

NATIONAL TAX AGENCY REPORT 2015



NATIONAL TAX AGENCY, JAPAN

From the Commissioner



The mission of National Tax Agency (NTA) is “to help taxpayers meet their tax responsibilities properly and without difficulty.” To fulfill this mission, we provide best service to taxpayers as well as conduct proper and fair enforcement so that compliant taxpayers feel that tax laws are applied fairly to everyone. We have also been responding to the changing environments, such as globalization of economic activities and advances in information and communication technology (ICT), by implementing various measures.

In terms of enhancing taxpayer service, the NTA has taken a number of steps to make the filings and payments procedure more serviceable for taxpayers utilizing ICT, including online national tax return filing and tax payment system (e-Tax) as well as filing assistance on the NTA website.

Regarding “e-Tax” particularly, we aim to further improve user convenience. We have started providing services through smartphones and tablets. We are planning to introduce (i) new identification procedure method that will not require a digital certificate based on the Public Certification Service for Individuals and (ii) submission of attached documents as image data.

In terms of achieving proper and fair enforcement, we are taking rigorous actions against large and vicious fraudulent cases, giving higher priority to the affluent classes and international cases. At the same time, we protect the rights and interests of taxpayers.

In taking actions against international tax avoidance cases in particular, we make an active use of information obtained through various sources including statements of foreign assets, which affluent taxpayers have been obliged to submit since January 2014, as well as information exchanged with foreign tax authorities.

Starting January 2016, the Social Security and Tax Number System will take effect. In this system, the NTA will be the entity to assign Corporate Numbers, as well as an entity to utilize both Individual and Corporate Numbers. We are now taking necessary steps including system development. This gives us a great opportunity to review and upgrade our operations and systems so that we can enhance taxpayer convenience and also make our enforcement more efficient and more sophisticated.

Every member of the staff at the NTA is dedicated to help taxpayers file tax returns and pay tax duties properly and without difficulty, through various measures as stated above.

In order to carry out our mission, the taxpayers' understanding and trust is essential as to the integrity and fairness of the NTA and its staff. Therefore, we provide information on our various activities, policy initiatives, and other issues, through our website, press releases and other opportunities.

The NTA Report is one of such efforts and explains our activities and developments for the previous year together with statistical data and other references.

I would appreciate it if this "National Tax Agency Report 2015" would help you to better understand us and the NTA.

June 2015



Nobumitsu Hayashi
Commissioner
National Tax Agency, Japan

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(Note) 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).

The NTA 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.

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

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,” “Sound development of the liquor industry,” and “Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs).”

When the NTA carries out these duties, we believe that the most important point should be to gain the understanding and trust of the Japanese people as the taxpayers.

Therefore, we have established our practice standards and codes of conduct to perform these duties, which are declared to tax officials as well as announced to the public as the “Missions of the NTA.”



NTA

Missions of the NTA

Mission: Help taxpayers properly and smoothly fulfill their tax duties

Assignment

- To achieve the above mission, the NTA carries out its duties as stipulated in Article 19 of the 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,
 - (i) Properly apply the relevant laws and regulations.
 - (ii) Work to achieve proper tax filing, and reliably correct errors by conducting examinations and guidance for people who filed improper returns.
 - (iii) Work to help taxpayers pay taxes by the due date, and implement procedures to collect taxes from delinquent taxpayers.
- ② Respond properly and promptly to taxpayers' requests for review, to address infringements of taxpayers' legitimate rights and interests.

2 Sound development of the liquor industry

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

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

Work for proper administration of CPTA services, to ensure that CPTAs play important roles in the proper and smooth administration of the self-assessment system, based on the missions assigned.

Code of Conduct

- The above duties shall be carried in accordance with the following Code of Conduct.

(1) Code of Conduct for performing duties

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

(2) Code of Conduct for officials

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

Challenges

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

2 Concepts for management of tax administration

The NTA carries out the following initiatives in order to perform the aforementioned duties and mission, and to gain the understanding and trust of taxpayers.

NTA Initiatives

(1) Enhancement of services for taxpayers

- Provide the necessary information needed for filing via websites, etc. so that taxpayers can correctly file and pay their taxes themselves.
- Work to provide an excellent filing and tax payment means using ICT, such as e-Tax and filing assistance on the NTA website.
- Respond to advance inquiries and advance pricing arrangement of transfer pricing taxation, so the taxpayer can predict in advance the tax treatment of its own economic activities.
- Work to improve an environment and provide support to enhance tax education, in cooperation with the relevant ministries, agencies, educators and private organizations.

