is to be transferred
from the general account to the local redistribution tax fund
special account, and then sums are to be distributed among
the prefectures, cities, towns and villages out of this special
account. The amounts to be distributed each fiscal year is
17.38 per cent. of the revenues from the income tax and
the juridical person tax and 50 per cent. of the admission
tax and the yukyo inshokuzei (wining and dining tax) collected
in the last fiscal year but one. These amounts are, however,
subject to changes according to circumstances. Of the total
amount worked out in this way, 62 per cent. is distributed
among the prefectures and the other 38 per cent. among the
cities, towns and villages. I shall now explain this tax,
dividing it into the prefectural allotment tax and the munic-
ipal, town and village allotment tax.

(3) The prefectural allotment tax is divided into two
parts, viz. A-class amount for distribution and B-class amount
for distribution. The A-class amount is distributed among
the prefectures in inverse proportion to their tax-bearing
capacity, while B-class amount is distributed among them in
direct proportion to the financial requirements of the pre-
fectures concerned.

The method by which A-class amount is divided in in-
verse proportion to the tax-bearing capacity of prefectures
is quite complex. Among the prefectures, in which the unit
amount of assessment (the figure worked out by dividing
twice the sum of the land, house and business taxes of each prefecture, minus one-fifteenth of its debts on account of the disasters restoration engineering work expenditure by the population of the prefecture concerned) falls short of the prefectural standard unit amount of assessment (the figure worked out by dividing twice the total sum of the land, house and business taxes of all prefectures and the total prefectural distribution tax minus one-fifteenth of the debts of all prefectures on account of the disasters restoration engineering works expenditure by the population of all prefectures), it is granted pro rata on the basis of the amount worked out by multiplying the deficit referred to by the population of the prefectures concerned.

It is laid down, as the standard by which to allot B-class amount for distribution, that distribution should be made in direct proportion to the financial requirements of prefectures, and in actual practice, it is to be distributed proportionately to the "extra" population of the prefectures concerned. By "extra" population is meant the actual population added to (1) by 300,000 and (2), in the case of the prefectures, in which the ratio of the number of primary school (national school) children of the prefecture concerned to its population exceeds the average ratio for all prefectures, by four times the number obtained by multiplying the population by the excess rate. There is, however, a provision that the prefectures, in which the unit assessment exceeds half as much again as the standard unit assessment of prefectures, is not entitled to any share in B-class amount for distribution.

What has been stated above may be summed up as follows:—

(1) Prefectures the unit assessment of which falls short of the standard unit assessment of all prefectures — These are entitled to A-class and B-class grants.

(2) Prefectures the unit assessment of which exceeds the standard unit assessment of all prefectures:

(a) Prefectures whose unit assessment falls short of
the amount half as much again as the standard unit assessment of all prefectures—These are entitled to B-class grants only.

(b) Prefectures whose unit assessment exceeds the amount of half as much again as the standard unit assessment of all prefectures—These are not entitled to haifuzei (distribution tax).

(4) The municipal, town and village allotment tax is classified into the distribution tax for big cities (with a population of over 700,000), that for cities (with a population of less than 700,000) and that for towns and villages. One half of the total amount represents the amount apportioned pro rata on the basis of the product obtained by multiplying, by the total population, the balance left after the unit amount of assessment (the amount worked out by dividing twice the amount of the land, house and business taxes of each city, town or village by its total population) has been deducted from the standard unit amount of assessment for cities, towns and villages (the amount worked out by dividing the aggregate of twice the amount of the land, house and business taxes of all cities, towns and villages, and the total sum of the cities, towns and villages distribution tax by the population of all cities, towns and villages), and the other half embodies the amount apportioned proportionately to the population of individual cities, towns and villages. That is to say, the first half is in inverse proportion to the tax-bearing capacity of cities, towns and villages, while the latter half is in direct proportion to their financial requirements. Accordingly, the latter half is allotted to all cities, towns and villages without exception, but with regard to the former half, it may happen that allotment is made to towns and villages only. It is in this way that the total amounts of the distribution tax for big cities, that for cities and that for towns and villages are fixed. The next question that presents itself is how these total amounts are distributed among big cities, other cities, towns and villages.

One half of the distribution tax for big cities is distri-
buted, as A-class grants, in inverse proportion to the tax-bearing capacity of big cities, while B-class grants are distributed in direct proportion to their financial requirements. Where the unit amount of assessment (the amount obtained by dividing twice the amount of the land, the house and the business taxes of the cities concerned by their respective populations) exceeds the standard unit amount of assessment for big cities (the amount worked out by dividing the aggregate of twice the amount of the land, the house and the business taxes of big cities and the total amount of the distribution tax for big cities by the total population of all big cities), A-class grants are withheld from distribution. Again, where it is more than half as much again as the standard unit amount, no allotment of grants is made.

As regards the distribution tax for cities (with a population of less than 700,000), 47.5 per cent. is allotted, as A-class grants, in inverse proportion to the tax-bearing capacity of the cities concerned, 47.5 per cent. is allotted, as B-class grants, in direct proportion to their financial requirements and 5 per cent. is allotted, as C-class grants, to cities which are specially circumstanced in due consideration of their peculiar conditions.

The distribution taxes for towns and villages are also divided into A-class, B-class and C-class grants in the same proportion as in the case of the allotment tax for cities. Where the unit amount of assessment (the amount obtained by dividing the twice the amount of the land, the house and the business taxes of the towns or villages concerned by their respective populations) exceeds the standard unit amount of assessment for towns and villages (the amount worked out by dividing the aggregate of twice the amount of the land, the house and the business taxes of towns and villages and the total amount of the distribution tax for them by the total population of towns and villages), there is no allotment of A-class grants, and where it is more than twice the standard unit amount, B-class grants are not allotted either.
While it is easy to see the great pains which were taken by the drafters of these plans, the fact cannot be denied that the enactment is quite complex. Moreover, doubts may be expressed as to why the ratio between the distribution tax for prefectures and that for cities, towns and villages and the ratio among the distribution tax for big cities, that for ordinary cities and that for towns and villages were fixed in that way, why the above-mentioned standards were specifically chosen for making allotments either in inverse proportion to the tax-bearing capacity or in direct proportion to the financial requirements of the public bodies concerned and how the creation under this arrangement of prefectures, cities, towns and villages which are not entitled to allotment tax grants can be reconciled with the idea of local self-government hitherto prevalent. These points must be studied concretely rather than abstractly, however, and it is not for the present writer, who has not free access to the necessary materials, to sit in judgement on the merits or demerits of these points. It is admissible that legislation of a complex nature is necessary to meet a complex situation, but I am inclined to think that some simpler standards might have been discovered.

(to be continued)