
Was tax optimisation used in ancient Japan?

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Abstract: The aim of this paper was to investigate whether tax optimisation was used in ancient Japan. The period under consideration covered the Yamato (250-710), Nara (710-794), and Heian (794-1185) epochs, i.e. the ten-century period including the building of the centralised state, the establishment of the Ritsuryō state, and its disintegration. The analysis of these three stages was made in terms of the use of tax optimisation. The most important taxes, principles of their measurement, collection and effectiveness were discussed, distinguishing three levels of tax optimisation – state, local and basic. The study aimed to verify the thesis that tax optimisation was used in ancient Japan. The method of research was the analysis of relevant literature. This analysis is one of the first attempts in Polish literature to outline the system of taxes and its evolution in ancient Japan. Another novelty is the indication of the possibilities of tax optimisation on three levels – setting tax policy (the state), assessing, and collecting taxes (local), and basic – generating tax revenues (farmers and artisans). This research showed that tax optimisation has been practised in Japan since the establishment of the Ritsuryō state, and also revealed that some of the old tax principles and practices are still applied in the modern Japanese economy. This study contributes to narrowing the research gap in Polish economic literature on taxation in ancient Japan and points to the need for further exploration of this interesting and still relevant research area.

Keywords: tax, optimisation, state, districts

1. Introduction

The aim of this article was to explore whether tax optimisation was used in ancient Japan. The period under consideration covered the Yamato (250-710), Nara (710-794), and Heian (794-1185) epochs. The analysis of tax regulations examined almost one thousand years, during which three phases of state development can be distinguished. The first was the period of centralisation of the state, the second

was the formation of the Ritsuryō state, and the third was the period of its dissolution and the decentralisation of state power. In each of them, the land was the basis of the economy and the primary source of income. It conditioned the existence of various social groups and was a source of material wealth and political influence for the imperial family, courtiers, state officials, clerics, and peasants. Thus, the most critical problems were related to the land ownership and the right to taxes levied on it.

The research aimed to confirm the thesis that tax optimisation was used in ancient Japan. The method of research was the analysis of relevant literature.

Optimisation refers to an act, process or methodology of making something as good or effective as possible, that is, as fully perfect, functional, or effective as possible (Cambridge Dictionary). For tax receivers, tax optimisation is understood as maintaining and expanding the tax base and striving to increase the income generated from it, whilst for taxpayers, optimisation is the possibility of reducing the amounts due. The author presented characteristics of the state, the condition of the main social groups, and the law concerning taxes. Special attention was paid to the possibilities of tax optimisation by the main participants of the tax system, its beneficiaries, and 'victims'.

This analysis is one of the first attempts in Polish literature to outline the system of taxes and their evolution in ancient Japan. Another novelty was the indication of the possibility of tax optimisation on three levels: setting tax policy (the state), assessing, and collecting tax (local), and generating tax revenue (farmers and artisans). This showed that some of the old tax rules and practices are still used in the contemporary Japanese economy.

A review of the literature on the subject revealed that in the analysed period, attempts to adjust the tax systems to the turbulent political and economic environment were ineffective. The amount of tax collection depended on the state's level of development, its financial situation, the degree of centralisation of power and control over land and people, and land ownership structure. It was found that the Chinese tax system, which the Japanese followed, was not compatible with Japanese reality (culture). Its hybridisation led to the creation of a specific system, which evolved to suit mainly the needs of the top aristocracy and religious institutions. Tax optimisation has been used in Japan since the founding of the Ritsuryō state.

The research is only a contribution to the discussion on tax optimisation in ancient Japan and requires further in-depth exploration.

2. The taxation in a period of the state centralisation

Ancient Japan was a tribal society divided into clans called uji, united under the leadership of a chieftain who claimed descent from a common ancestor and worshipped the group's ancestral deity (kami). Each clan (uji) had its own territory and was linked to the main family through loyalty and marriage. The chieftain, a direct descendant of the clan's deity (ujigami), was the link between the group and its deity (see Yamamura and Murakami 1984). He was the lord of the family, the household, and controlled all the property of the uji (Andressen (2002, p.28)). The clan leaders wielded great power and had the right to decide the lives and death of their subjects; the clan worked for its own good and that of its head.

Around the 3rd century, the Yamato clan (based in Nara) became the leader of a federation and established the Yamato kingdom, a political union of the uji of the favoured families. It included local chiefdoms and gave them positions within the Yamato hierarchy. A significant source of the Yamato supremacy was cooperation with China and Korea (Yamamura and Murakami 1984). New technologies, knowledge, and religious systems were acquired from them, however the ancient Japanese employed only those achievements which suited their needs and preferences, especially the construction of irrigation systems, the opening of new lands, the production of new and attractive goods, as well as

knowledge about the organisation and functioning of government, the control of land, and the levying of tribute (Totman 2014, pp. 52-53). Thus, already in antiquity, Japan used hybridisation to improve its political system, governance, and economy, successfully repeating this process in the following centuries, including the 21st century.

By the 5th century, the innovations introduced helped the Yamato build a strong and prosperous clan, achieve supremacy, and form a government accepted by continental rulers (Totman (2014, p. 53)). As head of all uji, the Yamato king worshipped the national deities, established, or abolished uji, appointed uji no kami (chieftains), and adjudicated disputes among them (Brown 2008, p. 93). Uji associated with Yamato economically, militarily, religiously, and familiarly, became semi-independent, political, administrative units approved and controlled by the Yamato ruler, forming the basic decentralised administrative (management) and supervisory structures until their abolition in 604 (see Kiley 1973). Cooperation was based on mutual benefits, fear, ideological commitment, and personal involvement in the emerging imperial system – the uji-kabane system, under which the uji provided needed services to the imperial monarchy and was required to strengthen imperial power beyond Yamato. Their prominent members were given kabane (family names), hereditary titles denoting the social rank and responsibilities of the individual in the Japanese sociopolitical structure from the late 5th to the late 7th centuries. Through this system, Yamato established an unprecedented, centralised administrative control over the uji (Totman 2014, p. 53).

For political purposes, the Confucian philosophy of moral behaviour and social stability was adopted because it was useful to strengthen the power of the central government and to stabilise Japanese society by emphasising the need for good governance, ethics, social hierarchy, harmony, duty, and respect for authority (cf. Ellington 2002, p. 23; Hara 1920, p. 42). Confucianism was introduced to Japan via Korea (the Kingdom of Paekche) between the 6th and 7th centuries A.D, however, as usual in Japan, it took a specific route (Dollinger 1988). It defined much of the East Asian identity of Japan, especially concerning philosophical thought and practice (Tucker 2008), and propagated the values that, throughout Japanese history, well into modern times, shaped the specificity (character) of Japanese society (Andressen 2002, p. 33). Dollinger stated that there was ample evidence that the ethos of the Confucian tradition continues to contribute to interpersonal and organisational practices in contemporary Japanese companies which have consciously chosen to diverge and maintain their traditions in social and interpersonal matters. In terms of technology, they embraced Western science and practice because it was and still is in their best interests. When the issue was the adoption or design of a socio-technical system, the Japanese chose the harmony of the system over the rights of the individual (Dollinger 1988).

