*Federation of Business Disciplines Journal*

Volume 17, 2024 1-12

**COMPARISON OF INDIVIDUAL TAXATION BETWEEN JAPAN AND**

**THE UNITED STATES**

**Natsuki lnagaki**

University of Central Arkansas

Conway, AR 72035

USA

:

**Ashley Phillips**

University of Central Arkansas

Conway, AR 72035

USA

**ABSTRACT**

Taxation is a fundamental aspect of any society. It serves as a primary source of revenue for the government for infrastructure, social welfare programs, and defense. Every country has a different system based on their goals and priorities. As economies become increasingly interconnected, understanding of tax systems across different countries becomes important. The individual taxing regimes in Japan and the United States provide an interesting case study. Both nations are global economic powerhouses, boasting advanced infrastructures, technological innovations, and high living standards for their citizens. However, their approaches to individual taxation significantly differ, reflecting divergent philosophies and policy objectives. This paper will provide an overview of each country's tax system as it relates to individuals. It will also analyze the tax consequences in a scenario of similarly situated taxpayers: a Japanese citizen living in Japan and a U S citizen living in the United States. This paper will also provide insight into the profession based on interviews with tax accountants in both Japan and the United States

**Keywords:** taxation, tax systems, Japan tax system, United States tax system,

**INTRODUCTION**

Taxation is a fundamental aspect of any society. It serves as a primary source of revenue for the government to achieve its objectives including financial goals, infrastructure, social welfare, defense, and many others. Every country has a different tax system based on their history and policies.

As economies become increasingly interconnected, the understanding of taxation systems across different countries assumes critical importance. It provides insights into the varying approaches taken to generate revenue and distribute the burden among citizens.

Japan and the United States represent intriguing case studies for such a comparative analysis due to their historical, culture, and institutional contexts. Both nations are global economic powerhouses, boasting advanced infrastructures, technological innovations, and high living standards for their citizens. However, their approaches to individual taxation significantly differ, reflecting divergent philosophies and policy objectives.

This research paper explores and compares the fundamental principles, structures, and key components of individual taxation in Japan and the United States. By delving into examining tax rates, deductions, exemptions, and incentives, and analyzing the underlying rationales, it is designed to shed light of the similarities, differences, and potential impacts of these systems on individuals. This paper provides an overview of each country's tax system as it relates to individuals. It also analyzes the tax consequences in a scenario of similarly situated taxpayers: a Japanese citizen living in Japan and a US citizen living in the United States. This paper provides insight into the profession based on interviews with tax accountants in both Japan and the United States.

**SOURCES OF TAX LAW**

**United States**

In the United States, there are three primary sources of legislative or statutory authority when it comes to taxation: the U.S. Constitution, the Internal Revenue Code, and tax treaties. While the U.S. Constitution holds the highest authority in the nation, it contains limited details regarding tax law. It notably lacks discussions on tax rates, taxable income criteria, and other specific tax-related matters. The 16th Amendment to the Constitution grants Congress the authority to directly tax income from any source without needing to apportion it among the states. Various attempts to amend the Constitution concerning taxation, such as efforts to repeal the 16th Amendment entirely.

The Internal Revenue Code stands as the primary statutory authority. The code is currently the Internal Revenue Code of 1986 as amended the “Code” or “IRC”)). For individuals who work as tax professionals, it is important to understand the Internal Revenue Code. It serves as a reliable foundation for taxpayers to have strong confidence in their tax return positions including deductions.

It was established by President Abraham Lincoln in 1862 to administer the nation's first federal income tax, which was initially a 3 percent tax on income above $600, rising to 5 percent on income over $10,000 (TaxEdu, Tax Foundation). The federal income tax went through periods of repeal and revival before the 16th Amendment granted Congress the power to tax incomes without state apportionment, ensuring the IRS's continued existence.

