

# **Redistributive Effects of Income Tax Rates and Base: Evidence from Japanese Tax Reforms 1984-2009**

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## **Abstract**

A growing number of empirical studies have investigated redistributive effects of income taxation across countries or during several years, using micro data of individual or household levels. These studies concerned with the tax reforms in the Western countries have not addressed how income tax rates and tax deductions distinctively have an impact on income distribution and inequality. The primary objective of this paper is to examine how and to what extent change of income tax rates and income tax deductions affects income inequality from longitudinal perspectives, by using micro data from Japanese individuals and households. The findings of this paper could shed light on the effects of tax rates and tax deduction on tax progressivity. First, the total redistributive effects of a tax schedule are likely to decline for the periods 1984-2009, not because of the redistributive effects of tax rates but because of those of tax base. Second, it is confirmed from the analysis that applying each year tax law to earnings in the corresponding year leads to a false assessment of the tax progressivity measures. Third, any progressivity measures show the same trends over the period.

**Keywords:** Income taxation, redistribution, tax deduction, tax rates

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