From the third century BC, miyake lands (royal estates) were established in several provinces by order of the court. They were directly managed by the Yamato's government, which also imposed taxes on them (cf. Asakawa 1914). Rice was grown and stored in the miyake districts for public use, for the administrative needs of the region, and to support the court (Brown 2008, p. 139). They were the property of the crown, as were the number of hereditary corporations be functioning within them, organised under the supervision of chiefs (tazukasa) responsible for their smooth functioning (production), and officials in charge of stores (mi-agata no obita) (see Brinley and Kikuchi 1912, pp. 71, 87-95). Their overseers were the rulers who held provincial domains and governors who could not be removed at the imperial pleasure and held office for a specified period (Brown 2008, p. 97). These appointees of the court functioned mainly as bureaucratic tribute collectors (Totman 2014, p. 53) and, since 374, administered (managed) the lands for the court as kuni no miyatsuko (120 officials before 645). Those who governed towns and villages were called tomo no miyatsuko (see Hane and Perez 2018, p. 15). Thus, the Miyake, like the be corporations (Batten 1986), were divided into those managed (administered) directly by the court and those managed indirectly by provincial governors (kuni-no-miyatsuko). These offices were hereditary, and the families of their holders formed the nation's aristocracy, occupying the highest offices from generation to generation.

At that time there was no annual tax that the king regularly imposed on the people, except for occasional general requisitions for public works, festivals, or military operations. He could only decide on taxes paid by the land and be corporations belonging to the crown. If the king wished to collect money from the entire nation, his request had to be approved by the uji chieftains (Brinley, Kikuchi 1912, p. 124-125). Towards the end of the 6th century, the court became so powerful that the uji chiefs no longer interfered with the ruler's rights, since refusal to requisition was punishable. No tax optimisation was possible during this period.

In the sixth century, faced with challenges to their power, the Yamato kings realised that Japan needed to unite to strengthen its position to resist internal and external threats. The necessary reforms were initiated by Prince Shōtoku, considered the father of Japanese civilisation (see Brinley and Kikuchi 1912, pp. 95, 143) and a great propagator of Buddhism (introduced in 552). He understood very well that strengthening imperial control over the spiritual and secular affairs of the state was urgently needed (Brown 2008, p. 32). In 603, Prince Shotoku, following the Chinese model, introduced the Twelve Level Cap and Rank System, ranking the court officials based on merit. Their rank was expressed by the colours of the caps they were ordered to wear, with each colour having a major and a minor rank. This overlapped with the hereditary titles, but certain noble families and the Imperial Family were above the system. Prince Shōtoku also promulgated Japan's first written law, the Seventeen-Article Constitution (604), a set of moral and political principles (a codification of Confucian ethics) addressed to all clans (see Wren 1968). It set forth the ideals of a centralised state ruled by a single ruler and the principles of human conduct (Brown 2008, p. 32). He initiated reforms, the culmination of which was the Taika or Taikwa (Great Change) Reform in 645, which transformed within a few years all the fundamental institutions of the central and local administration (Asakawa 1907, p. 22).

3. Establishment of Ritsuryō state and the new tax system

The goal of the Taika or Taikwa reform was to create a fully centralised imperial state from the loosely connected uji, ruled by the emperor according to a system of written laws and with the help of bureaucratic officials appointed and dismissed by him (Brinley and Kikuchi 1912, p.160). Thus, the Ritsuryō state replaced the Yamato administrative system with the Ritsuryō model managed by qualified officials (cf. Meyer 2009, pp. 41-42; Mason and Caiger 1997, p. 80). The change was initiated by the Taika Reform Edict (646), consisting of four articles that strengthened the emperor's political power (Morton and Olenik 2005, p. 24). Article I declared that the land and people controlled by the uji should be placed under imperial administration. Most of the nobility formally and voluntarily ceded their lands and subjects to the state and those who did not were forced to do so by an edict that made it obligatory and binding on all (The Editors of Encyclopaedia Britannica 2012). The land was parcelled out and controlled by the government, and the peasants were to work for the state as free subjects and leaseholders from the state (Andressen 2002, p. 36). However, it divided the free people into the governing and the supporting classes. The governing class consisted of a new civil nobility of rank and office (instituted in 603 and revised five times before 701). The higher ranks and offices were accompanied by definite grants of rice-land to be held during their tenure, and every holder of rank and many civil servants were exempt from the payment of tributes and forced labour (see Asakawa 2014). Economic benefits included the abolition of slavery (slaves amounted to c. 5% of the emperor's subjects, and fell into the two categories, private and public; Murdoch 1910, p. 172) and semi-free skilled labour, the introduction of contractual arrangements between the landholders and cultivators (leasing), and rational methods of taxation (Yamamura 1974).

The edict established (Article II) a hierarchy of provinces (kuni), districts (kōri or gun) divided into communities (townships called sato, inaki or agata) consisting of fifty households (ri or ko), also called village units or mura (see Mason and Caiger 1997, p. 75). The farming communities were grouped for protection, responsibility, and control into groups of five families called an association of five (goho or gonin-gumi) with a recognised head (hocho) (Batten 1986). These groups were mutually responsible

for implementing official orders, including taxes (Murdoch 1910, pp. 154-155). In this way, not only a modern administrative structure was created, but also a chain of power, responsibility, and strict control over people and taxes. This administration structure was functioning until the beginning of the 20th century.

The Taika Reform Edict ordered the creation of population and tax registers and the formalisation of land laws (Article III). Provincial and district officials, as representatives (agents) of the central government, were required to monitor the country's population through periodic censuses and rice field surveys (the first was in 670). The censuses were used to register the population, allocate rice land (*kabunden*) to farmers, assess taxes, and appoint local headmen. For the first time, an attempt was made to determine who owned what, which allowed better social control and a more efficient taxation system, increasing the government's power (Andressen 2002, p. 36). The Taika reform introduced the system of equal fields, in which land was distributed in the form of a lease ending after six years, based on rice production, with scales adapted to the gender, age, and status of each household member (Meyer 2009, p. 45). The reformers, after the Chinese model, confiscated for the state all the landed estates of private individuals, which were then shared equally among all the people above the age of six at the rate of two *tan* for a male and one and one-third *tan* for a female (a *chō*, or 10 *tan*, at the time, being approximately equal to two acres). They were conducted initially every four years and later every six years. The governors (*kokushi*) were responsible for the preparation of population registers and accounting records, a system of land acquisition and redistribution as the basis for the systematic allocation of rice land and its preservation in the hands of free farmers (Murdoch 1910, pp. 149-155). Thus, land confiscated by the state was redistributed to all who had reached a certain age, giving them the right to cultivate it in exchange for a fixed tax.

