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) and filing assistance on the NTA website.

Especially the use of e-Tax is steadily expanding with the measures taken for the improvement of user convenience, including omission of certain attached documents to be submitted, and the support of the parties concerned.

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.

Particularly in order to cope with international tax avoidance cases, we utilize the statement of foreign assets that were submitted after January 2014 and promote international information exchange based on tax treaties for transactions whose facts cannot be fully understood with information obtained in Japan. We are also taking measures to encourage large enterprises to enhance their corporate governance in tax administration.

Regarding the consumption tax rise, we provide information, consultation and guidance to enable business operators to properly make filings and payments with full understanding of the consumption tax system and the content of amendment.
We are also taking measures properly in cooperation with relevant ministries to provide consultation on special provisions for the obligation to indicate the total price with tax and the refusal of shifting consumption taxes.

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

To gain taxpayers’ understanding of various measures taken by the NTA, 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 2014” 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 2014

Nobumitsu Hayashi
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 2013: April 1, 2013 to March 31, 2014), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2012: July 1, 2012 to June 30, 2013).
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).
### 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 Act for Establishment of the Ministry of Finance, 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,
      1. Properly apply the relevant laws and regulations.
      2. Work to achieve proper tax filing, and reliably correct errors by conducting examinations and guidance for people who filed improper returns.
      3. 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. Improve services, so taxpayers can do “simple, convenient and smooth” filing and payment
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., so taxpayers make correct tax filing and payment 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 pricing tax system, 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 and establishment 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 and remedy for taxpayer rights

- 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.

Achieve proper and speedy processing of a request for review, which plays an important role in securing the execution of proper tax administration, as well as develop environment for more user-friendly request for review system.

(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 actual trade practices 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 2014 stands at ¥95,882.3 billion, of which ¥50,001 billion is from taxes and stamp revenues. Deducting from them customs tax revenues and stamp revenues from Japan Post Holdings Co., Ltd., leaves ¥42,379.5 billion (about 85%) as national tax revenues.

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

(2) NTA budget and number of personnel

The NTA budget (initial) in fiscal 2014 stands at ¥708.6 billion, and general expenses excluding salary cost amount to ¥143.3 billion. As for general expenses, priorities are placed on Kokuzei Sogo Kanri (KSK) System (hereinafter called “KSK system”). See page 53 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 55,790 in fiscal 2014.

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.
The NTA supervises 12 Regional Taxation Bureaus throughout Japan (including Okinawa Regional Taxation Office) and 524 Tax Offices throughout Japan to process tax administration.\(^1\)

### (3) Organizational structure of administrative authorities for national tax

**National Tax Agency**

The NTA plans and draws up programs to implement tax administration, standardizes the way to interpret tax laws, and directs and supervises the Regional Taxation Bureaus and Tax Offices (818 persons, 1.5%).

**Ministry of Finance**

**Tax Bureau**

Planning and drafting of the tax system

**Regional Taxation Bureaus (12)**

- The Regional Taxation Bureaus (including Okinawa Regional Taxation Office) direct and supervise the Tax Offices in their jurisdiction. The Bureaus also carry out front-line operations, including the provision of tax consultations and other services to taxpayers, carry out tax examination on large-scale, wide area and difficult-to-process cases, and conduct disposition for delinquent taxes (11,009 persons, 20.6%).

**Tax Offices (524)**

Tax Offices are points of contact with taxpayers, working as first-line bodies to process tax administration (42,666 persons, 78.5%).

**Internal Subdivisions**

- **Commissioner’s Secretariat**
- **Taxation Department**
- **Collection Department**
- **Large Enterprise Examination and Criminal Investigation Department**

**Local Branch Offices**

- **Commissioner**
- **Secretariat**
- **Taxation Department**
- **Collection Department**
- **Large Enterprise Examination and Criminal Investigation Department**

**Facilities**

- **National Tax Council**
- **National Tax College**

**Attached Institutions**

- **National Tax Tribunal**

**Councils, etc.**

The National Tax Tribunal makes decisions on requests for reconsideration from taxpayers regarding decisions made by the Regional Commissioners or District Director of the Tax Office, pursuant to the laws/regulations about national tax (472 persons, 0.8%).

**Internal Subdivisions**

- **Commissioner’s Secretariat**
- **Taxation Department**
- **Collection Department**
- **Large Enterprise Examination and Criminal Investigation Department**

**Co-ordination Division**

Special Officer (Public Relations)

Revenue Management and Processing Group

This Group receives tax returns, issues certificates of tax payment, receives cash for tax payment, general consultation on taxation, etc. It also inputs tax returns, manages national tax claims, and administers refund procedures, postponements of tax payment, and payments in-kind.

Collection Group

Individual Taxation Group

Property Taxation Group

Corporation Taxation Group

Chief Examiner (Liquor Tax and Industry)

1. The headcount and percentage indicated in each department represents the prescribed number of personnel in fiscal 2014, and its percentage of the overall number of personnel in the NTA (as of the end of May 2014).

2. The National Tax Council addresses the following: ① deliberation on matters requested by the NTA Commissioner and the Director-General of the National Tax Tribunal, 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.
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 166,410,000 times in fiscal 2013), 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 inquires 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.

The NTA also has a website for cellular phones, etc. (http://www.nta.go.jp/m), which you can access through a cellular phone or smart phone.
(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 needs to be provided continuously in stages in basic school education and 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/index.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)

<table>
<thead>
<tr>
<th>Number of lecturers dispatched to Tax Education Class, etc.</th>
<th>Fiscal year</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officials</td>
<td>8,199</td>
<td>8,551</td>
<td></td>
</tr>
<tr>
<td>Non-officials</td>
<td>15,031</td>
<td>17,542</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>23,230</td>
<td>26,093</td>
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</tbody>
</table>

* The number for 2012 includes the number of lecturers dispatched to universities and vocational schools.

<table>
<thead>
<tr>
<th>Number of essays entered for Tax Essay Contest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year</td>
</tr>
<tr>
<td>Received from high-school students</td>
</tr>
<tr>
<td>Received from junior high-school students</td>
</tr>
</tbody>
</table>
(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.

(4) Advance inquiries

~ Enhanced predictability for taxpayers ~

In case taxpayers have some doubts regarding tax treatment of any transaction conducted or to be conducted, Tax Offices receive advance inquiries as a part of taxpayer services, and the inquiries and answers that can serve as reference for other taxpayers are disclosed as Q&As on the NTA website in order to help other taxpayers to make filing.

In advance inquiries, a written answer may be provided under certain conditions, if so requested, and the NTA also discloses such inquiries and answers on the NTA website in order to help other taxpayers to improve predictability.

Examples of answers provided in writing

- Handling of income tax on daily allowance paid to sailors on board
- Handling of expenses incurred for the installation of ballast water treatment apparatus

<table>
<thead>
<tr>
<th>Frequency of briefings and number of participants</th>
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<tbody>
<tr>
<td><strong>Operation year</strong></td>
</tr>
<tr>
<td><strong>Frequency held</strong></td>
</tr>
<tr>
<td><strong>Number of participants</strong></td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Number of Advance Inquiries received by written reply procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal year</strong></td>
</tr>
<tr>
<td>Number of Advance Inquiries Received</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Q&amp;A examples posted on website</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal year</strong></td>
</tr>
<tr>
<td>Number of Q&amp;A posted</td>
</tr>
</tbody>
</table>
(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 Answer," 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

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

e-Tax enables users to file income tax and special income tax for reconstruction, corporation tax, consumption tax, gift tax, stamp tax and liquor 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.

In order to encourage and stabilize the use of e-Tax, the NTA has shortened tax refund period for filings made via e-Tax, enabled the submission of a certain attachment documents such as medical receipts by individuals to claim medical deduction to be omitted² and enabled digital signature by the taxpayers to be omitted in cases where CPTAs file returns online on behalf of the taxpayers.

¹ Pay-easy is a service where taxpayers can pay taxes, public utility charges and other charges through PCs, cellular phones or ATMs without queuing at the counters of financial institutions or 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.
The NTA has also promoted various measures which have been incorporated in the "Business Process Reengineering Plan" (revised in March and September 2013) of NTA which was established in May 2012 based on the "New Plan for the Utilization of Online" which was decided in August 2011.

In fiscal 2013, we continued to work in the same areas as in fiscal 2012, such as the provision of 24-hour service to receive final income tax returns, extension of business hours on weekdays, and omission of digital signature when requesting a tax payment certificate online and receiving it at the counters of Tax Offices, as well as reviewed the tax refund period of filings made via e-Tax.

Based on the "Declaration to be the World's Most Advanced IT Nation" which was decided on June 2013, the "Policy for the Improvement of Convenience of Online Procedures" (hereinafter the "Improvement Policy") was decided in April 2014 to promote measures for the improvement of online procedures in consideration of user needs.

The NTA will make an "Improvement Action Plan" based on the Improvement Policy and implement various measures for wider use and establishment of e-Tax as well as work for the improvement of taxpayer convenience and more efficient administration in a planned manner.

