The environment in which Japanese tax administration operates has seen dramatic change in recent years, with continuing low birth rate and aging society, economic globalization, and computerization. In this environment, towards achieving proper and fair taxation and collection, in order to reliably fulfill the mission assigned to the National Tax Agency (NTA), we maximize utilization of limited human and material resources, each and every tax official maintains high morals, and we treat general taxpayers with a kind and polite attitude. On the other hand, we consider a strict stance in dealing with malicious taxpayers necessary in order to gain understanding of and trust in tax administration.

Based on this thinking, in order to effectively utilize the human and material resources provided to the NTA, we are endeavoring to boost our organization’s administrative efficiency by computerization including e-Tax (online national tax return filing and tax payment system). This is also achieved by our initiative for “unification of in-office work”, which integrates processing of similar clerical work previously done according to tax item in multiple departments in Tax Offices.

Especially, e-Tax enhances taxpayer convenience and contributes to administrative efficiency. Therefore, the NTA is actively working for its wider use and expansion, as one of the most important issues for the NTA.

In order to also effectively and efficiently perform tax examinations and criminal investigations, the NTA collects a wide range of information. We also arrange our examination organization to match the cases. In handling taxation, in order to ensure transparency and consistency of the taxation process, we accurately perform fact finding and interpretation and application of laws and regulations.

In order to reliably collect taxes, the NTA promotes various measures for receiving within due date, and works on measures to prevent delinquencies. The NTA also works to collect delinquent taxes by strictly dealing with major and malicious delinquent cases, and by certain handling of consumption tax delinquency cases. Moreover, the NTA suitably handles collection of delinquent taxes based on laws and regulations, considering the actual situation of the taxpayer.

This National Tax Agency Report 2010 was prepared under the editorial policy of providing easily understood explanations to taxpayers about the NTA’s issues, initiatives and their results.

We hope this National Tax Agency Report 2010 helps people to better understand our activities.

September 2010

Chikara Kawakita
Commissioner
National Tax Agency, Japan
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There is also the National Tax College which trains tax officials, while the National Tax Tribunal serves as a special body engaged in examining requests for reinvestigation or reconsideration from taxpayers.

1 Assignment and missions of the NTA

(1) Assignment of the NTA

Article 19 of the Act for Establishment of the Ministry of Finance provides that the NTA achieves its duties of “Realizing proper and fair taxation and collection of internal taxes.” To fulfill these duties, the NTA provides public relations activities and tax education (taxpayer services) to help taxpayers understand and perform their tax obligations, and corrects taxpayers who fail to fulfill their tax obligations by providing proper guidance or tax examinations (promotion of the proper and fair tax administration) in order to prevent good taxpayers from feeling that taxation is unfair.

In addition, the NTA works to carry out its duties as set forth in Article 19 of the same Act: “Sound development of the liquor industry and “Proper administration of the Certified Public Tax Accountants (CPTAs) services.”

(2) Missions of the NTA

The NTA believes that when carrying out its duties, gaining understanding and confidence of the citizens are critically important.

To this end, the NTA puts together standards of assigned duties and code of conduct, which are disseminated to tax officials and released to the public as the Missions of the NTA.

Missions of the NTA

Enabling taxpayers properly and smoothly fulfill their tax responsibilities

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Challenges

The NTA correctly and flexibly copes with changes in an economic society faced with the advanced use of IT and globalization, while continuously reviewing and improving the organization and tax administration operation in order to meet taxpayer needs.
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### Missions of the NTA

**Enabling taxpayers properly and smoothly fulfill their tax responsibilities**

**Assignment**

- To achieve the above mission, the NTA carries out its duties as stipulated in Article 19 of the Ministry of Finance Establishment Act by keeping in mind transparency and efficiency.

  **(a) Realizing proper and fair taxation and collection of internal taxes**

  **(1) Tax payment environmental arrangement**

  (A) Provides easily understood information on and publicizes interpretations of laws and procedures concerning self-assessment and tax payment.

  (B) Responds quickly and accurately to inquiries and consultations from taxpayers.

  (C) Makes efforts to obtain broad cooperation and participation of the relevant ministries, agencies, and citizens in order to build understanding of the roles of taxes and cooperation with tax administration.

  **(2) Promotion of proper and fair tax administration**

  (A) To realize proper and fair taxation,

  (i) Properly apply the relevant laws and regulations.

  (ii) Try to realize the process of proper tax filing and correct errors by conducting examinations and guidance with persons who have filed improper returns.

  (iii) Endeavor to help taxpayers pay the tax by the due date and implement a procedure to collect taxes from delinquent taxpayers.

  (B) Respond properly and promptly to taxpayers’ requests for review to address infringements of taxpayers’ legitimate rights and interests.

  **(b) Sound development of the liquor industry**

  (A) Stabilize the management base of the liquor industry’s business and ensure research and development of brewing technologies and the quality and safety of liquor.

  (B) Work for effective use of resources related to liquor.

  **(c) Proper administration of the Certified Public Tax Accountants (CPTAs) services**

  Ensure that CPTAs play important roles in the proper and smooth administration of the self-assessment system based on the missions assigned.

**Code of conduct**

- The above duties shall be carried in accordance with the following Code of Conduct.

  **(a) Code of conduct upon performing duties**

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  (B) Work to improve taxpayer convenience.

  (C) Work to improve the administration processes in order to improve efficiency in tax administration.

  (D) Work to actively collect and use the information and data so as to effectively implement tax examinations and procedures against tax delinquencies.

  (E) Implement stern measures to enforce the law with taxpayers who are engaged in malicious tax evasion and tax delinquency.

  **(b) Code of conduct for officials**

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**Challenges**

- The NTA correctly and flexibly copes with changes in an economic society faced with the advanced use of IT and globalization, while continuously reviewing and improving the organization and tax administration operation in order to meet taxpayer needs.
2 Overview of the national tax organization

(1) National revenue and taxes

National revenue (budget for general account revenues) in fiscal 2010 stands at ¥92,299 billion, of which ¥37,596 billion is from the taxes and stamp revenues. Deducing from them Customs taxes revenues and stamp revenues from Japan Post Holdings Co., Ltd., leaves ¥31,857 billion (about 85%) as national tax revenues.

The income tax, corporation tax, and consumption tax account for about 80% of tax revenues.

(2) NTA budget and number of personnel

The NTA budget (initial) in fiscal 2010 stands at ¥716 billion, the majority of which is accounted for by salary costs. In recent years, spending in the budget is prioritized on the budget to operate the Kokuzei Sogo Kanri System (NTA Comprehensive Management Information System, hereinafter called "KSK") and the e-Tax, to improve administrative efficiency and services for taxpayers.

The headcount at the NTA stayed at around 52,000 from the 1970s through the first half of the 1980s. Thereafter the number increased, as the consumption tax was introduced in fiscal 1989. After hitting a peak in fiscal 1997, the headcount has decreased by more than 1,000 over 9 years until fiscal 2006.

The workforce has turned to increase since fiscal 2007 with the latest number at 56,261 in fiscal 2010.

In the face of the tough financial situation of today, the NTA is trying to save the administrative expenses and streamline the headcount, while securing the budget and headcount necessary to get the NTA’s duties done.

(3) Organizational structure of the NTA

The NTA supervises 12 Regional Taxation Bureaus (including Okinawa Regional Taxation Office) and 524 Tax Offices to process tax administration throughout Japan. *1

Ministry of Finance

Tax Agency

National Tax Agency

- National Tax Agency: NTA plans and draws up programs to execute tax administration, standardizes the way to interpret the tax laws, and directly handles some account entered to the central government. The National Tax Agency comprises 3 Bureau and 3 Offices: the National Tax Bureau (715 persons, 4.2%), NTA’s duties done.

Collection Department

This department directs and a Second Taxation Department. This group provides consultation on tax investigation on the large-scale, and malicious tax evaders.

Large Enterprise Examination and Criminal Investigation Department

This group provides consultation on tax investigation. This department carries out revocation of large enterprises and others.

Regional Taxation Bureaus (11)

Taxation Department

Management and Coordination Department

Taxation Bureau

This bureau directs and supervises the groups mentioned above in the Taxation Department, and has the following responsibilities: The National Tax Agency (NTA) decides on the disciplinary actions applied to CPTAs and etc. These are also included in the current revision to the e-Tax, and the NTA’s Comprehensive Information Management System (hereinafter called "KSK") and the e-Tax, to improve administrative efficiency and services for taxpayers.

Local Branch Offices

Localities, Sogo Kanri System (NTA Comprehensive Information Management System, hereinafter called "KSK") and etc. In recent years, spending in the budget is prioritized on the budget to operate the Kokuzei Sogo Kanri System (NTA Comprehensive Information Management System, hereinafter called "KSK") and the e-Tax, to improve administrative efficiency and services for taxpayers.

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This group provides consultation on tax investigation. This department directs and a Second Taxation Department. This group provides consultation on tax investigation on the large-scale, and malicious tax evaders.

Property Taxation Group

This group provides consultation on investigation tax, gift tax, income tax, property tax and etc. This department directs and a Second Taxation Department. This group provides consultation on tax investigation on the large-scale, and malicious tax evaders.

Manager and Coordination Department

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The work force has increased since fiscal 2007 with the latest number at 56,261 in fiscal 2010. In the face of the tough financial situation of today, the NTA is trying to save the administrative expenses and streamline the headcount, while securing the budget and headcount necessary to get the NTA’s duties done.

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<td><strong>National Tax Agency</strong></td>
<td><strong>Regional Taxation Bureaus (11)</strong></td>
<td><strong>Local Branch Offices</strong></td>
</tr>
<tr>
<td><strong>Commissioner’s Secretariat</strong></td>
<td><strong>Collection Department</strong></td>
<td><strong>Tax Offices</strong></td>
</tr>
<tr>
<td><strong>Revenue Management and Collection Department</strong></td>
<td><strong>Large Enterprise Examination and Criminal Investigation Department</strong></td>
<td><strong>Income and Property Taxation Departments</strong></td>
</tr>
<tr>
<td><strong>National Tax Council</strong></td>
<td><strong>Facilities</strong></td>
<td><strong>Corporation Taxation Department</strong></td>
</tr>
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<th><strong>National Revenue (General Account Revenue Budget)</strong></th>
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</thead>
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<tr>
<td><strong>General Account Revenue in Fiscal 2010 (Initial Budget)</strong></td>
</tr>
<tr>
<td><strong>Total</strong> 50.3 Trillion</td>
</tr>
<tr>
<td><strong>Total</strong> 37.4 Trillion</td>
</tr>
<tr>
<td><strong>Total</strong> 12.9 Trillion</td>
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<tr>
<td><strong>Other Revenue</strong> 6.8 Trillion</td>
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<th><strong>National Expenditure (General Account Expenditure Budget)</strong></th>
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<tbody>
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<td><strong>General Account Expenditure in Fiscal 2010 (Initial Budget)</strong></td>
</tr>
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<td><strong>Total</strong> 49.2 Trillion</td>
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<td><strong>Total</strong> 37.4 Trillion</td>
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<td><strong>Total</strong> 11.8 Trillion</td>
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<td><strong>Other Expenditure</strong> 6.8 Trillion</td>
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① The headcount and percentage indicated in each department represents the prescribed number of personnel in fiscal 2010 and its percentage of the overall number of personnel of the NTA.

② The National Tax Council addresses the following: ① studies and deliberation on matters requested by the NTA Commissioner, where the Director-General of the National Tax Tribunal determines the case by interpreting laws differently from the notification issued by the NTA Commissioner; ② implementation of CPTA and examination and decision on the discretionary actions applied to CPTA; and ③ deliberations on the establishment of labeling standards for liquor and other matters.
Promotion of Tax Filing and Payment by Proper Self-Assessment

Japan adopts a self-assessment system for most of national taxes. Under this system, taxpayers themselves determine the amount of tax and pay it. On the other hand, for local taxes, the official assessment system is generally adopted.

For the national taxes, the official assessment system was used in the past, and tax authorities who calculated the tax amount on the basis of income notified taxpayers. In 1947, the self-assessment system was introduced to the three different taxes for income, corporations, and inheritance, and this method has been adapted to many of the national taxes.

In order for the self-assessment system to function properly, it is necessary for taxpayers to have a high level of awareness regarding tax payment and to adequately fulfill the obligation of tax responsibilities as provided by the constitution and law. To this end, the NTA is working to enhance a variety of services for taxpayers to help them correctly file and pay taxes by themselves. These include (1) public relations activities and tax education relating to the significance and function of taxes and knowledge about the tax law, (2) clarification of interpretation and practice of laws and regulations, and of tax procedures, etc., and (3) efforts to improve taxpayer convenience in tax consultation and filing returns.

In order to confirm that the tax returns filed by taxpayers are correct, not only provision of guidance or tax examinations, but also cooperation and coordination with CPTAs and relevant private organizations are needed. Furthermore, if national taxes are not paid by the due date, the NTA encourages voluntary tax payment, and if they are not paid, then it is necessary to work on collecting national taxes, e.g., by implementing disposition for delinquent tax. The NTA provides guidance or examinations of taxpayers who need corrective action and executes firm and proper procedures to collect delinquent taxes based on laws and regulations, while considering the individual circumstances of each taxpayer. In this way, the NTA promotes proper and fair tax administration.

1 Enhancement of services for taxpayers

To have taxpayers voluntarily file a proper tax return, it is absolutely essential for them to realize the meaning of tax obligations. We therefore provide information for this purpose and respond to questions asked by taxpayers.

This is why the NTA provides publicity about self-assessment, payment procedures and the NTA initiatives, based on the basic concepts of “Provide easily understood and accurate publicity from the taxpayer’s viewpoint”, “Seek the people’s cooperation and their broad understanding of tax administration and the importance of taxpayer awareness”, and “Listen to the people’s opinions and requests, and strive to improve administration”.

Specifically, centered on the NTA website (117,280 thousand accesses in fiscal 2009), the NTA provides a variety of information on the significance and roles played by taxes, and on the tax system. The information is provided through mass media such as TV, newspapers, etc., other public relations activities media of pamphlets made available at the Tax Offices as well as municipality offices, and various explanatory meetings.

The NTA also responds to general inquiries and consultations related to taxes on the telephone, while providing information on the interpretation and handling of general tax law through the NTA website, etc. Furthermore, it responds to advance inquiries or questions where there are any questions in tax application to transactions taxpayers are going to make. The NTA thus works for proper self-assessment by taxpayers.

(1) Information provided on the NTA website

The NTA website has the following functions, and has worked to improve the search and guidance functions, to make it easy for anybody to use. Attention is also paid to assist people who have vision disorders and the elderly by making available magnified letters and voice readings.

① Taxpayer service utilizing IT such as “e-tax” and “filing assistance on the NTA website”
② Taxpayer service receiving opinions and requests from taxpayers

The NTA provides the following information on the NTA website

- Q&A related to the tax law, notifications to interpret laws and regulations, and case examples of written responses for advance inquiries and questions
- NTA activities
- Road price ratings and evaluation coefficient tables, which become the standards for the valuation of land in taxation of inheritance taxes, etc.
- Information regarding auctions conducted by the Regional Taxation Bureaus and Tax Offices, etc.

Overview of the NTA website

The following diagram is as of May 2010
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Overview of the NTA website

The following diagram is as of May 2010

1. Tax answers system
   - Provides information on tax laws and general answers

2. Filing assistance on the NTA website
   - This system, if a taxpayer follows the return guidance, inputs monetary amounts, taxes are automatically calculated, and tax returns for income tax and consumption tax can be prepared
   - Tax returns prepared can be filed in e-Tax, or on paper

3. Search Regional Taxation Bureau and the Tax Offices
   - Portal to the Regional Taxation Bureau pages

4. Online national tax return filing and tax payment system (e-Tax)
   - Information to support filing tax returns and payment using e-Tax for "Prior preparation", "advanced registration", "flow of procedures", etc.

5. Road price rating map
   - Provides road price rating information online

6. Tax learning section
   - Offers learning about taxes, with games and quizzes for both children and adults
   - Provides tax education learning materials for school teachers

7. Auction information
   - Provides information on auction goods and properties, auction procedures, etc.

8. Web-TAX-TV
   - Internal program giving easily understood explanations using videos and diagrams, with information on taxes related to scenes of everyday life
   - Specific explanations of tax procedures, how to prepare tax returns, e-Tax case, etc.
   - Shows the NTA activities like tax examination and collection, in an easily understood drama format

9. Email magazine
   - Registration of "What's new?" email magazine delivery service (free) or "Betty's Magazine" delivery service (paid)

10. Text enlargement / voice readings
    - Support functions for the elderly and those who have visual disorders
II Promotion of Tax Filing and Payment by Proper Self-Assessment

(2) Tax education

The NTA supports proper tax education for children and students who will lead the next generation. This aims to foster sound taxpayer awareness (that taxes are a cornerstone of a democratic nation, encourage proper understanding of the significance and roles of taxes, and foster consciousness as members of society who proactively consider how society should be).

Tax education is provided according to the thinking that efforts should be made by the entire society. In school education, these activities are focused in the Council for Promotion of Tax Education set up in each prefecture, comprised of national, local government and school officials. With the broad cooperation of private organizations, workshops are provided for school teachers, tax officials are sent to lecture based on requests from schools, tax education supplementary teaching materials are prepared and distributed, essay writing contests held, etc.

Also, the Tax Learning Section is set up in the NTA website. Its content includes quizzes and games for children and students to have fun learning about taxes. It also provides Tax Education Teaching Materials in Power Point, which can be used by school teachers and people guiding tax education.


Tax☆Space UENO contacts:
Special Officer (Public Relations), Tokyo-Ueno Tax Office
Tel 03-3821-9001 (Ext 361, 362)

Providing tax knowledge through the “Tax Historical Materials Room”

The Tax Historical Materials Room on the Wako campus of the National Tax College is the only specialist facility in Japan. It displays a number of historical materials which are being used by a wide range of people, specialists involved in tax history as well as students from junior and senior high schools and other members of society. Specialized staff are researching the historical materials and the past tax system.

