



NATIONAL
TAX
AGENCY
REPORT
2013



From the Commissioner



The NTA's mission is to "Help taxpayers properly and smoothly fulfill their tax duties." To fulfill this mission, the NTA has so far engaged in various measures.

First of all, from the standpoint of taxpayer services, the NTA has taken steps to improve the filings and payments methods that are more convenient for taxpayers by utilizing ICT, including online national tax return filing and tax payment system (e-Tax).

This especially applies to e-Tax, and the use of e-Tax is steadily expanding with the support of the parties concerned. The NTA will continue to work proactively on further promoting and establishing e-Tax, based on the "Business Process Reengineering Plan" that incorporates perspectives of improved user convenience and efficient administrative management.

Secondly, in conducting proper examinations and collections, we have strictly responded to large and vicious fraudulent cases, as well as proactively responded to the affluent class and internationalization in order to meet with changes in society and the economy, while protecting taxpayers' interests.

We are also promoting international information exchange based on tax treaties to cope with international tax avoidance cases. We are also taking measures to encourage large enterprises to enhance their corporate governance in tax administration.

Furthermore, the NTA hopes to respond properly to the important systemic revisions in the tax administration such as the Revision of Act on General Rules

for National Taxes, implemented in January this year, the Revision of Consumption Tax Act, and the introduction of the number system.

I consider it is important that taxpayers make filings and payments with understanding and trust toward us, and hope to promote a “tax administration that responds to the public trust” through different efforts as above.

To gain taxpayers’ understanding of tax administration, I also consider it is important to “improve the external communication.”

We have so far done our best to provide easy-to-understand information on the NTA’s creation and implementation of effective plans for various issues, measures, policy initiatives and on evaluation and verification of the results of their implementation through websites, press releases, etc.

“The National Tax Agency Report” (annual report) is one of such efforts and describes the NTA’s activities of the past year, including the topics of the year in clearly understandable terms.

“The National Tax Agency Report 2013” provides easy-to-understand explanations of the NTA’s activities, sometimes using statistic data etc. as in the past issues.

We hope this report helps deepen your understanding.

September 2013

稲垣光隆

Mitsutaka Inagaki
Commissioner

National Tax Agency, Japan

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* The fiscal year ranges from April 1 through March 31 of the following year (i.e. fiscal year 2012: April 1, 2012 to March 31, 2013), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2011: July 1, 2011 to June 30, 2012).

I About the NTA

The NTA is the administrative agency in charge of the assessment and collection of internal taxes. The Agency was organized in 1949 as an external organ of the Ministry of Finance.

The NTA supervises 12 Regional Taxation Bureaus (including the Okinawa Regional Taxation Office, and the same applies hereinafter) and 524 Tax Offices throughout Japan. The NTA Head Office plans the tax administration, and supervises and oversees the administration of the Regional Taxation Bureaus and the Tax Offices. Each of the Regional Taxation Bureaus, which are supervised and overseen by the NTA, supervises and oversees the assessment and collection administration of Tax Offices in its jurisdiction. In addition, the Bureaus directly assess and collect taxes from large taxpayers. The Tax Offices under the guidance and oversight of the NTA and Regional Taxation Bureaus serve as the frontline organizations which assess and collect national taxes, and as the administrative bodies maintaining the closest relationships with taxpayers.

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 review 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 assessment 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 reliably corrects taxpayers who fail to fulfill their tax obligations by providing proper guidance and 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: “Sound development of the liquor industry” and “Ensure proper administration of services by Certified Public Tax Accountants (CPTAs).”

(2) Missions of the NTA

The NTA believes that in carrying out these duties, it is critically important to gain the understanding and confidence of citizens, who are the taxpayers.

To this end, the NTA puts together standards of assigned duties and its code of conduct, which are provided to tax officials and released to the public as the Missions of the NTA (see page 6 on right).



NTA

Missions of the NTA

Mission: Help taxpayers properly and smoothly fulfill their tax duties

Assignment

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

1 Achieving proper and fair assessment and collection of internal taxes

(1) Development of tax payment environment

- ① Provide and publicize easily understood accurate information on legal and regulatory interpretations and procedures concerning tax filing and payment.
- ② Respond quickly and accurately to inquiries or consultations from taxpayers.
- ③ Make efforts to obtain broad cooperation and participation of the related ministries, agencies, and citizens in order to build cooperation with tax administration and understanding of the roles of taxes.

(2) Promotion of proper and fair tax administration

- ① To achieve proper and fair taxation,
 - (i) Properly apply the relevant laws and regulations.
 - (ii) Work to achieve proper tax filing, and reliably correct errors by conducting examinations and guidance for people who filed improper returns.
 - (iii) Work to help taxpayers pay taxes by the due date, and implement procedures to collect taxes from delinquent taxpayers.
- ② Respond properly and promptly to taxpayers' requests for review, to address infringements of taxpayers' legitimate rights and interests.

2 Sound development of the liquor industry

- ① Stabilize the business foundations of the liquor industry, and ensure brewing technology research and development and the quality and safety of liquor.
- ② Work for effective use of resources related to liquor.

3 Proper administration of services by Certified Public Tax Accountants (CPTAs)

Work for proper administration of CPTA services, to 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.

(1) Code of Conduct for performing duties

- ① Maintain tax administration transparency, so that taxpayers are knowledgeable of the legal and regulatory interpretations and administrative procedures.
- ② Work to improve taxpayer convenience in filing and payment.
- ③ Work to improve the administrative processes in order to improve efficiency in tax administration.
- ④ Work to actively collect and use information and data, to accurately implement tax examinations and procedures against tax delinquencies.
- ⑤ Take strict action against taxpayers who engage in malicious tax evasion and tax delinquency.

(2) Code of Conduct for officials

- ① Respond to taxpayers in good faith.
- ② Maintain confidentiality about information acquired on the job, and maintain official discipline.
- ③ Work to gain the specialized knowledge required to accomplish assigned tasks.

Challenges

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

2 Concepts for management of tax administration

The NTA's mission is to "Help taxpayers properly and smoothly fulfill their tax duties."

To fulfill this mission with the people's understanding and trust, the NTA manages its tax administration based on these basic concepts:

- ① Provide excellent services, so taxpayers can do "simple, convenient and smooth" filing and payments
- ② Do proper examinations and collections, while protecting taxpayer rights and interests
- ③ Provide easily understood information on NTA's various initiatives, and improve tax administration based on evaluation and verification of the results of implementing various measures

The NTA carries out the following initiatives based on these basic concepts.

NTA Initiatives

(1) Enhancement of services for taxpayers

- Use websites etc. to provide tax information needed for filing etc., and information to clarify interpretations of laws and regulations, so taxpayers make correct tax filing and payments themselves.
- Work to provide excellent filing and tax payment means that are highly convenient for taxpayers, using ICT such as e-Tax and filing assistance on the NTA website.
- Respond to advance inquiries and advance pricing arrangement of transfer price taxation, so the taxpayer can predict in advance the tax treatment of its own economic activities.
- For the withholding tax system, provide more thorough information and publicity to withholding agents, to work for its proper administration.
- CPTAs play important roles in proper filing and payment by taxpayers. Therefore, work on cooperation with tax accountants' associations, for wider use of e-Tax, use of the system of document attached by CPTAs to tax returns, etc.
- Based on the thinking that tax education should be worked on by the entire society, provide support for its enhancement, and cooperate with related ministries, agencies, educators, and private organizations such as tax accountants' associations.

(2) Proper tax examination and collection

- Perform proper examination and collection, such as taking a strict stance against malicious taxpayers, while protecting taxpayer rights and interests.
- Be fully aware that dispositions for taxation and delinquent tax are forcible procedures against taxpayer rights and interests. At the examination stage, correctly understand what the taxpayer asserts, objectively scrutinize it, and accurately confirm the facts, then apply the laws and regulations.
- Systematically work in response to increasingly complex economic transactions, etc. Work to enhance the system to collect information, and accurately prioritize issues such as response to the increasing diversity of asset investments and fraudulent refunds for consumption tax.
- For international transactions, exchange information with foreign tax authorities based on tax treaties, and take a strict stance towards tax avoidance etc. in which taxation problems are found.

- Corporate governance on tax matters is important for maintaining and enhancing tax compliance of large enterprises. Therefore, advance initiatives such as exchanging opinions with executive officers, etc., and describing effective examples. At the same time, prolong the intervals of examinations for those corporations with enhanced corporate governance based on the mutual trustful relationship, and allocate more examination work to those corporations in need of improvement.

(3) Proper management of liquor administration

- Make efforts to assure the safety and to enhance the quality level of liquor in cooperation with the National Research Institute of Brewing (NRIB), in every step involved from its production to consumption.
- To respond to social demands, such as preventing underage drinking, work to ensure proper sales control of liquor, so there is proper compliance with the duty of assigning liquor sales managers and signs in liquor display locations.
- Implement a survey on the status liquor business transactions based on the Guidelines on Fair Liquor Trade, to encourage of liquor business operators to push forward voluntary activities to ensure a fair trade environment for liquor. If transactions such as setting irrational prices are found, provide guidance for improvement, and work together with the Fair Trade Commission when necessary.

(4) Promotion of administrative work efficiency and enhancement of organizational foundations

- To appropriately perform the NTA's duties under harsh fiscal conditions, work to secure the necessary structure, staff and budgets, appropriately allocate them, and take the taxpayers viewpoint in working to boost efficiency and cut costs.
- Constantly review to simplify and boost efficiency, for example by computerization of clerical processes. Especially for the income tax return filing period when filings are concentrated in a short period of time, focus to encourage use of e-Tax which contributes to enhanced taxpayer convenience.
- Accurately assign personnel corresponding to their experience and abilities, while paying attention to hiring and promoting female staff. To enhance needed specialized knowledge, provide excellent guided development policies such as training.
- Thoroughly control administrative documents and information.

(5) Policy evaluation and improvement of tax administration

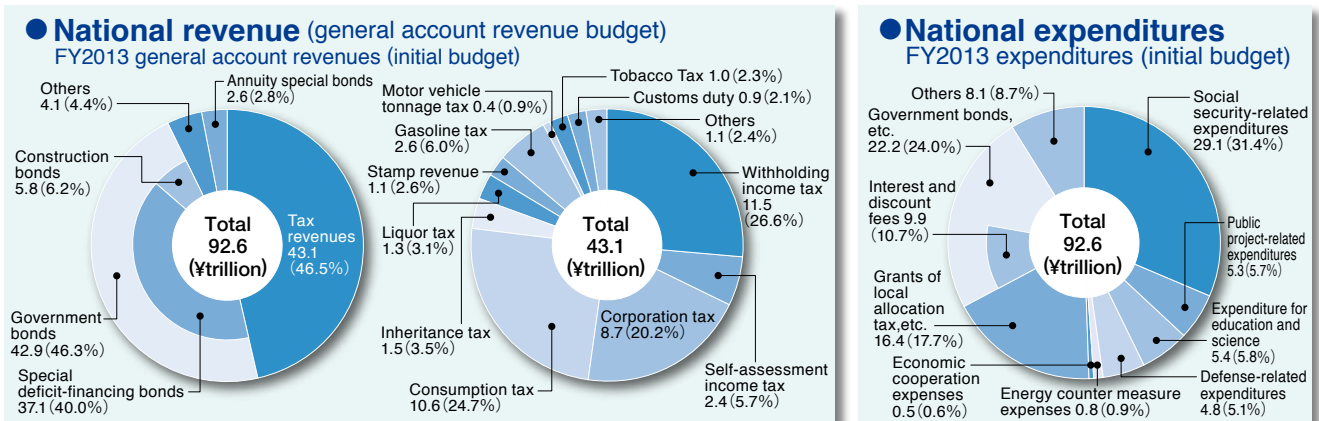
- To gain the people's understanding and trust, provide easily understood information on the NTA's creation and implementation of effective plans for issues the national tax authorities should work on, about policy initiatives and various measures, and on evaluations and verifications of results of their implementation. Work to improve tax administration, based on evaluation and verification of the results of implementation of various measures.

3 Overview of the national tax organization

(1) National revenue and taxes

National revenue (initial budget for general account revenues) in fiscal 2013 stands at ¥92,611.5 billion, of which ¥43,096 billion is from taxes and stamp revenues. Deducting from them customs tax revenues and stamp revenues from Japan Post Holdings Co., Ltd., leaves ¥36,863.3 billion (about 86%)¹ as national tax revenues.

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



* Government bonds are revenues generated by special deficit-financing bonds issued to compensate for the revenue shortfalls and construction bonds to finance public project-related expenditures. All are debts which are to be repaid in the future. The total amount of each item and the amount indicated as "Total" do not exactly match, due to rounding of fractional figures.

(2) NTA budget and number of personnel

The NTA budget (initial) in fiscal 2013 stands at ¥670.2 billion, and general expenses excluding salary cost amount to ¥129.5 billion. As for general expenses, priorities are placed on Kokuzei Sogo Kanri (KSK) System (hereinafter called "KSK system". See page 52 for detailed information on the KSK system.) to improve administrative efficiency and e-Tax (see page 16 for detailed information of e-Tax) to enhance taxpayer services.

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 decreased by more than 1,000 over the 9 years until fiscal 2006.

The headcount turned to increase during the period from fiscal 2007 to fiscal 2011. However, it turned to a net decrease in fiscal 2012 and the latest number is at 55,856 in fiscal 2013.

In the face of the tough fiscal situation of today, the NTA is trying to cut administrative expenses and streamline the headcount, while securing the budget and headcount necessary to perform the NTA's duties.

	FY1975	FY1997	FY2013	(Reference) FY2013 / FY1975
Budget (¥billion)	236.0	654.8	670.2	284.0%
Headcount (persons)	52,440	57,202	55,856	106.5%
① Number of income tax returns filed (1,000 persons)	7,327	20,023	21,525	293.8%
② Number of corporations (1,000 cases)	1,482	2,793	2,977	200.9%
③ Number of establishments subject to commodity tax (1,000 cases)	117	-	-	-
④ Number of enterprises subject to consumption tax (1,000 cases)	-	2,521	3,266	-
① + ② + ③ + ④ (1,000 cases)	8,926	25,337	27,768	311.1%

* The budget in fiscal 2013 includes expenses recorded in the special account for reconstruction from the Great East Japan Earthquake.

① Number of income tax returns filed in fiscal 2013 shows the figure for 2012.

② Number of corporations in fiscal 2013 shows the figure as of June-end 2012.

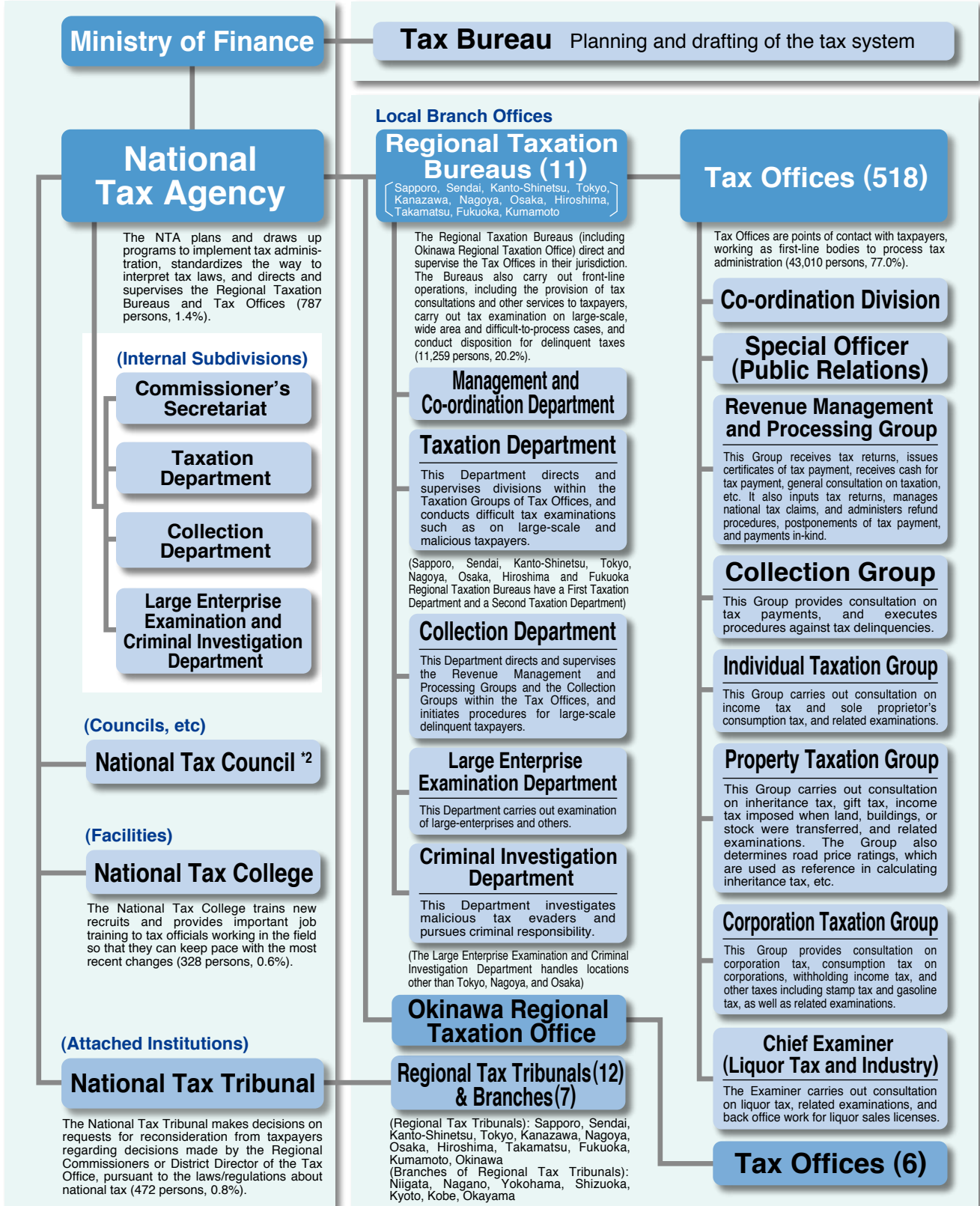
④ This shows the number of submissions of Notification of Opting to Taxable Status for Consumption Tax. The figure in fiscal 2013 shows the figure as of March-end 2013.

(Reference) indicates the percentage for fiscal 2013, with fiscal 1975 as 100.

¹ Tax revenue of the national tax organization is calculated based on the ratio of the NTA revenue final account amount divided by the taxes and stamp revenue final account, from April 1, 2011 to March 31, 2012.

(3) Organizational structure of administrative authorities for national tax

The NTA supervises 12 Regional Taxation Bureaus throughout Japan and 524 Tax Offices throughout Japan, to process tax administration.*1



*1 The headcount and percentage indicated in each department represents the prescribed number of personnel in fiscal 2013, and its percentage of the overall number of personnel in the NTA (as of the end of April 2013).

*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 CPTAs examination and decision on the disciplinary actions applied to CPTAs; and ③ deliberations on the establishment of labeling standards for liquor, and other matters.

II Enhancement of Services for Taxpayers

~Enhanced taxpayer services achieved by public relations activities, tax education, tax consultation, etc.~

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 national taxes, the official assessment system was used before World War II, in which tax authorities calculated income, and notified taxpayers of the tax amount. In 1947, in order to democratize the tax system, the self-assessment system was adopted for three taxes (income, corporation, and inheritance), and this method has since 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 proactively and properly 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 legal interpretation and of practices and procedures, etc., and (3) centralization of taxpayer contact points, (4) efforts to improve taxpayer convenience in tax consultation and filing returns.

In order to check that the tax returns filed by taxpayers, and to guide them to file correctly, there is a need to provide accurate tax examinations and guidance, and cooperation and coordination with Certified Public Tax Accountants (CPTAs) and relevant private organizations. Furthermore, if national taxes are not paid by the due date, the NTA encourages voluntary tax payment, and if they are still not paid, then it is necessary to work on certain collection of national taxes, e.g. by implementing disposition for delinquent tax. To this end, the NTA works to promote proper and fair tax administration, giving appropriate instructions and conducting examinations on taxpayers who need to be corrected in order to have accurate filings, as well as conducting strict and appropriate delinquent tax collection based on laws and regulations, while considering the actual situation of each delinquent taxpayer.

1 Providing information, etc.

~Various public relations activities to improve taxpayer services~

For taxpayers to proactively and properly file and pay taxes, they first of all must understand their tax payment duty.