(2) Proper and fair taxation and collection and remedy for taxpayer rights

- Take a strict stance against malicious taxpayers, while protecting taxpayer rights and interests.
- Upon dispositions for taxation and delinquent tax, correctly understand what the taxpayer asserts and objectively scrutinize it at the examination stage, and then accurately confirm the facts and 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.
- Promote the enhancement of corporate governance on tax matters through exchanging opinions with executive officers of large enterprises, etc. At the same time, prolong the interval between examinations for those corporations recognized as having enhanced corporate governance and allocate more examination work to those corporations in need of improvements.
- Achieve proper and speedy processing of a request for review, as well as develop environment for more user-friendly request for review system.



(3) 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.

(4) Proper management of liquor administration

- Make efforts to assure the safety and to enhance the quality level of liquor, by such measures as technical guidance to liquor manufacturers and examination on the labeling of liquors among liquor business operators.
- To respond to social demands, such as preventing underage drinking and being environmentally conscious, implement measures including guidance for the proper display at liquor shops and selling spaces, as well as providing thorough information on the system for recycling liquor containers.
- For liquor business operators, implement a survey on actual trade practices and give the necessary guidance for improvements in order to assure fair trade of liquors. At the same time, make efforts to develop the fair trade environment for liquor in cooperation with the Fair Trade Commission.
- Working with the relevant ministries and agencies, introduce the attractiveness of Japanese liquors and make efforts to abolish regulations at export destinations, which are export barriers, in order to develop the environment for the export of Japanese liquors.

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

- Endeavor to Coordinate and cooperate with Certified Public Tax Accountants' Associations as organizations for improving the work of CPTAs, because CPTAs play important roles in the proper and smooth realization of the self-assessment system.
- Work to prevent violations of the Certified Public Tax Accountant Act by CPTAs, etc. At the same time, take strict action against CPTAs, etc. who violate the Certified Public Tax Accountant Act and so-called "fake CPTAs" by applying disciplinary actions and filing accusations seeking prosecution.

(6) Policy evaluation and improvement of tax administration

- Provide easily understood information on issues the NTA should work on, on its policy initiatives and its various measures, and on its evaluations and verifications of the results of their implementation. Work to improve tax administration, based on the evaluations and verifications of the results of its implementation.

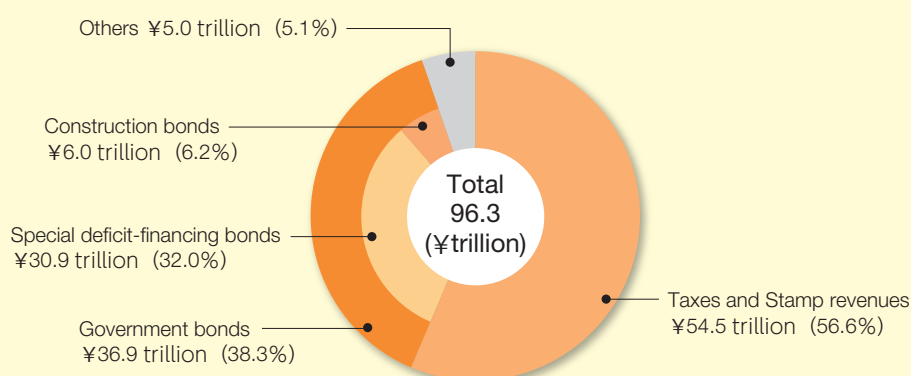
3 Overview of the national tax organization

