

III Improvement of Taxpayer Convenience and Administrative Efficiency

The NTA is using IT in administrative operations and revising its system, to enhance convenience for the people, and for more simple, efficient, reliable and transparent administrative operations. The “e-Government Establishment Plan” was decided in July 2003, and initiatives are progressing in the entire government.

The NTA is working on various measures to enhance taxpayer convenience and for more simple and efficient clerical processes. We are especially working for wider use of e-Tax, with which one can use the Internet to do filing, tax payments, applications, submissions, etc. for national tax.

For implementing various measures including e-Tax, the NTA created a medium term plan to optimize operations and IT systems aiming at overall optimization, and is working according to that plan.

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 direct payment, the Internet, Pay-Easy¹ compatible ATMs, etc.

The use of e-Tax makes it possible for taxpayers and CPTAs to do procedures such as 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 direct effects of cutting costs: for receiving tax returns in person or via post, entering data, etc. It can also have indirect benefits, such as cutting the cost of document management. These should boost the 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 a system was developed so taxpayers can use e-Tax from the filing assistance on the NTA website.

On the other hand, 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 receipts². As for digital signatures, which are a precondition for wider use of e-Tax, if a CPTA receives a taxpayer request and files an online tax return, the digital signature of the taxpayer himself/herself can be omitted.

As was done in FY2009, in FY2010 the NTA provided 24 hour service and a help desk on Sundays during the tax filing period which is the period of heaviest use. The NTA provided extended service hours at the end of May when there are many filings for corporation tax, etc. We are thus working to enhance user convenience.

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

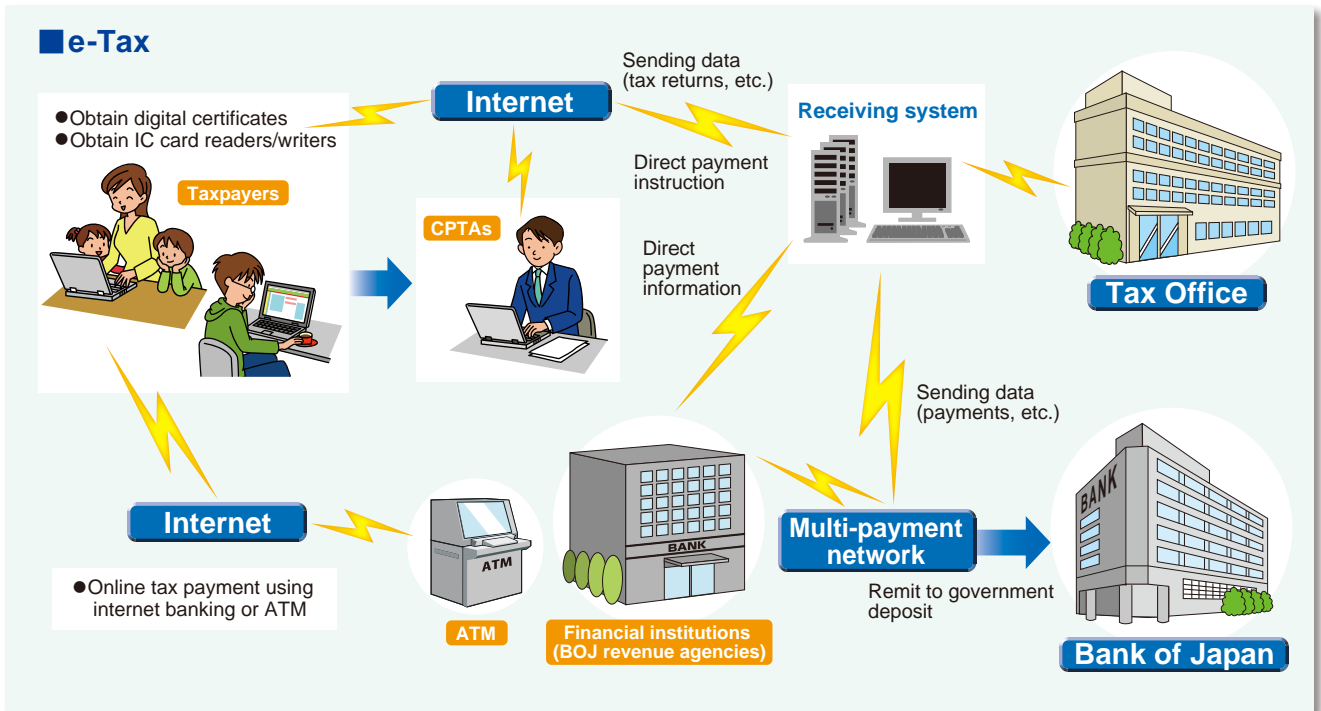
² When omitting the presentation or submission of documents prepared by third parties, descriptions in such documents must be entered and submitted online along with the tax return forms.