Article IV of the Taika Edict introduced a new, official tax system adopted from China (Mason and Caiger 1997, p. 43), and was comprehensive and unified (Tubilewicz 1984, p. 63). New taxes were of three kinds; the principal one was the rice tax, called *so*, being levied upon land – assessed approximately at five per cent of the gross produce. The other two kinds of taxes were called *yō* and *chō*. The former can be considered a kind of serfdom. After the age of twenty-one, a man was required to perform public work for ten days a year (later 60), which he could exchange for one piece of cloth (*nuno*). *Chō* was applied to silk, fish, cloth and items produced or obtained in significant quantities, corresponding to the so-called royal tenth in England (Idzumi 1917). They were imposed on all individuals in the household. The new nobility was exempted from the last two, which were the most onerous forms of taxation, but not from the rice tax (see Batten 1986). The revenue from the rice tax was to cover the local government's expenses, while the central government's expenses were covered by the proceeds of two other taxes – the *yō*, and the *chō* (Asakawa 1907, p. 23). The system can be assessed as fair, adequate, simple, transparent, and easy to administer. It represented the features required of modern tax systems. It did not encourage tax optimisation but created incentives to increase agricultural productivity and allowed for higher private profits from rice and commodity production.

Local governance under the Ritsuryō codes strove for centralisation, symbolised by the two principles of state people or all unranked commoners (*komin*) and state land (*kochi*) (Batten 1993). The entire population became direct subjects of the emperor, and all lands in the empire were established under imperial ownership. However, to ensure that the highest ranks were monopolised by the great *uji*, the system of shadow ranks (*on'i*) was introduced, which offered concessions from the throne to nobles in the form of economic rewards, various stipends, and tax exemptions (Yamamura 1974). In this way, the law became a compromise between the new principles of the Ritsuryō system and the old respect for birth (see Murdoch 1910, p. 171). It was an excellent example of the use of hybridisation, which had been quite often implemented in Japanese law and governance history. However, over time, these privileges proved to be the cause of the downfall of the Ritsuryō state.

Significant status-related reforms were also introduced by later decrees such as the Omi Code (668), Taiho Code (702), and Yoro Code (757) (see Batten 1986). Fundamental reforms and a new tax

structure were introduced by the Taiho Code (Great Treasure), modelled on the codes of the Chinese Tang dynasty. It consisted of two parts – the Administrative and Civil Code (*ryo*), in eleven volumes, and the Disciplinary and Penal Code (*ritsu*), consisting of six volumes. It formed the Ritsuryō system (the system of centralised government based on the Ritsuryō Code) in Japan, the fully centralised governing system focused on the emperor and set a bureaucratic organization of the Japanese government. The Taihō Code, or the Taiho Constitution, gave Japan its first formal legal system and a framework for state administration. It provided for stricter supervision of corruption among local officials, but also emphasised the promotion and regulation of court life rather than the affairs of the common people. Until 967, the code was repeatedly revised to reflect changing circumstances.

As noted earlier, holders of ranks, offices, temples, shrines, and individual noblemen were supported by rice fields classified as public fields (*koden*), which were not divided (about 5% of the total) in the first full application of the allotment system in the 690s. Land allocated to them was tax-exempt (Yamamura 1974). In 723, a decree was issued stating that any new rice land opened at an individual's personal expense would be private property for three generations (Brown 2008, pp. 438-439), but the decree of 743 already allowed the privatisation of such rice paddies (cf. Yamamura 1974). The beneficiaries were mainly high-ranking officials, Buddhist temples, and monasteries because only they had sufficient resources to exploit these opportunities. The new law contradicted the original Ritsuryō Code because it not only allowed permanent use of the newly developed land but also exempted it from taxes, initiating the development of private estates called *shōen* or *sho* (see Asakawa 1914; Frohlich 2003), Land Administration in Medieval Japan). These tax-favoured fields were called *shoen* because local tax managers (administrators) remitted tax revenues directly to the owner rather than to the provincial government (Yamamura 2008, p. 101). The *sho* that appeared in the eighth century possessed three characteristics: contained, as a major original feature, a recently cultivated area of paddy field that was privately owned and managed and enjoyed or claimed some degree of tax immunity. Over the course of four centuries, these entities absorbed most of Japan's taxable land and population, becoming almost entirely tax-exempt and usurping some of the sovereign functions of the state. The *sho* overthrew the Ritsuryō state-system constructed in the seventh century (cf. Asakawa 1914).

These tax-free lands contributed more than any other factor to the disintegration and demise of the concept of a strong and centralised state based on extensive and well-structured economic, political, and administrative institutions (Morton and Olenik 2005, pp.169-170). They also contributed to the development of a specific tax optimisation at three levels, namely, tax assessment, collection, and control.

In the early 670s, provincial governors (*kokushi*) reappeared (dating back to the 5th century) as an integral part of the administrative system (see Hara 1920, p. 161). The emperor appointed the governors from high-ranking men in the central bureaucracy, usually descendants of the old court nobility. They were the highest-ranking officials in each province, providing the link between the Court and the provinces. The staff of a large province (according to the Yoro code) consisted of a governor (*kami*), an assistant governor (*suke*), two secretaries (*jo*), two recorders (*sakan*), and three clerks (*shisho*). The number of assistants, secretaries, and recorders (scribes) was reduced for other provincial grades (Batten 1993).

Governors were appointed at first for a period of four-years, and subsequently for a period of six years. At the end of their term, they moved to new posts in other provinces or the central government. For managing land for the court, as high-ranking officials, they received sustenance fiefs. Governors and assistant governors were responsible for an extensive range of activities. The governor's duties included registering the population, households, and rice fields, acting as the father to the people, supporting agriculture, hearing complaints, levying, collecting taxes and serfdom, redressing grievances, and maintaining irrigation systems. No aspect of provincial life escaped their attention (see Hérail 2014).

The governor and the assistant governor of a province were responsible for state properties, and therefore both needed a discharge certificate when they vacated office and were accountable for any discrepancies. They were required to bring tax registers (chocho) to the capital, showing the number of taxable persons in the province and the type and amount of cho and yo collected (Batten 1993). The Computation Bureau of the Popular Affairs Ministry compared these registers with the actual goods to ensure that no mistakes had been made and that all amounts owed to the central government had been properly transmitted. If everything was in order, the kokushi was issued with a receipt and allowed to return to his province. If he returned to his province without a receipt from the Computation Bureau, he was removed from office or subjected to some other penalty. In principle, no provincial administrator, regardless of his rank, could receive his next appointment without leaving a clean slate (cf. Hérail 2014). This proves that financial statements were already prepared and audited in ancient Japan and were an important control instrument.

