

III Improvement of Taxpayer Convenience and Administrative Efficiency

To improve convenience for citizens and achieve simplification, efficiency enhancement, reliability, and transparency in government affairs by introducing the use of IT to the areas of government administration and reviewing the operations and systems, the decision was made in July 2003 to implement the e-Government Establishment Plan. Since then, the government has been addressing the improvement of convenience and services for citizens with its commitment to make administrative reforms through IT.

At the NTA, while making efforts to improve convenience for taxpayers, we have been working to increase simplification and improve the efficiency of administration through an overall review of the administrative affairs process and operating expenses.

Particularly, the NTA regards e-Tax, which enables the filing of tax returns and payments via the Internet, as the primary driver to reform the tax administration in an IT-oriented era, while pursuing further convenience.

The NTA has drawn up a mid-term plan to realize the optimization of administrative tasks and systems. It is addressing the optimization of the administrative structure, work processing, and related systems to flexibly cope with changes in the environment surrounding the tax administration, while tackling new issues.

1 e-Tax

The NTA is improving convenience for taxpayers and administrative tasks by pushing forward tax returns and payments through the use of IT, such as e-Tax and filing assistance on the NTA website.

(1) e-Tax

The e-Tax system is a way for taxpayers to implement the procedures for filing such as notifications, income tax returns, corporation tax returns, consumption tax returns, submission of information returns, and applications for filing the blue returns, which used to be processed in writing. Taxes can also be paid via Internet Banking and ATMs in which all the taxes are processed via Pay-Easy.*1

The use of e-Tax makes it possible for taxpayers and CPTAs to file tax returns and payments from their homes or offices without having to visit tax offices or financial institutions. In addition, tax and accounting software compatible with e-Tax can electronically process a series of tasks from accounting to data preparation and filing of tax returns, thereby realizing the savings of administrative tasks and making the process paperless.

This also makes it possible for the NTA to expect the effects of cutting the costs for receiving tax returns, processing mailed returns, entering data, and administering documentation. Thus, it makes the document search easy and it cuts down the cost of document management, thereby maintaining the efficiency of tax administration.

To spread e-Tax, the NTA has been strongly advocating “The Action Plan for Promoting the Utilization of the Online Procedure” to process national tax procedures, which were determined in March 2006 (revised in March 2007). For example, IT introduction allows the taxpayer to leave out the presentation or submission*2 of some of the attached documents prepared by third parties, such as receipts for medical expenses, in relation to individual income tax. Personal computers installed in the self-assessment consultation center to explain the filing of tax returns enabled taxpayers to prepare and submit tax returns through the filing assistance on the NTA website using e-Tax. If CPTAs file tax returns electronically for taxpayers, digital signatures of taxpayers,

*1 “Pay-Easy” is a service where taxpayers can pay public utility charges via Internet banking and ATMs, which used to be paid at the counters of financial institutions and convenience stores.

*2 When skipping the presentation or submission of documents prepared by third parties, descriptions in such documents have to be entered and submitted online along with the tax return forms.

In order to check on the entries of descriptions, if it is needed, the tax offices may ask taxpayers to present or submit original copies during a three-year period from the legally required due date for filing.

III Improvement of Taxpayer Convenience and Administrative Efficiency

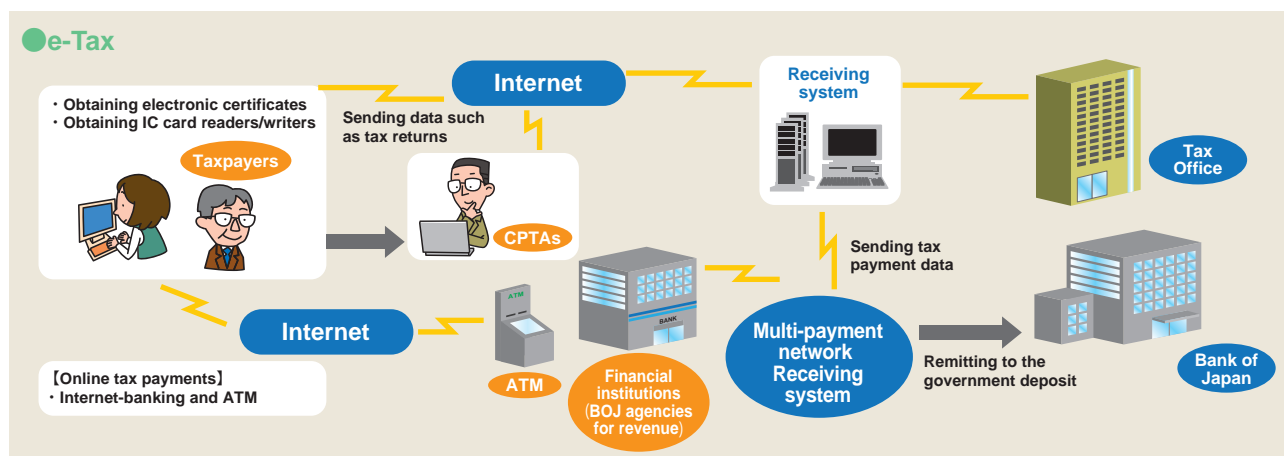
which used to be required, can be skipped.

