

Proposals by the “New Public Commons” Roundtable and Government Actions toward Their Institutionalization

June 4, 2010

Proposal	Government Action
<p><i>1. Developing systems to support infrastructure for “the New Public Commons”</i></p> <p>(1) Developing donation tax and other systems</p> <ul style="list-style-type: none"> ▪ Reforming the donation tax system ▪ Introducing tax deductions ▪ Provisional certification of NPOs and revision of PST (public support test) standards, raising the ceiling on deemed donations 	<p>The prime minister’s instructions stated: “Of donations, 50% (up to 25% of the income tax amount) should be deducted from tax. Similar tax deductions to certified NPOs should be introduced for incorporated associations, foundations, school corporations, social welfare corporations and the like. Income tax deductions should be introduced in January 2011.” Under the instructions, the Tax Commission will design specific systems in a bid to realize the following measures under a FY 2011 tax reform in line with an interim report by a project team on taxation for public interest activities.</p> <ol style="list-style-type: none"> 1. Introduction of the income tax deduction system <ul style="list-style-type: none"> - A new tax deduction system will be introduced to promote grass-roots donations. Taxpayers will be allowed to choose the new tax deduction or deductions from income. Since contributions emerge from the spirit of charity, some percentage of donations may be deducted from income tax (with a percentage of the income tax amount adopted as a tax deduction ceiling). - The government will consider whether to introduce tax deductions for donations to school and social welfare corporations as well as certified NPOs as undertaker of “the New Public Commons,” based on these corporations’ relations with citizens and the transparency of their management. 2. Revision of NPO certification standards (including PST standards) <ol style="list-style-type: none"> (1) Revision of PST (public support test) standards <ul style="list-style-type: none"> - In order to allow NPOs with high business income to clear PST standards, a concrete number of people making donations above a certain level will be included into the standards. - PST standards and the like may not be required for NPOs that are designated by local governments based on relevant ordinances as subject to deductions of donations from the individual inhabitant tax.

(Note) This schedule shows the topics proposed and discussed at the “New Public Commons” Roundtable, and the government actions at present.

<p>- Allowing local governments to designate NPOs subject to donation tax deductions</p>	<p>(2) Introduction of so-called “provisional certification” system</p> <ul style="list-style-type: none"> - In order to support NPO start-ups, a “provisional certification” system will be introduced to allow NPOs to become subject to the donation tax break even without clearing PST. - In order to prevent the system from being abused, the government will consider some measures including one to bar NPOs from filing “provisional certification” applications for a certain period of time if they fail to receive “final certification” after getting “provisional certification.” <p>(3) Shifting to <i>ex post facto</i> check system</p> <ul style="list-style-type: none"> - In an effort to allow NPOs to be certified more easily for tax breaks, the government will consider <i>ex post facto</i> corrections to maintain the quality of NPOs and secure citizens’ confidence in them even if the certification is cancelled. - In considering the National Tax Agency’s NPO certification procedures, the central government will examine a mechanism that local governments which authorizes the establishments of Specified NPOs grant certification, based on the fact that local governments have close contacts with NPOs and can grasp their activities accurately through discussions with local governments. - Certified NPOs are allowed to book up to 20% of profit-making business income as loss if they spend money for non-profit-making purposes. The government will consider raising this percentage while taking into balance with social welfare corporations and the like. <p>3. Supporting NPOs engaged in regional activities (individual inhabitant tax)</p> <p>(1) Expanding the range of NPOs subject to donation tax deductions</p> <ul style="list-style-type: none"> - A system will be introduced to allow local governments to designate NPOs under relevant ordinances as subject to taxpayers' donation deductions from the individual inhabitant tax in addition to their deductions from the income tax.
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<ul style="list-style-type: none"> - Lowering the minimum donation for the application of the donation deduction from the individual inhabitant tax - Considering tax measures to enable trust-using support for the New Public Commons (trust and public trust) - NPOs and the like should disclose information in line with accounting standards and make business reports for contributors to achieve accountability commensurate with their growing responsibilities. <p>(2) Reforming systems to make it easier for nonprofit corporations to operate in the market</p> <ul style="list-style-type: none"> - Considering a social service corporation system - Faster and more transparent processes to certify public interests for public-interest corporations and the like <p>- Establishing a worker cooperative system</p> <p>(3) Reforming the systems relating to microfinance including NPO banks to support NPOs</p> <ul style="list-style-type: none"> - Easing the Moneylending Control Act regulations on so-called NPO banks 	<p>(2) Local governments' support for NPOs (utilizing “hometown contributions”)</p> <ul style="list-style-type: none"> - Treatment of donation subject to deductions from the individual inhabitant tax (as well as the income tax) will be made clear to encourage taxpayers to make donations to NPOs. <p>(3) Others</p> <ul style="list-style-type: none"> - The minimum donation for the application of the donation deduction from the individual inhabitant tax will be lowered from 5,000 yen at present to 2,000 yen. - If the public trust system is reviewed comprehensively to promote the use of trust for participation in public-interest activities, relevant tax measures will be considered. <p>Based on the study of the relevant systems in foreign countries, the government will review and consider systems to support social enterprises and make it easier for nonprofit corporations to operate, while taking into account the consistency of overall systems.</p> <ul style="list-style-type: none"> - The government will improve the certification procedures for public-interest corporations into flexible ones equipped with an appropriate <i>ex post facto</i> check system, in a bid to shorten the average period of time for such processes to four months for applications to be filed in and after FY 2010 and finish all certification procedures during the transition period. The government will also promote information about the certification of public interests by implementing such measures as the dispatch of persons with relevant knowledge and experience as lecturers to consultative meetings for corporations and briefings on various types of corporations, and the enrichment of question-and-answer brochures on typical issues regarding the certification of public interests. - Lawmaker-initiated legislation is being considered for worker cooperatives. <p>- The government will compile the regulatory reform package including measures to expand the financial</p>
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- Easing prefecture-based regulations and net asset requirements for regional consumers' cooperative societies providing loans to heavily indebted people