Under the governors, former local lords and be chieftains served as nominees for district offices, which were usually granted for life. These prominent residents were imperial nominees responsible for the districts (established in the period 680-685) and tax collection under the control of imperial governors (Mason and Caiger 1997, p. 45). All were subordinate to the emperor and were paid in kind, as there was no currency at that time (Hara 1920, p. 116).

The Ritsuryō state's methods of controlling the provinces reached their peak in the first half of the 8th century. Provincial officials were able and obliged to keep accurate records of local populations, rightfully allocate rice lands to farmers, recruit workers for public works and military service, and collect sufficient tax revenue to cover central and local government expenditures. However, government spending had been rising steadily since the mid-eighth century due to the enormous cost of building the capital and temples, expensive Emishi wars, the disintegration of traditional rural elites, and irresponsible central fiscal policies, while the tax proceeds were declining.

4. Disintegration of the Ritsuryō system and opportunities for tax optimisation

The erosion of the Ritsuryō system accelerated during the reign of Emperor Kammu (781-806) when the imperial court was at its height as a political power and promoter of aristocratic culture. This was due to members of the court and high-ranking officials receiving tax-free rice land for their services, which they then passed on to their heirs as rank land, the size of which depended on their status in the aristocracy. It was not inheritable, but as the most prominent court families monopolised the most important government offices, this land became a permanent family possession. As tax exemptions increased, the effective tax base of the state decreased, and the burden of generating the necessary income in the form of rice fell on a diminishing number of peasants (see Morton and Olenik 2005, p. 26).

To simplify and streamline the central government and to strengthen control over the provinces, Emperor Kammu established three supervisory bodies: the Accounting Bureau (Shukeiryō), the Bureau of Tax Revenues (Shuzeiryō), and the Board of Discharge Examiners (Kageyushi) also called the Audit Office. The appointment of the Board of Discharge Examiners was part of a review of the provincial administration aimed at limiting the private control of its officials over the use of labour and the exchange of goods. In the early Heian period, the audit office consolidated fiscal matters between the central administration and the provinces.

Holding provincial officials accountable for tax losses, as well as introducing a system to encourage them to pay their taxes on time, can be seen as a government way to optimise tax revenues. The system of collective reimbursement was employed in 795. Incoming and outgoing officials were jointly responsible for covering the deficit, but this encouraged one group of officials to try to shift responsibility to another. This loophole was closed in 888 when the government decided to relieve provincial officials from any economic responsibility for arrears dating from before their term of office.

All administrators were responsible for tax arrears and the consequent loss of central government revenue. They were required to compensate for these losses with deductions from their own wages while the chief official was prosecuted (cf. Hérail 2014). Thus, 30% of the debt was assigned to the governor, 20% to the assistant governor, 15% to the secretary, 10% to the recorder, and the remainder to clerks and other minor officials. A governor who did not provide the full amount owed from his province was disqualified from further official appointments by the Audit Office (see Batten 1993).

In 805, Emperor Kammu, to solve some financial problems, reduced to noble status over one hundred imperial princes and princesses entitled to receive government support under the statutory system (Shively and McCullough 2008, p. 7), but also adjusted the tax structure to the changing conditions of the country and improved control over those provincial governments, which had incurred the largest losses in income (Shively and McCullough 2008, pp. 37-38). The rules on holding the office of the provincial governor were tightened (cf. Brinley and Kikuchi 1912, p. 165). The hereditary terms of office were abolished for those governors and district heads who had land grants exempt from taxes, as well as offices not listed in the administrative code. Loans not authorised by provincial governors were banned. District officials were required to be tax collectors in their districts and to exert pressure on the underprivileged under their jurisdiction (see Yamamura 1974).

However, the mounting fiscal crisis eventually forced central policymakers to abandon their local control strategy and adopt a new, relatively decentralised administrative system. In order to optimise tax (securing its income conditioned by tax collection), in the early tenth century, the court abandoned its earlier reliance on the centralised, bureaucratic pattern of authority in favour of a looser, more flexible approach towards local governments (Batten 1993). Therefore, around 900 A.D., there was a significant retreat of state authority at local level, and the court restricted its powers only to provincial governors. Governors obtained the right to independently manage provinces in return for the secure payment of taxes to the central government. The province became the governor's household under his personal authority (Batten 1993).

Governors strengthened their position in Heian society and played a vital role in state administration and court life. The lack of fiscal accountability removed any incentives for kokushi to leave the capital and take over the positions used primarily to receive wages or privileges. Increasingly, they started to entrust their duties to local administrators. Since the tenth century, they rarely visited their provinces and soon became absentee administrators (see Hérail 2014). Governors, who often held other high positions in the court or central bureaucracy, were able to take advantage of their position and court connections to obtain fiscal immunity and the independence of the civil administration system. This made them the most powerful and highest link in the chain of the private tax optimisation system. However, they were aware that the quality of their court life depended on the skill with which local officials managed their provinces and collected taxes (Nagata 2008). From the mid-to-late Heian period, they appointed zuryō to carry out administrative functions in their provinces while they remained in the capital. The term zuryō referred to the custodial authority of provincial governors and symbolised the concentration of fiscal responsibility for each province in the hands of its chief officer. The zuryō, who had received the governance of the province, was in charge and accountable for its men and public goods (Yamamura 2008, p. 49).

Governors elected zuryō rodo usually from among members of their family. They were selected for specialist knowledge or skills, experience in organizing travel or transport, military skills, or office work. Zuryō rodo supervised, among other things, the assessment and collection of taxes by district and township officials. The arriving zuryō recruited men from hereditary families to the provincial office (zaichikanjin) to serve in various provincial departments under his leadership. Governors changed every few years, but there were always important local families, passing down from generation to generation the administrative skills and expertise associated with the provincial office. With the weakening of the central government, the independence of local authorities grew (Batten 1993). Thus, provincial officials, especially appraisers and tax collectors, created a second group of power and a second level of the tax optimisation hierarchy.

In the period 907-927, Japanese legislation was enriched with the 50-volume Regulations of the Engi Era (Engishiki) (see Sansom 1958, p. 112). The Regulations Relating to Official Replacements included annual population registers, irrigation systems, and the administration of tax revenues, mainly the rice tax (shōzeitō), which was to be handed over in its entirety to the capital by the deadline set. After the introduction of a new system of provincial tax rates and the establishment of maximum income from each province due to the capital, governors could demand a reduction in provincial tax rates each year at the request of the province. This might become part of tax optimisation because, on the one hand, governors were aware that exemptions reduce the ability to meet provincial tax quotas, and on the other hand, they could improve the situation of taxpayers and their own (Shively and McCullough 2008, p. 232).

A new metropolitan police force spread to the provinces to watch closely all events and activities, especially land ownership and tax avoidance.

