A Study on Educational Issues of Tax Accounting in Japanese Commercial High Schools

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(Abstract)

In order to elucidate the most effective methods for familiarising students of commercial high schools with the principles of tax accounting, four experts with experience in teaching and/or experience as practitioners in tax accounting were interviewed. The results of the interviews can be summarised as follows: 1) The intricacies of tax accounting make it a subject that is beyond the capacity of high school students to fully comprehend. 2) The objectives of tax accounting are distinct from those of corporate accounting and should not be conflated. 3) It would therefore be prudent to avoid attempting to teach commercial high school students the full version of tax accounting.

It would therefore appear prudent to familiarise students with the subject matter through, for instance, the study of final income tax returns preparation, rather than attempting to convey the intricacies of tax accounting procedures.

(Keywords)

Tax accounting, Corporate Tax, Income Tax, Teaching Methods

1. Introduction

Bookkeeping was identified as a fundamental component of the curriculum in the commercial training schools that were established during the early Meiji era, which preceded the advent of commercial high schools. Furthermore, the most recent high school curriculum guidelines incorporate bookkeeping into commercial subjects, establishing it as a fundamental aspect of the accounting field.

Tax accounting represents a crucial and indispensable component of any business endeavour. Accordingly, the subject of tax accounting was taught in Japanese commercial high schools between April 1973 and March 2005, in accordance with the High School Curriculum Guidelines of the Ministry of Education, Culture, Sports, Science and Technology (MEXT). In 1973, tax accounting was introduced as a new subject in high schools with the aim of further clarifying its practical and professional nature and of reflecting the fact that it was being implemented in a significant number of schools throughout the country. At the outset, the curriculum encompassed income tax, corporate tax and local tax. In 1982, the subject of local tax was removed from the curriculum. Subsequently, in 1994, the subject of local tax and that of indirect tax were incorporated into the curriculum as additional areas of study.

At the present time, it remains only a partial element in other developmental subjects. One potential explanation for this is that tax accounting is perceived as being too complex for high school students to fully comprehend. Indeed, the Japanese tax accountant examination sets more rigorous eligibility criteria for subjects pertaining to tax law than for those related to accounting. This can be interpreted as an indicator of the inherent difficulties associated with tax accounting. However, as Iwai (2017, p. 109) notes, the rationale behind the repeal of tax accounting remains unclear.

Nevertheless, it is this author's opinion that students of commercial high schools, who will eventually engage in a variety of commercial activities, should at the very least be well informed of the importance of tax accounting. The pivotal issue, therefore, is how to ensure that students are at the very least aware of the concept of tax accounting. To elucidate this question, four experts with experience in teaching and/or experience as practitioners in tax accounting were interviewed in order to obtain their opinions.

2. Method of Investigation

The research employed a series of interviews as the primary investigative tool. The interview is comprised of three questions, as detailed in Table 1.

Table 1: The three questions posed during the interview

Question1.	Is the approach to introducing fundamental tax accounting principles at the outset of bookkeeping education in commercial high schools an adequate one? (Early education in tax accounting)
Question2.	What is the status of tax accounting education within the broader context of commercial education? (The meaning of tax accounting education)
Question3.	What teaching methods are available for the instruction of basic tax accounting? (The teaching method employed in the field of tax accounting)

2.1 Selecting interviewees and the method of conducting interviews

In order to elicit responses that are more pertinent to the subject matter, the interviewees were selected on the basis of their educational experience in tax accounting and/or their status as practitioners in the field (Table 2). The interviewees have some overlap in practical experience and represent different countries and regions. The interviews were conducted between September and October 2024 in a one-to-one format via a variety of communication channels, including mail, email, and Zoom meetings.

Table 2: Attributes of interviewees

Interviewee	Present Occupation	Activity Base	Work Experience
A	University part-time lecturer	Japan (Kanto)	High school teacher, Bank clerk
B	University professor	Japan (Kyushu)	High school teacher
C	University professor	Japan and USA	Outside director
D	Audit manager for the Big 4* (ACCA**)	Russian Federation	Consultant

* The Big 4: Deloitte, EY, KPMG, and PwC.
** ACCA: Association of Chartered Certified Accountants.

2.2 Ethical Consideration

Interviewees agreed to participate in this research after being fully informed, both verbally and in writing, of the purpose of this research, that their privacy and personal information would be protected, that they would remain anonymous, and that the information would be stored in a secure location.

3. Results

In this section, for each of the three interview questions (Table 1), the relevant parts are extracted from the interview transcripts and analysed. Short summary is given in Table 3.