For explanation in detail, please visit the National Tax College on the NTA website at http://www.nta.go.jp/ntc/english/index.htm

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Tax consultations provide information so that taxpayers can do proper self-assessment and tax payment themselves. These answer general questions on taxation, as part of taxpayer services. The NTA established Phone Consultation Centers in Regional Taxation Bureaus to answer taxpayer questions and provide consultation on taxes. These provide centralized handling of general phone consultations.

Groups of Tax Counselors with a wealth of experience in taxation overall are assigned to Phone Consultation Centers. In principle, they handle questions according type of tax, and provide high quality and fast replies, in an effort to enhance taxpayer convenience. For foreigners, there are also Tax Counselors who can handle tax consultation in English, who are assigned to Phone Consultation Centers at Regional Taxation Bureaus in Tokyo, Nagoya and Osaka.

Typical information such as frequently asked questions are provided in the Tax Answer System on the NTA website.

When it is necessary to check specific documents or facts, and consultation by interview is required, there is an appointment system at the Tax Office with jurisdiction. This serves to eliminate wait time at the Tax Office, as part of our efforts for effective and efficient operation which matches the content of consultations.

(5) Advance inquiries

If it is unclear how tax law applies to transactions a taxpayer may actually do, then the Tax Office or Regional Taxation Bureau handles advance inquiries. Of these, there is a request seeking a written reply, a written reply is provided when certain conditions are met, e.g. handling of similar transactions under tax law is unclear. To also make these useful to other taxpayers, the content of such inquiries and replies are posted on the NTA website. This written reply procedure also provides advance clarification of the application of tax law to future transactions by taxpayers, so it covers both “transactions actually done”, and “transactions planned for the future, for which individual specific documents can be submitted”. In principle, information which can identify the inquirer such as the inquirer’s name is not published, making it easier for taxpayers to use this procedure.

There were 146 inquiries seeking written replies in FY2009.
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2 Filing for tax return

The number of persons who filed income tax returns rose to 23.67 million in 2009, which is equivalent to one out of every five Japanese people filing tax returns. Of those filing returns, the number of filers who requested refunds topped 12 million, accounting for more than half of the persons filing income tax returns.

To respond to the growing and diversifying number of tax return filers, and enhance the level of satisfaction of taxpayers, the NTA is innovating to minimize costs related to filing tax returns, and to provide quality service.

(1) Promoting self-completion of tax returns

Self-completion of tax returns means that the taxpayers themselves prepare their tax returns and submit them to the Tax Offices. Under the principle of the self-assessment system in which taxpayers voluntarily file proper tax returns and pay the tax, it is very important for them to understand the tax system and prepare their tax returns by themselves. The NTA offers information related to taxes on the NTA website to enable more taxpayers to voluntarily and properly file tax returns from home, while making available on the same website IT services, such as the filing assistance on the NTA website and e-Tax. Also, in order to promote the introduction of self-completion of tax returns, we are trying to establish the proper structure of tax consultation and installing personal computers in the self-assessment consultation center of the Tax Offices to encourage taxpayers to use the online filing assistance on the NTA website.

During the period when income tax returns are filed, more than 20 million applications are submitted every year, so we are working with our limited headcount to efficiently execute the overall process of accepting tax returns while improving convenience for taxpayers.

(2) Tax consultation on Sunday

In response to taxpayers’ desire to accept requests for tax consultations on weekends during the filing period for final tax returns, some Tax Offices are accepting tax returns and respond to tax consultations on two Sundays during the filing period for final tax returns. This is done in Tax Offices and at temporary venues for filing returns outside of Tax Offices. As a result of our consideration of taxpayer convenience while striving to efficient execution, this is highly valued every year by salaried workers who cannot come to self-assessment locations on weekdays and by other taxpayers.

For the 2009 tax returns, the offices were open on February 21 and 28, 2010, during which 265,000 income tax returns were filed.

Reference

Filing returns for refund and request for correction

If the amount of withholding tax or estimated tax prepayments are larger than the amount based on real annual income, taxes overpaid are refunded by filing returns for refund\(^1\).

In case an excessive amount for taxes was filed in the tax return because of incorrect calculation, taxpayers are entitled to request for correction\(^2\), if either taxes were overpaid or the amount of the refund was too small.

The NTA works for proper and quick processing of returns for refund and requests for correction, based on relevant laws and regulations.

Reference

When taxpayers suffer disasters

(1) If the occurrence of a natural disaster prevents taxpayers from filing tax returns and paying taxes by the due date, taxpayers can apply for postponement to the District Director of the Tax Offices with jurisdiction. Upon approval, the due date is postponed to within a range of two months after the day when the reason ceases to exist.

(2) When earthquakes, fire, windstorm, flood, or other disaster cause damage to taxpayers’ houses and household goods, taxpayers can make a choice for filing tax returns: ① the deduction for casualty losses pursuant to the Income Tax Act, ② tax reduction or exemption pursuant to the Act on Reduction or Release, Deferment of Collection and Other Measures Related to Tax imposed on Disaster Victims, whichever is favorable to the taxpayer, to have their income taxes reduced in whole or in part.

(3) In the event earthquakes, fire, windstorm, flood, or other disaster caused considerable damage to property, if there is a national tax due date within one year from the date damage was suffered, the taxpayer can submit an application to the District Director of the Tax Offices within two months from the date when such disaster ended, and upon approval, the tax payment is postponed to no later than one year from the due date for tax payment.

(4) If taxpayers are prevented from paying taxes at one time as a result of a disaster or theft, by applying to the District Director of the Tax Office, upon approval, the tax payment is postponed by no later than one year within the limit of the amount recognized as unpayable at one time.

\(^1\) Interest on refund is added if certain requirements are met.

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Cooperation with the local tax authorities

Some of the local taxes have the same tax base as that of national taxes and are paid by the same taxpayers as for national taxes. In order to simplify the filing procedures for taxpayers, coordination is maintained between the national and local tax authorities in the aspects of the tax system and execution of tax administration. For example, in the aspect of the tax system, taxpayers who file an income tax return are not required to file the same for business tax nor inhabitant’s tax, both of which are local taxes. Also, the same procedures can process tax-return filing for consumption tax and local consumption tax. In the execution aspect of tax administration, many municipalities provide tax consultations for income tax. In addition, the national tax authorities and local tax authorities work together holding briefings for tax return filing or to publicize tax-related information. Cooperation in the area of tax administration is conducted based on consultations between the national tax authorities and various local authorities, including prefectural and municipal officials.

3 Promotion of proper and fair tax administration

In order to realize proper and fair taxation, the NTA takes care of its administration processes in a prioritized manner by balancing its allocation of limited human and material resources. For example, it makes full use of its organizational strengths to conduct accurate examinations of large-scale and malicious taxpayers, while making only brief and simple contacts for handling insignificant corrections.

A variety of strict tax examinations are conducted for taxpayers that attempt to evade their tax obligations.

The subjects of tax examinations are selected through the KSK system, which contains data related to income tax returns, corporation tax returns, and a variety of information sources, from the viewpoint of business type, business form, and business size. With the information, recognized as important to realize proper and fair taxation, we have in place a structure to efficiently collect information which is very effective for examinations.

<table>
<thead>
<tr>
<th>Number of cases related to tax examinations (thousands)</th>
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</thead>
<tbody>
<tr>
<td>Operation year</td>
</tr>
<tr>
<td>Number of examinations</td>
</tr>
<tr>
<td>Number of cases by brief contact</td>
</tr>
</tbody>
</table>

Tax examinations aim to check the content of tax returns based on taxpayers’ records, and if mistakes are discovered, to ask taxpayers to correct them. We place great importance on the examination of malicious taxpayers using a sufficient number of days for the procedures.

The field examination in operation year 2008 found ¥8.87 million of undeclared income per case for self-assessed income tax, and ¥9.11 million for corporation tax.

(1) Priority matters addressed in the tax examinations

a. Response to increasingly diverse and international asset management

For taxpayers who expect a high income but who filed a low income or did not file, we are addressing tax examinations keeping in mind diversification and globalization of asset management.

b. Response to tax returns for fraudulent refund of consumption tax

Consumption tax is one of the important taxes, and is similar to a deposit, which is why it attracts the attention of the public. Therefore, proper tax administration is especially necessary. In particular, as there are cases where fraudulent consumption tax refunds were claimed through the filing of false returns, we work to prevent the filing of fraudulent refunds by instituting sufficient examinations of the facts. As a result, if the reasons for a tax refund are not clear, we make contact through tax examinations, etc.

c. Proper examinations

To verify the trust placed in the tax administration, it is important that tax laws are applied with the proper interpretation of laws and regulations upon fact finding. To this end, we always try to process taxation after correctly interpreting the assertions made by taxpayers and studying the laws and regulations based on accurate fact finding. On this occasion, we are thoroughly adhering to the procedures and processes to ascertain whether legal requirements are properly met.

Examination of consumption tax

○ Examples of malicious fraud in consumption tax

- Using a fictitious contract to have acquired the fixed assets such as real estate, machines and equipment, a fraudulent consumption tax refund was received.

- Although personal costs paid by a business are not tax deductible transactions, pretending that the costs were outsourcing costs for affiliated companies (temp agencies, etc.) which are deductible transactions, thus a fraudulent consumption tax refund was received.
Promotion of Tax Filing and Payment by Proper Self-Assessment

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<th>Operation year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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</thead>
<tbody>
<tr>
<td>Number of examinations</td>
<td></td>
<td>474</td>
<td>466</td>
<td>332</td>
</tr>
<tr>
<td>Number of cases by brief contact</td>
<td></td>
<td>658</td>
<td>698</td>
<td>732</td>
</tr>
</tbody>
</table>

Tax examinations aim to check the content of tax returns based on taxpayers’ records, and if mistakes are discovered, to ask taxpayers to correct them. We place great importance on the examination of malicious taxpayers using a sufficient number of days for the procedures. The field examination in operation year 2008 found ¥8.87 million of undeclared income per case for self-assessed income tax, and ¥9.11 million for corporation tax.

(1) Priority matters addressed in the tax examinations

a. Response to increasingly diverse and international asset management

For taxpayers who expect a high income but who filed a low income or did not file, we are addressing tax examinations keeping in mind diversification and globalization of asset management.

b. Response to tax returns for fraudulent refund of consumption tax

Consumption tax is one of the important taxes, and is similar to a deposit, which is why it attracts the attention of the public. Therefore, proper tax administration is especially necessary. In particular, as there are cases where fraudulent consumption tax refunds were claimed through the filing of false returns, we work to prevent the filing of fraudulent refunds by instituting sufficient examinations of the facts. As a result, if the reasons for a tax refund are not clear, we make contact through tax examinations, etc.

c. Proper examinations

To verify the trust placed in the tax administration, it is important that tax laws are applied with the proper interpretation of laws and regulations upon fact finding. To this end, we always try to process taxation after correctly interpreting the assertions made by taxpayers and studying the laws and regulations based on accurate fact finding. On this occasion, we are thoroughly adhering to the procedures and processes to ascertain whether legal requirements are properly met.

Examination of consumption tax

- Examples of malicious fraud in consumption tax
  - Using a fictitious contract to have acquired the fixed assets such as real estate, machines and equipment, a fraudulent consumption tax refund was received.
  - Although personnel costs paid by a business are not tax deductible transactions, pretending that the costs were outsourcing costs for affiliated companies (temp agencies, etc.) which are deductible transactions, thus a fraudulent consumption tax refund was received.

- The undeclared income amount of self-assessed income tax and corporation tax found in field examinations, per case (thousand)

<table>
<thead>
<tr>
<th>Operation year</th>
<th>Self-assessed income tax</th>
<th>Corporation tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>8.99</td>
<td>9.11</td>
</tr>
<tr>
<td>2008</td>
<td>8.87</td>
<td>9.11</td>
</tr>
</tbody>
</table>

* Amount related to special and general field examinations.
(2) Proper withholding tax system operation

The withholding tax system finalizes the taxation process by doing year-end adjustments, which eliminate the procedures for tax returns for a large portion of the over 50 million wage earners. The withholding tax system is as important in tax administration as smooth operation of the self-assessment system. To have withholding agents properly process withholding tax procedures and pay taxes, the NTA provides information and publicity about the withholding tax system by holding briefings about year-end adjustment, distributing guidebooks and pamphlets, etc. Withholding taxes are deposited, and for withholding agents who have not paid these by the due date, we provide efficient payment guidance, reminding them of the payment in writing or by a telephone call. Strict and accurate actions are being initiated against large-scale, malicious, and difficult-to-handle cases.

(3) Information collection

The NTA collects a variety of information on off-the-books and fake transactions found in the course of tax examinations, in addition to the withholding records of employment income, payment record of interest, and others whose submission is required pursuant to the provisions of the tax laws. The NTA currently collects 300 million items of information each year, and this information and data on tax returns are centrally managed in the KSK system and used for accurate guidance as well as tax examinations.

In order to keep pace with the expansion of economy and society, globalization, and introduction of the advanced use of IT in recent years, we are aggressively addressing the collection of information on new forms of business transactions, transactions with overseas companies, overseas investment, and electronic commerce transactions via the Internet.

(4) Criminal investigation

To impose correct taxes on taxpayers who intentionally evaded taxes using fraud or other illegal measures, and to pursue criminal responsibility for such antisocial behavior, the NTA may conduct tax examinations using methods similar to those used in criminal investigations by exercising its compulsory authority. Such examinations will be conducted apart from general tax examinations. Based on the findings, the NTA may issue an accusation and request that public prosecutors launch public prosecution of tax evaders. This is known as the criminal investigation system, and it pursues criminal responsibility of malicious tax evaders. Taking advantage of the fact that punishing one serves as a warning to all, this system has an important mission in enabling proper and fair taxation and maintaining the self-assessment system.

As economic transactions become more distant and international and financial transactions diversify, means of tax evasion and methods of concealing illegal funds are becoming more complex and sophisticated. Thus criminal investigations operate in an increasingly difficult environment. In these conditions, in order to achieve the aims of the criminal investigation system and continually fulfill their duty to the public, investigators placed throughout Japan act strictly against tax evaders, who are public enemies, taking all efforts to expose them.

In fiscal 2009, the NTA commenced 213 criminal investigations, processed 210 cases, including those carried over from the previous fiscal year, of which it charged 149 cases that were forwarded to public prosecutors. The total amount of tax evasion stood at about ¥29 billion, with an average amount of tax evasion at ¥171 million.

Tax evasion techniques that stand out are intentionally hiding sales, falsely recording higher costs, or not declaring profit at all. Cases are also seen in which funds gained through tax evasion were concealed overseas.

In fiscal 2009, 141 cases were all convicted at the court of first instance with an average prison sentence of 14.6 months and average fines amounting to about ¥17 million. Seven persons were sentenced to prison without probation. Prison sentences without probation have been handed down every year since 1980.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Number of rulings (1)</th>
<th>Number of convictions (2)</th>
<th>Percentage of cases convicted (3)(1)</th>
<th>Number of convictions with prison sentences without probation (3)</th>
<th>Amount of tax evaded per case (4)</th>
<th>Term of prison sentence per person (5)</th>
<th>Amount of fines per person (company) (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>154</td>
<td>154</td>
<td>100.0</td>
<td>9</td>
<td>¥79</td>
<td>16.1</td>
<td>22</td>
</tr>
<tr>
<td>2009</td>
<td>141</td>
<td>141</td>
<td>100.0</td>
<td>7</td>
<td>¥86</td>
<td>14.6</td>
<td>17</td>
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II Promotion of Tax Filing and Payment by Proper Self-Assessment

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### Status of criminal investigations

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Number of cases conducted</th>
<th>Number of cases closed</th>
<th>Number of cases referred to the prosecutor</th>
<th>Total amount of tax evasion (portion referred to the prosecutor)</th>
<th>Amount of tax evasion per case (portion referred to the prosecutor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>cases</td>
<td>cases</td>
<td>cases</td>
<td>¥35,070 (24,842)</td>
<td>¥169 (163)</td>
</tr>
<tr>
<td>2009</td>
<td>213</td>
<td>210</td>
<td>149</td>
<td>¥29,026 (25,475)</td>
<td>¥138 (171)</td>
</tr>
</tbody>
</table>

* Figures of tax evasion include additional tax.

### Ruling status of criminal investigation cases

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<thead>
<tr>
<th>Fiscal year</th>
<th>Number of rulings (1)</th>
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<td>cases</td>
<td>%</td>
<td>persons</td>
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<td>16.1</td>
<td>22</td>
</tr>
<tr>
<td>2009</td>
<td>141</td>
<td>141</td>
<td>100.0</td>
<td>7</td>
<td>86</td>
<td>14.6</td>
<td>17</td>
</tr>
</tbody>
</table>

* (3) to (6) exclude those combined with non-tax crimes.

*Amount of tax evaded" is the tax amount evaded through fraud and other illegal acts."
### Reference: Tax examination

The NTA provides taxpayers with proper tax examinations and guidance to enable them to properly file tax returns.

1. **Advance notice of tax examinations**
   - In principle, taxpayers are notified in advance as to the date and time of tax examinations by telephone so we can confirm taxpayers’ availability. However, if there is a need for us to confirm the actual state of business affairs, no prior notice is given.
   - Advance notice is given in about 80% of the income tax examinations and in about 90% of corporation tax examinations.

2. **The way to conduct tax examinations**
   - When tax officials visit the residence or office of a taxpayer to conduct a tax examination, they present identification cards as tax officials with their photos and their names.
   - The process of tax examinations will proceed quickly and smoothly if taxpayers cooperate by presenting books and other documents that account for daily transactions to examiners, and respond accurately to inquiries regarding the tax returns.
   - In order to minimize the burden on taxpayers, we conduct tax examinations as rapidly as possible.

