

Report for the Japan Society of the Promotion of Science: JSPS Invitation Fellowship Program for Research in Japan (short term)



2 November 2014-22 November 2014

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JAPAN SOCIETY FOR THE PROMOTION OF SCIENCE
日本学術振興会

 常葉大学
TOKOHA UNIV.


ERASMUS SCHOOL OF LAW
ERASMUS UNIVERSITEIT ROTTERDAM

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1 Thank you

First of all: many thanks to the Japan Society for the Promotion of Science (JSPS) for awarding me the short term fellowship. It was a very rewarding experience through which I have met many Japanese researchers, I have learned a lot about research in Japan and about the history and culture of Japan, made new contacts and renewed old acquaintances and was able to make plans for future research with Japanese colleagues. I am also very grateful to dr. Yuka Shiba for applying for the JSPS grant and organising my stay in Japan, especially the second part which was more focused on tax law and to prof. Goto for organising the first part which was more focused on economics. This really brought together my research interests and gave me the opportunity to talk about tax in a interdisciplinary way. Furthermore I am grateful to all academics who invited me to their universities and in their classrooms and everybody who took the time to exchange views with me. It really was an invaluable experience and I definitely hope to come back to Japan for a another research visit!



2 Outline of academic activities

2.1 Lectures

2.2.1 Kyoto University, Graduate School of Economics



Lecture 'Fairness & taxation in a globalised world' (no. 1 in the annex) and intense discussion on the Japanese view on tax competition, organised by prof. Morotomi. Both the lecture and discussion were in English as Japanese translations were not necessary. When discussing tax competition, we had a very interesting conversation on the intention of the current Japanese government to reduce the corporate income tax rate. Currently the rate is 36%, the highest in the world after the US. At the same time the tax base would be broadened.

When discussing privacy and exchange of information and the use of the tax number for other government purposes than tax it was pointed out that there are many worries in Japan whether information would not be used for other purposes and whether the information would be safe. This discussion gave

many insights on the Japanese view on tax competition and exchange of information. We also discussed the Korean case of tax evasion by Samsung in relation to reputational risk issues, where there was not a big uproar of the public. We concluded that this might be a different case as it was a Korean and not a foreign company, the company is very important for employment and the evasion was of a Korean inheritance tax and did not get the attention of international NGOs and media.

2.2.2 Kansai University, Faculty of Commerce

Lecture 'Fairness & taxation in a globalised world' (no. 1 in the annex) organised by prof.



Tsuruta (professor of public finance) and dr. Tsuji (associate professor of tax law). Lecture and discussion in English with translations in Japanese by prof. Goto. This lecture was very interesting, as the attendants came both from public finance and tax law. There were professors of three different faculties: Commerce, Law and Economics. Also dr Shiba joined the presentation and the discussions.

Many master students in tax law attended, some of them were working on master thesis which linked to the theme of my lecture. They had very interesting questions. It also showed how fruitful it is when public finance and tax law academics work



together in one faculty. There was a high attendance of this lecture: extra chairs and extra copies of the hand out had to be found. I was very honoured that the vice president, prof. Hayashi (Faculty of Economics), attended the lecture.

After the lecture we had a very nice dinner with prof. Tsuruta, prof. Urahigashi (professor of tax law, Faculty of Law), dr. Tsuji and two master students in tax law. During this dinner we continued our discussions and broadened these to sales tax and VAT. In the Netherlands we have a reduced rate of 6% next to the general rate of 21%. Japan currently only has one rate of 8%. This will be increased to 10%. It is discussed whether a reduced rate should be introduced. Both from a Japanese view and from a Dutch view we concluded that a reduced VAT/sales tax rate is not an effective instrument. The example of Denmark with only one rate of 25% shows that this is possible. In the Netherlands, many academics are in favor of abolishing the reduced rate as it is very costly, ineffective and leading to complexity (the abolishment should be accompanied by a reduction in wage tax to stimulate employment). In this respect we discussed the case law about art in the VAT and the different treatment of printed books (reduced rate) and e-books (regular rate). However, it is politically very difficult to abolish the reduced rate. We also discussed taxes and insurances, a research theme of dr. Tsuji. As dr. Tsuji does research in Europe as well, we will try to meet again when she is in Amsterdam for research at the IBFD. This lecture, therefore, led to very interesting research contacts and was also very valuable for that reason.

2.2.3 Doshisha University, Faculty of Economics

Prof. Yagi of Doshisha University was host to the lecture, 'Tax incentives for the creative industries' (no. 2 in the annex). The lecture was attended



by master students of economics. We had an in depth discussion especially on tax incentives for the film industry and where the Dutch tax incentives failed. We also discussed the reduced VAT rate and came, again, to the conclusion that is not efficient for Japan to introduce such reduced rate in the sales tax given the complexity it leads to and the problems we have in Europe. We also discussed the low price elasticity of visits to performing arts as evidenced by



Dutch empirical research. This indicated that it is more efficient to give a targeted direct subsidies to certain low income groups to incentivise their visits to performing arts than giving a broad untargeted tax incentive by applying a reduced VAT/Sales tax rate.



After the lecture prof. Goto and I had a walk in the Kyoto imperial park, after which we had a very nice and typical Japanese dinner with prof. Yagi during which we could discuss further.

2.2.4 Setsunan University, Faculty of Economics: lecture for academic staff

Prof Goto and dr. Tanaka had made it possible to deliver the lecture 'The attractiveness of the Netherlands for Japanese investors: a focus on tax' (no. 3 in the annex) to their colleagues at Setsunan University (in English without translations). It was very nice to speak to dr. Tanaka again. I first met him at a conference in Vienna and later during an earlier research trip to Japan when he was pursuing his Phd at Kyoto University. Researchers from the Faculty of Economics attended the lecture and even a professor from the Faculty of Engineering who was interested in the lecture. I was very honored that the Dean of the Faculty of Economics who is also Vice President of the university, prof. dr. Yagi attended the lecture. He explained that for the university, which just celebrated its 40th anniversary, internationalisation is very important and that my lecture was a contribution to that object. There were many questions and we had a lively discussion after the lecture. Prof. Kubo, who is specialised in EU economics, had very interesting questions on EU tax competition and the Common



Consolidated Corporate Tax Base (CCCTB) project and more general questions on the EU, for example the reason for the negative answer in the Netherlands in the 2004 EU referendum and the difference between Belgium and the Netherlands. Prof. Goto asked questions about municipal and provincial taxes in relation to national taxes in the Netherlands. Dr. Nakata, who lived in Canada for 7 years, had interesting questions about the EU, also after the lecture. It was a very interesting experience and I enjoyed the lecture very much.

2.2.5 Setsunan University, Faculty of Economics: lecture for second year undergraduate students

Prof Goto and dr. Tanaka had joined their second year undergraduate seminar students of the Faculty of Economics of Setsunan University for whom I gave the lecture 'Japanese culture in the Netherlands' (no. 4 in the annex). Prof. Goto kindly provided translations in



Japanese for the students. I had the impression that several students could understand English, but they were too shy to ask questions in English. It was a very nice experience. Setsunan University has very good facilities and very new lecture rooms. The students

raised many questions over the Netherlands. Afterwards we had some drinks and snacks with the students. Prof. Goto offered me a very nice dinner in a typical Japanese restaurant in Gijon that evening during which we could further discuss the lecture and our plans for a joint book proposal.

2.2.6 Meikai University, Faculty of real estate science: lecture for academic staff

Before, dr. Shiba was an associate professor at Meikai University, Faculty of Real Estate Science. Her former colleague, prof. dr. Maekawa had kindly organised a lecture for me :



'Housing taxation in the Netherlands' (no. 5 in the annex). It was a very interesting experience as many researchers joined with different backgrounds: economics, social science, architecture, mathematics. We had very interesting discussions during and after the lecture. Prof. Maekawa had

even prepared some discussion slides. The lecture was in English, with dr Shiba providing for some Japanese translations and explanations. Before the lecture I had an interesting conversation with prof. dr. Ogawa, a professor of civil law who had been in Germany (München) for one year. He, dr. Shiba and two other researchers had just been rewarded a research grant for their research on open data. Many researchers had spent some time abroad, mainly in Cambridge. I also had a very interesting conversation with prof. em. dr. Hayashi about educational systems. Prof. Hayashi knew that various faculties of the Erasmus University Rotterdam (including the School of Law) had changed to Problem Based Learning. We talked about my positive experience with the system. He was positive about the system, but doubted whether it would be possible to introduce it in Japan. After the lecture we had a very nice shinsuke dinner with several researchers during which we discussed further in a very informal atmosphere. It is really interesting that researchers from different fields work together in this faculty. I can imagine that this leads to interesting research results.



2.2.7 Tokoha University, Conference Cultural heritage and landscapes as local resources

Dr. Shiba had organised the conference 'Cultural heritage and landscapes as local resources'. The programme in which I participated was as follows:

14:00-14:10 Opening Remarks (Mr. Saito, Secretary General Fujinokuni University Consortium)

14:10 -14:45 lecture 1. "How tax legislation can support private patronage of the arts and cultural heritage" (Erasmus University Rotterdam, Professor, Faculty of Law) (no. 6 in the annex)

14:45 -15:15 lecture 2. "Cultural value of World Cultural Heritage Miho and Mount Fuji, from Izusan in Atami and Boso Peninsula" Mr. Tasuku Suzuki (Chiba prefecture, land development division)

15:15 - 15:45 lecture 3. "Shizuoka of regional resources and accessibility: the use of open data" Mr. Yasuharu Oishi (Shizuoka open data Promotion Council Secretary General, Open Data Shizuoka, CEO of AALT inc.)

15:45 - 16:00 Coffee Break

The audience was very diverse both in age and in background: university professors and students, company people (for example from Shimano, a company which has a subsidiary in the Netherlands (Nunspeet)) and people from the local government. It was a very interesting conference, especially as Mr. Imagawa of the Shizuoka City Government did not



only provide for translations in Japanese of my lecture, but also translated the other lectures for me, so that I could really participate in this part of this interesting conference.



A very innovative concept used in this conference was that the results were not summarized in a written paper, but in drawings made by students of the arts faculty: a visual recording. I would really like to introduce this innovation in Dutch conferences. In my view it captures the results much better for a wider audience than a written report. In one view the most important parts of the conference



are clear. Furthermore it is a good memory support for the notes participants made themselves.



The evening of the conference, we had a very nice and informal party during which it was possible

to discuss further and to get to know more people. It was a very well organised conference.

2.2.8 Meiji Gakuin University, Faculty of Economics, Department of Business Administration: lecture for master students

Prof. dr. Nishiyama of Meiji Gakuin University, Faculty of Economics, Department of Business Administration had very kindly organised a lecture for master students, 'Fairness & taxation in a globalised world' (no. 1 in the annex), in English. Only every now and then dr. Shiba gave some explanation in Japanese, but the students spoke English with me and did not need a full translation. Prof. Nishiyama had given the students the assignment to prepare questions for after the lecture. This was a very good idea as it really helped the discussion, especially as the students had prepared very good questions. One of the students aimed to become employed by the Japanese tax authority. This was very interesting, especially as I then learned that dr. Shiba also started her career at the tax authority. In Japan, this means a four year additional educational trajectory paid for by the government. After the lecture we had lunch with the students and as we were all female we discussed about female career making in the Netherlands and Japan. It was very nice that dr. Shiba, who often does joint research projects with prof. Nishiyama introduced us. I really hope to meet and work with prof. Nishiyama in the future as well.



2.2.9 Tokoha University, Faculty of Law: lecture for second year undergraduate students

Dr. Shiba allowed me to give a guest lecture to her second year undergraduate students. Also the students of prof. dr. Kajimura, a professor of family law, and prof Kajimura himself joined the lecture. The title of the lecture was Japanese culture in the Netherlands (no. 4 in the annex). The lecture was in English, but dr. Shiba provided for translations in Japanese. I gave the lecture in a very beautiful new classroom, with very good audiovisual facilities. I could show some short films without any troubles. It was very nice that dr. Shiba had given the students the assignment to prepare information on several topics, such as who was Yaesu-san and who was Von Siebold. Some of the students presented their findings (in Japanese). I gave little prizes (a key ring from my faculty) to the students who presented information or who asked a question or added a comment. This was very nice, as it resulted in more two way communication with the students.



2.2.10 Tokoha University, Faculty of Law: lecture for first year undergraduate students

Dr. Shiba and prof. dr. Kajimura had also joined their first year undergraduate students for a guest lecture. The title of my lecture was Japanese culture in the Netherlands (no. 4 in the annex). The lecture was in English, but dr. Shiba provided for translations in Japanese. Again, dr. Shiba had given the students assignments and



some of the students presented their findings. Again I rewarded these students with the key ring of my faculty as a prize. The students were shyer than the second year students, but still had very nice remarks. Prof. Kajimura, being a professor of family law, asked an interesting question about divorce law and assignment of the children in the Netherlands.

2.2.11 Tokoha University, Faculty of Law: lecture for first year undergraduate students

Dr. Shiba and prof. dr. Tanaka had provided me with the opportunity to give a lecture to their first year undergraduate students.



