

# I Mission of the National Tax Agency

## Helping Taxpayers to Voluntarily Fulfill Their Tax Responsibilities Properly and Smoothly

The national and local governments conduct a variety of public administration activities to provide public services vital to the lives of the people. Tax is the financial resource to cover the expenses incurred in those activities. The Constitution of Japan stipulates that tax payment is an obligation of the people of Japan, and the NTA is given the authority to collect taxes so that these public services can be provided smoothly.

The mission of the NTA is to help taxpayers voluntarily fulfill their tax responsibilities properly and smoothly. In order to fulfill its mission, as mandated by the people, the NTA has made effort to properly and fairly impose internal tax through tax education, public relations and other activities (taxpayer services) to help taxpayers understand and fulfill their tax responsibilities, and through activities (promotion of a proper and fair tax administration) to implement accurate instructions and examinations regarding taxpayers alleged to have failed to properly fulfill their tax responsibilities. The latter activities are designed to prevent good taxpayers from perceiving any unfairness regarding taxation. The NTA has also made effort to guarantee the sound development of the liquor industry and the proper management of CPTAs' (Certified Public Tax Accountants) services.

The ultimate aim of all these efforts is to develop taxpayers' understanding of our tax administration and gain their trust. To this end, the NTA is performing its duties giving the staff the "Mission of the National Tax Agency"\*<sup>1</sup> that summarizes the mission mentioned above and has furthermore published the same.



National Tax Agency

\*<sup>1</sup> The "Mission of the National Tax Agency" is the document that mentions the "Directive on Standard and Rules for the Implementation of the National Tax Agency's Duties" including the code of conduct for the duties to be performed by the staff (See page 6).

# Mission of the National Tax Agency

**Mission: Helping Taxpayers to Voluntarily Fulfill Their Tax Responsibilities Properly and Smoothly**

## Assignment

- In order to fulfill the mission mentioned above, the NTA discharges the duties provided for in Article 19 of the Ministry of Finance Establishment Law, focusing on transparency and efficiency.

### 1. Realize the proper and fair assessment and collection of national taxes

#### (1) Improve the tax payment environment

- Publish the interpretation of laws and procedures regarding tax return filing and tax payment to taxpayers in an easy-to-understand and accurate manner.
- Respond promptly and accurately to taxpayers' inquiries and consultations.
- Endeavor to secure the wide-ranging cooperation and participation of relevant government agencies and various layers of people in order to gain a wide scope of understanding and cooperation regarding the roles of taxes and the tax administration.

#### (2) Promote proper and fair tax administration

- In order to realize proper and fair taxation:
  - Apply the relevant laws and ordinances properly.
  - Endeavor to realize proper tax return filing, and correct errors reliably by implementing accurate tax examinations and guidance for taxpayers whose tax returns are identified as improper.
  - Endeavor to help taxpayers pay their tax by the due date, and collect delinquent tax reliably by implementing a procedure for tax delinquency against taxpayers failing to pay tax by the due date.
- Respond properly and promptly to taxpayers' requests for reinvestigation to address infringements of taxpayers' legitimate rights and interests.

### 2. Sound development of the liquor industry

- Ensure the stability of the liquor industry's business infrastructure, the research and development of brewing technologies, and the quality and safety of liquors.
- Ensure the effective utilization of resources regarding liquors.

### 3. Proper management of CPTAs' service

Endeavor to guarantee the proper management of CPTAs' service so that they can play a key role in the proper and smooth operation of the self-assessment system based on their mission.