3. **Action taken after the completion of tax examination**
   - When errors are found in tax returns by the tax examination, examiners explain the content of errors, etc., to taxpayers.
   - When recommending taxpayers to file amended returns for the purpose of correcting errors in tax returns, examiners provide a document titled “About amended returns”, which explains that a reinvestigation or reconsideration of the amended return cannot be requested, and describes the delinquent tax as well as additional tax. Furthermore, when there is a need for guidance in respect of future return filing and bookkeeping, the contents are explained, with the intention of providing taxpayers with opportunities to develop more in-depth knowledge of taxes and to encourage them to file tax returns and pay voluntarily in the future.
   - If a taxpayer does not cooperate with the Tax Office’s request for an amended return, etc., the District Director of the Tax Office makes the correction or determination and sends a Notice of Correction or Notice of Determination to the taxpayer.
   - When no errors are found in tax returns after a tax examination, the Tax Office performs the following:
     1. If no errors are found in the returns and no guidance is needed, District Director of the Tax Office sends a written notification of “Tax Examination Findings” to the taxpayer.
     2. If there is no need for submission of amended returns, but guidance is needed regarding future tax returns, record keeping, or preparation and storage of books and documents, examiners provide explanations to the taxpayer. Examiners also clearly communicates that the tax examination is closed.

### Reference: Strict control of information

Income, sales, expense payments, and other information involving taxpayers’ privacy are necessary for tax calculation. Information about taxpayers’ trading partners may also sometimes be required for tax examinations. If taxpayers’ privacy and information are easily leaked, taxpayers cannot be expected to cooperate with the NTA. This may negatively affect smooth tax examinations.

Tax officials who have leaked confidential information obtained through tax examinations are subject to a criminal penalty (up to two years in prison or up to a ¥1 million fine) under the tax law, which is heavier than the penalty (up to one year in prison or up to a ¥50,000 fine) under the National Public Service Act. The NTA conducts regular training of tax officials to thoroughly inform them of such penalty provisions. When interviewing taxpayers, tax officials consider their privacy and refrain from interviewing them in their storefronts or in front of their homes.

Meanwhile, based on the purpose of the “Act on the Protection of Personal Information Held by Administrative Organs”, the NTA is striving to conduct strict control of taxpayer information by making a periodic inspection of the status of control of administrative documents.

### Reference: Treatment and exemption from additional tax and delinquent tax

To encourage taxpayers to file tax returns and pay taxes properly, delinquent tax may be imposed in addition to self-assessed income tax, corporation tax, etc., if tax returns are not properly filed or taxes are not paid by the due date. There are also cases where an additional tax for a deficient return, or for no return, or an additional tax for fraud are imposed.

#### Additional tax

<table>
<thead>
<tr>
<th>Additional tax</th>
<th>Regular Case</th>
<th>Fraud Concealment Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns are filed by the due date, but tax amount is understated.</td>
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</tr>
</tbody>
</table>

Where legitimate reasons are recognized with no causes attributable to taxpayers, additional tax for deficient return or additional tax for no return will not be imposed.

Meanwhile, where certain requirements are met, namely, taxpayers may have been granted postponement of tax payments due to disasters or may have failed to file returns or pay taxes due to erroneous guidance by NTA officials, taxpayers may be exempted from all or part of a delinquent tax corresponding to the grace period. The NTA has set up rules for when no additional tax is imposed, and has published the rules on the NTA website (Japanese only).
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Taxpayers may also have their CPTAs designated as tax proxies attend the tax examination.

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- Delinquent tax
Up to two months from the day after the due date for tax payment
Annual rate of 4.3% (in 2010)※
After the date two months from the day after the due date for tax payment
Annual rate of 14.6%※
※ The annual rate may change due to financial conditions.

- Additional tax

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II Promotion of Tax Filing and Payment by Proper Self-Assessment

4 Reliable tax payment

(1) Establishment of voluntary tax payment

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2008, about ¥49.1 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about ¥48.1 trillion of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.1%\(^1\) collection ratio.

National tax is in principle under a self-assessment system, in which the taxpayer does self-assessment, and pays that tax amount by the due date. Therefore, the NTA works on publicity so that due date is not forgotten and payments are not made late. Also, for self-assessed income tax and sole business proprietor’s consumption taxes which are continually self-assessment and paid, the NTA provides guidance on the possibility of using transfer tax payment from a deposit account. In 2004, it became possible to pay national taxes from home or office by e-Tax. Payments in convenience stores began in January 2008. Direct payment was introduced as a new payment means in September 2009. The NTA is thus working to enhance its taxpayer services.

A written notice is sent in advance to taxpayers who paid after the due date the previous time. After the due date is passed, a phone call is placed to taxpayers before the payment demand letter is sent. The NTA is thus working to prevent delinquencies.

Direct payment (direct type online payment of national tax)

Direct payment is a new payment method, in which the Tax Office is notified in advance. After using e-Tax for online tax return filing and payment information registration, instead of via the financial institution’s internet banking, a simple click operation transfers from the deposit account reported. This enables online tax payment immediately or on a specified date.

Direct payment requires that the financial institution used by the taxpayer is compatible with direct payment. This is why the NTA is working to expand the number of financial institutions in which direct payment can be used, by requesting that non-compatible financial institutions become compatible, etc. As of the end of March 2010, it was usable in 52 financial institutions.

Tax payment at convenience stores

For the payment of national taxes, taxpayers are able to make tax payments at night or on holidays at more than 40,000 convenience stores when financial institutions or the Tax Offices are closed. The number of tax payments made at convenience stores came to about 1.03 million cases from January through December 2009.

When making a convenience store tax payment, a tax payment slip with bar codes is needed with the amount limited to less than ¥300,000. The bar-coded vouchers are issued by the Regional Taxation Bureaus and Tax Offices with jurisdiction, in the following cases:

1. If the determined tax amount is notified before the due date (estimated income tax payment, etc.)
2. If the tax payment is demanded by letter or telephone (for all tax items)
3. If the tax payment is under the official assessment system (for various additional taxes)
4. If the taxpayer requested the issuance of tax payment slips for the determined tax amount (for all tax items)

\(^1\) Off the amount determined for collection. If one includes the amount to be collected after the current fiscal year due to a reason such as postponement request, then the collection ratio was 99.2%.

(2) Reduction of tax delinquency

Delinquency signifies that the national tax was not paid by the due date and a payment demand letter was sent. At the end of FY2008, the tax delinquency amount was about ¥1,553.8 billion.

The NTA considers it important that first of all delinquency not occur. The entire national tax organization is working for certain collection of national tax, to prevent delinquency and for timely collection.

In addition, if national tax which has become delinquent is left as is, this does not maintain fairness with the vast majority of taxpayers who are paying national tax by the due date, thus proper and fair collection would not be achieved. Therefore, the NTA endeavors to start early and obtain payment quickly, and also works to push on collection on delinquencies under the following basic policies.

Executing disposition for delinquency greatly impacts taxpayer rights and obligations. Therefore, in collection of delinquent tax, appropriate action is taken based on laws and regulations, while considering the actual situation of each delinquent taxpayer, based on an accurate understanding of the facts. Seizure or auction or other disposition for delinquent tax can be done. On the other hand, tax payment relief measures can be provided, such as postponement of tax payment, or suspension of conversion into cash.

a. Strict and resolute handling of large and malicious delinquent cases

When collecting delinquent tax in a large and malicious delinquency case, strict and resolute action is taken, such as executing strict and accurate disposition for delinquent tax by search, seizure, auction, etc.

Particularly strict action is taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax. This crime of evading disposition for delinquent tax\(^2\) is aggressively referred to the prosecutor.

b. Priority handling of difficult to handle cases

Difficult to handle cases require considerable volume of administrative work and use of advanced collection techniques in its proceedings. Therefore, an organizational response is taken, such as execution of disposition for delinquent tax by wide geographical management and timely project team formation. The NTA also actively uses legal means to collect delinquent tax, e.g. by a plaintiff lawsuit such as bringing a lawsuit to demand the rescission of fraudulent act\(^2\).

c. Certain handling of consumption tax delinquency cases

The public is strongly aware of consumption tax, and delinquent consumption tax is an increasingly large percentage of all delinquencies each year. Therefore, certain handling is executed through Regional Taxation Bureaus and Tax Offices in order to conclude delinquency cases containing delinquent consumption taxes. The NTA is working to reduce the balance of delinquent consumption taxes.

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\(^2\) A lawsuit to demand the rescission of fraudulent act is a lawsuit to negate the validity of a legal act (fraudulent act) between the delinquent person and third party, where such act harms the claimant (country). The lawsuit aims to take back from the third party that asset separated from the delinquent taxpayer, and return it to the delinquent taxpayer (refer to Act on General Rules for National Tax, Article 42, and the Civil Code, Article 424).
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Delinquency signifies that the national tax was not paid by the due date and a payment demand letter was sent. At the end of FY2008, the tax delinquency amount was about ¥1,553.8 billion.

The NTA considers it important that first of all delinquency not occur. The entire national tax organization is working for certain collection of national tax, to prevent delinquency and for timely collection.

In addition, if national tax which has become delinquent is left as is, this does not maintain fairness with the vast majority of taxpayers who are paying national tax by the due date, thus proper and fair collection would not be achieved. Therefore, the NTA endeavors to start early and obtain payment quickly, and also works to push on collection delinquencies under the following basic policies.

Executing disposition for delinquent tax greatly impacts taxpayer rights and obligations. Therefore, in collection of delinquent tax, appropriate action is taken based on laws and regulations, while considering the actual situation of each delinquent taxpayer, based on an accurate understanding of the facts. Seizure or auction or other disposition for delinquent tax can be done. On the other hand, tax payment relief measures can be provided, such as postponement of tax payment, or suspension of conversion into cash.

a. Strict and resolute handling of large and malicious delinquent cases

When collecting delinquent tax in a large and malicious delinquency case, strict and resolute action is taken, such as executing strict and accurate disposition for delinquent tax by search, seizure, auction, etc.

Particularly strict action is taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax. This crime of evading disposition for delinquent tax is aggressively referred to the prosecutor.

b. Priority handling of difficult to handle cases

Difficult to handle cases require considerable volume of administrative work and use of advanced collection techniques in its proceedings. Therefore, an organizational response is taken, such as execution of disposition for delinquent tax by wide geographical management and timely project team formation. The NTA also actively uses legal means to collect delinquent tax, e.g. by a plaintiff lawsuit such as bringing a lawsuit to demand the rescission of fraudulent act.

c. Certain handling of consumption tax delinquency cases

The public is strongly aware of consumption tax, and delinquent consumption tax is an increasingly large percentage of all delinquencies each year. Therefore, certain handling is executed through Regional Taxation Bureaus and Tax Offices in order to conclude delinquency cases containing delinquent consumption taxes. The NTA is working to reduce the balance of delinquent consumption taxes.

*1 Of the amount determined for collection, if one incurs the amount to be collected after the current fiscal year due to a reason such as postponement request, then the collection ratio was 99.2%.

*2 A lawsuit to demand the rescission of fraudulent act is a lawsuit to negate the validity of a legal act (fraudulent act) between the delinquent person and third party, where such act harms the claimant (country). The lawsuit aims to take back from the third party that asset separated from the delinquent taxpayer, and return it to the delinquent taxpayer (refer to Act on General Rules for National Tax, Article 42, and the Civil Code, Article 424).
(4) Auction by Internet

In its internet auctions, the NTA uses a private-sector auction website, which does not require participants to physically visit the auction site. The interested participants can propose to buy the goods online around the clock during an auction period. The NTA has done this since June 2007.

Internet auctions are very convenient, and can attract more auction participants. It is among the effective means to sell the assets or goods of high value that have been seized.

In fiscal 2009, the NTA held four auctions via the Internet with a total of about 7,000 participants, at which about 600 items including the art paintings, precious metals, motor vehicles, real estate, etc., were sold off, bringing in about ¥300 million.

(5) Accurate and efficient management of claims and liabilities

The NTA manages a vast number of national tax claims and liabilities by processing tax returns and returns for refunds. In 1966, we started to introduce a computer system to properly and efficiently manage these claims and liabilities. In 2001, the KSK System was introduced at Tax Offices nationwide, and tax claims and liabilities have since been managed via this integrated system.

Every year, there are about 45 million tax payments mainly of income taxes, the majority of which are paid at financial institutions or by account transfer. To efficiently process such a large number of payments, the NTA has streamlined operations through cooperation with financial institutions and the Bank of Japan, including OCR processing*1 of tax payment slips by the Bank of Japan, and by introducing tax payment by transfer account*2 for income tax and sole business proprietors’ consumption tax. Transfer procedures to pay refunds used to be performed through written documents from Tax Offices, but the NTA developed paperless procedures for refund transfer by magnetic tapes in 2001, and adopted online transfer procedures in September 2006. In these ways, we are pursuing efficient and speedy payment processing.

Management of national tax claims and liabilities is a cornerstone of taxation and tax collection. We will continuously striving to improve services by conducting procedures speedily and accurately through the advanced application of IT systems, delivering returns to taxpayers as quickly as possible.

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*1 OCR processing (Optical character recognition processing) converts the characters written on a tax payment slip into electronic data. This electronic data is communicated between the Bank of Japan and the NTA, providing more efficient Information transfer and paperless processing.

*2 Tax payment by transfer account is a method of tax payment whereby the Tax Offices send tax payment slips to financial institutions designated in advance by taxpayers, and debit the amount of tax payment from their bank accounts. If it is necessary to send tax payment slips to financial institutions in large quantities, the Tax Offices send magnetic tapes containing data for an account transfer to financial institutions in order to perform the work of account transfer efficiently. After the financial institutions process the data, they send back the processed results to the Tax Offices. The NTA has automated this process by communicating the processing results via the Bank of Japan, including OCR processing by the Bank of Japan, and by introducing tax payment by transfer account for income tax and sole business proprietors’ consumption tax.
II Promotion of Tax Filing and Payment by Proper Self-Assessment

(3) Office of Tax Collections Call Center

In order to for the Tax Office to maintain administrative capacity for collection of delinquent taxes, the Office of Tax Collections Call Center is broadly in charge of new delinquency cases. This office provides phone notification reminders using a centralized phone notice system, for effective and efficient collection of delinquent tax.

With this, over the year from July 2008 to June 2009, of the 840,000 people to be reminded, about 570,000 (67.9%) paid fully, and 90,000 (11.1%) paid partially.

* At the Office of Tax Collections Call Center, the computer system automatically phones delinquent taxpayers, and officials refer to delinquent taxpayer information shown on the terminal screen, to provide effective and efficient payment reminders.

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### Promotion of Tax Filing and Payment by Proper Self-Assessment

Certified Public Tax Accountants (CPTAs) are professional specialists on taxes, whose roles are to help taxpayers properly file tax returns and pay taxes. The CPTA Act provides their public mission: “Based on their independent and fair standpoint, they shall respond to person with a tax obligation trust in line with the principles of the self-assessment system and achieve proper tax compliance as provided for in the Tax Law.” As of March-end 2010, 71,606 persons are registered as the CPTAs, and 1,949 professional tax firms are established.

Taxpayers are able to have CPTAs prepare their tax returns or file returns and pay tax properly by receiving professional advice from them. As business transactions get complex, and the number of taxpayers greatly increases, the roles played by CPTAs are becoming increasingly important.

In addition, because corporations and sole business proprietors often ask CPTAs to process accounting books or seek advice on accounting, they are playing significant roles in promoting bookkeeping that constitute the correct bases for filing tax returns.

CPTAs shall satisfy certain qualifications. CPTA services are 

- tax proxy,
- preparation of tax documents,
- Tax consultation service.

These operations must not be performed by persons other than CPTAs, even at no charge. At the same time, CPTAs are required to fulfill various obligations and responsibilities.

In cooperation with tax accountant associations and the Japan Federation of CPTAs’ Associations, the NTA is working to ensure that CPTAs properly conduct their duties and to build the public’s trust in the CPTA system.

#### (1) Promotion of document attached by CPTAs to tax returns

The documents attached by CPTAs to tax returns as provided for in the Certified Public Tax Accountant Act clarify the roles played by them in filing tax returns. The NTA is respecting such roles played by them. This system allows CPTAs to attach to tax returns the documents regarding the calculation, information arrangement, or consultation service that they provided for the preparation of tax returns. If the Tax Offices intend to conduct a tax examination on taxpayers who have filed tax returns along with such documents, the CPTAs possessing the certificate evidencing the authority of tax proxy must be given the opportunity to give their opinions on the items written in the attached documents before taxpayers are notified about the tax examination’s date, time and place.

Because this system contributes to the correct development and filing of tax returns, facilitation and simplification of tax administration, and eventually establishment of the trusted CPTAs System, the NTA is working to have consultation with the tax accountants’ associations with an aim to enhance the components and volume in document to be attached, and is respecting this system, thereby further promoting and establishing this system.

Since July 2009, as a result of listening to opinions on attached documents, as a rule, CPTAs are to be notified in writing, when it is decided that a case will not undergo field examination.

#### (2) Promotion of e-Tax usage

Given the extremely significant role played by CPTAs in wider use of e-Tax, the Japan Federation of CPTAs’ Associations has set voluntary targets, and is trying hard to promote the use of e-Tax by CPTAs.

To encourage more use of e-Tax by CPTAs, NTA is working to make e-Tax more convenient by extending its service hours until 10:30pm (usually until 9pm) during the four days at the end of May (except Sunday), when there are many CPTA customers’ tax returns for corporation tax, etc. In cooperation with tax accountant associations, NTA holds e-Tax explanatory meetings and dispatches lecturers. (See p.29 regarding e-Tax)
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promote the submission of proper tax returns through honest bookkeeping. They are formed mainly by sole business proprietors who use the system. At present, there are about 3,700 associations nationwide, and the total number of members is about 940,000. Each blue return taxpayers’ association performs wide range of activities including the guidance on bookkeeping, holding seminars, and encouraging filing of blue returns by people outside the association. For further details, please contact the nearest blue return taxpayers’ association.

