

Regarding important subjects, the appropriateness of budget requests is judged by conducting a preliminary evaluation using external evaluation. Interim evaluation is then conducted to confirm the necessity of making changes to the plan, and a post evaluation is conducted for application to the next deployment. As for basic research, since much research leads to unexpected development over the years, care is taken to avoid evaluations that expect hasty output based upon uniform and short-term points of view.

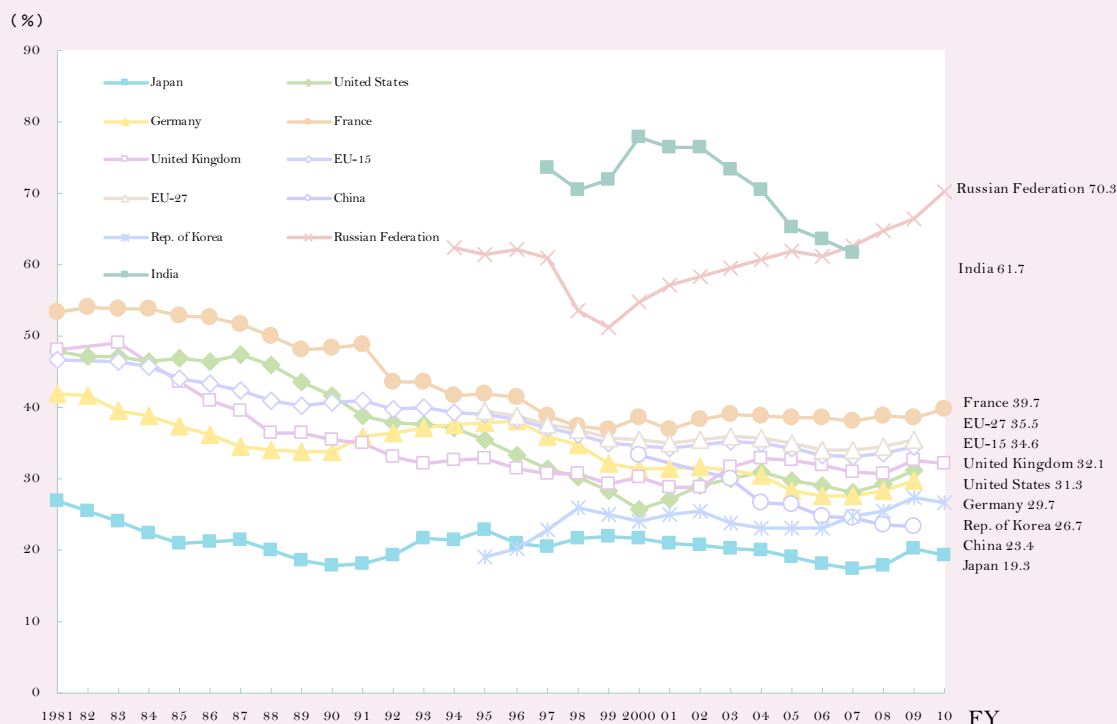
In order to review projects with similar objectives and to clarify the mutual relationship of each project, METI, while considering the direction of the field as a whole, has introduced and implemented “policy evaluation for technology” since 2008, where the interim and post evaluation of related projects once conducted separately over different fiscal years, are now conducted together.

Meanwhile, independent administrative agencies and national university corporations conduct evaluations of their performance in accordance with the Act on General Rules for Independent Administrative Agency (Act No.103 of 1999) and the National University Corporation Act (Act No. 112 of 2003), respectively. Ministries and agencies conduct policy evaluations in accordance with the Government Policy Evaluations Act (Act No.86 of 2001).

### Section 3 Expansion of Research and Development Investment

The government set the expanded target of R&D investment to 4% or more of the GDP in all government and private sectors by FY 2020 in the New Growth Strategy. The 4th Basic Plan states, “comprehensively, considering that the percentage of the Japanese government's burden of research costs is lower than that of foreign countries, considering that the government's investments are expected to produce the synergetic effect of promoting private-sector investment, which is currently hampered by a weak economy, and considering that many foreign countries are increasing S&T investment by setting targets, an expansion of investment is required.” (Figure 2-5-3)

Figure 2-5-3/ Trends in government-financed R&D expenditures in selected countries



Source: Created by MEXT based on "Report on the Survey of Research and Development" by the Statistics Bureau and "Main Science and Technology Indicators Vol. 2011/2" by OECD.  
 Note: Defense-related research expenditures are included.