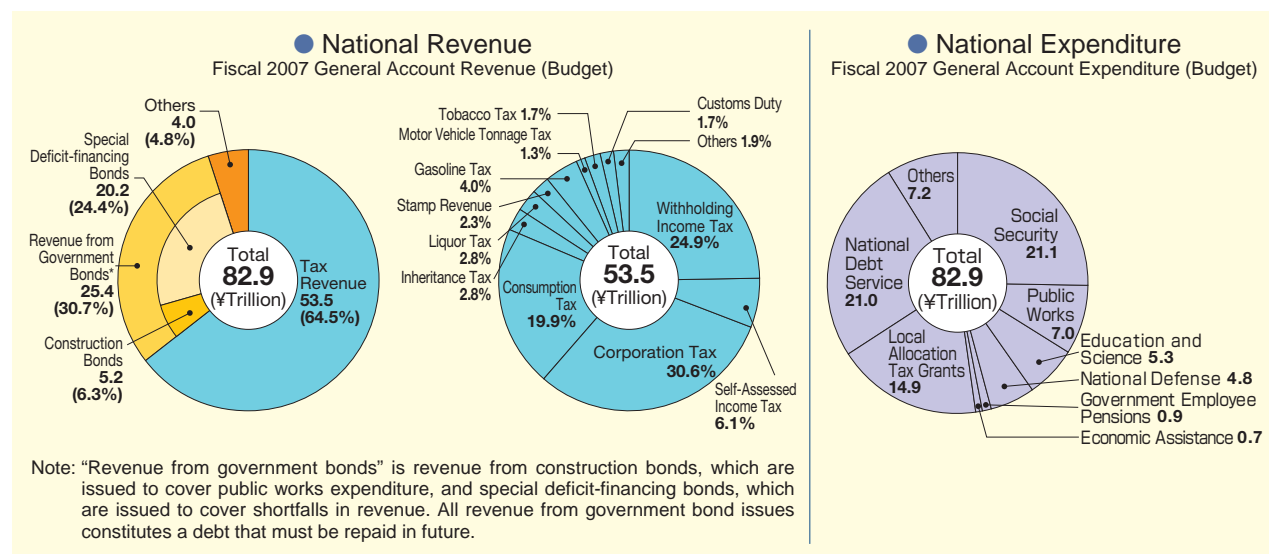
## Code of Conduct

- Fulfill the duties mentioned above in compliance with the code of conduct mentioned below.
  - (1) The code of conduct upon performing duties**
    - Endeavor to ensure the transparency of the tax administration so that taxpayers can be aware of the interpretation of laws and regulations and administrative procedures concerning self-assessment and tax payment.
    - Endeavor to improve the convenience of taxpayers in the case of self-assessment and tax payment.
    - Endeavor to reform the operating management to improve the tax administration efficiency.
    - Endeavor to collect positively and best exploit the data and information to appropriately conduct examination and implement procedures against tax delinquency.
    - Deal strictly with taxpayers who are engaged in malicious tax evasion and tax delinquency.
  - (2) The code of conduct for officials**
    - Respond faithfully with taxpayers.
    - Maintain the confidentiality of the information obtained in the course of conducting duties and maintain official discipline in a spirit of strict fairness.
    - Endeavor to learn the expert knowledge needed to perform the duties.

## Challenges

- To deal appropriately and flexibly with changes in the economic and social structure caused by highly-networked information and internationalization. Furthermore, in order to meet the needs of taxpayers, to review incessantly and strive to improve the organization and management of the tax administration.

## National Revenue and Taxes



The national revenue (general account revenue budget) in fiscal 2007 is ¥82,908.8 billion. Of this revenue, ¥53,467.0 billion are from taxes and stamps. Deducting tax from the customs and stamp revenue from Japan Post, revenue from national taxes alone amounts to ¥47,253.9 billion (about 88%).

Income tax, corporation tax, and consumption tax account for about 80 percent of tax revenue.

## NTA Budget and Personnel

The fiscal 2007 NTA budget was ¥724.5 billion, the majority of which was spent on personnel expenses. Recently, the NTA has prioritized efficiency of operations and improvement of taxpayer services, leading to a higher percentage of IT-related expenditures, including the expenditures on the KSK System (Kokuzei Sogo Kanri [NTA Comprehensive Information Management System]).

The NTA workforce numbered around 52,000 from the 1970s through the first half of the 1980s. With the introduction of the consumption tax in 1989, personnel figures increased, peaking in 1997, but declined thereafter. As of the beginning of fiscal 2007, the NTA staff numbered 56,185.

	1975	1997	2007	(Reference) 2007/1975
Budget (¥ Billion)	236.0	654.8	724.5	307.0 %
Number of personnel	52,440	57,202	56,185	107.1 %
(1) Number of Income Tax Returns Filed (Thousand cases)	7,327	20,023	23,494	320.6 %
(2) Number of Corporations (Thousand cases)	1,482	2,793	2,977	200.9 %
(3) Number of Establishments Subject to Commodity Tax (Thousand cases)	117	—	—	—
(4) Number of Enterprises Subject to Consumption Tax (Thousand cases)	—	2,521	3,766	—
(1)+(2)+(3)+(4) (Thousand cases)	8,926	25,337	30,237	338.8 %

Notes: 1. The number of income tax returns filed (1) in fiscal 2007 represents the figure for the year 2006.