Corporations associations

Corporations associations are organized for the purpose of spreading knowledge of tax and establishing a proper self-assessment system. At present, there are 483 corporations associations as incorporated associations in prefectural level federations and in the National General Federation of Corporations Association. Membership stands at about 1 million corporations. Each corporations association engages in a wide range of activities including holding of seminars and workshops on taxes, and contribution to the sound development of corporate management and the society. For further details, please visit the website of the National General Federation of Corporations Associates at http://www.zenkokuhojinkai.or.jp (Japanese only).

Indirect tax associations

Indirect tax associations are organized for the purpose of contributing to the spreading of knowledge about indirect taxes, and achieving fair taxation and proper administration through the self-assessment system. At present, there are 566 associations nationwide with about 93,000 members. Indirect tax associations make suggestions to the government on ways to enhance the tax system and to improve tax implementation. They also perform activities to spread knowledge about the consumption tax and to prevent tax delinquency. For further details, please visit the website of the National Federation of Indirect Tax Associations at http://www.kanzeikai.jp (Japanese only).

Savings-for-tax associations

Savings-for-Tax associations are organized with taxpayers aiming at continually completing payment of tax within the due date by means of savings. The associations are established pursuant to the Tax Fund Saving Partnership Act, with current membership of about 54,000 associations. They are promoting the utilization of tax payment by transfer account and completion of tax payment within the due date, and are doing a wide range of activities such as encouraging wider use of e-Tax, and soliciting to join the contest of “Writing Essay on Tax.” For further details, please visit the website of the National Federation of Savings-for-Tax Associations at http://www.zennoren.or.jp (Japanese only).

Tax payment associations

Tax payment associations are organized under the jurisdiction of the Tax Offices of the Osaka Regional Taxation Bureau for the purpose of aiming to spread knowledge about taxes, promote proper filing of returns and tax payment, and to enhance compliance. At present, there are about 83 tax payment associations (incorporated associations), including the Federation of Tax Payment Associations. There are about 240,000 members, counting both individual and corporation members. The associations do publicity activities to spread knowledge about taxes and hold various briefings, which are similar to activities performed by the blue return taxpayers’ associations and corporations associations. For further details, please visit the website of the Federation of Tax Payment Associations at http://www.nouzekiyoki.or.jp (Japanese only).

6 Cooperation with private organizations

The NTA is implementing measures not only to provide information on taxes directly to taxpayers but also to convey information on taxes via cooperation from the relevant private organizations, such as blue return taxpayers’ associations and corporations associations. These relevant private organizations are playing a significant role in achieving a proper self-assessment system and in spreading knowledge about taxes, as associations of faithful taxpayers.

These relevant private organizations are attempting to enhance coordination and cooperation between organizations regarding encouraging use of e-Tax and the promotion of the joint holding of various events for “Think About Tax Week.”

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<th>Number of disciplinary actions against CPTAs and professional tax firms</th>
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<td>Fiscal year</td>
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Tax accountants’ associations and Japan Federation of CPTAs’ Associations

A tax accountants’ association is an organization that is specified in the Certified Public Tax Accountant Act, aiming to provide guidance, liaison and supervision to its branch offices and members, in order to secure the compliance of the CPTAs and professional tax firms and contribute to improvement and development in CPTA’s duties. Currently, there are 15 tax accountants’ associations in Japan. CPTAs and professional tax firms are members of the tax accountants’ association that has jurisdiction over the area where their office is located.

Each tax accountants’ association provides a wide range of services including (1) training sessions to improve and develop its members’ skills and tasks, (2) social contribution by dispatching instructors to tax education classes at elementary, junior high or senior high schools, and (3) free tax consultation for small taxpayers.

The Japan Federation of CPTAs’ Associations is the only organization specified in the CPTA Act, consisting of member tax accountants’ associations. The Federation provides guidelines, liaison, and supervision for tax accountants’ associations and their members. It also handles the administration to register members, and conducts research on the CPTA system. For further details, please visit the website of the Federation at http://www.nichizeiren.or.jp.
II Promotion of Tax Filing and Payment by Proper Self-Assessment

(3) Guidance and supervision of CPTAs

In order to ensure national trust in the CPTA system, the NTA is providing its guidance and supervision for CPTAs. The NTA holds consultation meetings with tax accountant associations, taking every opportunity to call for their attention to prevent misconduct of CPTAs. Meanwhile, the NTA collects a variety of information to properly examine pursuant to the Certified Public Tax Accountant Act. It takes disciplinary action against those who violated the Act or indict “fake CPTAs.”

In March 2008, from the standpoint of ensuring the transparency of the disciplinary actions taken against CPTAs, the NTA made public the “Concept of Disciplinary Actions Against CPTAs and Professional Tax Firms”, and decided to disclose the names of the disciplined in the official gazette and via the NTA website. There were 29 cases of disciplinary actions against CPTAs and professional tax firms in FY2009.

| Number of disciplinary actions against CPTAs and professional tax firms |
|------------------------|--------|--------|--------|--------|--------|
| Fiscal year            | 2005   | 2006   | 2007   | 2008   | 2009   |
| Number of disciplinary cases | 18     | 28     | 19     | 30     | 29     |

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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 taking various measures to further simplify and improve the efficiency of administration through an overall review of the administrative affairs process and operating expenses.

In particular, as an initiative to advance tax administration in the IT era, self-assessments, tax payments, applications, notices, etc. for national tax via the Internet is done by e-Tax, which is positioned at the core of our future tax procedures. We are working to further enhance its convenience and broaden its use.

Also, amidst the changing environment faced by tax administration, in order to perform efficient administrative operations which respond flexibly to change, we created a medium term plan to optimize our operations and system, aiming at overall optimization. In accordance with this plan, we are working to enhance convenience and efficiency.

1 e-Tax

The NTA is improving convenience for taxpayers and administrative efficiency 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, information under mandatory submission, and applications for filing the blue returns, which used to be processed on paper. All tax items can be paid via the Internet, Pay-Easy1 compatible ATMs, etc.

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 data preparation such as accounting and tax return data preparation, to filing of tax returns, thereby reducing administrative tasks and making the process paperless.

This also makes it possible for the NTA to benefit from the effects of cutting costs for receiving tax returns, processing mailed returns, entering data. It also makes the document search easy and cuts the cost of document management, thereby boosting efficiency of tax administration.

This is why in order to encourage wider use of e-Tax, the NTA is strongly pushing various measures which incorporate two plans for national tax related procedures: the “Action Plan for Promoting the Utilization of Online” (decided March 2006, revised March 2007) and the “Action Plan for Expanding the Utilization of Online” (decided September 2008). Specifically, returns for refund using e-Tax are processed promptly, PCs were installed in self-assessment consultation centers set up in Tax Offices, and taxpayers can use e-Tax from the filing assistance on the NTA website. Measures were also taken for system aspects. For individual income tax returns using e-Tax, it is now possible to omit the submission or presentation of certain attached documents made by third parties, such as medical expense receipts.2 As for digital signatures, which are a precondition for wider use of e-Tax, if a CPTA receives a taxpayer request and files a return using e-Tax, the digital signature of the taxpayer himself/herself can be omitted.

Moreover, a system was established so that if e-Tax is used to submit a final income tax return, when the digital signature of the taxpayer himself/herself and digital certificate are affixed and it is transmitted within the submission by the due date, the taxpayer can receive up to a 5,000 yen tax credit from that year’s filing of the income tax amount (can be received once, from the 2007 filing until the 2010 filing).

In FY2009, the NTA worked on further convenience enhancements and support system improvements: Improved usability when transmitting to e-Tax from the “filing assistance on the NTA website” and large expansion and enhancement of the help desk were implemented in FY2008, more easily understood screens for improved guidance from the e-Tax website to the filing assistance on the NTA website, extension of the reception hours during the end of May when the majority of corporation tax filings arrive, helter desk service provided on all Sundays during the final tax return filing period for income tax, started direct payment service which is a new payment method, etc. These helped boost the e-Tax usage rate, rising from 37% in FY2008 to 45% in FY2009 (for direct payment, refer to page 21).

The NTA will continue working on various initiatives such as usability enhancements, for wider use of e-Tax. At the same time, the NTA is working to further revise its operations and IT systems, to maximize benefits such as more efficient administration due to wider use of e-Tax.

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

2 When omitting 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.
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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 data preparation such as accounting and tax return data preparation, to filing of tax returns, thereby reducing administrative tasks and making the process paperless.

This also makes it possible for the NTA to benefit from the effects of cutting costs for receiving tax returns, processing mailed returns, entering data. It also makes the document search easy and cuts the cost of document management, thereby boosting efficiency of tax administration.

This is why in order to encourage wider use of e-Tax, the NTA is strongly pushing various measures which incorporate two plans for national tax related procedures: the “Action Plan for Promoting the Utilization of Online” (decided March 2006, revised March 2007) and the “Action Plan for Expanding the Utilization of Online” (decided September 2008). Specifically, returns for refund using e-Tax are processed promptly, PCs were installed in self-assessment consultation centers set up in Tax Offices, and taxpayers can use e-Tax from the filing assistance on the NTA website. Measures were also taken for system aspects. For individual income tax returns using e-Tax, it is now possible to omit the submission or presentation of certain attached documents made by third parties, such as medical expense receipts.\(^*2\) As for digital signatures, which are a precondition for wider use of e-Tax, if a CPTA receives a taxpayer request and files a return using e-Tax, the digital signature of the taxpayer himself/herself can be omitted.

Moreover, a system was established so that if e-Tax is used to submit a final income tax return, when the digital signature of the taxpayer himself/herself and digital certificate are affixed and it is transmitted within the submission by the due date, the taxpayer can receive up to 5,000 yen tax credit from that year’s filing of the income tax amount (can be received once, from the 2007 filing until the 2010 filing).

In FY2009, the NTA worked on further convenience enhancements and support system improvements: Improved usability when transmitting e-Tax from the “filing assistance on the NTA website” and large expansion and enhancement of the help desk were implemented in FY2008, more easily understood screens for improved guidance from the e-Tax website to the filing assistance on the NTA website, extension of the reception hours during the end of May when the majority of corporation tax filings arrive, help desk service provided on all Sundays during the final tax return filing period for income tax, started direct payment service which is a new payment method, etc. These helped boost the e-Tax usage rate, rising from 37% in FY2008 to 45% in FY2009 (for direct payment, refer to page 21).

The NTA will continue working on various initiatives such as usability enhancements, for wider use of e-Tax. At the same time, the NTA is working to further revise its operations and IT systems, to maximize benefits such as more efficient administration due to wider use of e-Tax.

\(^*1\) "Pay-Easy" is a service where taxpayers can pay public utility charges via personal computer connected with the Internet and ATMs, which used to be paid at the counters of financial institutions and convenience stores.

\(^*2\) When omitting 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. 

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Improvement of Taxpayer Convenience and Administrative Efficiency

2 Optimization of operations and systems

The NTA is working to optimize its operations and systems related to national tax administration. Based on the “e-Government Working Plan” decided in July 2003, the NTA adopted the basic principles of: ① Simplification and improvement in operational efficiency for appropriate performance, ② Improvement in the convenience of taxpayers by utilization of IT, ③ Sophistication of the system related to examinations and collections of tax delinquency through the utilization of IT, ④ Ensuring stability and reliability of the system and information security, ⑤ Reduction of expenses related to the system and ensuring the transparency of procurement. The NTA used these principles to form the “Optimization Plan of Operations and Systems related to National Tax Administration”, which was decided and published in March 2006 (revised in June 2010).

Looking at actions taken over the past year, for the aspect of simplification and improvement in operational efficiency, the NTA has been unifying in-office work in Tax Offices throughout Japan since July 2009. With the wider use of e-Tax, the NTA has also been working to further boost operational efficiency.

For the aspect of improvement in the convenience of taxpayers, the NTA has been improving the usability of e-Tax, and introduced direct payment as a new means of national tax payment.

For the aspect of sophistication of the system, we are improving the systems to keep abreast of globalization and the advanced use of IT in the society and economy in order to further enhance our ability to examine and address collection of delinquent tax.

With regard to reduction of expenses related to the system and ensuring the transparency of procurement, we are pushing forward to turn the KSK System into an open system*, where the interchangeability of systems is enhanced, and NTA moves towards adopting general purpose software products, and integrates 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, enhance work efficiency and improve convenience for taxpayers. In order to fulfill the NTA’s duty to realize proper and fair taxation, we are striving to enhance tax examination and collection of delinquent tax.

* Turning into open systems means to shift to the use of systems with a high degree of interchangeability that can accept multiple widely available products rather than relying on specific manufacturer.
Improvement of Taxpayer Convenience and Administrative Efficiency

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(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 website area (excluding gift tax), and if needed, it can be printed and submitted to the Tax Office by post, etc.

Since the system was introduced in the filing period for the 2002 final tax return, the number of users has increased each year. For the 2009 filing, taxpayers who used this system to submit returns from homes, offices, or consultation sites in Tax Offices totaled 7.3 million cases, or 30.8% of all taxpayers who filed tax returns. Of these, about 85% 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.

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

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Figures represent the number of cases and usage rate for priority procedures described in the “Action Plan for Expanding the Utilization of Online”.

Mr. e-Tax 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.

"Mr. e-Tax"
Improvement of Taxpayer Convenience and Administrative Efficiency

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, which it is thoroughly implementing. In addition, the NTA is trying to assure information security by conducting security audits with outside experts.

At the computer center which stores data for e-Tax and the KSK System, the NTA built an information security management system (ISMS)17 which complies with international standards, and in 2007 obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001:2005 & JISQ27001:200618). Obtaining certification led to development and strengthening of the information security management system for the entire national tax system. This also enhanced staff awareness of information security, as they work to operate the system with awareness and a sense of mission.

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.

3 Unification of in-office work implemented in all Tax Offices

Since July 2009, the NTA has been implementing “unification of in-office work” in Tax Offices throughout Japan.

Previously, multiple departments in the Tax Office handled work based on each tax item, for the series of office tasks from taxpayer filing of returns to tax payment, and for taxpayer change of address, etc. But currently, these similar tasks are combined and centrally processed by one group (Revenue Management and Processing Group) using IT, with the goal of boosting work efficiency. One group (Revenue Management and Processing Group) also handles much of the customer contact related work of the Tax Office, enhancing taxpayer convenience.

For example, previously, when a taxpayer requested a certificate of tax payment, depending on the content of that request, the taxpayer had to submit request forms to multiple contact points. But requests can now be made at one contact point, regardless of the request’s content. This contact point handles certificates of tax payment, and also submission of tax returns and applications, tax payments, and general consultation on taxes.3

For tax consultations which are difficult to handle by phone because specific documents or facts must be checked, an appointed date and time is set in advance, and it is handled by consultation in person at the Tax Office with jurisdiction.

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Improvement of Taxpayer Convenience and Administrative Efficiency

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Cross-border economic activities by companies and individuals are becoming more complex and diverse. These changes have brought international tax avoidance, in which revenues received overseas are not declared, or which use complex international transactions to avoid paying tax to any country on earnings gained. On the other hand, there is the large problem of double taxation, in which more than one country have different views and impose taxes on the same income. In response to these problems, the NTA is working to improve its examination system, and is also building stronger cooperative relations by sharing information and experience with the tax authorities of foreign countries. The NTA is also in discussions with the authorities to resolve double taxation.

1 Addressing international transactions

(1) Organization and officials for international taxation

a. Environment involving international taxation

Along with the progress in economic globalization, cross-border business and investment activities by individuals and corporations are becoming increasingly active.

① Status of overseas advances by Japanese corporations

The following is the status of overseas advances by Japanese corporations. The number of overseas locally organized corporations increased from 10,416 in 1995 to 17,658 in 2008, an increase of 1.7 times, with a particularly rapid growth of advance into China.

② Trend in the number of foreign corporations

The following is the trend in the number of the foreign corporations operating in Japan. Foreign corporations increased by 195 over the previous year, to 5,914 in operation year 2008. That growth rate is 2.3 times greater than 10 years earlier, although it is slowing down.

③ Trend in the number of records of remittances and receipts related to foreign countries

A record of remittance and receipt related to foreign countries is submitted if a large remittance or receipt is sent overseas.① The number of these submitted is shown below. There were 3.41 million records in operation year 2008, which was 0.5 million records less than the previous year. But the number submitted is in a growing trend overall, as the number of records has increased to approximately 1.4 times the level when this system was introduced in operation year 1998.

b. Activities related to international taxation

As corporations and individuals expand their cross-border business and investment activities, tax examinations related to international taxation are gaining in importance.

This is why the NTA is working to enhance and strengthen its examination organization, such as by increasing its number of Senior Examiners (International Taxation), and establishing departments which specialize in handling international tax avoidance cases. To handle complex tax problems, the NTA is also recruiting lawyers and financial specialists as Senior Examiners (International Taxation).

In addition, officials are improving examination skills and abilities related to international taxation at the National Tax College (NTC), a training institute in which personnel learn about taxation at the National Tax College (NTC), a training institute in which personnel learn about legislation related to international taxation, tax treaty and financial transactions, as well as foreign languages.

① The record of remittance and receipt related to foreign countries is a report legally required to be submitted to the Tax Offices by financial institutions. These include the amount remitted to or received from overseas nations exceeding ¥2 million (the amount was decreased from more than ¥2 million to more than ¥1 million in April 2009).
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(2) International tax avoidance

International tax avoidance problems are arising, as revenues gained overseas are hidden, and as people cleverly use differences between each country’s tax system and tax treaties to avoid paying taxes to any country, despite gaining earnings. International tax avoidance, often prepared by financial, legal, and tax specialists, uses complex transactions which combine paper companies or cooperatives, derivatives, etc., which makes it difficult to clarify the whole picture of the transactions. Recently, such problems are not only found among large companies, as it has also spread to small and medium companies and wealthy individuals.