To this end, the NTA carries out public relations activities to enhance a variety of services for taxpayers to help them correctly file and pay taxes. These include significance of tax payment, provision of information regarding tax law and procedures, tax education and efforts to enhance convenience of tax consultations and tax procedures.

As specific public relations, focused on the NTA website www.nta.go.jp (accessed 143,020,000 times in fiscal 2012), 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 and newspapers, public relations media such as pamphlets made available at the Tax Offices as well as municipal 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 where there are 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 is designed with a focus on taxpayer convenience~

The NTA website provides information on tax filing and payment procedures, etc. To enable anyone to easily use it, the NTA is working to enhance the website's guidance functions according to user aims, and pays attention to convenience for the visually disabled and elderly by providing text enlargement, voice reading functions, etc.

To give people easy access to the information they want to know, the NTA website's top page is designed to give entry to various information as shown below.

Overview of the NTA website * The following diagram is as of May 2013.

1 Tax Answer System

- ◆ Portal to the FAQ where frequently asked inquiry and general answers are posted

2 Search for Regional Taxation Bureaus and Tax Offices

- ◆ Portal to the pages of each Regional Taxation Bureau

3 Filing assistance on the NTA website

- ◆ In this system, if a taxpayer follows the screen guidance and inputs monetary amounts etc., taxes are automatically calculated, and tax returns for income tax, consumption tax and gift tax can be prepared
- ◆ Prepared tax returns can be submitted by e-Tax
- Printouts can be submitted by postal mail

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

- ◆ Road price rating information for 3 years throughout Japan

The screenshot shows the NTA website homepage with the following callouts:

- 1**: Tax Answer System (タックスアンサー)
- 2**: Search for Regional Taxation Bureaus and Tax Offices (税務局・税務署を調べる)
- 3**: Filing assistance on the NTA website (確定申告書作成コーナー)
- 4**: Online national tax return filing and tax payment system (e-Tax)
- 5**: Road price rating map (路線価図)
- 6**: Auction information (公開情報)
- 7**: See on video clip (動画で見る)
- 8**: Tax learning section (税の学習コーナー)
- 9**: Text enlargement /voice readings (文字拡大・読み上げ)
- 10**: Introduction (ご紹介)
- 11**: Email magazine (メールマガジン)

6 Auction information

- ◆ Provide information on properties for public auction (selling of seized properties by bidding, etc.) executed at Regional Taxation Bureaus and Tax Offices throughout Japan, information on auction procedure, etc.

7 See on video clip

- ◆ The tax information and the work of tax offices
- ◆ Specific explanations of tax procedures, how to prepare tax returns, e-Tax use, etc.
- ◆ Shows the NTA activities like tax examination and collection, in an easily understood drama format

8 Tax learning section

- ◆ Section to have fun learning about taxes, with games and quizzes for both children and adults
- ◆ Provides tax education learning materials for school teachers

10 Introduction

- ◆ The role of taxes and the work of tax offices
- ◆ Explain "the role of taxes and the work of tax offices" by using movie and illustration for easy understanding

9 Text enlargement /voice readings

- ◆ Support functions for the elderly and those who have visual disorders

11 Email magazine

- ◆ Registration of "What's new?" and Email magazine delivery service"

*1 Newly created to provide information on the Great East Japan Earthquake.

*2 The NTA website and the free video sharing site "YouTube" deliver videos with information on the NTA activities (including publicity activities of each Regional Taxation Bureau and Tax Office) and support for self-assessment procedures.

(2) Tax education

~Developing the environment for, and providing support for enhanced tax education~

The NTA works on developing the environment for, and providing support for enhanced tax education, based on the thinking that tax education should be solidly provided in basic school education, and that it should be worked on by the entire society. The NTA is working to develop the environment for, and provide support for solid tax education, so that children and students who will serve as the next generation correctly understand the significance and roles of taxation which forms the country's basis, and to foster sound taxpayer consciousness.

Furthermore, the Council for Promoting Tax Education among related ministries, etc. (consisting of the Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology and the NTA, etc.) continuously meets to discuss effective support measures.

Past work includes dispatching teachers to tax education classes on the request of schools, development and distribution of tax education supplementary materials, organizing tax essay contests, via cooperation from the relevant private organizations, mainly by councils for promoting tax education established in each prefecture (members comprised of government, local authorities, educational leaders, etc.).

Also, a "Tax learning section" is provided on the NTA website, <http://www.nta.go.jp/shiraberu/ippanjoho/gakushu/kyousitu.htm> (in Japanese language), to enable students and those who are interested to study taxes on their own. Pages that describe the purpose and role of taxes are provided for easy understanding, as well as "tax education material" in electronic form for educational leaders such as school teachers to use for educational purposes.

Also, "Tax☆Space UENO", facility for tax education, is set up in the Tokyo-Ueno Tax Office, where "Tax Office Tour" and "Experiential Learning" events are held.

For detailed information, please see the NTA website, <http://www.nta.go.jp/tokyo/shiraberu/gakushu/taiken/01.htm> (in Japanese language)

Tax☆Space UENO contacts for questions or to apply to use it
Special Officer (Public Relations), Tokyo-Ueno Tax Office
Tel 03-3821-9001 (Representative) (Ext 361, 362)



Tax☆Space UENO



Tax learning section

● Number of lecturers dispatched to Tax Education Class, etc.

Fiscal Year	2010	2011
Officials	8,867	8,199
Non-officials	13,614	15,031
Total	22,481	23,230

● Number of essays entered for Tax Essay Contest

Fiscal Year	2011	2012
Received from high-school students	175,442	182,736
Received from junior high-school students	561,537	584,661

Providing tax knowledge through the Tax Museum

The Tax Museum, located on the Wako campus of the National Tax College has valuable collections of historical documents and materials regarding national taxes. The Museum displays the large number of collections throughout the year and is open to a wide variety of visitors from specialists on tax history to high school students and other people.

Besides, specialized staffs at the Museum engage in research of archives and past tax system.

For further information, please visit the National Tax College section within this website, www.nta.go.jp/ntc/english/



Tax Museum

(3) Briefings for taxpayers

~Organizing various educational sessions to provide information about taxes~

To help taxpayers better understand the tax procedures and tax system revisions, the NTA holds briefings at Tax Offices throughout Japan.

Specifically, a variety of briefings are held to provide information on taxes, including: 1) briefings on the necessity of bookkeeping and maintaining accounting books, with guidance on how to prepare tax returns and financial statements, 2) year-end adjustment briefings for withholding agents, 3) briefings on revisions to the tax laws, and 4) briefings for newly established corporations.

● Frequency of briefings and number of participants (operation year 2011)

Various briefings	
Frequency held	23,443 times
Number of participants	1,087 thousand people

(4) Advance inquiries

~Enhanced predictability for taxpayers~

In case taxpayers have some doubts regarding specific applicability of tax laws to the transactions conducted or to be conducted, Tax Offices and Regional Taxation Bureau provide advance tax consultations. When requested, a written answer may be provided under certain conditions, together with such answers to be disclosed to the public on the NTA website in order to help other taxpayers to improve its predictability as well. The NTA may also disclose selected oral answers to the inquires made by taxpayers as Q&As on the NTA website, so that it can serve as reference for other taxpayers, in order to enhance predictability of application of tax laws.

● Number of Advance Inquiries received by written reply procedure

Fiscal year	2011	2012
Number of Advance Inquiries Received	178	147

● Number of Q&A examples posted on website

Fiscal year	2011	2012
Number of Q&A posted	1,728	1,756

◎ Examples of answers provided in writing

- Handling of medical expenses deduction concerning compensation of sputum suctioning by certified care workers, etc. under long-term care insurance system
- Handling of tax concerning trust-type incentive plan through employee shareholding association

(5) Tax consultation

~General tax consultations are handled at centralized telephone consultation centers~

Tax consultations are provided as part of taxpayer services, so that taxpayers can do proper self-assessment and tax payment themselves. These provide information on taxation, and answer general questions on taxation. 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 tax consultations.

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.

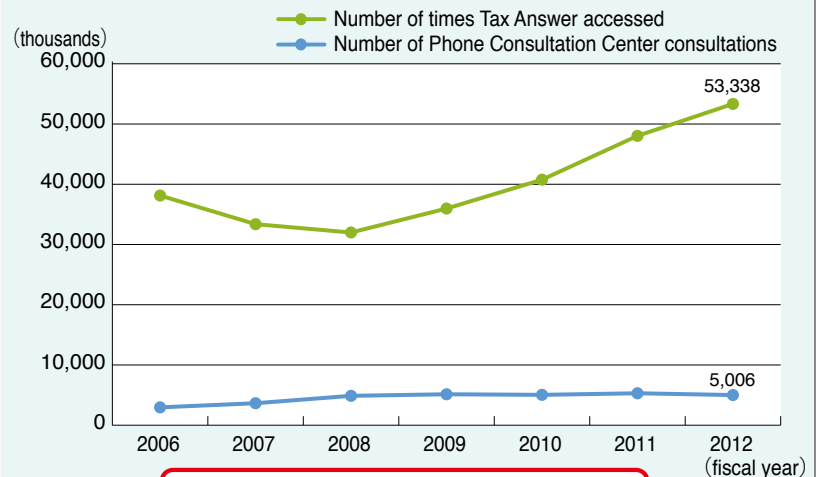
Also, the NTA website provides information in its "Tax Answers," which posts general answers to frequently asked questions (it also provides a mobile phone site.).

For further details, please refer to the NTA website, <http://www.nta.go.jp/taxanswer>



Phone Consultation Center

● Phone Consultation Center: Number of Consultations and number of times Tax Answer was accessed



The number of access to the "Tax Answer" system has increased since FY2008.

Mobile site of Tax Answer can be accessed from the code on the right.



◎ Frequently asked questions to Tax Answer System

1. When taxpayer has paid medical-care expenses (medical expenses deduction)
2. Income tax rate
3. Medical expenses covered by tax deduction

~Tax Offices will provide individual and specific tax consultation services on a prior appointment basis~

When consultation by interview is required, for example if it is necessary to check specific documents or facts, 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.

2 e-Tax (online national tax return filing and tax payment system)

~Strongly promote various measures in order to encourage and stabilize the use of e-Tax~

e-Tax enables users to file income, corporation and consumption tax returns, as well as submit statutory records, apply for blue return filing, etc. via internet instead of submitting paper-based documents. All tax items can be paid via direct payment, the Internet, Pay-Easy¹ compatible ATMs, etc.

e-Tax enables taxpayers and CPTAs to file and pay from homes and offices without actually visiting tax offices or banks. Also, when taxpayers use tax and accounting software compatible with e-Tax, they will reduce paperwork as the set of work from data preparation to filing can be done digitally.

e-Tax also directly reduces administration work such as receiving tax returns at the counter or by postal mail, and inputting data. It also indirectly reduces document management costs for tax authorities, thereby promotes the efficiency of tax administration.

Based on these reasons, in order to encourage and stabilize the use of e-Tax, the NTA has strongly promoted various measures which have been incorporated in the “Work Process Reengineering Plan” (revised March 2013) of NTA which was established in May 2012 relating to the “Action Plan for Promoting the Utilization of Online” (decided March 2006, revised March 2007), the “Action Plan for Expanding the Utilization of Online” (decided September 2008), and the “New Plan for the Utilization of Online” (decided August 2011). Specifically, tax refund period for filings made via e-Tax was shortened, submission of a certain attachment documents such as medical receipts by individuals to claim medical deduction can be omitted², digital signature by the taxpayers can be omitted in cases where CPTAs files returns on behalf of the taxpayers, etc.

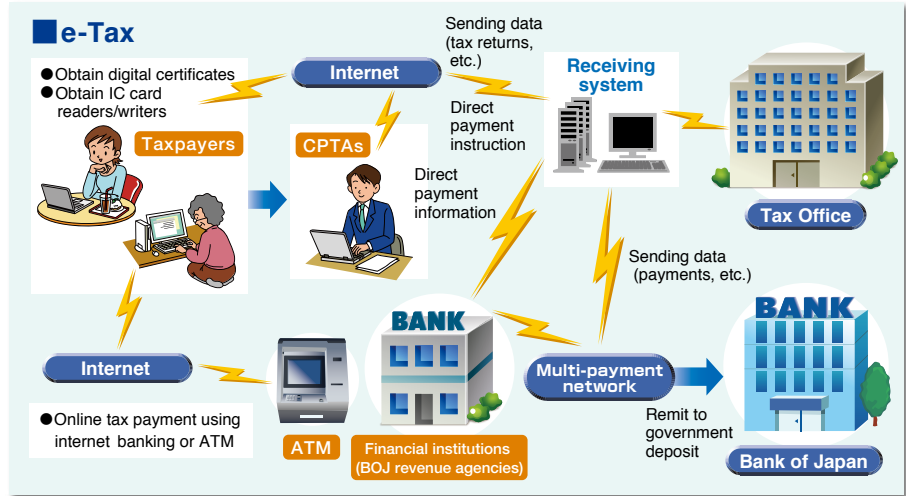
In fiscal 2012, we continued to work on improving taxpayers convenience in the same areas as in fiscal 2011, such as 24-hour service to receive returns and the provision of help-desk service on Sundays during the filing period when access to e-Tax is concentrated, extension of business hours in the end of specific month when many corporation tax returns are filed, and made e-Tax filing available for gift tax filing.

For overview of “Business Process Reengineering Plan” in the NTA, please see page 17.

How to use e-Tax...

1. Obtain digital certificates
2. Obtain IC card readers/writers
3. Obtain user identification numbers
4. Register digital certificates (initial registration)

For details, please see e-Tax website, www.e-tax.nta.go.jp



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 In case submission of attachment documents are omitted, the entries of descriptions of the attachment documents are required to be inputted and transmitted together with tax returns.
 In order to check on the entries of descriptions, if it is necessary, the Tax Offices may ask taxpayers to submit or present original copies during a five-year period from the legally required due date for filing.

~Overview of “Business Process Reengineering Plan” at the NTA~

In the “Business Process Reengineering Plan”, the NTA fixed certain criteria relating to enhanced taxpayer convenience and the efficiency of administrative management such as “percentage of online use”, “e-Tax user satisfaction” and “cost per receipt of online application”, and the NTA works on various measures toward the achievement of each goal. The NTA will actively promote “Business Process Reengineering Plan” in order to maximize improvement in taxpayer convenience and clerical efficiency by encouraging and stabilizing the use of e-Tax.

Overview of “Business Process Reengineering Plan” at the NTA

Period covered 3 years from FY2011 to FY2013

Procedures covered

● **3 procedures which depend on prevalence rates, etc. of the Public Certification Service for Individuals:**
Income tax filing, consumption tax (individual) filing and request for issue of tax payment certificate

● **12 other procedures than the aforementioned:**
Corporate income tax filing, consumption tax (corporate) filing, liquor tax filing, stamp duty filing, withholding record of employment income (6 procedures), payment record of interest, etc. and notification of start (change, etc.) of electronic filing or tax payment

Criteria of result

Criteria relating to improved taxpayer convenience:

- e-Tax user satisfaction
→ Carry out survey with questionnaire to measure the user satisfaction.
- User satisfaction of NTA website “Section for Preparation of Tax Return, etc.”
→ Carry out survey with questionnaire to measure the user satisfaction.

Criteria relating to efficiency of administrative management:

- Cost per receipt of online application
→ Calculate from establishment costs, running operation, etc. per receipt of online application.
- Paperwork processing time
→ Calculate paperwork processing time which can be reduced by use of e-Tax.

Percentage of online use, etc. (common criteria to enhanced taxpayer convenience and efficiency of administrative management):

- Percentage of online use:
 - 3 procedures which depend on prevalence rates, etc. of the Public Certification Service for Individuals
 - Other 12 procedures than above
- ICT utilization rate
→ Set a goal for ICT utilization rate for income tax returns and consumption tax filing (individual).



ICT utilization rate shows the percentage of returns prepared by internet environment at home, etc. (including those filed in paper form) to the total income tax returns and consumption tax returns (individual) filed.

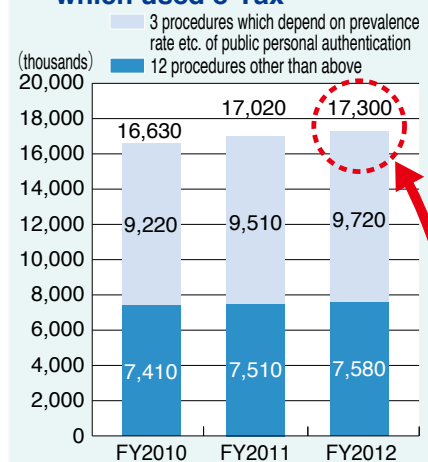
● Actual values, etc. of performance criteria of “Business Process Reengineering Plan”

Criteria of Performance	Baseline (Actual result of FY2010)	Results (FY2011)	Target (FY2013)
Criteria relating to improved user convenience			
e-Tax user satisfaction	66.4%	68.0%	70%
User satisfaction of the NTA website “Section of Preparation for Tax Return, etc.”	80.1%	80.1%	85%
Criteria relating to efficiency of administrative management			
Cost per application received online	¥581	¥508	Decrease from the previous year
Paperwork Processing time (Note 1)	99,729 hours (Actual result of FY2011)	99,729 hours	Increase from the previous year
Percentage of online use, etc.			
Percentage of online use			
3 procedures which depend on prevalence rate, etc. of the Public Certification Service for Individuals	41.1%	44.2%	50%
12 procedures other than above	70.1%	73.1%	76% (Note 2)
Utilization rate of ICT	57.3%	61.9%	65%

(Note 1) In the “Business Process Reengineering Plan”, the baseline time and target time for operational processing were decided to be established in FY2012 and later years. In FY2012, the baseline time (result of FY2011) and the target were established.

(Note 2) Originally, the target time for FY2013 was established at 72%. However, since the result of FY2011 (73.1%) has already exceeded the target, the target was increased to 76%.

● Number of applications, etc. which used e-Tax



* The figures are the number of utilization of focused procedures in “Business Process Reengineering Plan”.

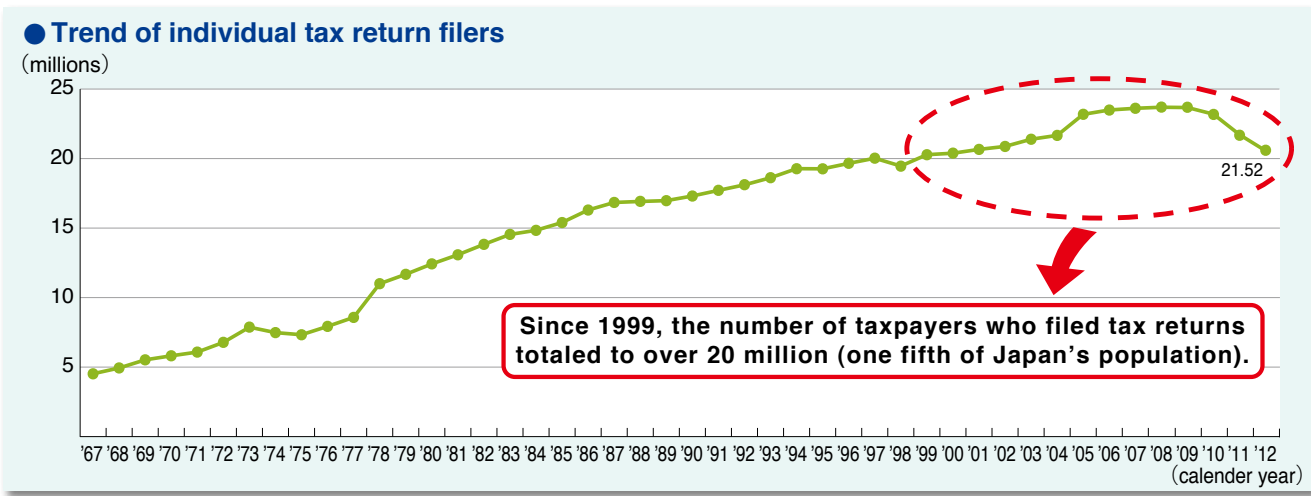
The number of utilization of e-Tax increases steadily.

3 Filing for tax return

~The number of taxpayers who filed tax returns totaled 21.52 million. More than half filed for tax refunds~

Tax filing is a procedure under the self-assessment tax system, in which the taxpayer calculates income and tax amount for a one year period, and files and pays taxes. In addition to persons obligated to file, there are people who file taxes to obtain an income tax refund, for example because they paid large medical bills. 21.52 million people filed their income taxes for 2012, thus one out of five residents filed taxes. Of these, over 12.57 million people filed for refunds, comprising over half of people filing income tax returns.