The IRS is entrusted with the vital mission of ensuring that individuals and businesses comply with federal tax laws and regulations. To achieve this, it conducts thorough audits and investigations to detect instances of tax evasion, fraud, or non-compliance. This function is fundamental to maintaining the integrity of the U.S. tax system. One of the primary functions of the IRS is the collection of federal taxes. This encompasses a wide range of taxes, including but not limited to income tax, employment tax, estate tax, and gift tax. The revenue collected by the IRS is vital for funding the federal government's operations, public services, and various programs.

The IRS plays an instrumental role in developing and shaping federal tax policies. This involves collaborating with Congress and the U.S. Department of the Treasury to draft and implement tax legislation. The agency provides expertise and analysis to help lawmakers make informed decisions regarding tax reform and policy changes. To make informed policy recommendations and decisions, the IRS conducts extensive research and analysis of tax data and trends. This research informs policymakers and helps in the development of effective tax policies.

In addition to its enforcement and collection functions, the IRS offers assistance and guidance to taxpayers. This includes providing information, answering taxpayer inquiries, and offering resources to help individuals and businesses understand and fulfill their tax obligations.

The IRS operates tax centers and local branches throughout the United States to ensure accessibility and convenience for taxpayers. These offices serve as points of contact where individuals and businesses can seek assistance, file tax returns, and address specific tax-related issues.

**Japan**

Japan's legal system is fundamentally anchored by its Constitution, and this influence extends deeply into its taxation system. The Japanese Constitution establishes the obligation for citizens to pay taxes (Article 30) and the principle that tax laws are determined by the Diet (parliament) (Article 84). Taxation in Japan is categorized as a branch of public law, regulating the legal relationship between the state and its citizens concerning tax payment. Actions taken by the government in matters of taxation are regarded as administrative decisions, governed by administrative law. Notably, Japanese tax law interconnects with various private law fields such as civil law, commercial law, and company law, as taxes are imposed on economic activities.

The Japanese Constitution mandates the duty of citizens to pay taxes and grants the authority to collect these taxes to the National Tax Agency (国税庁: Kokuzei-cho). The overarching mission of the National Tax Agency is to facilitate voluntary compliance by taxpayers in fulfilling their tax obligations in a just and efficient manner. To achieve this mission, the National Tax Agency is committed to executing the tasks specified in Article 19 of the Ministry of Finance Establishment Act. This comprehensive mission revolves around ensuring the proper and equitable assessment and collection of domestic taxes.

In the pursuit of its mission, the National Tax Agency places a strong emphasis on transparency and efficiency. The agency actively engages in activities aimed at assisting taxpayers in understanding and fulfilling their tax responsibilities, collectively referred to as "taxpayer services." These initiatives encompass endeavors such as public relations campaigns and tax education programs. Furthermore, the National Tax Agency is steadfast in its dedication to advancing the cause of proper and equitable tax administration. This endeavor involves providing accurate guidance and conducting investigations to rectify discrepancies in instances where taxpayers have not adequately fulfilled their tax obligations, with the overarching aim of ensuring that honest taxpayers perceive fairness and equity within the tax system.

The National Tax Agency plays a pivotal role in taxation-related oversight, collection, policy formulation, and providing taxpayers with essential information in Japan. It is an indispensable part of the country's economic and social fabric, contributing to stabilizing the nation's financial resources and supporting the delivery of public services. In fulfilling its mission, the National Tax Agency holds a central position within Japan's tax landscape.

**OVERVIEW OF INDIVIDUAL TAXATION**

Individual income taxes are one of the most prevalent means of raising revenue to fund the governments. Individual income taxes are levied on an individual’s or household’s income to fund general government operations. According to the Organization for Economic Co-operation and Development (OECD), countries differ substantially in how they raise revenue. A study entitled Sources of Government Revenue in the OEDC, 2023, found the United States generated 42.1% of its revenues from individual income taxes and 23.8% from social insurance taxes in 2021. In the same study, Japan generated 18.7% of its revenues from individual taxes and 40.4% from social insurance taxes.