The major political families of the capital developed ties with provincial governors and set shōen (having characteristics of a corporation) in their own names or through temples and shrines with which they were associated. Granted land and the temple-land (zhi-den), when officially recognized, were untaxable (cf. Asakawa 1914). This was an abuse of the Ritsuryō system. In the 9th century, many sho were still partially taxable, and commending land to sho was in its infancy and condemned as illegal. They paid the rice tax but not the labour and other produce taxes (Mason and Caiger 1997, p. 76). However, in the next century and a half, great progress was made, both in the commendation of land and in the rise of immune sho as they stimulated each other. The application of a high land tax significantly reduced the profitability of the shōen if it was not tax-exempted. Thus, tax exemption, not land development, was most important for shōen in the tenth century (Shively and McCullough 2008, pp. 225-228).

Shoen were the joint endeavours of court aristocrats (or temples) and members of the local gentry to increase their income. The rise of shōen as a tax instrument resulted from the evolution of the tax structure and its adaptation to the shrinking quotas of provincial taxes (Brown 2008, p. 444). They were created out of public land (kokugaryo) that had been privatised by opening new land, obtaining rights to various taxes and serfdom, and through commendations (cf. Nagahara 1975). The advantage of a commendation of land to a shōen owner was the patronage of a powerful political authority. Under the power of commendation, local officials could decide to whom the taxes they collected would go, to a political ruler (ruling class) or a religious institution, and thus choose the best possible financial and patronage protection. Thus, the early shōen was not only a land property but also allowed the transfer of tax revenue from the provincial government to a designated aristocratic household or religious institution. They were corporations able to channel tax revenues to managers of these enterprises and their superiors.

The main purpose of the commendation was to provide protection and immunity. Although, Asakawa (1914) stated that protection more often than immunity seemed to be the chief object of commendation in the tenth century. Through the commendations, the farmer and his descendants received tax immunity and a guarantee of protection, resulting in shared financial benefits and greater security. By introducing such an agreement, the farmer agreed to pay shōen owner part of his harvest as rent, which did not entail a change of ownership of the land (see Sansom 1958, p. 235). Their owners could accept contracts on these terms from many local farmers. This resulted in a significant increase in the power and influence of local magnates and local tax administrators (Shively and McCullough 2008, pp. 234-235).

The commender surrendered ownership and retained the right of use, retained possession and delivered only a part of the dues from the land; see Masai et al. (n.d.). For his part, the receiving person often committed himself by a written document to relinquish the nominal ownership of the commended land. Thus, commanders retained management and possession of the land. These reserved rights were free to dispose of by means of commendations to other persons creating

a network of customary rights of great complexity. As immunity became more common and desirable, there was a growing tendency among sho holders to mount higher and higher in the ascending steps of their commendations, until they reached an imperial personage, a great temple, or a noble person above the third rank. In this manner, the shiki of a shōen came to be diversified and distributed among several persons and institutions, always with a high immune personage at the apex (hon-sho or honke), who was able to override the local governor (cf. Asakawa 1914). At the end of the twelfth century, there were just a few sho which did not have their nominal immune owners (Fujiwara nobility controlled numerous sho but managed none themselves).

According to Kiley, proprietors expanded in three ways their influence over shōen land and cultivators to increase the receipt of rents equal to the land tax that would otherwise go to the provincial government (Shively and McCullough 2008, pp. 236-340). First, by collecting an additional rent (kajishi) on all exempt fields, parallel to the additional burdens imposed by the provincial governments themselves (Shively and McCullough 2008, pp. 227-228). Second, by gaining limited exemptions from the second component of provincial taxation, the miscellaneous exactions, which they collected themselves, as they were not covered by shōen certificates and had to be negotiated directly with the provincial government. The exemptions granted depended on the provincial governor, but they could be overturned by his successor. The third way to extend the ownership influence over the shōen was to gain control over the granting of rights to the shōen fields.

Since the imperial court delegated all regional affairs to its provincial governors, intervening only to ensure the continued collection of tax revenues from the imperial land, the estates (shōen) were not politically and economically controlled; they became closed and independent entities within the national political authority, empowered by the shiki structure (see Nagahara (1975)). With the development of commendation-type shōen and the spread of shiki, the allocation of the income generated by shōen had become extremely complex. The benefice of shiki of the sho originated with the privileges its owner granted to the men who were employed in the actual management and cultivation of the land. Asakawa (1914) pointed out that a distinction should be made between two types of shiki transfer dependent on the social position of those making the transfer.

Shiki, originally associated with a particular office or position in the estate (originally meant the duty concerning land ruling) specified the amount of income due according to the level of the shōen hierarchy Sato (1979). Asakawa wrote that the transfer of shiki of a sho from one man to another may first have implied a separation of the right of some use of the land from its ownership. Since shiki were alienable and divisible, it was possible to widely distribute shōen income through sale, inheritance, or donation. As shiki became detached from their nominal office or function, a single individual could hold several levels of shiki in the same shōen or in several different shōen. The use of shiki as a means of income allocation from the estate, gave the shōen system flexibility, and this was one of the reasons for its longevity (cf. Asakawa 1914).

In the late Heian period, commendation by tax managers was not concerning land owned by the commender, but units of public taxation for which the commender served as a tax manager. The commender was exchanging one master for another (Shively and McCullough 2008, p. 233). The tax rates and their application remained the same, and the tax manager retained his lucrative position as an appraiser and collector of the taxes becoming now shōen dues. This was possible because, in the late Heian period, the central government increased its support for shōen growth realising that only local officials could guarantee the correct and effective calculation and collection of taxes. In the last century of the Heian period, the whole ruling hierarchy became reliant on shōen for support.

The development of non-taxable shōen (departure from the Ritsuryō system) worsened the situation of ordinary cultivators of kubunden, who had to bear an increasing tax burden (see Meyer 2009, p. 45). The tax managers were obliged to satisfy the expectations of their superiors and wanted to enrich themselves. The non-taxable shōen enabled carrying out a specific tax optimisation by using legal and illegal methods. The officials not only encouraged increase of agricultural efficiency but often assessed

more corvee on cultivators than legally prescribed (using this labour to open new fields), underreported the harvest, exaggerated natural disasters, and the consequent loss of population. However, they soon realised that it was not profitable to overexploit the peasants. The burden of taxation was felt with growing heaviness by people who remained under the state's control and whose number was declining. The spread of agrarian poverty caused some peasants to flee to the border areas, some to become social displaced persons (ronin) or put themselves under the protection of higher and more powerful persons, seeking security and fewer demands, by working the land in the private tax-free estates of the temples and nobles (Henshall 2012, pp. 17-25). These holdings were exempted from taxation, but the peasant cultivators had to pay the owner a small rent in exchange for the land and protection. The hardships also caused rebellions against the central government or local control. Due to the rapidly declining amount of taxable land, government dues were constantly decreasing (Murdoch 1910, p. 210). Therefore, it was necessary to create a system that would encourage farmers to stay on their farms and increase the efficiency of production, and the taxes paid.

