

August 5, 2025

The significance of abolishing the provisional gasoline tax rate: data reveals pain in the countryside

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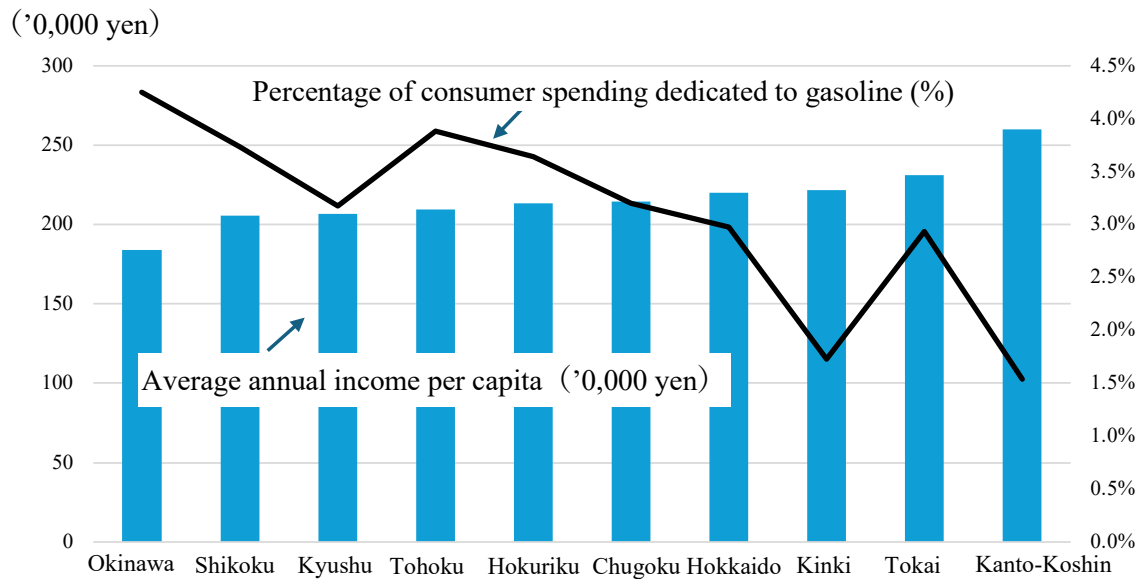
Both ruling and opposition parties are revving up over the abolition of the provisional tax rate on gasoline. On July 30, the Chair of the Diet Countermeasures Committee of the six ruling and opposition parties (the Liberal Democratic Party, Komeito, the Constitutional Democratic Party, Nippon Isshin, the National Democratic Party, and the Communist Party), signed an agreement to abolish the provisional gasoline tax rate by the end of the year. Working-level consultation also began on August 1 to consider points such as how to proceed with progressive subsidy increases, government revenue sources, and how to deal with local government finances. On the same day, the seven opposition parties (the Constitutional Democratic Party, Nippon Isshin, the National Democratic Party, the Communist Party, Sanseito, the Conservative Party of Japan, and the Social Democratic Party) submitted a bill to abolish the provisional gasoline tax rate from November 1.ⁱⁱ

As summarized in my history of the provisional gasoline tax rate introduction and the debate about its abolition in a previous paper ([December 2024](#)) and in this magazine article ([February 2025](#)), it has continued to be levied since its imposition as an “emergency fiscal measure” in 1974. As of 2025, there is 53.8 yen in tax on a liter of gasoline, consisting of a statutory tax of 28.7 yen/L and a provisional tax of 25.1 yen/L. In this paper, the characteristics of gasoline taxes are outlined and consideration given to what the abolition of the provisional tax rate means, taking the impact on ordinary households as an example.

Firstly, an overview of the financial burden on households of gasoline by region. Fig. 1 shows the percentage of annual per capita consumer spending dedicated to gasoline by region. The bar graph is ordered from lowest annual per capita income to highest, with the trend line across it plotting the percentage of per capita consumer spending dedicated to gasoline. This line trends down from left to right as annual income rises, demonstrating that the bigger the city, the lighter the burden of gasoline spending.

