

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

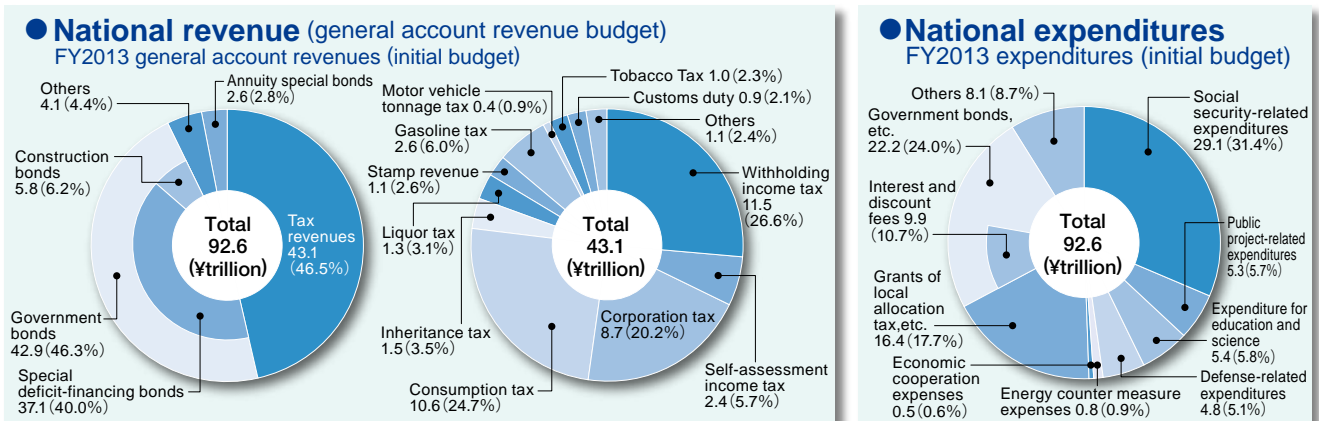
- To gain the people's understanding and trust, provide easily understood information on the NTA's creation and implementation of effective plans for issues the national tax authorities should work on, about policy initiatives and various measures, and on evaluations and verifications of results of their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

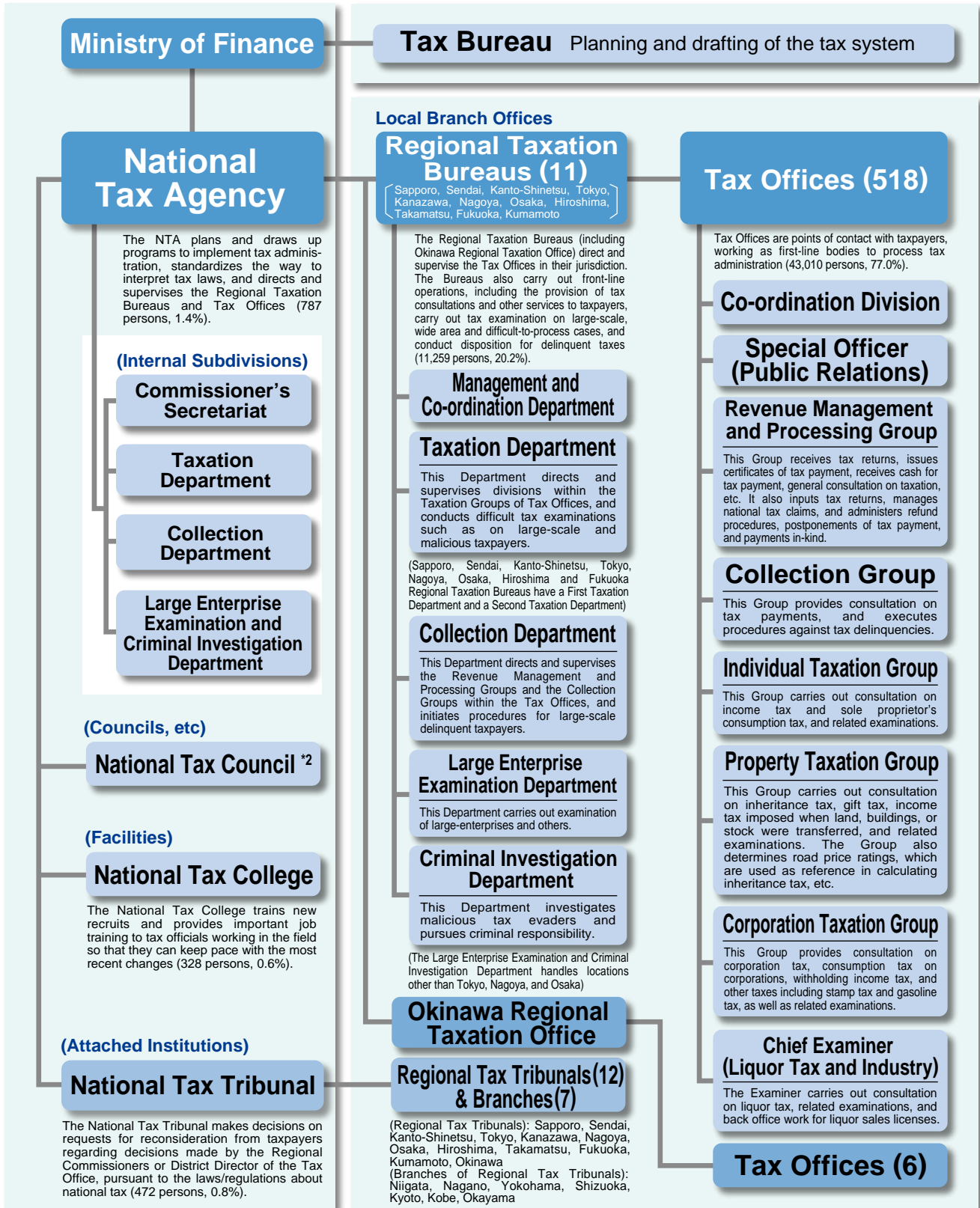
④ This shows the number of submissions of Notification of Opting to Taxable Status for Consumption Tax. The figure in fiscal 2013 shows the figure as of March-end 2013.

(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.