

# III Tax Administration in the IT Era

**Via the utilization of IT, the NTA provides more convenient services for the public and manage administrative operations in more simplified, efficient, advanced and transparent manners.**

In order to provide more convenient services for the public and manage administrative operations in more simplified, efficient, advanced and transparent manners by utilizing IT (information technologies) in the civil services and reviewing administrative operations and systems, the “e-Government Establishment Plan” was determined in July 2003. Since then, the Japanese government as a whole has been working on IT-based civil service reforms to provide better and more convenient civil services.

Focusing on these efforts, the government drew up “New IT Reform Strategy” in January 2006, aiming to achieve “the world’s most convenient and efficient e-government”. It also formulated the “e-Government Promotion Plan” in August 2006 to promote the utilization of IT from the viewpoint of users and optimize the whole administration and systems.

The NTA has been taking proper actions as described in these plans and is now striving to promote tax administrative services suitable for the IT era.

## (1) NTA’s Efforts to Promote e-Government

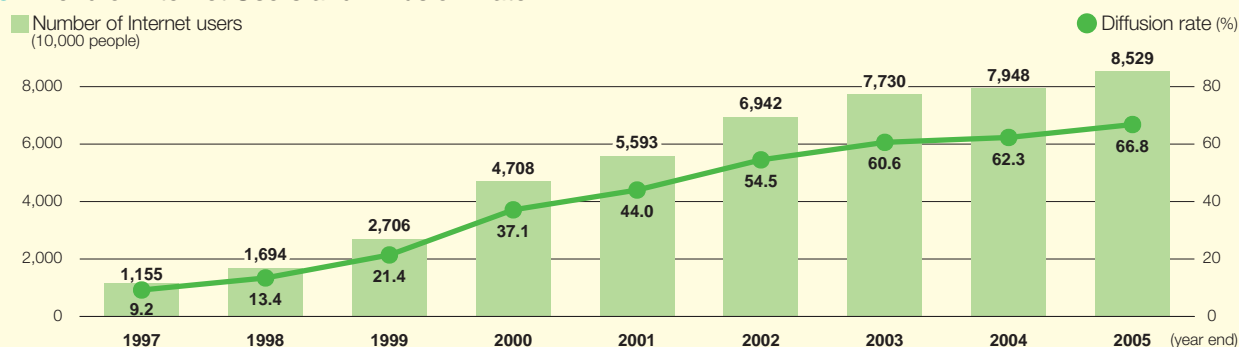
The number of people estimated to be using the Internet, the foundation of the coming information network society, is approximately 85.29 million at the end of 2005, and the total is increasing every year.

The “New IT Reform Strategy” aims to achieve a ubiquitous network society and the most convenient and efficient e-government in the world to “realize a ubiquitous and universal network society where everyone can enjoy the benefit of IT.” Positioning e-Tax, a system that has enabled online tax returns and tax payments, as a central system for tax-related procedures, the NTA has been improving

the convenience for taxpayers and promoting wider dissemination of e-Tax.

In addition to the utilization of IT for the convenience to taxpayers, the NTA is currently reviewing its operations, assuming the more sophisticated use of IT. Through the operation and system optimization plan for national tax administration, the NTA is enhancing its systems, maintaining information security, outsourcing operational tasks and improving transparency in procurement processes, including those for systems.

● Trend of Internet Users and Diffusion Rate



Source: Ministry of Internal Affairs and Communications, “White Paper on Information and Communications in Japan 2006”

## Online administrative procedures

Following the “New IT Reform Strategy,” which aims to increase the use of online tools to 50% by FY 2010 in applications and notifications to the government, the NTA has been promoting various measures to achieve the specific targets set out for each year, based on the “Action Plan for Promoting the Utilization of Online Procedures” for national tax as decided in March 2006 (revised in March 2007).

As for national tax-related procedures, taxpayers are now able to submit not only their tax returns but also other applications and notifications online from their homes or offices.

The NTA used to use magnetic tapes or documents when requesting headquarters, branches or agencies of Bank of Japan to refund overpaid taxes by bank transfer. However, the NTA is now able to process tax refunds more promptly by bank transfer because the NTA, Bank of Japan and private financial institutions holding taxpayers’ banking accounts are linked online.

## (2) Optimization of Operations and Systems

In line with the “e-Government Establishment Plan”, decided in July 2003, the NTA formulated and published an “Optimization Plan of Operations and Systems related to National Tax Administration” in March 2006 (revised in May 2007). Its basic policies are (1) to attempt simplification and improvement in operational efficiency for appropriate performance, (2) to attempt improvement in the convenience of taxpayers by utilization of IT, (3) to attempt sophistication of the system related to examinations and collections of tax delinquency through the utilization of IT, (4) to ensure stability and reliability of the system and information security, and (5) to attempt reduction of expenses related to the system and to ensure the transparency of procurement.

In terms of the simplification and efficiency of the operation, the NTA manages in-office work in more integrated manner and centralizes telephone

consultation services to call centers. To provide more convenient services for taxpayers, the NTA has also improved its e-Tax functions and operations by providing downloadable e-Tax software and exempting taxpayers’ electronic signatures when a tax accountant is involved in the filing process. In addition, the bank transfer of tax refund is now processed more quickly on the online system. Furthermore, for cost reduction purposes, the NTA has made a part of the KSK system an open system.