### Actual values, etc. of performance criteria of "Business Process Reengineering Plan"

<table>
<thead>
<tr>
<th>Criteria of Performance</th>
<th>Baseline (Actual result of FY2010)</th>
<th>Results (FY2011)</th>
<th>Results (FY2012)</th>
<th>Target (FY2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria relating to improved user convenience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e-Tax user satisfaction</td>
<td>66.4%</td>
<td>68.0%</td>
<td>70.6%</td>
<td>70%</td>
</tr>
<tr>
<td>User satisfaction of the &quot;filing assistance on the NTA website.&quot;</td>
<td>80.1%</td>
<td>80.1%</td>
<td>81.3%</td>
<td>85%</td>
</tr>
<tr>
<td>Criteria relating to efficiency of administrative management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per application received online</td>
<td>¥581</td>
<td>¥508</td>
<td>¥473</td>
<td>Decrease from the previous year</td>
</tr>
<tr>
<td>Paperwork processing time</td>
<td>99,729 hours (Actual result of FY2011)</td>
<td>99,729 hours</td>
<td>102,860 hours</td>
<td>Increase from the previous year</td>
</tr>
<tr>
<td>Percentage of online use, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of online use</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 procedures which depend on prevalence rate, etc. of the Public Certification Service for Individuals</td>
<td>41.1%</td>
<td>44.2%</td>
<td>46.9%</td>
<td>50%</td>
</tr>
<tr>
<td>12 procedures other than above</td>
<td>70.1%</td>
<td>73.1%</td>
<td>75.7%</td>
<td>76%</td>
</tr>
<tr>
<td>Utilization rate of ICT</td>
<td>57.3%</td>
<td>61.9%</td>
<td>65.5%</td>
<td>65%</td>
</tr>
</tbody>
</table>

The number of utilization of e-Tax increases steadily.
3 Filing for tax return

~ The number of taxpayers who filed tax returns totaled 21.43 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 and special income tax for reconstruction refund, for example because they paid large medical bills. 21.43 million people filed their income taxes and special income taxes for reconstruction for 2013, thus one out of five residents filed taxes. Of these, over 12.4 million people filed for refunds, comprising over half of people filing income tax and special income tax for reconstruction 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.

(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.

### Trend of individual tax return filers

Since 1999, the number of taxpayers who filed tax returns totaled to over 20 million (one fifth of Japan’s population).

### Filers who used ICT to file an income tax return

The users of ICT increased 1.2 times in 4 years.
~ Income tax and special income tax for reconstruction returns prepared at the “filing assistance on the NTA website” totaled 8.52 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 and special income tax for reconstruction, consumption tax and local consumption tax for private business operators, 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 2013, the number of people who submitted income tax and special income tax for reconstruction returns prepared with filing assistance on the NTA website reached 8.52 million cases including those prepared via PCs set up at consultation sites. This comprised over 40% of all people who submitted returns. About 61% 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](chart)

* 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.

(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 Offices and at joint meeting sites outside the Tax Offices.

For the 2013 tax return filing period, the offices were open on February 23 and March 2, 2014, during which 283,000 income tax and special income tax for reconstruction 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 as an initiative for much more efficient national and local tax operations, income tax filing data and other data are mutually provided between national government and 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 through 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 2014, 74,501 persons are registered as CPTAs, and 2,748 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 violation of the Certified Public Tax Accountant Act by CPTAs etc. 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).

~ Revision of the Certified Public Tax Accountant Act ~

For the amendment of tax system in fiscal 2014, the Certified Public Tax Accountant Act has been revised to develop tax payment environment. To contribute to the smooth and proper management of tax filing and payment system, this revision amends the services and qualification of CPTAs etc. for the improvement of trust in CPTAs etc. and taxpayer convenience. The amended items are being implemented sequentially from April 2014.

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 through various explanatory meetings held by each organization 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 promoting measures for wider use and establishment of e-Tax and by holding various joint events in “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 3,100 associations nationwide, and the total number of members is about 850,000 (as of April 2014). 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 840,000 corporations (as of December 2013). 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 564 associations nationwide with about 90,000 members (as of March 2013). 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 about 34,500 associations (as of March 2013). 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 170,000 members belong to these associations (as of March 2014). 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
1 Measures taken for the termination of extension of filing and payment deadlines for national taxes

After the Great East Japan Earthquake, the NTA notification dated March 15, 2011 announced the extension of filing and payment deadlines for national taxes that would arrive on or after 11th day of the same month in five prefectures, which are Aomori, Iwate, Miyagi, Fukushima and Ibaraki.

Later this measure to extend the deadlines has been terminated gradually based on the conditions of each area. Regarding the last remaining 12 municipalities of Fukushima Prefecture, namely Tamura City, Minamisoma City, Kawamata Town, Hirono Town, Naraha Town, Tomioka Town, Kawauchi Village, Okuma Town, Futaba Town, Namie Town, Katsurao Village and Iitate Village, the NTA notification dated January 31, 2014 announced the termination of extension of the deadlines on March 31, 2014 in consideration of the situation of voluntary filings and payments.

However, considering the fact that the termination of extension of the deadlines requires taxpayers of these 12 municipalities to make filings and payments for a period of multiple years, the one-year procedure period is established and the taxpayers are required to make filings and payments by March 31, 2015. For any taxpayer who continues having difficulty in filing or paying taxes by this date, further extension of deadline can be permitted on application. The NTA will ask the taxpayers to take necessary procedures in consideration of their individual circumstances.

The NTA has developed a system to provide appropriate consultations to the taxpayers taking refuge in all over Japan at their nearest Tax Office.

2 Consultation in filing period for final tax return

With the termination of extension of the deadlines, Tax Offices anticipated to receive consultations on filing by the taxpayers who would need time to prepare tax return forms for a period of multiple years. In order to ensure taxpayer services during the filing period, backup staff from the Sendai Regional Taxation Bureau and Tax Offices in the jurisdiction of Sendai Regional Taxation Bureau (about 2,200 staff in total) were dispatched to the Tax Offices in charge of 12 municipalities of Fukushima Prefecture. In addition, each Taxation Bureau dispatched their staff (about 1,300 staff in total) to the Fukushima Tax Office, Koriyama Tax Office, Iwaki Tax Office and Tax Offices in Sendai City for a period from Thursday, February 13, 2014 to Tuesday, March 18, 2014 as a support given by the entire NTA to the Sendai Regional Taxation Bureau.

The Soma Tax Office and Koriyama Tax Office which are in charge of 12 municipalities of Fukushima Prefecture and the Iwaki Tax Office in charge of areas having many refugees worked on office holidays in order to develop the environment which would facilitate filings by the disaster-affected taxpayers.

3 Recovery support for liquor industry

In order to ensure safety of liquors against radiation and maintain the environment for export etc., the NTA continued conducting radioactive examinations in fiscal 2013 on liquors and brewing water (2,435 cases) in cooperation with National Research Institute of Brewing. Regarding the import restrictions introduced after the Great East Japan Earthquake, the NTA issued necessary certificates on liquors in accordance with the requirement by the countries of export destination. (The NTA issued 1 certificate of date of manufacturing, 5,329 certificates of place of manufacturing, and 865 certificates on radioactivity examinations.)

The NTA will actively support the recovery of liquor industry through the measures mentioned above.
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 (As of April 1, 2014):

<table>
<thead>
<tr>
<th>Income tax</th>
<th>Corporation tax</th>
<th>Motor vehicle tonnage tax</th>
<th>Stamp tax, etc.</th>
<th>Liquor tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>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. 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).</td>
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<tr>
<td>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. Besides, for a certain amount of net loss that was caused for inventory assets and business use assets etc., the period of carry-forward deduction concerning the net loss amount was changed to 5 years (the Income Tax Act: 3 years).</td>
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</tr>
<tr>
<td>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. 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 &quot;special measures for credit relating to reacquisition of a dwelling,&quot; instead of normal special credits for loans relating to a dwelling.</td>
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</tr>
<tr>
<td>Special depreciation is allowed with upper limit of reserve balance in the period of its motor vehicle inspection certificate. ② Special depreciation is allowed with upper limit of reserve balance in the period of its motor vehicle inspection certificate. ① Tax deduction of reserves for re-investment allowed with the upper limit of income amount.</td>
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</tr>
<tr>
<td>If a motor 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.</td>
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</tr>
<tr>
<td>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, 2016, 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.</td>
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</tr>
<tr>
<td>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.</td>
<td></td>
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</tr>
<tr>
<td>Stamp tax, excise tax, and other taxes are reduced in a building that suffered damage from the Great East Japan Earthquake and which was removed for reconstruction or for new construction after the Great East Japan Earthquake, if the taxable volume of the previous year was 1,300 kl or lower, the stamp tax on up to 200 kl of the taxable volume of the year is reduced.</td>
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</tr>
</tbody>
</table>

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

In order to secure stable financial resources for social security and achieve fiscal consolidation at the same time, the Act on Partial Revision of Consumption Tax Act for Comprehensive Reform of Tax System to Secure Stable Financial Resources for Social Security (Comprehensive Tax Reform Act) was enacted in August 2012 and relevant amendments were made to the Consumption Tax Act, including a rise of consumption tax rate in two phases.

With this rise of consumption tax, the Act on Special Measures for Correction, etc. of Actions that Interfere with Shifting Consumption Taxes to Ensure the Smooth and Appropriate Price Pass-Through (Act on Special Measures for Shifting Consumption Taxes) came into force on October 1, 2013 in order to ensure the smooth and appropriate shifting of consumption taxes.