In response to diverse needs of taxpayers who file tax returns, the NTA is working to provide diverse services, to reduce the burden of filing.



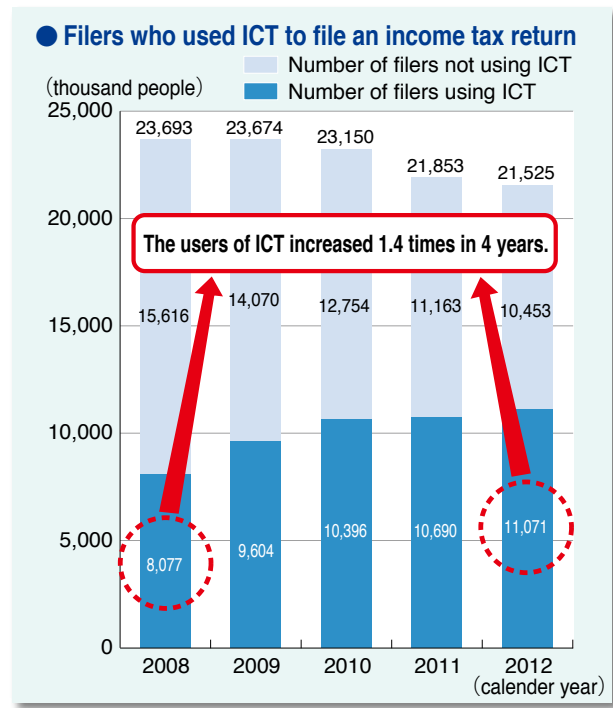
Various services are provided to meet with various needs of taxpayers
→ Implemented systems to enable easy and convenient filing process

(1) Promotion of filing using ICT

~e-Tax and filing assistance on the NTA website~

The NTA is actively using the advances in ICT in recent years to provide taxpayer services, using ICT to enable filing from home, etc. By using ICT such as filing assistance on the NTA website and e-Tax, taxpayers can file tax returns conveniently without visiting Tax Offices, anytime and without calculation errors.

To this end, the NTA carries out various activities such as publicity and briefings etc., so more taxpayers file using ICT. Also, at consultation sites of Tax Offices, there are PCs where people can use filing assistance on the NTA website, and taxpayers who came to consult about filing use the PCs to prepare tax returns and transmit them using e-Tax, experiencing the convenience of filing using ICT.



~Income tax returns prepared at the “filing assistance corner on the NTA website” totaled 8.13 million cases~

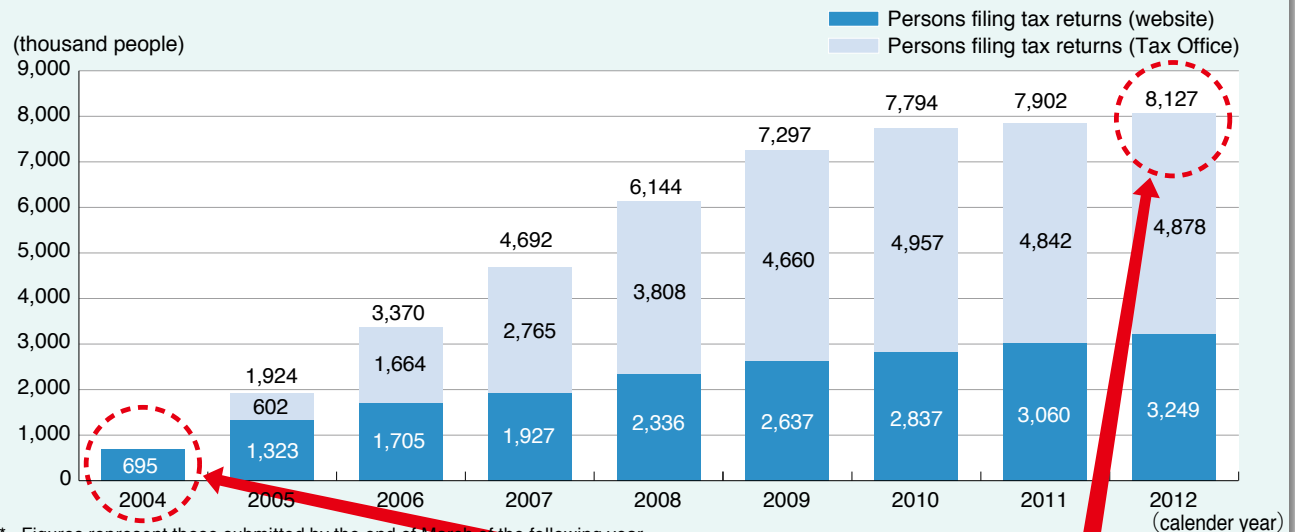
With the filing assistance on the NTA website, if a taxpayer enters the amounts and other necessary information according to guidance on the PC screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns for income tax, individual consumption 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, 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 2012, the number of people who submitted income tax returns prepared with filing assistance on the NTA website reached 8,130,000, including those prepared via PCs set up at consultation sites. This comprised over 37% of all people who submitted returns. About 63% 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.

The use of filing assistance on the NTA website increased by approximately 11 times in 8 years.

(2) Response to diverse taxpayer needs

~Opening tax office on Sunday during filing period~

Taxpayers said that “It’s a problem that filing consultations can only be handled on weekdays; I would like it if they were also provided on days when government offices are closed.” In response, the NTA receives tax returns and provides filing consultations on two Sundays during the tax return filing period at some Tax Offices, inside the Tax Office and at joint meeting sites outside the Tax Offices.

For the 2012 tax return filing period, the offices were open on February 24 and March 3, 2013, during which 281,000 income tax returns were filed.

Also, to enable taxpayers and their agents to obtain necessary information and forms without visiting Tax Offices, the NTA provides various filing information via the NTA website, as well as arranging various information sessions relating to filing and free consultation sessions by CPTAs for small business owners. The NTA plans to implement filing administration smoothly and efficiently by the limited number of staff, while meeting the various needs of taxpayers.

Cooperation with the local tax authorities

Among local taxes, tax mechanisms and taxpayers subject to local taxes are often the same as for national taxation. Therefore, in an effort to simplify taxpayer filing procedures, the NTA is working on close cooperation between national taxation (the NTA) and local tax (authorities) in system aspects and implementation aspects. For example, in the case of income tax filings, the NTA provides such information to local tax authorities, so there is no need to file for individual enterprise tax and individual inhabitant tax, which are local taxes.

Also, starting January 2011, as an initiative for much more efficient national and local tax operations, the NTA has been providing data such as income tax filings to local public bodies. Such increased use of ICT is an effort to boost efficiency and reduce the costs of administrative operations of national government and local public bodies.

4 Proper withholding tax system operation

~Providing more thorough information and publicity to withholding agents~

In the withholding tax system, withholding agents finalize 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 and salary 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.

5 Certified Public Tax Accountants (CPTAs) system

~Missions of Certified Public Tax Accountants (CPTAs)~

Certified Public Tax Accountants (CPTAs) and CPTAs Corporations (hereinafter referred to as “CPTAs etc.”) are professional specialists on taxes. Their public mission is to respond to the trust of a person with a tax obligation in line with the principles of the self-assessment system, and achieve proper tax compliance as provided for in the tax laws and regulations, based on their independent and fair standpoint. As of March-end 2013, 73,725 persons are registered as CPTAs, and 2,575 CPTAs corporations are established.

~Services provided by CPTAs~

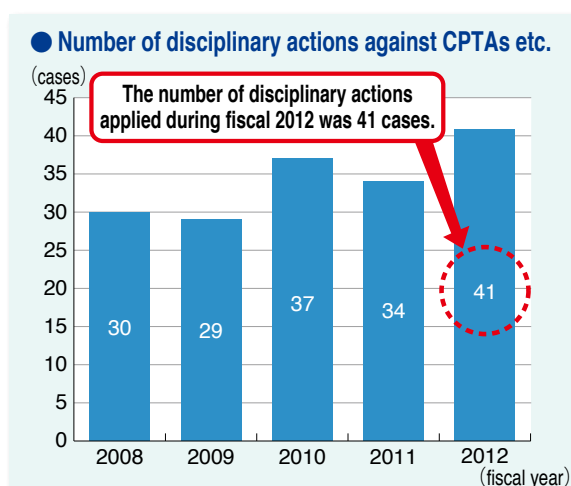
CPTA services are ① tax proxy, ② preparation of tax documents, ③ tax consultation service. These operations must not be performed by persons other than CPTAs etc., even at no charge. At the same time, CPTAs etc. are required to fulfill various obligations and responsibilities. For example, they are prohibited from providing tax evasion consultation and engaging in conduct which harms the credibility or dignity of CPTAs etc.

Taxpayers are able to use CPTAs etc. services (tax return preparation or professional advice) to properly file returns and pay taxes. In addition, because corporations and sole business proprietors often ask CPTAs etc. to process accounting books or seek advice on accounting, they also play important roles in promoting correct bookkeeping that constitutes the basis for filing tax returns.

~Ensuring proper services are provided by CPTAs~

In order to ensure public trust in the CPTA system, the NTA utilizes every opportunity to alert people and prevent CPTAs etc. delinquency. Also, the NTA conducts appropriate examinations of CPTAs etc., and take strict action against CPTAs etc. who violate the Certified Public Tax Accountant Act and so called “fake CPTAs” who conducts CPTA services without licenses, by applying disciplinary actions and filing accusations seeking prosecution.

The NTA discloses the names of disciplined CPTAs etc. in the official gazette and via the NTA website.



~Coordination and cooperation with Certified Public Tax Accountants' Associations, etc.~

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

The documents attached by CPTAs etc. 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. Specifically, this system allows CPTAs etc. 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 Office intends to provide notification of the date, time and place it will conduct a tax examination to a taxpayer who filed a tax return along with such documents, then the CPTAs etc. possessing the certificate evidencing the authority of tax proxy must be given the opportunity to state an opinion on the items written in the attached documents, before the taxpayer is notified.

Because this system contributes to the correct preparation and filing of tax returns, facilitation and simplification of tax administration, and eventually establishment of a trusted CPTA system, the NTA is actively consulting with Certified Public Tax Accountants' Associations and Japan Federation of Certified Public Tax Accountants' Associations (hereinafter referred to as “CPTAs' Associations etc.”) with an aim to enhance the content of attachments and raise the percentage of returns with attachments. The NTA is also respecting this system. It is thereby further promoting and establishing this system.

(2) Promotion of e-Tax usage

CPTAs etc. play important roles in promoting use of e-Tax, the NTA requests CPTAs' Associations, etc. for cooperation to promote the use of e-Tax, as well as dispatching lecturers to training sessions arranged by CPTAs' Associations etc. (see page 16 for detailed information of e-Tax).

CPTAs' Associations and Japan Federation of CPTAs' Associations

In order to improve the work of CPTAs, CPTAs' Associations are designated in the Certified Public Tax Accountant Act as organizations which provide guidance, liaison and supervision to CPTAs and CPTAs corporations. There are now 15 CPTAs' Associations throughout Japan. CPTAs' Associations engage in a wide range of activities, including ① Training to enhance the qualities of CPTAs, ② Dispatch of lecturers for tax workshops in elementary, junior and senior high schools, universities, etc. to fulfill the tax education ③ Free tax consultation for small taxpayers.

The Japan Federation of Certified Public Tax Accountants' Associations is the only organization in Japan specified in the CPTA Act, consisting of member CPTAs' Associations. The Federation provides guidelines, liaison, and supervision for CPTAs' Associations and their members. It also handles the administration to register members, and conducts research on the CPTAs etc. system. For further details, please visit the website of the Federation at www.nichizeiren.or.jp

6 Cooperation with private organizations

~Provide necessary tax information to taxpayers in cooperation with relevant 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 large role in achieving a proper self-assessment system and in spreading knowledge about taxes.

The NTA is working to strengthen coordination and cooperation between these relevant private organizations, for example by holding various joint events to encourage use of e-Tax and for "Think About Tax Week."

Blue return taxpayers' associations

Blue return taxpayers' associations are organized to widen participation in the blue return system and promote the submission of proper tax returns through honest bookkeeping. They are formed mainly by sole business proprietors who use the system. There are about 3,200 associations nationwide, and the total number of members is about 870,000 (as of April 2013). Each blue return taxpayers' association performs a wide range of activities including the guidance on bookkeeping, holding seminars, and encouraging filing of blue returns. 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. There are 483 corporations associations as incorporated associations, and membership stands at about 870,000 corporations (as of December 2012). Corporations associations organize tax education, tax awareness campaign, seminars on tax and management, etc. For further details, please visit the website of the National General Federation of Corporations Associations at www.zenkokuhojinkai.or.jp

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 in the self-assessment system. There are 571 associations nationwide with about 90,000 members (as of March 2012). 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 www.kanzeikai.jp

Savings-for-tax associations

Savings-for-tax associations are organized by 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, and there are now about 44,000 associations (as of March 2011). Savings-for-tax associations conduct activities to promote payment of tax by the due date and coordinating tax essay contests for junior high school students. For further details, please visit the website of the National Federation of Savings-for-Tax Associations at www.zennoren.jp

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 uplift tax payment morality.

There are 83 tax payment associations, and about 180,000 members belong to these associations (as of March 2012). The associations carry out activities which have large public benefits, such as holding various briefings, conducting publicity activities, working on tax education, etc. For further details, please visit the website of the Federation of Tax Payment Associations at www.nouzeikyokai.or.jp

Column Response to the Great East Japan Earthquake (As of end of March, 2013)

1 Extension of filing and payment deadlines for national taxes

On March 12, 2011, extension of filing and payment deadlines for national taxes (for designated areas) was announced regarding national taxes in Aomori prefecture, Iwate prefecture, Miyagi prefecture, Fukushima prefecture and Ibaraki prefecture (announced on March 15).

For these areas, the extension of deadlines was designated by stages based on the conditions after the earthquake. Accordingly, July 29 is set for Aomori prefecture and Ibaraki prefecture, September 30 for approximately 80% of inland municipalities of Iwate prefecture, Miyagi prefecture and Fukushima prefecture, December 15 for a part of maritime municipalities of Iwate prefecture and Miyagi prefecture, April 2, 2012 for Ishinomaki city, Higashi Matsushima city and Onagawa cho of Miyagi prefecture.

Also, for taxpayers who have difficulty in filing or paying taxes by the extended deadline due to the Great East Japan Earthquake, extension of deadline can be permitted on an individual basis (individual designation). The NTA notifies and publicizes such deadlines and individual designations to provide proper response to inquiries from taxpayers.

2 Consultation in filing period for final tax return

Tax offices in charge of damaged areas anticipated more crowdedness of tax return forms preparation sites than normal years due to filing and consultation of affected taxpayers. To mitigate the crowdedness during filing period for final tax return and to enhance the convenience of the affected taxpayers, we opened tax return forms preparation sites earlier so that those who suffered damage could obtain tax refunds at the earliest possible date.

For such facility, as in the previous year, backup staff from the Sendai Regional Taxation Bureau, Tax Offices in the jurisdiction of Sendai Regional Taxation Bureau, the Tokyo Regional Taxation Bureau and the Kanto-Shinetsu Regional Taxation Bureau (about 5,100 people in total) were dispatched to 16 Tax Offices in charge of the damaged areas in the jurisdiction of Sendai Regional Taxation Bureau to appropriately respond to the consultations on filing and paying tax of those affected.

Also, in Tokyo Regional Taxation Bureau, a total of about 100 officials (ten per day) answered to telephone consultations from the taxpayers in the jurisdiction of the Sendai Regional Taxation Bureau.

3 Measures related to liquor industry

(1) Ensuring the safety of liquors

After the occurrence of the Great East Japan Earthquake, the NTA conducted radioactive examinations for 7,719 liquors and brewing water in cooperation with National Research Institute of Brewing to ensure the fullest safety of liquors.

(2) Issuance of certificates for liquors to be exported

The NTA issued certificates on liquors to be exported in accordance with the requirement by the countries of export destination (After the occurrence of the Great East Japan Earthquake, the NTA issued 435 certificates of date of manufacturing, 4,377 certificates of place of manufacturing, and 814 certificates on radioactivity examinations.).

(3) Reducing liquor tax

In the revision of tax system for the fiscal 2013, concerning the fulfillment measures of liquor tax reduction rate for the liquor manufacturers of the affected areas, the NTA demanded to maintain the present reduced tax rate (6.25%) which had been to expiry at the end of March 2013, and the application period was extended to the end of 2016.

(4) Support for effective use and application of policy measures for small- and medium-sized companies

The NTA provided information for small- and medium-sized companies on various available policy measures (such as Reconstruction and Maintenance Subsidy Project for Facilities of Small- and Medium-sized Enterprises' Groups). Besides, the NTA consulted properly with liquor businesses for inquiries in cooperation with other governmental departments.

Special tax measures if damaged by the Great East Japan Earthquake

In order to reduce the burdens of victims of the Great East Japan Earthquake, Earthquake Special Measures Act entered into force on April 27, 2011.

Besides, in order to reduce the burdens of victims of the Great East Japan Earthquake, and to promote policy measures to reconstruct from the Great East Japan Earthquake, necessary revisions were made to laws, including the revision of a part of Earthquake Special Measures Act which entered into force on December 14, 2011.

Under this Earthquake Special Measures Act, principal tax treatments applicable to those who suffered damage from the Great East Japan Earthquake are as follows:

Income tax	<p>For ① casualty loss deduction methods determined in the Income Tax Act, and ② methods of tax reduction or release determined in the Act on Reduction or Release, Deferment of Collection and Other Measures Related to Tax Imposed on Disaster Victims, people with housing and household assets damaged by the Great East Japan Earthquake can choose to receive these reduction measures etc. for either 2010 or 2011.</p> <p>Besides, in case of Method ①, for the casualty loss caused by the Great East Japan Earthquake, the period of carry-forward deduction concerning the casualty loss amount was changed to 5 years (the Income Tax Act: 3 years).</p>
	<p>For losses of inventory assets and business use assets etc. due to the Great East Japan Earthquake, such loss amounts can be included in necessary expenses when calculating amounts of business income for 2010.</p> <p>Besides, for a certain amount of net loss that was caused for inventories and business assets etc., the period of carry-forward deduction concerning the net loss amount was changed to 5 years (the Income Tax Act: 3 years).</p> <p>① If a dwelling was receiving application of special credit for loans relating to a dwelling, but can no longer be lived in due to the Great East Japan Earthquake, application of the special credit for loans relating to a dwelling can continue to be received, during the remaining application period of special credit for loans relating to a dwelling, for that dwelling.</p> <p>② In the case of a taxpayer who lost a dwelling as it was destroyed by the Great East Japan Earthquake subsequently reacquired an alternative dwelling, such a taxpayer may elect "special measures for credit relating to reacquisition of a dwelling," instead of normal special credits for loans relating to a dwelling.</p> <p>③ The above ① and ② can be applied simultaneously.</p>
Corporation tax	<p>For corporations designated by an approved local government during the period December 26, 2011 through March 31, 2016, which were newly established in the reconstruction industrial park zone, the following special measures that allow deferral of corporation tax in each business year from the designated date to the date 5 years after from the designated date:</p> <p>① Tax deduction of reserves for re-investment allowed with the upper limit of income amount.</p> <p>② Special depreciation of re-investment reserves allowed in the fiscal year when re-investment of equipment or buildings in the reconstruction industry park zone with upper limit of reserve balance.</p>
Motor vehicle tonnage tax	<p>If a vehicle or a motorcycle was damaged by the Great East Japan Earthquake and scrapped within the valid period of its motor vehicle inspection certificate, then the owner can do the procedure for Permanent Deletion Registration or for notice of demolishing or dismantling at a Transport Branch Office or Light Motor Vehicle Inspection Organization, and submit a request for refund of motor vehicle tonnage tax, and thereby obtain refund of motor vehicle tonnage tax.</p>
	<p>If a person who was a user of a motor vehicle or a motorcycle damaged by the disaster acquires a replacement vehicle and obtains a motor vehicle inspection certificate, etc. during the period until April 30, 2014, then by submitting a notification of tax exemption for motor vehicle tonnage tax to a Transport Branch Office or Light Motor Vehicle Inspection Organization, the motor vehicle tonnage tax which pertains to the initially obtained motor vehicle inspection certificate, etc. is exempted.</p>
Stamp tax, etc.	<p>Stamp tax on a "contract on consumer loan" is exempted for a money loan to a person victimized by the Great East Japan Earthquake, at conditions which compared to conditions of other money loans are specially advantageous, by a local government or government related financial institution, etc.</p>
	<p>For cases such as a building acquired to replace a building demolished and removed because it was destroyed or damaged by the Great East Japan Earthquake and a building located in the area subject to the designation of evacuation zone, etc. as of the date when such designation of evacuation zone, etc. was made, the stamp tax is exempted for "contracts on transfer of real estate" and "contracts on contracting of construction work" made by that victimized person. Also, registration and license tax in relation to the registration of transfer of ownership will be exempt.</p>

* For other measures and details, see the NTA website www.nta.go.jp or visit a nearby Tax Office.

