

V Remedy for Infringement of Taxpayer Rights

When the District Director of Tax Office etc. 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 etc., 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 etc. took action for a correction, determination, or seizure with which a taxpayer is dissatisfied, this is a procedure to request to the District Director of the Tax Office (a government agency) etc., 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. Increasing numbers of cases involve difficulties in grasping the facts and in the interpretation and application of law. In response, the NTA established Rulings and Legal Affairs Divisions and assigned Special Officers (Legal Affairs) in each Regional Taxation Bureau. The NTA is also providing various training to develop tax officials who are skilled in reviewing, in order to address the uniform enforcement of tax laws across the country based on correct interpretations. We are thereby endeavoring to properly and promptly handle taxpayer requests for reinvestigations.

(2) Request for reconsideration

Taxpayers who are 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 requests for reconsideration as a fair third party between the District Director of the Tax Office etc. and the claimant. Important posts such as the Director-General for the National Tax Tribunal, as well as the Directors of the Tokyo and Osaka Regional Tax Tribunals, are appointed from among those who have been justices or public prosecutors.

Appeals judges for the National Tax Tribunal are also appointed as officials with fixed terms of office from among those who have been specialists such as CPTAs and lawyers in the private sector.

In handling a request for reconsideration, the National Tax Tribunal contacts the claimant and the Tax Office etc. early on to have a good grasp of both points of view. It clarifies their arguments early on, for example by drafting a confirmation chart outlining the positions of each party after sorting out their arguments. The Tribunal fully investigates the content of documentary evidence etc. presented by both parties, conducts its own tax examinations, and strives to properly and quickly handle the request for reconsideration from the taxpayer.

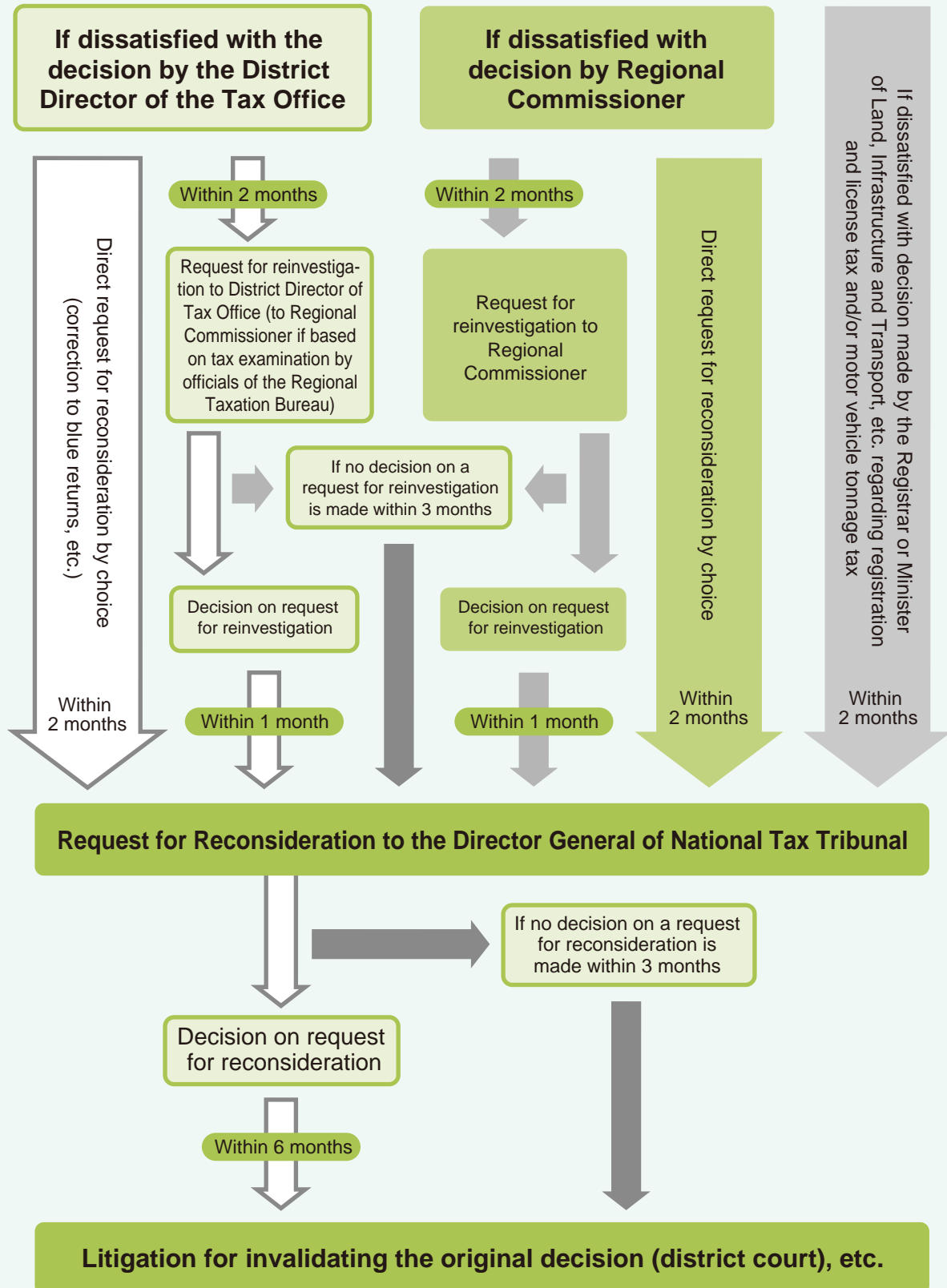
Decisions by the Director-General of the National Tax Tribunal will not be more disadvantageous to taxpayers than those made by the District Director of the Tax Office. The decision is a final ruling given within the NTA, against which the District Director of the Tax Office etc. are not entitled to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