In addition to these activities, in fiscal 2008, the NTA improved the operation of e-Tax, and strengthened support for taxpayers by making available wider use of the help desk. As a result, the usage rate of e-Tax substantially increased from 23% in fiscal 2007 to 37% in fiscal 2008.

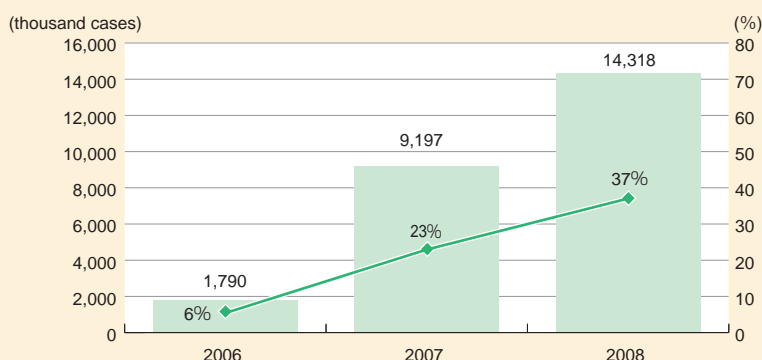
When income tax return forms are filed using e-Tax, the program for a maximum 5,000-yen tax credit was extended to fiscal 2010 if the returns are filed by the due date with digital signatures and electronic certificates attached (only once during a period between fiscal 2007 and fiscal 2010).

In September 2008, the Japanese government decided on a new action plan (Action Plan for Promoting the Utilization of Online) setting goals for major procedures in fiscal 2013. This plan calls for implementing the following as future issues to spread the use of e-Tax: ①expanding the base for personal certification, ② spreading the local tax portal system (eLTAX) by local public bodies, and ③facilitating the acceptance of electronic documentation by the private enterprises, under which the government plans to make across-the-board efforts.

Hereafter, the NTA is determined to press forward to achieve the goals set in the new action plan by working together with other relevant government bodies, while making efforts to further improve taxpayers' convenience. At the same time, we will keep reviewing the administrative tasks and systems so that the effect of maximum administrative streamlining can be demonstrated through the spread of e-Tax.

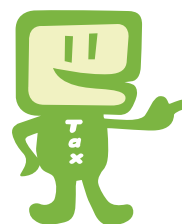


Trend of number of filing cases and usage rate by using e-Tax



* Figures represent the number of cases and usage rate on important procedures described in the "Action Plan for Promoting the Utilization of Online".

"Mr. e-Ta"



"Mr. e-Ta" is an image character for e-Tax. He is named after e-Tax, and the design is based on the "e" motif in e-Tax and the monitor screen of a personal computer.

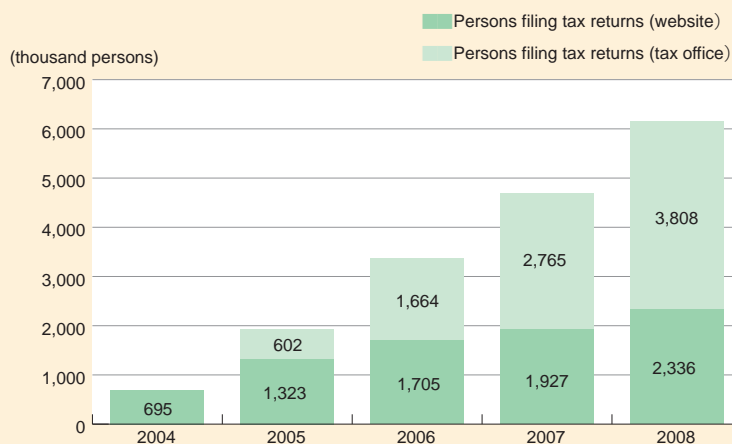
(2) Filing assistance on the NTA website

Entry of amounts and other necessary information into the filing assistance on the NTA website according to screen guides for personal computers allows taxpayers to complete their tax returns for income tax, individual consumption tax, and gift tax as well as financial statements for blue returns. The prepared data can be directly electronically filed as tax returns from this corner (excluding gift tax), and can be printed out.