This Act on Special Measures for Shifting Consumption Taxes prohibits any act that refuses the shifting of consumption taxes and any labeling that interferes with the shifting of consumption taxes and sets forth exceptions from the obligation to indicate the total price with tax as a special measure for price indication.

Exceptions from the obligation to indicate the total price with tax

From October 1, 2013 to March 31, 2017, prices excluding tax can be indicated without indicating prices with tax, if a measure to prevent the misrecognition that the indicated price includes tax is taken (misrecognition prevention measure), for example, by indicating “〇〇 yen (excluding tax)” or “〇〇 yen (item price only).”

2 Measures taken for the revised Consumption Tax Act

(1) Provision of information and consultation on the revised Consumption Tax Act

The revision of the Consumption Tax Act affects many business operators, and therefore the NTA is taking measures for providing information and consultation on the content of revision in close contact and cooperation with relevant ministries and private organizations so that business operators can make their filings and payments with full understanding of the amended consumption tax system.

Major public relations and consultation activities

- Post a leaflet about the revision to the NTA website and also keep it at Tax Offices.
- Post Q&A about transitional measures, etc. to the NTA website.
- Explain the content of revision through various explanatory meetings, etc.
- Establish the “revised consumption tax system consultation desk” at each Tax Office to provide consultations on the revised Consumption Tax Act, etc.

(2) Measures for smooth and appropriate shifting of consumption taxes

The entire government works for the smooth and appropriate shifting of consumption taxes with this rise of consumption tax rate.

The NTA has created the detailed examples of misrecognition prevention measures, which are required for the application of exceptions for the obligation to indicate the total price with tax, and posted them to the NTA website and has also provided information on the exceptions at explanatory meetings, etc. for business operators on the Act on Special Measures for Shifting Consumption Taxes.

The “revised consumption tax system consultation desk” at Tax Offices appropriately provides consultation on the revised Consumption Tax Act and price indication (exceptions from the obligation to indicate the total price with tax) as well as carefully provides consultation on the shifting of consumption taxes.

In addition, the NTA, as the government agency with jurisdiction over the liquor industry, provides liquor business operators with necessary guidance and advices to prevent and correct any acts that violates provisions of the Act on Special Measures for Shifting Consumption Taxes, and if any liquor business operator performs an act that refuses the shifting of consumption taxes or makes an indication that consumption taxes are not shifted, the NTA will collect a report or conduct on-site inspection to secure smooth and appropriate shifting of consumption taxes.

The NTA will continue taking appropriate actions for these measures in cooperation with relevant ministries, etc.
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.

<table>
<thead>
<tr>
<th>Operation year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of examinations</td>
<td>283</td>
<td>289</td>
<td>199</td>
</tr>
<tr>
<td>Number of cases by brief contact</td>
<td>710</td>
<td>724</td>
<td>670</td>
</tr>
</tbody>
</table>

* "Brief contact" means correction etc. of tax returns through written documents, telephone call or request for coming to tax office.

Approximately 870,000 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 ¥8.39 million for self-assessed income tax and ¥10.71 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 2012 found ¥8.39 million\(^1\) of undeclared income per case for self-assessed income tax, and ¥10.71 million for corporation tax.

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\(^1\) 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**
  - Based on materials provided by foreign tax authorities through information exchange under the tax treaty (see page 39 for information exchange), the NTA discovered a failure to declare profits that were acquired from financial instruments held with overseas financial institutions.
  - Based on records of remittance and receipt related to foreign countries (see page 38 for a record of remittance and receipt related to foreign countries), the NTA discovered the transfer of overseas assets and the exclusion of the amount of transfer price from inheritance tax declaration.

#### 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 are addressing 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.

#### Proper Performance of Examination Procedure ~

In the revision of the tax system of 2011, the Act on General Rules for National Taxes was revised. 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 properly perform the examination procedures specified in the Act on 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 as 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 and computerization of business transactions in recent years. We actively collect information on new assets 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 of malicious tax evaders ~

The tax criminal investigation system pursues criminal responsibility of malicious tax evaders and aims to contribute both to realizing proper and fair taxation and to maintaining the self-assessment system through the effect of “punishing one to serve as a warning to all”. In order to achieve this goal, the NTA, apart from general tax examination, not only imposes correct taxes on taxpayers who intentionally evade taxes through fraudulent acts or other offenses, but also investigates them with the exercise of compulsory authority, which is equivalent to normal criminal investigation. Based on the investigation results, the NTA files accusations to prosecutors and seeks for the institution of prosecution.

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 by appropriately responding to the changes in the economic and social environment.

~ Tax evasion cases for FY2013 amounting to ¥14.5 billion in total, of which prosecuted cases accounted for ¥11.7 billion ~

In fiscal 2013, the NTA commenced 185 criminal investigations, processing 185 cases including those carried over from the previous fiscal year, of which it accused 118 cases to prosecutors. The total amount of tax evasion was ¥14.5 billion, with the average at ¥99 million per accused case.

Methods that were often used for tax evasion include excluding sales and booking fictitious costs or expenses. It was also identified that the payment of consumption taxes on the amount of food and drinks received from customers had been evaded by filing no tax returns. Funds obtained from tax evasion were, for example, stored as cash, deposits or securities, spent on imported luxury cars and vacation houses, or thrown into foreign casinos.

<table>
<thead>
<tr>
<th>Status of criminal investigations</th>
<th>Number of cases conducted</th>
<th>Number of cases closed</th>
<th>Number of cases with accusation filed to the prosecutor</th>
<th>Total amount of tax evasion cases (portion with accusation filed to the prosecutor)</th>
<th>Amount of tax evasion per case (portion with accusation filed to the prosecutor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>190 cases</td>
<td>191 cases</td>
<td>129 cases</td>
<td>¥20,479 (¥17,466)</td>
<td>107 (¥135)</td>
</tr>
<tr>
<td>FY2013</td>
<td>185 cases</td>
<td>185 cases</td>
<td>118 cases</td>
<td>¥14,458 (¥11,731)</td>
<td>78 (¥99)</td>
</tr>
</tbody>
</table>

* Figures of tax evasion include additional tax.
In fiscal 2013, 115 cases were convicted at the court of first instance, including 9 cases in which prison sentences without probation were issued.

In fiscal 2013, 116 cases among 116 cases were convicted at the court of the first instance, with an average prison sentence of 12.9 months and average fines of ¥12 million. 9 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of rulings</th>
<th>Number of convictions</th>
<th>Percentage of cases convicted</th>
<th>Number of convictions with prison sentences without probation</th>
<th>Amount of tax evaded per case</th>
<th>Term of prison sentence per person</th>
<th>Amount of fines per person (company)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>120 cases</td>
<td>119 cases</td>
<td>99.2%</td>
<td>3 persons</td>
<td>¥76 million</td>
<td>13.6 months</td>
<td>¥16 million</td>
</tr>
<tr>
<td>FY2013</td>
<td>116 cases</td>
<td>115 cases</td>
<td>99.1%</td>
<td>9 persons</td>
<td>¥52 million</td>
<td>12.9 months</td>
<td>¥12 million</td>
</tr>
</tbody>
</table>

* ① to ⑧ exclude those combined with non-tax crimes.

### Past cases where hidden properties were found in criminal investigations

Cash was found in a black plastic bag hidden inside a cushion in the living room of the residence.

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

These approaches focus on the establishment of a 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.

To this end, 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 intervals until the next examinations for them, provided the NTA has confirmed the proper processing of voluntarily disclosed transactions with high tax risks. Thus, the NTA will focus its examination work on other corporations in need of improvement to enhance the efficiency of tax administration.
(Reference) Strict control of information

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

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 ¥1 million fine) under the tax law, which is heavier than the penalty (up to one year in prison or up to ¥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.

(Reference) 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 the case of 2014)

<table>
<thead>
<tr>
<th>Delinquent Tax</th>
<th>Annual rate of 2.9% (Special Standard Rate* + 1.0%)</th>
<th>Annual rate of 9.2% (Special Standard Rate* + 7.3%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to two months from the day after the due date for tax payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Starting on the date two months from the day after the due date for tax payment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* "Special Standard Rate* is a rate announced by the Minister of Finance by December 15 of the previous year as the rate obtained by dividing the total amount of average contractual interest rates on bank short-term loan of each month from October of the second preceding year to September of the previous year by 12, plus 1% per annum.

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

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.
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 voluntarily and properly execute their tax payment duties), we need to promote more efficient tax administration utilizing various contact methods in addition to on-site inspection and strengthen our efforts in such areas where that tax evasion tends to occur.

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 tax authorities specifies the period and requirements for application of the scheme to taxpayers and the taxpayers who have voluntarily disclosed their foreign deposit accounts or incomes undisclosed to their tax authorities and paid additional tax amount going back to the past can accept reduction or exemption of penalties. Such a scheme has proved to be effective to a certain extent.

Internationally, such efforts to improve transparency of procedures and recommend voluntary disclosure are evaluated to not only result in a short-term increase in tax revenue, but also lead to a long-term enhancement of compliance.

2 Contact with a wide range of taxpayers by correspondence audits and other simple examinations

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

In countries such as U.S.A. and Canada, tax authorities conduct examinations that only involve the dispatch of notices and exchange of written documents (Correspondence Audits) for simple cases such as a discrepancy of information and 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 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 provide careful support about the establishment of a business, recruitment of employees, incorporation of business, etc. through visits by tax office staff or by telephone in order to make small business operators aware of the performance of their tax liability and proper booking, as well as is making a series of efforts including the provision of various information using the website and leaflets.
<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)

By combining effective field examinations with a variety of approaches, the NTA aims at enhancing compliance in the aggregate.

