

# V Protection of Taxpayer Rights

## Reinvestigation, Reconsideration and Litigation: The system to remedy Infringement of Taxpayer Rights and Interests

When a taxpayer disagrees with the district director of a tax office concerning a correction made during a tax examination and wants to appeal, there is an appellate system that allows for an administrative review before litigation is instituted directly with the court. This review system provides simple procedures to promptly remedy infringement of taxpayer rights and interests and comprises requests for reinvestigation and reconsideration.

In principle, taxpayers who disagree with the actions taken by a tax office shall first submit a request for reinvestigation to the district director of the tax office. On the other hand, a request for reconsideration is to be submitted to the director-general of the National Tax Tribunal, established as an independent institute.

In addition, if dissatisfaction remains with the disposal taken after the decision made by the director-general of the National Tax Tribunal, an appeal to the court may be made to seek remedies, as in other general administrative cases.

### (1) Reinvestigation

Requests for reinvestigation represent the first stage of administrative dispute procedures regarding dispositions concerning national tax. To appeal against correction, determination or seizure made by the district director of the tax office or the regional commissioner, a taxpayer may lodge a request for reinvestigation with the district director of the tax office or the regional commissioner to request that the ruling be revoked or changed.

In recent years, requesting reinvestigation has become complicated due to the geographical expansion and globalization of economic transactions, and the difficulty

associated with fact finding and legal interpretation / application in many cases. To respond to this situation, the NTA has established a rulings and legal affairs divisions in each regional taxation bureau and assigned a special officer (legal affairs) to the same. The NTA is also providing various forms of training to develop tax officials, who are skilled in reviewing. In this way, the NTA is endeavoring to execute uniform tax administration under the correct interpretation of the tax laws nationwide and deal with requests for reinvestigation from taxpayers properly and promptly.

### (2) Reconsideration

Taxpayers who wish to appeal against the decision of the district director of the tax office in relation to their request for reinvestigation can lodge a request for reconsideration with the director-general of the National Tax Tribunal.

The National Tax Tribunal is an impartial body, independent from regional taxation bureaus and tax offices, and provides relief for any infringement of taxpayer rights and interests. Appeals judges and associate appeals judges, with specialized knowledge and vast experience, examine and review the case from a neutral standpoint.

For the posts of director-general of the National Tax Tribunal as well as the chief appeals judges of the Tokyo and Osaka Regional Tax Tribunals, former justices and former public prosecutors have been appointed.