Although the financial situation of Japan is expected to become more critical, the government should secure the expenses necessary for promoting the measures outlined in the 4<sup>th</sup> Basic Plan so as to ensure consistency with the Fiscal Management Strategy, including the fiscal consolidation targets and the Medium-term Fiscal Framework decided by the Cabinet in June 2010.

Likewise, in order to induce R&D investment in the private sector, which occupies more than 70% of all R&D investment in Japan, the government, while respecting the principle of voluntary efforts being taken by private companies, should conduct rational reviews of regulations and systems, including the utilization of a tax system that facilitates R&D activities which will stimulate motivation.

(Government R&D investment)

Government R&D investment in 2011 was 4.6985 trillion yen, which comprised 4.2480 trillion yen for the central government including the initial budget and the first through fourth supplementary budgets and 4.505 trillion yen for local authorities. (Refer to Part 2, Chapter 1, Section 3, 2 for details of R&D investment of the central government.)

(Preferential treatment for promoting R&D investment by the private sector)

To promote R&D in the private sector, various tax measures are provided as shown in Table 2-5-4.

Table 2-5-4/ R&D Taxation System

Item	Purpose	Description	Applicable law	Remarks
R&D taxation system	Promotion of research and development investment by the private sector, etc.	Tax Credit for research and development expenditures.	Special Taxation Measures Act, Article 10, Article 10-2 (income tax) 42-4, 42-4-2, Article 68-9, 68-9-2 (corporation tax), Local Tax Act, Supplementary Provision, Article 8, Item 1.	Enacted in FY 2003 (Hereinafter, for private business owners, the tax credit system will remain the same.)
		I. Proportional Tax Credits for total research and development expenses The research and development credit is a percentage (8 to 10%) of the total of research and development expenses. (The maximum amount is the sum of 20% of the corporation tax liability)		
		II. Special Tax Credit on special research and development expenditures For joint experimentation research and experimentation research commissioned to universities, public experiment and research institutes, the National Experiment and Research Institute, and other organizations, in addition to Item I above, tax equivalent to 12% of these research and development expenses regarding such experiment and research is exempted (but limited to an amount equivalent to 20% of the corporation tax, including the special tax exemption in Item I above.) (Corporation tax)		
		III. Tax system to strengthen the technical base of SMEs (Applied instead of I or II) (1) The tax credit amount is a value equivalent to 12% of test and research expenses at SMEs (but limited to a value equivalent to 20% of corporation tax). (Remarks) 1. The tax credit amount in relation to the above I through III is a value equivalent to 30% of corporation tax only for FY 2009 through FY 2011. 2. In relation to the amount exceeding the tax credit mentioned in I through III, it can be deferred one year for deduction. However, in regard to the amount exceeding the limit occurring in FY 2009 and FY 2010, it can be deducted in FY 2011 and FY 2012. (2) The tax credit amount in (1) above is excluded from the tax base for corporate inhabitants' tax (Local tax).		
IV. Proportional Tax Credits for increased research and development expenses Either of the following 1) or 2) will be selected and applied (but limited to an amount equivalent to 10% of the corporation tax, apart from I through III) 1) When the amount of experimental and research expenses exceeds the average of experiment and research expenses for the current term and for three years before the current term and exceeds the largest amount out of experiment and research expenses for two years before the current term, the tax equivalent up to 5% of the amount exceeding the average is exempted. 2) When the amount of experimental and research expenses exceeds 10% of sales amount for the current term and for three years before the current term, the tax is exempted in a predefined proportion to the excessive amount.	Enacted in FY 2008 (Note) In accordance with FY 2012 tax reform, the applied period was extended to the end of FY 2013.			

Source: Created by MEXT