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

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As a result of these various initiatives, the e-Tax usage ratio reached 50% in FY2010 (45% in FY2009).

The NTA will continue to work on various measures for wider and deeper use of e-Tax. We are also revising our operations and IT system to maximize benefits for clerical efficiency from wider use of e-Tax.



● Trend of number of e-Tax filings and ratio using e-Tax



* Figures represent the number of cases and usage ratio for priority procedures described in the "Action Plan for Expanding the Utilization of Online."

"Mr.e-Ta"



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

(2) Filing assistance on the NTA website

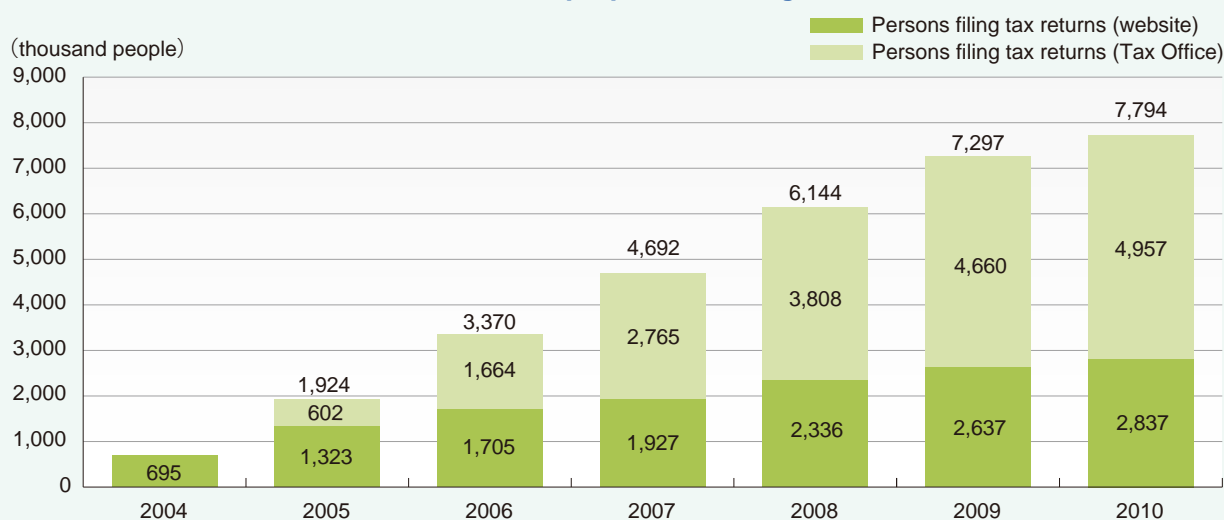
With the filing assistance on the NTA website, if a taxpayer enters the amounts and other necessary information according to guidance on the PC screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns for income tax, individual consumption tax, and gift tax as well as financial statements for blue returns.

e-Tax can be used to file the prepared data directly from this website area (excluding gift tax), or it can be printed and submitted to the Tax Office by post, etc.

The number of users has increased each year since the filing period for 2002. In the filing period for 2010, the number of people who submitted income tax returns prepared with filing assistance on the NTA website reached 7,790,000, including those prepared via PCs set up at consultation sites. This comprised over 30% of all people who submitted returns. About 66% of these submitted their returns via e-Tax.

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

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



* Figures represent those submitted by the end of March of the following year.
 The use of filing assistance on the NTA website at PCs installed in the Tax Office started from tax returns for 2004. However, the number of taxpayers who submitted returns using this method remains unaccounted for.
 The number of taxpayers who submitted tax returns for years before 2003 remains unaccounted for.
 The number of taxpayers who submitted tax returns for years since 2007 includes cases using e-Tax.