The title of the lecture was: Tax and social security in the Netherlands (no . 7. in the annex). The lecture was in English, but dr. Shiba provided for translations in Japanese. Again, dr. Shiba had given assignments to the students. This was very nice as the students raised

interesting questions on the theme. In this lecture we made a comparison between Japan and the Netherlands: the tax and social security burden is much higher in the Netherlands than in Japan.

2.2 Formal meetings

2.2.1 Meeting with prof. dr. Morinobu and Ms. Fujiwara of the Tokyo Foundation

Prof. dr. Morinobu of the Law School of Chio University had invited us to the Tokyo Foundation to discuss the Dutch income tax system. Prof. Morinobu is a senior fellow of the Tokyo Foundation, an independent Japanese think tank. He has been engaged in several policy research projects of the Tokyo Foundation on income tax reforms. Currently, he is involved in the tax reform policy research project. For that reason he was interested in the Dutch tax reform of 2001. We discussed the taxation of married couples in the Netherlands and the historic struggles in the Netherlands on that topic. Prof. Morinobu gave me the September 2014 issue of the Tokyo Foundation journal Japan

Perspectives in which his very interesting paper on this topic was published 'Rethinking Personal Tax Exemptions to Mobilize Women's Power'. It was very interesting for me to read how similar the Japanese discussions on how to tax married couples are to the discussions we have (had) in the Netherlands, even though our tax systems are different. It was also interesting to learn from prof. Morinobu that many tax academics in law schools are of the opinion that a tax credit would be unconstitutional as - opposite to a base exemption of income - it would breach the principle of allowing citizens to have a minimal part of their income untaxed. Both prof. Morinobi and I did not agree with this view. In the Netherlands constitutional issues were never raised when we switched from income deductions only to a mixed system of income deductions and tax credits. Partly because laws cannot be tested against the constitutions by Dutch judges (the Netherlands is one of the few western countries without a constitutional court) and second because a tax credit also allows for a basic tax free income, it just takes another form.



After this very interesting and animated discussion, Ms Fujiwara, Public Communications Officer of the Tokyo Foundation informed me about the foundation. The foundation has a small staff of 40 people which are all bilingual (mostly English is the second language).



Ms Fujiwara works for the foundation since September 2014. She worked for the Prime Minister's Office before. The Tokyo Foundation was funded in 1997. It is the biggest and one of the most influential independent policy think tanks in Japan. The Tokyo Foundation is a public interest incorporated foundation established in accordance with the collective will of the Nippon Foundation and Japan's boat race industry with grants provided from boat-racing profits. It has three missions and teams: (1) policy research (10 full time researchers and 40 senior external research fellows such as prof. Morinobu), periodically policy

proposals are published on the website and in the journal; (2) people (leadership programmes and funding programmes) and (3) society. As tax issues are very important for Japan, an aging society, policy research on tax issues is deemed to be very important by the foundation. I really hope to be able to continue these interesting discussions with prof. Morinobu and his colleagues on tax reforms in the Netherlands and Japan as there seems to be much common ground.

2.2.2 Attend lecture of prof. dr. Wiman of Upsala University Sweden on BEPS at Meiji University Tokyo

Dr. Matsubara of Meiji University had organised a lecture of prof. dr. Wiman of Upsala University and had asked dr Shiba and me to attend his lecture 'Proposal for a Swedish tax reform'. It was very nice to meet prof. Wiman in Japan this time instead of in Europe. It



was also nice to meet prof. Nishiyama again and to meet some other law professors. Prof. Wiman's lecture was very interesting as we could also discuss the similarities between Sweden and the Netherlands. A very important point which I could clear with the attending Japanese tax professors was that where in 2007 the Japanese CFC

rules applied at a foreign tax rate of 25%, this is now lowered to 20%. It is calculated on the Japanese tax base. This is very important information for the Netherlands as the Netherlands does not want its tax rate to be too low for the Japanese CFC rules. The Swedish tax reform might not meet these CFC rules.

2.3 Informal meetings

2.3.1 Dinner with civil servants of Shizuoka City Government



On my first evening in Shizuoka, dr. Shiba had organised a dinner with Mr. Imagawa, Mr. Inaba and Mr. Yamada of the Shizuoka City Government. It was a very nice evening. We discussed differences in local taxes in Japan and the Netherlands. In the Netherlands, local governments only have a very limited tax authority and they may not levy taxes based on income. In Japan, municipalities may levy many more taxes which are mainly based on income. Furthermore, the dinner was also a cultural experience as we enjoyed a very typical

style of Japanese dinner: wataminchi.

2.3.2 Lunch with four former master students of Kokugaiin Law School

Dr. Shiba had arranged a lunch with four of the former master students of Kokugaiin Law School. Two of these students already had much experience in practice (one was a retired employer of a pharmaceutical company, the other the president of a real estate company) the other students were young students who were still looking for a job after their graduation in March. Currently, it is very difficult for graduates of law schools to find a job in Japanese legal practice. As a result of this and of the decrease of the amount of young people in



Japan, law schools attract less students than before. Some law schools, for example the law school of Shizuoka University, a national university, had to close. Also Kokugain Law School did not have so many master students this year: only 10.

2.3.3 Coffee with Nick Wall, partner Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho

After nearly three weeks of visiting Japanese law schools hearing about their difficulties and the difficulties of their graduates to find a job in the field of law, it was really interesting to exchange views with a practitioner. I am very grateful that Nick Wall, partner of Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho took time to have a coffee with me in the café in the Ropongi Hills Mori Tower where Allen & Overy has its office on the 38th floor. Mr. Wall has been in Japan for almost 20 years and finished his undergraduate law course here. He confirmed that it is not only difficult to pass the exam for lawyers (currently less than 30% passes), but that even for those who pass the exam, there are not enough jobs. This is of course very frustrating for students who had to spend much money on a 2 year (for those with a bachelor degree in law) or 3 year (for those with another bachelor degree) master course. The big Japanese law firms only hire a handful of new trainees every year, this is almost nothing compared with the UK magic circle firms in London or even the big Dutch law firms in Amsterdam. Furthermore, the 'high street' lawyers activities, which provide work for many lawyers in the UK and the Netherlands, such as the drafting of documents to set up a business, are not done by lawyers in Japan but by a separate group of people with their own qualification. Also divorces are usually carried out without a lawyer in Japan: if both parties agree it is a mere signing of documents for which no lawyer is needed and if there is a dispute, this is



usually settled by court mediation for which no lawyer is needed either. Lawyers, therefore, do high quality work for which not as many people are needed as graduate from law schools. Also Allen & Overy does not hire graduates from law schools, but only experienced Japanese lawyers (6 lawyers are Japanese, the other 17 have different qualifications) as the group is too small to allow for training of graduates. In any case, Allen & Overy focuses on

international mergers and acquisitions and infrastructure projects and is not involved in practicing pure domestic Japanese law. Mr. Wall explained that as the Japanese market will decrease in the future, some say that the population will be reduced to 2/3s of the current number, and Japanese companies, which focus more on revenue than on profit and have rather passive shareholders, have ready cash to invest, Japanese companies are looking for possibilities to invest their cash abroad instead of in the decreasing home market. Because of this decreasing Japanese market he did not expect much from the idea that foreign investments in Japan could be increased by reducing the corporate income tax rate. Currently, about 30% of Japanese outbound investments are done in Europe. Acquisitions in Europe are regarded to be easier than in Asia, because Europe is much

more used to buying and selling of companies, for example because of private equity investors than Asia where most companies are family owned and because in (northern) Europe, acquisitions follow the legal rules and there is more certainty than in other Asian countries where unwritten rules may apply and circumventions of written law and bribes may be necessary. Mr Wall mentioned that the Japanese CFC rules, which entail that the effective foreign tax rate must at least be 20% of the tax base calculated according to Japanese rules, are very important in investment decisions of Japanese companies. in relation to investments in Luxembourg this can, for example, be an issue. For the Netherlands, the Japanese CFC rules are very important in setting the tax rate.

Mr. Wall explained that an international law firm like Allen & Overy is perfectly positioned to give legal assistance in international investments. Not only because of the international network, but also because of the fact that Japanese law firms do not have many high level international lawyers. One of the reasons for this is that foreigners cannot be partner of a Japanese law firm. This is also the reason why Allen & Overy has a different legal form than Japanese law firms, which is specific for foreign law firms: Gaikokuho Kyodo Jigyo Horitsu Jimusho. Another reason is a cultural issue, where it is a common view that foreigners are expected to be only temporarily in Japan. I also observed this at the universities I visited: there do not seem to be many European or American professors at the law faculties and law schools I visited. I did meet Korean professors. Another reason Mr. Wall gave was that it is difficult to work in Japan if you do not speak and write Japanese as everything, from forms to conversations is in Japanese. I observed this at the universities as well: the foreign students and the Korean professors I met all spoke Japanese. this is different at the Erasmus School of Law where we have several foreign professors who do not speak Dutch or do not feel comfortable speaking Dutch and where some faculty meetings are held in English as a courtesy to those professors. Mr. Wall underlined the importance that because of the necessity of outbound investments given the decreasing home market, internationalization is very important, also for universities, as is English as a second language.

Mr Wall ended our meeting by remarking that he would be available for a guest lecture on the legal business of an international law firm in Tokyo. I promised him to inform my Japanese contacts about this kind offer. For me it was a very interesting meeting with a view from outside the academia.

2.4 Cultural experiences

2.4.1 Visit to Mitsui family second house renovation site



Prof Goto had arranged a very special visit to the Mitsui family second house renovation site. Ms. Misato Oku, Director General for Culture and Arts Section of Culture and Citizens Affairs Bureau of Kyoto, Mr Yukitaka Hasegawa, a specialist of cultural heritage and mr. Yuichi Ishikawa who was also involved in the renovation, kindly

gave us a full story and tour of the renovation. The house is very special. In 1899 the Mitsui family bought the land and built the family shrine. In 1925 the main building, a house which was originally built in 1880 in the Sanjo area was transferred to the site. The tea ceremony house is even older as it dates from 1868. During the renovation, wooden panels were found in which the building year and the name of the carpenter (at that time there were no architects in Japan, so carpenters were very important) were mentioned. After World War II the US made rich families pay high taxes to the nation. The Mitsui family paid this tax with this house which became a court. After the court had moved to another building, the main judge lived in the house. Until 6 years ago, the house was thus privately inhabited. The renovation of the house is done with much care and respect. The scaffolding which is used for the renovation of the roof is a piece of art in itself. The renovation is expected to be finished in two years. In my view this is also a very special project as various governments work together very well: the house is owned by the national government, cared for by the Kyoto city government (we were guided through the house by civil servants of the Kyoto city government) and renovated by the Kyoto prefecture government.



2.4.2 Dutch traces in Nagasaki and Dejima and the 19th century

2.4.2.1 Dejima

A cultural highlight was the visit with prof. Goto to Nagasaki. In several of my lectures I refer to the old relationship between Japan and the Netherlands which is still lasting both economically and culturally. For me it was wonderful to see the foundation and beginning of this relationship in Dejima and the fantastic museums in Dejima telling the tale of this relationship. It was very insightful to experience in Dejima how small the Island



where the Dutch trading post was situated, was. Also, one can imagine that the Japanese people must have regarded the Dutch as being very uncivilized. Even now prof. Goto was appalled by the fact that, as could be seen on the old prints which were displayed, the Dutch walked on the tatami mats in the Dejima houses with their shoes on.



There were many exhibited articles which were in Dutch and also the Dejima museum provided an information leaflet in Dutch. It was amazing to find this little corner of Dutch history so far away on the other side of the world. The knowledge was deepened further in the Nagasaki Museum of History and Culture. It was a pity that much of the information in this museum was in Japanese only, but here again, I was able to read the original texts of the Dutch books which



were presented in the exhibition. In the Nagasaki Traditional Performing Arts Museum at the end of Glover Garden (see below), we saw a film of Nagasaki's Kunchi Matsuri in which also floats in the form of Dutch boats played a role. One of the floats representing a Dutch boat was displayed in the museum. This made it clear that Nagasaki does not forget its historical links with the Netherlands. This was also made illustrated by several sweets which were for sale in Nagasaki, for example the Nagasaki Holland Sable and the Castella Rusk (a cake of Portuguese origin, but a package with a Dutch boat). We had dinner in Nagasaki Dejima Warf, where we could sit outside, watch the sea and an old sailing ship, imagining the view the Dutch of Dejima had in their time.



2.4.2.2 Ph. F. van Siebold

Another theme included in my lectures and which I wanted to explore in the Nagasaki visit was the Japanese life of Ph. F. von Siebold (1796-1866). Von Siebold was a German born doctor employed by the Dutch *Verenigde Oost Indische Compagnie* sent to Japan not only to practice medicine, but also to study Japan. He taught western medicine to Japanese scholars. He married a Japanese wife and their daughter became the first Japanese woman to practice western medicine. He was expelled from Japan for possessing Japanese maps and was only allowed back 30 years later after Japan was opened to the world.