As we tax authorities recognize that failure to properly fulfill tax obligations by using international tax avoidance damages taxpayers’ sense of fairness, we must strive to understand this and clarify the actual situations, and ensure that proper tax obligations are fulfilled. To address this issue, the NTA uses tax examinations and other various opportunities to gather information on international tax avoidance conduct, and if a tax problem is found, does a thorough tax examination to clarify the actual situation.

Also, in order to strengthen our handling of such international tax avoidance, Chief Examiners were newly assigned to departments which specialize in information collection and analysis and in planning examinations, in the Tokyo and Osaka Regional Taxation Bureaus. In collecting data and information on international tax avoidance conduct and clarifying the actual situation, central roles are played by Chief Examiners, Large Enterprise Examination Departments (Divisions), and project teams and examination support teams set up in major Regional Taxation Bureaus.

Furthermore, aiming to clarify international tax avoidance, Japan, the USA, Canada, Australia, and the U.K. participate in the Joint International Tax Shelter Information Centre (JITSIC). JITSIC works to share information on international tax avoidance schemes and initiatives in member countries.

(3) Transfer pricing issues

The transfer pricing system was introduced in the FY1986 tax reform. From the perspective of working to achieve proper international taxation, this prevents transferring income overseas by manipulating transaction prices with a foreign affiliated company. Specifically, if a transaction price differs from the transaction price between third parties (this price is called “arm’s length price”), resulting in lower income for the Japanese company, then that transaction is deemed to have been done at an arm’s length price, and income is recalculated under this system.

As company activities become increasingly global, more transactions are becoming subject to the transfer pricing system, and transactions are becoming more complex, with our growing awareness of the issues for transactions involving intangible assets. It is necessary to appropriately handle such changes, increase predictability for taxpayers, and realize proper and fair taxation.

In relation to transfer pricing taxation cases, a system to provide a grace period for national tax payments has been established since FY2007 (FY2008 for local tax).

a. Clarification of administering the system and strengthening the structure of the review system

In order to increase predictability for taxpayers, it is important that the NTA publishes and works to clarify its execution policy for the system's operation, and its application criteria. In 2010, the NTA revised its administrative guidelines for operation, and its directives for interpretation of laws. These guidelines and directives clarify the NTA’s policy which should be considered in its examinations when studying the process of determining prices of transactions with foreign affiliated companies, and considered in studying documents deemed necessary to calculate arm's length prices.

To also ensure proper and fair implementation, the NTA is working to enhance its examination system, for appropriate fact finding and interpretation and application of laws and regulations.

b. Advance Pricing Arrangement (APA)

In an APA, on transfer pricing taxation based on the taxpayer’s request, the tax authority gives advance confirmation of the method for calculating the arm’s length price in transactions with an foreign affiliated company. The number of requests for APA is increasing, as a result of the increase in international transactions.

APA ensure predictability and legal stability for taxpayers. They also contribute to proper and smooth operation of the transfer pricing taxation. This is why the NTA is proactively handling APAs. Specifically, to enable the taxpayer to smoothly use APA procedures, a contact point is set up in each Regional Taxation Bureau, which handles advance consultations with tax authorities before requesting an APA. The NTA is also working to improve its organization and quickly process APAs: an Advance Pricing Arrangement Division in charge of APA examinations was established in the Tokyo Regional Taxation Bureau and the Osaka Regional Taxation Bureau, staff working on APAs have been increased, etc.

For smoother processing of Advance Pricing Arrangements, the NTA is also strengthening coordination between examining departments and Mutual Agreement Procedure departments.
Tax Administration Under Increasing Globalization

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For smoother processing of Advance Pricing Arrangements, the NTA is also strengthening coordination between examining departments and Mutual Agreement Procedure departments.
(4) Exchange of information under tax treaty and tax information exchange agreement

There are cases in which it is difficult for the NTA to clarify the global transactions by individuals and corporations only with the information obtained in Japan. In such a case, the exchange of information under a bilateral tax treaty and tax information exchange agreement makes it possible to acquire the necessary information. The NTA is recently exchanging information on more than 200,000 cases a year. Japan is working to develop mechanisms for information exchange, incorporating information exchange provisions in its tax treaties in accordance with international standards\(^1\), and changing its existing provisions to bring them in line with international standards. The NTA is working to fully utilize these and actively exchange information.

2 Mutual Agreement Procedure (MAP)

As globalization progresses with individuals and corporations advancing into foreign markets, double taxation may arise, where both Japan and a foreign country impose income tax. The transfer pricing taxation described above may also cause double taxation. The NTA is addressing the global issue of double taxation by making use of MAP\(^2\) with foreign tax authorities based on tax treaties. The number of MAP cases has increased in recent years, with more than 90% of MAP cases related to transfer pricing. Among MAP cases, to assure predictability about transfer pricing, the number of MAP cases related to APA is increasing. During operation year 2008, the NTA received 174 cases of MAP, of which 160 cases were related to transfer pricing and 130 cases were related to APA. Compared to 10 years ago, the number of MAP cases increased to approximately four times, and the number of Bilateral Advance Pricing Arrangements (BAPA: APA accompanied by MAP) cases increased to approximately ten times.

\(^1\) Main items of international standards on information exchange: information held by financial institutions is also subject to information exchange, and information exchange is done even if there are no taxable earnings in one’s own country.

\(^2\) “Mutual Agreement Procedure (MAP)” means the negotiation procedure between the tax authorities of countries party to a tax treaty, to relieve taxpayers from taxation that is not in accordance with the provisions of the treaty, where the actions of one or both of the countries result in or will result in taxation that is not in accordance with the provisions of the treaty.

The number of countries with which the NTA was involved in MAP negotiations is increasing along with the increase in the number of MAP cases. While 15 countries were involved 10 years ago, it increased to 22 as of the end of June 2009.

In an attempt to properly and promptly resolve MAP cases, the NTA is strengthening its structure by increasing the number of officials and putting an emphasis on APA, while deepening working relations with foreign tax authorities for more efficient negotiations.

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(4) Exchange of information under tax treaty and tax information exchange agreement

There are cases in which it is difficult for the NTA to clarify the global transactions by individuals and corporations only with the information obtained in Japan. In such a case, the exchange of information under a bilateral tax treaty and tax information exchange agreement makes it possible to acquire the necessary information. The NTA is recently exchanging information on more than 200,000 cases a year. Japan is working to develop mechanisms for information exchange, incorporating information exchange provisions in its tax treaties with accordance with international standards, and changing its existing provisions to bring them in line with international standards. The NTA is working to fully utilize these and actively exchange information.

2 Mutual Agreement Procedure (MAP)

As globalization progresses with individuals and corporations advancing into foreign markets, double taxation may arise, where both Japan and a foreign country impose income tax. The transfer pricing taxation described above may also cause double taxation. The NTA is addressing the global issue of double taxation by making use of MAP with foreign tax authorities based on tax treaties. The number of MAP cases has increased in recent years, with more than 90% of MAP cases related to transfer pricing. Among MAP cases, to assure predictability about transfer pricing, the number of MAP cases related to APA is increasing. During operation year 2008, the NTA received 174 cases of MAP, of which 160 cases were related to transfer pricing and 130 cases were related to APA. Compared to 10 years ago, the number of MAP cases increased to approximately four times, and the number of Bilateral Advance Pricing Arrangements (BAPA: APA accompanied by MAP) cases increased to approximately ten times.

The number of countries with which the NTA was involved in MAP negotiations is increasing along with the increase in the number of MAP cases. While 15 countries were involved 10 years ago, it increased to 22 as of the end of June 2009.

In an attempt to properly and promptly resolve MAP cases, the NTA is strengthening its structure by increasing the number of officials and putting an emphasis on APA, while deepening working relations with foreign tax authorities for more efficient negotiations.

Capitalize the names of countries (22) conducting MAP with the NTA as of the end of June 2009. Underlined are the names of countries (18) conducting BAPA.

1. The treaty with the former Soviet Union is taken over.
2. The treaty with former Czechoslovakia is taken over.
3. The treaty does not apply to Hong Kong and Macao.
4. Fiji takes over the former treaty with the U.K.

*1 Main items of international standards on information exchange: information held by financial institutions is also subject to information exchange, and information exchange is done even if there are no taxable earnings in one’s own country.

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3 Cooperation and coordination with foreign tax authorities

(1) Cooperation for developing countries

Under the framework of technical assistance by the Japan International Cooperation Agency (JICA), the NTA is actively involved in technical assistance to developing countries, primarily for Asian countries in consideration of their economic ties with Japan.

Technical cooperation aims at improving tax administration in developing countries and the development of persons who understand Japanese tax administration. The program consists of two components: (1) lectures in developing countries by dispatching NTA officials as instructors, and (2) training in Japan by inviting tax officials from developing countries.

Overview of technical assistance

1 Dispatch of tax officials to developing countries

Considering the needs of tax authorities in developing countries, tax officials are dispatched as instructors to give lectures on taxpayer services, international taxation, staff training, and other tax subjects. In fiscal 2009, instructors were dispatched to lecture on the tax administration of Japan to Cambodia, Malaysia, Philippines, Vietnam and other countries.

With a view to giving continued advice on tax administration to developing countries, the NTA is dispatching tax officials in the capacity of long-term experts from JICA. In fiscal 2009, our tax officials remain in Indonesia, Malaysia, and Vietnam.

2 Training in Japan

(1) International Seminar on Taxation (ISTAX)

ISTAX is a seminar for tax officials in developing countries on the tax system and tax administration of Japan. It has two courses: the general course for mid-career officials and the senior course for management-level officials. Counting both courses, a total of 31 tax officials participated in fiscal 2009.

(2) Country-Focused Training Courses in Tax Administration, and Counterpart Training

The courses are given to tax officials in the specified developing countries at their request. One hundred tax officials from Indonesia, Cambodia, Thailand, Uzbekistan, Vietnam and so on participated in the course in fiscal 2009.

(3) International Taxation for Asian Countries

Training is directed at tax officials in Asian countries on the subject of international taxation. Eleven persons from six countries (China, Indonesia, Malaysia, Philippines, Thailand, and Vietnam) participated in fiscal 2009.

(4) NTA Practical Training Course (Practicum)

Training on the Japanese tax system and tax administration in general is provided for tax officials from developing countries who are studying in master courses at the graduate schools of Japanese universities on a scholarship program from the World Bank. A total of 21 foreign students studying at graduate schools of Keio University, Yokohama National University, National Graduate Institute of Policy Studies, Hitotsubashi University, and Waseda University participated in fiscal 2009.

(2) Participation by tax authorities in international conferences

As globalization and computerization of the economy brings an increase in new forms of transactions, there is the double taxation problem of more than one country imposing taxes on one income, and the taxation loophole problem of tax avoidance in which tax is not imposed in any country. These are becoming problems which should be addressed by each country’s tax authorities. In order to solve such problems and to cooperate and share experience among each country’s tax authorities, the NTA actively participates in various international conferences. The main conferences are described below: (1) OECD Committee on Fiscal Affairs (CFA), (2) Leeds Castle Group (Tax Administrators Meeting, LCG), and (3) Study Group on Asian Tax Administration and Research (SGATAR).

1 OECD Committee on Fiscal Affairs (CFA)

The OECD Committee on Fiscal Affairs is a forum where OECD member countries review the Model Tax Convention and Transfer Pricing Guidelines, and the tax authorities aim to share their knowledge and experience. Under the OECD Committee on Fiscal Affairs, study groups are formed to discuss individual themes and exchange views. The NTA has been actively participating in such activities of CFA. For further details, please refer to the NTA website “OECD Committee on Fiscal Affairs (CFA)” (Japanese only)

http://www.nta.go.jp/sontakakokusai/oecd/oecd.htm

2 The Leeds Castle Group (Tax Administrators Meetings, LCG)

The LCG is comprised of the tax authorities of 10 major nations: namely Japan, the USA, Canada, Australia, the U.K., France, Germany, China, South Korea, and India. LCG discusses urgent issues faced by each country, such as international tax avoidance.

3 Study Group on Asian Tax Administration and Research (SGATAR)

SGATAR is comprised of the tax authorities of 16 countries and regions. SGATAR provides a forum for promoting cooperation, and sharing the knowledge and experience in Asia.

Status of training conducted in Japan

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>International Seminar on Taxation</td>
<td>Countries</td>
<td>22</td>
<td>17</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>ISTAX</td>
<td>People</td>
<td>22</td>
<td>20</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>International Seminar on Taxation (ISTAX) senior course</td>
<td>Countries</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>People</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Country-Focused Training Courses in Tax Administration</td>
<td>Countries</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>People</td>
<td>23</td>
<td>30</td>
<td>32</td>
<td>60</td>
<td>64</td>
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<tr>
<td>Counterpart Training</td>
<td>Countries</td>
<td>4</td>
<td>4</td>
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<td>4</td>
</tr>
<tr>
<td>People</td>
<td>52</td>
<td>74</td>
<td>63</td>
<td>48</td>
<td>36</td>
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<tr>
<td>International Taxation for Asian Countries</td>
<td>Countries</td>
<td>New launched in FY2007</td>
<td>New launched in FY2007</td>
<td>11</td>
<td>12</td>
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<tr>
<td>People</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>NTA Practical Training Course (Practicum)</td>
<td>Countries</td>
<td>17</td>
<td>16</td>
<td>16</td>
<td>17</td>
</tr>
</tbody>
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International Seminar on Taxation
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V Remedy for Infringement of Taxpayer Rights

When the District Director of Tax Office does a disposition for taxation or disposition for delinquent tax, if the taxpayer objects to that disposition, the taxpayer can file a request for review, for example to cancel that disposition. This system of request for review is a procedure to simply and quickly protect taxpayer rights and interests. In principle, a taxpayer which objects to a disposition shall first file a request for review before bringing a lawsuit in court.

A request for review can be a request for reinvestigation to the District Director of the Tax Office, or a request for reconsideration to the Director-General of the National Tax Tribunal, but in principle, a request for reconsideration cannot be done until after a request for reinvestigation was done.

Moreover, when there is an objection to the ruling on the request for reconsideration, the taxpayer can bring lawsuit in court and seek relief via the judiciary.

(1) Request for reinvestigation

A request for reinvestigation is the first stage in the administrative appeal filed with regard to national taxes. In case the District Director of the Tax Office took action for a correction, determination, or seizures with which taxpayers remain dissatisfied, this is a procedure to request to the District Director of the Tax Office that the ruling be revoked or changed.

In recent years, cases requesting a reinvestigation are increasingly complicated, due to greater geographic scope and globalization of economic transactions. They involve problems in proving the relevance of facts and the interpretation and application of law in increasing numbers of cases. In response, the NTA has established Rulings and Legal Affairs Divisions and assigned Special Officers (Legal Affairs) in each Regional Taxation Bureau. The NTA is addressing the uniform enforcement of tax laws across the country based on correct interpretations. The NTA is also providing various training to develop tax officials who are skilled in reviewing, and endeavoring to properly and promptly handle taxpayer requests for reinvestigations.

(2) Request for reconsideration

Taxpayers who remain dissatisfied with the determination made in relation to the above request for a reinvestigation, are entitled to file a request for reconsideration with the Director-General of the National Tax Tribunal.

The National Tax Tribunal, which aims to remedy the legitimate rights and interests of taxpayers, makes its decisions on request for reconsideration as a fair third party between the District Director of the Tax Office and the taxpayer as claimant. The cases are examined and reviewed by appeals judges and associate appeals judges of the National Tax Tribunal, who have specialized knowledge and experience.

The important posts of Director-General for the National Tax Tribunal, as well as for the Tokyo and Osaka Regional National Tax Tribunal, are appointed from among those who have been justices or public prosecutors. Appeals judges for the National Tax Tribunal are also appointed from among those who have been specialists such as CPTAs and lawyers in the private sector.

The National Tax Tribunal contacts the claimant and the Tax Office early on to have a good grasp of both points of view. It drafts a chart outlining the positions of each party at an early point in time after sorting out their arguments. The Tribunal strives to properly and quickly remedy a violation of the legitimate rights and interests of taxpayers, by seriously listening to the views and positions of each party and conducting its own tax examinations when necessary.

Decisions by the Director-General of the National Tax Tribunal will not be more disadvantageous to taxpayers than those made by the District Director of the Tax Office. The decision is a final ruling given within the NTA, against which the District Director of the Tax Office is not entitled to file litigation, even if dissatisfied.

(3) Litigation

Even after the decision by the Director-General of the National Tax Tribunal, taxpayers who remain dissatisfied are entitled to file litigation with the judiciary seeking a legal remedy.

Overview of the appellate system for national tax
When the Director of the Tax Office makes a disposition for taxation or disposition for delinquent tax, if the taxpayer objects to that disposition, the taxpayer can file a request for review, for example to cancel that disposition. This system of request for review is a procedure to simply and quickly protect taxpayer rights and interests. In principle, a taxpayer who objects to a disposition shall first file a request for review before bringing a lawsuit in court. A request for review can be filed with the Tax Office within 2 months of the date of the Tax Office’s decision. If the request for review is denied, the taxpayer can file a request for reconsideration to the Director-General of the National Tax Tribunal, but in principle, a request for reconsideration cannot be done until after a request for reinvestigation was done. Moreover, when there is an objection to the ruling on the request for reconsideration, the taxpayer can bring lawsuit in court and seek relief via the judiciary.