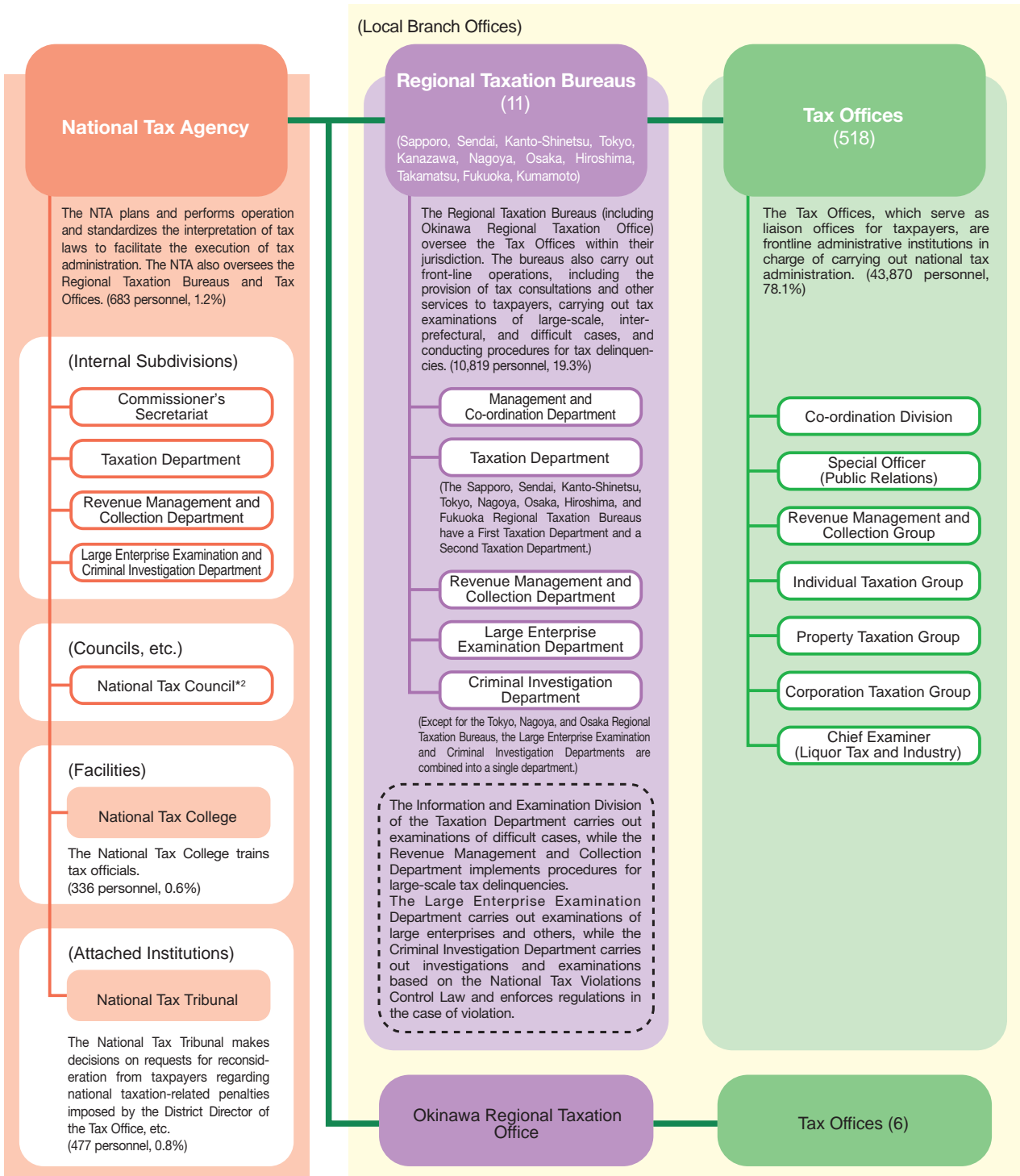
2. The number of corporations (2) in fiscal 2007 represents the figure as of the end of June 2006.

3. The figures for item (4) represent the number of Notifications of Taxable Enterprise Status submitted. Fiscal 2007 data represent the figures as of the end of March 2007.

4. The figures under "(Reference)" represent the fiscal 2007 percentages, based on a value of 100 in fiscal 1975 figures.

