

A Study on the Changes of Korean Tax Structure and Comparing the Japanese Tax System (Summary)

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The paper aims to examine the characteristics of tax structure in the ROK and compare them to those present in Japan. The subjects include Korean tax structure directly after World War II, its changes since the establishment of government in the ROK, and the trends of national tax items. Most Japanese and Korean tax items shared the same names immediately after World War II because Japan had transplanted its tax system to the Korean Peninsula during its colonial periods. Japan had kept an income-oriented tax structure before the burst of the bubble economy in the early 1990s. The Japanese government introduced a consumption tax with a 3 % tax rate in 1989 in order to finance their increasing social security expenditures due to the aging population, then raised it to 5% in 1997, 8% in 2014, and to 10% in 2019. As a result, the share of consumption tax has risen while those for individual and corporate income taxes have fallen in Japan. Meanwhile, the ROK introduced a value-added tax with a 10% tax rate in 1977, a rate which it currently keeps. High economic growth rates have been maintained in the ROK for longer periods than in Japan, which has raised the share of income taxes in the ROK. Recently there appears to have been a convergence between Japanese and ROK tax structures.

Keywords: tax structure, convergence, South Korea (ROK), Japan

JEL classification: H11, H20