The International Tax Competitiveness Index 2023 was recently related by the Tax Foundation. This is the tenth edition of this index. It examines OEDC countries overall tax system. Additionally, the index scores the same countries individual income tax. The overall rank is based on 3 categories: (1) rate and progressivity of wage taxation, (2) income tax complexity, and (3) extent of double taxation of corporate income. According to the 2023 study, the United States and Japan’s ranking in individual taxes are as follows:

**Table 1**

**Ranking of Individual Tax**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Country** | **Overall Rank** |  | **Overall Score** | **Income Tax Rank** | **Income Tax Score** | **Complexity Rank** | **Complexity Score** | **Capital Gains/ Dividends Rank** | **Capital Gains/ Dividends Score** |
| US | 22 |  | 68.4 | 21 | 76.4 | 2 | 99.9 | 28 | 50.7 |
| Japan | 34 |  | 53 | 30 | 46.8 | 34 | 55.9 | 18 | 67.3 |

In both the United States and Japan, individual income taxes are progressive, meaning that the rate at which an individual’s income is taxed increases as the individual earns more income. The highest statutory individual income tax rate is the maximum tax rate that applies to all income above a certain income level. The United States has seven tax brackets, with the seventh (highest) bracket taxing additional income above $578,125 on single return at a 37% rate. Japan has 6 tax brackets, with the sixth bracket taxing additional income above 40,000,000 yen ($560,000 ($1=140 yen). Individuals in the highest tax bracket also pay state and local income taxes, resulting in an overall maximum individual income tax rate of 45%. One major difference between the US and Japanese systems is Japanese income tax rates do not differ between single and married taxpayers. The income tax rate varies in steps according to the amount of income, and the same rate is applied regardless of whether one is single or married.

**Table 2**

**United States Tax Bracket**

|  |  |  |  |
| --- | --- | --- | --- |
| **Tax Rate** | **For Single Filers** | **For Married Individuals Filing Joint Returns** | **For Heads of Households** |
| 10% | $0 to $11,000 | $0 to $22,000 | $0 to $15,700 |
| 12% | $11,000 to $44,725 | $22,000 to $89,450 | $15,700 to $59,850 |
| 22% | $44,725 to $95,375 | $89,450 to $190,750 | $59,850 to $95,350 |
| 24% | $95,375 to $182,100 | $190,750 to $364,200 | $95,350 to $182,100 |
| 32% | $182,100 to $231,250 | $364,200 to $462,500 | $182,100 to $231,250 |
| 35% | $231,250 to $578,125 | $462,500 to $693,750 | $231,250 to $578,100 |
| 37% | $578,125 or more | $693,750 or more | $578,100 or more |

**Table3**

**Japanese Tax Bracket**

|  |  |  |
| --- | --- | --- |
| **Tax rate (%)** | **Taxable income (JPY)** | **Deduction** |
| **Over (Column 1)** | **Not over** |
| 50% | 0 | 1,950,000 | 0 |
| 10% | 1,950,000 | 3,300,000 | 97,500 |
| 20% | 3,300,000 | 6,950,000 | 427,500 |
| 23% | 6,950,000 | 9,000,000 | 636,000 |
| 33% | 9,000,000 | 18,000,000 | 1,536,000 |
| 40% | 18,000,000 | 40,000,000 | 2,796,000 |
| 45% | 40,000,000 |  | 4,796,000 |

Individuals consider their marginal tax rate when deciding whether to work additional hours. Often this decision is related to having a second part-time job or a household consisting of two adults with one- or two-income earners. If an individual has a marginal tax rate of 30% on his or her current income, an additional job or additional shift would leave only 70% of that income on hand. A higher top individual tax rate makes additional work more expensive and lowers the relative cost of not working, making it more likely that individuals will choose leisure instead of work. This reduces the choice between maintaining current work hours and moving to a full-time job or taking additional shifts. Higher tax rates may increase the cost of labor, thereby reducing hours worked and consequently reducing output in the economy.