III Proper Tax Examination and Collection

1 Promotion of proper and fair tax administration

~Balanced allocation of tax officials and conduct strict examination to fraudulent tax avoidance cases~

In order to achieve proper and fair taxation, the NTA takes care of its administration processes in an effective and efficient 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 contacts for correcting simple mistakes.

Especially for taxpayers who try to illicitly evade tax burdens, the NTA analyzes information from various angles, chooses subjects to examine, and conducts strict examinations.

● Number of cases related to tax examinations, etc.

Operation year	2009	2010	2011
Number of examinations	312	283	289
Number of cases by brief contact	644	710	724

(thousands)

* "Brief contact" refers to correction of tax declaration by telephone or by summoning taxpayers to the tax offices.

Approximately 1 million tax examination cases were conducted annually.

~Selection of tax examination through the ICT system, development of the administrative system for efficient data collection~

Specifically, 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 other data and information, from the viewpoints of business type, business form, and business size. Data and information are recognized as essential to achieve proper and fair taxation, so we have in place a structure to efficiently collect data and information which will be very effective to use.

~Additional income identified per tax examination amounting to ¥8.41 million for self-assessment income tax and ¥9.14 million for corporation tax~

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 examinations in operation year 2011 found ¥8.41 million¹ of undeclared income per case for self-assessed income tax, and ¥9.14 million for corporation tax.

● Undeclared income amount of self-assessed income tax and corporation tax found in field examinations, per case



Active promotion of initiatives for effective examination

¹ Amount related to special and general field examinations.

(1) Priority matters addressed in the tax examinations

~Examination keeping in mind of increasingly diverse and international asset management~

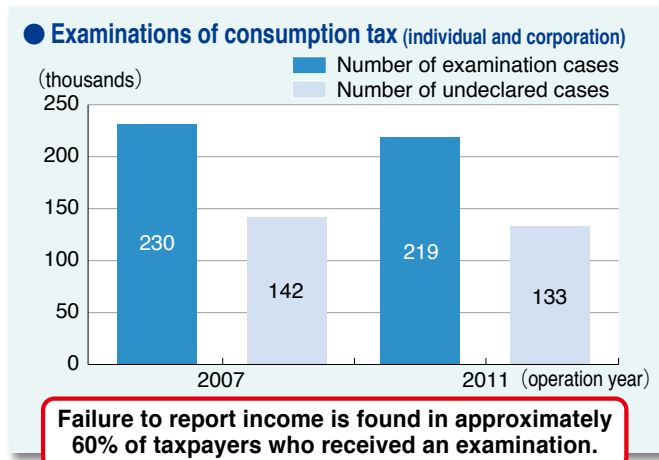
For taxpayers who expect a high income but who filed a low income or did not file, we are addressing tax examinations keeping in mind diversification and globalization of asset management.

◎ Cases in which the NTA identified overseas assets not reported for Japanese tax purposes

- An executive of a Japanese corporation received rent of condominium owned abroad, and a large amount of deposit interests from a bank account opened abroad, which this Japanese taxpayer has excluded from the book.
- Overseas bank deposits not reported in the inheritance tax return were identified as a result of information exchange (see page 40 for information exchange) with foreign tax authorities.

~Prevent fraudulent consumption tax refunds by means of sufficient examination, etc.~

Consumption tax is one of the main taxes, and is similar to a deposit, which is why it attracts the strong 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.



◎ Examples of malicious fraud in the consumption tax

- Consumption tax refunds were illicitly received by the trick of falsifying books etc., to disguise domestic sales as tax exempt export sales.
- Personnel costs paid by a business are not tax deductible transactions, but by pretending that the costs were outsourcing costs for affiliated companies (temp agencies, etc.) which are deductible transactions, fraudulent consumption tax refunds were received.
- Consumption tax refunds were illicitly received through the trick of falsifying books etc., by disguising a lease (rental) transaction as a purchase and recording the leased asset as own fixed asset.

~Compliance with Examination Procedure~

In the revision of the tax system of 2011, the Act on General Rules for National Taxes was revised as an improvement strategy of tax payment environment. From the viewpoints to enhance the transparency of examination procedures and predictability for the taxpayers, conventional operational handling was legislated concerning the examination procedures, which came into force in January 2013.

The NTA will endeavor to protect the taxpayers' profits concerning the national taxes, and follow the examination procedures specified in the General Rules for National Taxes, from the viewpoint of ensuring proper operation of tax administration.

~Accurate understanding of claims made by taxpayers and proper tax administration~

To build faith in the tax administration, it is important that taxation is applied with the proper interpretation of laws and regulations upon correct fact finding.

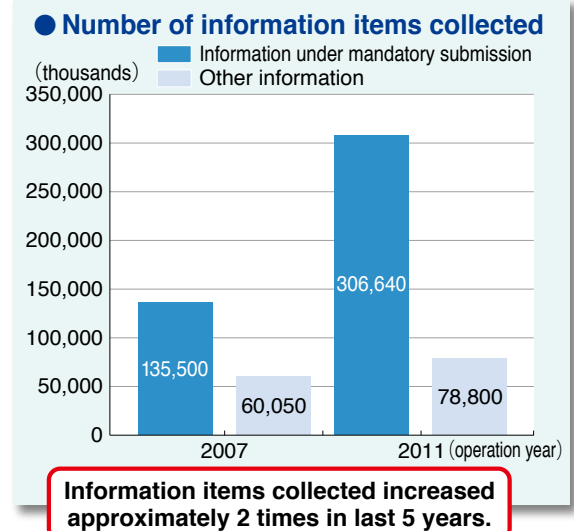
To this end, we always try to properly process taxation after correctly interpreting the assertions made by taxpayers and studying the laws and regulations based on accurate fact finding. On this occasion, we are thoroughly adhering to the procedures and processes to ascertain whether all legal requirements are properly met.

(2) Information collection

~Collect data and information through every opportunity to use such information for accurate guidance as well as tax examinations~

The NTA, through every occasion, collects a variety of information such off-the-books and fake transactions as found in the course of tax examinations, in addition to the withholding records of employment income, payment records of dividend etc., which are required to submit pursuant to the provisions of the tax laws. The NTA uses such information for accurate guidance as well as tax examinations.

The NTA constantly focuses on changes in illicit forms and the increasing globalization, computerization, complexity and geographic scope of business transactions in recent years. We actively collect information on new asset investment techniques and transaction forms, and collect information on overseas investments, information on transactions with overseas companies, electronic commerce transactions using the internet, etc.



(3) Criminal investigation

~Pursues criminal responsibility for malicious tax evaders~

The tax criminal investigation system pursues criminal responsibility for malicious tax evaders, and uses the effect of punishing one to serve as a warning to all, with the aim of contributing to the achievement of proper and fair taxation and to maintaining the self-assessment system. In order to achieve this goal, the NTA examines taxpayers who deliberately evaded taxes by falsehood and other illegal acts, exercising compulsory authority equivalent to normal criminal investigation differently from general tax examination, and files the accusation to prosecutor seeking for prosecution, in addition to imposing the correct taxation on them.

As business transactions have become broader, globalized, and computerized, the means of tax evasion are becoming more complex and sophisticated. Tax investigators are making all efforts to expose malicious tax evaders, appropriately responding to the changes in the environment surrounding economics and societies.

~Tax evasion cases for FY2012 amounting to ¥20.5 billion in total, of which prosecuted cases accounted for ¥17.5 billion~

In fiscal 2012, the NTA commenced 190 criminal investigations, processing 191 cases, including those carried over from the previous fiscal year, of which it accused 129 cases that were forwarded to public prosecutors. The total amount of tax evasion cases was ¥20.5 billion, with the average amount of tax evasion at ¥135 million per case.

Illegally excluding sales from the book were commonly seen as tax evasion technique. There were also cases which used international transactions, for example, by transferring their sales to a deposit account under the name of overseas corporation to exclude the sales from the book. Funds obtained by tax evasion were stored as cash, deposits or securities in some cases, or were spent on real estate overseas or personal entertainment in casinos in other cases.

● Status of criminal investigations

	Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Total amount of tax evasion cases (portion with accusation filed to the prosecutor)	Amount of tax evasion per case (portion with accusation filed to the prosecutor)
	cases	cases	cases	¥million	¥million
FY2011	195	189	117	19,221 (15,686)	102 (134)
FY2012	190	191	129	20,479 (17,466)	107 (135)

* Figures of tax evasion include additional tax.

~In fiscal 2012, 119 cases were convicted at the court of first instance, including 3 cases in which prison sentences without probation were issued.~

In fiscal 2012, 119 cases among 120 cases were convicted at the court of the first instance, with an average prison sentence of 13.0 months and average fines of ¥16 million. 3 persons were sentenced to prison without probation. Prison sentences without probation have been handed down every year since 1980.

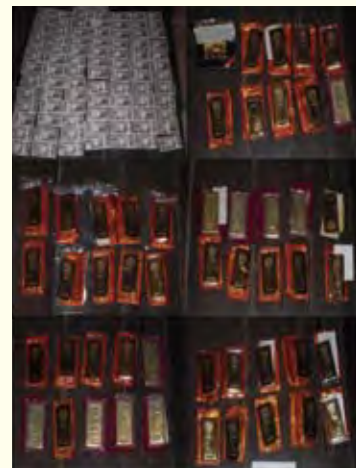
●Ruling status in the first instance of criminal investigation cases

	Number of rulings ①	Number of convictions②	Percentage of cases convicted ②/①	Number of convictions with prison sentences without probation ③	Amount of tax evaded per case ④	Term of prison sentence per person ⑤	Amount of fines per person (company) ⑥
	cases	cases	%	persons	¥million	months	¥million
FY2011	150	150	100.0	9	120	15.3	23
FY2012	120	119	99.2	3	76	13.0	16

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

Past cases where hidden properties were found in criminal investigations

Cash and gold ingot were found in a plastic case from under the floor of a storehouse.



(4) Approaches to enhance the corporate governance concerning tax administration

~Establishment of relationship of trust and deliberate selection of examination~

From the viewpoint of maintenance and improvement of tax return filing standard of Japan as a whole, maintenance and improvement of tax compliance of large enterprises is very important. For this purpose, it's effective to enhance the corporate governance to raise awareness on tax matters to the front line of organization.

In order to this, the NTA, taking the opportunities of examination of large corporations, checks the status of corporate government on tax matters, exchanges opinions with executive managers, and presents them effective examples of approaches to promote their spontaneous efforts for the enhancement of corporate governance.

The NTA will establish the mutual trustful relationship with those corporations under favorable corporate governance on the tax affairs, and will prolong the intervals of examinations for them, provided the NTA has confirmed the proper processing of voluntarily disclosed transactions with high tax risks disclosed. Thus, the NTA will focus its examination work on other corporations in need of improvement to enhance the efficiency of tax administration.

Column A variety of efforts to ensure compliance

<Changes of the environment surrounding the tax administration>

To ensure proper and fair taxation within the limited human resources and other resources, the NTA has made efforts to operate its work effectively and efficiently according to priority of cases.

Recently, however, transactions like cross-border transactions and property transfers, as well as e-commerce transactions, largely increased, which makes it difficult for tax authorities to understand the whole picture. The environment surrounding the tax administration has become severer.

Under such status, to ensure the taxpayers' compliance (that the taxpayers spontaneously and properly execute their tax payment duties), we need, on one hand, to strengthen our efforts in such areas where tax evasion tends to occur, and conversely, to further seek for high efficiency of tax administration.

<Efforts in other countries>

Such challenges are common to the tax authorities of not only Japan, but also other countries. In other countries, while the tax authorities are focusing on field tax examination to ensure compliance, they are making efforts to enhance the compliance by combining various measures as follows. These efforts are shared at international conferences and other occasions to be used as reference to realize better tax administration.

1 Voluntary Compliance Program

Countries such as U.S.A., United Kingdom, and France, have a scheme that taxpayers with foreign deposit accounts or incomes which are not disclosed to their tax authorities can disclose the information voluntarily and pay additional tax amount going back to the past, thus can accept reduction or exemption of penalties. Such a scheme has proved to be effective to a certain extent.

Internationally, such efforts are evaluated as they not only result in a short-term increase in tax revenue, but also lead to a long-term enhancement of compliance.

2 Correspondence to possibility of occurrence of fraud by taxpayers

In order to conduct effective examinations, the importance of analysis on possibility of occurrence of fault by taxpayers (compliance risk) based on a variety of information, as well as that of selection of appropriate approach based on the analysis, is recognized internationally.

For example, the tax authorities of U.S.A combine field examination with "Correspondence Audits" for simple cases to contact a wide range of taxpayers, thus obtaining a certain level of result for enhancement of compliance.

3 Support for appropriate tax return filing and establishment of cooperative relationship with taxpayers

In foreign countries, not only for the post-filing correction of errors and fraudulent calculations by examination etc., but also for the prevention of errors, foreign tax authorities place focus on support for proper filing, and establishment of cooperative relationship with taxpayers.

For example, the tax authorities of Australia are making a series of efforts as follows: To enhance the compliance, and to establish cooperative relationship with small-sized entities, the tax authorities provide support specifically on book keeping, filing, etc. through visits or phone calls in accordance with the phases of the entities, such as establishment or closure of business, or recruitment of employees, and also provide various self-checking tools and information on the website.

<Future measures to ensure compliance>

The NTA, strengthening its efforts to tackle serious tax evasions, is making efforts to enhance corporate governance on tax matters of large enterprises as mentioned above. From now on, by referring to other countries' approaches, the NTA, continuing to conduct on-site tax examinations properly, will promote shift to tax administration which actively incorporates other approaches for ensuring compliance than field tax examinations.

Specifically, the NTA will aim at enhancing compliance as a whole, focusing on the following three approaches:

1 Focus on field examination

Field examinations are highly effective for the correction of frauds and errors in taxpayers' filings, and for leading taxpayers to proper filings. Conversely, it requires a large number of human resources to conduct field examinations. Therefore, the NTA allocates its examination work on the focused areas which tend to generate frauds or which give a significant influence on the compliance as a whole if such frauds were overlooked (for example, tax evasion by using overseas transactions or fraudulent refund of consumption tax, etc.). Also, in field examination, we will make efforts to enhance the spillover effect or check-and-balance effect so that the effect of enhanced compliance matches the input of work.

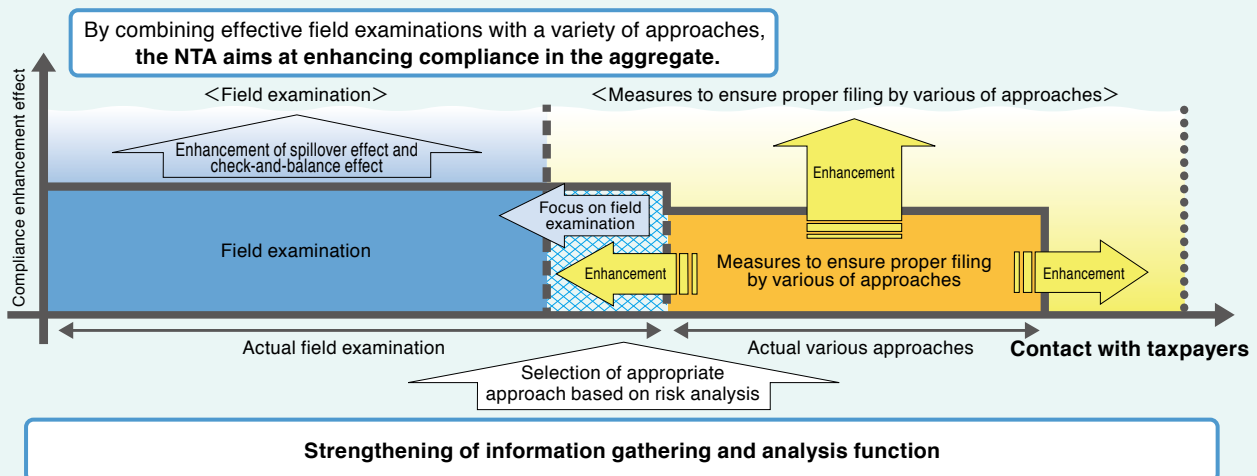
2 Enhancement of information collection and analysis functions

Aiming at analyzing compliance risk of taxpayers with precision, and finding tax evasions effectively and efficiently, the NTA aspires to further enhance its information collection and analysis functions. For this purpose, the NTA will strengthen the international information exchange framework based on tax treaties. The NTA, in anticipation of introduction of social security and tax number system, will also promote the system development so that it can utilize data and information such as information under mandatory submission, which are effective for taxation, more properly and efficiently.

3 Utilization of various approaches to ensure voluntary and proper tax filing

The NTA will enhance the efforts to promote voluntary and proper filing of a wide range of taxpayers, by utilizing various approaches other than field examination. Such approaches include support of self-checking before taxpayer's filing, public announcement of matters with which a large number of omissions of filing are anticipated, invitation for voluntary review of filing by sending written inquiry, and strengthening of cooperative relationship with CPTAs Associations and relevant private organizations.

Various approaches for securing compliance (Image)



Column Enforcement of revised Act on General Rules for National Tax relating for better tax payment environment

1 Outline of revision

In FY2011 tax reform, the Act on General Rules for National Tax was revised relating to the tax payment environment by the “Law for the Partial Revision of Income Tax Law et al. to Develop Taxation System in Response to Structural Changes of Economies and Societies” (Act No. 114 of 2011) (enacted on November 30, 2011, promulgated on December 2, 2011).

(1) Tax examination procedures

Tax examination procedures such as advance notice and close of examination were conducted in accordance with directives, however, the following items have been clearly specified as legislated procedures:

- To enhance the clearness of examination procedures and predictability for taxpayers, to encourage taxpayers to cooperate for examination, thus contribute to conduct more smooth and effective examination and to further enhance and develop the self-assessment system.
- To strengthen accountability to taxpayers.

(2) Request for correction to the tax return

“Request for correction to the tax return” to request reduction of taxes or additional tax refunds in case returns already filed contains mistakes and there are excessive tax payments or refund shortages, such request period used to be limited to one year from the statutory filing due date in principle. However, for the purpose of establishing remedies to taxpayers, balanced taxation and simplified system, the period for request for correction to the tax return was extended to 5 years from the statutory filing due date in principle.

Also, the period in which tax authorities can make additional correction was extended to 5 years.

(3) Reasons to be stated

Stating reasons for dispositions in relation to denial disposition and adverse disposition against application based on an act in relation to national taxes has not been generally required, except for cases in which such reasons are required to be stated by individual laws such as the Income Tax Act. However, in order to ensure the properness of correction and predictability for taxpayers, stating reasons has become required to all dispositions.

However, for corrections to individuals who file white returns, etc., statement of reasons will be required together with the expansion of duties to maintain books and accounting records(to be enforced on January 1, 2014).

(Note) After January 2014, the maintenance of books and accounting records will be also required for all individuals who file white returns and conduct business generating business, real estate or timber income (including individuals who do not need to file tax returns), which previously was only required if such income is over ¥3 million in prior year or the year prior to the first preceding year.

The extension of the period of request for correction to the tax return has come into force on December 2, 2011 at the time of promulgation of the law. The examination procedures and statement of reasons have come into force on January 1, 2013 (however, statement of reasons for individuals who file white returns will be applied on the dispositions made on or after January 1, 2014, except for specific individuals such as those imposed with duties to maintain books and accounting records as of the year 2013.).

2 Approaches to enforcement of Revised Act on General Rules for National Taxes

The NTA, for the purpose of proper and smooth implementation of tax examination procedures after the enforcement of the Act, trained all the staff at workplace on the revision. From October to December, it took the lead in performing a part of procedures to be fully implemented after the enforcement of the Act.

To determine the handling of regulations concerning the tax examination procedures newly established in the recently revised Act on General Rules for National Tax, the NTA issued notification on interpretation of laws and regulations on interpretation of laws and regulations. The NTA also determined “Basic Concepts on Implementation of Examination Procedures” and instructed the staff to ensure to implement proper examinations in compliance with the laws and regulations.

The NTA prepared a pamphlet explaining the outline of revision to distribute at the Tax Office counters. The NTA also posted it on the NTA website, together with notification on interpretation of laws and regulations concerning the interpretation of laws and regulations to notice the revision to the taxpayers.

