

# From the Commissioner

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Since its establishment, the National Tax Agency (NTA) has administered the nation's taxation system with the aim of its mission of "realization of taxpayer's voluntary compliance." 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 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 workflow, raise the morale of tax officials, and revitalize the NTA organization.**

The environment surrounding tax administration is changing significantly. While the number of tax returns is largely increasing, with changes in Japanese society such as advancement in aging of the population and globalization of the economy, tax examination and collection work are becoming increasingly complicated and difficult. In addition, with the advent of a lawsuit society, it is becoming more necessary to make efforts to secure further transparency and consistency of tax handling, improving the reviewing process. On the other hand, the number of NTA employees is more strictly limited. Under these circumstances, in order for the NTA to perform its assignment of the "achievement of proper and fair taxation," it is necessary to meet public mandate by dealing firmly with the malicious taxpayer while improving the transparency of tax administration and convenience for the taxpayer.

For the purpose of ensuring adequate workload for tax examination and collection, given the limited resources available to us, it is required to attain both improvement in the convenience for all taxpayers and simplification as well as higher efficiency of internal operation by utilizing the electronic national tax return filing and tax payment system (e-Tax) and at the same time, making efforts towards the integration of back office works and centralization of telephone consultation.

As to improving convenience for 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 tax return preparation software.

As for e-Tax, the NTA is making it a top priority to popularize e-Tax through various initiatives at the entire NTA headquarter, regional taxation bureaus, and tax offices levels. For improvement in function, operation has so far been advanced based on the "Action Plan for Encouraging Online Services" for national tax, and by collaborating with tax accountants' associations and relevant private organizations, the NTA continues to make efforts to promote e-Tax.

For more efficient operations, the NTA has been taking measures including the integration of back office works at each tax office and centralization of telephone consultation services at the regional taxation bureau level. The integration of back office works means integrating internal operations in a cross-sectional manner, by eliminating NTA's rather vertically divided back office works (e.g., division by individual taxation, corporation taxation, revenue management and collection) that have been handled by different departments for each tax item, and handling the same type of

work at one department in an integrated fashion.

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

Efforts are being made to conduct effective and efficient tax examination. For example, the contents of tax returns filed, related data, and information are analyzed and studied in detail, based on the latest social and economic conditions and state of business, and conducting in-depth examinations on the taxpayer who really needs to be investigated. Particularly with regard to progressively more complex and widely ranging economic transactions, the NTA is striving to form an organizational structure and develop a technique of examination that can deal with such transactions accurately.



In this connection, with globalization of the economy in recent years, 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 such as international conferences. In addition, the NTA has been facing problems, such as international tax avoidance that manipulates 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 reducing delinquent taxes, the NTA is working on various measures aimed at ensuring tax payment within the due date. With respect to already-delinquent national tax, on the other hand, the NTA is endeavoring to steadily advance reduction on the whole, based on the fundamental policy of prioritizing the collection of delinquent consumption tax, the resolution of large-scale and unscrupulous tax delinquency, as well as effective and efficient reduction of small-amount tax delinquency in the context of the actual situation of each taxpayer concerned.

The National Tax Agency Report 2008 presents our activities to taxpayers clearly, and explains the following points:

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

Again, the NTA's mission is to realize taxpayer's voluntary compliance under the self-assessment system. I hope that this National Tax Agency Report 2008 deepens taxpayers' understanding of their taxes.

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