**Payroll Taxes**

In addition, some countries have payroll taxes (also known as social insurance contributions or social insurance taxes). These taxes are usually levied on employment income in addition to the country's general personal income tax. In the United States, payroll taxes are known as Federal Insurance Contributions Act (FICA) taxes. These taxes primarily fund two major social insurance programs: Social Security and Medicare. The Social Security tax rate is 6.2% for employees and 6.2% for employers. The total Social Security contribution rate is 12.4%. Medicare is another social insurance program funded by payroll taxes; as of 2021, the Medicare rate is 1.45% for employees and 1.45% for employers (total 2.9%). In Japan, payroll taxes include health insurance, long-term care insurance, and welfare pension insurance. Employers are obligated to deduct these premiums from the employee's monthly salary. The payroll taxation rate for long-term care insurance premiums was 1.82% in 2022 and remains uniform throughout Japan. However, if you are a member of the National Health Insurance Association (Kyokai Kenpo), the premium rate is revised every March. The premium rate for Employees' Pension Insurance has been increased in stages since 2004, with the final increase completed in 2017, resulting in a uniform nationwide rate of 18.3% (Kyokai Kenpo).

**Income Tax Period and Filing Deadline**

In the United States, income taxes are typically filed annually. The regular tax year for most individual taxpayers is the calendar year, which runs from January 1 to December 31.

The deadline for filing federal individual income tax returns is usually April 15th. If April 15th falls on a weekend or a holiday, the deadline may be extended to the next business day.

Taxpayers can request an extension to file their tax return by submitting IRS Form 4868, which gives them an additional six months, extending the deadline to October 15th.

In Japan, income tax is a national tax that is levied on the income earned by "individuals" in one calendar year. The taxable year for income tax is one year. In principle, those who have an amount of income tax to pay must submit a final tax return to the tax office and pay the tax by March 15 of the following year.

However, there is a different policy in Japan which is “Year-end Adjustment.” Salary earners such as salaried employees are not required to file a tax return. When a company pays a salary, it deducts tax (withholding tax) based on a certain “withholding tax table” that considers the number of dependents of the person receiving the payment. collection). However, the amount to be withheld is determined on the assumption that the income is the same every month. Even if the number of dependents increases in the middle of the year, it will not be retroactively adjusted, so the annual tax amount of the person will not be adjusted. Therefore, the procedure to correct this discrepancy is “year-end adjustment.” Specifically, when the company that pays the salary pays the last salary of the year, that is, the salary for December, it compares the total amount of withholding for the year with the annual tax amount. Then it shows "liquidation (= year-end adjustment)" of the surplus and deficiency amount will be conducted. The year-end adjustment is conducted for those who have submitted a “Return for Dependent Deduction for Salary Earners” and whose salary income for the year is 20 million yen or less.

On the other hand, there are people who still must file a final tax return. Main people are Salary earners (salary workers) whose annual salary income exceeds 20 million yen, persons who receive salary from two or more companies, persons who are self-employed (sole proprietor) and have income tax to pay. Also, there are people who will receive a tax refund if they file a final tax return. They are salary workers who retired mid-year and did not re-employ and who receive deductions for medical expenses, miscellaneous losses, donations such as hometown tax payments, and home loan deductions (first year only), and persons whose total amount of supplementary income exceeds 200,000 yen, and so on.