# Structure of the National Tax Agency

The NTA is responsible for the nationwide tax administration and oversees the 12 Regional Taxation Bureaus (including Okinawa Regional Taxation Office) and 524 Tax Offices.\*1



\*1 The number of persons for each department shows the prescribed number of persons for fiscal 2007, and the percentage shows its proportion of the prescribed number of the NTA as a whole.

\*2 The National Tax Council performs the following: (1) studies and deliberations at the request of the NTA Commissioner in cases where the Director-General of the National Tax Tribunal gives a decision that interprets the law differently from the directives issued by the NTA Commissioner, (2) the enforcement of CPTA examinations and deliberations on disciplinary actions against CPTAs, and (3) deliberations on the establishment of labeling standards for liquor and other issues.

# Major Undertakings

The NTA is tackling various tasks in order to deal with the rapid development of the advanced information society and globalization of the economic society, etc..

In fiscal 2006, the NTA enhanced promotion of online tax return filing and tax payment using IT, took measures for addressing globalization, and strove for efficient and simplified operations in order to reduce administrative costs.

## 1 Promotion of Online Tax Return Filing and Tax Payment Using IT

In order to reduce taxpayers' burdens in filing their tax returns and paying taxes, the NTA has been promoting the utilization of IT systems, including an e-Tax system for online tax return filing and tax payment and "Filing Assistance" on the NTA Website.

The NTA implemented various measures to diffuse e-Tax in accordance with the "Action Plan for Promoting the Utilization of Online Procedures" for national tax as decided in March 2006 (revised in March 2007), and to achieve the goals set forth in the said Action Plan. (For more information, see Page 17.)

To address taxpayers' needs and improve their convenience, the NTA revised "Filing Assistance" on the NTA Website so that taxpayers would be able to directly send their tax returns from the website. The NTA also added new support functions for calculating capital gains related to land and preparing the tax returns on gift tax. (For more information, see Page 18.)



Poster for Fiscal 2006 Tax Return Filing

The screen of "Filing Assistance" on the NTA Website



## 2 Addressing Internationalization

As maintaining and improving taxpayers' compliance\*<sup>1</sup> on their international transactions would require the elimination of double taxation risks resulting from a taxation rule gap among nations, it is important to develop common rules on international transactions and to cooperate and share experiences among tax authorities.

To this end, the NTA takes active measures to (1) exchange information under tax treaties, (2) properly and promptly deal with mutual agreement procedures under tax treaties, (3) participate in international conferences for tax authorities, and (4) provide intellectual support for developing nations.

In addition, Japan has been facing international tax avoidance schemes that manipulate international gaps in taxation systems or tax treaties. The NTA deals with such international tax evasion or tax avoidance strictly by grasping the reality of these schemes through every opportunity available. If the NTA finds any taxation problem, the NTA will conduct an in-depth tax examination and take the necessary measures.

The NTA also strives to counter the problems of transfer pricing that arise from a price gap with overseas affiliated companies.



Study Group on Asian Tax Administration and Research (SGATAR)

## 3 Promotion of More Efficient and Simplified Operations

To achieve “simple and efficient government”, the Japanese government has been working on further streamlining its administrative operations by setting out “Plan for Improving Efficiency in Administrative Operations” and an “Operation and System Optimization Plan” in each agency and ministry.

To work on newly-emerging issues in the rapidly changing environment surrounding tax administration, while efficiently conducting its operations to flexibly meet such changes, the NTA must continuously review its daily operations and related systems. To this end, and from the viewpoint of further optimization, such as more efficient and simplified operation and cost reduction, the NTA laid down the “Operation and System Optimization Plan for National Tax Administration” in March 2006 (revised in May 2007). Concretely, the NTA aims to reduce administrative costs by the unification of in-office work\*<sup>2</sup>, the centralization of tax consultation, a reduction in systems-related expenses and the promotion of an open KSK system\*<sup>3</sup> in order to ensure the transparency of government's procurement.

In addition, the NTA has been promoting the simplification and efficiency of operations by taking various actions, such as utilizing human resources outside of the NTA.

\*1 “Compliance” means that taxpayers fulfill voluntarily and properly their tax responsibilities provided for by law with a high-level of awareness of such responsibilities.

\*2 “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 management/collection), standardizing the in-office work process for each tax item, and unifying similar work processes.

\*3 “Developing an open system” means constructing a system based on common standards or specifications over systems which have been uniquely developed by each manufacturer.