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### Overview of the appellate system for national tax

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct request for reconsideration at choice (correction to blue returns, etc.)</td>
<td>Within 2 months</td>
</tr>
<tr>
<td>Request for reinvestigation to District Director of Tax Office</td>
<td>Within 1 month</td>
</tr>
<tr>
<td>Reinvestigation to Regional Commissioner</td>
<td>Within 1 month</td>
</tr>
<tr>
<td>Decision on request for reinvestigation</td>
<td>Within 2 months</td>
</tr>
<tr>
<td>Within 2 months</td>
<td></td>
</tr>
<tr>
<td>Decision on request for reconsideration</td>
<td>Within 6 months</td>
</tr>
<tr>
<td>Within 2 months</td>
<td></td>
</tr>
<tr>
<td>If no decision on a request for reinvestigation is made within 3 months</td>
<td></td>
</tr>
<tr>
<td>Within 2 months</td>
<td></td>
</tr>
<tr>
<td>Direct request for reconsideration at choice</td>
<td>Within 2 months</td>
</tr>
<tr>
<td>Decision on request for reinvestigation</td>
<td>Within 2 months</td>
</tr>
<tr>
<td>Within 2 months</td>
<td></td>
</tr>
</tbody>
</table>

### (3) Litigation

Even after the decision by the Director-General of the National Tax Tribunal, taxpayers who remain dissatisfied are entitled to file litigation with the judiciary seeking a legal remedy.
(4) Case trends

The NTA is striving to finish processing requests for reinvestigations within three months in principle. The total number of reinvestigations requested was 4,997 (2,311 in taxation and 282 in tax collections) in fiscal 2009. Of these, about 11.8% of taxpayer claims were approved in whole or in part due to new facts.

With respect to the request for reconsideration, the NTA is working to finish processing within one year in principle. The total number of requests for reconsideration was 2,593 (2,311 in taxation and 282 in tax collection) in fiscal 2009. Of these, about 5.0% of taxpayer claims were approved in whole or in part.

The NTA and the National Tax Tribunal are disclosing overviews of the requests for review and litigation, and information on court decisions, to obtain understanding about remedies for infringement of taxpayer rights. These are on the NTA website and on the National Tax Tribunal website (http://www.kfs.go.jp).

<p>| Percentage of processed requests for reinvestigation within three months and number of processed requests for reinvestigation |
|---|---|</p>
<table>
<thead>
<tr>
<th>Number of cases (tax collection-related)</th>
<th>Number of cases (taxation-related)</th>
<th>Percentage of processed cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>4,516</td>
<td>3,302</td>
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<tr>
<td>2005</td>
<td>4,549</td>
<td>3,481</td>
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<tr>
<td>2006</td>
<td>4,966</td>
<td>3,627</td>
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<td>2007</td>
<td>5,313</td>
<td>3,732</td>
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<tr>
<td>2008</td>
<td>4,997</td>
<td>3,916</td>
</tr>
<tr>
<td>2009</td>
<td>5,000</td>
<td>3,908</td>
</tr>
</tbody>
</table>

<p>| Percentage of processed requests for reconsideration within one year, and number of processed requests for reconsideration |
|---|---|</p>
<table>
<thead>
<tr>
<th>Number of cases (tax collection-related)</th>
<th>Number of cases (taxation-related)</th>
<th>Percentage of processed cases</th>
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</thead>
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<tr>
<td>2004</td>
<td>3,382</td>
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<td>2005</td>
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<td>2007</td>
<td>2,814</td>
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<td>2,172</td>
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<tr>
<td>2009</td>
<td>3,000</td>
<td>2,200</td>
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</table>

Reference Response to complaints from taxpayers

The NTA receives from taxpayers such reactions as complaints, requests, criticism, or consultation on problems they have, not only with regard to requests for review of decisions by the NTA, but also about tax administration in general including the attitude of officials to attend to the inquirers or the methods of tax examinations. The NTA believes it is essential to simultaneously accept a variety of opinions from taxpayers in order to obtain their understanding and confidence and to give a prompt, accurate response from the perspective of taxpayers. In July 2001, the NTA appointed Taxpayer Support Officers to properly respond to taxpayer complaints on decisions made in relation to taxpayers’ rights and interests, and to explain the procedures to remedy infringements of taxpayer rights.

VI Administration of the Liquor Industry

Both the land tax and the liquor tax have been large revenue sources since the Meiji government was established. Liquor tax revenues even exceeded land tax revenues at one time, becoming the largest revenue source. Thereafter, there was an increase in the relative weight of direct taxes such as income tax and corporation tax, and in FY2008, liquor tax comprised only 3.2% (¥1,461.4 billion) of all tax revenues. However, it is not affected much by the economy, and is expected to provide stable tax revenues. Therefore, the liquor tax fulfills an important role even today.

In contrast to general food items, a high rate of liquor tax is imposed on liquor. In order to secure this revenue source and smoothly shift the tax burden onto consumers, there is a system of licensing for manufacture of liquor and sale of liquor. In line with the goals of this system, the NTA strives for proper operation and proper and fair taxation.

In addition, NTA is the government agency with jurisdiction over the liquor industry. The NTA takes various actions in order to secure liquor tax revenues and work for sound development of the liquor industry, from a comprehensive perspective of development of the entire liquor industry, while considering changes in the environment faced by the liquor industry, such as the arrival of a decreasing population, the people’s increasing awareness of health and safety, and diversifying lifestyles.

(1) Initiatives to ensure safety of liquor and enhance quality levels

Consumers continue to be increasingly interested in “food security and safety”. The NTA works to ensure safety and enhance quality by taking the following actions, so that consumers are provided with safe and good quality liquor in all stages from production to consumption.

a. The NTA purchases commercial liquor from retail stores which is the stage where consumers buy liquor, and checks safety, quality and labeling of the alcohol percentage, container volume, etc. Those results are posted as information on the NTA website.

b. To enable consumers to feel secure in buying liquor, the NTA checks obligatory liquor labeling items and items written based on labeling standards. If not properly labeled, corrective guidance is given to the liquor business operator.

In addition, the NTA provides the liquor industry with guidance on improvements in brewing technology, and guidance on manufacturing processes regarding safety of liquor, including dissemination of the achievements of the National Research Institute of Brewing.

National Research Institute of Brewing (NRIB)

NRIB was originally established in 1904 as the National Research Organization of Technology for Liquor within the Ministry of Finance. In April 2001, it shifted from the NTA’s Research Institute of Brewing to an independent administrative agency. NRIB performs advanced analyses and appraisals of liquors, and provides research, studies and information on liquors and the liquor industry. It thereby aims to contribute to proper and fair application of the liquor tax, working for the sound development of the liquor industry, and to raise people’s understanding of liquor. For further details, please visit the NRIB website: http://www.nrib.go.jp/English/index.htm
V Remedy for Infringement of Taxpayer Rights

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For litigation, a total 320 cases were closed (250 in taxation, 61 in tax collections and 9 in the National Tax Tribunal) in fiscal 2009. Of these, about 5.0% of taxpayer claims were approved in whole or in part.

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Both the land tax and the liquor tax have been large revenue sources since the Meiji government was established. Liquor tax revenues even exceeded land tax revenues at one time, becoming the largest revenue source. Thereafter, there was an increase in the relative weight of direct taxes such as income tax and corporation tax, and in FV2008, liquor tax comprised only 3.2% (¥1,481.4 billion) of all tax revenues. However, it is not affected much by the economy, and is expected to provide stable tax revenues. Therefore, the liquor tax fulfills an important role even today.

In contrast to general food items, a high rate of liquor tax is imposed on liquor. In order to secure this revenue source and smoothly shift the tax burden onto consumers, there is a system of licensing for manufacture of liquor and sale of liquor. In line with the goals of this system, the NTA strives for proper operation and proper and fair taxation.

In addition, NTA is the government agency with jurisdiction over the liquor industry. The NTA takes various actions in order to secure liquor tax revenues and work for sound development of the liquor industry, from a comprehensive perspective of development of the entire liquor industry, while considering changes in the environment faced by the liquor industry, such as the arrival of a decreasing population, the people’s increasing awareness of health and safety, and diversifying lifestyles.

(1) Initiatives to ensure safety of liquor and enhance quality levels

Consumers continue to be increasingly interested in “food security and safety”. The NTA works to ensure safety and enhance quality by taking the following actions, so that consumers are provided with safe and good quality liquor in all stages from production to consumption.

a. The NTA purchases commercial liquor from retail stores which is the stage where consumers buy liquor, and checks safety, quality and labeling of the alcohol percentage, container volume, etc. Those results are posted as information on the NTA website.

b. To enable consumers to feel secure in buying liquor, the NTA checks obligatory liquor labeling items and items written based on labeling standards. If not properly labeled, corrective guidance is given to the liquor business operator.

In addition, the NTA provides the liquor industry with guidance on improvements in brewing technology, and guidance on manufacturing processes regarding safety of liquor, including dissemination of the achievements of the National Research Institute of Brewing of the NTA.

National Research Institute of Brewing (NRIB)

NRIB was originally established in 1904 as the National Research Organization of Technology for Liquor within the Ministry of Finance. In April 2001, it shifted from the NTA’s Research Institute of Brewing to an independent administrative agency. NRIB performs advanced analyses and appraisals of liquors, and provides research, studies and information on liquors and the liquor industry. It thereby aims to contribute to proper and fair application of the liquor tax, working for the sound development of the liquor industry, and to raise people’s understanding of liquor. For further details, please visit the NRIB website: http://www.nrib.go.jp/English/index.htm
(2) Response to social demands
To prevent underage drinking and troublesome behavior caused by alcohol, the NTA works with related ministries and the industry to develop proper sales control systems. In order to ensure effective use of resources, the NTA also works to build awareness of systems, to support liquor business operator initiatives for liquor container recycling and reducing food waste generated in liquor manufacturing processes, etc.

(3) Initiatives to develop a fair trading environment in liquors
In order to secure liquor tax revenues and stable trading in liquor, the NTA continues to build awareness of its Guidelines on Fair Liquor Trade published in August 2006, so that voluntary initiatives of liquor business operators for developing a fair trading environment are promoted. The NTA also surveys actual trade practices, and if it finds trading which is not according to these guidelines, it provides guidance for improvements, and where necessary, works with the Fair Trade Commission to develop a fair trading environment for liquor.

(4) Information provided to liquor business operators
The NTA does industry trend surveys, provides training by management guidance experts etc., and provides information on successful examples of business improvement and on various small and medium business initiatives, thereby supporting voluntary initiatives of liquor business operators.

In addition, as the reputation of Japanese-made liquor products has been increasing in overseas countries along with a growing interest in Japanese food, the NTA provides liquor business operators with information on exporting, in an effort to develop the export environment.

Guidelines on Fair Liquor Trade (Established on August 31, 2006)

**Purposes**
To ensure liquor tax revenue and stable liquor trade (Article 1 of Act on Securing of Liquor Tax and on Liquor Business Associations)

1. Recent liquor market
- Changes in the business environment (arrival of the decreasing population society, etc.)... difficulty with further total volume growth of liquor consumption in the domestic market
- Diversification in liquor retail (convenience stores, supermarkets, drugstores, etc.)... gaps in trade volume and price among traders

2. Issues for the sound development of the liquor industry
- "Shift from quantity to quality", "Consumers’ perspectives", "Sales Management", and "Assurance of Fair Trade"

3. Considering the applicability of Article 84 of the Act on Securing of Liquor Tax and on Liquor Business Associations (Recommendation or orders to ensure the liquor tax), the NTA makes suggestions on fair liquor trade practices and ways to cooperate with the Fair Trade Commission.

- Facilitating voluntary efforts to assure fair trade

1. Fair trade related to liquor
(suggestions on how liquor trade should be from the standpoint of securing the liquor tax)

1. Setting of the rational price
- The rational retail price should be "purchase price + SGA expense + profit." In addition, the liquor prices should be rational from the viewpoint of liquor’s unique characteristics.
- In light of its unique characteristics, it is an inadequate practice to use liquor as a "loss leader" for attracting customers, and this situation should be improved.
- Production should be kept at a proper level based on a correct supply-demand outlook.

2. Fair treatment of business clients, etc.
- Discriminatory treatment in the setting price and trade conditions according to the trade clients or sales territories without rational reasons is likely to become one of the factors in distorting market prices.

3. Setting of fair trade conditions
- It might erode supplier operations and affect the collection of receivables by manufacturers, which is likely to cause problems in securing the liquor tax, when large-scale operators, such as supermarkets, unilaterally return products at their discretion, refuse to accept products with a private brand, demand to dispatch employees, demand payment of contributions and excessive center fees, or treat suppliers unfavorably because of refusal to accept such demands.

4. Transparent and rational rebates
- Rebates that lack transparency and rationality should be eliminated.

2. Conducting survey on actual trade practices and collaborating with the Fair Trade Commission (measures by the NTA)

1. Conducting surveys on actual trade practices effectively
- Conducting tax examinations focused on liquor business operators who are largely influential on the market.
- Conducting follow-up surveys on liquor business operators for which guidance for improvement was issued.
- Disclosing the inappropriate practices and their case examples for improvement results as much as possible, to prevent other operators from engaging in the same kind of trade.

2. Measures to secure the liquor tax
- Judging the existence of excessive competition provided for in Paragraph 1 of Article 84 of the Act on Securing of Liquor Tax and on Liquor Business Associations, in reference to 1 "Fair trade related to liquor."
- Taking the minimum but essential actions to solve the problem, if measures should be implemented to maintain liquor tax revenues.

3. Response to violations of the Antimonopoly Act
- Regional Commissioners who find liquor business operators violate the Antimonopoly Act will inform the Fair Trade Commission of such facts.

4. Collaboration with the Fair Trade Commission
- The NTA consults with the Fair Trade Commission on issues related to distribution of liquor.
- In Regional Taxation Bureaus, officials are appointed to be in charge of centralizing the administration of liquor market information.
VI. Administration of the Liquor Industry

(2) Response to social demands
To prevent underage drinking and troublesome behavior caused by alcohol, the NTA works with related ministries and the industry to develop proper sales control systems. In order to ensure effective use of resources, the NTA also works to build awareness of systems, to support liquor business operator initiatives for liquor container recycling and reducing food waste generated in liquor manufacturing processes, etc.

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Purposes
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1. Recent liquor market
   - Changes in the business environment (arrival of the decreasing population, etc.)
   - Diversification in liquor retail (convenience stores, supermarkets, drugstores, etc.)
   - Gaps in trade volume and price among traders

2. Issues for the sound development of the liquor industry
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4. Collaboration with the Fair Trade Commission
   - Conducting surveys on actual trade practices effectively
   - Measures to secure the liquor tax
   - Promoting proper self-assessment
   - Conducting survey on actual trade practices and collaborating with the Fair Trade Commission (measures by the NTA)

---

1. Fair trade related to liquor (suggestions on how liquor trade should be from the standpoint of securing the liquor tax)

   1. Setting of the rational price
      - The rational retail price should be "purchase price + SGA expense + profit." In addition, the liquor prices should be rational from the viewpoint of liquor’s unique characteristics.
      - In light of its unique characteristics, it is an inadequate practice to use liquor as a "loss leader" for attracting customers, and this situation should be improved.
      - Production should be kept at a proper level based on a correct supply-demand outlook.

   2. Fair treatment of business clients, etc.
      - Discriminatory treatment in the setting price and trade conditions according to the trade clients or sales territories without rational reasons is likely to become one of the factors in distorting market prices.

   3. Setting of fair trade conditions
      - It might erode supplier operations and affect the collection of receivables by manufacturers, which is likely to cause problems in securing the liquor tax, when large-scale operators, such as supermarkets, unilaterally return products at their discretion, refuse to accept products with a private brand, demand to dispatch employees, demand payment of contributions and excessive center fees, or treat suppliers unfavorably because of refusal to accept such demands.

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      - Rebates that lack transparency and rationality should be eliminated.

---

2. Conducting survey on actual trade practices and collaborating with the Fair Trade Commission (measures by the NTA)

   1. Conducting surveys on actual trade practices effectively
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      - The NTA consults with the Fair Trade Commission on issues related to distribution of liquor.
      - In Regional Taxation Bureaus, officials are appointed to be in charge of centralizing the administration of liquor market information.
Changes in the environment surrounding the tax administration

The socio-economic structure of Japan is undergoing rapid changes, with its falling birth rate, aging population, and increasing globalization in recent years. These changes in the socio-economic structure are having a major impact on the environment surrounding the tax administration.

The aging population, growing job mobility, and reforms in corporate legislation are causing the number of tax returns filed to grow dramatically, which in turn increases the administrative tasks faced by the NTA. In economic activities as well, there are dramatic developments in IT, and an increase in diverse cross-border economic and investment activities by both corporations and individuals. And such activities are making economic transactions more complicated and inducing the use of skillful acts to avoid taxes, which makes the NTA’s responsibility to examine and collect tax more difficult than ever before. Under these circumstances, the environment surrounding the tax administration is becoming increasingly difficult in both qualitative and quantitative terms.

Meanwhile, under the tight financial situation, it is difficult to expect a substantial increase in the number of officials at the NTA. We have to proceed with tax administration by more effectively and efficiently allocating human and material resources than in the past. In addition, we believe it is necessary to give consideration to operating the NTA to win the confidence of citizens, and putting in place a work environment where officials are motivated.

Issues the NTA should address

Facing the above-described circumstances, the NTA is resolved to address the following issues in order to achieve its assigned missions.

1. Promotion of proper filing of returns and paying taxes, and administration of the withholding tax system

   The NTA will upgrade taxpayer services for the correct filing of tax returns and payments.

   Specifically, the NTA will offer enhanced information to help taxpayers file tax returns and payments and clarify the interpretation of law, as well as further enhance the convenient means of filing tax returns, using IT, such as e-Tax and filing assistance on the NTA website. At the same time, the NTA will put effort into responding to advance inquiries and conducting Advance Pricing Arrangement (APA) related to transfer pricing (TP) system, so that taxpayers are able to foresee tax treatment for their economic activities.