2. Creation of funds and other measures to promote investment and support for social capital development

- Expanding the small-scale lending system (including bridge loans) to NPOs and the like
- Promoting cooperation between financial institutions (including labor banks, shinkin bank credit associations and NPO banks) and organizations that assess NPOs when loans are provided to NPOs.
- Promoting efforts to connect loans and citizens' donations to social contribution projects to bring about activities for the New Public Commons

- Promoting and supporting advanced efforts to enhance social capital of regional communities

- Considering fixed asset tax cuts or breaks and easier

scheme for supporting “the New Public Commons” which will be reported to the Government Revitalization Unit by June. The government considers taking measures for easing Moneylending Control Act regulations on so-called NPO banks concurrently with the revised Moneylending Control Act takes effect on June 18. The government relaxed prefecture-based regulations for certain regional consumers' cooperative societies providing loans to heavily indebted people (on May 21).

- The government will consider measures (including cooperation for promoting donation projects, facilitation of financing, development of accounting infrastructure, evaluation of NPOs and the like) to integrally support NPOs and other undertakers of the New Public Commons in financial and operational areas in cooperation with social efforts of enterprises, by the end of this year to consider.
- The government will launch measures to promote financial support for social business entities. In a bid to support social contribution-oriented projects, the government will diffuse a loan system created at the Japan Finance Corporation in FY 2009.
- The government will promote activities of Regional SB/CB (social business and community business) Promotion Council (network of regional social businesses and supporters), including matching services for human resources and donations for NPOs and social enterprises.

- The government will consider the promotion of regional investment contributing to regional community development through funds and other entities utilizing regional financing schemes within this year.
- In order to diversify players engaging in regional community building, the government will launch support in FY 2011 for voluntary regional community building efforts and for the development of relevant intermediate support organizations.
- From FY 2010, the government will enrich investment in culture leading to social capital formation and support municipal strategies taking advantage of “cultural capacity” (creativity and attractiveness of cultural arts).
- From FY 2010, the government will launch efforts to expand theaters, music halls and other regional cultural art bases to promote the creation and presentation of performing arts and allow residents to enjoy these arts.

- The Tax Commission will consider the necessity and advisability of fixed asset tax cuts or breaks for

floor-space ratio regulations for museums, halls and other public cultural facilities owned by NPOs and other nonprofit groups.

3. Expanding cultivation and education of human resources to undertake social activities

- Enterprises, intermediary NPOs, universities, administrative agencies and other entities should cooperate in developing human resources for social activities.

- Developing social entrepreneurs and social ventures

museums, halls and other public cultural facilities owned by NPOs and other nonprofit groups.

- The government will help utilize and reeducate enterprise employees and other adults and develop new human resources in a bid to promote their participation in accessible social activities including education, childcare services, town development, nursing care and welfare. The government will also support cultivating human resources to become leaders of these activities.

- The government will promote and support regional programs for people in various generations to support school education, PTA efforts to promote school, home and regional education, and efforts for developing public schools into bases of invigorating regional communities.

- The government will build “intellectual platforms” through cooperation among local enterprises, industrial organizations and universities and promote their cooperation.

- The government will promote network formation and cooperation among NPOs and other entities based on community centers, libraries and other social education facilities to enhance functions responding to regional challenges. The government will also promote local residents’ voluntary efforts to promote sport and cultural activities based on regional comprehensive sports clubs.

- The government will cooperate with NPOs and NGOs in promoting environmental education and ESD (education for sustainable development).

- As part of the Emergency Economic Countermeasures for Future Growth and Security, the government implements “a regional community employment creation program” to support the creation of social entrepreneurs and human resources for social enterprises. By the end of FY 2011, 12 selected entities will launch operations under the program.

- The government will implement and expand advanced efforts to develop regional intermediate support organizations, transfer social businesses’ know-how to other regions, and explore and train young people for regional development.

-Through demonstration projects, the government will help develop environmental NPOs into business-oriented environmental NPOs or social enterprises.