Through such optimization of in-office works and systems, the NTA simplifies administrative processes and improves the operational efficiency and convenience of taxpayers. With a view to properly fulfilling the NTA’s missions to achieve proper and fair taxation, the NTA is striving to enhance its tax examination and collection of delinquent tax and improve compliance of taxpayers’ obligations.

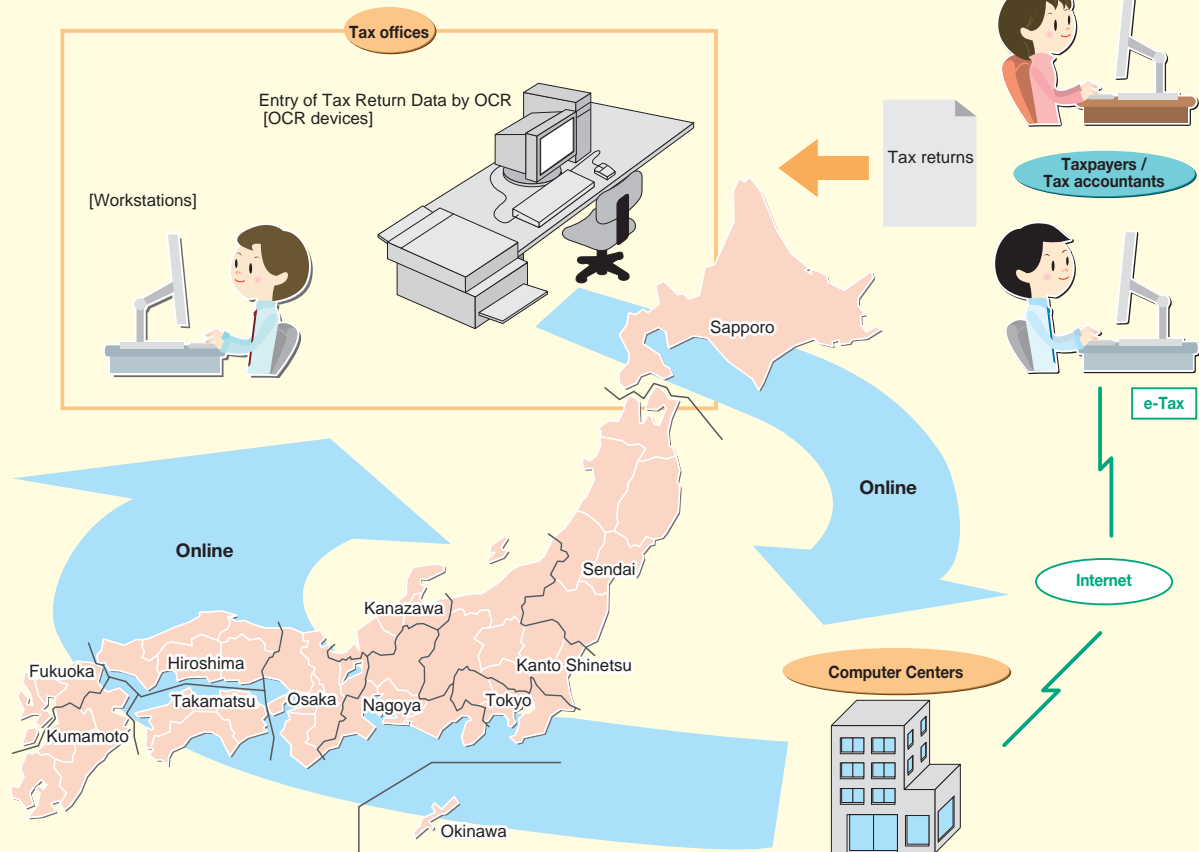
## Stability and Reliability of the System and Information Security

As national tax-related tasks are closely related with public rights and obligations, system failure could pose significant impacts on the public and impair the credibility of tax administration. Therefore, the NTA works on stable operations of national tax-related systems, including regular replacements of system equipment.

Since national tax-related systems stores and accumulate a significant amount of taxpayers’ data, the NTA is paying the closest attention to preventing unauthorized use of the data and information leakage. Therefore, to ensure security, the NTA has set up a system in which the NTA staff can access only the data necessary for their duties, and established official directives for information security and thoroughly implemented them. Furthermore, the NTA conducts a security audit regularly by external experts and takes necessary measures.

## ● KSK System

Nationwide Online Processing



## KSK System (NTA Comprehensive Information Management System)

The KSK System, which links all Regional Taxation Bureaus, Okinawa Regional Taxation Office and Tax Offices, is a computer system introduced to handle various administrative works in a more sophisticated and efficient manner by managing all the data across regions or tax items. It manages national tax obligations in an integrated manner by entering various information, including that on tax returns and tax payment, and analyzes these data for tax examination or the collection of delinquent tax.

Full-scale development of the KSK system started in 1990. The NTA has gradually introduced the system since 1995 and started nationwide operations in 2001.

## Addressing IT-based Taxation/Accounting Duties

As more and more corporations prepare their accounting/financial data electronically, e-Tax adopts standardized formats so that corporations or tax accountant offices can attach electronic financial statements to their tax returns for corporation tax.

To enable taxpayers and tax accountant offices to directly send the necessary documents to e-Tax via the use of commercially available tax/accounting software, the NTA discloses the specifications compatible to e-Tax actively and quickly during system modifications.