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<table>
<thead>
<tr>
<th>Compliance enhancement effect</th>
<th>Compliance enhancement effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field examination</td>
<td>Measures to ensure proper filing by various of approaches</td>
</tr>
</tbody>
</table>

Contact with taxpayers

Strengthening of information gathering and analysis function
2 Reliable tax payment

(1) Establishment of voluntary tax payment

～ Approximately ¥46.3 trillion taxes paid into the national treasury within the fiscal year (98.6% paid within the fiscal year)～

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2012, about ¥46.9 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about ¥46.3 trillion of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.6% 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 which 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 2014, it was usable in 377 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 1.35 million cases in FY2012.

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 45.1% 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 FY2012, the tax delinquency amount was about ¥1,270.2 billion.

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 tax\(^1\) is aggressively referred to the prosecutor.

～Organizational response, etc. of difficult-to-handle cases～

To handle difficult-to-handle cases, for example where a party subject to examination has a broad scope of assets, a considerable amount of office work and use of sophisticated collection techniques are required. For that reason, the NTA takes organizational actions such as disposition for delinquent tax by management over a wide geographic area, with timely project team formation. The NTA also takes legal action, such as a lawsuit to demand the rescission of a fraudulent act\(^2\) and 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.

**Revision of grace of payment and grace periods for asset conversion**

Under FY2014 tax reform, the Act on General Rules for National Taxes and the National Tax Collection Act were revised as follows with regard to the grace of payment and grace periods for asset conversion:

1. In order to reduce burdens on taxpayers and secure tax collection early and adequately, a new system was established to grant grace periods for assets conversion on application by taxpayers in addition to the existing system of grace periods for assets conversion that are granted under the authority of a District Director of Tax Office.
2. In order to facilitate the use of the system of grace periods for tax payments and assets conversion under the authority of a District Director of Tax Office and to secure adequate tax collection as well, the procedures was improved, which includes rising minimum amount that requires a security, introducing provisions on installment payments, and development of application forms and attached documents. These amendments will come into force on April 1, 2015.

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\(^1\) 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.

\(^2\) 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 Taxes, 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 2012 to June 2013, this office provided notifications to about 750,000 people, of which about 520,000 people (69.4%) fully paid, and 90,000 people (12.6%) pledged payment.

(4) Auction by Internet

~ Sold approximately 900 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 FY2013. As a result, a total of about 6,000 people participated, and about 900 items such as work of art, 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 39.5 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.

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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 13,875 in FY2003 to 23,351 in FY2012, about a 70% increase, with a particularly rapid growth of establishments in China.

![Trend in the number of locally established Japanese corporations by region](image-url)

*1 "ASEAN4" signifies Malaysia, Thailand, Indonesia and 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 5,510 corporations in the 2012 operation year, which was 32 more than the previous year. The number of foreign corporations in the past 10 years has shifted between 5,000 and 6,000.

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

A record of remittance and receipt related to foreign countries is to be submitted when a large remittance is sent to a foreign country. The figure below shows changes in the number of these records submitted. The number of records of remittance in the 2012 operation year was 5,64 million, which was 470,000 more than that of the previous year. It is approximately 2.3 times of increase compared to 2.44 million of the 1998 operation year, when this system was introduced.

(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).
～Actions Taken against Base Erosion and Profit Shifting (BEPS)～

In recent years, reduction of tax liability by global companies through tax reduction measures that utilize a loophole in taxation law is becoming a problem under the situation where countries have worse financial condition after the Bankruptcy of Lehman Brothers and require more public burden.

In order to address this problem, the OECD Committee on Fiscal Affairs (see page 44 for the OECD Committee on Fiscal Affairs) established a project related to “Base Erosion and Profit Shifting (BEPS)” in June 2012 and published the “BEPS Action Plan” on July 19, 2013. The BEPS Action Plan was submitted to the meeting of G20 Finance Ministers and Central Bank Governors (held in Moscow from July 19 to 20, 2013) and obtained full support from G20 countries including Japan.

Regarding the implementation of this Action Plan, the “OECD/G20 BEPS Project” has been established as a framework that allows the eight G20 members who are non-OECD members (China, India, Russia, Argentina, Brazil, Indonesia, Saudi Arabia and South Africa) to give their opinions and participate in decision-making as OECD members do.

To enable each country to eliminate double non-taxation and impose taxes at a place where companies' economic activities are actually performed, OECD is required to make recommendations, etc. on new measures for securing international harmonization of tax system with respect to each item of the Action Plan during a period from September 2014 to December 2015. The NTA, as the executive authority, is also actively involved in the preparation of such recommendations, etc.

～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 60 tax treaties in force, which cover 80 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.

～Establishment of foreign assets statement system～

Since the assets held overseas by taxpayers tend to increase, the foreign assets statement system has been enforced from January 1, 2014 as a 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.

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.

~ 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, and 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., Germany, France, Canada, Australia, China and South Korea 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.

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.
~ 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 2012, with the addition of provisions on profit level indicators used to calculate an arm's length price to laws, the NTA added examples of its application to the reference case studies, which was a supplement of the 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 was showing a slight decrease since the peak of the 2009 operation year, but it has increased for the first time in three years, achieving a number comparable to the largest number in the past. In order to respond to these many requests, the NTA is working to improve its administration system and quickly process APAs by, for example, establishing a division dedicated to the review of APA requests 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.

(5) International cooperation in tax collection

~ Mutual assistance in tax collection under tax treaties ~

The avoidance of tax collection by means of transfer of assets to overseas can be coped with “mutual assistance in tax collection,” which enables each country’s tax authorities to mutually enforce tax claims of each other in cooperation under tax treaties, while the collection of tax claims is subject to the restrictions of executive jurisdiction.

In Japan, international tax collection is promoted by mutual assistance for tax collection under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which became effective in October 2013.

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1 It means that a country’s tax authorities cannot exercise its public authorities outside the country’s territory unless the other country approves it.
2 It is a multilateral convention on mutual assistance for the exchange of tax-related information, tax collection and service of documents and has been signed by 37 countries including Japan (as of May 5, 2014).
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 remains at a high level, and more than 90% are related to transfer pricing. Among such MAP requests, almost 80% are of Bilateral Advance Pricing Arrangements ("BAPA": APAs accompanied by MAP) to ensure predictability of transfer price issues. The number of MAP cases closed in 2012 operation year was 170, hitting a record high.

In recent years, MAP is becoming more difficult as the number of MAP cases with emerging countries having less experience in MAP is on the increase.

The number of MAP cases requested and closed

<table>
<thead>
<tr>
<th>Year (operation year)</th>
<th>Number of MAP requests received</th>
<th>Number of MAP cases closed</th>
<th>Number of people in charge of MAPs</th>
<th>Number of BAPA cases among that of MAP requests received</th>
<th>Number of BAPA cases among that of MAP cases closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>174</td>
<td>135</td>
<td>157</td>
<td>154</td>
<td>167</td>
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<tr>
<td>2011</td>
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<td>2010</td>
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<td>2008</td>
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</tbody>
</table>

* The number of MAP requests consists of both cases where the NTA received such requests from taxpayers and cases where the NTA received such requests from foreign tax authorities.

Treaty partners with which the NTA has MAP inventory (as of June 30, 2013)

<table>
<thead>
<tr>
<th>OECD countries</th>
<th>Europe</th>
<th>Asia / Pacific</th>
<th>North America</th>
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<tbody>
<tr>
<td>Belgium</td>
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<tr>
<td>Czech Republic</td>
<td>Italy</td>
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<td>United Kingdom</td>
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<tr>
<td>Non-OECD economies</td>
<td>China</td>
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<td>Hong Kong</td>
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<td>India</td>
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<td></td>
<td>Thailand</td>
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</tr>
</tbody>
</table>

12 countries  9 countries/economies  2 countries

(Note) As of June 30, 2013, the number of treaty partners with which the NTA had MAP inventory was 23. The symbols "**" indicate a treaty partner with which the NTA had BAPA inventory (21 countries/economies).

¹ Mutual Agreement Procedures (MAP) are a formalized set of procedures between tax authorities of treaty partners which are provided in tax treaties to resolve international tax disputes such as those represented by double taxation cases arising as a result of taxation not in accordance with the applicable tax treaties imposed or to be imposed on the taxpayers.
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.

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 2013, officials were dispatched to give lectures, etc. to China, Indonesia, Malaysia 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 FY2013, our tax officials remain in Indonesia 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, 29 tax officials participated in FY2013.

(2) Country-Focused Training Courses in Tax Administration

The courses are provided to tax officials from specified developing countries at their request. 116 tax officials from Cambodia, China, Indonesia, Mongolia, Tanzania and Viet Nam participated in the courses in fiscal 2013.

(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. 16 persons from 5 countries (China, Indonesia, Malaysia, Thailand and Viet Nam) participated in fiscal 2013.