   For the withholding tax system, the NTA will try to help the system work properly through further notification and public relations activities directed at withholding agents. Given the importance of the roles played by CPTAs in filing returns and paying taxes, the NTA will make efforts to cooperate and maintain close working relationships with the tax accountants’ associations for wider use of e-Tax and using the documents attached by CPTAs to tax returns.

2. Proper tax examinations and collection

   In order to cope with the increasing complexity of economic transactions as described above, the NTA will try to strengthen its structure of gathering information, and systematically address the prioritized issues for correct responses to changes in the socio-economic situation, when conducting tax examinations and collecting taxes.

   In that regard, the NTA will strike a balance with limited resources between humans and materials, by effectively combining the methods of in-depth tax examinations and brief contacts.

   For measures to address taxation and collection, the NTA fully recognizes them as compulsory actions imposed on taxpayers’ rights and interests. The NTA is trying to determine the relevant facts and apply the laws and regulations, after correctly interpreting the assertions made by taxpayers and objectively scrutinizing information in the examination.

3. Proper management of the liquor administration

   As concern for safety of food remains high among consumers, the NTA will make efforts to assure the safety and quality of liquor in cooperation with the National Research Institute of Brewing (NRIB), in order to supply consumers with safe, high quality liquor.

   To respond to social demands such as preventing underage drinking, the NTA is working to ensure proper sales control of liquor, with proper compliance with the duty of assigning liquor sales managers and signs in liquor display locations.

   In addition, for the purpose of encouraging liquor business operators to push forward voluntary activities to ensure a fair trade environment for liquor, the NTA will implement a survey on the status liquor business transactions based on the Guidelines on Fair Liquor Trade. If irrational transactions are recognized, the NTA will provide guidance for improvement, and works together with the Fair Trade Commission when necessary.

4. Promotion of administrative work efficiency

   In order to achieve a proper and fair tax administration, it is necessary to conduct sufficient tax examinations and collection. Amid the increasing cases of filing tax returns, the NTA will conduct consistent reviews to simplify and streamline administrative tasks with limited human resources, by employing electronic processing of tax administration based on e-Tax and outsourcing of clerical tasks that may be processed by personnel other than NTA officials.

   Particularly during the period when filing income tax returns is concentrated at one time, the NTA will press forward with the use of personal computers and e-Tax, thereby improving convenience for taxpayers and aiming at efficient processing of administrative affairs.

   For the optimization of administrative tasks and systems, the NTA will draft practical plans to optimize administrative tasks in order to save operating expenses and improve administrative efficiency under tight fiscal conditions. While conducting evaluations and validating the performance of various measures based on such plans, the NTA will steadily put such plans into operation.

5. Enhancement of the organizational base and work environment

   In order for the NTA to achieve its assigned missions, it will make a proper allocation of resources while recruiting the necessary organization complement, and budget under tight and quality conscious conditions.

   On the other hand, it will endeavor to streamline administrative tasks, and to reduce administrative expenses.

   Meanwhile, to enable the organization to fulfill its potential with the limited number of officials, the NTA will assign the right employees to the right jobs according to their experience and abilities, and strengthen the training and education programs to further improve their specialized knowledge necessary for the NTA.

   In addition, the NTA will push for the “Plan for Expanding Recruitment and Promotion of Female Officials”, and properly implement the “NTA Designated Workplace Action Plan” (2nd Secure Childcare Support Plan), from the perspective of supporting a balance between childcare and work.

6. Policy evaluation enhancement and correct public relations activities

   In order to correctly cope with changes in the society and economy, by responding to the confidence and expectations placed in it by taxpayers, the NTA believes it necessary to clarify the issues to be addressed in tax administration and tackle measures according to each issue.

   In executing each measure, the NTA will strive to work out and implement effective plans, and it will at regular intervals evaluate and validate what has been implemented so that the effectiveness of measures can be demonstrated to the fullest.

   Since 2001, the NTA has set the performance targets it should achieve, and evaluated and disclosed the results achieved in relation to the targets. The NTA will redouble its efforts to carry out effective public relations activities to enable taxpayers to understand the issues, policies, and measures of the NTA, and the results achieved and their evaluations.
Changes in the environment surrounding the tax administration

The socio-economic structure of Japan is undergoing rapid changes, with its falling birth rate, aging population, and increasing globalization in recent years. These changes in the socio-economic structure are having a major impact on the environment surrounding the tax administration.

The aging population, growing job mobility, and reforms in corporate legislation are causing the number of tax returns filed to grow dramatically, which in turn increases the administrative tasks faced at the NTA. In economic activities as well, there are dramatic developments in IT, and an increase in diverse cross-border economic and investment activities by both corporations and individuals. And such activities are making economic transactions more complicated and inducing the use of skillful acts to avoid taxes, which makes the NTA’s responsibility to examine and collect tax more difficult than ever before. Under these circumstances, the environment surrounding the tax administration is becoming increasingly difficult in both qualitative and quantitative terms.

Meanwhile, under the tight financial situation, it is difficult to expect a substantial increase in the number of officials at the NTA. We have to proceed with tax administration by more effectively and efficiently allocating human and material resources than in the past. In addition, we believe it is necessary to give consideration to operating the NTA to win the confidence of citizens, and putting in place a work environment where officials are motivated.

Issues the NTA should address

Facing the above-described circumstances, the NTA is resolved to address the following issues in order to achieve its assigned missions:

1 **Promotion of proper filing of returns and paying taxes**, and **administration of the withholding tax system**

   The NTA will upgrade taxpayer services for the correct filing of tax returns and payments. Specifically, the NTA will offer enhanced information to help taxpayers file tax returns and payments and clarify the interpretation of law, as well as further enhance the convenient means of filing tax returns using IT, such as e-Tax and filing assistance on the NTA website. At the same time, the NTA will put effort into responding to advances and conducting Advance Pricing Arrangement (APA) related to transfer pricing (TP) system, so that taxpayers are able to foresee tax treatment for their economic activities.

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   To respond to social demands such as preventing underage drinking, the NTA is working to ensure proper sales control of liquor, with proper compliance with the duty of assigning liquor sales managers and signs in liquor display locations.

   In addition, for the purpose of encouraging liquor business operators to push forward voluntary activities to ensure a fair trade environment for liquor, the NTA will implement a survey on the status of liquor business transactions based on the Guidelines on Fair Liquor Trade. If irrational transactions are recognized, the NTA will provide guidance for improvement, and works together with the Fair Trade Commission when necessary.

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   In order to achieve a proper and fair tax administration, it is necessary to conduct sufficient tax examinations and collection. Amid the increasing cases of filing tax returns, the NTA will conduct consistent reviews to simplify and streamline administrative tasks with limited human resources, by employing electronic processing of tax administration based on e-Tax and outsourcing of clerical tasks that may be processed by personnel other than NTA officials.

   Particularly during the period when filing income tax returns is concentrated at one time, the NTA will press forward with the use of personal computers and e-Tax, thereby improving convenience for taxpayers and aiming at efficient processing of administrative affairs.

   For the optimization of administrative tasks and systems, the NTA will draft practical plans to optimize administrative tasks in order to save operating expenses and improve administrative efficiency under tight fiscal conditions. While conducting evaluations and validating the performance of various measures based on such plans, the NTA will steadily put such plans into operation.

5 **Enhancement of the organizational base and work environment**

   In order for the NTA to achieve its assigned missions, it will make a proper allocation of resources while maintaining the necessary organizational equipment, and budget under tight fiscal conditions. Meanwhile, to enable the organization to fulfill its potential with the limited number of officials, the NTA will assign the right employees to the right jobs according to their experience and abilities, and strengthen the training and education programs to further improve their specialized knowledge necessary for the NTA.

   In addition, the NTA will push for the “Plan for Expanding Recruitment and Promotion of Female Officials”, and properly implement the “NTA Designated Workplace Action Plan” (2nd Secure Childcare Support Plan), from the perspective of supporting a balance between childcare and work.

6 **Policy evaluation enhancement and correct public relations activities**

   In order to correctly cope with changes in the society and economy, by responding to the confidence and expectations placed in it by taxpayers, the NTA believes it necessary to clarify the issues to be addressed in tax administration and tackle measures according to each issue.

   In executing each measure, the NTA will strive to work out and implement effective plans, and it will at regular intervals evaluate and validate what has been implemented so that the effectiveness of measures can be demonstrated to the fullest.

   Since 2001, the NTA has set the performance targets it should achieve, and evaluated and discussed the results achieved in relation to the targets. The NTA will redouble its efforts to carry out effective public relations activities to enable taxpayers to understand the issues, policies, and measures of the NTA, and the results achieved and their evaluations.
### Tax revenues and budget

#### General Account

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total NTA budget</td>
<td>46,429,000</td>
<td>44,267,304</td>
</tr>
<tr>
<td>General operating expenses</td>
<td></td>
<td>44,267,304</td>
</tr>
<tr>
<td>IT-related expenses</td>
<td>46,418</td>
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<tr>
<td>Expenses to improve convenience for taxpayers</td>
<td>3,000,000</td>
<td>16,739</td>
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<tr>
<td>Expenses related to internationalization measures</td>
<td>764</td>
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<tr>
<td>Expenses to improve work environment</td>
<td>4,745</td>
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<tr>
<td>Expenses related to tax reforms</td>
<td>14,000</td>
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<tr>
<td>Expenses for tax filing &amp; communications</td>
<td>1,250</td>
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<tr>
<td>General operating expenses</td>
<td>42,731</td>
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</tr>
<tr>
<td>Expenses for National Tax College</td>
<td>1,250</td>
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</tr>
<tr>
<td>Expenses for National Tax Tribunal</td>
<td>6,666</td>
<td></td>
</tr>
<tr>
<td>Expenses for National Research Institute of Banking</td>
<td>2,071,800</td>
<td>939,000</td>
</tr>
<tr>
<td>Total NTA budget</td>
<td>46,429,000</td>
<td>44,267,304</td>
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</tbody>
</table>

#### Itemized Account

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local road tax</td>
<td>282,000</td>
<td>285,617</td>
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<tr>
<td>Liquidated petrol gasoline tax</td>
<td>14,000</td>
<td>12,797</td>
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<tr>
<td>Aviation fuel tax (transferred)</td>
<td>16,300</td>
<td>15,109</td>
</tr>
<tr>
<td>Motor vehicle tonnage tax</td>
<td>357,500</td>
<td>358,523</td>
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<tr>
<td>Special tonnage due</td>
<td>12,500</td>
<td>11,784</td>
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<tr>
<td>Special motor corporation tax</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Gasoline tax</td>
<td>682,500</td>
<td>682,500</td>
</tr>
<tr>
<td>Special tobacco tax</td>
<td>208,500</td>
<td>196,978</td>
</tr>
<tr>
<td>Total</td>
<td>48,000,700</td>
<td>45,830,885</td>
</tr>
</tbody>
</table>

#### Notes

- “Other” includes collection of delinquent tax, such as the commodity tax, land value tax, etc.
- NTA initial budget for fiscal year 2010

### Tax returns and taxation

#### Income tax

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income tax</td>
<td>3,746</td>
<td>9,478,300</td>
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<tr>
<td>Corporate income tax</td>
<td>12,572,000</td>
<td>9,968,893</td>
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<tr>
<td>Inheritance tax</td>
<td>1,550,000</td>
<td>1,461,367</td>
</tr>
<tr>
<td>Tax payment</td>
<td>1,857,000</td>
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<tr>
<td>Business income earners</td>
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<tr>
<td>Other income earners</td>
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</tr>
<tr>
<td>Real estate income earners</td>
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</tr>
<tr>
<td>Employment income earners</td>
<td>2,390</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous income earners</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>210</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes

- The figures of withholding agents are figures as of the end of June 2009.
- NTA initial budget for fiscal year 2010

### Inheritance tax

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>Total population</td>
<td>127,690</td>
<td>127,690</td>
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<tr>
<td>Persons engaged</td>
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<tr>
<td>Number of final returns for income tax</td>
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<td>23,670</td>
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<tr>
<td>Refund</td>
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<tr>
<td>Tax payment</td>
<td>1,470</td>
<td></td>
</tr>
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<tr>
<td>Miscellaneous income earners</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>210</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes

- Total population and Persons engaged are figures as of 2006.

### Consumption tax

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consumption tax</td>
<td>9,707,700</td>
<td>9,707,700</td>
</tr>
<tr>
<td>Sales of house &amp; building materials</td>
<td>5,407,400</td>
<td>5,407,400</td>
</tr>
<tr>
<td>Sales of retail trade</td>
<td>3,297,300</td>
<td>3,297,300</td>
</tr>
<tr>
<td>Sales of miscellaneous items</td>
<td>903,000</td>
<td></td>
</tr>
<tr>
<td>Tax refund</td>
<td>605,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,707,700</td>
<td>9,707,700</td>
</tr>
</tbody>
</table>

#### Notes

- The figures of withholding agents are figures as of the end of June 2009.

### Liquor tax and liquor production

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liquor tax</td>
<td>3,764,400</td>
<td>3,764,400</td>
</tr>
<tr>
<td>Sales of brewed liquor</td>
<td>1,142,400</td>
<td>1,142,400</td>
</tr>
<tr>
<td>Sales of imported liquor</td>
<td>1,200,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Sales of miscellaneous liquor</td>
<td>1,420,000</td>
<td>1,420,000</td>
</tr>
<tr>
<td>Tax refund</td>
<td>2,030,000</td>
<td>2,030,000</td>
</tr>
<tr>
<td>Total</td>
<td>3,764,400</td>
<td>3,764,400</td>
</tr>
</tbody>
</table>

#### Notes

- The figures of withholding agents are figures as of the end of June 2009.

### Notes

- The time period of figures is indicated on the title line or at the top right of individual tables.
- The fiscal year ranges from April 1 through March 31 of the following year (i.e., fiscal year 2008: April 1, 2008 to March 31, 2009), while the operation year is from July 1 through June 30 of the following year (i.e., operation year 2008: July 1, 2008 to June 30, 2009). The calendar year ranges from January 1 through December 31 of the same year during which income tax returns are filed.
- The amount of sub-total in each item of accounts may not accord with the amount indicated in the grand total, due to rounding of fractional figures.
The period of figures is indicated on the title line or at the top right of individual tables. The fiscal year ranges from April 1 through March 31 of the following year (i.e., operation year 2008: April 1, 2008 to March 31, 2009), while the operation year is from July 1 through June 30 of the following year (i.e., operation year 2008: July 1, 2008 to June 30, 2009). The calendar year ranges from January 1 through December 31 of the same year during which income tax returns are filed.

The amount of sub-total in each item of accounts may not accord with the amount indicated in the grand total, due to rounding of fractional figures.

### Tax revenues and budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding income tax</td>
<td>12,572,000</td>
<td>12,161,180</td>
</tr>
<tr>
<td>Self-assessed income tax</td>
<td>2,961,000</td>
<td>2,823,894</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>11,755,000</td>
<td>10,101,905</td>
</tr>
<tr>
<td>Inheritance tax</td>
<td>1,550,000</td>
<td>1,494,907</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>10,254,000</td>
<td>9,968,893</td>
</tr>
<tr>
<td>Liquor tax</td>
<td>1,468,000</td>
<td>1,461,367</td>
</tr>
<tr>
<td>Tobacco tax</td>
<td>894,000</td>
<td>850,839</td>
</tr>
<tr>
<td>Gasoline tax</td>
<td>1,897,000</td>
<td>1,899,385</td>
</tr>
<tr>
<td>Liquefied petroleum gas tax</td>
<td>14,000</td>
<td>12,976</td>
</tr>
<tr>
<td>Aviation tax</td>
<td>89,000</td>
<td>83,576</td>
</tr>
<tr>
<td>Petroleum and coal tax</td>
<td>521,000</td>
<td>511,944</td>
</tr>
<tr>
<td>Power resources development promotion tax</td>
<td>348,000</td>
<td>340,472</td>
</tr>
<tr>
<td>Motor vehicle tonnage tax</td>
<td>715,000</td>
<td>717,047</td>
</tr>
<tr>
<td>Customs duty</td>
<td>939,000</td>
<td>883,109</td>
</tr>
<tr>
<td>Tonnage duty</td>
<td>10,000</td>
<td>9,427</td>
</tr>
<tr>
<td>Other**</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>
| **Other** includes collection of delinquent tax, such as the commodity tax, land value tax, etc.

