

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 FY2009, liquor tax comprised only 3.5% (¥1,461.8 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, the 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 are increasingly interested in "security and safety of food," not only for liquor. The NTA works to ensure safety and enhance quality levels in all in stages, from production through to consumption. We take the following measures to enable provision of safe and good quality liquor to consumers.

- a. The NTA purchases commercially sold liquor, and investigates its safety, quality and labeling such as container volume and alcohol content. The results are published for consumers on the NTA website.
- b. To enable consumers to feel secure in buying liquor, the NTA checks labeling item obligations of liquor business operators and the 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, work for the sound development of the liquor industry, and raise people's understanding of liquor. For further details, please visit the NRIB website: www.nrib.go.jp/English/index.htm

(2) Response to social demands

Society wants to prevent underage drinking, and has various other increasing demands regarding liquor. Therefore in May 2010, the World Health Organization (WHO) recently adopted the "Global strategy to reduce the harmful use of alcohol."

To prevent underage drinking and disruptive acts caused by alcohol, the NTA is working for thorough compliance with duty in appointment of liquor sales managers, and with obligatory displays where liquor is exhibited. In cooperation with related ministries, agencies and the industry etc., the NTA is also working for development of proper sales management 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 liquor

In order to secure liquor tax revenues and stable trading in liquor, the NTA is working to build awareness and understanding of its Guidelines on Fair Liquor Trade established 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 cases such as trading which is not according to the rules of these guidelines, it provides guidance for improvements, etc. If as a result of examination it deems there are violations of the Anti-monopoly Act, it takes actions such as reporting these facts to the Fair Trade Commission (FTC), and cooperates with the FTC to take appropriate action.

(4) Information provided to liquor business operators

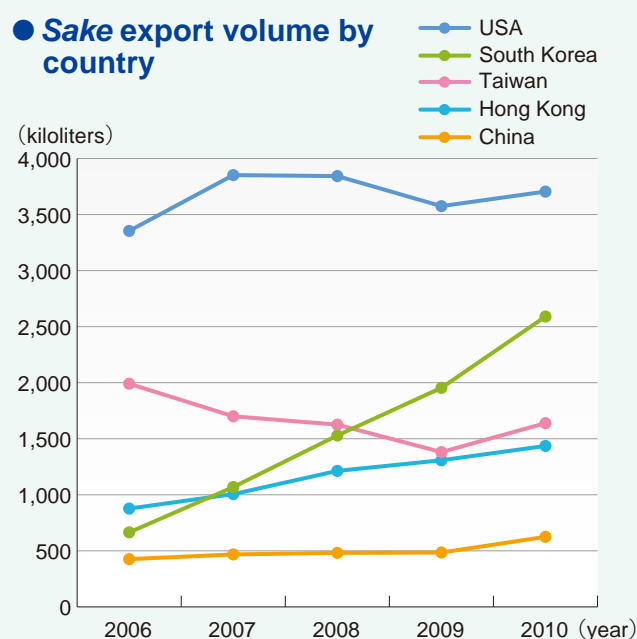
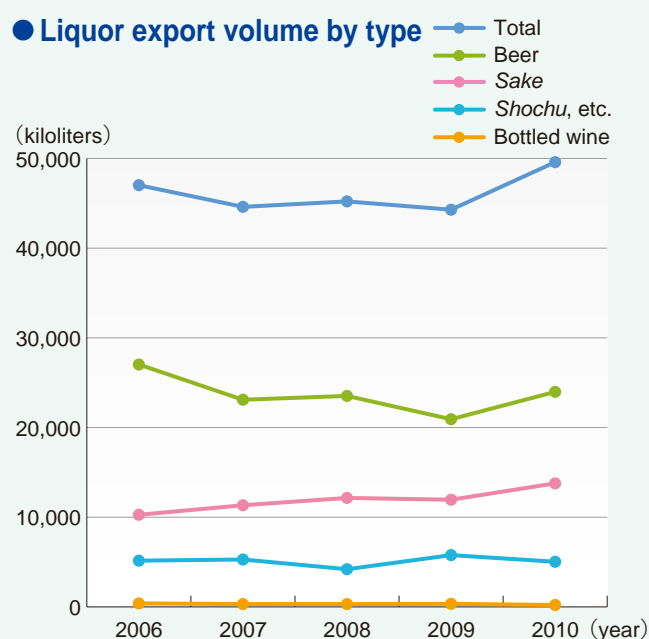
The NTA objectively examines and analyzes industry trends, and provides these results as information on the NTA website. We provide support by describing examples of initiatives such as business innovation at training meetings by lecturers such as business guidance specialists, providing information on measures for small and medium companies, supporting the establishment of local brands, etc.

As part of the NTA's initiatives to stimulate the liquor industry, we are working to develop the environment for export of Japan's liquors. Specifically, the NTA collects and provides information on liquor exports, and seeks improvements from governments of other countries where it finds barriers to exports to other countries and region. The NTA is thus working to support exports, in cooperation with related ministries, agencies and institutions.

With the Fukushima Dai-ichi Nuclear Power Plant accident resulting from the Great East Japan Earthquake, when exporting foods etc. (including liquor) to some countries and regions, attachment of a certificate issued by Japan's authorities with jurisdiction is required, so certificates concerning liquor are handled by the NTA. Based on the status of negotiations with the other country, this is also handled appropriately in cooperation with related ministries and agencies, such as the Ministry of Foreign Affairs and the Ministry of Agriculture, Forestry and Fisheries.

○ Japan's liquor export trend

- 1 Japanese made liquor is increasingly well regarded overseas, and liquor export volume is generally in an increasing trend.
- 2 In particular, there has been steady growth in export volume of sake, Japan's traditional liquor.



*1 Products classified as 2207 ethyl alcohol are excluded from the total volume of liquor exports.
 *2 "Shochu, etc." is total of 2208.90-100 (Shochu) and 2208.90-900 (Other distilled alcoholic beverages).

Source: Trade Statistics of Japan, Ministry of Finance