(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 20 students studying at graduate schools of Keio University, Yokohama National University and National Graduate Institute of Policy Studies participated in FY2013.
(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)
   - 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)” and 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 October 2013, the 43rd meeting was held in South Korea, 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. Currently CFA is working particularly for the preparation of rules for automatic exchange between countries of information such as the balance of bank accounts of non-residents as well as preparation of measures against BEPS, which is a problem that multinational companies try to reduce their tax liabilities globally by using complex transactions that combine each country's tax break system and tax treaties, etc. and transferring their income to a country that imposes smaller or no tax liability. 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
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, and in principle, a request for reconsideration can be done after a request for reinvestigation was done.

Laws related to this request for review system were revised in June 2014. (See page 48 for the outline of revision and the date of commencement of application.)
(1) Request for reinvestigation

~ Simplified, prompt and appropriate remedies for 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.

As cases requesting reinvestigation are becoming increasingly complicated due to greater geographic scope and globalization of economic transactions, and an increasing number of cases involve difficulties in grasping the facts and in the interpretation and application of law. Under these circumstances, the NTA addresses the uniform enforcement of tax laws across the country based on correct interpretations mainly through the Rulings and Legal Affairs Divisions and the Special Officers (Legal Affairs) established in each Regional Taxation Bureau. In addition, the NTA provides various training to develop tax officials who are skilled in reviewing and endeavors to properly and promptly handle taxpayer requests for reinvestigations.

(2) Request for reconsideration

~ Remedy for 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 District Director of 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

~ Remedy 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 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 FY2013, 97.0% of requests for reinvestigation were closed within 3 months.
   2,534 reinvestigations were requested in the fiscal year (2,183 in taxation and 351 in tax collection).
   Of these, 10.0% 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 FY2013, 96.2% of requests for reconsideration were closed within one year. There were 3,073 requests for reconsideration in the fiscal year (2,907 in taxation and 166 in tax collection). Of these, 7.7% of taxpayer claims were approved in whole or in part.

c. Litigation
For litigation, 328 cases were closed in FY2013 (267 in taxation, 57 in tax collection and 4 in the National Tax Tribunal). Of these, about 7.3% 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 reinvestigation, the requests for reconsideration and litigation, and cases of decisions on requests for reconsideration, to deepen understanding about remedy for taxpayer rights. These are on the NTA website and on the National Tax Tribunal website www.kfs.go.jp

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**Percentage of processed requests for reinvestigation within 3 months, and number of processed requests for reinvestigation**

- **Percentage of processed cases**
- **Number of cases (tax collection-related)**
- **Number of cases (taxation-related)**

2008: 96.9, 700 cases
2009: 97.7, 4,957 cases
2010: 99.0, 4,746 cases
2011: 92.6, 4,511 cases
2012: 95.4, 3,286 cases
2013: 97.0, 2,534 cases

**Shifting Over 90%**

* These figures are provisional numbers as of the end of April 2014. Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases.

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**Percentage of processed requests for reconsideration within one year, and number of processed requests for reconsideration**

- **Percentage of processed cases**
- **Number of cases (tax collection-related)**
- **Number of cases (taxation-related)**

2008: 96.2, 2,614 cases
2009: 92.2, 2,593 cases
2010: 93.2, 3,255 cases
2011: 96.9, 2,967 cases
2012: 96.2, 2,330 cases
2013: 98.7, 3,073 cases

**Shifting Over 90%**

* These figures are provisional numbers as of the end of April 2014.

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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 taxpayer rights.
1 **Purpose of revision**

In June 2014, the Administrative Appeal Act was comprehensively revised from the viewpoint of improving fairness and usability, and the request for review system for national tax was also revised by the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Administrative Appeal Act.

2 **Outline of revision**

(1) **Revision of the principle of a request for reconsideration after a request for reinvestigation**

If a taxpayer is discontent with any disposition made by a District Director of Tax Office, such taxpayer can, at his or her option, make a request for reconsideration directly to the Director-General of the National Tax Tribunal without making a request for reinvestigation to a District Director of Tax Office, etc.

The Japanese name of a request for reinvestigation is changed from "Igi Moshitate" to "Saichosa no Seikyu."

(2) **Extension of the request for review period**

The period in which a taxpayer can make a request for review has been extended to "within three months" from the day following the date on which such taxpayer learns that a disposition was made.

(3) **Inspection and copy of evidence in connection with a request for reconsideration**

The persons concerned with review (the person requesting reconsideration, participants, District Director of Tax Office, etc.) can inspect or request a copy of the item collected under the authorities of the reviewer in charge in addition to the items voluntarily submitted by a District Director of Tax Office, etc.

(4) **Determination of standard review period and deliberate performance of review procedures for a request for reconsideration**

The revision has developed rules for efforts made to determine the standard review period and the deliberate performance of oral opinion statement and other review procedures.

These revisions will become applicable on the date of enforcement of the Administrative Appeal Act (a date designated by Cabinet Order within two years after the date of promulgation [June 13, 2014]).

3 **Measures taken for the enforcement of law**

The NTA and the National Tax Tribunal will prepare for the inspection and copying of evidence and the deliberate performance of review procedures in order to achieve the proper and smooth implementation of the request for review system for national tax.

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**Outline of revision of the request for review system for national tax**

**[Before revision]**

If dissatisfied with the decision by the District Director of the Tax Office

**[After revision]**

If dissatisfied with the decision by the District Director of the Tax Office

- Within 2 months
- Request for reinvestigation to District Director of Tax Office, etc.
- Decision on request for reinvestigation (Within 1 month)
- Request for Reconsideration to the Director General of National Tax Tribunal
  - Within 6 months
  - Inspection of evidence by the person requesting reconsideration
  - Decision on request for reconsideration (Within 3 months)
  - Litigation

- Within 3 months
- Direct request for reconsideration
  - Option
  - Request for reinvestigation to District Director of Tax Office, etc.
  - Decision on request for reinvestigation (Within 1 month)
  - Request for Reconsideration to the Director General of National Tax Tribunal
    - Within 6 months
    - Inspection and copying of evidence by the persons concerned with review (the person requesting reconsideration, District Director of Tax Office, etc.)
    - Deliberate performance of review procedures
    - Decision on request for reconsideration (Within 3 months)
    - Litigation

(Notes: If no decision or determination is given by a District Director of Tax Office, etc. or the Director-General of the National Tax Tribunal within three months, a request for reconsideration or litigation can be filed without the decision or determination.)
Proper Management of Liquor Administration

〜 Conducted various initiatives in order to secure liquor tax revenues and achieve sound development of the liquor industry 〜

Both land tax and liquor tax were large revenue sources after the Meiji era. 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 FY2012, liquor tax comprised only 2.9% (¥1,349.6 billion) of all tax revenues. However, liquor tax is not affected much by the economy, and is expected to provide stable tax revenues. Therefore, the liquor tax fulfills an important role for national finance even today.

In contrast to general food items, a high rate of liquor tax is imposed on liquor. From the viewpoint of securing liquor tax revenues, there is a system of licensing for manufacture and sale of liquor in order to secure stable collection of liquor tax and smoothly shift the tax burden onto consumers. The NTA properly operates this system.

In addition, the NTA, as the government agency with jurisdiction over the liquor industry, takes various actions in order to secure liquor tax revenues and work for sound development of liquor industry, based on 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.

In recent years, the entire government has been developing environment for exporting liquors produced in Japan.

(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. The results of examination are published for consumers on the NTA website.

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 radiation in alliance with the National Research Institute of Brewing, in such ways as radioactive examination 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.nrib.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.nrib.go.jp (Registration is also available with the QR code on the right).
(2) Measures for appropriate labeling of liquors

~ For providing consumers with reliableness on purchasing liquors ~

In recent years, there were some inappropriate cases that affected consumer trust, for example, a sake containing distilled alcohol has been labeled as “Junmai-shu”.

The NTA endeavors to work for appropriate labeling of liquors so that consumers can purchase liquors with reliableness.

Specifically, the NTA provides liquor business operators with information and guidance on proper indication based on laws and conducts inspection and examination on the labeling of liquors that are purchased from the market by using the analysis method of the National Research Institute of Brewing.

(3) Response to social demands

~ For the prevention of inducement to improperly drink liquors ~

To prevent of inducement to improperly drink liquors such as underage drinking, the NTA provides 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.

(4) Initiatives to develop a fair trading environment in liquor

~ For more fair liquor trade ~

For the promotion of voluntary initiatives of liquor business operators to secure fair liquor trade, the NTA has established the Guidelines on Fair Liquor Trade and is working to build the awareness and understanding of such guidelines.

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.

(5) 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

In 2013, Tokyo was chosen to host the 2020 Olympic Games and Japanese cuisine was registered as a world’s intangible cultural heritage. There was an encouraging trend to introduce and develop Japanese culture to overseas.

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 ¥25.1 billion) in 2013. Sake accounted for almost 40% of the export amount (approximately ¥10.5 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 these 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. Relevant ministries are working for it in cooperation with each other. The NTA is taking the following initiatives:

1. Support for liquor industry

The NTA regularly exchanges opinions with liquor industry organizations and organizes seminars for individual liquor business operators to provide knowledge on international trade and other general export transactions with the support of regional offices of the Japan External Trade Organization (JETRO) and local branch offices of relevant ministries, etc. The NTA has also prepared jointly with JETRO the “Japanese Sake Export Handbook” for liquor manufacturers.