Since the system was introduced in filing period for 2002 final tax return, the number of users has increased each year. For 2008, taxpayers, who have submitted returns from homes, offices, or consultation sites in tax offices using this system, totaled 6 million cases, or 25% of the total taxpayers who filed tax returns. Of these, about 60% of the submissions were made by e-Tax.

We will continue our efforts to improve the system to make it more easy-to-use based on feedback from users so that it can be used by as many taxpayers as possible.

● Trend in tax return submissions prepared in the filing assistance on the NTA website



* Figures represent those submitted by the end of March of the following year.

The use of personal computers installed in the tax office started from those for tax returns for 2004.

However, the number of taxpayers who submitted returns using this method remains unaccounted for.

The number of taxpayers who submitted tax returns before 2003 remains unaccounted for.

The number of taxpayers who submitted tax returns after 2007 includes cases using e-Tax

② Optimization of Operations and Systems

Based on the e-Government Establishment Plan determined in July 2003, the NTA now reviews administrative tasks on the assumption that advanced IT systems will be used in order to further upgrade taxpayer convenience. Under the following basic principles of ①simplification and improvement of efficiency of administrative tasks to correctly get the work done; ②improvement of convenience for taxpayers by using IT; ③sophistication of systems to process tax examination and collection of delinquent tax using IT; ④assurance of the stability, reliability, and information security of systems; and ⑤reduction of systems-related expenses and assurance of transparency in purchasing, the NTA in March 2006 (revised May 2008) announced the Optimization Plan of Operations and Systems related to National Tax Administration, and works on it.

Over the past year, in view of realizing the simplification and improvement of efficiency of administrative tasks, we have concentrated telephone consultations for tax affairs on tax consultation service call centers and integrated back office work in July 2009 at the tax offices across Japan. We are also pushing to further the paper-less concept as e-Tax spreads.

From the standpoint of improving convenience for taxpayers, we have improved the easy-to-use features of e-Tax and are now working to realize direct tax payments as a new method of paying national taxes.

In view of sophisticating the systems, we are improving the systems to keep abreast of globalization and the advanced use of IT in a socio-economic society in order to further enhance the ability to examine and address collection of delinquent tax.

With regard to the reduction in system operating expenses and assurance of transparency in purchasing,

III Improvement of Taxpayer Convenience and Administrative Efficiency

we are pushing forward to turn the KSK systems into open systems^{*1} where the interchangeability of systems is enhanced, have the software adopted as a general purpose product, and integrate equipment when replaced or updated.

Facing tight financial conditions, the NTA believes that optimizing administrative tasks and systems will help reduce operating expenses, simplify administrative processes, and enhance work efficiency and improve convenience for taxpayers. In order to fulfill the NTA's duty to achieve proper and fair taxation, we are striving to enhance tax examination and collection of delinquent tax.