Urban areas benefit from developed transit networks such as rail and bus, so selecting a means of transport other than a motor vehicle is simple. On the other hand, those in rural areas depend primarily on their own car to travel, and due to the distances covered, spending on gasoline is greater. Further, even within rural areas, households with higher incomes may buy cars with better fuel economy or have the ability to work from home,ⁱⁱⁱ further limiting their gasoline expenditures. By contrast, low-income households may not have the ability to buy a different car and face more difficulty in avoiding high gas prices due to long commutes, for example.^{iv}

Looking at the specific figures, Okinawa has the lowest average annual per capita income^v at 1.84 million yen, but the highest average annual spending on gasoline at 4.2% per month for households. Shikoku incomes average 2.06 million yen, with gasoline taking up 3.7%, Kyushu at 2.06 million and 3.2%, followed by Tohoku at 2.09 million yen and 3.9%. Meanwhile, the big metropolitan areas of Kanto-Koshin, Tokai, and Kansai have higher average annual per capita incomes, especially Kanto-Koshin at 2.59 million yen, but with the lowest rate of gasoline spending at just 1.5%. Okinawa households bear roughly 2.8 times the burden of gasoline costs on their budget compared to those in the Tokyo metropolitan area. The burden per liter of gasoline may be uniform nationwide, but its “weight” is clearly very different depending on the region and household finances.



Source: Estimated by the author from Family Income and Expenditure Survey, the Ministry of Internal Affairs and Communications, and the Survey on the Actual Conditions of Carbon Dioxide Emissions from the Residential Sector, the Ministry of the Environment

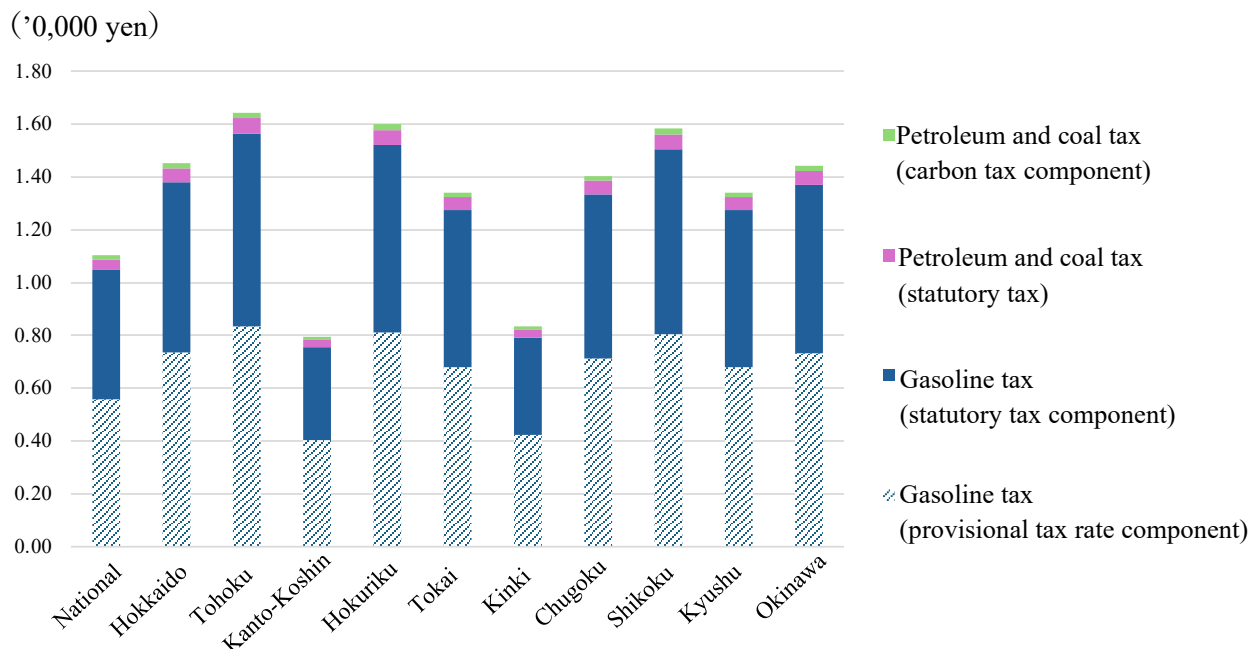
Note: The calculation of per capita annual income is arrived at by dividing the annual income per household of the region by the average number of people per household in the region. As such, the average income is lower than it would be if counting only working people, because non-working people (e.g., the elderly and children) are included in the figures.