2. 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 radioactive examination and studies conducted in cooperation with the National Research Institute of Brewing as scientific data. As the result, restrictions on Japanese liquors have been lifted or mitigated in the EU, Brazil, Malaysia and Russia.

3. Responses to international events, etc.

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, Japan Lunch held at the Davos Forum in January 2014).

In addition, as an overseas liquor education institution for wine experts decided to organize a Japanese sake course, the NTA supports an education of sake teachers in order to develop foreign promoter for sake.
Revision of Operations and Systems

~ Promotion of administrative work efficiencies using ICT ~

In order to improve convenience for people and achieve more simple, efficient, reliable and transparent administrative operations by utilizing ICT in administrative areas and reviewing operations and systems, the “e-Government Establishment Plan” was decided in July 2003. In addition, the “Declaration to be the World’s Most Advanced IT Nation” was decided in June 2013 to realize the society that utilizes IT at the best level in the world, and the entire government is promoting various measures.

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.

The NTA has moved towards unifying internal operations, turning the KSK System into open systems¹ and integrating the equipment so far. In fiscal 2012, the NTA expanded the scope of tax information data linkage with local public authorities and promoted more efficient processing of operations utilizing electronic data.

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) 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). 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.

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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.
Column Introduction of the Social Security and Tax Number System

1 **Purposes of the number system**

In May 2013, the "Act on Use of Numbers to Identify Particular Individuals in Administrative Procedures" (so-called "The Number Act") and other bills related to The Number Act were promulgated. Thus the social security and tax number system is 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 are first introduced in limited areas such as the social security and tax fields.

On the other hand, 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 business year starting in or after January 2016 for corporate tax, from statutory statements for the payment of money, etc. made in or after January 2016, from applications, etc. that should be submitted in or after January 2016.

(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 Resident Register codes and notified by mayors using notification cards. Demanding that others provide the personal number is prohibited, except for cases provided for in the Number Act.

Corporate numbers are designated by the Commissioner of the NTA based on the corporate registration numbers held by the Ministry of Justice and are notified in writing. Three types of basic information items ((1) trade name or name, (2) location of headquarters or main office, and (3) corporate number) can be searched and viewed on the Internet, in principle.

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 and 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 transactions 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 filings can be submitted to only one address for the payment records and withholding records of salary/pension which the taxpayers are required to submit with the same entries to both the national and the 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", for which the NTA assigns Corporation numbers, and ② to remodel the existing systems such as Kokuzei Sogo Kanri (KSK) System, and e-Tax.
Evaluation of Policies

~ The purpose of policy evaluation is to fulfill accountability, realize results-based administration and revitalize the organization ~

The purpose of the “Results Evaluation for the Targets to Be Achieved by the NTA” (policy evaluation) is to ① clarify the NTA’s missions and objectives to be achieved and fulfill accountability to citizens and taxpayers, ② continue promoting more efficient, high-quality and results-based administration that meets the needs of the times and ③ improve operations, enhance the motivation of staff, and revitalize the organization. The Minister of Finance provides and releases the “Results Evaluation Implementation Plan” and the “Results Evaluation Report” every year.

~ The NTA’s missions and assignment and the structure of results evaluation targets ~

In operation year 2012, the NTA’s three duties provided in Article 19 of the Act for Establishment of the Ministry of Finance were set as the targets to be achieved (Results Target 1 through 3). The Results Target 1 has four sub-targets and six performance targets.

<table>
<thead>
<tr>
<th>Concept of “the NTA’s missions” and “results evaluation targets” (for operation year 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results targets</td>
</tr>
<tr>
<td>(Results Target 1) Proper tax administration [A]</td>
</tr>
<tr>
<td>(Results Target 1-1) Enhancement of taxpayer services [A]</td>
</tr>
<tr>
<td>(Results Target 1-2) Proper examination and collection of internal taxes [A]</td>
</tr>
<tr>
<td>(Results Target 1-3) Measures for internationalization [Focused] [A]</td>
</tr>
<tr>
<td>(Results Target 1-4) Promotion of filings and payments utilizing ICT such as online tax filing [Focused] [A]</td>
</tr>
<tr>
<td>(Results Target 2) Ensuring proper administration of services by CPTAs [B]</td>
</tr>
<tr>
<td>(Results Target 2-1) Promotion of sound development of liquor industry [A]</td>
</tr>
<tr>
<td>(Results Target 2-2) Measures for the request for review [A]</td>
</tr>
<tr>
<td>(Results Target 2-3) Proper tax filing and conducting examinations and guidance [B]</td>
</tr>
<tr>
<td>(Results Target 2-4) Tax collection by the due date and strict and appropriate administration of disposition for delinquent tax [B]</td>
</tr>
<tr>
<td>(Results Target 2-5) Measures for the request for review [B]</td>
</tr>
<tr>
<td>(Results Target 3) Proper tax administration [B]</td>
</tr>
<tr>
<td>(Results Target 3-1) Enhancements of public hearing and public relations activities, etc. [B]</td>
</tr>
<tr>
<td>(Results Target 3-2) Appropriate response to consultations, etc. [B]</td>
</tr>
<tr>
<td>(Results Target 3-3) Promotion of filings and payments utilizing ICT such as online tax filing [Focused] [A]</td>
</tr>
</tbody>
</table>

(Note) 1 The targets, etc. marked with [Focused] are those to be promoted more actively.
2 The achievement level of each target is evaluated with the following five grades. [A]: Achieved. [AB]: Considerably progressed for achievement. [B]: Progressed for achievement. [C]: Only partially progressed for achievement. [D]: Not progressed for achievement.

~ Results of evaluation and improvement of operations ~

The following shows the major results of evaluation of each target for operation year 2012. The NTA is working to improve tax administration in consideration of these results of evaluation and verification.

① Regarding the Results Target 1, considerable progress has been made for the promotion of e-Tax, etc. and measures for internationalization; however, we need to continue reviewing the implementation of examination and collection for more effective and efficient management. In consideration of such matter, it has been evaluated as “B: Progressed for achievement.”

② Regarding the Results Target 2, appropriate measures have been taken to meet social needs such as the prevention of underage drinking, and efforts have been made to develop export environment for Japanese liquors. In consideration of such matter, it has been evaluated as “A: Considerably progressed for achievement.”

③ Regarding the Results Target 3, appropriate guidance and supervision are provided to CPTAs, etc., but we still need to promote and establish the system of document attached by CPTAs, and conduct appropriate examinations of CPTAs, etc. In consideration of such matter, it has been evaluated as “B: Progressed for achievement.”

Ministry of Finance Round-table Conference for Policy Evaluation

In order to secure objectivity for the evaluation of results and improve the quality of evaluation, the “Ministry of Finance Round-table Conference for Policy Evaluation,” which consists of experts, is held to obtain expert opinions at the phase of implementation planning and evaluation.

Opinions on the evaluation of results for operation year 2012 include the following: “We need to discuss the use of tablet terminals and other devices for examination, etc. in order to prevent a loss of documents.” “As national tax administration handles a large number of documents, e-Tax should be promoted from the viewpoint of document management.” “The NTA adopts the method that sets specific target values and objectively confirms the level of achievement. This is easy to understand.”

* For details, please visit the “NTA’s Results Evaluation” on the NTA website. (http://www.nta.go.jp/kohyo/katsudou/jissekihyoka/01.htm)
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 2013: April 1, 2013 to March 31, 2014), while the operation year is from July 1 through June 30 of the following year (i.e., operation year 2012: July 1, 2012 to June 30, 2013). 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 2012

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget after correction</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding income tax</td>
<td>Million yen</td>
<td>Million yen</td>
</tr>
<tr>
<td>Self-assessed income tax</td>
<td>11,204,000</td>
<td>11,472,513</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>2,397,000</td>
<td>2,519,974</td>
</tr>
<tr>
<td>Inheritance tax</td>
<td>8,992,000</td>
<td>9,756,311</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>1,504,000</td>
<td>1,503,946</td>
</tr>
<tr>
<td>Liquor tax</td>
<td>10,316,000</td>
<td>10,350,429</td>
</tr>
<tr>
<td>Tobacco tax</td>
<td>1,339,000</td>
<td>1,349,638</td>
</tr>
<tr>
<td>Gasoline tax</td>
<td>945,000</td>
<td>1,017,942</td>
</tr>
<tr>
<td>Liquefied petroleum gas tax</td>
<td>2,611,000</td>
<td>2,621,915</td>
</tr>
<tr>
<td>Aviation fuel tax</td>
<td>11,000</td>
<td>10,713</td>
</tr>
<tr>
<td>Petroleum and coal tax</td>
<td>44,000</td>
<td>49,360</td>
</tr>
<tr>
<td>Power resources development promotion tax</td>
<td>546,000</td>
<td>566,946</td>
</tr>
<tr>
<td>Motor vehicle tonnage tax</td>
<td>329,000</td>
<td>328,049</td>
</tr>
<tr>
<td>Customs duty</td>
<td>417,000</td>
<td>396,894</td>
</tr>
<tr>
<td>Tonnage due</td>
<td>910,000</td>
<td>897,230</td>
</tr>
<tr>
<td>Stamp revenue</td>
<td>10,000</td>
<td>9,829</td>
</tr>
<tr>
<td>Other</td>
<td>1,032,000</td>
<td>1,077,676</td>
</tr>
</tbody>
</table>