During my preparation for the JSPS fellowship I had already renewed by knowledge of his life and I had visited the *Sieboldhuis* in Leiden. This museum has an interesting permanent exhibition of the objects Von Siebold collected in Japan. The museum was so kind as to give me information brochures on that museum for the Japanese students I was going to deliver lectures to in which I referred to Von Siebold. It was very interesting to visit the Nagasaki Siebold Memorial Museum, which had a wealth of information on his life in Japan, his family and the influence he had. The museum had many documents written in Dutch again, which made the visit very rewarding. Even during the Japanese introduction video, parts were in Dutch with subtitles in Japanese. However, it seemed that this introduction video was rather old. It did not seem to refer to the current permanent exhibition in the Leiden *Sieboldhuis* whereas this might be of interest for Japanese tourists who are planning to visit the Netherlands and want to know more about Von Siebold. There might be interesting opportunities for the Leiden and the Nagasaki museum to work together and to exchange objects, introductory films (the Leiden museum has a very nice and modern film which gives a short summary of Von Siebolds life) and information.



2.4.2.3 Westerners after opening in the second half of the 19th century

It was very interesting to learn that after Japan was opened to western countries after 1858, Nagasaki remained very important as a point of contact between Japan and the rest of the world. We visited the *Hollanders* (Dutch) slope and Glover Garden where the Europeans (at first all western people were called Dutch, hence, Dutch slopes) lived after the opening of Japan. It was remarkable how many wooden western houses were preserved. Glover garden gave a very interesting insight in how the Europeans lived and conducted business in Japan between 1856 and 1942. We were very lucky as we visited Glover garden at the end of the day when there were lights everywhere in the garden, giving it a fairy tale appearance. Furthermore we had lunch in one of the oldest western style restaurants in Nagasaki (established 1930), the Nagasaki Museum of History and Culture restaurant Ginrei, where we had a typical Nagasaki western style dish together with a former student of prof. Goto who is now working for the tourism department of the Nagasaki Prefecture Government. With him we also discussed about tourism in Nagasaki and what attracts foreigners to Japan.

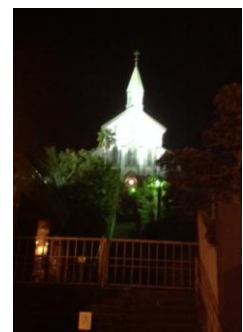


Goto who is now working for the tourism department of the Nagasaki Prefecture Government. With him we also discussed about tourism in Nagasaki and what attracts foreigners to Japan.

2.4.2.3 Other cultural experiences in Nagasaki: Christian culture, Chinese culture and tea ceremony

While the focus of our visit to Nagasaki was on Dutch history, Nagasaki also gave us other cultural experiences. Next to the Dutch, only the Chinese were allowed to trade with Japan until 1858. The Chinese also had their own settlement, but seemed to be less confined than the Dutch. This might have to do with religious reasons. We visited the current China town of Nagasaki and had lunch there.

Another interesting aspect of Nagasaki history is the old Christian community. After the Portuguese and Spanish arrived in Japan, they started missionary activities and several inhabitants of Nagasaki became Christians. Then the Shogun banned Christianity and shut Japan. In 1597, 26 Christians were crucified in Nagasaki. However, after freedom of religion was installed in Japan in the 19th century, it turned out that there were still several Japanese Christians. Still, there



are many Christian churches in Nagasaki, Nagasaki aims to make these world heritage (we saw advertisements for that both in the bus from the airport and in Glover Garden). We saw a beautiful lit Oura Catholic Church, the oldest (1865) Japanese church. The links with Portugal can also be found in sweets which are sold in Nagasaki, for example the famous Castella, a very nice cake which we tasted several times.

Finally we were lucky that during our visit to the Nagasaki Museum of History and Culture several tea ceremonies were conducted. It was very interesting to witness this very old tradition.

2.4.2.4 Concluding observation of Nagasaki visit

For a very sad part of Nagasaki history we did not have time to explore, but it should be mentioned: the atomic bomb which hit Nagasaki in 1945. As we focussed on the history of Nagasaki before the Second World War, we did not have time to include that in our 2-day programme. This omission is definitely a reason to come back to this very interesting city.

I have learned a lot during this visit to Nagasaki. The lectures which referred to the history (no. 3 and 8 in the annex) I gave in the two weeks after this Nagasaki visit benefitted much from this visit, which meant that I could give a much better description than if it would have been based on book knowledge only. It was a wonderful experience.

2.4.3 Visits to Kyoto temples

During my stay in Kyoto I had the opportunity to visit several temples, shrines and surrounding areas: Yasaka-jinja Shrine, Kodaiji Temple, Maruyama Park, Nanzenji Temple, Eikan-do (Zenrinji Temple), Ginkakuji (Jishoji) Temple, the Philosophers walk, Myoshinji Temple, Ninnaji Temple, Ryoanji Temple and Kinkakuji (Rokuonji) Temple. It showed once again how rich the cultural heritage of Japan and more specifically, Kyoto is. Finding funding to maintain all these buildings and parks is very important.



2.4.4 Visit to Kokugakuin University Museum

I was very kindly received in Kokugakuin University Museum by dr. Kato, curator and lecturer. She guided me through the archeological section of the museum. The collection includes beautiful and important artifacts. Also excavations of second year students were on display. In the Shinto section of the museum I was guided by two second year undergraduate students (one majored in law, the other in international relations), who did a very good job. They are volunteers who perform guided tours once every month. This was their first day in the museum. Through the exhibition I learned a lot about Japanese culture and religion.



2.4.5 Stay in Nihondaira Hotel with view on Mount Fuji

Dr Shiba had given me much written information on the important *kami* status Mount Fuji has in Japan. As rice is very important for Japanese people, many facts in Japanese society and culture can be explained from this importance of rice. As mountains provide the water necessary for growing rice, mountains and especially Mount Fuji have been very important since the old days. That is why Mount Fuji is a very important *kami*. In the

three trips I made to Japan before, the weather was never good enough to see Mount Fuji. This time I was really lucky. Not only did I see Mount Fuji from the Shinkansen, I also had time to admire the mountain from the beautiful Nihondaira hotel in which dr. Shiba had arranged me to stay one night. It was a very special experience.



2.4.6 Visit to Mount Kuno Toshogu Shrine with Mr. Suzuki, witnessing shichi-go-san



Dr. Shiba had kindly arranged that Mr. Suzuki of the land development division of Chiba prefecture, but also a scholar of Japanese history and culture, took me for an excursion to Kuno-zan Toshogu Shrine. This is a very import shrine amongst the Toshogu shrines In Japan (most importantly the Shrine in Nikko, which I visited in 2003), that enshrine the first Shogun, Ieyasu Tokugawa. We went there

by the Nihondaira Ropeway, which was already a special experience. As we went early in the morning it was still very quiet, which gave a special atmosphere. Mr. Suzuki, explained many things to me. at a certain moment an monk also helped to explain certain aspects of one of the buildings. Furthermore, we had the special experience of drinking macha outside. Also we witnessed a very special ceremony held on 15 November



for 3, 5 and 7 year old Japanese children: shichi-go-san. A brother of 5 and his sister of 3



celebrated this in the Mount Kuno Toshogu Shrine together with their parents and grandparents (their mother who was wearing a beautiful kimono happily explained everything to me, including her own age as a joke). Later many more children followed. We also visited the excellent museum with many belongings of Shogun Ieyasu Tokugawa and his successors, including a clock which was made in Spain in the 16th century. From the viewing point we could see many greenhouses. Mr. Suzuki explained to me that these grow strawberries which are sold from December/January onwards

and which are really delicious (unfortunately I was too early to try).



2.4.7 Sumpu Castle Park excursion with Mrs. Tanaka and Mr. Suzuki

Mrs. Tanaka, the wife of prof. dr. Tanaka, a colleague of dr. Shiba at Tokoha University, gave me and Mr. Suzuki a guided tour in the Sumpu Castle Park in Shizuoka, the former grounds of the castle were Shogun Ieyasu Tokugawa retired. She also explained about the tangerine tree which was planted by Shogun Ieyasu Tokugawa and of which the first harvest is presented to the Emperor every year. Mrs. Tanaka is a scholar and teacher of English and speaks the language fluently. Furthermore, she had been in Germany (Frankfurt) with her husband for quite some time and has therefore traveled quite a lot in Europe. Afterwards we had a typical eel dinner in one of Shizuoka's restaurants.



2.4.8 Bicycle tour in Shizuoka and Shimizu

As a part of the conference Cultural heritage and landscapes as local resources, Mr. Yutaka Murai had organized a very special bicycle tour in which many participants of the conference participated. Early on Sunday morning we all gathered in a park. Dr. Shiba's son had lent me his bicycle. Mrs. Tanaka kindly provided for translations during the whole day. First we cycled in the centre of Shizuoka and stopped at different places of historical importance where we were given explanations. We had the typical Shizuoka oden in the oldest restaurant selling this snack in Shizuoka (since 1945) which was still in the hands of the same family.



Then we and our bicycles went by a special train on the Shizutetsu line to Shimizu where we were welcomed by a delegation including Mr. Tanabe, the mayor of Shizuoka City. Mr. Tanabe speached about the importance of bicycles and bicycle lanes in Shizuoka. After that I was presented to him by dr. Shiba and I could have a short talk with the mayor and present him a pen of the Erasmus School of Law.

We then cycled in the port of Shimizu and were told interesting facts about its history.

We had a pick-nick in the yard of a 130 year old warehouse (Kura in Japanese). The owner of the warehouse had made a little museum and explained us all about the business. Then we cycled back to the station and a special train brought us back to Shizuoka. It was a very nice experience, especially for a Dutch citizen who is used to cycling every day, both in Amsterdam and Rotterdam and taking her folding bicycle with her on the train.



2.4.9 Tour at Meiji Gakuin University and its organs



Professor Nishiyama of Meiji Gakuin University gave us a tour around the university campus. Meiji Gakuin University is a very special university. It was founded in 1863 by the American Christian missionary and medical doctor James Curtis Hepburn and his wife Clara. It is, therefore, not only an old university, it is also a Christian university. There are still several old buildings on the campus: the wooden Imbrie Hall, a wooden house (nationally designated Important Cultural Property) in colonial style which reminded of the houses at Glover Garden in Nagasaki, the Meiji Gakuin Chapel and the Memorial Hall and its chapel. The two chapels each have an organ. Professor Nishiyama takes organ lessons at the organ of the Meiji Gakuin Chapel. That organ is actually a Dutch

organ. We were very lucky as the organ professor was just starting a lesson. I could speak with her for a short while. She has studied at the Amsterdam conservatory and could speak Dutch very well: we had our conversation in Dutch! Then we could enjoy her student playing the organ. When we entered the Memorial Hall chapel, another student was just starting to practice, so we could hear that organ as well. He was a student of French literature and played a piece of a french composer. It was very special: being in the middle of bustling Tokyo enjoying the peace and calmness of christian chapels while enjoying beautiful organ music. It really was a special gift from prof. Nishiyama and Meiji Gakuin University to us.



2.4.10 The Ministry of Justice Museum Message Gallery, Tokyo

Dr. Shiba and I visited the Ministry of Justice Museum Message Gallery in Tokyo. This museum is located in a monumental red brick 1895 building (nationally designated Important Cultural Property), which still serves as the Ministry of Justice. The fact that



citizens are allowed to enter the Ministry to visit the museum shows that Japan still is a very safe country. In most countries, including the Netherlands, such government buildings are, unfortunately, not open for the public for safety reasons. It was a very interesting museum which documented the codification of modern penal law in the Meiji Era and the assistance of French and German Scholars in this. Also documents related to several criminal court cases of the Meiji Era were on display, including documents on court

cases following two tax riots (one was actually a misunderstanding about a 'blood tax'). The exhibition also explained the architectural history of the building, which survived the

Great Kanto Earthquake (1923) with practically no damage, but which was damaged severely in the 1945 US air raid on Tokyo.

2.4.11 Visit to Sengen Shrine, Shizuhata Mountain, War Memorial and Shizuhatayama Tumulus and Sengen Shrine Museum

Dr. Shiba took me on a very nice cycling trip to the Sengen Shrine. We visited the shrine and then went up the Shizuhata mountain from which we had a beautiful view over the city, the sea and Mount Fuji. I could also see a chapel from the mountain, dr. Shiba explained to me that this belonged to a Christian high school. During this visit to Japan I have learned that there is quite some Christian culture in Japan, even though I would not have expected that.

On the mountain is the impressive war memorial for the 6000 people from Shizuoka which were killed in the US air raid of June 1945. Being European, I did not really know about the victims of such air raids. Of course I knew about the atom bombs on Hiroshima and Nagasaki, but I was not aware of all the people which were killed and the many cities which were damaged by 'regular' air raids during World War II. By seeing this monument and pictures in various Japanese museums I have know come to realise this. Shizuoka was hurt very much by air raids, as in July 1945 also Shimizu was hit by an air raid. What is very special, is that next to the monument for the Japanese victims, there is a monument for the 28 US army men which died in Shizuoka during the war. This monument is maintained by volunteers from Shizuoka.



history.

Halfway our descend of the mountain, we visited the Shizuhatayama Tumulus. This tumulus was built in the latter half of the 6th century. It is a circular mould of about 32 metres wide and 7 metres high. Inside is a burial chamber and corridor and a house shaped sarcophagus in which the ruler of that time was buried. It was very interesting to see this very old and well preserved part of Japanese

history. Finally we visited Sengen Shrine Museum where very interesting old photos of Shizuoka were on display, including photos of the remains of the city after a big fire which hit a large part of Shizuoka in 1940. But also children playing in the 1950s and photos of the Olympic games were included as were some household items and toys. It was a very interesting window on pre- and post-war Shizuoka. After this visit we had a curry lunch in dr. Shiba's house.



