

VII Future Challenges

Changes in the Environment Surrounding Tax Administration

At present, our nation is facing an unprecedented situation of a declining birthrate and aging of the population. The saving rate is significantly declining and the working-age population is anticipated to shrink. The so-called “steadily growing economy” are over, and under such circumstances, the people’s desire for administrative and fiscal structural reform is intensifying. In order to deal with such structural change in society, the tax system is also being reviewed. Furthermore, the shapes of enterprises and family lifestyles are undergoing marked transformation, due to the diversification of employment and family structures. The rapid progress in IT and expansion of the cross-border activities of individuals and enterprises, along with the economic development of Asian countries and economic globalization, are seen in economic activities. In addition, accounting standards penetrate both internationally and mutually.

The environment surrounding the tax administration is undergoing significant change due to such economic and social movement. Due to a reduction in the tax exemption sales threshold for enterprises for consumption tax and a review of pension taxation etc., the number of final returns has significantly increased. Accordingly, the administrative work of Tax Offices involving the processing of such returns has also been increasing. Furthermore, tax avoidance methods are becoming increasingly shrewd, alongside the progress of IT and globalization of the economic society, meaning cases of tax examinations and collection are becoming ever more complicated and difficult than before. With this in mind, the environment surrounding the tax administration is becoming increasingly difficult in both quantitative and qualitative terms.

The NTA’s Responses to Such Changes in the Environment

In order to continuously fulfill the mandate of the people under such difficult circumstances, the NTA should implement priority-oriented tax administration while allocating human and material resources effectively and efficiently. It is important to strive in this way in order to secure sufficient tax examination and collection, maintain and improve taxpayers’ compliance with law and give considerations to taxpayer services.

To this end, in line with the purport of the self-assessment system, whereby after taxpayers calculate the amount of tax themselves, they make a voluntary declaration and voluntary payment, it is necessary to restructure the system of providing taxpayer services. After restructuring, the NTA reviews the computer systems and relevant operations regarding the in-office work of Tax Offices, attempts to outsource administrative work that can be handled by persons other than Tax Office officials and are planning to positively promote the rationalization of and improved efficiency of administrative work. Furthermore, also concerning the administrative work involved in tax examination and collection, and from the perspective of maintaining and improving taxpayer compliance, the NTA is planning to refine the system by making positive use of IT to review the operations involved in tax examination and collection and to attempt further enhancement of the tax administration.

Concrete Measures

(1) Improving the Tax Payment Environment

The NTA is improving taxpayer services so that taxpayers themselves are able to file the correct returns and make tax payment.

Specifically, the NTA is providing tax information required by taxpayers by enhancing the content of the information provided on the NTA Website. Furthermore, the NTA is endeavoring to diversify the means of tax return filing and tax payment by making the best use of IT, such as the e-Tax and the

“Filing Assistance on the NTA Website”, and the introduction of tax payment at convenience stores. To further improve convenience for taxpayers, such as quickly answering taxpayers’ questions in telephone consultations available at Tax Counsel Offices and Tax Offices, the NTA will gradually increase the number of telephone consultation centers at each Regional Taxation Bureau level to accept phone calls from taxpayers in a more centralized manner.

(2) Overhauling In-office Works

While giving full consideration to the fact that the NTA’s operations have a direct bearing on the rights and obligations of taxpayers, the NTA is improving the efficiency of in-office work at Tax Offices by reforming duties through the growing use of IT.

Specifically, in-office work, such as the series of tasks involved in handling tax return filing and tax payment, works related to a taxpayer’s changing status, and tax office’s counter work, have been separately

handled by different divisions in Tax Offices. However, the NTA will streamline the work by centralizing the majority to a single division and effectively using IT systems (i.e. the integration of in-office work). Furthermore, the NTA is promoting the centralization of large-volume, temporary work that is independent of other operations and the outsourcing of administrative work that can be handled by persons other than tax officials.

(3) Overhauling Tax Examination and Collection Operation

Under circumstances whereby internationalization and highly-networked information are progressing in the economic society, in order to ensure proper and fair taxation, the NTA is responding to advanced areas, such as international tax avoidance schemes and electronic commerce, by developing a system to deal with enterprise groups engaged in such wide-area transactions, and is also overhauling tax examination and collection duties throughout its organization. Furthermore, the NTA is planning to refine the system

so as to be able to make flexible use of the various kinds of information on taxpayers.