1 Purposes of the number system

In May 2013, “Act on Utilization of Numbers to Identify Particular Individuals in Administrative Procedures” (so-called “The Number Act”) and other bills related to the number passed. Thus, the social security and tax number system was determined to be introduced.

The social security and tax number system is the base of a more fair social security and tax system, and contributes to the people’s convenience and a higher efficiency of administration as infrastructure of information society.

Personal numbers will be first introduced in limited areas such as the social security and tax fields. Corporate numbers shall be widely and generally disclosed. Both the public and private sectors shall be able to make various uses of them.

2 Introduction schedule

At present, introduction of the number system is scheduled as follows: Personal numbers and Corporate numbers will be notified around the autumn of 2015. The numbers will start to be used from January 2016 in the fields of social security, taxes and disaster measures, one after another (Note).

Based on the above, in accordance with the “Act for Introduction of the Number Act”, the numbers in the tax area will start to be used from the tax returns of the year 2016 for income tax, from the tax returns of the year starting in or after January 2016 for corporate tax, and from January 2016 for statutory statements, applications, etc.

(Note) The date of enforcement of the Number Act is specified in the supplementary provision of the Act “to be enforced as from the date specified by Cabinet Order.”

3 Outline of the number system

(1) Notification of numbers

Personal numbers are designated by converting Residence Register codes and notified by mayors using notification cards. Demanding others to provide the personal number is prohibited, except for cases provided for in the Number Act.

Corporate numbers are designated and notified by the Commissioner of the NTA, based on the corporate registration numbers held by the Ministry of Justice. Three types of basic information (trade name or name, location of headquarters or main office, and corporate number) are principally to be provided on a website available for searching and viewing.

(2) Utilization in the national tax field

In the tax field, the NTA considers that entry of the numbers on tax-related documents (such as final tax returns and statutory statements, etc.) will facilitate name-based aggregation of statutory statements and matching with tax returns. This is considered to improve the accurate grasp of income, thus contribute to proper and fair taxation.

On the other hand, even with the use of the numbers, there are limits to how much information on business income and foreign assets and transaction can be obtained. Some transactions are difficult to recognize and verify only with statutory statements bearing the numbers, so we have to note that recognition of all incomes is difficult.

(3) Improvement of convenience of taxpayers, etc.

With the introduction of the numbers, convenience of taxpayers can be expected, for example, ① attachment of certificates of residence can be omitted in final tax return procedures by utilizing the Basic Resident Registration network system, and ② electric filing can be submitted to only one address for the payment records of salary/pension exceeding a certain amount, which the taxpayers are required to submit with same entries to both the national and local governments.

The supplementary provision of the Number Act provides for establishment of the “Disclosure of Information System” (so-called “My Portal”). To improve of people’s convenience, the NTA considers using this system to post some reference information in filing returns, for example, information related to one’s past tax returns and payments.

4 Approaches by the NTA

For the introduction of the number system, the NTA is preparing for smooth utilization of the numbers in the national tax field. This is, for example, ① to establish “The Corporate Number System (tentative name)”, for which the NTA assigns Corporation numbers, and ② to remodel the existing systems such as Kokuzei Sogo Kanri (KSK) System, and e-Tax.

Strict control of information

The NTA has a variety information such as on personal income. If that information is easily leaked, taxpayers cannot be expected to cooperate with the NTA, which would hinder smooth examinations.

This is why 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 ¥500,000 fine) under the National Public Service Act. The NTA has given regular training on information security to its officials in order to thoroughly inform them of such penalty provisions. When interviewing taxpayers, tax officials consider taxpayers' privacy and refrain from interviewing them in their storefronts or in front of their homes.

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

Treatment of additional tax and delinquent tax

To encourage taxpayers to properly file tax returns and pay taxes, delinquent tax may be imposed in addition to originally payable national taxes, 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.

* In consideration of the actual low interest rate, from the viewpoint of reduction of burdens of the business entities, etc., the rate of delinquent tax was revised (The revision will apply to the delinquent tax on or after January 1, 2014.).

(In the case of 2013)

Delinquent Tax	Up to two months from the day after the due date for tax payment	Annual rate of 4.3%
	Starting on the date two months from the day after the due date for tax payment	Annual rate of 14.6%



(In the case of 2014)

Delinquent Tax	Up to two months from the day after the due date for tax payment	Annual rate of 3.0% (Special Standard Rate* + 1.0%)
	Starting on the date two months from the day after the due date for tax payment	Annual rate of 9.3% (Special Standard Rate* + 7.3%)

* "Special Standard Rate" is a rate announced by the Minister of Finance by December 15 of the previous year as the annual average contractual interest rate on bank short-term loan of each month from October of the second preceding year to September of the previous year, plus 1 % p.a.

Note that the above is a rate of a case where the annual average contractual interest rate on short-term loan is 1%.

Additional Tax		Regular case	Fraudulent concealment case
	Returns are filed by the due date, but tax amount is understated.	Additional tax for deficient returns (10% or 15%)	Additional tax for fraud case (35%)
	Returns are not filed by the due date.	Additional tax for no return (15% or 20%)	Additional tax for fraud case (40%)

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.

Also, where certain requirements are met, namely, taxpayers have been granted postponement of tax payments due to disaster or have failed to file returns or pay taxes due to erroneous guidance by the NTA officials, taxpayers may be exempted from all or part of a delinquent tax. The NTA has set up rules for when no additional tax is imposed, and has published the rules on the NTA website.

2 Reliable tax payment

(1) Establishment of voluntary tax payment

~Approximately ¥44.5 trillion taxes paid into the national treasury within the fiscal year (98.4% paid within the fiscal year)~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2011, about ¥45.3 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about ¥44.5 trillion of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.4% collection ratio.

~Enhanced taxpayer services by offering various payment methods~

Under the self-assessment system, national tax is in principle assessed by taxpayers themselves, who themselves pay that tax amount by the due date. Therefore, the NTA works on publicity so taxpayers do not forget the due date and make a late payment.

Moreover, to enhance taxpayer services, diverse payment means such as online payment using internet banking, payment at convenience stores, and direct payment, have been introduced in stages for taxpayers to be able to choose the payment method of national tax, instead of paying at the counters of financial institutions and tax offices in cash with tax payment slips.

Taxpayers can also use transfer tax payments from a deposit account for self-assessed income tax and sole proprietors' consumption tax.

~Measures to prevent delinquencies~

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

Direct payment (direct type online payment of national tax)

Direct payment is a procedure that enables taxpayers to pay tax by simple operation after filing tax returns digitally by e-Tax, by submitting an application indicating bank account information in advance.

Direct payment can only be used at bank accounts held at 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 2013, it was usable in 355 financial institutions.

National tax payment at convenience stores

For the payment of national taxes, taxpayers are able to make tax payments at night or on holidays at convenience stores when financial institutions or the Tax Offices are closed. Tax payments were made at convenience stores in about 1.2 million cases in FY2011.

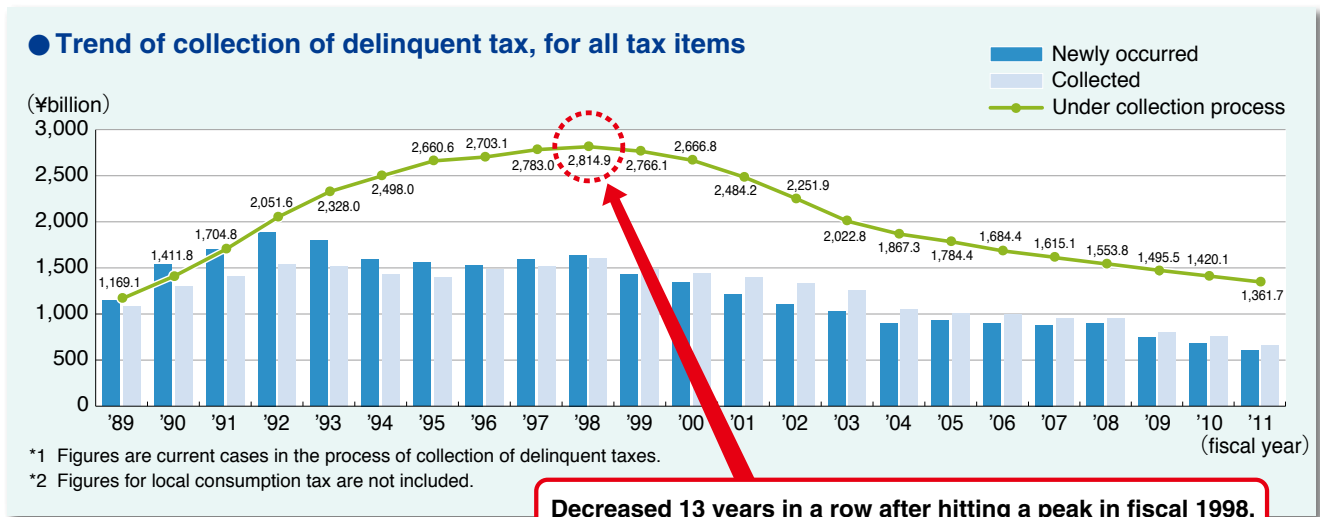
When making a convenience store tax payment, a tax payment slip with bar code is needed, with the amount limited to ¥300,000 or less. The bar-coded vouchers are issued by the Regional Taxation Bureaus and Tax Offices with jurisdiction, in the following cases:

- ① If the determined tax amount is notified before the due date (estimated income tax prepayment, 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)

(2) Reduction of tax delinquency

~ Amounts under collection process reduced to 48.4% of that of the peak time ~

Delinquency signifies that the national tax was not paid by the due date and a payment demand letter was sent. At the end of FY2011, the tax delinquency amount was about ¥1,361.7 billion.



Amounts under collection process remains high at approximately ¥1.4 trillion
 → Continue to work on preventing and reducing delinquencies with cooperation of all Tax Bureaus and Offices.

The NTA considers it important to first of all avoid delinquency. In order to work for certain collection of national tax, the entire national tax organization is working to prevent delinquency and for early collection.

Therefore, for delinquent national taxes, from the viewpoint of fairness with the great majority of taxpayers who pay within the due date, the NTA is working for early start and early completion, and works to resolve delinquencies under the following basic policy.

~ Appropriate action is taken in collection of delinquent tax while considering the individual situation of each delinquent taxpayer ~

Executing disposition for delinquent tax greatly impacts taxpayer rights and interests. 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.

~ 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 tax¹ is aggressively referred to the prosecutor.

¹ If actions such as hiding of assets are done to evade seizure or other disposition for delinquent tax, up to 3 years in prison or up to a ¥2.5 million fine can be imposed.

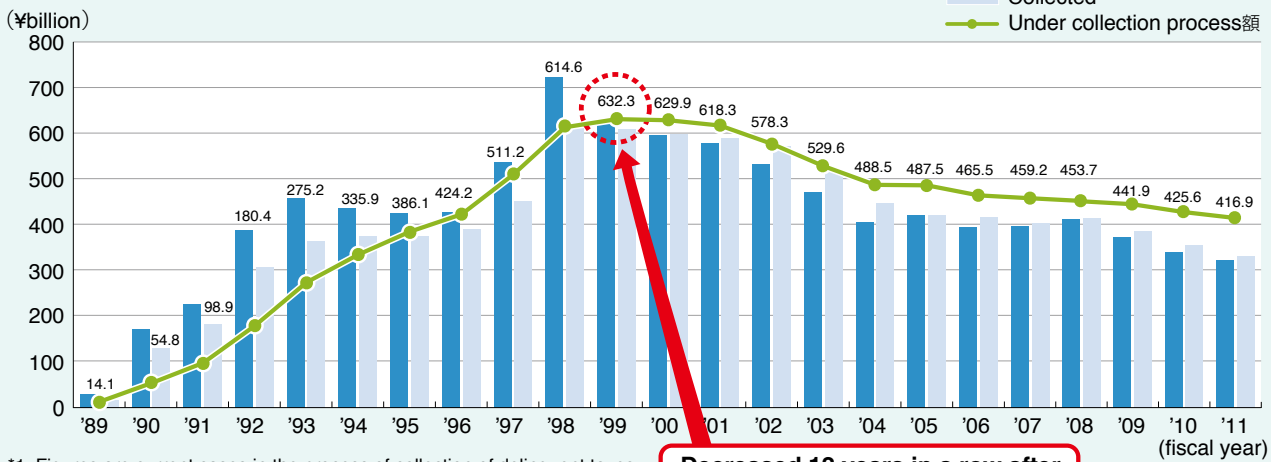
~ Priority handling of difficult to handle cases ~

For difficult to handle cases, for example those needing large amounts of office work to develop procedures for a party subject to examination with a broad scope of assets, there is a need for large amounts of office work and use of advanced collection techniques to develop the procedures. Therefore, the NTA takes organizational action such as disposition for delinquent tax by management over a wide geographic area, with timely project team formation. The NTA can also take legal action, such as a lawsuit to demand the rescission of a fraudulent act¹. The NTA thus actively uses legal means to collect delinquent taxes.

~ Certain handling of consumption tax delinquency cases ~

The public is strongly aware of delinquent 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.

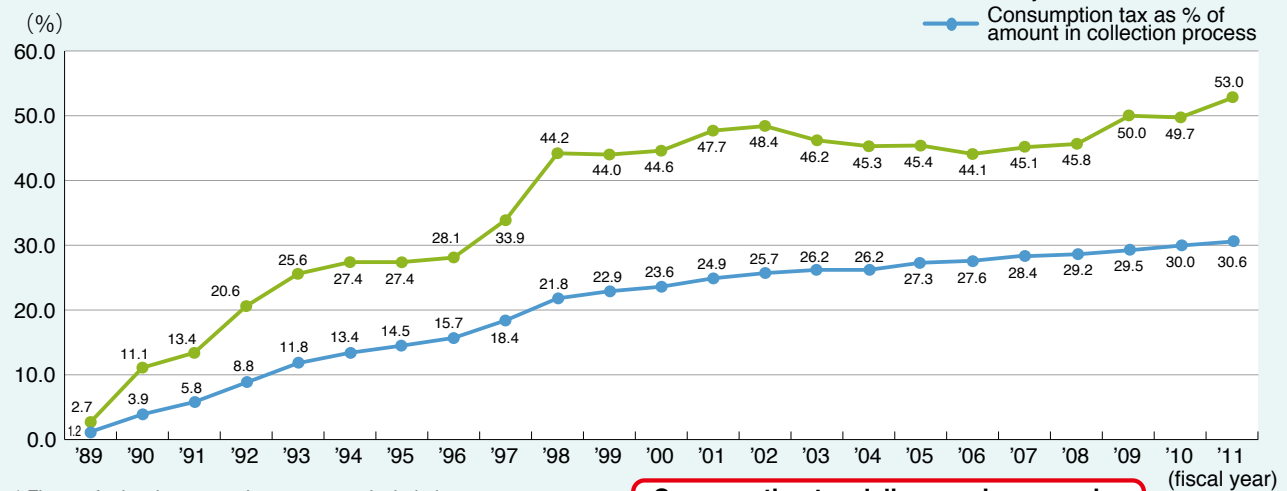
● Trend of collection of delinquent consumption tax



*1 Figures are current cases in the process of collection of delinquent taxes.
 *2 Figures for local consumption tax are not included.

Decreased 12 years in a row after hitting a peak in fiscal 1999.

● Trend in the percentage accounted for by consumption tax



* Figures for local consumption tax are not included.

Consumption tax delinquencies occupies a high ratio of total delinquencies.

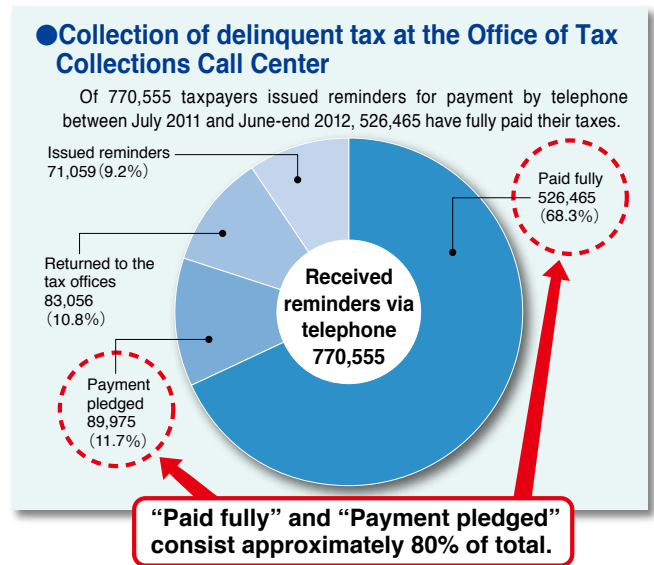
1 A lawsuit to demand the rescission of fraudulent act is a lawsuit to negate the validity of a legal act (fraudulent act) between the delinquent person and third party, where such act harms the claimant (country). The lawsuit aims to take back from the third party that asset separated from the delinquent 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).

(3) Office of Tax Collections Call Center

~Conduct effective and efficient phone notices~

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.

Over the year from July 2011 to June 2012, this office provided notifications to about 770,000 people, of which about 530,000 people (68.3%) fully paid, and 90,000 people (11.7%) pledged payment.



(4) Auction by Internet

~Sold approximately 600 items by internet auctions~

The NTA has conducted internet auctions using a private-sector auction website, since June 2007.

Internet auctions are very convenient in such ways as the participants do not need to visit a real auction site and can apply for the purchase 24 hours during the auction period on the internet, 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.

Four internet auctions were held in FY2012. As a result, a total of about 5,000 people participated, and about 600 items such as paintings, precious metals, automobiles, real estate, etc. were sold, for a total sales value of about ¥900 million.

(5) Accurate and efficient management of claims and liabilities

~Proper and prompt process realized by full use of systems~

Tax filings and refund filings create a huge volume of work to manage national tax claims and liabilities. Tax Offices use the KSK System so that these claims and liabilities are managed accurately and efficiently.

There are about 39 million tax payments each year, which are mainly income tax payments. To efficiently process this huge amount of payments, the NTA is working on more efficient processing operations. There is optical character recognition (OCR) processing for tax payment slips at the Bank of Japan, the income tax and sole proprietors' consumption tax payments by transfer account, online tax payment using internet banking etc., and direct online tax payment. Transfer procedures to pay refunds used to be performed through written documents from Tax Offices, but the NTA centralized transfer processing then adopted online transfer procedures. In these ways, the NTA is pursuing efficient and speedy payment processing.

Management of national tax claims and liabilities is a cornerstone of taxation and tax collection. We are working to improve services by conducting procedures speedily and accurately through the advanced application of ICT systems, delivering refunds to taxpayers as quickly as possible.

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 deposits and savings 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 the financial institutions in order to perform the work of account transfer efficiently. After the financial institutions process the data, they record the processing results on the magnetic tapes and return the tapes to the Tax Offices.

3 Addressing international transactions

~Strengthening examination system and cooperation with foreign tax authorities~

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 on internal improvements such as in 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.