*Income Tax Computation- Japan*

Income tax calculation follows a process similar to that of the United States. The earnings of individuals are categorized into ten distinct income types, and their corresponding amounts are calculated. Following the income amount calculations for each category, the next step involves summing up the amounts for the ten income types, resulting in a comprehensive income total. To arrive at the “taxable income,” deductions (which typically number fifteen) are subtracted from the “gross income”—the initial tax base. This stage considers a range of deductions, credits, and eligible expenses. The subsequent step entails determining the tax liability by applying a progressive tax rate to the taxable income. This progressive system ensures that higher income levels are subject to higher tax rates, reflecting a principle of equitable taxation. Depending on the calculated tax amount, which may either be the 'Withholding tax amount' or the 'estimated tax amount' (commonly referred to as advance tax), different scenarios arise. If the calculated tax is more than the amount already paid, a refund is issued. Conversely, if the tax falls short, additional payment is required to meet the tax obligation.

It's noteworthy that certain tax credits can come into play under specific circumstances. These credits serve to reduce the final tax liability and are based on factors such as educational expenses, energy-efficient home improvements, or childcare costs. In summary, the income tax calculation process is a structured sequence encompassing income categorization, amount calculation, summation, determination of taxable income, application of progressive tax rates, and consideration of tax credits. Understanding this structured approach is pivotal for both individuals and businesses, as it ensures compliance with tax regulations and facilitates effective financial planning.

*Income Deductions - Japan*

Under Japanese income tax, 15 main types of income deductions are allowed. In addition, the amount of employment income deduction. Along with the revision, a new Income Amount Adjustment Deduction has been established for households with children whose salary income exceeds 8.5 million yen. I will introduce some main deductions here.

* Basic deduction: up to 480,000 yen

The basic deduction is a deduction that is allowed for the taxpayer himself. Depending on the person's total income, the deduction ranges from 480,000 yen (total income is 24 million yen or less) to 0 yen (over 25 million yen).

* Spousal deduction: up to 380,000 yen (if the eligible spouse is under 70 years old)

The spousal deduction considers the living expenses of the taxpayer if the taxpayer supports the legal spouse. This is a deduction that is allowed. Since the premise is that the taxpayer supports his or her spouse, the deduction cannot be applied unless the spouse falls under the category of eligible spouse. A spouse eligible for the deduction is a spouse whose total income for the taxpayer is 10 million yen or less among spouses who share the same livelihood, and whose total annual income is 48 million yen or less. Refers to a person who is less than 10,000 yen (\*excluding those employed exclusively in blue businesses). For example, if your spouse is a part-time worker, the amount will be calculated by deducting the "employment income deduction amount (minimum 550,000 yen)" from part-time income, so if your part-time income is less than 1,030,000 yen (= 480,000 yen + 550,000 yen) You can apply if you have no other income.

* Special deduction for spouse: Maximum of 380,000 yen

There is no overlap with the spousal deduction. In principle, the special spousal deduction can be applied if the total income of the spouses who share the same livelihood is more than 480,000 yen and less than 1,330,000 yen. For example, if your spouse is a part-time worker, you can apply if your part-time income is more than 1,030,000 yen but less than 2,010,000 yen and you have no other income. However, this cannot be applied if the taxpayer's total income exceeds 10 million yen.

* Dependent deduction: Basically 380,000 yen per person (19 to 22 years old: 630,000 yen, 70 years or older: maximum 580,000 yen)

A dependency deduction is a deduction that is allowed when the taxpayer supports a relative other than his or her spouse, considering the burden of their living expenses. Dependent relatives are relatives other than spouses who share the same livelihood (in-law relatives within the third degree of kinship and blood relatives within the sixth degree) with a total annual income of 480,000 yen or less. Dependent relatives under the age of 16 are not eligible for the dependent deduction because they receive child allowance. Dependents aged 19 to 22 are designated dependents and are eligible for a deduction of 630,000 yen.

* Social insurance premium deduction

The full amount of social insurance premiums paid (cash basis) For salaried employees, health insurance premiums, welfare pension contributions, employment insurance premiums, you can deduct the full amount of your nursing care insurance premiums.

* Life insurance premium deduction up to 120,000 yen/ Earthquake insurance premium deduction up to 50,000 yen (cash basis) All deductions are allowed when the insurance premium is paid.