The main concern of the Court was the tax system, which supported the capital and its officials, and court supervision of the local government. Provincial budgets, calculated in rice, were established for each province. There were three kinds of grain revenue: taxes, interest on loans, and land rent. Denso tax was used to pay for the operating costs of the provincial government. Provincial expenses were paid out of interest from rice loans, the second type of grain-based income. Every spring, provincial tax revenues collected in rice as a land tax (*so*), were loaned out to peasants (*suiko*) to promote and encourage agricultural production. Thus, from the 7th to the 12th century, *suiko* was a system, according to which seed rice (*ine*) was lent to farmers in spring (official *ku-suiko*) and private (*shi-suiko*), obliging them to pay it back with interest after the harvest (cf. Hondo 1930). The *Ritsuryō* codes stated that the *suiko* should be administered not by the government but as a private and free contractual relationship, but in the Heian period, it became a land tax applied to reclaimed land and households, which accounted for very high interest (up to 100%). Local administrative organizations imposed it to acquire financial resources for provincial governors' salaries.

The introduction of *ku-suiko* and its subsequent combination with *shi-suiko* (for small farmers) allowed wealth accumulation and the emergence of wealthy and powerful farmers (*tato*). It allowed them to earn interest (20%), and often to keep collateral (land) if poor farmers were unable to repay their debts. Rich and influential local farmers were called *fumyo* (local tax managers) and were appointed tax collection officials. The third type of grain income came from paddy fields distribution to local farmers for a nominal fee. Theoretically, the land rent (*chishi*) was supposed to pay the salaries of officials in the central Grand Council of State (*daijokan*), but in practice majority of it was delivered to provincial storehouses (Batten 1993).

In 902 and 915, a review of registration and control of exemptions by provincial and local officials was ordered. The high officials started to hold back *shōen* growth and revoke certificates of exemption that were not in order; the accreditation of exemptions became exclusive to the central government. Asakawa (1914) stated that from the tenth century, the holders of *sho* began a legal custom to invoke charters from the central and provincial authorities, which in explicit terms recognised the estates as *sho*, defined their boundaries and extents, and exempted them from various taxes. The charters usually stated, as before, from which taxes (all or only some) the property was exempt and prohibited provincial officials from invading the estates. Yet after 1069, the emperor Go-Sanjo attempted to abolish all the *sho* established after 1045 and those prior to that date that had no confirming charters. As it turned out that many *sho* were not legally tax-free, most of the unchartered *sho* were eliminated. The possession of charters was regarded as a necessary condition of the existence or establishment of a *sho*. However, the number and prestige of *shōen* increased, and many of them, especially those controlled by members of the imperial family, aristocracy, or powerful temples and shrines, managed to secure privileges for their estates through influence or connections. The full regular charters of a *sho* consisted of ordinances of the Grand Secretariat, from the Department of the Affairs of the People,

and from the provincial and district authorities. Later statutes were less formal but no less powerful, coming directly from the emperor or cloistered former emperor. According to the procedure, the provincial official would visit the property with the sho agent and put stakes in its corners to mark its permitted extent. After the granting of the charters, local officials were not at liberty to enter the sho without special imperial sanction and without being accompanied by a representative of the estate. Sho was divided into untaxable land, consisting of rank-lands and office-lands, and public tracts; this shows that these types of land had become assimilated into sho, and that sho often comprised taxable areas (cf. Asakawa 1914).

The new system of registration empowered provincial governments to recognise or deny any new land development claims by shōen proprietors or by local officials or tax managers. The power and prestige of the local landowners increased because when growing wealthier, they were also becoming more capable of defending their property and privileges by force.

As noted earlier, problems with the governance by the metropolitan aristocracy began with the departure from the system of land tenure based on the number of consumers in each household (Meyer 2009, p. 61). The weakness of central control and the inadequacy of Chinese practices in Japanese conditions meant that since the beginning of the 10th century, provincial governors were allowed to manage the provinces without the interference of the central government. The result was the governance and tax collection system based on a myoden – the local tax management system based on named rice fields or the myo taisei system of local control. Under it, the tax base was changed from people to land units, and the basic tax unit became myo (see Kito 1986). Thus, provincial governments were concerned only with recording the area of taxable land under each myo, not the number of people cultivating this land nor the distribution of cultivation rights among them (Shively and McCullough 2008, pp. 223-224). Myo became widespread in the eleventh century at the height of the estate system as the basic unit of building shōen (cf. Keirstead 1985). There were two main types of myo (names) – myo held by the agents and officials of the central proprietor (shoen-myō), and myo held by ordinary peasants having permanent tenure (hyakusho-myō). Uniform shōen dues were assigned to myo (Henshall 1912, p. 25).

Under this system, each governor maintained a comprehensive map of taxable land in his jurisdiction. Public paddy land (koden) was recorded on such standard provincial maps. Provincial commissioners, under the authority of the governor, conducted surveys of the land (paddy inspections or kenden) and divided it up into equal myo units. Each myo had a named holder, usually a wealthy peasant (myoshu) who was a low-level shōen official but also a landholder and cultivator. Myoshu was responsible for collecting and delivering shōen proprietors the annual rice tax (nengu), other dues in kind, corvee or services (kuji) assessed (valued) on each myo, from each of the cultivators working under his supervision within his shōen. It was not important whether the myoshu tilled his own land or did not, but that his myoden remained a taxable unit. Each myoshu had to be a leader in undertaking small but necessary tasks to maintain the quality of the land, ensuring that each paddy was cultivated and that the highest work requirements were met. He was obliged to help cultivators frequently needing seeds, tools, or food. Myoshu, as persons responsible for collecting the assessed dues, incurred part of the risk of a poor harvest. In case of a severe crop failure, the dues could be reduced, but the myoshu were required to forward the established contributions to nobles, temples, local officials, and others who had rights to the income of the shōen (see Yamamura 1981).

Thus, each myo was entrusted to a prominent local resident willing to take responsibility for all tax payments from his myo. These employees appeared from the early part of the eighth century under a great variety of names; their services were rewarded with the use of pieces of land in the shōen, with certain portions of its dues, or in produce or money. These contractors were called tato (paddy heads) or fumyo (name bearers), and their names were recorded by provincial officials in paddy inspection registers. Tato were farmers who were more skilled than their superiors, respected and successful locally, and thus well suited for positions as tax contractors. As their class background is concerned, tato belonged to the group of wealthy (fugo) minor local magnates. Some of them belonged to the old

district-official families, others were provincial officials who did not return to the capital after completing their term of office or residents who had escaped from the registration system, living outside the bounds of public authority (Batten 1993). Some of them later became samurai by performing the required military service or defending farmers or shōen in the time of growing crime (Sansom 1958, p. 236), when the government's efforts to restore order were unsuccessful (even in the capital), society was restless, police orders and laws were defied, and the army proved utterly ineffective against the deepening disorder (cf. Asakawa 1914).