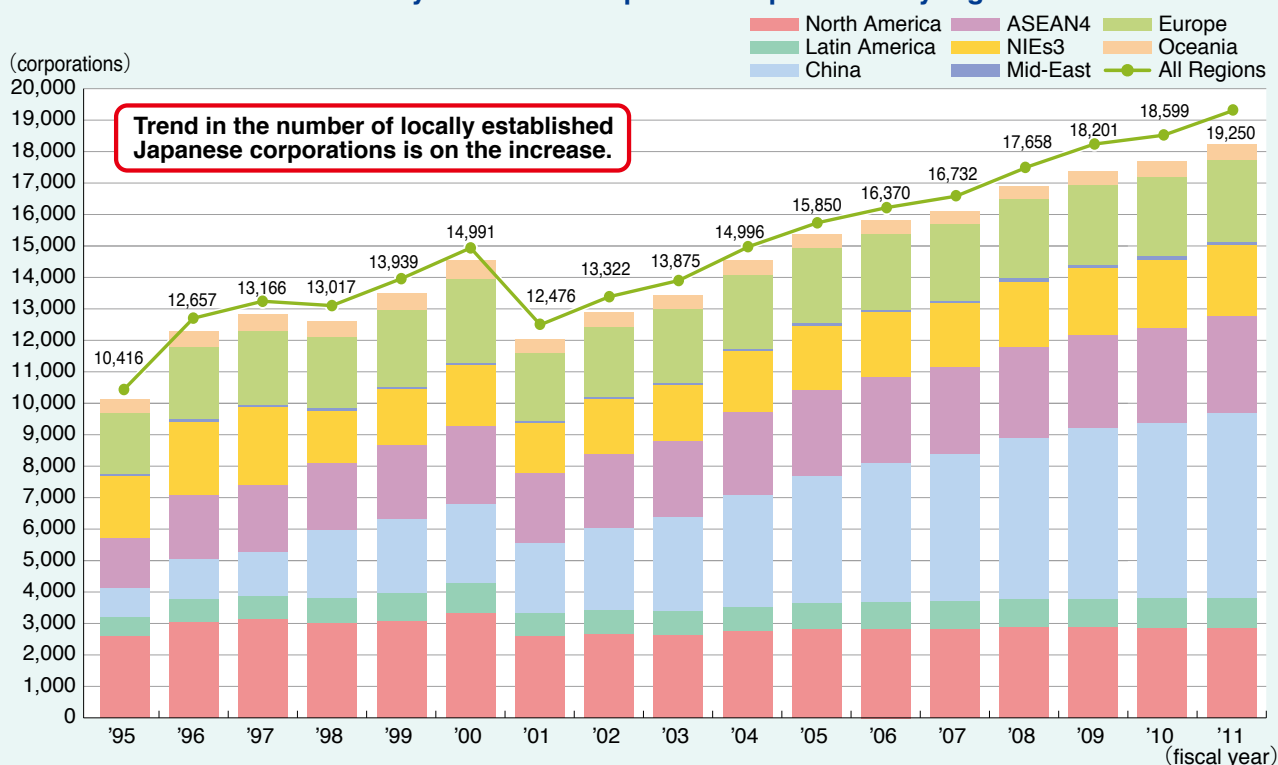
(1) Changes in the environment concerning international transactions

~Cross-border business and investment activities expand~

① Status of overseas establishments by Japanese corporations

The following is the status of overseas establishments by Japanese corporations. The number of overseas locally organized corporations increased from 10,416 in FY1995 to 19,250 in FY2011, about an 80% increase, with a particularly rapid growth of establishments in China.

● Trend in the number of locally established Japanese corporations by region



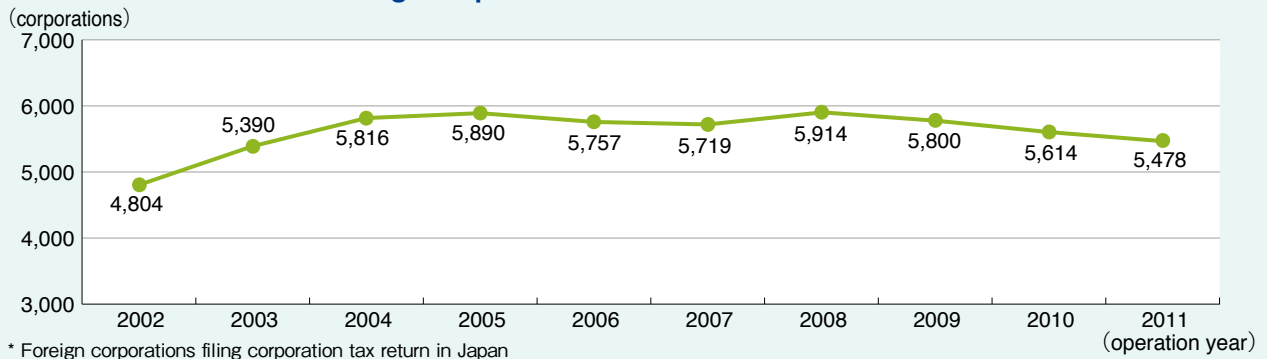
*1 "ASEAN4" signifies Malaysia, Thailand, Indonesia and the Philippines.
 *2 "NIEs3" signifies Singapore, Taiwan and South Korea.

(Source: "Basic Research on Overseas Business Activities," by the Ministry of Economy, Trade and Industry)

② Trend in the number of foreign corporations

The trend in the number of foreign corporations carrying out business in Japan is shown below. There were 5,478 corporations in the 2011 operation year, which was 136 less than the previous year. The growth rate is lowering, but this was still 674 corporations more than that of the 2002 operation year.

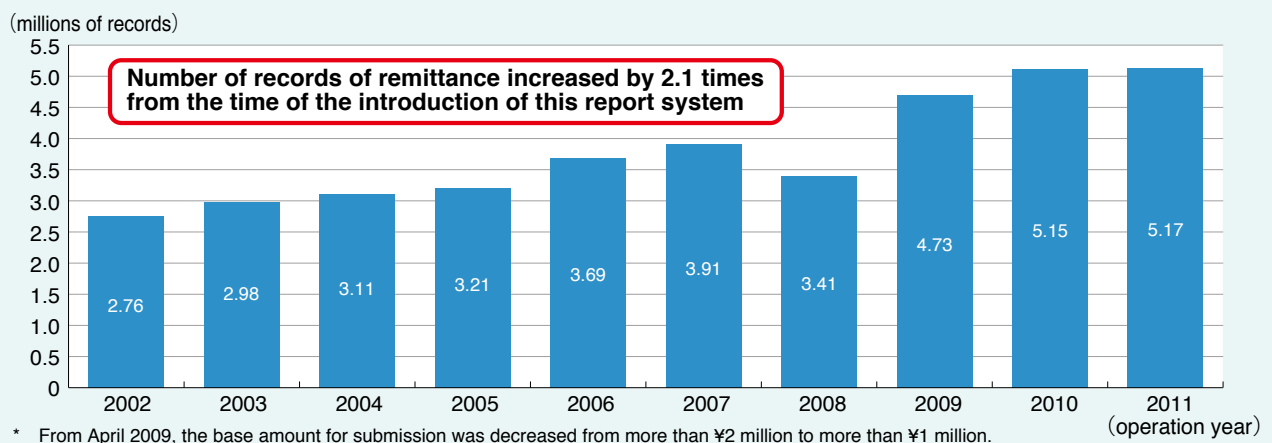
● Trend in the number of foreign corporations



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

A record of remittance and receipt related to foreign countries¹ is to be submitted when a large remittance is sent to a foreign country. The figure below shows the number of these records submitted. The number of records of remittance in the 2011 operation year was 5.17 million, which was 20 thousands more than that of the previous year. It is approximately 2.1 times of increase compared to 2.44 million of the 1998 operation year, when this system was introduced.

● Trend in the number of records of remittance and receipt related to foreign countries



(2) Addressing international taxation

~ Enhancement of examination system ~

The NTA is increasing the number of its Senior Examiners (International Taxation) who are dedicated to work on international taxation. We also established a department for specialized handling of international tax avoidance cases. These are parts of our efforts to enhance and strengthen our examination system. The National Tax College is a training institution for staff, which provides training on international tax related laws and regulations, tax treaties, financial transactions, language study, etc. This works to enhance staff abilities for examinations concerning international taxation. The NTA also recruits lawyers and financial specialists to handle complex tax problems.

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 indicate the amount remitted to or received from overseas nations, if exceeding ¥1 million (statutory statement).

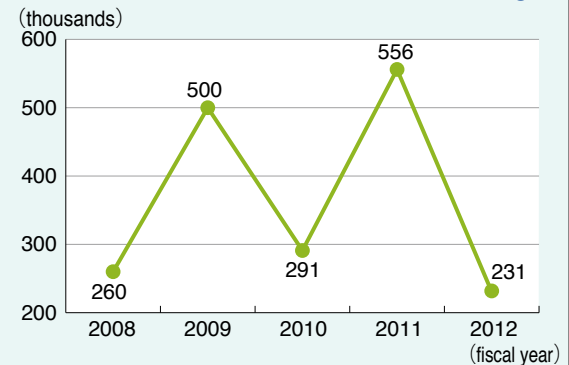
~Exchange of information under tax treaty and tax information exchange agreement~

There are cases in which the NTA cannot sufficiently clarify international 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 actively involves itself in exchange of information with foreign tax authorities in the context of recent expansion and strengthening of the tax treaty network. Japan now has 54 tax treaties in force, which cover 65 countries or regions and the number of information exchange amounts to some hundred thousand cases per year.

In addition, the NTA is making every effort to implement exchange of information in an effective and efficient manner by holding face to face meetings, when necessary, with tax officials of foreign tax authorities, which would enable us to explain and talk the examination cases in detail and the points to be clarified.

● Trend in number of information exchange



* Number of information exchange is the total number of cases in which information was received plus cases sent each fiscal year.

~Establishment of foreign assets statement system~

Since the assets held overseas by taxpayers tend to increase, the foreign assets statement system was established by FY2012 tax reform as mechanism to require taxpayers themselves to declare their assets held overseas in order to secure proper taxation of income tax and inheritance tax on them (to be enforced on January 1, 2014).

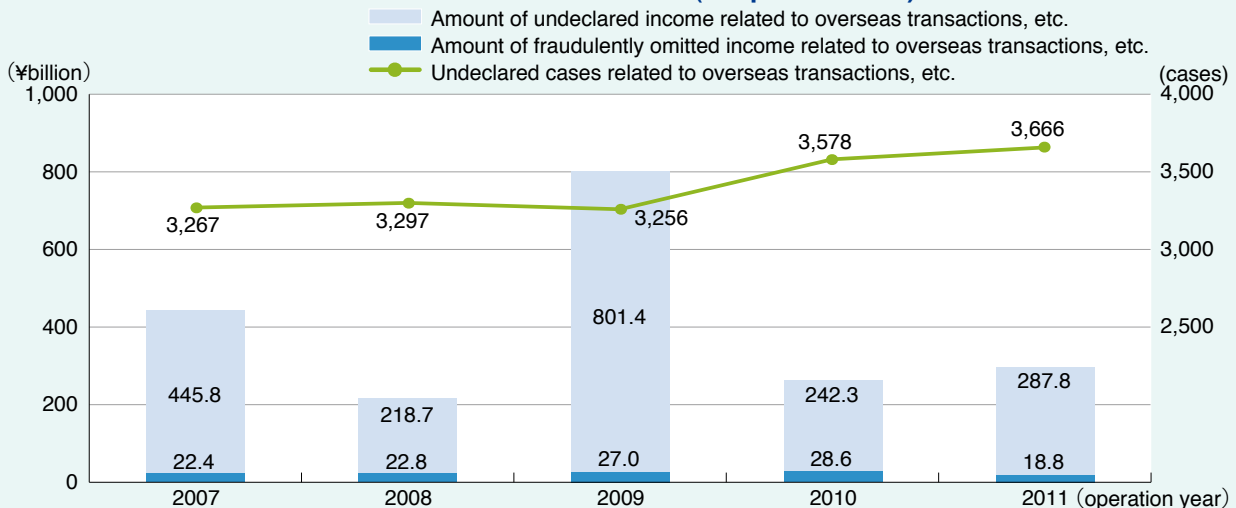
With the establishment of this system, those who have assets in foreign countries equivalent to a total of over ¥50 million as of December 31 of the year are to be required to submit a statement describing the type, quantity, price, etc. of the foreign assets by March 15 of the following year.

(3) Examination of international taxation cases

~Examination focusing on those who conduct cross-border transactions or those who hold assets in foreign countries~

As cross-border business and investment activities have been expanded, the NTA has focused on examining taxpayers who conduct transactions with foreign companies or hold assets in foreign countries. The NTA is performing deep examinations which effectively use the records of remittances and receipts related to foreign countries, and information exchange systems based on tax treaties and tax information exchange agreements.

● Actual examinations related to international taxation (Corporation tax)



~Addressing international tax avoidance, one of the most problematic issues in international taxation~

International tax avoidance problems are arising, as revenues gained overseas are hidden, which 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 involved by financial, legal and tax specialists, often uses complex transactions which combine shell companies or cooperatives, derivatives (derivative financial instruments), etc., and 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-sized companies and wealthy individuals.

Chief Examiners established in the Tokyo, Osaka, Nagoya and Kanto-Shinetsu Regional Taxation Bureaus and the International Examination of Large Enterprise Division etc. play central roles in collecting and analyzing information, planning examinations and clarifying facts on international tax avoidance conduct.

Furthermore, nine countries of Japan, the U.S.A., the U.K., Canada, Australia, South Korea, China, France and Germany participate in the Joint International Tax Shelter Information Centre (JITSIC). JITSIC works to exchange information relating to international tax avoidance conduct and wealthy individuals, and to share knowledge on examination methodologies, etc. through tax officials dispatched from member countries.

(4) Transfer pricing issues

~Enhancing predictability for taxpayers corresponding to the change in the environment surrounding transfer pricing~

Transfer pricing taxation¹ was introduced in the FY1986 tax reform. From the perspective of working to achieve proper international taxation, this prevents transferring income overseas through transactions with foreign affiliated companies.

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

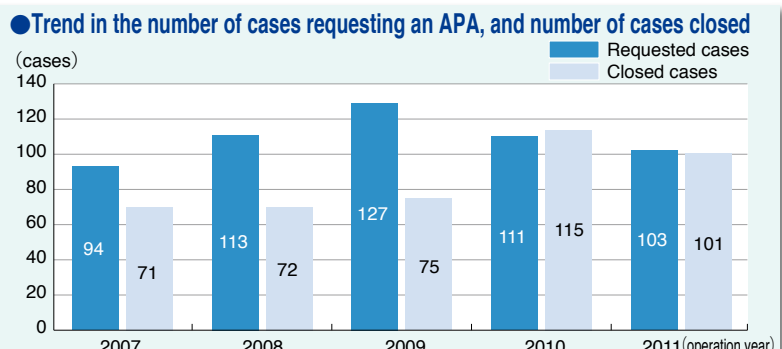
~Initiatives to clarify the administration of transfer pricing taxation~

In order to increase predictability for taxpayers, it is important that the NTA publishes and works to clarify its administration policy for the system's operation, and its application criteria. In 2011, the NTA worked on compliance with the recently revised OECD Transfer Pricing Guidelines which plays as the international standard, as well as revised directives for interpretation of laws and its own administrative guidelines to further clarify the administration of the rules.

~Development of an environment in which taxpayers can use the Advance Pricing Agreement (APA) system smoothly~

In an APA on transfer pricing taxation, based on the Japanese taxpayer's request, the tax authorities give advance confirmation of the method for calculating the arm's length price in transactions with a foreign affiliated company. The number of requests for APA has been showing a slight decrease since the peak of the 2009 operation year, but still keeping the level exceeding 100 requests per year. This is why the NTA is working to improve its administration system and quickly process APAs. For example, a division dedicated to APA evaluations was established in the Tokyo Regional Taxation Bureau and the Osaka Regional Taxation Bureau, where there are many companies which do international transactions. Also, a contact point is set up in each Regional Taxation Bureau, which handles advance consultations with national tax authorities before requesting an APA. This contributes to our development of an environment enabling taxpayers to smoothly use APAs.

APAs 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 will continue to provide them appropriately.



* The number of cases requesting an APA does not include the number of cases for which changes were made after the request. On the other hand, the number of APA cases (refer to page 42) out of the cases subject to Mutual Agreement Procedure (MAP) includes cases of changes acknowledged after being requested (because MAP is made again with regard to changes). Therefore, the figures do not match.

¹ If a Japanese company does a transaction with a foreign affiliated company, and that transaction price differs from the transaction price between third parties (this price is called an "arm's length price"), resulting in lower taxable 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.

4 Mutual Agreement Procedure (MAP)

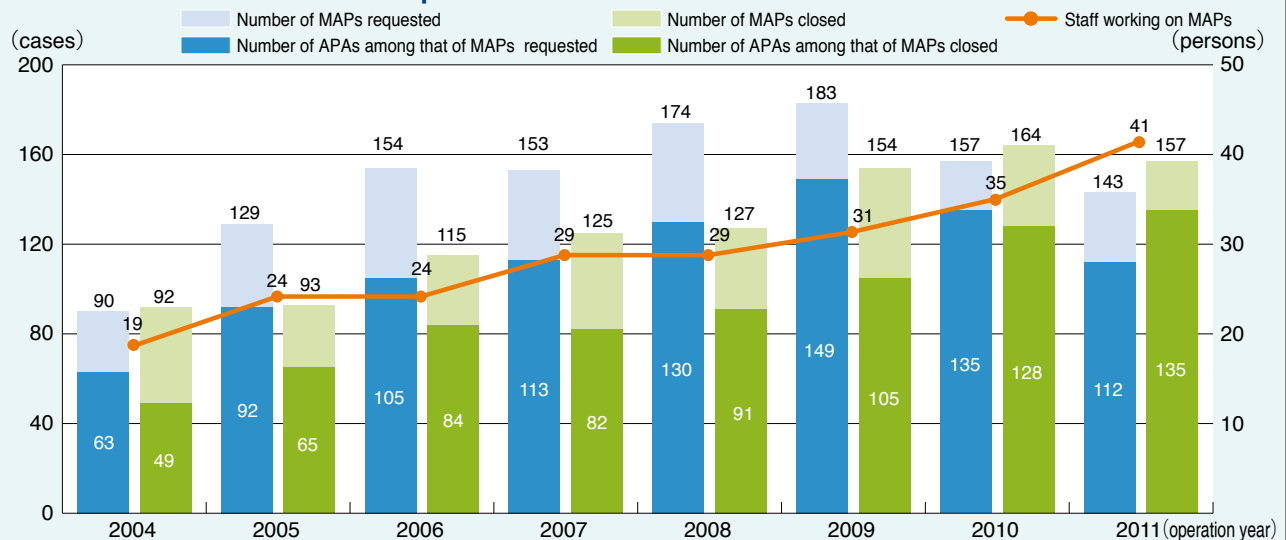
~MAP cases processed properly and promptly in order to resolve international double taxation issues~

With the globalization of the Japanese economy, where the Japanese taxpayers move in on foreign markets or foreign taxpayers do the same on the Japanese market, they may encounter the international double tax situation, in which both Japan and the foreign country impose tax on the same income. The aforementioned transfer pricing taxation is one of the major areas of the international double taxation. We exert ourselves to resolve such double taxation problems, including transfer pricing, by negotiating with foreign tax authorities through the Mutual Agreement Procedures¹ prescribed in tax treaties.

The number of MAP requests that the NTA has received and closed continues to remain at a high level. In the past two years, the number of MAP requests we have received decreased as a whole due to the decrease of APA requests. While the number of MAP cases we have closed decreased slightly as a whole, that of MAPs related to APAs recorded the highest.

The NTA has been making every effort to resolve MAP cases as appropriately and promptly as possible by enhancing staffing and making operations more efficient and effective. At the same time, we are working on more expeditions and smooth negotiations through promoting cooperative relationship with foreign tax authorities.

● The number of MAP cases requested and closed



* The number of MAP cases requested consists of both cases in which the NTA received MAP requests from taxpayers in Japan, and cases in which the NTA received MAP requests from foreign tax authorities.
MAP cases on compensating adjustments and amendments to a previously agreed APA are counted in the years when MAP requests on those particular issues are made.

■ Treaty partners with MAP cases (as of June 30 2012)

	Europe		Asia Pacific		North America	
OECD Member countries	Belgium *	Luxemburg *	Australia *		Canada *	
	Czech Republic *	The Netherlands *	South Korea *		United States *	
	Denmark	Spain				
	France *	Sweden *				
	Germany *	Switzerland *				
	Ireland *	United Kingdom *				
	Italy *					
Non-OECD countries			China *			
			India			
			Indonesia			
			Malaysia			
			Singapore *			
			Thailand *			
	13 countries		8 countries		2 countries	

(Note) Countries with active MAP cases as of June 30 2012 (23 countries). The symbols "*" indicate countries with APA cases (18 countries).

¹ "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 tax treaty.

5 Cooperation and coordination with foreign tax authorities

(1) Technical cooperation for developing countries

~Technical cooperation for developing countries mainly in Asia~

Under the framework of technical cooperation by the Japan International Cooperation Agency (JICA) etc., the NTA is actively providing technical cooperation to developing countries, focused on Asian countries. The aims are to improve tax administration of developing countries, and to foster people who understand Japan's tax administration.



International Seminar on Taxation

Overview of technical cooperation

1 Dispatch of tax officials to developing countries

Based on the requests of the foreign tax authorities, the NTA has dispatched its officials as lecturers in fields such as taxpayer services, international taxation and staff training. In fiscal 2012, officials were dispatched to give lectures, etc. to Cambodia, China, Indonesia, Malaysia, Philippines and Viet Nam, etc.

With a view to giving continuous advice on tax administration to developing countries, the NTA has dispatched tax officials in the capacity of long-term experts from JICA. In FY2012, our tax officials remain in Indonesia, Malaysia and Viet Nam.