Fig. 1. Average per capita annual income by region and percentage of consumer spending dedicated to gasoline (2022)

Fig. 2 shows the total per capita annual gasoline tax burden in each region (gasoline tax and the petroleum and coal tax). The highest tax total is paid by Tohoku at 16,500 yen per year, followed by Hokuriku and Shikoku at around 16,000 yen. This is more or less double the 8,000 yen paid in Kanto-Koshin and Kinki. Even if the tax rate is the same, more frequent car use means a widening differential in tax paid.

What this data shows is the danger of discussing what is “average” for Japan as a whole when it comes to gasoline tax. Averages on the same table conceal the different burdens of the urban office worker who fills up the car once a week and the office worker in a rural area who commutes 40km one-way to work. Living conditions such as per capita annual income, transport network density, and distance to workplace and shopping all differ by area. If these kinds of factors are ignored and the provisional gasoline tax rate is left in place, its regressive nature will only intensify.

When it comes to the abolition of the provisional gasoline tax rate, it is suggested that government revenues will be affected. The revenue raised by the provisional tax is in the order of 1 trillion yen. This is no trivial amount; therefore, the fiscal implications must be considered, a cost-benefit analysis conducted, and coordination with other expenditures planned. However, from the point of view of supporting life in the regions, there is much merit in considering the abolition of the provisional gasoline tax rate. Moreover, reducing a hidden factor in pricing would reduce logistics costs for regional economies, lower the hurdle for tourism promotion, and revitalize regional economies. The benefits may well end up rippling out to urban areas, too.



Source: Estimated by the author from Overview of automobile and energy-related taxes (national taxes), Ministry of Finance, and the Survey on the Actual Conditions of Carbon Dioxide Emissions from Residential Sector, Ministry of the Environment

Note: Gasoline tax includes local gasoline taxes. In Okinawa Prefecture, a measure reducing the provisional tax rate by 7,000 yen/KL is in place, based on the Act on Special Measures Incidental to Reversion of Okinawa. However, Okinawa Prefecture also levies its petroleum price adjustment tax of 1,500 yen/KL.

Fig. 2. Per capita annual gasoline tax burden by region (2022)

According to Fig. 2, while abolishing the provisional gasoline tax rate would bring a 4,000 yen saving per capita for the Tokyo region, the regions of Tohoku, Hokuriku, and Shikoku would reap a yearly tax reduction of 8,000 yen. This equates to an annual saving of 20,000-30,000 yen per household, so abolishing the provisional gasoline tax rate would likely bring a significant direct boost to the finances of rural and low-income households. If taxes on the fuels required for daily life place a heavy burden on the budgets of those who pay the taxes, the system was bound to face scrutiny at some point. Therefore, it is this writer's opinion that the termination of a 50-year "temporary measure" on this occasion is a first step towards correcting the imbalance in tax burden between urban and rural areas, and narrowing the inequitable cost-of-living gap between regions.

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ⁱ This article represents the personal views of the author and does not necessarily represent the views of her institution.

ⁱⁱ The Act on Special Measures Concerning Taxation and the summary of the bill to partially amend the laws related to the Act on Temporary Special Measures of National Tax Related Acts for Victims of the Great East Japan Earthquake

ⁱⁱⁱ Ryota Mugiya and Kyoko Komatsu, *Rising inequality in telework eligibility: evidence from before and after the COVID-19 outbreak in Japan*. JILPT Discussion Paper Series 22-SJ-01, 2022

^{iv} Yuko Hoshino and Junko Ogawa, The impacts of energy price changes on household expenditure. 36th Energy Systems, Economy and Environment Conference, 2020

^v Since the calculation of per capita annual income here includes unemployed individuals, it is lower than the average annual income of only employed individuals.