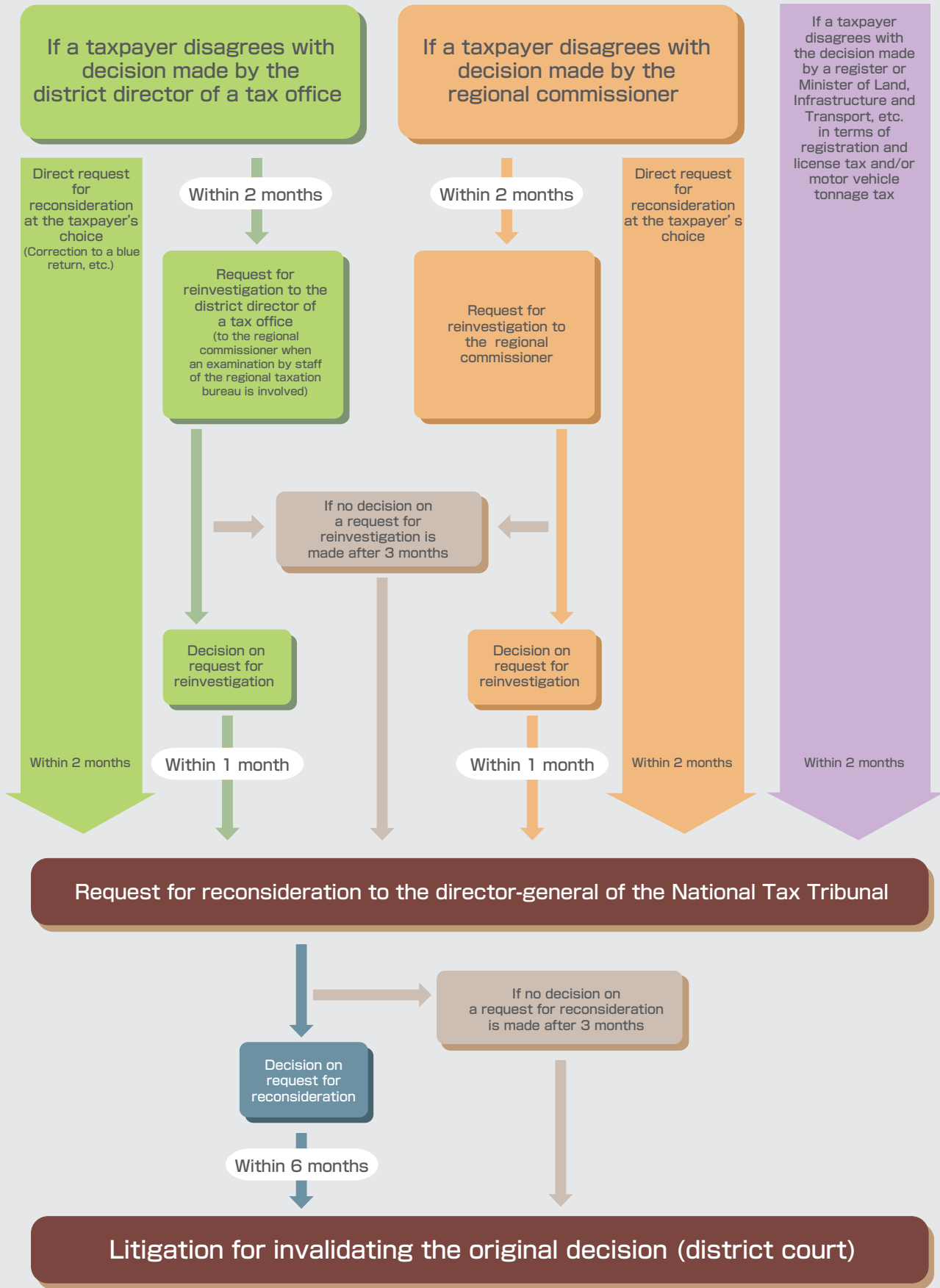
Furthermore, since July 2007, former certified public tax accountants and others who have worked as experts in the

private sector have been appointed as appeals judges.

The National Tax Tribunal promptly clarifies the points at issue in a case by drafting a chart outlining the positions of each party after fully ascertaining their perspectives by contacting the party requesting reconsideration and the tax office. The Tribunal endeavors to quickly and speedily remedy any infringement of the rights and interests of the taxpayer by fully listening to the views and positions of each party and conducting its own examination when necessary.

Decisions by the director-general of the National Tax Tribunal would be no more disadvantageous to the taxpayer than those made by the district director of the tax office. Moreover, the district director of the tax office cannot institute litigation, even if he or she disagrees with the ruling, because the ruling by the director-general of the National Tax Tribunal represents the final decision of the NTA.

# Overview of the Appellate System for National Tax



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### (3) Litigation

If a taxpayer wishes to appeal against the decision by the director-general of the National Tax Tribunal, he or she

is entitled to appeal to the court to seek remedy.

### (4) Results

The NTA endeavors to process every request for reinvestigation within three months in principle. The total number of reinvestigation request cases processed was 4,956 (4,224 for taxation and 732 for collection) in fiscal 2007. In about 11.2% of the request cases, taxpayers' claims were totally or partially endorsed due to new findings.