**Subtotal** 42,607,000 43,931,407

**Local gasoline tax** 279,300 280,534

**Liquefied petroleum gas tax** (transferred) 11,000 10,713

**Aviation fuel tax** (transferred) 12,600 14,103

**Motor vehicle tonnage tax** (transferred) 286,200 272,404

**Special tonnage due** 12,500 12,286

**Special local corporation tax** 1,658,700 1,669,821

**Special tobacco tax** 146,200 157,462

**Special income tax for reconstruction** 49,500 51,139

**Special corporate tax for reconstruction** 506,200 649,372

**Total** 45,569,200 47,049,242

**NTA initial budget for fiscal year 2014**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT-related expenses</td>
<td>Million yen 39,765</td>
</tr>
<tr>
<td>Expenses to improve convenience for taxpayers</td>
<td>10,019</td>
</tr>
<tr>
<td>Expenses related to internationalization measures</td>
<td>940</td>
</tr>
<tr>
<td>General operating expenses, etc. 2</td>
<td>58,655</td>
</tr>
<tr>
<td>Expenses to improve work environment and ensure safety 3</td>
<td>9,735</td>
</tr>
<tr>
<td>Expenses related to tax reforms</td>
<td>10,343</td>
</tr>
<tr>
<td>Expenses for National Tax College</td>
<td>2,305</td>
</tr>
<tr>
<td>Expenses for National Tax Tribunal</td>
<td>331</td>
</tr>
<tr>
<td>Expenses for National Research Institute of Brewing</td>
<td>956</td>
</tr>
<tr>
<td>Common number system related costs</td>
<td>10,201</td>
</tr>
<tr>
<td>Subtotal</td>
<td>143,251</td>
</tr>
<tr>
<td>Salary costs</td>
<td>565,367</td>
</tr>
</tbody>
</table>

**Total NTA budget** 708,619

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.
### Tax returns and taxation

#### Income tax

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (wages and salaries)</td>
<td>3,561</td>
<td>9,061,300</td>
</tr>
<tr>
<td>Retirement income</td>
<td>-</td>
<td>240,000</td>
</tr>
<tr>
<td>Interest income, etc.</td>
<td>41</td>
<td>436,700</td>
</tr>
<tr>
<td>Dividend income</td>
<td>129</td>
<td>2,138,900</td>
</tr>
<tr>
<td>Capital gains on listed shares etc.</td>
<td>11</td>
<td>44,900</td>
</tr>
<tr>
<td>Income from remuneration, etc.</td>
<td>2,827</td>
<td>1,163,100</td>
</tr>
<tr>
<td>Income paid to non-residents and foreign corporations, etc.</td>
<td>28</td>
<td>268,700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td><strong>13,353,600</strong></td>
</tr>
</tbody>
</table>

#### Withholding agents and withholding income tax

**Operation year 2012**

<table>
<thead>
<tr>
<th>Income etc. category</th>
<th>Number of withholding agents</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (wages and salaries)</td>
<td>Thousands 3,561</td>
<td>Million yen 9,061,300</td>
</tr>
<tr>
<td>Retirement income</td>
<td>-</td>
<td>240,000</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td><strong>13,353,600</strong></td>
</tr>
</tbody>
</table>

#### Inheritance tax

**Calendar year 2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of deceased</td>
<td>1,256,358People</td>
<td></td>
</tr>
<tr>
<td>Number of deceased subject to taxation</td>
<td>52,572People</td>
<td></td>
</tr>
<tr>
<td>Number of taxpayers (number of heirs)</td>
<td>147,920People</td>
<td></td>
</tr>
<tr>
<td>Taxable amount</td>
<td>10,771,800Million yen</td>
<td></td>
</tr>
<tr>
<td>Amount of tax</td>
<td>1,244,600Million yen</td>
<td></td>
</tr>
</tbody>
</table>

#### Gift tax

**Calendar year 2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of people subject to taxation</td>
<td>355,924People</td>
<td></td>
</tr>
<tr>
<td>Value of properties acquired</td>
<td>1,579,800Million yen</td>
<td></td>
</tr>
<tr>
<td>Amount of tax</td>
<td>128,800Million yen</td>
<td></td>
</tr>
</tbody>
</table>

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

#### Consumption tax

**Fiscal year 2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Payment</th>
<th>Refund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of tax returns</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>1,143</td>
<td>31</td>
</tr>
<tr>
<td>Corporations</td>
<td>1,843</td>
<td>107</td>
</tr>
<tr>
<td>Total</td>
<td>2,986</td>
<td>138</td>
</tr>
<tr>
<td>Amount of tax</td>
<td>9,313,500Million yen</td>
<td>1,918,100Million yen</td>
</tr>
</tbody>
</table>

#### Liquor tax and liquor production

**Fiscal year 2012**

<table>
<thead>
<tr>
<th>Type</th>
<th>Volume of production</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sake</td>
<td>Thousand kl 439</td>
<td>Million yen  67,066</td>
</tr>
<tr>
<td>Sake compounds</td>
<td>39</td>
<td>3,889</td>
</tr>
<tr>
<td>Continuous distillation</td>
<td>399</td>
<td>89,918</td>
</tr>
<tr>
<td>Japanese spirits (Shochu)</td>
<td>498</td>
<td>121,041</td>
</tr>
<tr>
<td>Single system distillation</td>
<td>90</td>
<td>2,050</td>
</tr>
<tr>
<td>Japanese spirit (Shochu)</td>
<td>2,803</td>
<td>607,479</td>
</tr>
<tr>
<td>Mirin (rice cooking wine)</td>
<td>87</td>
<td>7,719</td>
</tr>
<tr>
<td>Beer</td>
<td>4</td>
<td>490</td>
</tr>
<tr>
<td>Sweet fruit wine</td>
<td>84</td>
<td>30,127</td>
</tr>
<tr>
<td>Whisky</td>
<td>5</td>
<td>1,850</td>
</tr>
<tr>
<td>Brandy</td>
<td>326</td>
<td>26,775</td>
</tr>
<tr>
<td>Sparkling liquor</td>
<td>1,891</td>
<td>154,755</td>
</tr>
<tr>
<td>Alcohol for material &amp; Spirits</td>
<td>660</td>
<td>53,217</td>
</tr>
<tr>
<td>Other brewed liquors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Powder liquor &amp; miscellaneous liquor</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,949</td>
<td>1,270,984</td>
</tr>
</tbody>
</table>

---

*1 The figures of withholding agents are figures as of the end of June 2013.

*2 The amount of tax imposed on the income obtained on and after January 1, 2013 includes special income tax for reconstruction.

#### Number of corporations and corporation tax

**Operation year 2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of corporations</td>
<td>2,985Thousands</td>
<td></td>
</tr>
<tr>
<td>Number of tax returns filed</td>
<td>2,761Thousands</td>
<td></td>
</tr>
<tr>
<td>Percentage of corporations filing</td>
<td>89.7%</td>
<td></td>
</tr>
<tr>
<td>Percentage of returns declaring a surplus</td>
<td>27.4%</td>
<td></td>
</tr>
<tr>
<td>Amount of self-assessed income</td>
<td>45,187,400Million yen</td>
<td></td>
</tr>
<tr>
<td>Amount of self-assessed loss</td>
<td>16,822,600Million yen</td>
<td></td>
</tr>
<tr>
<td>Amount of tax</td>
<td>10,010,500Million yen</td>
<td></td>
</tr>
</tbody>
</table>

* The number of corporations is the figure as of the end of June 2013.
Tax examinations

Examination of self-assessed income tax (Operation year 2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of unrecorded income</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field examination Special, General</td>
<td>Thousands 46</td>
<td>Billion yen 389.4</td>
<td>Thousand yen 8,390</td>
</tr>
<tr>
<td>Focusing</td>
<td>24</td>
<td>65.6</td>
<td>2,790</td>
</tr>
<tr>
<td>Brief contact</td>
<td>612</td>
<td>402.8</td>
<td>660</td>
</tr>
<tr>
<td>Total</td>
<td>682</td>
<td>857.8</td>
<td>1,260</td>
</tr>
</tbody>
</table>

*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 written documents, telephone call or request for coming to tax office.

