

To Our Nation's Taxpayers



Since its establishment, the National Tax Agency (NTA) has administered the nation's taxation system with the aim of its mission of "helping taxpayers to voluntarily fulfill their tax responsibilities properly and smoothly". With the reform of Japan's central government in 2001, we established and published implementation standards and other regulations concerning our operations. In addition, we set performance targets for our organization and then conducted performance evaluations against those targets, releasing the results to the public.

Based on the fundamental awareness that the NTA has been entrusted with the tax administration by the people of Japan, the reform was designed to:

- (1) fulfill the NTA's responsibility to clearly explain its mission, performance targets, and policy measures to the people of Japan;*
- (2) provide an efficient and high-quality tax administration, tailored to the needs of the times, by objectively evaluating all NTA operations; and*
- (3) streamline work flow, raise the morale of tax officials, and revitalize the NTA organization.*

Due to the declining birth rate and aging of population, as well as the progress of IT and globalization, the environment surrounding tax administration is changing significantly. This has led to an increased number of taxpayers as well as more complicated and difficult cases of tax assessment and collection. Furthermore, with the advent of a lawsuit society, the NTA must also improve its examination process related to tax laws and rulings and ensure the transparency and consistency of the same. In order to properly fulfill its mission and continuously meet public expectations under circumstances where the number of the NTA employees is more strictly limited, the NTA must conduct proper tax administration by effectively and efficiently allocating its human and physical resources. By making the internal operation of Tax Offices as efficient as possible and ensuring adequate workload for tax examination and collection, the NTA must make efforts to improve convenience for taxpayers while strictly combating tax evasion, international tax avoidance or malicious tax delinquencies that would destabilize the foundation of Japan's self-assessment system.

As to improving convenience to taxpayers, from the viewpoint of supporting the return filing and tax payment of taxpayers, the NTA is striving to enhance taxpayer services by utilizing information technology (IT), such as by providing tax information through the NTA Website, and introducing or improving the e-Tax system for online tax return filing and tax payment as well as the Filing Assistance on the NTA Website.

As for e-Tax, the NTA is making it a top priority to popularize e-Tax through various initiatives at the NTA, Regional Taxation Bureaus and Tax Offices. To improve the convenience for e-Tax users, the NTA provides downloadable e-Tax software and promptly processes filing returns for refund. In addition, the NTA has improved e-Tax functions and operations, for example, by exempting digital signatures of taxpayers if tax

accountants are involved in preparing their tax returns since January 2007. Collaborating with tax accountants' associations and relevant private organizations, the NTA will continue to make efforts to promote e-Tax.

With the globalization of the economy in recent years, the double taxation risk is increasing, whereas the number of tax evasion or avoidance cases is also increasing by those taking advantage of complicated cross-border transactions. Accordingly, it is increasingly necessary to deal appropriately with these international taxation problems. However, there is a limit to how the tax authorities of one country can singly deal with such problems. Therefore, the NTA is addressing such problems in cooperation with foreign tax authorities by actively exchanging information, taking every opportunity available, including international conferences. In addition, the NTA has been facing problems, such as international tax avoidance that manipulate international gaps in taxation systems or tax treaties, as well as income drains through intra-group transactions. From the viewpoint of achieving proper and fair taxation, the NTA has been actively striving to deal with these international taxation problems.

For more efficient operations, the NTA has been taking measures such as the unification of in-office work and centralization of tax consultation services. The unification of in-office work means integrating internal operations in a cross-sectional manner, by eliminating NTA's rather vertically-divided in-office tasks (e.g. division by individual taxation, corporation taxation, and revenue management/collection), standardizing the in-office work process for each tax item, and unifying similar work processes.

Via such efforts, the NTA must attempt to further optimize its internal operations by more efficient and streamlined in-office work and cost reduction.

The National Tax Agency Report 2007 was compiled to explain the NTA's measures to taxpayers clearly, and focuses on the following points:

- (1) *The NTA's future tax administration policy, and*
- (2) *Areas for improvement in the current administration.*

The NTA's mission is to help taxpayers to voluntarily and properly fulfill their tax responsibility under the self-assessment system. I hope that this National Tax Agency Report 2007 deepens taxpayers' understanding of their taxes.

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