2.4.12 Yeasu-san memorial Tokyo station



In my lecture on Japanese culture in the Netherlands I mentioned Jan Joosten. He sailed from Rotterdam on the first Dutch ship, De Liefde (formerly De Erasmus) which arrived in Japan in 1600. He is by his Japanese name, Yaesu-san, still remembered in Tokyo in the Yaesu street en Yaesu exit of Tokyo station. Dr Shiba and I looked for the Yaesu memorial in

Tokyo station which we could find after a bit of a search (unfortunately it was not indicated on the map with shops and restaurants). It is a very nice memorial with a statue, a map of his travels from Rotterdam to Japan and some explanation in Japanese.

2.4.13 Edo-Tokyo Museum and Shiseido Gallery

The Edo-Tokyo Museum permanent exhibition gave a very good overview on the history of Edo and Tokyo and did so in a very innovative way. The history came alive and linked many historic knowledge I had acquired during this visit to Japan and helped my understanding. There was a special exhibition on Ginza photographs from the 1930s to the 1980s. Interestingly, at the same time the Shiseido Gallery hosted an exhibition of Ginza photos made in the summer of 2014 by Nobuyoshi Araki, which I also visited.



2.4.14 Visit to Sakura



On my last day in Japan dr. Shiba took me to the old samurai town Sakura. Mr. Suzuki had advised us to go there and he was right. It is a very nice little city to visit. We rented bycles at the local tourist office and cycled to the National Museum of Japanese history. This was a very big museum that tried to cover the whole history of Japan. Parts of the museum were very well signposted in English, others were a bit more difficult without knowledge of the Japanese

language. After visiting the museum, we cycled through the beautiful Sakura Castle Park to the old Samurai houses. It was very interesting to see these beautiful preserved houses with their gardens. Then we cycled back to the station and dr. Shiba and I said goodbye. As I was staying in Narita and still had some time left I walked back to the old main street of Sakura where I entered the museum. Unfortunately the new exhibition was only opening the next day. As there is still much more to be seen in Sakura and it is very conveniently located as the last visit for the airport, I definitely hope to come back in this charming little town.



3 Future research projects initiated by the JSPS fellowship

The contacts I have made, the lectures I gave and the discussions I have had during my JSPS fellowship will at least lead to the following new research projects:

- ✧ Paper on tax incentives for cultural heritage (based on presentation 7), dr. Shiba will write a paper on the same topic from a Japanese point of view (deadline 1 December 2014).
- ✧ Paper for the Fudosan Ryutsu Keiei Kyokai (FRK) (Association of Real Estate Agents of Japan) on tax and housing in the Netherlands (based on presentation 5). Deadline: 31 December 2014.
- ✧ Paper on fairness (based on presentation 1) for dr. Shiba, deadline 28 February 2015.
- ✧ Proposal for joint book with prof. Goto on tax incentives for the creative industries (link with presentation 2, the book proposal is included in annex 3) in a Springer series on creative industries which is published under the responsibility of prof. Yagi.



4 Impressions and thoughts on the state of science in Japan in the fellow's field of research

I have had the privilege to speak to many people from many different fields such as tax law, public finance, economics, real estate and even engineering. I experienced how Japanese researchers from different fields work together, which in my view is very fruitful and definitely an object we should pursue as academics. Just as in the Netherlands, many researchers in tax law also have experience in private practice which is deemed to be an asset, a view I agree with.

I see big changes as regards the English language. When I first came to Japan in 2003, it was very difficult to encounter people speaking English. This has changed. Especially in Kyoto, an important tourist and conference destination for foreigners (in my observation



there were many more foreigners in Kyoto than 11 years ago when I also visited Kyoto) it was easier to get by in English. Furthermore, this is the first time that I could give some lectures without a Japanese translation being necessary. For the other lectures translations were still necessary, but I had the impression that people did understand the English. The same impression I had in the conversation with a former student of prof. Goto who is now working for the

Nagasaki Prefecture Government (tourism department): he seemed to understand everything was saying in English, but preferred to talk in Japanese to me with translations of prof Goto. However, one to one discussions with academics were all in English, mostly without translation help. Students were still a bit shy to speak English. However, I have the impression that that will be different as well within 10-15 years.



During my visit I had the privilege to have dinner at home with two families. Their children were very interested in the English language and not shy to practice words. I was



amazed by the vocabulary of these 6 to 9 year old children: when I drew some typical Dutch characteristics (bicycle, flower, sea etc) they knew the English words. Also they were very easy in saying and pronouncing English words. Three children had the advantage that their mother teaches English and speaks English fluently, but I had the impression that also the other children felt comfortable with English words. I therefore expect that this generation will probably not have any problems in speaking English. The Olympic games of

2020, when many foreigners will visit Japan and many volunteers who speak English will be needed, may further this trend. This opens good possibilities for international trade and tourism to Japan.

What is quite different in Japan compared to the Netherlands is the distinction between national, prefecture, city and private universities, each with their own level of entrance exams. The buildings and teaching facilities of the private universities I visited were very well maintained and of high quality. Students are very tidy, they clean up their own mess: something which Dutch students (and Dutch people in general) could learn from the

Japanese. However, Dutch students never fall asleep during lectures, something which does happen to Japanese students. Maybe because the Japanese only have a few hours of sleep during the night and therefore need some sleep during the day?

It was also interesting to observe that many Chinese, Taiwanese and Korean students study in Japan. They speak Japanese and sometimes English as well. I did not encounter European students during my lectures. For them the language would probably be a problem when courses are taught in Japanese only.

For me it was very interesting to learn that in Japanese social sciences book publications are deemed to be very important, more so than in the Netherlands. Prof Goto explained to me that an important reason is that especially older academics deem it important that the general public can be informed about the achievements of the social sciences. This is easier through the publications of books which are sold in book stores and as e-books than by publications in (American) journals which are only read by a small group of academics. She told me the story of the father of a student who came to talk to her and who had bought one of her books to prepare for the meeting. In my view this is an important lesson the Netherlands legal and social sciences can learn from Japan: do not forget to inform your own citizens who, by their taxes, make your research possible.



5 Other comments concerning the fellowship program

It is wonderful that the fellowship programme makes it possible for foreign researchers to come to Japan, deliver lectures, make new contacts and discuss about research. It is a very valuable programme and I am extremely grateful that I was allowed to benefit from it for the second time.



Annexes

Annex 1 Day-to-day programme

Day	Date	Location	Activity
1	2/11/2014	Kyoto-Yamashina	Arrive in Japan, discuss with prof. Goto, dinner and stay in Yamashina
2	3/11/2014	Yamashina-Kyoto	Yamashina, arrange for apartment and JR rail pass with prof. Goto, discuss with prof. Goto, dinner at home of prof. Goto, preparation of lecture.
3	4/11/2014	Kyoto	Preparation of lectures, visit temples, dinner at IYEMON salon with prof. Goto.
4	5/11/2014	Kyoto-Osaka prefecture	Morning: Visit and tour cultural heritage renovation site, lunch and preparation of lecture with prof. Goto, 13:00-14.30 Seminar at Kyoto university (Fairness: presentation 01) professor and Ph.D of public finance 16:30-18.30 Seminar at Kansai University (Fairness: presentation 01) professors and master students of public finance, economics and tax law, 18.30-20.30 Dinner at Kansai University with 4 professors and two master students with interesting discussions on tax law in Japan and the Netherlands.
5	6/11/2014	Kyoto-Yamashina	Evaluation of lectures, preparation of coming lectures, visit temples, dinner in Yamashina.
6	7/11/2014	Kyoto	Discuss joint book proposal on tax incentives for the creative industries with prof Goto. 14.30-16.00 lecture at Doshisgha University (Tax incentives for the creative industries: presentation 02), dinner with prof Yagi and prof. Goto.
7	8/11/2014	Kyoto-Nagasaki	Dejima, China town, Hollanders Slopes, Glover Garden, Nagasaki Traditional Performing Arts Museum, Oura Catholic Curch, Nagasaki Dejima Wharf.
8	9/11/2014	Nagasaki-Kyoto	Siebold Memorial Museum, Nagasaki Museum of History and Culture, Museum Restaurant Ginrei.
9	10/11/2014	Kyoto	Preparation of lectures, visit to Kyoto temples, dinner in Yamashina.
10	11/11/2014	Osaka prefecture	Setsunan University, talk with dr. Tanaka, work

			on joint book proposal with prof Goto, 12.40-14.00 lecture for academic staff (Atractiveness of the Netherlands for Japanese investors: presentation 3) and 15.00-16.30 lecture for second year undergraduate students (Japanese culture in the Netherlands, presentation 4), have tea and discussions with students, dinner with prof. Goto in Gijon.
11	12/11/2014	Kyoto-Shizuoka	Packing bags, evaluation of seminars, lunch with prof. Goto and discussion of book proposal, transfer to Shizuoka, present myself to dean, vice president and academic staff at Tokoha Faculty of Law meeting, discuss with dr. Shiba, dinner with civil servants of Shizuoka City Government.
12	13/11/2014	Shizuoka-Tokyo	Prepare for lecture, transfer to Tokyo, lecture at Meikai university (Housing taxation in the Netherlands, presentation 5), dinner with researchers from Mekai University.
13	14/11/2014	Tokyo-Shizuoka-Nihondaira	Visit to Kokugakuin University Museum, lunch with former master students of Kokugakuin University School of Law, transfer to Shizuoka and Nihondaira hotel.
14	15/11/2014	Nihondaira-Shizuoka	Morning excursion to Mount Kuno Toshogu Shrine with Mr. Suzuki (land development division of Chiba prefecture), lecture 'How tax legislation can support private patronage of the arts and cultural heritage' (presentation 6) and participation in Tokoha University conference Cultural heritage and landscapes as local resources, excursion to Sumpu Castle Park with Mrs. Tanaka and Mr. Suzuki, eel dinner and conference party.
15	16/11/2014	Shizuoka-Shimizu	Bicycle tour (part of conference of previous day) with historical explanations in Shizuoka and Shimizu, meeting with the mayor of Shizuoka City.
16	17/11/2014	Tokyo	Tour of historical buildings of Meiji Gakuin University and its organs, lecture for master students at the Faculty of Economics, Department of Business Administration organised by prof Nishiyama 'Fairness & taxation in a globalised world' (presentation no. 1), meeting with prof. dr. Morinobu and Ms. Fuijiwara of the Tokyo Foundation, discussion on income tax reform, visit to Ministry of

			Justice Museum Message Gallery, dinner at Ginza restaurant Marrakech.
17	18/11/2014	Shizuoka-Tokyo-Shizuoka	Visit to Sengen Shrine, Shizuhata Mountain, War Memorial and Shizuhatayama Tumulus and Sengen Shrine Museum, 13.00-14.30 Tokoha University, Faculty of Law: lecture for second year undergraduate students on Japanese culture in the Netherlands (presentation 4); 14.40-16.10 Tokoha University, Faculty of Law: lecture for first year undergraduate students on Japanese culture in the Netherlands (presentation 4); transfer to Tokyo in the Shinkansen, 18.30-20.00: attend lecture of prof. dr. Wiman of Upsala University Sweden on BEPS at Meiji University, Tokyo.
18	19/11/2014	Shizuoka-Tokyo	Packing of suitcase, 13.00-14.30 Tokoha University, Faculty of Law: lecture for first year undergraduate students on Tax and social security in the Netherlands (presentation 7); transfer to Tokyo in the Shinkansen, dinner and stay in Nerima.
19	20/11/2014	Tokyo	Morning in Nerima, visit to Edo part of Tokyo-Edo Museum, meeting with Nick Wall of Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho, visit to Tokyo part of Tokyo-Edo Museum, visit to Shiseido Gallery.
20	21/11/2014	Tokyo-Sakura-Narita	Visit to Sakura, National Museum of Japanese History and Old Samurai Houses.
21	22/11/2014	Narita-Amsterdam	Flight back to Amsterdam

Annex 2 Presentation slides

1 Fairness & taxation in a globalised world

Fairness & taxation in a globalised world

Prof. dr. Brijde Hemels Erasmus University Rotterdam
 JERSI Invitation For a Lecture for Academics in Japan (Shonan) hemels@eun.nl

Do they pay their fair share?

Google, Amazon, Starbucks: The rise of 'tax shaming'

NEWS MAGAZINE

1

Principle of Fairness: legal and political philosophy

- H.L.A. Hart: principle of mutual restrictions: "when a number of persons conduct any joint enterprise according to rules and thus restrict their liberty, those who have submitted to these restrictions when required have a right to a similar submission from those who have benefited by their submission."
- John Rawls: principle of fair play: the tax-dodger violates the duty of fair play as he accepts the benefits of government but will not do his part in releasing resources to it.

2

Fairness in relation to taxation

- Government provides for certain goods and services
- Financed by taxes
- Taxes: unvoluntary and compulsory contributions of citizens and companies to government without an individual return based on legislation.