In view of the CPTAs’ public mission to support the self-assessment system, the NTA is also facilitating the system for the documents attached by CPTAs to tax returns under the CPTA Law. At the same time, the NTA is improving responses to taxpayer inquiries and the utilization of advance pricing arrangements regarding transfer pricing in order to increase the predictability of tax matters for taxpayers’ economic activities.

(4) Improving the NTA Officials’ Work Environment

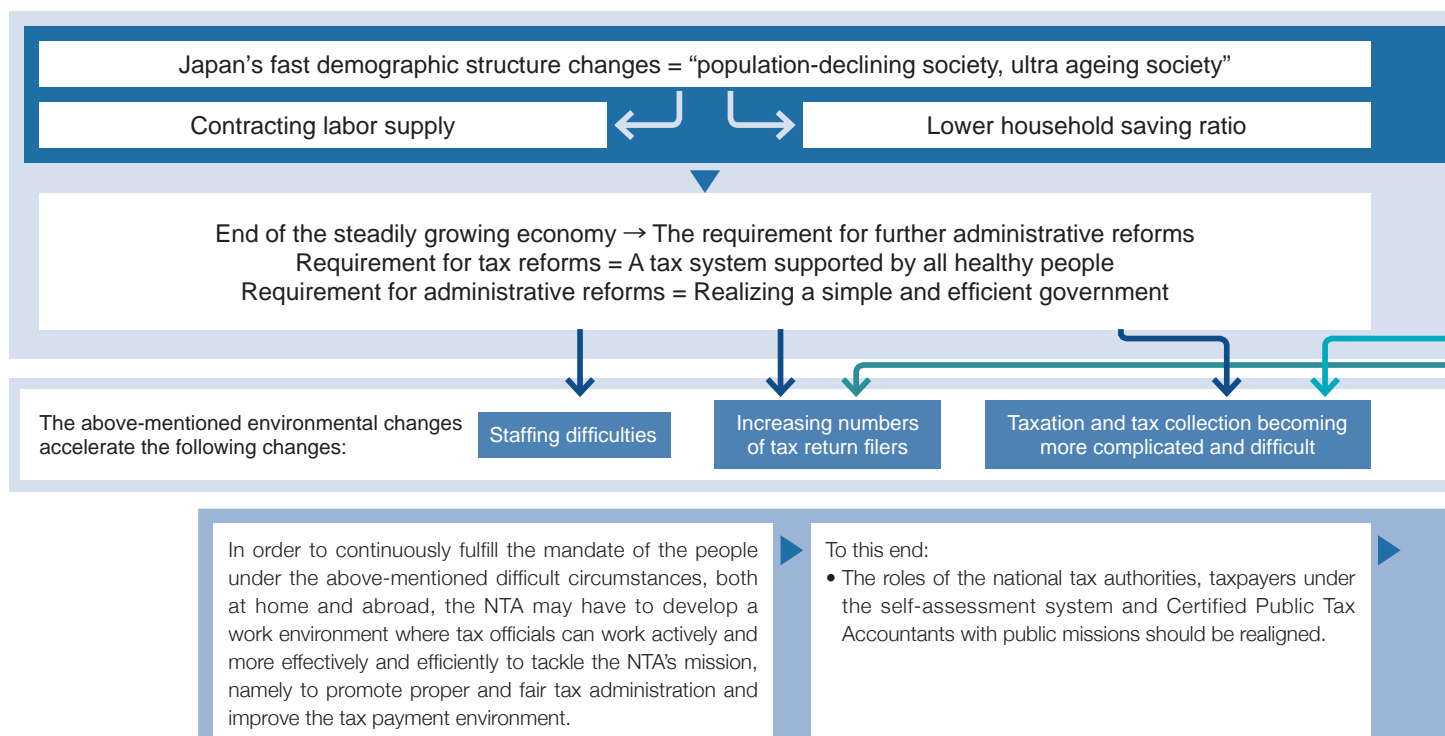
The NTA is developing a work environment where its officials are encouraged to perform their duties with enthusiasm.