Table 3: Summary of Interviews

Question 1: Relevance of early teaching of tax accounting
A: Tax law affects corporate accounting, so it's important for high school students to study it.
B: The experience of assisting with the preparation of tax returns and participating in tax-themed competitions constitutes a valuable learning resource for the acquisition of tax accounting skills.
C: The fundamental principle of tax accounting is the body of tax legislation, which is not designed for the purpose of tax calculation. There is no direct correlation between accounting information and the amount of taxes paid.
D: For those considering a career in accounting, it is advisable to commence studies at the earliest opportunity. However, it should be noted that the subject of corporate tax is particularly challenging.
Question 2: Positioning of tax accounting in education
A: While it is essential to determine the curriculum based on the students' needs, including tax law in the educational programme will prove advantageous for their future students.
B: The level of tax accounting taught in high school education is markedly distinct from the practical applications encountered in professional settings. Consequently, students are only introduced to this subject matter in other subjects.
C: It is not always essential for students to possess a comprehensive understanding of tax law, given that the objectives of tax law and bookkeeping are fundamentally distinct.
D: Learning tax accounting is difficult. In fact, at my place of work, tax and accounting procedures are handled by different personnel.
Question 3: Methods of Teaching Tax Accounting
A: While it is challenging to educate students in tax accounting to a level that will enable them to pass the tax accountant examination, it is nevertheless a worthwhile endeavour if the content is carefully selected with a view to equipping students with the skills they will require to file tax returns in the future.
B: It is significant to learn about tax accounting based on familiar examples. However, tax accounting is not a major area in modern education and its focus is on the dissemination of tax-related concepts in subjects such as civics and social studies.
C: It is important to distinguish between corporate accounting and tax accounting. Furthermore, it would be beneficial to gain an understanding of the variations in tax systems across different countries. This can be illustrated by comparing the personal income tax returns in the United States and Japan.
D: It is not essential to study corporate tax at the high school level. However, learning to complete personal income tax returns is a valuable exercise, as it will assist students in the future.

3.1 Question 1: Early Education in Tax Accounting

Three out of four respondents expressed a positive opinion about the early introduction of tax accounting to high school students, citing the importance of learning about tax law, which has a significant impact on corporate accounting. Assisting with the completion of tax returns and participating in tax-themed competitions represent effective avenues for acquiring knowledge of tax accounting. Those contemplating a career in accounting are advised to commence their studies at the earliest opportunity. However, it has been observed that the subject of corporate tax is particularly challenging. One interviewee highlighted that the fundamental principles of tax accounting are embedded within tax legislation, rather than being confined to the realm of calculations such as bookkeeping. The response provided by the interviewees to

Question 1 is as follows:

"*Despite the growing prevalence of international accounting standards, Japan's institutional accounting remains largely structured around a tripartite system. The Companies Act, the Financial Instruments and Exchange Act, and the Tax Act. Tax legislation exerts a considerable influence on the field of corporate accounting. This is evidenced by the fact that it establishes a residual value of zero for depreciation and also defines the useful life of assets as a matter of statute. Furthermore, estimation calculations, such as those pertaining to reserves, are not permitted due to the vesting principle. Corporate accounting frequently entails estimation calculations based on management's judgment. In light of the aforementioned factors, it is of considerable importance for students in high school education to gain an understanding of the principles of tax law.*" [A]

"*At that time, I was not engaged in the instruction of a course in tax accounting. However, I do recall that when that season came, students would aid taxpayers in completing their final income tax returns. I also instructed students in the preparation of tax essays and the completion of competitive exercises, with several of my pupils going on to win national accolades. Furthermore, the tax classes and the tax walk rally that I led at educational institutions and in the local community were also held in high regard. As a result of these activities, I was presented with the National Tax Agency JAPAN Director General's Award. It is therefore conceivable that elements of tax accounting could be included in the curriculum of high schools.*" [B]

"*The objective of teaching corporate accounting at the university level is to provide students with the knowledge and skills required to quantify management results, rather than to teach bookkeeping per se. In other words, corporate accounting is similar to business administration, and bookkeeping constitutes a fundamental component of the numerical processing that is essential for the field of accounting. Conversely, the foundation of tax accounting is tax law, which is analogous to legal studies. Additionally, in the United States, the Internal Revenue Service (IRS) is responsible for tax administration. However, the corporate accounting process is guided by the United States Generally Accepted Accounting Principles (USGAAP) and is not designed to calculate tax amounts. To illustrate, the International Financial Reporting Standards (IFRS) are utilised by all countries in a uniform manner, with management results being presented as financial statements in accordance with that framework. However, it should be noted that there are significant differences between tax laws in different countries. Consequently, there is no direct correlation between accounting information prepared in accordance with IFRS and the subsequent tax liability. It is therefore not possible to make comparisons with foreign countries, given that the history of tax laws are completely different* *between Japan and other countries.*" [C]