Examination of consumption tax (Operation year 2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of undeclared cases</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>Thousands 84</td>
<td>Thousands 58</td>
<td>Billion yen 21.1</td>
</tr>
<tr>
<td>Corporations</td>
<td>88</td>
<td>50</td>
<td>47.4</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>50</td>
<td>47.4</td>
</tr>
</tbody>
</table>

Field examination of inheritance tax (Operation year 2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of undeclared inheritance</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands 12</td>
<td>Thousands 10</td>
<td>Billion yen 334.7</td>
<td>Thousand yen 27,410</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>33</td>
<td>33</td>
</tr>
</tbody>
</table>

Collected number of statutory information (Operation year 2012)

<table>
<thead>
<tr>
<th>Name of statutory information</th>
<th>Number collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment record of dividends, distribution of surplus, and interest paid on guaranty capital</td>
<td>Thousands 67,578</td>
</tr>
<tr>
<td>Annual transaction report of special account</td>
<td>50,969</td>
</tr>
<tr>
<td>Withholding record of public pensions, etc.</td>
<td>38,939</td>
</tr>
<tr>
<td>Payment record concerning transactions of futures</td>
<td>30,114</td>
</tr>
<tr>
<td>Payment record of remuneration, fees, contracts and prize money</td>
<td>21,908</td>
</tr>
<tr>
<td>Withholding record of employment income</td>
<td>19,429</td>
</tr>
<tr>
<td>Record of remittance and receipt related to foreign countries</td>
<td>5,636</td>
</tr>
<tr>
<td>Other</td>
<td>59,188</td>
</tr>
<tr>
<td>Total</td>
<td>293,761</td>
</tr>
</tbody>
</table>

International taxation

Fraudulent income through overseas transactions (Operation year 2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of unrecorded income</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of examinations of corporations conducting overseas transactions</td>
<td>12,506 Cases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of undeclared cases related to overseas transactions</td>
<td>3,309 Cases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which, cases of overseas fraudulent calculations</td>
<td>470 Cases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of undeclared income related to overseas transactions</td>
<td>245.2 Billion yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which, amount of overseas fraudulently omitted income</td>
<td>16.9 Billion yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Transfer pricing taxation (Operation year 2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Amount of taxable income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of taxation cases</td>
<td>222 Cases</td>
<td></td>
</tr>
<tr>
<td>Amount of taxable income</td>
<td>97.4 Billion yen</td>
<td></td>
</tr>
</tbody>
</table>

Cases of advance pricing arrangement related to transfer pricing (Operation year 2012)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases requested</th>
<th>Number of cases processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cases requested</td>
<td>127 Cases</td>
<td></td>
</tr>
<tr>
<td>Number of cases processed</td>
<td>138 Cases</td>
<td></td>
</tr>
</tbody>
</table>

Delinquency

Tax delinquency cases of 100 million yen or more, by industry (As of the end of fiscal year 2013)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of persons</th>
<th>%</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>People 30</td>
<td>3.3%</td>
<td>Million yen 5,964</td>
</tr>
<tr>
<td>Distribution</td>
<td>58</td>
<td>6.5%</td>
<td>18,101</td>
</tr>
<tr>
<td>Real estate &amp; construction</td>
<td>234</td>
<td>26.1%</td>
<td>60,195</td>
</tr>
<tr>
<td>Food &amp; beverage</td>
<td>58</td>
<td>6.5%</td>
<td>9,890</td>
</tr>
<tr>
<td>Financial</td>
<td>22</td>
<td>2.2%</td>
<td>12,203</td>
</tr>
<tr>
<td>Other industries</td>
<td>280</td>
<td>31.2%</td>
<td>70,149</td>
</tr>
<tr>
<td>Other</td>
<td>215</td>
<td>24.0%</td>
<td>86,470</td>
</tr>
<tr>
<td>Total</td>
<td>897</td>
<td>100.0%</td>
<td>262,972</td>
</tr>
</tbody>
</table>

*1 Other industries refers to hospitals (doctors), service industry, leisure industry, etc.
*2 Other refers to wage earners, pensioners, etc.
### Criminal investigation

#### Number of cases conducted

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of cases closed</th>
<th>Number of cases with accusation filed to the prosecutor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>185</td>
<td>185</td>
<td>118</td>
</tr>
</tbody>
</table>

#### Amount of tax evasion

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of tax evasion</th>
<th>Per case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>Billion yen</td>
<td>14.5</td>
</tr>
<tr>
<td></td>
<td>Million yen</td>
<td>78</td>
</tr>
<tr>
<td>Cases</td>
<td>Billion yen</td>
<td>11.7</td>
</tr>
<tr>
<td></td>
<td>Million yen</td>
<td>99</td>
</tr>
</tbody>
</table>

### Filed accusations to the prosecutor, by tax item

#### Tax item

<table>
<thead>
<tr>
<th>Tax item</th>
<th>Number of cases</th>
<th>Tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per case</td>
<td>Per case</td>
</tr>
<tr>
<td>Income tax</td>
<td>18</td>
<td>Billion yen 2.0</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>64</td>
<td>5.4</td>
</tr>
<tr>
<td>Inheritance tax</td>
<td>6</td>
<td>1.9</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>16</td>
<td>0.9</td>
</tr>
<tr>
<td>Withholding income tax</td>
<td>14</td>
<td>1.5</td>
</tr>
</tbody>
</table>

### Large-scale cases

#### Number of cases with accusation filed to the prosecutor

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of cases more than 300 million yen</th>
<th>Number of cases more than 500 million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>118</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

### Remedy for taxpayer rights

#### Request for reinvestigation

#### Number of requests for reinvestigation

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of requests for reinvestigation</th>
<th>Number of new requests for reinvestigation</th>
<th>Number of cases processed</th>
<th>Number of requests approved</th>
<th>Percentage / ②</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation-related</td>
<td>Cases 3,631</td>
<td>Cases 3,033</td>
<td>Cases 2,863</td>
<td>Cases 322</td>
<td>%</td>
</tr>
<tr>
<td>Collection-related</td>
<td>Cases 471</td>
<td>Cases 391</td>
<td>Cases 423</td>
<td>Cases 3</td>
<td>0.7</td>
</tr>
<tr>
<td>Total</td>
<td>Cases 4,102</td>
<td>Cases 3,424</td>
<td>Cases 3,286</td>
<td>Cases 325</td>
<td>9.9</td>
</tr>
</tbody>
</table>

#### Request for reconsideration

#### Number of requests for reconsideration

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of requests for reconsideration</th>
<th>Number of new requests for reconsideration</th>
<th>Number of cases processed</th>
<th>Number of requests approved</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation-related</td>
<td>Cases 6,076</td>
<td>Cases 3,384</td>
<td>Cases 3,388</td>
<td>Cases 443</td>
<td>%</td>
</tr>
<tr>
<td>Collection-related</td>
<td>Cases 330</td>
<td>Cases 214</td>
<td>Cases 230</td>
<td>Cases 8</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td>Cases 6,406</td>
<td>Cases 3,598</td>
<td>Cases 3,618</td>
<td>Cases 451</td>
<td>12.5</td>
</tr>
</tbody>
</table>

### Litigation

#### Number of litigations

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of litigations</th>
<th>Number of cases filed for first instance</th>
<th>Number of cases closed</th>
<th>Number of lost cases and partial defeats</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation-related</td>
<td>Cases 594</td>
<td>Cases 142</td>
<td>Cases 300</td>
<td>Cases 20</td>
<td>%</td>
</tr>
<tr>
<td>Collection-related</td>
<td>117</td>
<td>43</td>
<td>76</td>
<td>4</td>
<td>5.3</td>
</tr>
<tr>
<td>National Tax Tribunal-related</td>
<td>9</td>
<td>4</td>
<td>7</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>720</td>
<td>189</td>
<td>383</td>
<td>24</td>
<td>6.3</td>
</tr>
</tbody>
</table>

* 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]**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tax category</th>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax</td>
<td>Obligations &amp; procedures to file tax returns, etc.</td>
<td>423</td>
</tr>
<tr>
<td>2</td>
<td>Income tax</td>
<td>Special credit for loans relating to a dwelling</td>
<td>275</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Medical expenses deduction</td>
<td>234</td>
</tr>
<tr>
<td>4</td>
<td>Income tax</td>
<td>Year-end adjustment</td>
<td>230</td>
</tr>
<tr>
<td>5</td>
<td>Income tax</td>
<td>Filing returns for refund</td>
<td>155</td>
</tr>
</tbody>
</table>

**[Tax Answer System]**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tax category</th>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax</td>
<td>When have paid medical expenses (medical expenses deduction)</td>
<td>2,597</td>
</tr>
<tr>
<td>2</td>
<td>Income tax</td>
<td>Tax rate of income tax</td>
<td>1,928</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Medical expenses eligible for medical expenses deduction</td>
<td>1,464</td>
</tr>
<tr>
<td>4</td>
<td>Income tax</td>
<td>When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)</td>
<td>1,385</td>
</tr>
<tr>
<td>5</td>
<td>Income tax</td>
<td>Exemption for dependents</td>
<td>1,242</td>
</tr>
</tbody>
</table>

#### Number of consultations at Phone Consultation Centers, by tax category

<table>
<thead>
<tr>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>2,564</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>272</td>
</tr>
<tr>
<td>Property tax</td>
<td>951</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>277</td>
</tr>
<tr>
<td>Other indirect taxes</td>
<td>187</td>
</tr>
<tr>
<td>General rules, collections</td>
<td>250</td>
</tr>
<tr>
<td>Other</td>
<td>688</td>
</tr>
<tr>
<td>Total</td>
<td>5,190</td>
</tr>
</tbody>
</table>

#### Taxpayer satisfaction

**[Fiscal year 2012]**

<table>
<thead>
<tr>
<th>Items</th>
<th>Percentage of Responses Highly Rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude of officials in providing services</td>
<td>84.3 %</td>
</tr>
<tr>
<td>Satisfaction with guidance display in Tax Office, and use of reception &amp; service</td>
<td>77.6 %</td>
</tr>
<tr>
<td>Satisfaction with use of facilities in Tax Office</td>
<td>67.0 %</td>
</tr>
<tr>
<td>PR activities</td>
<td>75.4 %</td>
</tr>
<tr>
<td>Satisfaction level at Phone Consultation Center</td>
<td>94.5 %</td>
</tr>
</tbody>
</table>

※ 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.
Your taxes help to sustain our community