(1) National revenue and taxes

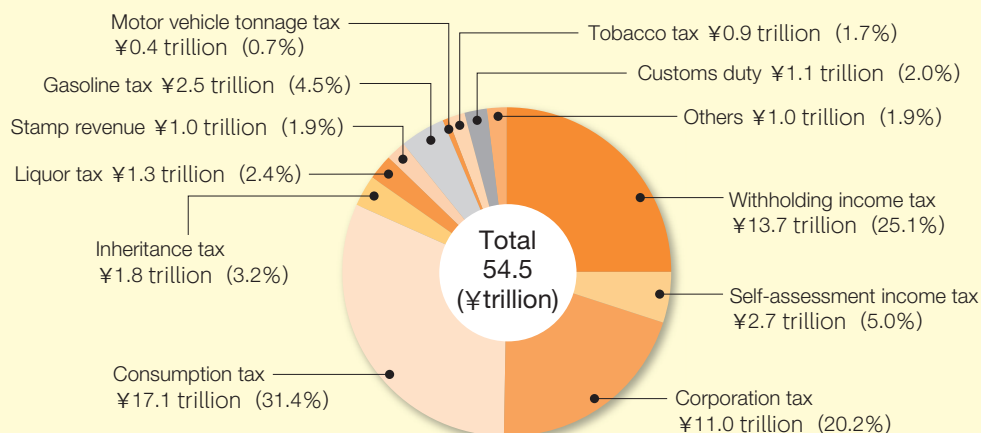
National revenue (initial budget for general account revenues) in fiscal 2015 stands at ¥96,342 billion, of which ¥54,525 billion is from taxes and stamp revenues. Deducting from them customs tax revenues and stamp revenues from Japan Post Holdings Co., Ltd., leaves ¥45,885.7 billion (about 84%)¹ as national tax revenues.

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

■ National revenue (FY2015 general account revenues (initial budget))



<Breakdown of taxes and stamp revenues>



*1 Government bonds are revenues generated by special deficit-financing bonds issued to compensate for the revenue shortfalls and construction bonds to finance public project-related expenditures. All are debts which are to be repaid in the future.

*2 The total amount of each item and the amount indicated as "Total" do not exactly match, due to rounding of fractional figures.

(2) NTA budget and number of personnel

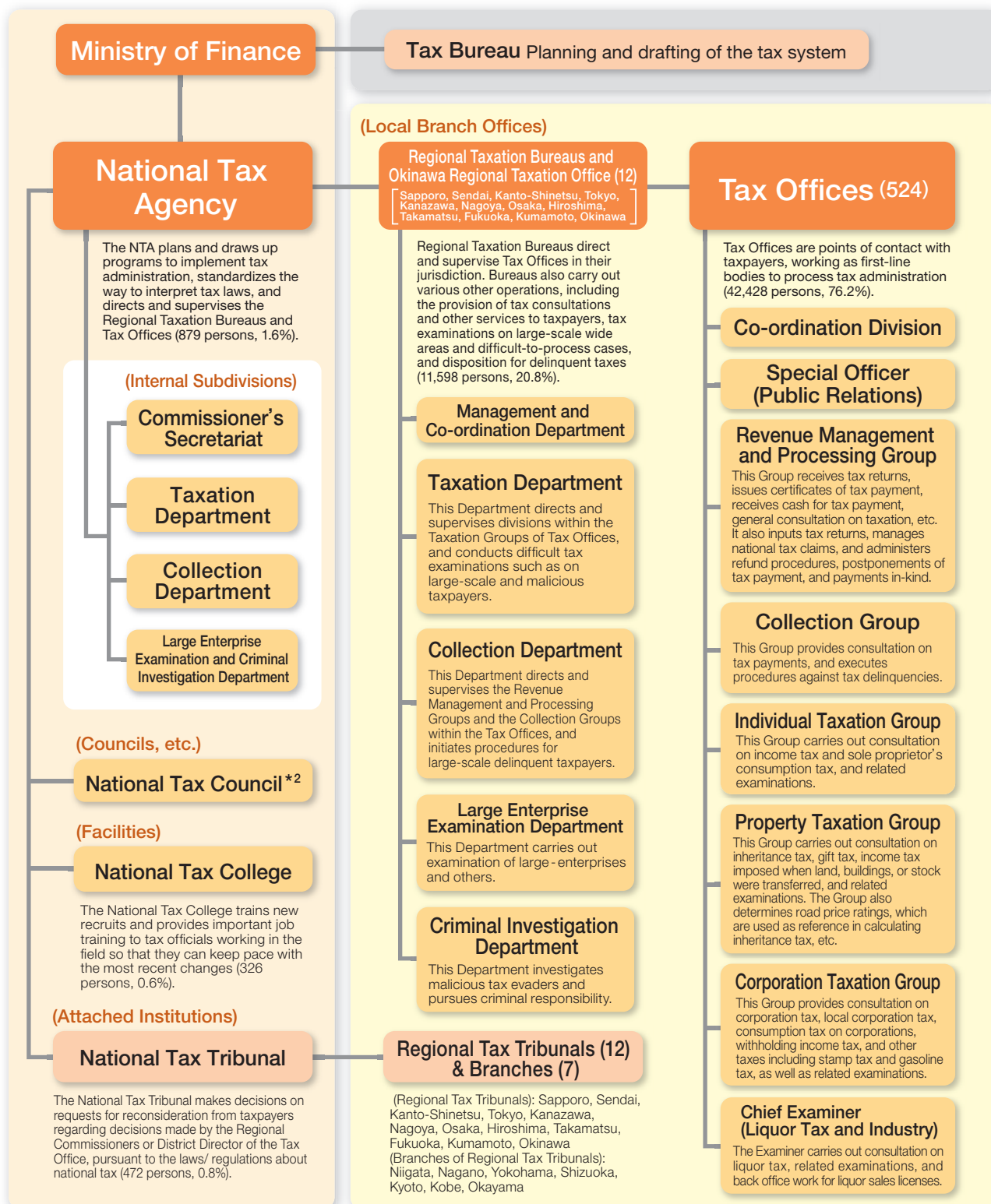
The NTA initial budget in fiscal 2015 stands at ¥707.4 billion, with salary costs amounting to ¥567.6 billion and general expenses ¥139.8 billion.