"*I commenced my studies in accounting at the same level as high school in Japan, with the objective of subsequently working as an accountant for one of the Big 4. In the Russian Federation, there are no educational establishments offering a commercial high school curriculum comparable to those in Japan. However, a general economics course is available from the start of high school education. Two distinct course types are available: one focuses primarily on economic subjects, while the other combines economic studies with a broader curriculum. I opted for the latter. In addition, I acquired a rudimentary understanding of personal income tax in a tax accounting class. It is, of course, possible to study accounting at the university level. Furthermore, university-level tax accounting lectures encompass the study of corporate tax. I proceeded to pursue further studies in accounting at the postgraduate level, where I also engaged with International Financial Reporting Standards (IFRS). In Japan, you have previously observed that high school students who primarily study general subjects are more likely to succeed in the accountant examination. However, in the Russian Federation, there is no such hierarchy. Indeed, for those who are interested in accounting, it is preferable to commence their studies at an earlier stage. Nevertheless, it is important to note that studying corporate tax is a particularly challenging endeavour.*" [D]

3.2 Question 2: The Meaning of Tax Accounting Education

The study of tax accounting is beneficial for students in the long term, therefore the educational content must be adapted to suit their needs. Nevertheless, there is a notable discrepancy between the scope of tax accounting and practical work in high school education, which necessitates a differentiated approach to the teaching of tax accounting. Consequently, students are only introduced to this subject among other disciplines during their high school education. Furthermore, it is not always essential for students to possess a comprehensive grasp of tax accounting, given that the objectives of tax accounting and bookkeeping are distinct. It is therefore crucial to adopt an educational approach that is tailored to the students' needs and to recognise that a comprehensive understanding of tax accounting is not a prerequisite. The response provided by the interviewee to Question 2 is as follows:

"*I was not disinclined to teach a tax accounting class, but I also taught students who were not particularly adept at learning bookkeeping. Consequently, I had to determine the extent of the content to be taught. Undoubtedly, tax accounting necessitates adjustments between taxable revenue/tax-deductible expense and revenue/expense based on discrepancies between corporate accounting and tax law. For subsequent purposes, learning tax law is a logical step in understanding corporate accounting.*" [A]

"*The content pertaining to corporate tax that is typically covered in high school tax accounting courses is not aligned with the level of expertise required in professional practice. The level of corporate tax required in practice is highly sophisticated and markedly divergent from the content typically covered in high school tax accounting courses. Consequently, it now constitutes a mere fragment of the business fundamentals curriculum and other subjects.*" [B]

"*In the process of educating students, it is of paramount importance to identify the categories of information that users require. In other words, it is essential to have a clear understanding of who the information users are. One might inquire as to why tax accounting is subject to legal regulation, whereas financial accounting is not. The calculation of amounts is dependent upon the intended use of the information in question. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are both responsible for setting accounting standards in their respective jurisdictions. Additionally, Japan has its own set of accounting standards. Nevertheless, they are merely standards. Consequently, calculations are typically based on interpretations that vary from one company to another. In the context of legislation, the regulations are unambiguous and mandatory. Consequently, the results will invariably be calculated in accordance with a pre-established methodology. Your concern is that students as taxpayers, will learn corporate accounting without a deep understanding of the basis for paying taxes. However, it is assumed that tax information is only used by the tax authorities. Consequently, the necessity of tax accounting is limited to the calculation of tax amounts and the presentation of the rationale behind these amounts to the relevant tax authorities. It is not intended for public dissemination. In contrast, what are the implications for corporate accounting? The users of corporate accounting information are society as a whole. Such information will not only be utilised by investors for investment decisions, but also by students for the purposes of job hunting. Furthermore, it will be employed for credit management, as previously stated. It is evident that there is a significant discrepancy between the standards governing revenue recognition in the context of corporate accounting and those pertaining to tax accounting.*" [C]

"*Indeed, when we analyse the management of a company, the tax treatment is a crucial perspective. Nevertheless, our department lacks a comprehensive understanding of the actual tax treatment of these matters. This is due to the fact that the nature of the accounting treatment is entirely distinct. Consequently, when it is imperative to ascertain the manner in which an asset is treated under the auspices of tax law, recourse is to other department within our company, which is equipped with the requisite expertise about tax. In my final two years at university, I undertook a course in tax accounting, a subject that proved to be particularly challenging.*" [D]

3.3 Question 3: Teaching Method of Tax Accounting

It is crucial to distinguish between corporate accounting and tax accounting, as they are two distinct fields. One illustrative example to foster familiarity with tax accounting is to educate students about the contrasts between personal income and individual tax returns in the United States and Japan. While it is challenging to teach at the level of the Japanese tax accountant examination, it is beneficial to focus on tax returns that will be useful in students' future career paths. While it is crucial to learn tax accounting based on familiar cases, it is also important to note that the current emphasis is on providing students with an overview of tax accounting instead of teaching its technical aspects. The response provided by the interviewee to Question 3 is as follows:

"*Since my initial appointment as a teacher, I have been instructing students in the field of tax accounting. Additionally, I have provided instruction at a night school. It should be noted that a significant amount of time was dedicated to the in-depth study of tax accounting material and the rigorous examination of tax law. However, for the average teacher, tax accounting may have constituted advanced content. It would therefore be inadvisable for either teachers or students to engage with content at the level of corporate tax law or income tax law in preparation for the tax accountant examination. Nevertheless, I elected to incorporate fundamental principles of income tax law into my tax accounting curriculum, anticipating that a number of my students would be preparing final income tax returns as sole proprietors following graduation. It is therefore my contention that, if the requisite content is selected with care, the subject in question can be made meaningful for students of commercial subjects.*" [A]

"*As previously stated, it is of paramount importance for students to be able to learn tax accounting through events that are familiar to them. It is therefore possible to implement this as part of the project study. Nevertheless, recent developments have seen tax education being incorporated into the curriculum of elementary and junior high schools, with even high schools integrating tax education into their civics programmes. This is due to a reduction in the number of educational establishments offering specialised instruction and an increased emphasis on general education.*" [B]

"*Learning bookkeeping or corporate business accounting should not be confused with learning tax accounting. However, I think it is an interesting approach to have students prepare the U.S. final income tax returns. They should be able to notice difference between the Japanese final income tax returns, which collects results of calculations for each item, and the U.S. final income tax returns, which is written from the top of first page.*" [C]

"*It would be inadvisable to require students to learn corporate tax at the high school level. Nevertheless, I consider it beneficial for students to gain an understanding of personal income tax at the high school level, as it is a concept that will prove useful throughout their lives.*" [D]

4. Discussion

The initial consideration is the adequacy of early education in tax accounting in commercial high schools. In the course of the interviews, the interviewees highlighted the importance of including tax law in the curriculum of high schools, given the significant impact that tax law has on corporate accounting. It is advised that those with an interest in this subject should commence their studies with the field of tax accounting.

In contemplating the essence of tax accounting education, one interviewee observed that the bedrock of tax accounting is in tax law, rather than for the purpose of calculation as in bookkeeping. It is likely that a significant proportion of students will not pursue a career path that involves engagement with tax accounting. Consequently, if one were to educate students at a commercial high school in the field of tax accounting, it would be prudent to select content that is tailored to the students' needs and to recognise that a comprehensive understanding of tax law is not a prerequisite.

In conclusion, the teaching methods employed in the context of tax accounting warrant further consideration. All interviewees agreed with the desirability and significance of tax accounting education in commercial high schools, although they did raise some concerns. Firstly, it is imperative that the distinction between corporate accounting and tax accounting is not blurred. In addition, the level of corporate tax content in practice exceeds that which would be expected at the high school level. The author infers these factors likely contributed to the decision to discontinue the teaching of tax accounting after 2005. It is therefore recommended that students should be made aware of the existence of tax accounting, but not taught the details of the subject. Instead, programmes should be devised and created to familiarise students with the field. The interviewees proposed that an initial step could be to introduce students to the completion of a personal income tax form as a preliminary exercise. A comparable notion is put forth by Oizumi (2014, p. 76), who proposes the incorporation of a simulated program for tax audit into university-level tax accounting education, wherein a sequence of tax accounting procedures is taught. Additionally, one interviewee posited that it would be advantageous for students to gain an understanding of the distinctions between personal income tax returns in the United States and Japan.

5. Conclusions

The importance of tax accounting is increasing in the contemporary economic landscape, which is becoming increasingly sophisticated, including negative aspects such as tax avoidance. As Matsumoto (1978) has observed, the practice of tax accounting is subject to frequent revision in response to shifts in the global economic landscape. In the practical world, it is necessary to respond to such changes. The rapid pace of change in the education sector places a significant burden on teachers and makes it challenging to maintain the status of tax accounting as a subject. Conversely, a lack of tax accounting knowledge among students in commercial high schools not only presents a disadvantage for them, but also represents a significant loss for the Japanese economy, where they will be active in the future.

The results of this interview survey indicate that it is more beneficial to provide an overview of the conceptual differences between tax accounting and corporate accounting, rather than delving into the minutiae. Furthermore, it was observed that enhancing the accessibility of tax accounting to students would be beneficial, particularly by addressing common challenges such as tax return preparation. Matsumoto (1978) similarly advocated addressing the issue of tax return preparation. It is essential to ensure that the implementation of these aspects in the educational programme does not place an undue burden on teachers. In the future, it would be beneficial to consider strategies for communicating the concept of tax accounting in an accessible manner and for allowing students to gain an understanding of the importance of tax accounting in a practical way, for example by preparing tax returns. This could be implemented into the teaching content.

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