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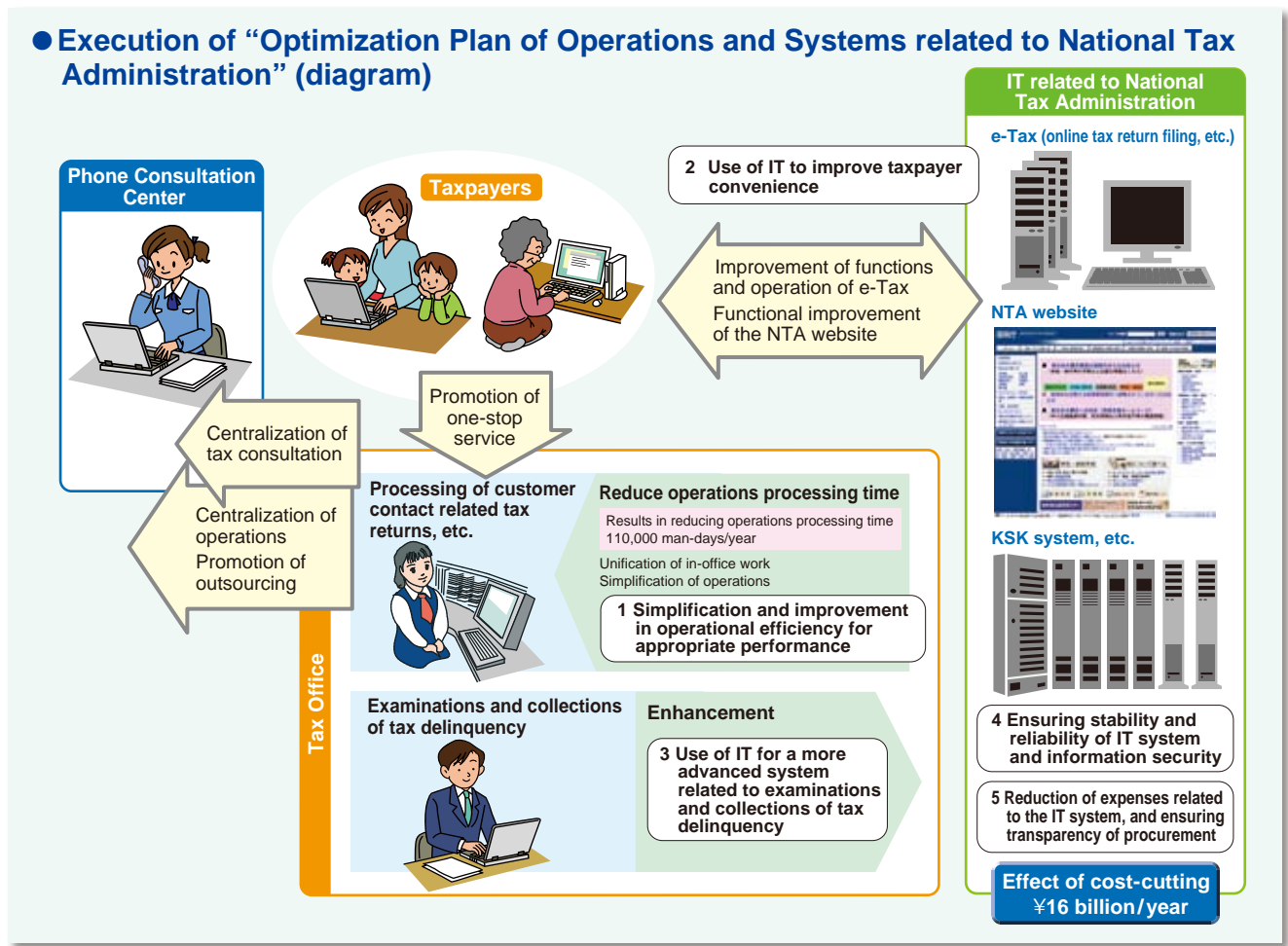
2 Optimization of operations and systems

The NTA is working to optimize its operations and systems related to national tax administration. Based on the “e-Government Establishment 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 IT system and information security, ⑤ Reduction of IT related expenses and ensuring 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 initiatives over the past year, there were large improvements in simplification and improvement in operational efficiency. For example, income tax returns saw a large improvement in operational efficiency, as the method of communication with local governments was changed from paper-based to data transmission.