Governors, freely governing their provinces, readily accepted the wealthy, affirming their local status and de jure recognising their tax collection activities. By allowing provincial officials to adapt local policies to local realities, the state prevented the collapse of the economic base that would have occurred if the outdated Ritsuryō system of local control had been retained.

The appointment and support of tato (fumyo) took a written form, founded on no mutual agreement, and were regarded as an act of favour on the part of the master, granted, as was explicitly stated in the charter, for the employee's earnest prayer. By the act of accepting the benefice, the grantee imposed upon himself one-sided, uncertain commitments. The land use permit did not mean that the land was rented. The most far-reaching favour of the grantor was the declaration that the lease (tenure) of the land would be dependent on the performance of his duties. This resembled the precarium in medieval Europe, revocable at will (Asakawa 1914). Thus, the contract with each tato was renewed every year and could be terminated if he failed to deliver the proper share of tax dues from his myo.

Provincial officials held tato responsible for taxes. The first tax, called kanmotsu, was derived from the Ritsuryō grain tax (denso), the system of seed-rice loans (suiko), and the two industrial poll taxes, cho and yo. The second tax, called rinji zoyaku, was based on earlier corvee obligations (zoyo) and on various tribute items (called kyoyaku zomotsu) purchased by provincial officials using the grain stores under their authority. Rinji zoyaku was initially levied as a poll tax but soon came to be assessed in terms of land area. The amount of kanmotsu and rinji zoyaku assessed on each myo was calculated during the periodic paddy inspections conducted by provincial commissioners.

The 10th century tax system worked well because it rewarded efficiency by motivating both provincial and lower-level officials (tato). If the amount of taxes (kanmotsu and rinji zoyaku) collected by a provincial governor exceeded his tax obligation to the central government plus administrative expenses incurred during his term of office, he kept the surplus for himself. Thus, expansion of the myo system (resulting in higher tax revenues) and administrative efficiency (resulting in lower expenditures) were in the personal interest of the governor. The conditions were applied at the level of tato. As taxes were collected according to land area, a tato was encouraged to increase agricultural productivity within his myo through technological improvements or by placing greater demands on the peasants under his influence (cf. Batten 1993). Tax-exempted land and other privileges gave them extra economic resources which they could use profitably in improving paddies and in aiding cultivators in times of need (Yamamura 1981).

In the first period of shōen development (10th-11th century), government offices, aristocratic and imperial households, received taxes indirectly (from the provincial governments), and directly forwarded by local officials and tax managers from designated shōen (The Cambridge History of Japan. Vol. 2. Heian Japan (2008, pp. 227-228). Most of the new shōen in the late Heian era were formed according to the Kinai sho pattern. To ensure that temples and shrines get support from the government, parts of provincial public land (koden) were designated to provide these dues directly (on a permanent or a floating basis) to them. These fields were free of other taxes, so their tax yield was forwarded directly to the temple or shrine. They were called floating exempt fields (ukimeri) because they were designated for this purpose each year. Most of the Kinai shōen remained administered by local officials and myoshu, with little or no involvement of the proprietor in managing local agricultural affairs (Shively and McCullough 2008, p. 229).

Toshiya (2008) stated that the shōen from the Nara period differed from the Heian shōen in three ways. Their owners and managers were entitled to tax exemption and were free from the state control, which conflicted with attempts to maintain and extend tax controls and collection to cover government costs and with criminal and administrative law enforcement. In this way, not only the land of shōen, but also their workers were removed from both types of control. The increase in the number and size of Heian shōen caused social, economic, and political instability at the end of this period. The second characteristic of Heian shōen was that their spread was linked to the progressive deterioration of the Ritsuryō order in contrast to the early shōen which had been established with the assistance of officials of the Ritsuryō State. The third characteristic of Heian shōen was a tendency to expand and become increasingly independent of outside control (Brown 2008, p. 452).

The shōen system was built on mutual benefits, but also on respect for power and ability of ranks. Manipulations were made mainly at lower management levels, using legal loopholes and economic accounts. Tax optimisation calculations were developed, and creative accounting started to be used. The victims of the selfish behaviour of powerful officials were usually taxpayers – peasants and craftsmen, who were subject to the authority and strictly controlled with respect to efficiency, diligence, and all other aspects of their life. Farmers were oppressed by the tax system and legal and illegal requirements. They could optimise their tax liabilities only by abandoning their farms or by commending them to powerful owners of shōen.

Despite all efforts, in the Heian era, revenues continued to decline in quality and quantity, and the central government's control over the provinces was steadily weakening. The main cause being, according to Sansom (1958, pp. 108-109), the self-regarding and insubordinate conduct of great nobles at the capital, who by their influence (...) corrupted or defied the hierarchy of provincial authorities. Thus, the gradual erosion of the Ritsuryō system served best the economic and political interests of the nobles creating the tax policy. They acquired larger rice fields, legally from the throne, illegally by opening new fields by absorbing kubunden, or by purchase. Public ownership of land introduced by the Ritsuryō system crumbled, causing increasing instability in government, and of the system of governance. Problems began to aggravate, due to the court's inability to derive sufficient income from the provinces to maintain their luxurious standard of living (Jansen et al. 2020).

According to Morris, the uneasy relations between shōen proprietors and provincial governments changed in the 1040s. The central government, eager to increase its revenues, established a standard rate for the provincial land tax (6 soku per tan). Shoen proprietors were permitted to collect as rent all or part of this rate for the certified exempt fields, but in either case, the amount allowed was a standard rate. Any provincial land-tax exactions above 6 soku per tan (of which there were many) were to go to the provincial government, favouring provincial governments over shōen holders. In the same period, the levy of miscellaneous exactions shifted from persons to land units. The exactions were called provincial levies (kuniyaku). This simplified the assessment and collection of taxes, and also led to competition between top officials in the capital over limited tax sources, in which the organized temple bureaucracies gained an advantage over the aristocrats-bureaucrats of the civil government (The Cambridge History of Japan. Vol.2. Heian Japan (2008, p. 230)).

The shōen-kokugaryo system (territory governed by a provincial government office), developed in the 12th century as a new landholding system, replacing the Ritsuryō system and becoming the primary pattern in Medieval Japan. However, the land still conditioned the existence of various social groups as it was a source of material wealth and political influence for the ruling classes of courtiers, clerics, warriors, and peasants (Frohlich (2003)). In the eleventh century, social unrest had become more organized as the military forces of the great warrior-clans were better coordinated, and broke out in serious insurrections in 1028, 1052-1061, and 1088-1091. The military nobles were establishing their influence in the country and becoming a decisive factor in the political struggles at Kyoto. At the end of the 12th century, after the turmoil of wars between the most powerful clans (Fujiwara, Taira, Minamoto) fighting for power, Yoritomo Minamoto established the Kamakura Bakufu, which introduced new rules for controlling the state, provinces, and taxes and their collection.