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. The number hit a peak in fiscal 1997 and the agency has a headcount of 55,703 in fiscal 2015.

¹ Tax revenue of the national tax organization is calculated based on the ratio of the NTA revenue final account amount divided by the taxes and stamp revenue final account, from April 1, 2013 to March 31, 2014.

(3) Organizational structure of administrative authorities for national tax

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



About the NTA

Enhancement of Services for Taxpayers

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Efforts to Enhance Taxpayer Convenience and to Boost Efficiency of Tax Administration

Proper Management of Liquor Administration

Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

Evaluation of Policies

Statistics

*1 The headcount and percentage indicated in each department represents the prescribed number of personnel, and its percentage of the overall number of personnel in the NTA (as of the end of July 2015).

*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.

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

Japan adopts a self-assessment system for most of its national taxes. Under this system, taxpayers themselves calculate their income and tax amount, based on which they file and make a payment. In order for the self-assessment system to function properly, at the NTA, we do our best to ensure taxpayers have a high level of awareness regarding tax payment and proactively and properly fulfill the obligation of tax responsibilities as provided by the law.

To this end, the NTA is working to enhance a variety of services for taxpayers while cooperating and coordinating with Certified Public Tax Accountants (CPTAs) and relevant private organizations. 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., (3) centralization of taxpayer contact points, and (4) efforts to improve taxpayer convenience in tax consultation and filing returns.

1 Providing information, etc.

~ Various public relations activities ~

The NTA provides taxpayers with easy-to-understand, useful information on tax filing and payments, etc.

More specifically, focused on the NTA website <http://www.nta.go.jp> (accessed 186,310,000 times in fiscal 2014), the NTA provides a variety of information on the significance and roles played by taxes and on the tax system. The information is also provided through the mass media, such as TV and newspapers, and public relations mediums such as pamphlets made available at the Tax Offices as well as municipal offices, and various explanatory meetings.

The NTA also answers to general inquiries and consultations related to taxes by telephone and other means, while providing information on the interpretation and handling of general tax law through the NTA website, etc. Furthermore, it responds to advance inquiries where there are questions on tax applications related to actual transactions.

(1) Information provided on the NTA website

~ The NTA website is designed with a focus on taxpayer convenience ~

To enable anyone to easily use its website, the NTA is working to enhance its guidance functions according to user aims and pays attention to convenience for the visually disabled and the elderly by providing text enlargement, voice reading functions, etc.

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.

NTA Website (top page)

*The following diagram is as of April 2015.