**CASE STUDY**

**Introduction**

To compare the US and Japanese tax systems, similarly, situated taxpayers will be analyzed. In this scenario, the taxpayers are a married couple. The taxpayer is 35 years old and earns $100,000 salary as a salesperson. The taxpayer’s spouse does not work outside of the home. The couple has 2 children: a 10-year-old and a 15-year-old. In addition, to the taxpayer’s salary, the couple also has $200 of interest income from a bank savings account. Additionally, the couple received a $600 dividend of $600 from a publicly traded company. For each analysis, it is assumed that the Japanese couple resided in and were citizens of Japan. Furthermore, it is assumed the US couple resided in and were citizens of the United States.

**COMPARISON OF TAX PROFESSIONAL PERSPECTIVES**

**Interviews**

Four tax accountants have been interviewed to provide their perspective on the profession. Two tax accountants are based in Japan and two are CPAs based in the United States. One of the Japanses accountants and one of the US accountants work at international accounting firms. The remaining Japanses and US tax accountant work at smaller local firms. The four individuals were asked the same set of questions which included information about their education, certification, prospects for their profession along with challenges they face.

**Interview Observations**

Throughout the interview, it became clear that Japanese and US accountants share a collective understanding of the profound importance of tax accounting as an esteemed profession. All the interviewees made the deliberate choice to embark on careers in tax accounting during their college years. Notably, one of the Japanese accountants underscored the rationale behind this choice, highlighting that the value of their tax experience extends far beyond a fundamental comprehension of tax laws. Their career in tax accounting also bestows upon them the unique privilege of engaging in meaningful interactions with business executives and employees hailing from diverse industries. These interactions, in turn, provide them with invaluable insights into the intricate workings of companies, the strategic thinking of top management, and the myriad challenges faced by businesses. As a result, their expertise in tax matters equips them to play a pivotal role in addressing issues from a tax perspective, offering support that is tailored to enhance a company's long-term profitability.

Across the board, the interviewees unanimously echoed the most gratifying aspect of their profession: the genuine appreciation they receive from clients throughout the entire tax process. These dedicated professionals spare no effort in diligently working to minimize their clients' tax obligations and navigating the complexities of tax-related tasks. In return, they derive a profound sense of accomplishment and fulfillment from their roles, finding genuine reward in the knowledge that their work is not only valued but also positively impacts their clients' financial well-being.

In this context, the interview results have unveiled distinct responses and intriguing challenges, broadly categorized into four key areas: education, certification, challenges, and prospects.

*Education and Certifications*

In the United States, a Certified Public Accountant (CPA) is an accounting professional who holds a license granted by a state board of accountancy. To attain the esteemed CPA designation, individuals must demonstrate their knowledge and proficiency by meeting rigorous educational standards, successfully passing the CPA exam, and completing a specific amount of practical accounting experience. The two fundamental components of becoming a CPA are passing the Uniform CPA Exam and fulfilling the licensing prerequisites of the state where you intend to practice.

The CPA Exam is a comprehensive 16-hour computer-based examination, which encompasses four distinct sections. Effective January 1, 2024, the CPA Exam will consist of the three required sections: Auditing and Attestation (AUD), Financial Accounting and Reporting (FAR), and Taxation and Regulation (REG). Candidates will also be required to pass one discipline section by selecting from three options: Business Analysis and Reporting (BAR), Information Systems and Controls (ISC), or Tax Compliance and Planning (TCP). This exam employs a diverse range of question formats, including traditional multiple-choice questions and essays, as well as innovative simulations that replicate real-world scenarios, demanding the application of knowledge and skills to arrive at solutions.

In addition to CPAs, there is also the Enrolled Agent (EA) qualification in the United States, which can be obtained by passing a national examination conducted by the Internal Revenue Service (IRS). The EA examination in the United States does not have specific eligibility requirements other than being 18 years of age or older. EA may practice before the Internal Revenue Service. They may file tax returns as well as represent taxpayers during an audit. While Enrolled Agents (EA) may be a cost-effective option for tax preparation for smaller businesses and individuals a CPA is better equipped to manage more complex tax matters due to the education and experience requirements.

