

23 June 2026

Takaichi presses ahead with tax cut plan despite doubters

Key takeaways

- Prime Minister Takaichi Sanae has endorsed cutting the consumption tax on foodstuffs to 1%, and instructed LDP tax chief Onodera Itsunori to work towards an agreement with skeptics among with opposition parties and within the LDP.
- The government's need for votes in the upper house means that the opposition cannot be ignored, but Takaichi has staked too much on the tax cut to back down in the face of opposition.

Prime Minister Takaichi Sanae is [forging ahead](#) with plans to cut the consumption tax on foodstuffs from 8% to 1% for two years starting in April 2027. She appeared before the lower house's budget committee on Monday, 22 June to make the case for her government's preferred approach.

While the government had hoped to forge a multi-party consensus in favor of a tax cut through the National Conference on Social Security, the opposition parties included in the conference reacted poorly to the formal introduction of the consumption tax cut plan last week by Onodera Itsunori, head of the Liberal Democratic Party (LDP) tax commission and chair of the working-level committee of the national conference. His plan proposes to cut the tax to 1%, offer additional benefits to low-income households to compensate for the residual 1% tax, and phase in a refundable tax credit when the consumption tax cut expires. While Onodera secured formal party approval to submit this proposal, it has nevertheless also faced opposition from within the LDP.

The proposal has faced a litany of complaints, including frustration that Takaichi has essentially disregarded the national conference altogether, whose deliberations have focused more on a refundable tax credit than the consumption tax cut; concerns about the impact of the tax cut on different economic actors (restaurants that will be even

more disadvantaged relative to the cost of dining at home, small farm producers that have been exempt from paying the consumption tax altogether and will now have to compete with retailers, all businesses that will have to bear the administrative costs of implementing the tax cut); and concerns that the expiration of the temporary measure will mean a tax hike in two years for households that do not qualify for the refundable tax credit expected to be introduced in two years. The question of how to fund the tax cut and the refundable tax credit over the longer term – the former is expected to cost between JPY 4tn and 5tn, including what Internal Affairs Minister Hayashi Yoshimasa said in the Diet Monday would be a JPY 1.6tn hole in local government finances – has received less attention from elected officials (though some LDP fiscal hawks continue to oppose the tax cut altogether), but it has not been absent from the broader public discussion of the proposal. The absence of a clear plan for funding the tax cut will likely reinforce concerns about the prime minister’s commitment to fiscal sustainability.

On the one hand, the uniformly negative response to Onodera’s proposal from opposition parties is not insignificant, since the government will not be able to move enabling legislation through the Diet in the fall without securing the necessary votes in the House of Councillors (and there is little indication that the Democratic Party for the People [DPFP] is prepared to join the ruling coalition and deliver control of the upper house to the government). On the other hand, Prime Minister Takaichi has no choice but to press ahead with the consumption tax plan, having staked significant political capital on implementing the tax cut as quickly as possible. Abandoning a proposal that continues to enjoy significant support after presenting it to the public as her “most-cherished wish” would be a costly self-inflicted wound for the prime minister at a time when her popularity has already begun to slip. In a recent poll by wire service Kyodo, roughly 44% of respondents favor the one-percent plan (another 23% want the tax to be zeroed out). The tax cut has become emblematic of the prime minister’s determination to address cost-of-living issues more broadly; backing away at this point would leave her scrambling for an alternative, particularly since the consensus is that phasing the refundable tax credit system in will take time.

Accordingly, even though no opposition party has endorsed the Onodera proposal yet, it is likely that the LDP will be able to negotiate its way to an agreement with one or more parties that ensures the passage of legislation in the extraordinary Diet session later this year.

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