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Overview of the request for review system for national tax



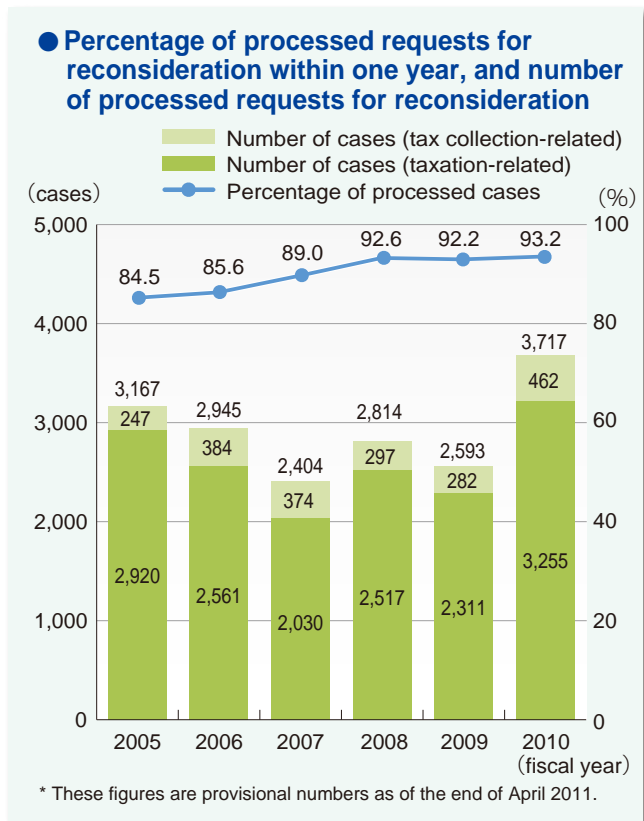
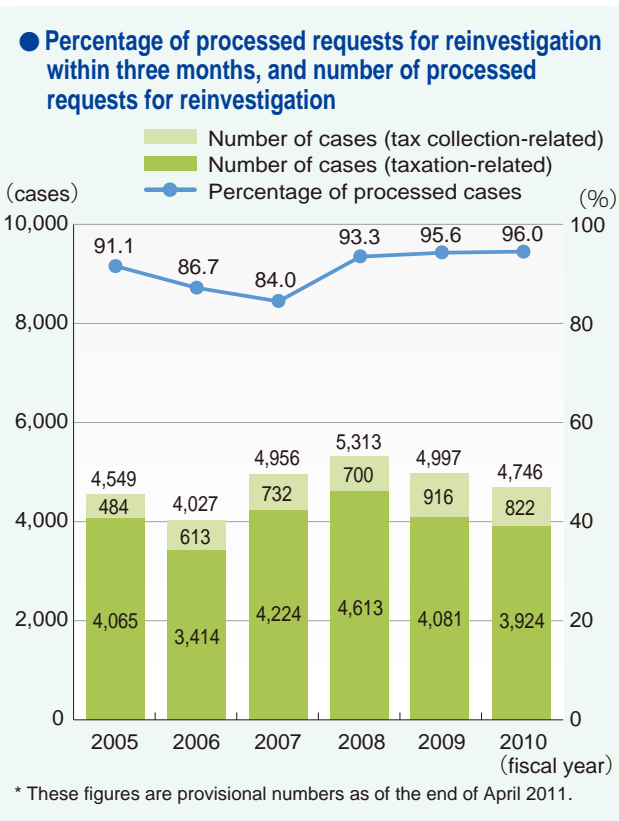
(4) Trend in remedies for infringement of taxpayer rights

The NTA is striving to finish processing requests for reinvestigations within three months in principle. 4,746 reinvestigations were requested in FY2010 (3,924 in taxation and 822 in tax collection). Of these, 10.0% of taxpayer claims were approved in whole or in part due to new facts, etc.

With respect to requests for reconsideration, the NTA is working to finish processing within one year in principle. There were 3,717 requests for reconsideration in FY2010 (3,255 in taxation and 462 in tax collection). Of these, 12.9% of taxpayer claims were approved in whole or in part.

For litigation, 354 cases were closed in FY2010 (279 in taxation, 68 in tax collection and 7 in the National Tax Tribunal). Of these, about 7.6% of taxpayer claims were approved in whole or in part.

The NTA and the National Tax Tribunal provide information such as overviews of the requests for review and litigation, and cases of decisions on requests for reconsideration, to deepen understanding about remedies for infringement of taxpayer rights. These are on the NTA website and on the National Tax Tribunal website www.kfs.go.jp



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 or the methods of tax examinations, etc. The NTA believes it essential to sincerely respond to a variety of opinions from taxpayers in order to obtain their understanding and confidence and endeavors 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, for example by explaining the procedures to remedy infringements of taxpayer rights.