5. Conclusions

The analysis of tax regulations undertaken in this article covered almost one thousand years, during which three phases of state development can be distinguished. The first is the period of centralisation of the state, the second of the emergence of the Ritsuryō State, and the third is the period of the breakdown of the Ritsuryō system and the decentralisation of state power. In these three periods, the land was the basis of the economy and the primary source of revenue, hence the main problems were related to land ownership and the rights to the taxes levied on it. For the recipients of tax revenues, the main issue was their optimisation, i.e. maintaining and expanding the tax base and striving to increase the revenue generated from it, and they tried to do it as perfectly, functionally, and effectively as possible, thus using tax optimisation. The analysis based on the review of the relevant literature led to the conclusion that tax optimisation was used in ancient Japan since the founding of the Ritsuryō state.

In the periods studied, tax systems were unsuccessfully adapted to the conditions of the turbulent political and economic environment, which was mainly caused by the lack of compatibility of the Chinese tax system with Japanese conditions. The new system evolved under the influence of hybridisation. The effectiveness of the tax collection changed depending on the level of the state's development, its financial situation, the degree of centralisation and decentralisation of power, land ownership structure, and the degree of control over land and people.

There is not much information on taxation in the early Yamato period. However, it can be assumed that during the period of the existence of semi-independent uji ruled by leaders (first stage of development of the state), tax optimisation was not necessary because the clan worked for itself. The economic activities of the uji were carried out by corporations headed by professional managers. Clan leaders focused on increasing their tax revenues by improving labour productivity, introducing innovations, and expanding arable land. The king of Yamato had no right to levy taxes without the consent of the clan chiefs, who had life and death rights over clan members, could strictly control taxes, and there was probably little room for tax optimisation. This situation changed during the period of centralisation of the country, particularly during the Ritsuryō state.

The Taika reform introduced a rational and just tax system in the 7th century. Free farmers were expected to cultivate imperial land in exchange for a rent (lease), which was paid as a tax in the form of agricultural produce (so), home-made products (craftsmen) called cho, as well as forced labour (yo) for the benefit of the community (opening new land, construction of roads, bridges, etc.). Taxes levied on farmers and craftsmen were intended for the emperor and for stipends for his family, members of the court and government officials (national and local) selected according to set quality criteria, the most important of which was birth. Surpluses of rice and products left after paying taxes remained with producers and allowed them to barter and accumulate profits. Since free labour was the basis for income, following these rules meant that tax optimisation was essentially unnecessary in the second phase of the state development. However, this system, although rational and fair, did not exist for long.

The legal Ritsuryō system was gradually modified and weakened. These adjustments resulted not only from historical and economic realities, but above all from the ambitions of the elite and its desire to obtain privileges and financial benefits. Less prominent clan members and officials followed its example. Throughout the period under review, there was a fierce struggle for power and privileges. Three levels of this rivalry may be distinguished – high or the state, medium concerning provinces, and their lower structures, and essential – the farmers' and artisans' level. At each of these levels, tax optimisation was applied, but due to the powers held, to a different extent and effect.

The first level concerned the most powerful and influential aristocrats and court officials, i.e. those who had the power to shape the state's tax policy to their needs. Together with the imperial family, they were oriented towards getting more and more income. Thanks to their power, they could obtain lucrative land grants, and then, owing to their court position or connections, take steps to receive various tax exemptions. They could plan, establish, and control taxes, and make them compatible with

their expectations and needs. The desire to increase income through tax optimisation by the highest state dignitaries led to creation of shōen, large land estates, operating on the enterprise basis. The shōen owners employed professional managers to manage their shōen and ensured proper relations with the provincial governments. Shōen were the result of cooperation on three aspects of the tax system: policy, the effectiveness of collection, and production base.

During the Heian period, ownership, and control of the shōen and the provinces became separated. Their masters usually enjoyed life in the capital and did not interfere with their management if they earned the expected income. Systemic changes introduced in the following decades of the Ritsuryō system enriched the highest elites but significantly decreased their responsibility, involvement, and supervision over generating tax revenues. However, they always paid great care to tax optimisation by adjusting the law, tax base, methods of tax assessment and collection to the deteriorating fiscal situation of the state and their own financial situation.

To improve their position and income aristocrats and officials used innovative methods of optimising their tax revenues. Among those, the transition from personal tax to land tax (myō), subject to further modifications, should be mentioned as well as strengthening control over tax measurement and collection by creating a special office (Kageushi), and posts such as zuryō, fumyō or myōshū, and tax budgets. All these changes made local leaders and officials increasingly responsible for valuing and collecting taxes, making tax managers the second tier of the tax system in terms of hierarchy and authority, and members of the group of wealthy citizens.

Shōen were managed by professional managers whose main task was to meet the financial expectations of the owner of the shōen, the state, provincial officials, and farmers. The local magnates and officials were also eager to increase their financial and social status. As noted earlier, they used various tools to achieve these goals, but such activities had to be consistent not only with the interests of their superiors but also with the applicable laws. The risk of a penalty for failure to comply with obligations, not to mention penalties for breaking the law, was great. Tax officials, in order to meet the expectations of their superiors and at the same time increase their own wealth (optimise tax revenues), imposed on peasants more and more burdens, such as suiko and additional serfdom, fraudulent measurements or falsified harvest and population records. Thus, the popular method of tax optimisation on the local level was to force, in a lawful and unlawful manner, greater tax efficiency (exploitation) on farmers, who were the source of taxes. These methods were very effective and contributed to a significant increase in the wealth and importance of local notables, and to the emergence of samurai.

The third level of tax optimisation concerned peasants. However, here the method of tax optimisation had serious limitations. Paying the due taxes became the responsibility of the entire village, the community of five members, and the family (orders from above). Shared responsibility resulted not only in cooperation, but also ensured strict mutual control. Farmers could reduce the tax burden placed on them (depending on their financial situation) by abandoning farms, land commendations, or armed rebellions. These forms of tax optimisation were often used and made the elite realise that it was impossible to burden farmers with liabilities above the level ensuring their modest existence. They had to get a small return on their hard work, or else they would lose interest in farming the land and rebel, causing losses to their superiors and threatening the very existence of the entire tax system. Since then, the task of agriculture taxation was to create structures that allowed farmers to achieve a modest profit, i.e. incentives to work, increase the productivity of land and farmers, and use innovations, but at the same time causing most of the effects of this production to flow to the members of the higher levels of the tax system.

Some practices developed in ancient Japan have survived to this day, influencing the uniqueness of Japanese corporations, as well as their management and supervision system. This article is only an introduction to the issues of tax optimisation in ancient Japan, signalling only problems that should be explored further.

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