As for reconsideration request cases, the National Tax Tribunal endeavors to complete processing within one year in principle. The number of requests for reconsideration processed totaled 2,404 (2,030 for taxation and 374 for collection) in fiscal 2007. In about 12.6% of the request

cases, taxpayers' claims were totally or partially endorsed.

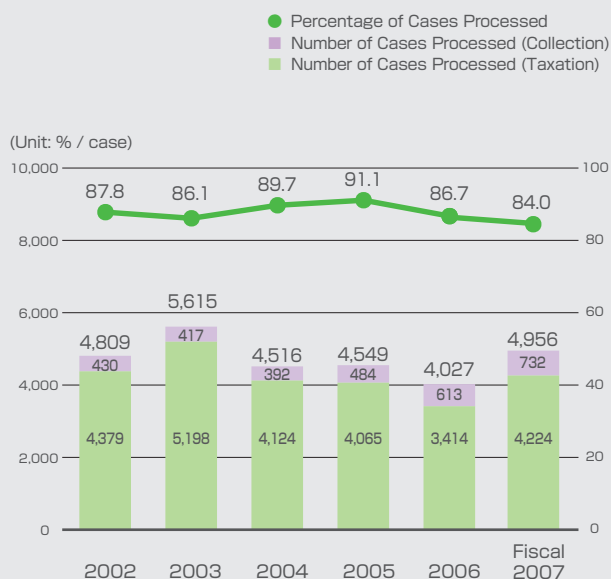
As for litigation cases, there were 387 cases closed (289 cases of taxation, 98 cases of collection) in fiscal 2007. In about 14.2% of the cases, taxpayers' claims were totally or partially endorsed.

To gain taxpayer understanding regarding the system for remedying any infringement of taxpayer rights, the NTA and the National Tax Tribunal provide information in Japanese on case decisions via the website. For further information, please access the website of the National Tax Tribunal.

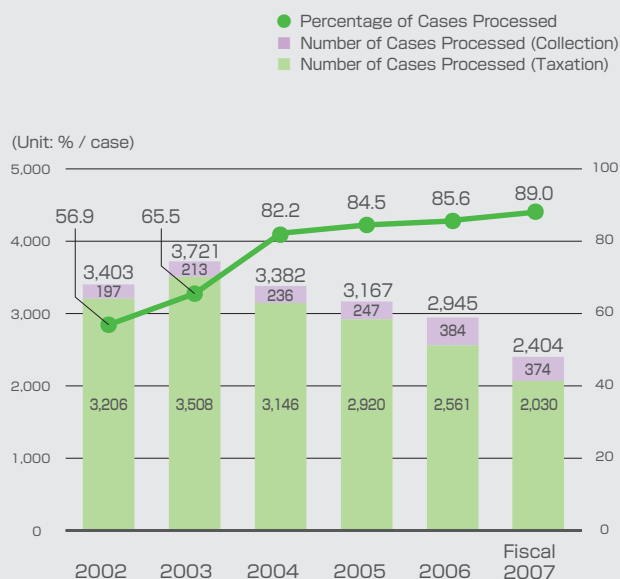
<http://www.kfs.go.jp> -- Japanese only

※ The figures represent preliminary data as of the end of April 2008.

● Percentage of Reinvestigation Request Cases Processed within Three Months and Number of Reinvestigation Request Cases Processed



● Percentage of Reconsideration Request Cases Processed within a Year and Number of Reconsideration Request Cases Processed



## Reference Response to Complaints from Taxpayers

Not only requests to appeal against an administrative disposition but also complaints, requests, criticisms, or consultation over problems, covering all aspects of tax administration, such as the attitude of the tax official having responded to taxpayers or the method of examination, may be forwarded to the NTA. The NTA responds promptly and properly by taking the viewpoint of taxpayers because we believe that responding forthrightly to taxpayers' complaints is crucial in earning their understanding and trust. Moreover, in July 2001, the position of taxpayer support officer was created, with duties including explaining procedures for how to remedy infringements in cases where the taxpayer's rights or interests have been affected.