Do inter-municipal cooperation cloud systems affect tax administrative costs? Evidence from Japanese municipalities

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Abstract

This paper examines the effect of switching from an on-premise server to an Inter-Municipal Cooperation Cloud (IMC cloud) on tax administrative costs using variations of the introduction of cloud computing systems in Japan. We find that the IMC cloud decreases tax administrative costs by about 3 percent after its adoption. In several additional analyses, the cost savings of the IMC cloud is not the result of improving tax administration but rather the impact of sharing system updating costs across municipalities. This paper adds a new perspective to the study of municipal collaboration and suggests implications for the impact of business standardization, workflow revision, and information sharing among municipalities that have not been empirically clarified.

Keywords: tax collection, cloud computing system, inter-municipal cooperation