### Income tax

<table>
<thead>
<tr>
<th>Income etc. category</th>
<th>Number of withholding agents</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (wages and salaries)</td>
<td>3,746,000</td>
<td>9,478,300</td>
</tr>
<tr>
<td>Retirement income</td>
<td>250,300</td>
<td>250,300</td>
</tr>
<tr>
<td>Interest income, etc.</td>
<td>14,076,000</td>
<td>23,718,000</td>
</tr>
<tr>
<td>Dividend income</td>
<td>8,250,000</td>
<td>1,320,000</td>
</tr>
<tr>
<td>Capital gains on listed shares etc. kept in special account</td>
<td>9,427,000</td>
<td>49,300</td>
</tr>
<tr>
<td>Income paid to non-residents and foreign corporations, etc.</td>
<td>2,990,000</td>
<td>1,160,000</td>
</tr>
<tr>
<td>Total</td>
<td>11,016,000</td>
<td>33,880,000</td>
</tr>
</tbody>
</table>

### Withholding agents and withholding income tax

<table>
<thead>
<tr>
<th>Category</th>
<th>Payment</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>1,420</td>
<td>41</td>
</tr>
<tr>
<td>Corporations</td>
<td>1,957</td>
<td>125</td>
</tr>
<tr>
<td>Total</td>
<td>3,377</td>
<td>161</td>
</tr>
</tbody>
</table>

### Number of corporations and corporation tax

<table>
<thead>
<tr>
<th>Number of corporations</th>
<th>Number of tax returns filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,905,000</td>
<td>2,905,000</td>
</tr>
</tbody>
</table>

### Inheritance tax

<table>
<thead>
<tr>
<th>Category</th>
<th>Payment</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>1,142,407</td>
<td>2,480,100,000</td>
</tr>
<tr>
<td>Corporations</td>
<td>1,957</td>
<td>125</td>
</tr>
<tr>
<td>Total</td>
<td>3,377</td>
<td>161</td>
</tr>
</tbody>
</table>

### Consumption tax

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,407,428</td>
<td>Million yen</td>
</tr>
</tbody>
</table>

---

**NTA initial budget for fiscal year 2010**

<table>
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<tr>
<th>Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
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<td>IT-related expenses</td>
<td>46,184</td>
</tr>
<tr>
<td>Expenses related to Internationalization</td>
<td>964</td>
</tr>
<tr>
<td>Expenses related to work environment**</td>
<td>7,166</td>
</tr>
<tr>
<td>Expenses related to tax reforms**</td>
<td>9,474</td>
</tr>
<tr>
<td>Expenses for tax filing &amp; communications</td>
<td>19,260</td>
</tr>
<tr>
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<td>47,231</td>
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<tr>
<td>Expenses for National Tax College</td>
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</tr>
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<tr>
<td>Subtotal</td>
<td>137,001</td>
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| Salary costs | 3,19,432 |
| Total NTA budget | 716,423 |

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</tbody>
</table>

<p>| Salary costs | 3,19,432 |
| Total NTA budget | 716,423 |</p>
<table>
<thead>
<tr>
<th>Statistics</th>
</tr>
</thead>
</table>

## Tax examinations

### Examination of self-assessed income tax (Operation year 2008)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of cases (Million yen)</th>
<th>Additional tax revenue collected (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field examination special, general</td>
<td>60</td>
<td>534,900</td>
<td>5,870</td>
</tr>
<tr>
<td>Number of cases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of cases</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Examination of consumption tax (Operation year 2008)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of cases (Million yen)</th>
<th>Additional tax revenue collected (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field examination special, general</td>
<td>60</td>
<td>534,900</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Number of cases</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Criminal investigation

### Criminal investigations (Fiscal year 2009)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of cases asked</th>
<th>Number of cases closed</th>
<th>Number of tax evasion (Million yen)</th>
<th>Additional tax revenue collected (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation tax</td>
<td></td>
<td></td>
<td></td>
<td>39,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Inheritance tax</td>
<td></td>
<td></td>
<td></td>
<td>39,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Consumption income</td>
<td></td>
<td></td>
<td></td>
<td>39,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>118,000</td>
<td>36,000</td>
</tr>
</tbody>
</table>

## Remedy for infringement of taxpayer rights

### Request for reinvestigation

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of requests for reinvestigation</th>
<th>Number of new requests for reinvestigation</th>
<th>Number of new requests for reinvestigation</th>
<th>Number of requests approved</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation-related</td>
<td>5,700</td>
<td>4,600</td>
<td>4,600</td>
<td>448</td>
<td>10.1</td>
</tr>
<tr>
<td>Collection-related</td>
<td>844</td>
<td>700</td>
<td>700</td>
<td>468</td>
<td>10.1</td>
</tr>
<tr>
<td>Total</td>
<td>6,544</td>
<td>5,359</td>
<td>5,359</td>
<td>916</td>
<td>8.8</td>
</tr>
</tbody>
</table>

### Request for reconsideration

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of requests for reconsideration</th>
<th>Number of new requests for reconsideration</th>
<th>Number of new requests for reconsideration</th>
<th>Number of requests approved</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation-related</td>
<td>4,508</td>
<td>2,541</td>
<td>2,541</td>
<td>400</td>
<td>15.9</td>
</tr>
<tr>
<td>Collection-related</td>
<td>472</td>
<td>294</td>
<td>294</td>
<td>15</td>
<td>5.1</td>
</tr>
<tr>
<td>Total</td>
<td>4,980</td>
<td>2,835</td>
<td>2,834</td>
<td>415</td>
<td>14.7</td>
</tr>
</tbody>
</table>

## Delinquency

### Tax delinquency cases of 100 million yen or more, by industry (As of the end of fiscal year 2009)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of persons</th>
<th>Number of tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>48</td>
<td>9.962</td>
</tr>
<tr>
<td>Real estate &amp; construction</td>
<td>345</td>
<td>88,918</td>
</tr>
<tr>
<td>Food &amp; beverage</td>
<td>79</td>
<td>16,076</td>
</tr>
<tr>
<td>Financial</td>
<td>23</td>
<td>12,320</td>
</tr>
<tr>
<td>Other industries</td>
<td>326</td>
<td>75,756</td>
</tr>
<tr>
<td>Total</td>
<td>1,333</td>
<td>341,353</td>
</tr>
</tbody>
</table>

## International taxation

### Fraudulent income through overseas transactions (Operation year 2008)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of cases (Million yen)</th>
<th>Additional tax revenue collected (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraudulent income</td>
<td>117 cases</td>
<td>11,300</td>
<td></td>
</tr>
<tr>
<td>Amount of fraudulent income</td>
<td></td>
<td>11,300</td>
<td></td>
</tr>
</tbody>
</table>

## Administrative efficiency

### Tax administrations

### Proper self-assessment

### Increasing globalization

### Remedy for infringement of taxpayer rights

### Administration

### Administration of tax

### Administration of the national tax

### Administration of the local tax

### Fiscal policy

### Statistics
Statistics

Tax examinations

Examination of self-assessed income tax

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of assessed income (in principle, corporations with at least ¥100 million in capital)</th>
<th>Additional tax demanded</th>
<th>Cases</th>
<th>Tax evasion (in principle, corporations with at least ¥100 million in capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field examination special, general*1</td>
<td>60</td>
<td>¥534,900</td>
<td>¥9,380</td>
<td>124</td>
<td>¥1,500</td>
</tr>
<tr>
<td>Focusing*2</td>
<td>44</td>
<td>¥8,780</td>
<td>¥1,790</td>
<td>167</td>
<td>¥160</td>
</tr>
<tr>
<td>Brief contact*3</td>
<td>628</td>
<td>¥284,800</td>
<td>¥460</td>
<td>15,000</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>733</td>
<td>¥815,500</td>
<td>¥1,780</td>
<td>21,600</td>
<td>170</td>
</tr>
</tbody>
</table>

*1 “Special, General” refers to a deep examination focused on the large amount and serious violations.
*2 “Focusing” refers to a quick examination to find undeclared income, etc.
*3 “Brief contact” refers to correction of tax declaration by telephone or by summoning taxpayers to the tax offices.

Examination of withholding income tax

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of assessed income</th>
<th>Additional tax demanded</th>
<th>Cases</th>
<th>Tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>All corporations</td>
<td>197</td>
<td>¥1,325,500</td>
<td>¥9,110</td>
<td>327,200</td>
<td>140</td>
</tr>
<tr>
<td>Brief contact handled by the large enterprise examination division</td>
<td>4</td>
<td>¥557,100</td>
<td>140,970</td>
<td>142,100</td>
<td>2</td>
</tr>
</tbody>
</table>

Collected number of statutory information

<table>
<thead>
<tr>
<th>Name of statutory information</th>
<th>Number collected</th>
<th>Cases</th>
<th>Tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding record of employment income</td>
<td>15,937</td>
<td>1,223</td>
<td>¥341,094</td>
</tr>
<tr>
<td>Payment record of interest and others</td>
<td>4,242</td>
<td>191</td>
<td>¥75,756</td>
</tr>
<tr>
<td>Payment record of dividends, distribution of surplus, and interest paid on guaranty capital</td>
<td>15,044</td>
<td>79</td>
<td>¥191,921</td>
</tr>
<tr>
<td>Withholding record of public pensions, etc.</td>
<td>33,893</td>
<td>79</td>
<td>¥1,223</td>
</tr>
<tr>
<td>Payment record of remuneration, fees, contracts and prize money</td>
<td>10,775</td>
<td>79</td>
<td>¥1,223</td>
</tr>
<tr>
<td>Payment record of consideration for transfer of stocks, etc.</td>
<td>4,609</td>
<td>415</td>
<td>¥14,721</td>
</tr>
<tr>
<td>Record of remittance and receipt related to foreign countries</td>
<td>3,409</td>
<td>191</td>
<td>¥75,756</td>
</tr>
<tr>
<td>Total</td>
<td>194,388</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

International taxation

Fraudulent income through overseas transactions

<table>
<thead>
<tr>
<th>Category</th>
<th>Cases</th>
<th>Amount of fraudulent overseas income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases of fraudulent overseas income</td>
<td>117</td>
<td>¥11,300</td>
</tr>
<tr>
<td>Number of fraudulent overseas income</td>
<td>31,100</td>
<td>¥100 million</td>
</tr>
</tbody>
</table>

Transfer pricing taxation

<table>
<thead>
<tr>
<th>Number of cases</th>
<th>Amount of taxable income</th>
<th>Cases</th>
<th>Tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>111 cases</td>
<td>¥27,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cases of advance pricing arrangement related to transfer pricing

<table>
<thead>
<tr>
<th>Number of cases requested</th>
<th>Number of cases processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>111 cases</td>
<td>70 cases</td>
</tr>
</tbody>
</table>

Delinquency

Tax delinquency cases of 100 million yen or more, by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of persons</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>People: 48 3.9%</td>
<td>Million yen: 9,962 2.9%</td>
</tr>
<tr>
<td>Distribution</td>
<td>82 6.7%</td>
<td>22,091 6.2%</td>
</tr>
<tr>
<td>Real estate &amp; construction</td>
<td>345 28.2%</td>
<td>98,518 28.9%</td>
</tr>
<tr>
<td>Food &amp; beverage</td>
<td>79 6.5%</td>
<td>16,076 4.7%</td>
</tr>
<tr>
<td>Financial</td>
<td>23 1.9%</td>
<td>12,320 3.6%</td>
</tr>
<tr>
<td>Other industries*4</td>
<td>326 26.7%</td>
<td>17,756 22.2%</td>
</tr>
<tr>
<td>Total</td>
<td>1,223 100.0%</td>
<td>341,094 100.0%</td>
</tr>
</tbody>
</table>

*4 Other industries refers to hospitals (doctors), service industry, leisure industry, etc.

Remedy for infringement of taxpayer rights

Criminal investigation

<table>
<thead>
<tr>
<th>Fiscal year 2009</th>
<th>Number of requests for reinvestigation</th>
<th>Number of new requests for reinvestigation</th>
<th>Number of cases processed</th>
<th>Number of requests approved</th>
<th>Percentage of approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>213</td>
<td>210</td>
<td>148</td>
<td>138</td>
<td>137 10.1</td>
</tr>
<tr>
<td>Cases</td>
<td>29,000</td>
<td>26,500</td>
<td>118</td>
<td>171</td>
<td>142 10.1</td>
</tr>
</tbody>
</table>

Large-scale cases

<table>
<thead>
<tr>
<th>Fiscal year 2009</th>
<th>Number of cases referred to the prosecutor</th>
<th>Number of millions yen paid</th>
<th>Number of millions yen tax evasion</th>
<th>Cases</th>
<th>Tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>149</td>
<td></td>
<td></td>
<td></td>
<td>17</td>
<td>6</td>
</tr>
</tbody>
</table>

Request for reinvestigation

<table>
<thead>
<tr>
<th>Fiscal year 2009</th>
<th>Number of requests for reconsideration</th>
<th>Number of new requests for reconsideration</th>
<th>Number of cases processed</th>
<th>Number of requests approved</th>
<th>Percentage of approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>4,508</td>
<td>2,541</td>
<td>2,517</td>
<td>400</td>
<td>15.9</td>
</tr>
<tr>
<td>Cases</td>
<td></td>
<td></td>
<td></td>
<td>137</td>
<td>15.9</td>
</tr>
</tbody>
</table>

Request for reconsideration

<table>
<thead>
<tr>
<th>Fiscal year 2009</th>
<th>Number of litigation</th>
<th>Number of cases filed</th>
<th>Number of cases for first instance</th>
<th>Number of cases closed</th>
<th>Number of lost cases and partial defaults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>710</td>
<td>191</td>
<td>38</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.6</td>
</tr>
</tbody>
</table>

Litigation

<table>
<thead>
<tr>
<th>Fiscal year 2009</th>
<th>Number of investigations</th>
<th>Number of cases filed</th>
<th>Number of cases filed for trial</th>
<th>Number of cases closed</th>
<th>Number of lost cases and partial defaults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>128</td>
<td>49</td>
<td>38</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Cases</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>3.6</td>
<td></td>
</tr>
</tbody>
</table>

Convenience and Payment by Electronic Filing

Taxpayers can file tax returns electronically.

Promotion of Tax Filing

Taxpayners are encouraged to file their tax returns on time.

Addiction to Tax

Statistics

Administrative Efficiency

Improvement of Taxpayer Convenience and Satisfaction

Increasing Globalization

Promotion of Tax Filing

Taxpayers are encouraged to file their tax returns on time.
### Tax Consultations

#### Cases of tax consultations received at Phone Consultation Centers and cases of responses in tax answer system (Fiscal year 2009)

<table>
<thead>
<tr>
<th>Tax Consultations</th>
<th>Thousand cases</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>2,695</td>
<td></td>
</tr>
<tr>
<td>Corporate tax</td>
<td>278</td>
<td></td>
</tr>
<tr>
<td>Property tax</td>
<td>833</td>
<td></td>
</tr>
<tr>
<td>Consumption tax</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>Other indirect taxes</td>
<td>185</td>
<td></td>
</tr>
<tr>
<td>Tax collection</td>
<td>322</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>712</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8,130</td>
<td></td>
</tr>
</tbody>
</table>

#### Cases of complaints received at Phone Consultation Centers (Fiscal year 2009)

<table>
<thead>
<tr>
<th>Cases</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>758</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>377</td>
</tr>
<tr>
<td>Property tax</td>
<td>338</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>36</td>
</tr>
<tr>
<td>Other indirect taxes</td>
<td>26</td>
</tr>
<tr>
<td>Tax collection</td>
<td>37</td>
</tr>
<tr>
<td>Other</td>
<td>257</td>
</tr>
<tr>
<td>Total</td>
<td>1,829</td>
</tr>
</tbody>
</table>

### Top five tax items frequently consulted

#### [Tax consultations at Phone Consultation Centers] (Fiscal year 2009)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tax category</th>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax</td>
<td>Obligations &amp; procedures to file tax returns, etc.</td>
<td>447</td>
</tr>
<tr>
<td>2</td>
<td>Income tax</td>
<td>Special credit for loans relating to a dwelling</td>
<td>296</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Medical expenses deduction</td>
<td>256</td>
</tr>
<tr>
<td>4</td>
<td>Income tax</td>
<td>Year-end adjustment</td>
<td>229</td>
</tr>
<tr>
<td>5</td>
<td>Income tax</td>
<td>(Special) exemption for spouse, and exemption for dependents</td>
<td>164</td>
</tr>
</tbody>
</table>

#### [Tax Answer System] (Fiscal year 2009)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tax category</th>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax</td>
<td>When paid medical expense</td>
<td>1,276</td>
</tr>
<tr>
<td>2</td>
<td>Income tax</td>
<td>Exemption for dependents</td>
<td>844</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Medical expenses eligible for medical expenses deduction</td>
<td>757</td>
</tr>
<tr>
<td>4</td>
<td>Income tax</td>
<td>Tax rate of income tax</td>
<td>739</td>
</tr>
<tr>
<td>5</td>
<td>Income tax</td>
<td>Exemption for spouse</td>
<td>583</td>
</tr>
</tbody>
</table>

### Taxpayer satisfaction (Fiscal year 2008)

<table>
<thead>
<tr>
<th>Items</th>
<th>Percentage of high-ranked ratings %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude of officials in providing services</td>
<td>83.0</td>
</tr>
<tr>
<td>Satisfaction with guidance display in Tax Office, and use of reception &amp; service</td>
<td>72.3</td>
</tr>
<tr>
<td>Satisfaction with use of facilities in Tax Office</td>
<td>60.4</td>
</tr>
<tr>
<td>PR activities</td>
<td>73.2</td>
</tr>
<tr>
<td>Activities to collect public opinions</td>
<td>88.7</td>
</tr>
<tr>
<td>Satisfaction level at Phone Consultation Center</td>
<td>93.2</td>
</tr>
</tbody>
</table>

The percentage of high-ranked ratings shows responses rated as “good” and “somewhat good” on a five point scale from “good” to “bad” in the questionnaire survey.
Statistics

Tax consultations

Cases of tax consultations received at Phone Consultation Centers and cases of responses in tax answer system

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<thead>
<tr>
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<td></td>
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<td></td>
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<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>Tax collection</td>
<td>322</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>712</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>8,138</td>
<td></td>
</tr>
<tr>
<td>Tax Answer System</td>
<td>35,994</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>41,130</td>
<td></td>
</tr>
</tbody>
</table>

Cases of complaints received at Phone Consultation Centers

<table>
<thead>
<tr>
<th>Items</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>756</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>377</td>
</tr>
<tr>
<td>Property tax</td>
<td>338</td>
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Top five tax items frequently consulted

<table>
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</tr>
</thead>
<tbody>
<tr>
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<td>2</td>
</tr>
<tr>
<td>(medical expenses deduction)</td>
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<td>Exemption for dependents</td>
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</tr>
<tr>
<td>Tax rate of income tax</td>
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<td>5</td>
</tr>
</tbody>
</table>

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<th>Rank</th>
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</tr>
</tbody>
</table>

Taxpayer satisfaction

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
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<td>88.7</td>
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<td>93.2</td>
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</table>

MEMO

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Issued in September 2010

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