3

Example Ireland: artists exemption

Since 1969: first, full exemption profits artists resident in Ireland, 2006-2010: € 250,000 exempt. Artists did not pay tax until 2006 and significantly less tax than other people after 2006: fair?

Many foreign artists moved to Ireland to benefit (Lisa Stansfield, Irvine Welsh, Michel Houellebecq, Daf Leppard, Elvis Costello)

Many rich artists benefited

Not only used by artists, also by sportsmen, politicians, journalists publishing books

Scheme can lead to tax competition which all states lose.

4

Fairness: defined in relation to other tax payers

George Klosko: fairness thesis

Individuals are more willing to pay their taxes if they believe that others are paying their taxes: important reason for tax compliance.

Explains emphasis on fairness in current situation of crisis with heavier tax burdens to be shared.

5

Does fairness require consent to tax system?

Multinationals, non-residents cannot vote on the tax system. Not bound?

Locke (1764) tacit consent

Rawls/Klosko: no specific consent needed

Residing or operating in a certain jurisdiction implies benefiting from it and thus obliges to contribute no matter whether one has consented to the tax system or not.

6

Free riding

Making use of provisions of government without contributing

The Public Goods Game

cooperators free-riders

contribution benefits

Public Goods

7

Free riding violates fairness

Rawls: Acting unfairly is not so much the breaking of a particular rule, but taking advantage of loopholes or ambiguities in rules, availing oneself of unexpected or special circumstances which make it impossible to enforce them, insisting that rules be enforced to one's advantage when they should be suspended, and more generally, acting contrary to the intention of a practice.

Happé: the idea of fair share implies that there is a limit to the tax advantage that everyone is free to opt for the cheapest solution; one should not only adhere to the letter of the law but also feel bound to its spirit. "everyone's tax contribution is an expression of respect for society and fellow citizens"

8

Difference between fairness and other principles (e.g. equality)

- Most principles in tax law: obligation on governments
- Fairness: primarily obligation on tax payers towards each other
- Role of government: to ensure that tax payers obey the principle of fairness: protect compliant tax payers from free riders

9

European Commission

27-6-2012: "the fight against tax fraud and evasion is not only an issue of revenue, but also of fairness (...) honest taxpayers should not suffer additional tax increases to make up for revenue losses incurred due to tax fraudsters and evaders."

22-5-2013: "The burden of taxation should be spread more evenly by ensuring that everyone, whether blue-collar employees, multi-national companies that benefit from the single market or wealthy individuals with offshore savings, contribute to public finances by paying their fair share."

- Fairness: protecting compliant tax payers from non-compliant tax payers

10

How can government protect compliant tax payers

- Combat free riders
- Combat free riding
- more complex in a globalised world
- Countries have to work together
- Willingness to reduce tax competition?

11

OECD BEPS project Action 5: harmful tax practices (report sept. 2014)

Review the work on harmful tax practices with a priority on improving transparency, including compulsory spontaneous exchange on rulings related to preferential regimes, and on requiring substantial activity for any preferential regime. It will take a holistic approach to evaluate preferential tax regimes in the BEPS context. It will engage with non-OECD members on the basis of the existing framework and consider revisions or additions to the existing framework."

12

Combat free riders

- In case of (illegal) tax evasion:
 - Trace and punish tax evaders and their advisers (vertical supervision)
 - Netherlands: heavier punishments also for advisers
 - Media coverage to deter potential tax evaders and enforce voluntary compliance
 - Netherlands: focus on persons with high exposure

13

Horizontal supervision not for tax evaders

- Netherlands: for big companies
- Trusted relationship
- Solve current problems instead of the past
- Contractual obligation tax payer to discuss possible tax issues with tax authority
- Tax authorities will read quickly
- NB: in the Netherlands also possible for other tax payers to ask for certainty in advance

14

General Anti Abuse Rules

- Activities are within the letter of the law, but not within the spirit.
- Example: making use of tax exemption real estate transfer tax for married couples by marriage for one day.
- Cannot be combated by using the law
- Some countries (UK, Netherlands etc): general anti abuse rule (NL: *Fraus legis*)

15

Abuse of Law in EU law

Cadbury Schweppes, C196/04 (...) in order for a restriction (...) to be justified on the ground of prevention of abusive practices, the specific objective (...) must be to prevent conduct involving the creation of wholly artificial arrangements which do not reflect economic reality, with a view to escaping the tax normally due on the profits generated by activities carried out on national territory."

"High threshold: wholly artificial arrangements"

"Leusden (C487/01): "As regards tax avoidance (...) a taxpayer cannot be considered for taking advantage of a provision or a lacuna in the legislation which, without constituting an abuse, has allowed him to pay less tax (...)."

16

Fairness goes further than abuse of law

- Broad, relative, subjective concept of fairness difficult for a judge to apply
- Conflicts with principle of legitimate expectations and legal certainty

17

Combat free riding

- Impossible for one country on its own
- in a globalised world capital, patent rights etc can be moved easily to another country.
- Countries have to work together
- OECD: Base Erosion and Profit Shifting (BEPS) project.
- EU: Action plan to strengthen the fight against tax fraud and tax evasion

18

BEPS Action Plan

- Digital economy entities
- Hybrid mismatch arrangements
- Counter harmful tax practices
- Prevent abuse of tax treaties
- Transfer pricing rules regarding intangibles, documentation requirements, risk, capital and other high risk transactions, to limit base erosion via interest deductions and other financial payments
- Strengthen Controlled Foreign Companies (CFC) Rules
- Limit base erosion via interest deductions & other financial payments
- Prevent the artificial avoidance of permanent establishment status
- Data collection and analysis on BEPS recommendations
- Disclosure rules on aggressive tax planning arrangements
- Make dispute resolution mechanisms more effective
- Development of multilateral instrument

19

Important tool: (automatic) exchange of information

US tax investigators with fight to force IRS to disclose accounts worth billions

Bilateral: in tax treaties

Accelerated by financial crisis and UBS scandals

US a strong force:

- FATCA, obliges foreign financial institutions (FI) to provide US information on US bank accounts and to withhold 30% tax on payments to non-compliant FI's
- Many countries: Inter-Governmental Agreement (IGA) with US: government sends information instead of FI, US must send information back
- IGA's with other countries as well.

20

Other forms of exchange of information

Multilateral

- EU mutual assistance directive
- EU savings directive → not only interest, also dividends, capital gains and other financial income
- Luxembourg and Austria will join automatic exchange of information under savings directive

21

Combat free riding

Combine information already available

Oblige third parties to provide information to the tax authority

- Employers
- Banks, pension funds and insurance companies

Netherlands:

- one citizen service number (CSN) for all contacts with government (tax, social security, passport, pension, health insurance, bank account etc)
- Pre-filled tax return

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Right to privacy and exchange of information

- Before: right to privacy, bank secrecy prevailed → individual right
- Now: obligation to contribute fair share prevails → right of the collective
- Countries such as Switzerland, Austria and Luxembourg (partly) give up bank secrecy.
- Right to privacy of the individual violated in favour of fairness

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International shift: from the individual; to the collective

- Until recently: emphasis on rights of individual tax payer:
 - (Bank)secrecy
 - Safeguards for tax payer in exchange procedures
 - Prevent double taxation
- Because of the financial crisis more focus on the collective
 - Prevent tax evasion
 - Exchange of information
 - Prevent double non-taxation
- Not black letter law but fair share

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Difficult issue: tax competition

UK takes on Ireland with lower corporate tax regime: see above slides

- Countries compete for businesses and private capital with their tax system
- Companies choose countries with low tax rates, make use of disparities between tax systems
- No country wants to be the first to move

Hybrid loans tax loophole worth billions of euros closed

25

New: Multilateral Agreement on exchange of Financial Information

Signed 29 October 2014 at Global Forum on Transparency and Exchange of Information for Tax Purposes, Berlin: "end of bank secrecy"

Automatic exchange of data collected by financial institutions

51 countries as of 2017 (including the Netherlands, several tax havens, not US, bilateral), 30 countries as of 2018 (including Japan)

51 countries sign deal in tax evasion crackdown

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Right to privacy and exchange of information

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Other forms of exchange of information

Multilateral

- EU mutual assistance directive
- EU savings directive → not only interest, also dividends, capital gains and other financial income
- Luxembourg and Austria will join automatic exchange of information under savings directive

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Tax competition threat for BEPS-project?

- How far will the willingness of countries to cooperate instead to compete go?

Questions?

- My question to you: what is the Japanese view?

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2 Tax incentives for the creative industries

Tax incentives for the creative industries

Prof. Dr. Sigrid Hamada
Research Fellow
Center for Global Policy
Research in Japan
Economic Research Institute
Tokyo

1

First: back to basics

2

Starting point: the market

Price and quantity are set by supply and demand → market equilibrium

Reason for government to interfere: market failure:

- Insufficient demand
- Insufficient supply

→ Not (only) price mechanism decides price and quantity, but (also) budget mechanism: democratic/bureaucratic process

3

Reasons for government to interfere

- Stabilise the economy; strive for balanced macro economic development (employment, inflation etc)
- Redistribution of income
- Influence allocation decisions

→ Why should the government interfere in the market for creative industries?

- Reason 2 and 3?

4

Creative industries: individual goods

Reasons to interfere in allocation process:

- Market results in high costs, economies of scale ❌
- Government monopoly necessary for key industries?
- Imperfections of insurance market ❌
- Positive external effects?
- Paternalism?
- Redistribution of income?

5

Arguments against interference of government

Government has limited information; market can do better

Price too low because of government interference; too much consumption/production

Undesirable side effects

Inefficiencies

Competition between states leads to prisoners dilemma: less welfare for all

6

Europe: prohibition of state aid

Article 107 of the Treaty on the Functioning of the European Union (TFEU):

"Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources, in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market."

Art 107(3) (d): compatible state aid:

"aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition in the Union to an extent that is contrary to the common interest"

Broad enough to include creative industries?

7

How the government can interfere (instruments)

- Legislation
- Information campaigns, nudging
- Direct subsidies
- Taxation and tax incentives

→ Tax incentives only one of several possible instruments!

8

Important questions

- Why is government interference necessary?
- What is the policy objective?
- What is the most effective and efficient instrument to reach this policy objective?

The answers to these questions should decide the instrument

9

Reality

- Often not the questions, but where the easy money is decisive
- Influence of strong lobby groups: great benefit of a small group, relatively small costs for large unanimous group of tax payers
- Ministries prefer a tax incentive (does not reduce their budget) over a direct subsidy (which reduces their budget)
- May lead to use of inefficient and ineffective instrument of tax incentives and not reaching the policy goal

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Some examples of tax incentives for creative industries

- Tax incentives for film industry
- UK Creative Industry Tax Relief
- Tax incentives for artists

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Tax incentives for film (introduced in NL: 1998)

Target of the Dutch incentives:

- impulse for the Dutch film industry and increase profitability of commercial Dutch firms
- Enlarge the willingness to invest in films and the production volume of films
- idea: after five years the film industry will be able to attract private funds on its own.

Investors could deduct losses against the 52% PIT rate, depreciate their investment in this firm, was entitled to two special tax incentives for firms (extra deduction of 147% of the investment), and no wealth tax over the investment.

Effect: always a positive return as long as the individual had sufficient other income (wages for example) taxed at the 52% PIT rate → low risk investment with a relatively high return.

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Example: minimum return Onix film cv

Participation: -10000

Return: 4444

Return excluding tax incentive: -5666

Saved tax (=tax incentive): 6642

Net return including tax incentive: 976 (9.76%)

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Returns on several investments for individual investors in various films

Year	Investment (€)	Return (€)	Expected return (%)	Real return (%)
2000	2000	4144	20%	20%
2000	10000	27371	27.4%	26.0%
2002	10000	16676	16%	15%
2003	10000	16361	16%	15%
2004	10000	16361	16%	15%
2004	10000	16361	16%	15%
2007	10000	16361	16%	15%
2007	10000	16361	16%	15%

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2001/2003: Evaluation of tax incentives

Only 27 of the 40 films made in 1999 and 2000 had a Dutch character.

The films cost in total DFL 540 million (app. 38578 million JPY), only 37% spent in NL.

Budget per film increased from 2.5 million guilders (app. 169 million JPY) per film to 20 million (app. 1355 million JPY): higher wages improved technical quality, more marketing.

Negative effect on market orientation, hardly any effect on production sector.

Film incentives are not efficient

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Other critical remarks

- Successful films were also made without tax incentives.
- In 1999-2004 more Dutch films were made without tax incentives (75) than with (60) incentives.
- Commercial success not because of incentives, but because films were targeted at certain groups like children and fans of soap operas. Audience for artistic films did not increase.

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Result of the discussions

As of 2007 the 20 million EUR budget for the tax incentives is added to the budget of the Ministry of Culture. The tax incentives have been abolished and replaced by more effective direct subsidies.

Last films which could use the tax incentives: Onix and Alles is liefde (big success)

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Other countries face similar problems

- Many changes in the incentives because of abuse and higher costs than estimated.
- Film incentives do not create a film industry: too many countries compete with tax incentives
- Tax incentives stimulate commercial films, not artistic films. Because the tax incentives take away the risk less market orientation.
- Conclusion: tax incentives for films are often not an efficient or effective way to reach targets of cultural policy.