2 Lectures and other 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, providing lectures, etc. It has 2 courses: the general course for mid-career officials, and the senior course for upper management-level officials. Adding up the number of participants in both courses, 26 tax officials participated in FY2012.

(2) Country-Focused Training Courses in Tax Administration

The courses are provided to tax officials from specified developing countries at their request. 95 tax officials from Cambodia, China, Indonesia, Malaysia, Philippines, Tanzania and Viet Nam participated in the courses in fiscal 2012.

(3) Training Course of International Taxation for Asian Countries

This course is targeted at tax officials in Asian countries on the subject of "international taxation". 11 persons from 5 countries (China, Indonesia, Philippines, Thailand and Viet Nam) participated in fiscal 2012.

(4) Practicum at the NTA

This course is targeted at tax officials from developing countries who are studying at Japanese graduate schools (master's courses) on a scholarship from the World Bank, etc., and provides lectures on Japan's tax system and tax administration. A total of 19 students studying at graduate schools of Keio University, Yokohama National University, National Graduate Institute of Policy Studies and Hitotsubashi University participated in FY2012.

● Status of training conducted in Japan

(number of countries, people)

		FY2008	FY2009	FY2010	FY2011	FY2012
International Seminar on Taxation (ISTAX) general course	Countries	18	19	18	20	15
	People	20	20	18	20	15
International Seminar on Taxation (ISTAX) senior course	Countries	10	11	14	12	11
	People	10	11	14	12	11
Country-Focused Training Courses in Tax Administration	Countries	8	8	4	6	7
	People	108	100	54	51	95
Training Course of International Taxation for Asian Countries	Countries	6	6	4	3	5
	People	12	11	9	7	11
Practicum at the NTA	Countries	10	9	12	12	12
	People	17	21	20	19	19

About the NTA

Enhancement of Services for Taxpayers

Proper Tax Examination and Collection

Remedy for Infringement of Taxpayer Rights

Proper Management of Liquor Administration

Revision of Operations and Systems

Statistics

(2) Participation by tax authorities in international conferences

~Cooperation in countries for resolution of problems on double taxation and tax avoidance~

As globalization and advanced technology 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 issues 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 Forum on Tax Administration (FTA), ② Study Group on Asian Tax Administration and Research (SGATAR), and ③ OECD Committee on Fiscal Affairs (CFA).

① OECD Forum on Tax Administration (FTA)

The OECD Forum on Tax Administration is a forum for sharing each country's knowledge and experience on a wide range of fields in tax administrations. In May 2013, the 8th Forum was held in Moscow, Russia with discussions about countermeasures against international tax avoidance utilizing cross-border transactions (offshore non-compliance), action plan on the issues of "Base Erosion and Profit Shifting (BEPS)", improvement of tax compliance of businesses, etc.

② Study Group on Asian Tax Administration and Research (SGATAR)

The Study Group on Asian Tax Administration and Research (SGATAR) is comprised of tax authorities of 16 countries and regions in Asia. This is a forum for discussions on cooperation and sharing of knowledge in the region. In November 2012, the 42nd meeting was held in Thailand, with discussions about promotion of international cooperation in the area of tax administration and common problems the countries are facing.

③ OECD Committee on Fiscal Affairs (CFA)

The OECD Committee on Fiscal Affairs is a forum where the Model Tax Convention and Transfer Pricing Guidelines are reviewed, and the tax authorities share their knowledge and experience.

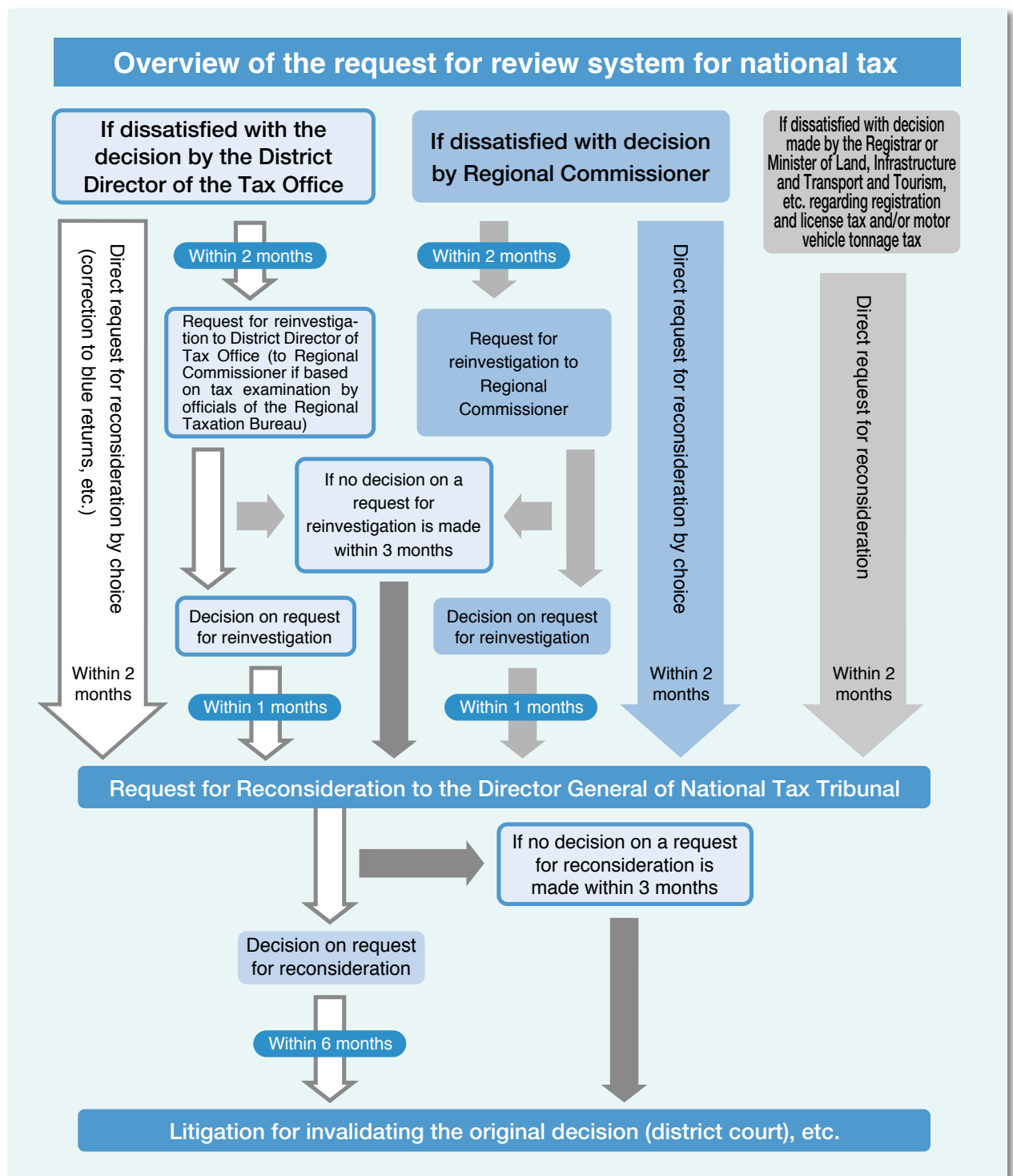
Under the CFA, working parties are organized to discuss individual themes and exchange views. The NTA has been actively participating in such activities of CFA. For further details, please refer to the NTA website "OECD Committee on Fiscal Affairs (CFA)". www.nta.go.jp/sonota/kokusai/oecd/oecd.htm

IV 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 who 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

~Simplified, prompt and appropriate remedies for infringement of taxpayer rights~

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

~Remedies for infringement of taxpayer rights by a fair third-party institution~

Taxpayers who are dissatisfied with the determination made in relation to the above request for reinvestigation are entitled to file a request for reconsideration with the Director-General of the National Tax Tribunal. The National Tax Tribunal, of which missions are to remedy the legitimate rights and interests of taxpayers, and to contribute to ensure proper operation of tax administration, makes its decisions on requests for reconsideration as a fair third party between the claimant and the District Director of the Tax Office etc. 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 claims made. It clarifies their arguments early on, for example by drafting a confirmation chart outlining the points of the dispute. 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

~Remedies by law~

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) Trend in remedies for infringement of taxpayer rights

~The NTA is working to finish processing requests for reinvestigation within 3 months and requests for reconsideration within one year in principle~

a. Request for reinvestigation

① Target

The NTA is striving to finish processing requests for reinvestigations within 3 months in principle.

② Result

In FY2012, 95.4% of requests for reinvestigation were closed within 3 months.

3,286 reinvestigations were requested in the fiscal year (2,863 in taxation and 423 in tax collection). Of these, 9.9% of taxpayer claims were approved in whole or in part due to new facts, etc.

b. Request for reconsideration

① Target

With respect to requests for reconsideration, the NTA is working to finish processing within one year in principle.

② Result

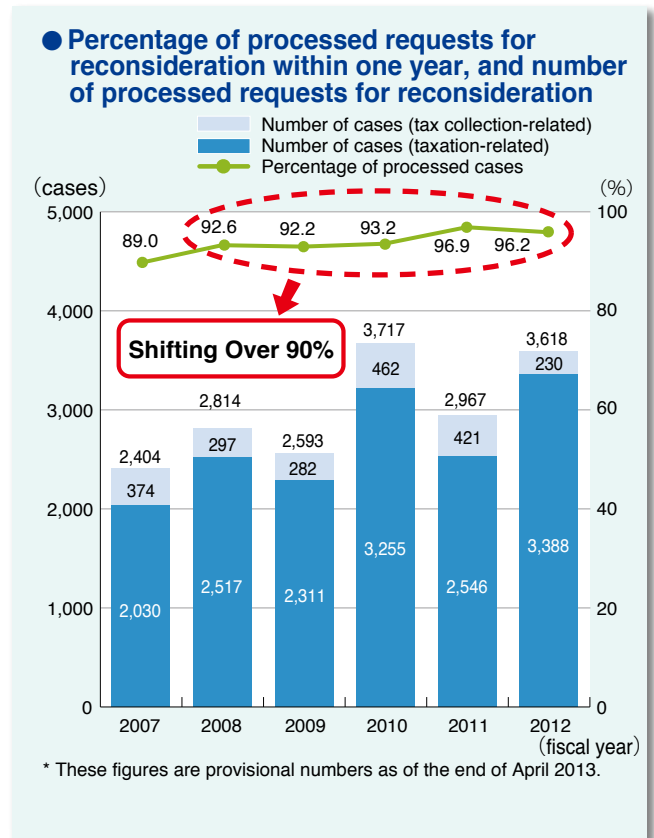
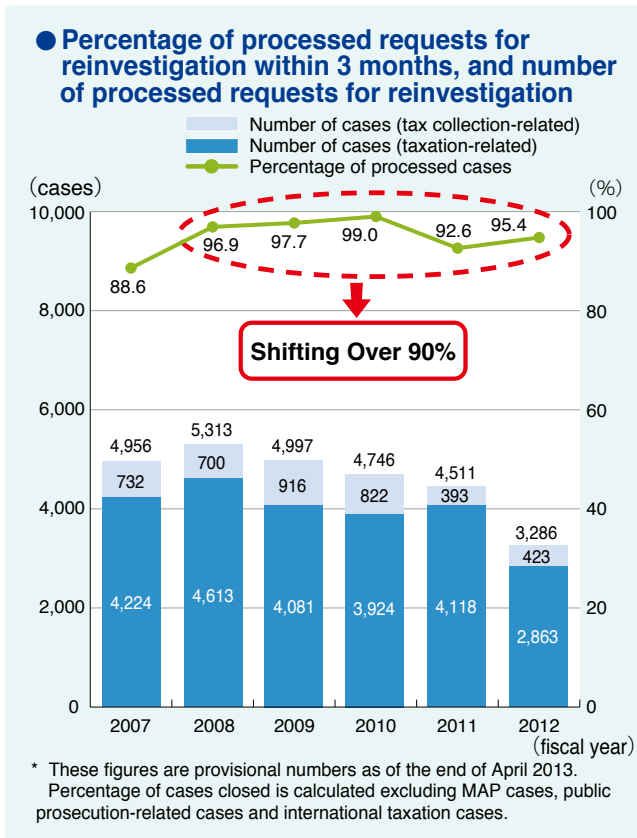
In FY2012, 96.2% of requests for reinvestigation were closed within one year.

There were 3,618 requests for reconsideration in the fiscal year (3,388 in taxation and 230 in tax collection). Of these, 12.5% of taxpayer claims were approved in whole or in part.

c. Litigation

For litigation, 383 cases were closed in FY2012 (300 in taxation, 76 in tax collection and 7 in the National Tax Tribunal). Of these, about 6.3% 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



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.

V Proper Management of Liquor Administration

~Conducted various initiatives in order to secure liquor tax revenues and achieve sound development 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 FY2011, liquor tax comprised only 3.0% (¥1,369.3 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, 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 and sale of liquor, and the NTA strives for proper operation of the system.

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 liquor industry, from a comprehensive perspective of both consumers and the industry, while considering changes in the environment faced by the liquor industry, such as the arrival of 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

~For the purpose of providing consumers with safe and good quality liquors~

The NTA works to ensure safety and enhance quality levels in all stages, from production through consumption of liquors.

Specifically, the NTA provides the liquor manufacturers and distributors with technical guidance and consultation concerning the safety of liquors, examines safety, quality and labeling of commercially sold liquor, and publishes the results for consumers on the NTA website. If liquors are not properly labeled, the NTA gives corrective guidance to the liquor business operators.

Responding to the Fukushima No.1 Nuclear Power Plant accident, the NTA is also conducting measures to ensure the safety of liquors with regard to radioactive material in alliance with the National Research Institute of Brewing, in such ways as surveying radioactive material on liquors.

National Research Institute of Brewing (NRIB)

National Research Institute of Brewing (NRIB) performs advanced analyses and appraisals of liquors required for proper and fair taxation of liquor tax, and conducts researches and studies to theoretically support its analyses and appraisals, such as researches and studies concerning the judgment of liquor items. It also conducts researches, studies, and information services contributing to the sound development of the liquor industry, such as development of ways to reduce harmful substances in liquors.

For further details, please visit the NRIB website: www.nrrib.go.jp/English/index.htm

The NRIB distributes the latest information concerning liquor information magazines and event information through its e-mail magazine. To register, please send a blank e-mail to ssn@m.nrrib.go.jp (Registration is also available with the QR code on the right).



Analysis being conducted



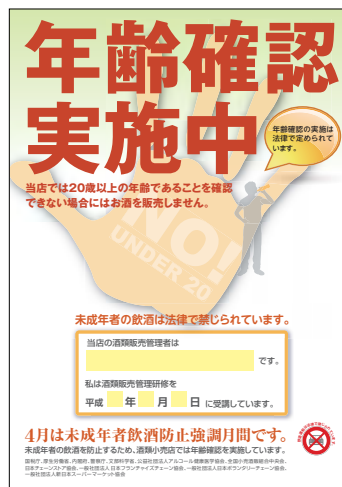
(2) Response to social demands

~To prevent improper drinking~

To respond to various problems caused by underage drinking and drunken-driving, the NTA is working to give guidance to ensure labeling on liquor containers, obligatory indication where liquor is exhibited, and appointment of liquor sales managers where liquor is sold.

~For effective use of resources such as liquor containers~

In order to ensure effective use of resources, the NTA also works to build awareness of systems, to support liquor business operators' 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

~For more fair liquor trade~

The NTA has established the Guidelines on Fair Liquor Trade and is working to build its awareness and understanding so that voluntary initiatives of liquor business operators ensure the promotion of fair trading.

The NTA also surveys actual trade practices according to the guidelines, and if it finds cases in which trading does not comply with the provided rules, it provides guidance for improvements, etc. As a result of examination, if there is suspicion of violating the Anti-Monopoly Act, it takes actions such as reporting the cases to the Fair Trade Commission (FTC) and cooperates with the FTC to take appropriate action.

(4) Providing information to liquor business operators

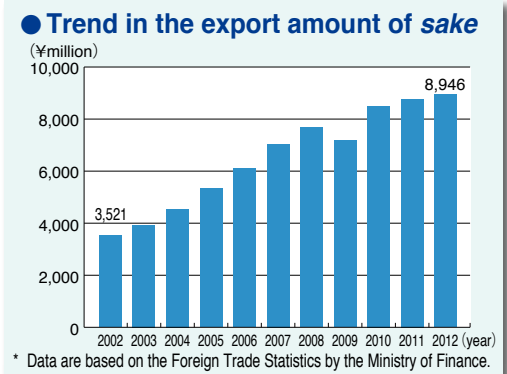
~To stimulate the liquor industry~

The NTA organizes seminars by experts on management to introduce cases of management innovation, provides information on measures for small- and medium-sized companies, and supports the establishment of local brands. It also examines and analyzes the industry trends based on various surveys conducted on manufacturers and distributors, and provides these results on the NTA website.

~Communicate Japanese attractiveness to the world through Japanese liquors~

1 Status of export of liquors

While domestic consumption of liquors tends to reduce due to the decrease of drinking population and the aging society, the export amount of Japanese liquors tends to increase these years, thanks to the Japanese food boom overseas, resulting in the record-high export amount (approximately ¥20.7 billion) in 2012. *Sake* accounted for almost the half of the export amount (approximately ¥8.9 billion). Not only major *sake* manufacturers, but also small-and medium-sized manufactures in various regions of Japan export *sake*.



2 Approaches to development of export environment

As well as developing the liquor industry, the expansion of export of Japanese liquors is expected to bring spillover effects to related industries such as agriculture, food and liquor vessels, introduce the traditional Japanese culture to the world and stimulate the regional economies through the promotion of sightseeing tour centering on visiting *sake* breweries, which may lead to the development of Japanese economy. From such viewpoints, development of export environment of Japanese liquors is positioned as a part of “Cool Japan Strategy” which means to elevate the brand value of Japan by introducing the attractiveness of Japan to the world. Based on the recognition, “Liaison Conference for Export Promotion of Japanese Liquors” by relevant ministries was established in March 2013 to facilitate the coordinated approaches by the ministries. The NTA is taking the following initiatives:

(1) Efforts for abolishment and mitigation of trade barriers

Where the regulations or systems of the export destinations are the barriers, the NTA is making efforts to remove such trade barriers by utilizing the government-level talks for the Economic Partnership Agreement (EPA) or the framework of World Trade Organization (WTO).

Also, with the accident of Fukushima No.1 Nuclear Power Plant by the Great East Japan Earthquake, some export destinations are imposing import restrictions, such as the import ban or obligatory attachment of certificates to liquors made in specific prefectures. The NTA is urging them to lift or mitigate the restrictions in cooperation with the Ministry of Foreign Affairs. In such occasions, the NTA is utilizing the results of radioactivity analyses and studies conducted in cooperation with the National Research Institute of Brewing. As the result, for example, EU totally lifted their restrictions on Japanese liquors in October 2012.

(2) Efforts for introduction of Japanese liquors to the world

In order to effectively present the attractiveness of Japanese liquors to the world, the NTA is taking various occasions to make the following approaches:

In order to enhance the recognition of Japanese liquors overseas, the NTA supports to serve Japanese liquors with cooperation of related industry organizations at various events, including international conferences held overseas (for example, an event of Project for Global Promotion of Japanese Food and Food Culture held at the Embassy of Japan in Russia in May 2013).



An event of the Project for Global Promotion of Japanese Food and Food Culture held at the Japanese Embassy in Russia

Furthermore, since diplomatic establishments abroad are important windows to Japan, the NTA is dispatching its officials as lecturers to seminars on Japanese liquors held at the Ministry of Foreign Affairs as a part of training of new ambassadors who are going to take posts abroad.

(3) Efforts in various regions

In addition to the efforts by the headquarter of the NTA, the Regional Taxation Bureaus, aiming at smooth export of liquor, strengthen cooperation with regional branch offices of various ministries, local governments, and the Japan External Trade Organization (JETRO), and shares export-related information with them. They also organize seminars taking into account the needs of related industry organizations to improve their export environment.