- 1 **Tax Answer System**
 - Portal to the FAQ where frequently asked inquiry and general answers are posted
- 2 **Search for Regional Taxation Bureaus and Tax Offices**
 - Portal to the pages of each Regional Taxation Bureau
- 3 **Filing assistance on the NTA website**
 - In this system, if a taxpayer follows the screen guidance and inputs monetary amounts etc., taxes are automatically calculated, and tax returns for income tax, consumption tax and gift tax can be prepared
 - Prepared tax returns can be submitted by e-Tax
 - Printouts can be submitted by postal mail
- 4 **Online national tax return filing and tax payment system (e-Tax)**
 - Information to support filing tax returns and payment using e-Tax for "Prior preparation," "Advanced registration," "Flow of procedures," etc.
- 5 **Road price rating map**
 - Road price rating information for 7 years throughout Japan

- 6 **Auction information**
 - Provide information on properties for public auction (selling of seized properties by bidding, etc.) executed at Regional Taxation Bureaus and Tax Offices throughout Japan, information on auction procedure, etc.
- 7 **See on video clip**

The tax information and the work of tax offices

 - Specific explanations of tax procedures, how to prepare tax returns, e-Tax use, etc.
 - Shows the NTA activities like tax examination and collection, in an easily understood drama format
- 8 **Tax learning section**
 - Section to have fun learning about taxes, with games and quizzes for both children and adults
 - Provides tax education learning materials for school teachers
- 9 **Text enlargement / voice readings**
 - Support functions for the elderly and those who have visual disorders
- 10 **Introduction**

The role of taxes and the work of tax offices

 - Explain "the role of taxes and the work of tax offices" by using movie and illustration for easy understanding
- 11 **Email magazine**
 - Registration of "What's new?" and Email magazine delivery service"

About the NTA

Enhancement of Services for Taxpayers

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Efforts to Enhance Taxpayer Convenience and to Boost Efficiency of Tax Administration

Proper Management of Liquor Administration

Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

Evaluation of Policies

Statistics

*1 Provide information on the Social Security and Tax Number System.

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

(2) Tax education

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

The NTA works on developing the environment for and providing support for a solid tax education in school education, so that the significance and roles of taxation that forms the country's foundations will be correctly understood.

Specifically, 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, the NTA, etc.) meets to discuss effective support measures. Furthermore, we dispatch our staff as teachers to tax education classes on the request of schools as well as organize 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> (in Japanese language)) as a page for site visitors to study the significance and roles of taxation.

"Tax☆Space UENO," a facility for tax education in the Tokyo-Ueno Tax Office, holds "Tax Office Tour" and "Experiential Learning" events as well. For further information, please see the NTA website (<http://www.nta.go.jp/tokyo/shiraberu/gakushu/taiken/01.htm> (in Japanese language)).



Tax☆Space UENO



Tax learning section (top page)

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

Fiscal year	2012	2013
Officials	8,551	8,159
Non-officials	17,542	21,207
Total	26,093	29,366

* Includes the number of lecturers dispatched to universities and vocational schools.

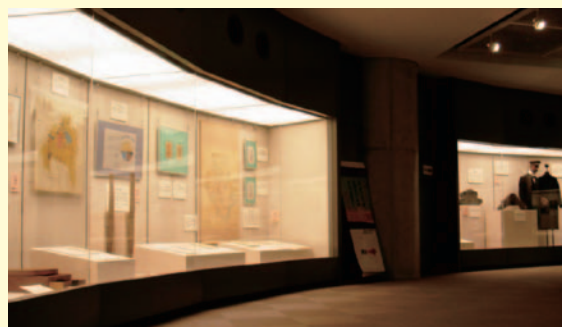
■ Number of essays entered for Tax Essay Contest

Fiscal year	2013	2014
Received from high-school students	181,500	193,393
Received from junior high-school students	583,142	615,230

Providing tax knowledge through the Tax Museum

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

For further information, please visit the National Tax College section within the NTA website (<http://www.nta.go.jp/ntc/english/>).



Tax Museum

(3) Briefings for taxpayers

~ Organizing various educational sessions to provide information ~

To help taxpayers better understand the tax procedures and tax system revisions, the NTA holds a variety of briefings, including: 1) various briefings on tax returns, 2) year-end adjustment briefings, 3) briefings on revisions to the tax laws, and 4) briefings for newly established corporations.