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Strong lobbies and tax competition

SCREEN DAILY: French film tax incentives less effective than say UK counterparts, says CNC

Hungary's Film Crew Tax Relief System Extended Through 2010

The new art is often being pushed to state's security

20

Additional benefits next to VGTR, FTR

an additional deduction
additional deduction results in a loss:
payable tax credit

Both are calculated on the basis of EEA core expenditure up to a maximum of 80% of the total core expenditure by the video games company.

- Core expenditure: expenditure on pre-development, principal photography and post-development.

Theatre Tax Relief

Cultural test (European Economic Area)

For theatre production companies to support the production of plays, musicals, opera, ballet and dance.

Relief at a rate of 25% of core expenditure that occurs within the EEA (European Economic Area) for regional touring productions and 20% for other theatre productions.

Tax incentives for artists

European Union: reduced Value Added Tax (VAT) rate for:

- Art works sold by the artist or his heirs
- admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities.

For example in the Netherlands instead of 21% general rate, 6% reduced rate

Question: is this effective/necessary?

→ price elasticity

Dutch example: temporal high rate for performing arts: price inelastic

Ireland: artists exemption

Since 1969: first: full exemption, 2006-2010: € 250,000 exempt

Now: € 40,000 per year of profits of writers, composers, visual artists and sculptors from the sale of their work exempt from income tax

Must be an original and creative work having cultural or artistic merit:

- a book or other writing
- a play
- a musical composition
- a painting or other like picture
- a sculpture

Artists must be resident in Ireland

Drawbacks

Artists did not pay tax until 2006 and significantly less tax than other people after 2006: fair?

Many foreign artist moved to Ireland to benefit (singer Lisa Stansfield, authors Irvine Welsh and Michel Houellebecq, pop band De La Rapand, singer Elvis Costello)

Many rich artists benefitted

Not only used by artists, also by sportsmen, politicians, journalists publishing books

Scheme can lead to tax competition in which all states loose.

Private support of artists through companies (France)

For companies that acquire works of art of living French artists: deduction of acquisition price (over 5 years) if the art is permanently on display in a location open to the public.

Several advantages:

- Support of contemporary artists
- Public is introduced to contemporary artists

Private support of musicians (France)

Musical instruments may be too expensive for talented musicians.

Companies acquiring musical instruments which they give on loan to musicians may deduct the acquisition costs (over 5 years) in France

Advantages:

- Musician can play an instrument which fits his/her talent
- Public can enjoy this
- Company has a direct bond with musician
- Corporate image company

Concluding remarks

- Tax incentives give benefits to certain industries → strong lobbies for introduction
- Make tax system less fair
- Can costs more than was anticipated → costs are born by all tax payers, benefits for a small group.
- Can lead to tax competition and all countries being worse off afterwards.
- What are the benefits for a country as a whole?

What were they looking at?

<http://www.youtube.com/watch?v=PuiL3aSoW8c>

The Fab Mind: Hints of the Future in a Shining World designmuseum '21_21' Tokyo

どうもありがとう
with warm regards
from Holland

3 The attractiveness of the Netherlands for Japanese investors: a focus on tax

The attractiveness of the Netherlands for Japanese investors: a focus on tax

日本芸術振興会

Some facts and figures

	Japan	Netherlands
Area	374,744 km ²	41,528 km ²
Population	127.3 million	16.8 million
GDP	\$ 4,951 billion	\$ 500 billion
GDP per capita	\$ 38,491	\$ 47,833
GDP as % of world total	8.40	0.81
Currency	Yen	Euro (1000 yen ≈ 0.78 Euro)

Official visit 29-31 October 2014

Invitation from Japanese government

King Willem-Alexander and Queen Maxima accompanied by an economic Dutch mission

An old tradition

Why are there so many economic relations?

Long history of relations

First contact: 1600 'De Liefde' ('Love') a ship which set sail from Rotterdam June 1599 arrived in current Usuki (Oita Prefecture, Kyushu)

On the front of the ship: Erasmus of Rotterdam (currently: National Museum Tokyo)

Sailors stayed in Japan, shared knowledge on maps, ship building, navigation, via Jan Joosten van Lodensteyn ('Yaesu-san') still here: Yaesu Exit of Tokyo station

Result: official permission for the Netherlands to trade with Japan

Unique trade relationship 1641-1865

1609: Dutch ships arrived in Hirado

Dutch trade more important than religion not like Portuguese missionaries

1641 to 1865: only Holland and China allowed to trade with Japan

As of 1641: Dutch only in Dejima, bay of Nagasaki

Dutch became Japan's window on the world

Introduction of western science, medicine and products

Many Dutch traces in Japanese language examples:

- シャボン to Japanese soap
- パン to bread
- タバコ to tobacco
- ガラス to glass
- エレベーター to elevator

Japan is still very important for the Netherlands

Estimations 2013

- Export from Japan to NL: \$ 427 million euro
- Import in Japan from NL: \$ 178 million euro
- After the U.S., most foreign head offices in the Netherlands are Japanese (38 headoffices, creating 9,442 jobs)
- Japanese companies in NL (2008): 400
- Japanese employees in NL (2008): 3500
- Dutch employees in Japan (2008): 500

Companies listed: Hitachi, Fitchi, Nippon, Nissai, EC NOMURA, Daiichi, ENWOOD, Ikkoma, TOYOHARA, NAIGAI TRANS LINES

Why are there so many Japanese companies in the Netherlands?

Netherlands in international rankings

Performance overview

Tax factors in attracting foreign investments

- Corporate Income Tax rate 25% (20% for first € 200,000 (27,749,937 million yen)
- Special regime for Research and Development activities (effective tax rate of 5%, less wage tax)
- Participation exemption (no tax on capital gains and dividends from qualifying shareholdings)
- Tax treaties with many countries
- No withholding tax on interest (except for certain profit participating loans) and royalties
- Dividend withholding tax 15% (reduced under tax treaties, 0% when using specific Dutch holding)
- No Controlled Foreign Company rules
- 30% tax break for highly qualified foreign employees
- cooperative tax authorities

Relatively low Corporate income tax rate

Taxation of business profits

Participation exemption

Participation exemption

- Exempts all benefits (capital gains, capital losses and dividends, interest on profit participating loans) derived from a qualifying participation (both in the Netherlands and abroad) from Dutch corporate income tax.
- Participation: at least 5% share ownership (excluding certain portfolio investments)
- Participation exemption combined with tax treaty network makes the Netherlands an interesting country for holdings and sub holdings.

Reason for tax treaties

John has the US nationality
John lives in the Netherlands
John lectures in Japan for 8 months
→ which country taxes John's Japanese wage?

Heineken NV is a Dutch company
Heineken NV owns a factory in Japan
Which country taxes the profits of the Japanese company?

Countries can tax based on

- Nationality / incorporation
- Residence of tax payer / company
- Source of income

→ may result in 3 countries taxing the same income!
→ Solution: tax treaties: decide which country may levy tax

Tax treaties

The Netherlands has concluded tax treaties with 91 countries, including Japan
Makes the Netherlands interesting country to invest in: less risk of double taxation

Example: treaties reduce dividend withholding tax for larger shareholdings from 15% to 5% (Japan: shareholdings > 10%: reduced rate of 5%)

Example: students and business apprentices taxed in their country of residence (business apprentices if stay is less than 1 year)

Special tax regime for expats

- Employee with specific expertise hired from abroad by a Dutch employer
- Upon request: 30% of the employee's taxable salary is regarded as a tax free allowance (no proof of costs needed). The rest is taxable at the regular income tax rates with a maximum of 5%, leading to a maximum rate of 36.4% effectively.
- Example: salary of Japanese expat is € 100,000, the tax free allowance is 30% of € 100,000 = € 42,857. The € 100,000 is taxed at the regular progressive income tax rates and € 42,857 is not taxed.
- The ruling lasts for at most 8 years

Japanese community in the Netherlands

- Over 6000 Japanese individuals in the Netherlands
- Most: employees of Japanese companies in the Netherlands
- Most (60%) live in Amstelveen (next to Amsterdam)

Cooperative tax authorities

Dutch tax authorities give advance certainty on the fiscal effects of a planned transaction (except for possibly abusive situations).

- Advance Pricing Agreement (APA) and Advance Tax Ruling (ATR) practice.
- APA gives advance certainty on transfer pricing (the price the Dutch company pays to or receives from a foreign group company).
- ATR is an agreement on the tax characterization of international corporate structures, such as advance certainty on the application of the participation exemption.

Cooperative tax authorities

Foreign investors can contact the International Investors' Desk (APBI) for information and advance certainty on the tax implications of a first potential investment in the Netherlands of more than € 4.5 million.

Dutch tax authorities are concluding agreements with big corporate tax payers regarding greater emphasis on mutual trust and on providing certainty (tax authorities) and information (tax payer) in advance instead of checks by the tax authorities in later years. Focus on Tax Control Framework of the company.

Conclusion

- Japan and the Netherlands have long lasting economic relations
- Not only something of the past, but also of the future
- Tax is an important factor!

4 Japanese culture in the Netherlands

Japanese Culture in the Netherlands

Prof. Dr. Sigrid Hamada
Eindhoven University of Technology
APBI's Invitation Program for Research in Japan (short-term, non-employment course)

Some facts and figures

	Japan	Netherlands
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- An old tradition!

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コンビニ (convenience store)
ガラス (glass)
ダンス (dance)
オムレツ (omelette)

Philip Franz von Siebold

German doctor, employed by Dutch, assigned in 1823 to acquire information about Japan, people and culture.
Taught many Japanese scholars about western science, medicine and other matters
Japanese wife and daughter (first female Japanese doctor)
Evicted in 1829 for possessing maps of Japan
1831: opened his collection to the Dutch public, since 1837 in his home, Rapenburg 19, Leiden, the current Japan Museum Shopstraat 24-26 (1117 X)
Currently over 800 objects on show and special exhibitions
In 2012: 33,583, in 2013: 35,438 visitors
→ Siebold Memorial Museum Nagasaki

Vincent van Gogh (1853-1890)

- Collected Japanese ukiyo-e prints. He and his brother sold ukiyo-e prints for a while; many still in Van Gogh Museum, Amsterdam
- Japaneserie was the term he used to express the influence of Japanese art
- He made three copies of ukiyo-e prints, the Courtesan and the two studies after Hiroshige.
- He developed an idealized conception of the Japanese artist → attempt to found an utopian artists colony in Yellow House at Arles

Van Gogh Museum Amsterdam

- 1989 new museum wing designed by Kisho Kurokawa (made possible by The Japan Foundation and Yasuda Fire & Marine Insurance Company, Ltd. Tokyo)
- 2015 new entrance designed by Kisho Kurokawa Architect and Associates
- Many Japanese companies are member of the Global Circle which supports the museum (examples: Asahi Shimbun, Canon, Mizuho bank, Kikkoman)
- Many Japanese visitors

Louis Couperus (1863-1923)

One of the most important Dutch writers
Was influenced by the Japonisme fashion, read Japanese stories, visited an exhibition with Japanese art in 1921
Was asked by a Dutch newspaper to make a trip to Japan in 1922 and to report.
32 letters were published in the paper, later in a book, in 2013 republished.
He was disappointed: the real country did not meet his idealistic idea, 'too westernized', was ill and in hospital in Kobe
However, he made a book with Japanese stories, published in 1924 after his death

Association Friends of Asian art (VVAK)

- Since 1918
- Object: greater awareness of Asian Art, stimulate interest and academic research (including Japanese art)
- 2013: 645 members, 139 new members
- Library and Iokoman-VAK: chair: Study of Asian-Europe Intercultural Dynamics, with Special Attention to Material Culture, Art and Human Development (Leiden University)
- Collection on loan in the Rijksmuseum

Vereeniging van Vrienden der Aziatische Kunst

Japanese collection in the Rijksmuseum Amsterdam (アムステルダム国立美術館)

- Important Japanese collection in the Asian Pavilion
- <https://www.rijksmuseum.nl/en/the-rijksmuseum/asia/japanese>

Nihon no Hanga Amsterdam

Private museum in a canal house in Amsterdam

Nearly 2000 Japanese prints of which 90% date from the 20th century (emphasis: pre-war period)

Free exhibition in May and November each year, open for research during the year

Popular Japanese culture in the Netherlands: Manga & Anime

- When I was young: Kleine Annemarie: 大正隆
- 下のブティアンジェ: 佐藤美由紀
- Now very popular: manga book sales are increasing in NL, whereas sales of other books decrease
- Manga events, bookshops, research
- 2013: exhibition Worldmuseum Rotterdam

Tekenlijnen zijn als geesten

NICHANENLISLAUFILM

CAMERA JAPAN FESTIVAL

Japan at university

- Leiden University since 1885: Japan studies (bachelor and master)
- Since 1982 Tanuki student association

JWC in the Netherlands

To read more

Dutch culture in Japan

The Fab Mind: Hints of the Future in a Shifting World designmuseum, 21_21 Tokyo

どうもありがとう with warm regards from Holland

5 Housing taxation in the Netherlands

Housing taxation in the Netherlands

Facts and figures: private ownership 2005

Private dwellings in the Netherlands and their (yearly) owned houses, depending on urbanization	Year	Owned	Social housing (rent) Private ownership
	amount	amount	% amount
Very strongly urbanized	1.266	499	39,4
Strongly urbanized	1.871	669	35,7
Moderately urbanized	1.132	641	56,6
Not urbanized	1.231	919	74,7
Total	5.499	2.698	49,1

Private dwellings: ownership versus renting

- Compared with other European countries relatively few people own their house (56.4% in the whole of the Netherlands, only 21% in Amsterdam)
- Reason: many cheap rental houses, subsidized by the government (NL: 34% social housing, in Amsterdam 54%). No need to buy, cheaper to rent
- Over the past few years, ownership has increased (1975 only 37.1% in NL, 14.5% in big cities)
- Boom until 2008, since then prices decreased
- Big differences in the Netherlands: prices in big cities (Amsterdam) are increasing, in country side at the borders still decreasing

Important source of income for local municipalities

- Cadastre established in 1831
- Used to levy land tax: % of the value of the lease or rent
- 1970 Law on Property tax (Onroerend-zaakbelastingen) for municipalities
- 1973 first levies by municipalities, since 1980 all municipalities
- Tax basis: 1970 square metres, 1995 market value

National law on assessment of real estate (WOZ)

- Since 1995: municipalities assess the value of properties and levy property tax
- Objections must first be filed at municipality, appeal at tax courts
- Supervision of valuation by Waarderingkamer (Valuation Chamber)
- Municipality can set the tax rate.