About the NTA

Enhancement of Services for Taxpayers

Proper Tax Examination and Collection

Remedy for Infringement of Taxpayer Rights

Proper Management of Liquor Administration

Revision of Operations and Systems

Statistics

VI Revision of Operations and Systems

~Promotion of administrative work efficiencies using ICT~

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

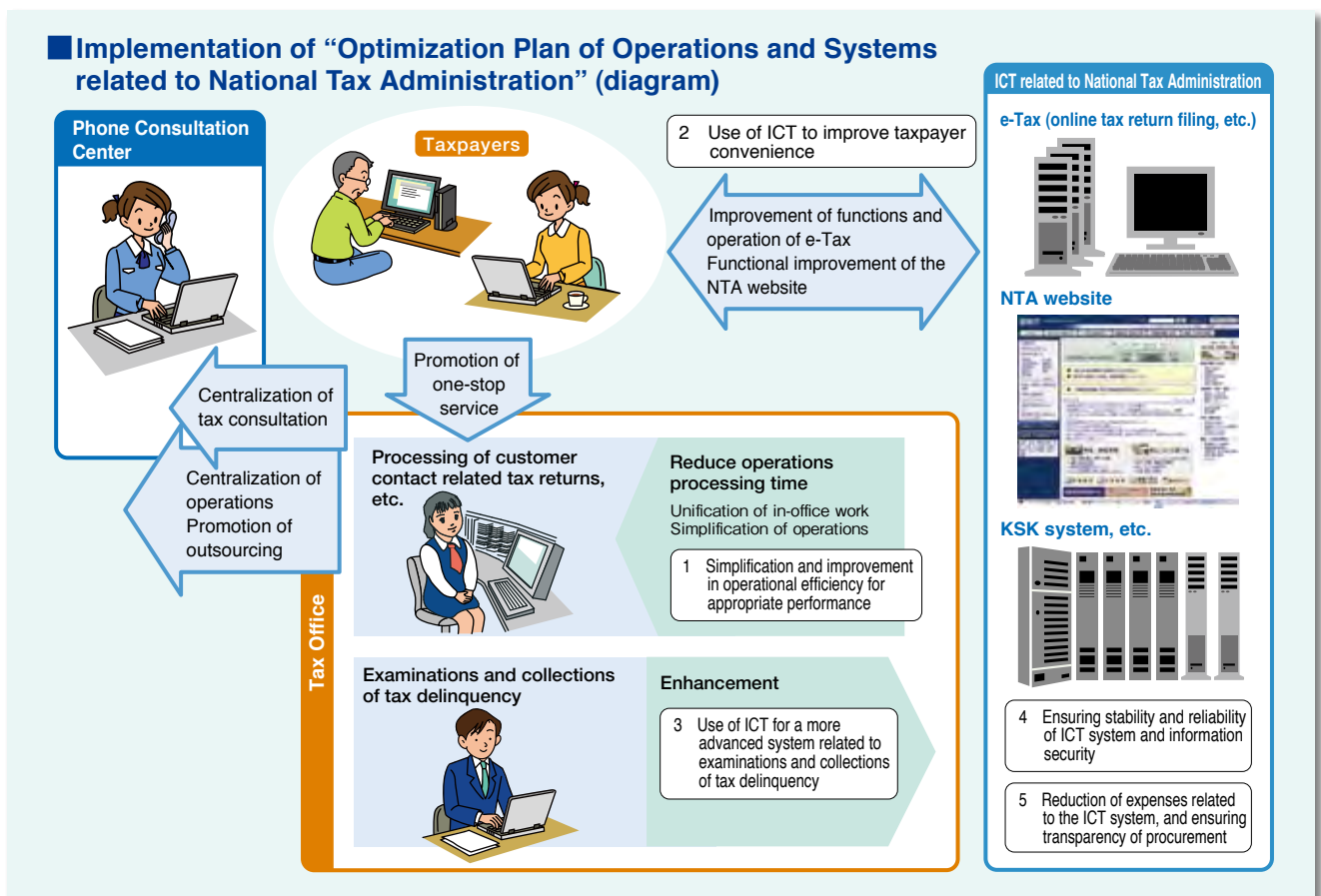
For implementing various measures, ministries and agencies created a medium term plan to optimize operations and ICT systems aiming at overall optimization, and are working according to that plan.

~Promotion for optimization of operations and systems~

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 ICT, ③ Sophistication of the system related to examinations and collections of tax delinquency through the utilization of ICT, ④ Ensuring stability and reliability of ICT system and information security, and ⑤ Reduction of ICT system 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 in March 2006 (revised in February 2012) and has worked on optimization of operations and systems in accordance with this plan.

In fiscal 2011, the NTA moved towards turning the KSK System into open systems¹ and integrating the equipment for e-Tax, which resulted in reduction of expenses of approximately ¥9.9 billion.

By completing all the measures mentioned in the optimization plan, we estimate annual reduction of approximately ¥17.3 billion in costs, and approximately 137,000 man-days in total operation processing time.



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 ICT system and information security

Because the national tax-related operations are closely connected to public rights and obligations, failure in its ICT 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 ICT systems related to national taxes by regularly updating ICT equipment.

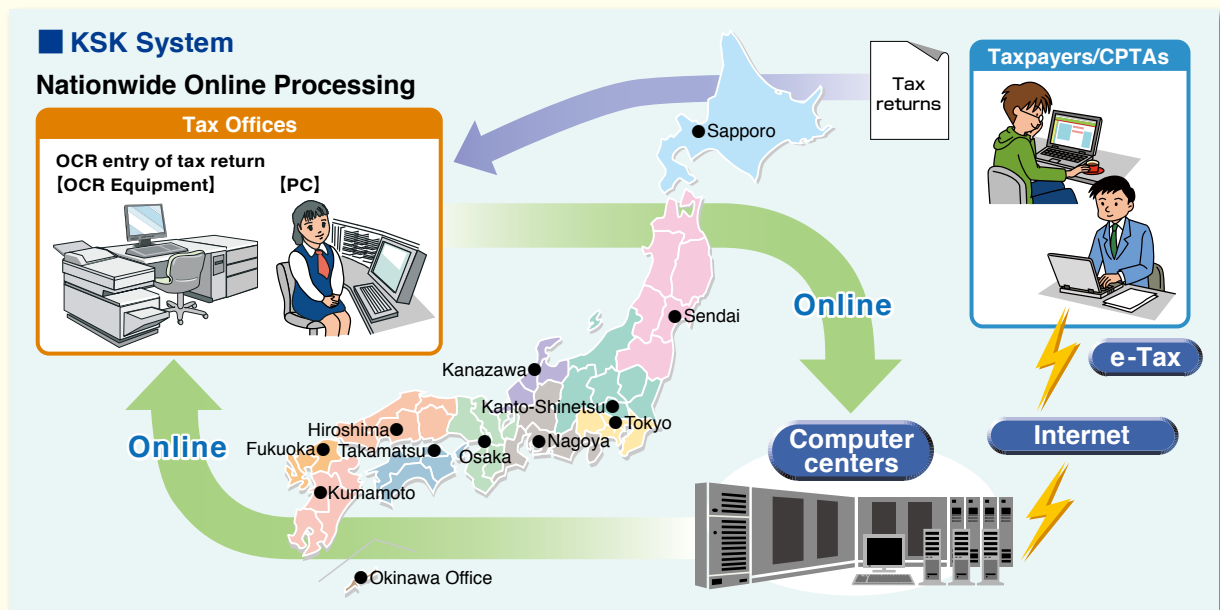
Since ICT systems related to national taxes holds and accumulates a large amount of taxpayer information, the NTA takes great care for prevention of their improper use and leakage. Therefore, the NTA has allowed the officials to use only necessary information for work, has decided instructions on information security and has made efforts to keep everyone informed about the instructions. The NTA further conducts security audit regularly and takes necessary measures to ensure the information security.

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 and 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 sense of mission.

Kokuzei Sogo Kanri (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 (ISMS) is an organizational initiative to implement 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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※ The time period of figures is indicated in its title or at the top right of individual tables.

The fiscal year is from April 1 through March 31 of the following year (i.e. fiscal year 2012: April 1, 2012 to March 31, 2013), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2011: July 1, 2011 to June 30, 2012). The calendar year ranges from January 1 through December 31 of the same year for which income tax and other 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

Budget and final accounts of taxes and stamp revenues for fiscal year 2011

	Item	Budget after correction	Actual
General Account		Million yen	Million yen
	Withholding income tax	10,989,000	11,010,764
	Self-assessed income tax	2,411,000	2,465,427
	Corporation tax	8,807,000	9,351,426
	Inheritance tax	1,423,000	1,474,381
	Consumption tax	10,199,000	10,194,597
	Liquor tax	1,348,000	1,369,318
	Tobacco tax	994,000	1,031,547
	Gasoline tax	2,634,000	2,648,399
	Liquefied petroleum gas tax	12,000	11,301
	Aviation fuel tax	46,000	46,247
	Petroleum and coal tax	512,000	519,103
	Power resources development promotion tax	346,000	331,379
	Motor vehicle tonnage tax	428,000	447,754
	Customs duty	815,000	874,227
	Tonnage due	9,000	9,681
	Other ※	—	177
	Stamp revenue	1,057,000	1,046,873
	Subtotal	42,030,000	42,832,602
		Local gasoline tax	281,800
	Liquefied petroleum gas tax (transferred)	12,000	11,301
	Aviation fuel tax (transferred)	13,100	13,213
	Motor vehicle tonnage tax (transferred)	293,800	307,312
	Special tonnage due	11,300	12,101
	Special local corporation tax	1,565,700	1,555,957
	Special tobacco tax	153,700	159,542
	Total	44,361,400	45,175,396

※ "Other" includes collection of delinquent tax, such as the commodity tax and land value tax, etc.

NTA initial budget for fiscal year 2013

	Item	Budget
General Expenditures		Million yen
	ICT-related expenses	40,366
	Expenses to improve convenience for taxpayers*1	9,585
	Expenses related to internationalization measures	908
	General operating expenses, etc.*2	57,456
	Expenses to improve work environment and ensure safety*3	8,891
	Expenses related to tax reforms	7,252
	Expenses for National Tax College	2,372
	Expenses for National Tax Tribunal	339
	Expenses for National Research Institute of Brewing	965
	Costs of recovery and reconstruction from the Great East Japan Earthquake	322
	Costs transferred to the Great East Japan Earthquake Special Account	322
	Common number system related costs	717
Subtotal	129,495	
Salary costs	540,667	
Total NTA budget*4	670,162	
	Of those	322

※1 "Expenses to improve convenience for taxpayers" includes expenses related to maintenance of the e-Tax and the filing assistance on the NTA website.

※2 "General operating expenses, etc." includes expenses for tax forms and correspondence, wage expenses for part-timers, travel expenses, honoraria for hired bookkeeping instructors, and PR expenses.

※3 "Expenses to improve work environment and ensure safety" includes expenses to improve facilities and health care.

※4 The details of "Total NTA budget" show "Cost of recovery and reconstruction from the Great East Japan Earthquake" as recorded in the special-account spending on reconstruction from the Great East Japan Earthquake.

Tax returns and taxation

Income tax

(Calendar year 2012)

		Thousand people
Total population		127,800
Number of persons engaged		62,440
Number of final returns for income tax		21,520
Refund		12,570
Tax payment		6,090
Breakdown by income earners	Business income earners	1,590
	Other income earners	4,500
	Real estate income earners	1,070
	Employment income earners	2,320
	Miscellaneous income earners	860
	Other	250

※ "Total population" and "Number of persons engaged" are figures as of 2011.

Withholding agents and withholding income tax

(Operation year 2011)

Income etc. category	Number of withholding agents	Amount of tax
	Thousands	Million yen
Employment income (wages and salaries)	3,584	9,025,100
Retirement income	—	230,100
Interest income, etc.	41	455,300
Dividend income	127	1,676,900
Capital gains on listed shares etc. kept in special account	11	39,000
Income from remuneration, etc.	2,849	1,152,700
Income paid to non-residents and foreign corporations, etc.	24	262,300
Total	—	12,841,400

※ The figures of withholding agents are figures as of the end of June 2012.

Number of corporations and corporation tax

(Operation year 2011)

Number of corporations	2,977Thousands
Number of tax returns filed	2,763Thousands
Percentage of corporations filing	89.6%
Percentage of returns declaring a surplus	25.9%
Amount of self-assessed income	37,288,300Million yen
Amount of self-assessed loss	21,734,300Million yen
Amount of tax	9,535,200Million yen

※ The number of corporations is the figure as of the end of June 2012.

Inheritance tax

(Calendar year 2011)

Number of deceased	1,253,066People
Number of deceased subject to taxation	51,559People
Number of taxpayers (number of heirs)	146,270People
Taxable amount	10,746,800Million yen
Amount of tax	1,251,600Million yen

Gift tax

(Calendar year 2011)

Number of people subject to taxation	340,243People
Value of properties acquired	1,624,800Million yen
Amount of tax	136,200Million yen

※ Figures include the taxation system for settlement at the time of inheritance.

Consumption tax

(Fiscal year 2011)

		Payment	Refund
		Thousand cases	Thousand cases
Number of tax returns	Individuals	1,199	33
	Corporations	1,867	110
	Total	3,066	143
Amount of tax		9,303,900Million yen	2,019,000Million yen

Liquor tax and liquor production

(Fiscal year 2011)

Type	Volume of production	Amount of tax
	Thousand kℓ	Million yen
<i>Sake</i>	440	69,512
<i>Sake compounds</i>	41	4,112
Continuous distillation Japanese spirit (<i>Shochu</i>)	410	91,961
Single system distillation Japanese spirit (<i>Shochu</i>)	471	121,421
<i>Mirin</i> (rice cooking wine)	97	2,054
Beer	2,895	619,610
Fruit wine	80	7,467
Sweet fruit wine	4	498
Whisky	80	29,408
Brandy	5	1,999
Sparkling liquor	773	113,835
Alcohol for material & Spirits	303	25,217
Liqueurs	1,838	149,324
Other brewed liquors	699	57,446
Powder liquor & miscellaneous liquor		
Total	8,137	1,293,864

Tax examinations

Examination of self-assessed income tax

(Operation year 2011)

Category	Number of cases	Amount of unrecorded income		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Field examination	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
Special, General ^{※1}	58	486.7	8,410	83.0	1,430
Focusing ^{※2}	41	101.5	2,490	6.3	160
Brief contact ^{※3}	676	371.1	550	26.8	40
Total	774	959.2	1,240	116.2	150

※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 unrecorded income, etc.

※3 "Brief contact" means correction etc. of tax returns through telephone call or request for coming to tax office.

Examination of withholding income tax

(Operation year 2011)

Number of cases examined	Number of illegal cases	Additional tax revenue collected
Thousands	Thousands	Billion yen
174	46	33.6

Field examination of corporation tax

(Operation year 2011)

Category	Number of cases	Amount of unrecorded income		Additional tax revenue collected
		Per case	Per case	
All corporations	Thousands	Billion yen	Thousand yen	Billion yen
	129	1,174.9	9,140	217.5
Of which, corporations handled by the large enterprise examination department	3	522.3	155,590	94.1

Examination of consumption tax

(Operation year 2011)

Category	Number of cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	Per case
	Thousands	Thousands	Billion yen	Thousand yen
Individuals	99	67	24.6	250
Corporations	120	66	45.8	380

Field examination of inheritance tax

(Operation year 2011)

Number of cases	Number of undeclared cases	Amount of unrecorded inheritance		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
14	11	399.3	28,960	75.7	5,490

Collected number of statutory information

(Operation year 2011)

Name of statutory information	Number collected
	Thousands
Payment record of dividends, distribution of surplus, and interest paid on guaranty capital	69,008
Annual transaction report of special account	57,573
Payment record concerning transactions of futures	39,907
Withholding record of public pensions, etc.	36,488
Withholding record of employment income	19,179
Payment record of remuneration, fees, contracts and prize money	19,038
Record of remittance and receipt related to foreign countries	5,166
Other	60,315
Total	306,644

International taxation

Fraudulent income through overseas transactions

(Operation year 2011)

Number of examinations of corporations conducting overseas transactions	15,247Cases
Number of undeclared cases related to overseas transactions	3,666Cases
Of which, cases of overseas fraudulent calculations	606Cases
Amount of undeclared income related to overseas transactions	287.8Billion yen
Of which, amount of overseas fraudulently omitted income	18.8Billion yen

Transfer pricing taxation

(Operation year 2011)

Number of taxation cases	182Cases
Amount of taxable income	83.7Billion yen

Cases of advance pricing arrangement related to transfer pricing

(Operation year 2011)

Number of cases requested	103Cases
Number of cases processed	101Cases

Delinquency

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

(As of the end of fiscal year 2012)

Industry	Number of persons		Amount of tax	
	People	%	Million yen	%
Manufacturing	38	3.8	7,619	2.7
Distribution	64	6.3	18,446	6.5
Real estate & construction	273	27.1	68,932	24.2
Food & beverage	68	6.7	11,351	4.0
Financial	23	2.3	12,382	4.3
Other industries ^{※1}	324	32.1	83,043	29.1
Other ^{※2}	219	21.7	83,366	29.2
Total	1,009	100.0	285,139	100.0

※1 "Other industries" refers to hospitals (doctors), service industry, leisure industry, etc.

※2 "Other" refers to wage earners, pensioners, etc.

Criminal investigation

Criminal investigations

(Fiscal year 2012)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (filed accusation to the prosecutor)	
			Per case	Per case	Per case	Per case
Cases	Cases	Cases	Million yen	Million yen	Million yen	Million yen
190	191	129	20,500	107	17,500	135

Large-scale cases

(Fiscal year 2012)

Number of cases with accusation filed to the prosecutor	Cases of 300 million yen or more tax evasion	Cases of 500 million yen or more tax evasion
Cases	Cases	Cases
129	11	3

Filed accusations to the prosecutor, by tax item

(Fiscal year 2012)

Tax item	Number of cases	Tax evasion	
		Per case	Per case
	Cases	Million yen	Million yen
Income tax	22	2,900	131
Corporation tax	79	10,100	128
Inheritance tax	10	2,200	225
Consumption tax	12	1,500	123
Withholding income tax	6	800	129
Total	129	17,500	135

Remedy for infringement of taxpayer rights

Request for reinvestigation

(Fiscal year 2011)

Category	Number of requests for reinvestigation	Number of new requests for reinvestigation ①	Number of cases processed ②	Number of requests approved ③	Percentage ③/②
	Cases	Cases	Cases	Cases	%
Taxation-related	4,716	3,395	4,118	373	9.1
Collection-related	473	408	393	2	0.5
Total	5,189	3,803	4,511	375	8.3

Request for reconsideration

(Fiscal year 2011)

Category	Number of requests for reconsideration	Number of new requests for reconsideration ①	Number of cases processed ②	Number of requests approved ③	Percentage ③/②
	Cases	Cases	Cases	Cases	%
Taxation-related	5,238	3,278	2,546	403	15.8
Collection-related	537	303	421	1	0.2
Total	5,775	3,581	2,967	404	13.6

Litigation

(Fiscal year 2011)

Category	Number of litigations	Number of cases filed for first instance ①	Number of cases closed ②	Number of lost cases and partial defeats ③	Percentage ③/②
	Cases	Cases	Cases	Cases	%
Taxation-related	634	162	311	48	15.4
Collection-related	118	49	63	3	4.8
National Tax Tribunal-related	8	5	6	—	—
Total	760	216	380	51	13.4

※ The figures for cases for litigation are the total numbers for each level of trial.

Tax consultations

The five tax items most frequently the subject of consultation

(Phone Consultation Centers) (Fiscal year 2012)

Rank	Tax category	Items	Thousand cases
1	Income tax	Obligations & procedures to file tax returns, etc.	429
2	Income tax	Special credit for loans relating to a dwelling	279
3	Income tax	Year-end adjustment	244
4	Income tax	Medical expenses deduction	239
5	Income tax	Filing returns for refund	159

Number of consultations at Phone Consultation Centers, by tax category

(Fiscal year 2012)

Number of consultations at Phone Consultation Centers, by tax category	Thousand cases
Income tax	2,650
Corporation tax	258
Property tax	874
Consumption tax	134
Other indirect taxes	164
General rules, collections	252
Other	674
Total	5,006

(Tax Answer System) (Fiscal year 2012)

Rank	Tax category	Items	Thousand cases
1	Income tax	When have paid medical expenses (medical expenses deduction)	2,260
2	Income tax	Tax rate of income tax	1,813
3	Income tax	Medical expenses eligible for medical expenses deduction	1,147
4	Income tax	Exemption for dependents	1,065
5	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	975

Taxpayer satisfaction

(Fiscal year 2011)

Items	Percentage of Responses Highly Rated
	%
Attitude of officials in providing services	85.2
Satisfaction with guidance display in Tax Office, and use of reception & service	78.3
Satisfaction with use of facilities in Tax Office	67.7
PR activities	75.2
Activities to collect public opinions	92.6
Satisfaction level at Phone Consultation Center	94.4

※ The percentage of responses highly rated shows responses rated as "good" and "somewhat good" on a five point scale from "good" to "bad" in the questionnaire survey.



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