In Japan, the certified tax accountant examination is a national exam and is a necessary step to obtain the qualification of a certified tax accountant. Successful candidates can register with the Japan Federation of Certified Tax Accountants Associations and work as tax accountants. To be eligible to take the exam, practical experience in "tax or accounting-related work" as a certified tax accountant is required, with a minimum of two years of experience. In addition to successful candidates for the certified tax accountant examination, other individuals, such as those exempted from the exam, lawyers, and certified public accountants, can also register as certified tax accountants.

The certified tax accountant examination is held only once a year, typically in August. Given that the exam can only be taken once a year, Japanese accountants spend a year studying for this one test. This is different from the U.S., where they can take it in their own timing, and they are under even more pressure.

The examination consists of mandatory subjects in the field of accounting, including "bookkeeping theory" and "financial statement theory," as well as a selection of three subjects from tax law-related fields. One of either "income tax law" or "corporate tax law" must be chosen among the tax law subjects. The examination follows a subject-based passing system, allowing candidates to take each subject separately. Passed subjects are valid for a lifetime. This information provides an overview of the certified tax accountant examination in Japan, outlining the essential requirements and details. Given the demanding nature of the exam, candidates must adequately prepare themselves. The passing score is 60 points or more in each subject, and usually 10-20% of examinees (depending on the subject) pass the exam. The number of successful applicants varies depending on the subject area. A candidate is considered to have passed the examination when he/she has passed a total of five subjects, two of which are in accounting and three of which are in tax law.

The US CPA credential is a nationally recognized license in the United States, designed to have global relevance. Furthermore, when we look at pass rates, while the Japanese Certified Public Tax Accountant examination typically sees a pass rate of 10-20%, the pass rate for U.S. CPAs have historically been in the range of 40-60% per section of the exam.

*Challenges facing the Profession and Future Prospects*

A Japanese tax professional mentioned that the emergence of AI taking over tax filing tasks is both a challenge and an opportunity. It is expected that advisory services, which require human judgment, will become the mainstream focus. In response to this change, actively listening to the details of a client's case and being able to propose solutions that not only meet the client's needs but also align with legal requirements will be of paramount importance. In the realm of advisory services, meticulous attention and specialized insights are crucial. Understanding a client's financial situation and goals accurately and providing advice on tax strategies and legal compliance will be essential for success in the future of the tax industry.

Furthermore, while leveraging technology and AI, closely collaborating with clients, devising optimal tax strategies, and supporting the client's long-term success will be integral to the role of tax advisors. Adaptation to changes in tax laws and regulations and constantly seeking ways to deliver value to clients will be essential skills for future tax professionals.

**CONCLUSION**

US and Japanese accountants working in small accounting firms face the ongoing challenge of adapting to the ever-evolving landscape of tax laws and regulations. This dynamic environment necessitates continuous learning and adjustment as tax laws are subject to frequent changes on a yearly basis. The task of navigating the intricacies of tax law adjustments can be particularly demanding for accountants in small firms. These professionals are responsible for ensuring that their clients remain compliant with the latest tax codes while maximizing their financial benefits.

Each year, lawmakers enact new tax legislation, amend existing regulations, and introduce fresh policies that directly impact individuals and businesses. This constant flux can make it challenging for accountants to stay ahead of the curve. To address this challenge effectively, accountants must engage in ongoing professional development, attending seminars, workshops, and training sessions to grasp the nuances of changing tax laws. They need to analyze how these alterations influence their clients' financial situations and provide guidance on necessary adjustments.