Differences in tax rates

Municipalities with highest and lowest average rates 2014	Three municipalities with highest and lowest tax rates in 2012																														
<table border="1"> <tr> <th>Municipality</th> <th>2014</th> <th>2013</th> <th>2012</th> </tr> <tr> <td>Rotterdam</td> <td>0.1165</td> <td>0.1161</td> <td>0.116</td> </tr> <tr> <td>483 Dordrecht</td> <td>0.0632</td> <td>0.0604</td> <td>0.066</td> </tr> <tr> <td>484 Amsterdam</td> <td>0.0595</td> <td>0.0573</td> <td>0.0532</td> </tr> <tr> <td>486 Texel</td> <td>0.0434</td> <td>0.0423</td> <td>0.0396</td> </tr> </table>	Municipality	2014	2013	2012	Rotterdam	0.1165	0.1161	0.116	483 Dordrecht	0.0632	0.0604	0.066	484 Amsterdam	0.0595	0.0573	0.0532	486 Texel	0.0434	0.0423	0.0396	<table border="1"> <tr> <th>Municipality</th> <th>2012</th> </tr> <tr> <td>Rotterdam</td> <td>0.1165</td> </tr> <tr> <td>483 Dordrecht</td> <td>0.0632</td> </tr> <tr> <td>484 Amsterdam</td> <td>0.0595</td> </tr> <tr> <td>486 Texel</td> <td>0.0434</td> </tr> </table>	Municipality	2012	Rotterdam	0.1165	483 Dordrecht	0.0632	484 Amsterdam	0.0595	486 Texel	0.0434
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Municipalities are bound to national rules: little discretion

- Can only levy the tax from:
 - house owners
 - owners of non-houses (companies)
 - users of non-houses (idem)
- No income policy by municipality in tariff and exceptions, only tax cancellation for the poor
- Property tax most important source of income for municipalities (40% of income)

Income local taxes; OZB = property taxes

Valuation decreased slower than house prices.

Municipalities raised rates to keep the same income. Tax is raised on the valuation of the year before.

WOZ valuation of municipalities also important for national taxes

- Gift and inheritance tax
- Personal income tax
- However: objections and appeal only possible with local government.
- No separate possibility to appeal to the value in the other taxes

Gift and inheritance tax

- Heirs can ask for a new valuation with the municipality and have right to appeal.
- Problem of time lag with decreasing prices
- Example: person dies on 25 December 2014, valuation as of 1 January 2013 used as tax base for inheritance tax.
- Might be a big difference with the price for which heirs can sell the house.
- Since 2012 heirs may choose the valuation of the next year (in the example: as of 1 January 2014)
- Still a problem if the price has decreased further

Taxation of wealth in the Netherlands

Private property, which is not part of an enterprise is determined on the basis of a deemed return on income from savings and investments

Effect: real income not taxed, but real costs (for example interest on loans) not deductible

Deemed return: 4% of the fair market value of assets (real estate: WOZ value) minus debts on 1 January.

This 4% deemed return on income from savings and investments is taxed at a rate of 30%.

In short: assets minus liabilities taxed at 1.2%

Effect for houses: taxation of WOZ value house as far as it exceeds the debt for the house. No deduction of mortgage interest

Tax incentive for private ownership of houses: (1) low deemed income taxed

- Private dwellings are taxed differently
- Relatively low income taken into account regarding private dwelling: in general 0.70% of the WOZ value of the house
- For example: for a house with a value of EUR 1.04 million (approximately 14250 million JPY), income is deemed to be only EUR 7280 (app 1.01 million JPY)
- Income is taxed at the progressive rate (52% from an income of EUR 66,351 (7.71 million JPY))
- Individuals without debts regarding their house, are deemed to have no income from their house (incentive to pay debts)
- Income from house never more than 0!

Tax incentive for private ownership of houses: (2) deductibility of interest

- The interest paid on the loan for a private dwelling is deductible from taxable income during 30 years at the progressive rate (max 62%)
- Since 2013 obligation of annuity repayments.
- Therefore, owners of houses in general have negative income from their house (interest on debt exceeds by far low deemed income)
- Low deemed income plus deductibility of interest therefore more attractive than 1.2% taxation of other assets.

Comparison

- House value EUR 1 million, debt 800,000, interest 5%.
- Taxation according to general rules: (1 million-800,000)x1.2%=EUR 2400 (331,600 JPY) tax
- Taxation because of incentives: income 7000- interest 40,000=-33,300 income. Negative income may be deducted from other income (for example wage) → less tax 52%: EUR 17,316 (appr. 2.4 million JPY)

Incentives under discussion

- Interest deduction very expensive for the government: high income earners from high tax incentives for holding in 2013 EUR 9.2 billion (1241 Billion JPY)
- Prices of houses have increased, because of the shortage of houses → increasing costs of mortgage
- Increase of interest rate → high increase of costs for government (increase of 1% point costs EUR 2 billion (270 billion JPY))
- High income groups profit most: more expensive houses, more debt, more interest deduction and at the highest rate of 52%

Pressure to limit/abolish tax incentives

OECD and European Commission have advised the Netherlands to change the system to keep the Dutch budget in balance and to make the Dutch economy less sensitive to changes in prices of houses.

Left wing parties in favour of abolition: limitation

Several advisory committees of the Dutch government / parliament have advised to change the system.

The chairman of the Dutch Central Bank and even the society of banks advised to change the system.

Only some minor changes over the years

- 2001: only interest for the house individuals are living in is deductible (second house is taxed on general 1.2% rules)
- 2001: interest deduction limited to 30 years
- 2004: proceeds from the sale of a house are deemed to be used to finance the new house, no interest deduction for debt which equals the profit made on the old house
- 2009: also deemed income for the value of a house over EUR 1.04 million (before: deemed income maximized)

No real action

'Political suicide' to discuss abolishment of interest deduction: many voters profit from this incentive

Fear that abolishment interest deduction would cause financial problems for many house owners, a steep decrease in prices of houses and loss of jobs

Gradual abolishment might be beneficial for current house owners but negative for young people who still have to pay high prices but will get no interest deduction

Effects of changes in interest deduction without compensation

Source: Eurostat 2012

Member State	Interest on mortgage	Interest on other loans	Interest on other loans
EU average	1.1%	1.1%	1.1%
EU average (excl. NL)	1.1%	1.1%	1.1%
NL	0.7%	1.1%	1.1%

2013-2014 changes

2013: obligation of annuity repayment for new buyers. Extremely complicated

$$N_t = N_{t-1} + \frac{N_{t-1} - N_{t-2}}{2} + \frac{N_{t-1} - N_{t-2}}{2} - \frac{N_{t-1} - N_{t-2}}{2}$$

2014 and later years: gradual reduction (0.5% per year) of maximum rate of deduction: 2014 51.5%, 2015 51% etc → 38% in 2042

Government: end of discussion. Is this true?

Generation problem

- Older generation bought house against a lower price, can still fully deduct interest
- Younger generations confronted with higher prices for houses and has to repay annually, get a lower mortgage

To conclude

- Discussion about interest deduction is not yet finished
- Netherlands still very vulnerable for increases in interest rates
- Big inequality between older and younger generation
- To be continued!

どうもありがとう with warm regards from Holland

6 How tax legislation can support private patronage of the arts and cultural heritage

How tax legislation can support private patronage of the arts and cultural heritage

Prof. dr. Sigrid Hemels
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JSP Invitation Program for Research in Japan (Shohmei)
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Importance of private initiative

- Historically: kings, emperors, wealthy citizens
- After 1945 government to take over from private initiative in most European countries
- Private initiative still important:
 - Cultural heritage impossible for government to maintain everything
 - Cultural and heritage institutions obliged to raise additional funding
 - Private collectors: art treasures (individuals/ companies)

'Cultural entrepreneurship' and Cultural patronage

Object: focus of cultural and heritage institutions not only on government subsidies but also on possibilities in private sector

Best practices and awareness of possibilities

Tax incentives can support this policy and can help the private initiative

Tax incentives vs direct subsidies

Tax incentives: reduced rate, deduction, exemption etc. targeted at promotion of art and cultural heritage.

Choice between tax incentives and direct subsidy should be based on goals of cultural policy; some goals can be reached better by tax incentives.

Tax incentives vs direct subsidies

Tax incentives: reduced rate, deduction, exemption etc. targeted at promotion of art and cultural heritage.

Choice between tax incentives and direct subsidy should be based on goals of cultural policy; some goals can be reached better by tax incentives.

Drawbacks of tax incentives

- Not enough information and democratic control
- Perceived as free lunches: seem for free, but cost government money just as direct subsidies
- Tax incentives must be accounted for and controlled in the same way as direct subsidies to ensure an efficient and effective use

Sometimes tax incentive more efficient/effective than direct subsidy:

Creating a bond between the public and the cultural institutions, creating responsibility (deduction of gifts, cultural investments)

Quick way of raising funds to preserve cultural heritage (possibility to pay taxes with art)

Preserving monuments by engaging private owners (tax incentives for privately owned monuments)

Ensure access to privately owned cultural/natural heritage (tax deductibility of costs of preservation / restoration/acquisition)

Importance of private gifts for cultural and heritage institutions

- Broadening the financial base of cultural and heritage institutions (not only government subsidies): more funds
- Strengthen the financial basis: gifts of private individuals less sensitive to political and economical changes provided institutions created a bond
- Strengthen the social basis: private gifts provide an opportunity to create and foster a bond with the public.

Private giving supported by deductibility of gifts from income tax

- In many countries, for example Japan, the Netherlands, USA
- Requirements differ: Japan relatively strict, in the Netherlands easier for small and experimental NPOs to qualify for deductible gifts, USA in between.
- Responsibility of cultural & heritage institutions: make use of available tax incentives AND make them known to the public

museum van beelden

THANKS TO

Private donors and supporters of the museum van beelden

Also solution to preserve/restore cultural heritage

Devloek van de Nihonshibrig

From private to public property: acceptance in lieu of tax

- Possibility to pay inheritance tax with pre-eminant works of art, manuscripts, heritage objects and historic documents.
- Ireland, Spain, Italy: also other taxes (companies!)
- Quick way of preserving important work
- No need to find funds for direct subsidy

Reasons for tax incentives for making privately owned cultural heritage public

Loan to a museum or making a private collection accessible for public leads to extra costs (security, transport), risks (damage) and hassle so why open up a public collection?

However, private collections may be very interesting for a broader audience: in the common interest to give an incentive to make private collections public

Prevent export of cultural heritage/ stimulate import of cultural heritage

- France: a company which buys cultural heritage for which an export permit was refused, may deduct 40% of the acquisition price if certain requirements are met (approval of Ministry of Finance necessary). The object must be placed in a French museum, state library or public archive during 10 years after the acquisition. Object may not be sold during this period.
- Spain: deduction of 15% if national cultural heritage is acquired abroad. Requirement: the cultural heritage must remain at least three years on Spanish territory. No obligation to open it to the public.