Particularly, in view of the fact that the number of female NTA officials is increasing year by year, based on the basic philosophy of the “Act for the Promotion of Measures to Support the Fosterage of

the Next Generation,” as established in July 2003, the NTA has devised an “Action Plan” to develop a work environment to promote a balance between childcare and work, under which the NTA started activity on April 1 2005. Furthermore, the NTA is planning to review the training system in tune with environmental changes.

To promote the above measures, the NTA will endeavor to attain the optimum allocation of limited staff resources, budget distribution based on quantitative results and the placement of the right people in the right jobs.

Changes in the Environment Surrounding Tax Administration



Improving The Tax Payment Environment

• Basic stance

Taxpayer services should be rebuilt in line with the rising number of tax return filers and with the objectives of the self-assessment system.

- (1) Promoting the utilization of IT for information services
Expansion of the NTA Website and the Tax Answer System, the utilization of mail magazines
- (2) Promoting diversified means of tax return filing and tax payment through the utilization of IT
Extending the utilization of e-Tax, expansion of the Filing Assistance on the NTA Website, and the introduction of tax payment at convenience stores
- (3) Measures for the filing period for the final tax return
 - (a) Further encouragement of self completion of tax returns in self-assessment consultation
 - (b) Implementation of self-assessment consultation on Sundays (two Sundays) (services on government holidays)
- (4) Improving the efficiency of the tax consultation system
Putting together general tax consultations to the Telephone Consultation Center.

Overhauling In-office Works (including general services)

• Basic stance

With consideration given to ensuring appropriate operations, the tax authorities should promote operational reforms responding to IT development and the outsourcing of administrative work that can be handled by persons other than tax officials.

- (1) Increasing the efficiency of in-office works
 - (i) Examining/testing possible approaches for unification of in-office work
 - (ii) Examining possible approaches for efficient in-office work through trial of decentralization
- (2) Increasing the efficiency of general work
Promoting IT utilization for the centralization and outsourcing of accounting, health and welfare, and remuneration-related work

To promote the above measures, the NTA endeavors to attain the optimum distribution of its limited staff resources,

For the government as a whole, the NTA will move forward with a phased approach for the "Optimization Plan of Operations and Systems

and NTA's Responses to Such Changes

The economic development of countries in Asia, globalization of accounting standards

Japanese-style employment practices are being shaken up and working styles are diversifying
Family structures are also diversified, etc.

Progress in globalization
→ Increasing inward and outward direct investment
People's increasing cross-border movements
Sophistication of international tax avoidance schemes

Changes in the work environment for national tax officials
(The number of women and child-raising officials are increasing and young officials' attitudes are changing)

- Regarding measures that should be implemented by the tax authorities, the NTA, Regional Taxation Bureau (Bureaus) and Tax Office (Offices) should rebuild their respective functions

- The tax authorities should promote operational reforms responding to IT development and the outsourcing of administrative work that can be handled by persons other than tax officials.

Overhauling Tax Examination and Collection Operation

- Basic stance
To maintain and improve taxpayers' compliance with the law, the tax authorities should overhaul the tax examination and collection systems to implement tax examination and collection more effectively and efficiently
- (1) Improving tax examination and collection duties
 - Considering an overhaul of the tax examination and collection systems, based on sharing of roles between Regional Taxation Bureaus and Tax Offices
 - Using more sophisticated systems, such as sharing various information
- (2) Roles of CPTAs with public missions
Promoting the new system for CPTAs to attach documents to tax returns
- (3) Addressing advanced areas
 - Expanding international taxation, including fighting against international tax avoidance schemes Responding to advanced information regarding corporate activities
 - Securing taxpayers' predictability
 - Improving responses to taxpayer inquiries
 - Utilizing advance price arrangements regarding the transfer pricing taxation
 - Responding to the consolidated taxation system

Improving the NTA Officials' Work Environment

- Basic stance
The tax authorities should develop a work environment where tax officials can work with enthusiasm and hope.
- (1) Endeavoring to realize a gender-equal society
 - Promoting a personnel policy to optimally exploit female officials' abilities and aptitudes
 - Promoting the NTA action plan to achieve a balance between childcare and work
- (2) Improving the guidance and fosterage measures for young officials
- (3) Reforming training systems in response to changes in the environment surrounding the tax administration
- (4) Improving the work environment

budget distribution based on quantitative results, and the placement of the right people in the right jobs.

Related to National Tax Administration" (issued in March 2006, revised in May 2007) by fiscal 2010.