Furthermore, small accounting firms often lack the vast resources available to larger counterparts, making it imperative for accountants in these settings to leverage technology and tax software to streamline their work. Automation tools can help them keep track of updates, calculate accurate tax liabilities, and generate the required documentation efficiently. The constant evolution of tax laws presents small firm accountants with a twofold challenge: staying updated on the latest regulations and efficiently implementing these changes for their clients' financial well-being. Despite these hurdles, their dedication and adaptability are vital in helping individuals and businesses navigate the complex tax landscape year after year.

**REFERENCES**

Anonymous. (2022). How do taxes in Japan compare? *Tax Foundation.* (2022). https://taxfoundation.org/country/japan/

Anonymous*.* (2022). Material on individual income taxation. *Ministry of Finance*. https://www.mof.go.jp/english/policy/tax\_policy/tax\_system/income/index.html

<https://www.nta.go.jp/taxes/shiraberu/shinkoku/tebiki/2022/index.htm>

[Bunn](https://taxfoundation.org/about-us/staff/daniel-bunn/), D. &  [Perez Weigel](https://taxfoundation.org/about-us/staff/cecilia-perez-weigel/), C., (2023) Sources of Government Revenue in the OECD, *Tax Foundation*. <https://taxfoundation.org/data/all/global/oecd-tax-revenue-by-country-2023/>

Hasegawa, Y. (2022, March 30). What are the taxes in Japan? A list of the types of taxes and tax rates in Japan*. Moneyism*. https://www.all-senmonka.jp/moneyizm/75596/

IRS (2023).. <https://irs.gov>

Mengden, Alex. (2023) International Tax Competitiveness Index, 2023, *Tax Foundation.* <https://taxfoundation.org/research/all/global/2023-international-tax-competitiveness-index/#_ftn35>

Morotomi, Toru. (2016). A Japan-United States Comparison of Recent Corporate Tax Reform Debates and Taxing Multinationals. *The Kyoto Economic Review,* 85(1/2)., 135–73

OECD (2023), [*Taxing Wages Indexation of Labour Taxation and Benefits in OECD Countries*](https://doi.org/10.1787/8c99fa4d-en)*,* [https://www.oecd-ilibrary.org/sites/8c99fa4d-en/1/3/2/20/index.html?itemId=/content/publication/8c99fa4d-en&\_csp\_=f4d3c57328afb7f1cbd530cb119213be&itemIGO=oecd&itemContentType=book#](https://www.oecd-ilibrary.org/sites/8c99fa4d-en/1/3/2/20/index.html?itemId=/content/publication/8c99fa4d-en&_csp_=f4d3c57328afb7f1cbd530cb119213be&itemIGO=oecd&itemContentType=book)

Roessner, Beth, (2024) CPA Exam Blueprints released, *Journal of Accountancy*. www.journalofaccountancy.com/news/2023/jan/2024-cpa-exam-blueprints-released.html

Soares, Allison & Suarez, Lauren (2021). Enrolled Agents, Certified Public Accountants, and Tax Attorneys: What’s the Difference?, *GP Solo Magazine*, American Bar Association, December <https://www.americanbar.org/groups/gpsolo/publications/gp_solo/2021/november-december/enrolled-agents-certified-public-accountants-tax-attorneys-what-s-difference/>

Steele, A., Paik, C. & Tanaka, S. (2017). Constraining the Samurai: Rebellion and Taxation in Early Modern Japan. International Studies Quarterly, *[s. l.]*, 61(2). 352–370. DOI 10.1093/isq/sqx008. Disponível em:

Winters, M. (2022). The IRS Adjusted Its Income Tax Brackets for 2023-You Might Owe Less in Taxes next Year. CNBC, CNBC, 20 Oct. 2022, <https://www.cnbc.com/2022/10/20/irs-new-income-tax-brackets-2023-who-will-owe-less-money.html>.

Yoshino, Y. (2022). Are Japanese taxes high? A Comparison with Taxes Around the World. Financial Field. https://financial-field.com/tax/entry-131379