Most important sources of income for Dutch government

Tax incentives for volunteers

Volunteers important to create a bond and to reduce costs

In the Netherlands: no wage tax if the reimbursement is less than € 1500 per year

Possibility to deduct costs and refused reimbursement as a gift

Corporation tax deduction for charities with volunteers

Private support of artists (France)

- For companies that acquire works of art of living French artists: deduction of acquisition price (over 5 years) if the artist permanently on display in a location open to the public.
- Several advantages:
 - Support of contemporary artists
 - Public is introduced to contemporary artists

Private support of musicians (France)

- Musical instruments may be too expensive for talented musicians.
- Companies acquiring musical instruments which they give on loan to musicians may deduct the acquisition costs (over 5 years) in France
- Advantages:
 - Musicians can play an instrument which fits his/hertalent
 - Public can enjoy this
 - Company has a direct bond with musician
 - Corporate image company

Some facts and figures

	Japan	Netherlands
Area	374,744 km ²	41,526 km ²
Population	127.3 million	16.8 million
GDP	\$ 4,901 billion	\$ 500 billion
GDP per Capita	\$ 38,491	\$ 47,833
GDP as % of world total	8.40	0.81
Currency	Yen	Euro (100 yen = 0.73 Euro)

Dutch social security system

Public

- Social insurances legislation: protection from loss of income and medical expenses
- Supplementary income support provisions: insurable risks, paid for by taxes (welfare benefits, child benefits, young handicapped)

Private

- Obligatory employers' payments (e.g. 2 years for sick employees)
- Additional private arrangements, e.g. higher payments in case of unemployment or illness
- Collective private pensions

Tax incentives for cultural investments

- Cultural investments: Shares in loans to designated cultural investment
- Two tax incentives for cultural investments up to a maximum investment of EUR 55,145 (app. 7.3 million JPY):
 - Exempt from personal income tax on wealth (effective rate 1.2%)
 - Tax credit of 1.3% of the total investment
- Because the tax incentives already gave a return of 2.5%, low interest on the loans
- Abolished as of 2013 because of government cuts

Difference between acceptance and gifts in kind

- Acceptance is NOT a gift, but a way of paying taxes (not with money but in kind). In the Netherlands 120% of the value (you get even more than you hand over)
- The donor of a gift is free to decide which museum will get it; acceptance means the object becomes State property. The State may give it on loan to a museum supporting the application for acceptance
- Strict regulations and requirements apply
- Japanese incentive not often used?
- Apain responsibility of government AND museums

Tax incentives for estates of natural beauty

- Gift and Inheritance tax: full exemption if the estate is open to the public and will be maintained for at least 25 years
- No real estate transfer tax
- No municipal real estate tax, no wealth tax over grounds, only over reduced value of house (80%)
- Exemption of corporate income tax for estates of natural beauty

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Social insurances

National insurances

- insure risks for all residents
- Obligatory
- Based on solidarity; no link between premium (dependent on income) and payments.
- National old age pension, surviving dependents pensions, health insurance, exceptional medical costs

Employee's insurances

- Only for employees
- Obligatory
- Based on insurance: premium depends on benefit (% of wages)
- Unemployment insurance, illness insurance, invalidity insurance

Triodos Cultuurfonds

- Return (including tax benefit of 2.5%): 2006/2007 2.2%, 2008 9.9%
- 83.8% of funds invested in cultural projects (real estate only); performing arts 74.3%; museums 17.3%; experimental places 6.4%
- Still existing, less investors

Can be used to preserve a view

- Reductions in tax may be a reason not to build on the land but preserve it together with the view.
- In the Netherlands often supported with a private foundation collecting gifts to preserve the estate
- The public can visit the estate and enjoy the view

Concluding remarks

- Tax incentives can play an important role to achieve goals of cultural policy
- Responsibility of governments: make sure that tax incentives are effective (best way to reach goals) and efficient (at lowest costs)
- Responsibility of cultural institutions: make use of tax incentives, make an appeal to the public, create a bond and engage the public in the activities of the cultural institution.

Some European examples

- Germany: deductibility of a percentage of costs for restoration and maintenance of cultural heritage if the object is open to the public (e.g. loan to a museum, library or archive or available for academic research. Monuments and art and archives if owned by the family for at least 20 years or if registered as cultural heritage
- Spain: similar tax incentive for companies: deduction 15% of the costs of maintenance, repair, restoration, dissemination and exhibitions of listed national cultural heritage if it is open to the public.

Expenses of Dutch government

Staying privately owned cultural heritage: tax incentives for monuments

- Too many monuments for government to maintain
- Idea behind tax incentive: people will take good care of their house: incentive to maintain monuments
- Individuals owning a monument may deduct costs for maintenance over a certain threshold.
- Reduced local real estate tax for monuments

Some European examples

- Germany: deductibility of a percentage of costs for restoration and maintenance of cultural heritage if the object is open to the public (e.g. loan to a museum, library or archive or available for academic research. Monuments and art and archives if owned by the family for at least 20 years or if registered as cultural heritage
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Expenses of Dutch government

Problem

Employee insurances make employees more expensive than self employed contractors

Furthermore: labour law in the Netherlands is rather inflexible.

- Difficult and expensive to terminate employment of employees with a fixed contract
- Relatively high minimum wages

Result in times of crisis: employees do not employ employees, but hire cheaper self employed contractors or outsource to cheaper countries

Expenses of Dutch government

7 Tax and social security in the Netherlands

Tax and Social Security in the Netherlands

Prof. dr. Sigit Hermas
Euseius University Rotterdam
JSPS Invitation Fellowship for Research in Japan (Shinshu) Hermas@euh.nl

Most important sources of income for Dutch government

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Distribution of Income NL & Japan

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- Only for employees
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- Unemployment insurance, illness insurance, invalidity insurance

Inequality resulting from NL primary income distribution mitigated by social security and taxes

Employee insurance premiums

Expenses of Dutch government

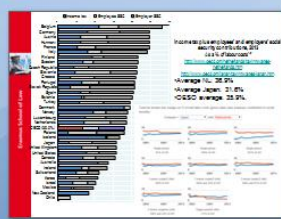
Problem

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Dutch personal income tax system

One law, several regimes:

1. Box 1: income from labour and house
 1. Profits from enterprise
 2. Wages
 3. Results from other activities
 4. Annuity payments
 5. Income from private dwelling
2. Box 2: income from substantial interests
3. Box 3: income from savings and investments

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Every box a different tax rate

Box 1: incometax and national security premiums

Income (€)	Box 1 tax rate (%)	Box 2 tax rate (%)	Box 3 tax rate (%)
0 - 5,208	0	0	0
5,208 - 10,416	5.2	0	0
10,416 - 20,832	7.5	0	0
20,832 - 31,248	9.8	0	0
31,248 - 41,664	12.1	0	0
41,664 - 52,080	14.4	0	0
52,080 - 62,496	16.7	0	0
62,496 - 72,912	19.0	0	0
72,912 - 83,328	21.3	0	0
83,328 - 93,744	23.6	0	0
93,744 - 104,160	25.9	0	0
104,160 - 114,576	28.2	0	0
114,576 - 124,992	30.5	0	0
124,992 - 135,408	32.8	0	0
135,408 - 145,824	35.1	0	0
145,824 - 156,240	37.4	0	0
156,240 - 166,656	39.7	0	0
166,656 - 177,072	42.0	0	0
177,072 - 187,488	44.3	0	0
187,488 - 197,904	46.6	0	0
197,904 - 208,320	48.9	0	0
208,320 - 218,736	51.2	0	0
218,736 - 229,152	53.5	0	0
229,152 - 239,568	55.8	0	0
239,568 - 250,000	58.1	0	0
250,000 - 300,000	60.4	25	0
300,000 - 350,000	62.7	25	0
350,000 - 400,000	65.0	25	0
400,000 - 450,000	67.3	25	0
450,000 - 500,000	69.6	25	0
500,000 - 550,000	71.9	25	0
550,000 - 600,000	74.2	25	0
600,000 - 650,000	76.5	25	0
650,000 - 700,000	78.8	25	0
700,000 - 750,000	81.1	25	0
750,000 - 800,000	83.4	25	0
800,000 - 850,000	85.7	25	0
850,000 - 900,000	88.0	25	0
900,000 - 950,000	90.3	25	0
950,000 - 1,000,000	92.6	25	0

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Every box a different tax rate

- Box 2: substantial interest = more than 5% of the shares of a company. Fixed rate of 25%
- Box 3: income from savings and investments: demmed return of 4% of difference between assets and liabilities (real income is not relevant). Fixed rate of 30%.
- Box 2 and 3 only one regime, in box 1 different regimes....

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Different regimes in box 1

Profits from enterprise:

- Deduction of costs
- Several allowances for investments, for being self employed etc.
- 14% of profit is exempt → reduced effective tax rate: 44.72 % instead of 52%

Wages

- No deduction of costs
- Employer can give tax free reimbursements

Income from other activities

- Deduction of costs
- No special allowances or profit exemption

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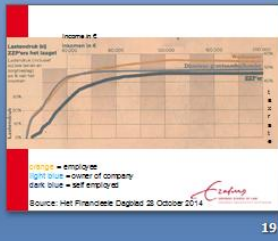
Comparison effective tax employee and entrepreneur (with national insurance premiums, without employee insurance premiums)

Source: Ministerie van Financiën, 2014

Income (€)	Employee (%)	Entrepreneur (%)
€ 10,000	14.22%	4.58%
€ 20,000	20.22%	10.49%
€ 30,000	25.54%	20.22%
€ 50,000	41.05%	26.21%

→ Employer incentive to become self-employed instead of employee (Entrepreneur, less premium in employee social insurance, less corporate tax income tax, more benefit payments, big deduction in the tax base, is the difference too big?)

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Income deductions and tax credits (tax expenditures)

Tax base is reduced by several income deductions:

- For entrepreneurs in box 1
- For all tax payers in box 1, 2 and 3 (for example: alimony payments, special medical expenses, educational expenses etc.)
- box 1 high income tax payers benefit most. Fair?

Tax is further reduced by tax credits (tax deductions)

- For all tax payers in box 1, 2 and 3 (for example: credit for workers, old people, handicapped people, green investments)
- Amount of income not relevant for amount of benefit: everybody has the same benefit. → more fair

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Tax expenditures

Revenue losses attributable to tax provisions

Result from the use of the tax system to promote social goals without incurring direct expenditures.

Structure of tax expenditures affects who will benefit and how much they reduce revenue.

Tax expenditures are tax provisions that are not structural features of the income tax or necessary to measure income accurately.

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Dutch tax expenditures

	2007	2008	2009	2010	2011	2012	2013	2014
Percentage GDP	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Private housing allowances	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Income from labour	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Private health insurance	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Total	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Percentage GDP	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

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Result: tax system has become too complicated

Income deductions reduce the tax base (→ higher tax rates necessary to get the same government income)

Income reductions and tax credits make the tax system more complicated → difficult to compute (pre-filled tax return)

16 September: the government has announced a tax reform which must make the tax system (box 1 & deductions) less complicated, more fair, and giving a bigger incentive to work (lower box 1 rates, less deductions and tax credits)

→ Political debate has started!

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Old question: the best tax system?

Jonathan Swift (1667-1775)

Gulliver's travels Part III, Chapter VI

in the grand academy of Lagado

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Annex 3 Book proposal made during JSPS fellowship with prof. Goto.

Book proposal: Tax incentives for the creative industries

Prof. dr. Kazuko Goto (Setsunan University) and prof. dr. Sigrid Hemels (Erasmus University Rotterdam)

For the Springer Creative Industries Series under the responsibility of prof. Yagi

Outline of the book

Contents, Table of abbreviations, List of contributors, Preface

Aproximately 5 pages

I Introduction *Goto/Hemels*

Aproximately 15 pages.

II Theoretical part

Approximately 20 pages per chapter (compensation between chapters is possible): total of 60 pages

II.1 Definition of Creative Industry for the purpose of this book (both profit and non-profit) *Goto*

II.2 Economic Theory on the Creative Industries (including: why government interference in the creative industries) *Goto, O'Hagan (?)*

II.3 Theory of Tax Incentives (what is it, how does it relate to direct subsidies) *Hemels, O'Hagan (?)*

III Cases: focus on specific tax incentives

Approximately 20 pages per chapter including literature references (compensation between chapters is possible): total of 100 pages

III.1 Tax incentives for museums and cultural heritage (gift deduction, exemptions of inheritance and gift tax, acceptance in lieu of tax (pay tax with works of art), tax incentives for volunteers: examples of the USA, the Netherlands, France, England and Ireland). *Hemels*

III.2 Tax incentives for films, television and video games (various tax incentives in Europe (for example, Hungary, Belgium, UK, Asia (?) and the United States and the UK Creative Industry Tax Reliefs) Name of (UK) author? *If we cannot find anyone: Hemels*

III.3 Tax incentives for cultural investments of individuals and companies (example: The Netherlands (individuals), Spain (businesses), Germany (businesses), France (incentives for companies to support contemporary artists and musicians and to preserve cultural heritage) *Hemels*

III.4 Incentives for artists (example: Ireland artists exemption, reduced VAT rate in Europe for works sold by the artist and the performing arts) John O'Hagan, if he cannot participate: Hemels

III.5 Arts, crafts and other small enterprises (design, advertisement, clustering of creative industries) Name of (Asian?) author? or Goto

IV Policy recommendations and conclusion

Approximately 20 pages per chapter (compensation between chapters is possible): total of 40 pages

III.1 Effective and efficient tax incentives (What can we learn from the cases in part II, what works and what does not work?) *Goto/Hemels/O'Hagan (?)*

III.2 Conclusion *Goto/Hemels/O'Hagan (?)*

Index

Aproximately 10 pages.

Total: approximately 220 pages

The literature references will be included at the end of each chapter

The idea is, furthermore, that authors review the content of each other's contributions and make additions, comments and recommendations from the view of their research field and/or jurisdiction. If possible, authors could also write chapters together.