4. Reforming relationships with citizen and other sectors involved in operations of central and local governments

- Creating new mechanisms for contracts proposed by the private sector and for citizen-participating public works projects
- Through its program-by-program screening process, the government should consider not only the elimination or reduction of programs but also the transfer of some programs from independent administrative corporations or public-interest corporations to NPOs or the like.
- A comprehensive agreement (a Japanese-version of “Compact”) on cooperation between the citizen and government sectors
- Providing high-quality service through a “full recovery” of costs (both direct and indirect costs)
- Introducing payments based on approximate estimates and implementing bridge loans for services commissioned under government contracts

5. Other measures to promote “the New Public Commons”

(1) Creating “regional markets”

- Local governments should use some part of child allowances for issuing vouchers that will be utilized for expanding the scope of NPO operations to form

The government will try to make the field of public services, which has been monopolized by administrative agencies, open to enterprises, NPOs, and other non-government parties, placing importance on the citizens' active involvement in public services. To this end, the government will review the projects currently under the direct control of administrative agencies, and place emphasis on projects which accept enterprises, NPOs and other non-government parties as participants as well as private finance initiatives (PFIs) and initiatives aimed at promoting public service reforms.

- The government will proceed with preparations in the current fiscal year for accelerating the introduction of PPP (public-private partnership) schemes for town renewal, maintenance and management projects.
- Through scrutinizing processes for independent administrative corporations and public-interest corporations by the Working Groups of the Government Revitalization Unit, it will be considered what organizations would be appropriate for operating specific programs. The government then will review systems and regulations for these corporations.
- The government will decide on a basic outline for public service reform to promote public service that could utilize private sector's originality and ingenuity. The government will establish a discussion body under the prime minister consisting of various actors of the "New Public Commons" as early as this summer to consider a guideline on comprehensive cooperation in the public services (a Japanese-version of “Compact”).
- A Regional SB/CB (social business and community business) Promotion Council (networks of regional social businesses and supporters) will promote cooperation between citizen sector and local governments.
- The government will consider measures to integrally support NPOs and other undertakers of the New Public Commons in financial and operational areas in cooperation with social efforts of enterprises, by the end of this year to consider.

- At panels including a conference on a new system for children and child rearing that considers building a comprehensive, integrated system for society to support children and child rearing, the government will consider specific systems, including a mechanism for municipalities to make independent decisions to combine cash and noncash benefits in providing child allowances, and relevant operational problems.

<p>regional communities with high social capital.</p> <p>(2) Social innovation promotion mechanisms to create communities with high social capital</p> <p>(3) Promoting “the New Public Commons” through markets</p> <ul style="list-style-type: none"> - Promote social responsibility investment by public pension funds through a disclose system -Taking advantage of the Internet for microfinancing <p>6. Public characteristics of private enterprises</p> <ul style="list-style-type: none"> - Developing an environment for supporting business management paying attention to public and social characteristics of private enterprises - Expanding the social business network to foster entities using business methods for resolving social problems as an important undertaking of “the New Public 	<p>The government will discuss child allowances in and after FY 2011 and give a conclusion through a budgeting process.</p> <ul style="list-style-type: none"> - A consociation comprised of representatives from the government, NPOs and other sectors will be set up so as to propose social innovation models (for regulatory reform, public support, etc.) within FY2010 and consider a scheme in which private entities and local governments apply for them. - The government will consider making a decision in FY 2011 on special zones where regulatory reform, public support and other measures will be integrally implemented to promote social innovation. The government will receive proposals on these measures from a wide range of people and consider a mechanism for relevant ministries, local governments, NPOs and the like to discuss these measures. - In order to promote the utilization of information and communications technology in areas where wide-area cooperation is important, the government will work out technological problems and standard specifications for development and utilization of human resources by FY 2011. <ul style="list-style-type: none"> - A panel on the desirable management of the Government Pension Investment Fund is considering the desirable management of employees and national pension reserves, including social responsibility investment, in order to compile an interim report by the middle of this year and a final report by the end of the year. Pension reserves are “deposits” by people and should be managed safely and surely. <ul style="list-style-type: none"> - The government will help enterprises position “support for developing the next generation” as one of the pillars for their corporate social responsibility and step up such support including donations of some part of sales or support activities for school education, through measures to upgrade social assessments of such corporate support. - The government will consider measures to encourage private enterprises to promote social marketing that would contribute to their own growth. - In FY 2010, the government will compile model cases and uses of specific systems as a guideline for local governments and private entities to cooperate in considering shopping support and other efforts. - Within FY 2010, the government will mobilize a wide range of relevant organizations to launch a social business promotion network to promote various social activities. - The government will compile, disseminate and promote small and medium-sized enterprise support
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<p>Commons”</p> <p>7. Future actions</p> <p>- A panel should be set up to follow up on progress of government actions and continue discussions on the desirable relationships between citizens, enterprises and the government sector in undertaking public service toward working out and fixing rules and roles for “the New Public Commons.”</p>	<p>measures that social businesses by NPOs and other nonprofit entities could be benefited. The government will also promote cooperation with regional chambers of commerce and industry and the like to promote social businesses.</p> <p>- The government will establish a discussion body under the prime minister consisting of various actors of the "New Public Commons" as early as this summer to follow up on progress of government actions and make proposals based on the follow-up by the end of December, and also discuss desirable public contracts or agreements between the government and the citizen sector and the like.</p>
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