Regarding improvement in the convenience of taxpayers, we are working towards the introduction of online return filing for gift tax.

Regarding reduction of IT related expenses and ensuring transparency of procurement, the NTA is pushing forward to turn the KSK System into an open system¹, where the interchangeability of systems is enhanced. We are also moving towards adopting general purpose software products, and integrating equipment when replaced or updated.



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.

Ensuring stability and reliability of IT system and information security

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

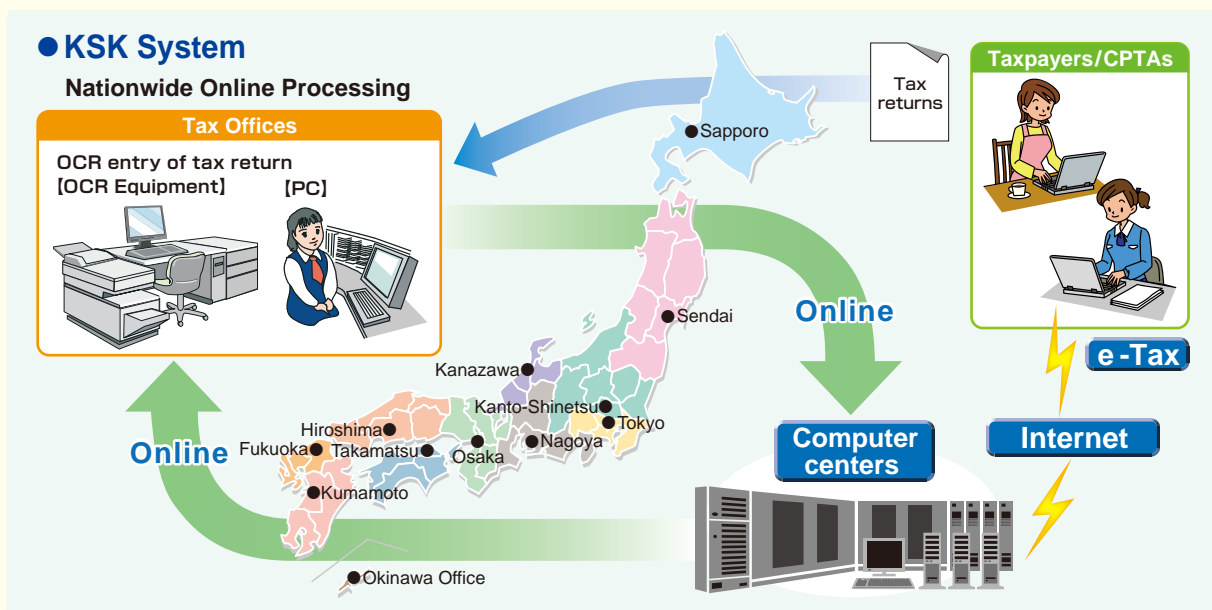
As the national tax-related IT system stores a large amount of taxpayer's information, the NTA is paying very close attention to prevent unauthorized use and leaks of the information. To ensure security, the NTA has set up a system where officials are allowed to access only the data necessary for their 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.

At the computer center which stores data for e-Tax and the KSK System, the NTA built an information security management system (ISMS)¹ which complies with international standards, and in 2007 obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001:2005 & JISQ27001:2006)². 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 centralized administration of national taxes receivable. Analyzed data are used in tax examination and collection of delinquent tax. The computer system centralizes information management across geographical regions and items of taxes, to achieve sophisticated, efficient administration constituting the basis of tax administration.

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



1 An Information Security Management System is an organizational initiative to execute the planning, operation, review and improvement which are required in order to maintain a situation of appropriate management for confidentiality and completeness and usability of information assets which should be protected.
 2 ISO/IEC27001:2005 is one of the standards created by the International Organization for Standardization. This became a global standard for information security management systems in October 2005. JISQ 27001:2006 is a Japanese domestic standard published in May 2006, corresponding to ISO/IEC27001.