Stability and Reliability of Systems and Assurance of Information Security

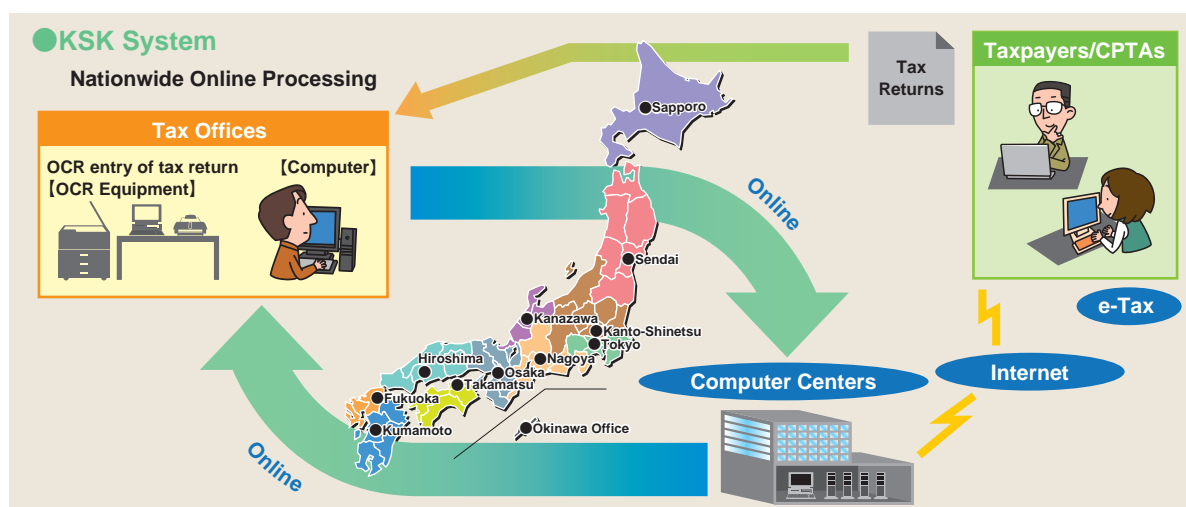
Because the national tax-related administrative tasks are closely connected to public rights and obligations, system failure is likely to have a significant impact on citizens and impair the credibility of tax administration. Therefore, the NTA is working to maintain stable operation of the systems related to national taxes by regularly updating equipment and devices.

As the national tax-related system stores a significant amount of taxpayer's information, the NTA is paying very close attention to prevent unauthorized use and leaks of the information. To ensure security, the NTA has set up a system where officials are allowed to access only the data necessary for their duties and has established official directives for information security for thoroughly implementation. In addition, the NTA is trying to assure information security by conducting security audits with outside experts.

Reference KSK System

The KSK System, which links all Regional Taxation Bureaus and Tax Offices, is a computer system introduced to handle a variety of different administrative tasks. The entry of tax returns, tax payment records, and a variety of information enables the centralization of the administration of taxes receivable. Analyzed data is used in tax examination and collection of delinquent tax. The computer system centralizes information management across geographical regions and items of taxes to realize sophisticated, efficient administration constituting the basis of tax administration.

The full-fledged development of the KSK System was started in 1990. The NTA phased in the introduction of the KSK System starting in 1995 and nationally in 2001.



^{*1} Turning into Open Systems means to shift to the use of systems with a high degree of interchangeability that can accept widely available products rather than relying on specific manufacturer.

3 Centralized Telephone Consultation and Integrated Office Counter Help

(1) Centralized telephone consultation

The tax counsel offices and tax offices receive a great variety of requests for tax consultation service on income tax, inheritance tax, and consumption tax, etc. The divisions in charge at these offices have responded to such inquiries and provided counseling. On the other hand, as taxpayers increase in number, the number of inquiries and requests for counseling are growing. In order to cope, the NTA is trying to integrate the divisions in charge of tax consultation service so that they can more efficiently respond to the growing need for counseling with a limited number of officials.

Specifically, it was decided in fiscal 2006 that general inquiry and counseling on taxes relating to some tax offices would be accepted and processed at telephone counseling centers in every Regional Taxation Bureau. In November 2008, telephone consultation of all tax offices started to be centralized.

At the telephone counseling centers, tax counselor with extensive experience accept inquiries by tax item in principle. Their prompt, quality response helps shorten the counseling hours, while further improving convenience for taxpayers. For more specific counseling, the tax offices are introducing the appointment system to effectively and efficiently meet taxpayer needs.



Telephone Counseling Center

(2) Integrated office counter service for taxpayers

The NTA has implemented the “Integration of back office work” in all tax offices since July 2009. The administrative tasks used to be processed by each department depending on the tax item in the tax offices, such as the processing of tax returns, revenue management, and basic information on taxpayers. But by this system, the same nature of administrative tasks mentioned above is processed in a single division using IT, thereby upgrading administrative efficiency.

In addition, a major part of the office counter service at the tax offices will also be integrated and processed by a single division. For example, in order to get certificates of tax payment, taxpayers used to submit applications to the different divisions’ counter in the tax office. As a result of integration of back office work, a single divisions’ counter can issue the certificates regardless of the request.

In addition, the submission of tax returns, application related to tax, payment of taxes, and counseling on general questions about taxes can now be processed at a single office counter. We expect taxpayers to experience a significant improvement in convenience.