

to raise huge amounts of money, and the most effective prescription for correcting this state of affairs is nothing but to change the election system itself. Thus, together with the report of the ESC, the focus of political reform inside the ruling party moved to the introduction of a new election system.

However, even inside the ruling party, the introduction of a system of minor electoral districts triggered fierce opposition because the new system would be a menace to some members' seats. Therefore, although the government had some prospect for approval of the bills at the very beginning, it was decided by the Diet members that the bills should be dropped before the end of a session.

In the meantime, Prime Minister Kaifu, who had announced that his Cabinet would carry out political reform with an indomitable resolve, spoke of "serious determination" in response to this disposal of the bills. Such words by the Prime Minister usually meant that there would be no alternative other than dissolution or resignation of the Cabinet, so that it caused severe criticism toward the Kaifu Cabinet inside the LDP. As a result, Prime Minister Kaifu lost support within the ruling party and was forced to announce his resignation. Thus, drastic political reform returned to the starting point once again.

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b. Administrative Law

1991 Revision of the Consumption Tax Act.

Promulgated on May 15, 1991. Ch. 73. Effective as of May 15, 1991.

[Background of the Legislation]

Despite strong public opposition, the consumption tax was introduced by the government on April 1, 1989. Since then, faced with continuing criticism, both the government and the opposition par-

ties proposed the revision and repeal of the consumption tax, respectively. In 1990, after a revision bill by the government was dropped in the House of Councilors where the opposition parties held a majority, and a package of repeal bills by the opposition parties was rejected in the House of Representatives where the ruling party held a majority, the Diet established a joint conference of the two Houses and continued talks concerning reforms of the tax system in general. However, as to the consumption tax, they could not reach an agreement on how to define exemptions to the consumption tax. The opposition parties strongly urged foodstuffs to be exempted from the consumption tax. In the meantime, particularly because the Japan Socialist Party, the largest opposition party, was defeated soundly in the nation-wide local elections in April 1991, they changed their policy and agreed to accept a revision of the consumption tax as an emergency corrective measure. The revision bill was submitted to the Diet by House members and passed unanimously in both Houses.

[Main Points of the Act]

(1) Revision of tax exemptions. In addition to the original tax exemptions, that is, sales and lease of land, sales of certain securities, medical services, social welfare benefits, tuition and entrance examinations fees, and so on, the Act enlarged the range of tax exemptions as follows. (a) Certain social welfare work defined in the Social Welfare Services Act. (b) Childbirth expenses. (c) Cremation and burial costs. (d) Sales and lease of certain articles for handicapped persons such as artificial limbs, walking sticks, artificial eyes, and wheelchairs. (e) School admission fees, costs of equipment and charges for issuing certificates. (f) House rent.

(2) Revision of the simplified taxation system. Business enterprises whose taxable sales during the tax period are not more than 400 million yen (500 million yen prior to the revision) may choose to calculate the total tax by using a special calculation form.

(3) Revision of the marginal exemption system. Business enterprises whose taxable sales during the tax period are not more than 50 million yen (60 million yen prior to the revision) may reduce part of the tax payment.

[Comment]

For two years after the introduction of the consumption tax, public opinion was at a deadlock toward the new indirect tax. On the one hand, some argued that the new tax took root and that it was unrealistic to repeal it and to revive the former tax system. On the other hand, against still popular discontent toward the new tax, there was a strong movement to demand reconsideration of the consumption tax. However, as confusion and discontent diminished relatively, both the ruling and opposition parties shelved the issue of the propriety of the tax's continuation and agreed to revise only some of the practical problems. In this sense, this revision is a product of political compromise. Although there was disagreement on the range of tax exemptions, as mentioned above, all parties came to an agreement to make a better system. Nevertheless, some of the principal problems remain, including the one concerning the tax rate. These problems are left to future deliberation.

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2. Law of Property and Obligations

The Land and House Lease Act.

Promulgated on October 4, 1991. Ch. 90. Effective as of August 1, 1992.

[Background of the Legislation]

The Civil Code of Japan differs from the systems of other countries in dealing with land and houses separately, not in one body.