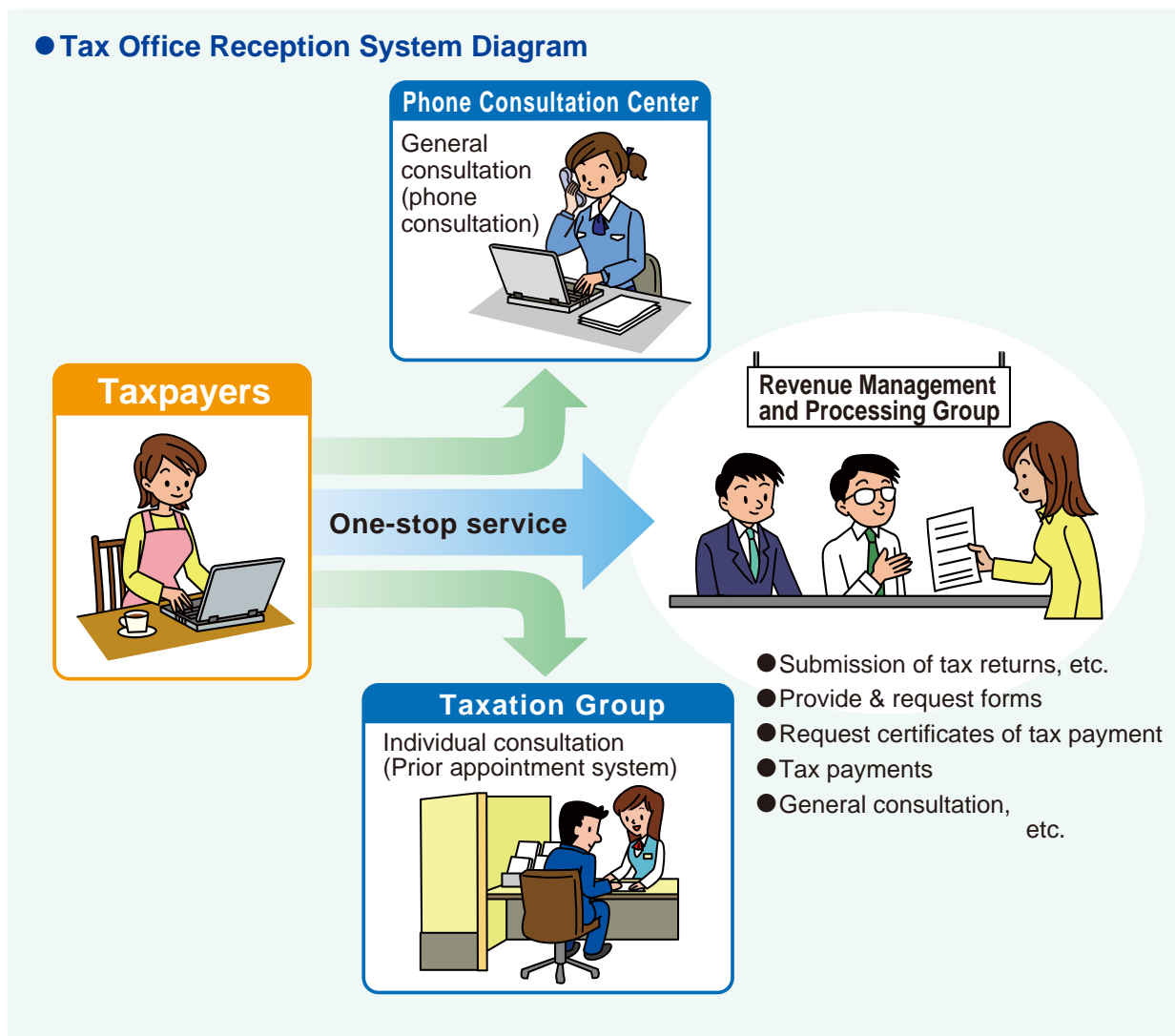
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3 Centralization of taxpayer contact points

For customer contact related work previously done at multiple departments in Tax Offices, customer contact was unified in the Revenue Management and Processing Group since July 2009. This aims to improve 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 requests for certificates of tax payment, and also submission of tax returns and applications, tax payments, and general consultation on taxes¹.

For tax consultations which are difficult to handle by phone, because one must check specific documents or facts, with a prior appointment, consultation in person is provided at the Tax Office with jurisdiction.



¹ In principle, general consultations on taxes are handled centrally by the national Phone Consultation Center.