■ Frequency of briefings and number of participants

Operation year	2012	2013
Frequency held	23,918 times	25,515 times
Number of participants	1,155 thousand people	1,166 thousand people

(4) Advance inquiries

~ Enhanced predictability for taxpayers ~

In case taxpayers have some doubts regarding the tax treatment of any transaction conducted or to be conducted, Tax Offices receive advance inquiries and provide answers. The inquiries and answers that can serve as reference for other taxpayers are disclosed as Q&As on the NTA website.

For some 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.

■ Number of Advance Inquiries received by written reply procedure

Fiscal year	2013	2014
Number of Advance Inquiries Received	160	131

■ Number of Q&A examples posted on website

Fiscal year	2013	2014
Number of Q&A posted	1,784	1,785

◎ Examples of answers provided in writing

- Regarding the tax treatment of cases in which creditors waive their claims in accordance with a restructuring plan based on the special conciliation scheme
- Regarding the corporation tax law treatment of a replacement investment to be implemented under an agreement on the implementation of management rights at public facilities based on the "Private Utilizing Airport Operation Act"

(5) Tax consultation

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

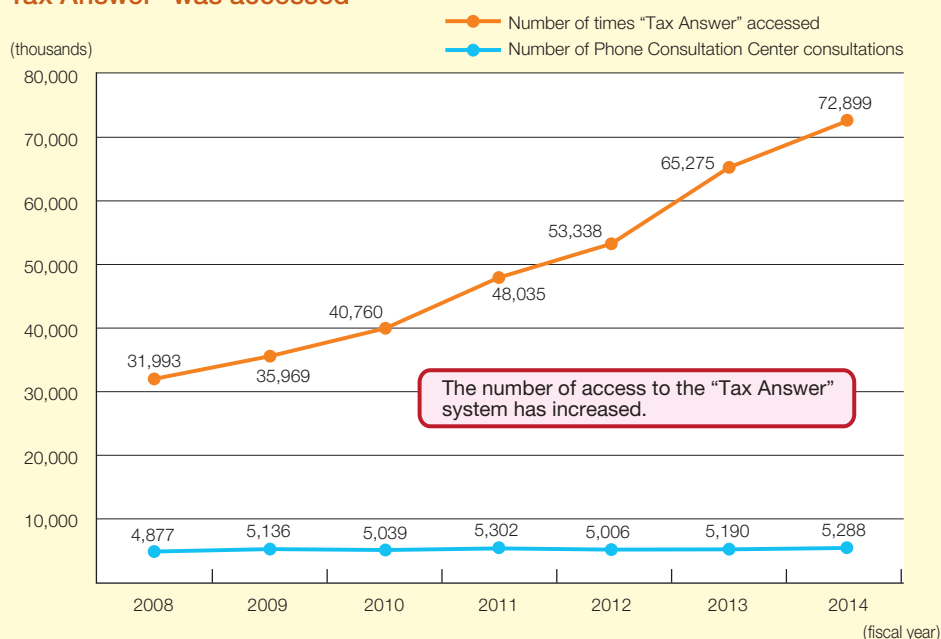
Phone Consultation Centers at Regional Taxation Bureaus provide centralized handling of general tax questions and consultations from taxpayers. Phone Consultation Centers at Regional Taxation Bureaus in Tokyo, Nagoya and Osaka also provide tax consultation in English.

Also, the NTA website provides information in its “Tax Answer” section (<http://www.nta.go.jp/taxanswer> (in Japanese Language)), in which general answers to frequently asked questions are posted (it also provides a mobile phone site.).



Phone Consultation Center

■ Phone Consultation Center: Number of consultations and number of times “Tax Answer” was accessed



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

When consultation by interview is required, for example if it is necessary to check specific documents or facts, there is an appointment system at the Tax Office with jurisdiction. This serves to eliminate wait time at the Tax Office, as part of our efforts for effective and efficient operation which matches the content of consultations.

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

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

e-Tax enables users to perform procedures for filing income tax, corporation tax, consumption tax, gift tax, stamp tax and liquor tax returns, as well as submitting statutory records and applying for blue return filing, etc. via the Internet instead of submitting paper-based documents. Tax payment can be made via direct payment, the Internet, Pay-easy¹ compatible ATMs, etc.

Use of tax and accounting software compatible with e-Tax enables taxpayers and CPTAs to digitally carry out the set of work, including accounts processing and reporting, from data preparation to filing, which will reduce paperwork.

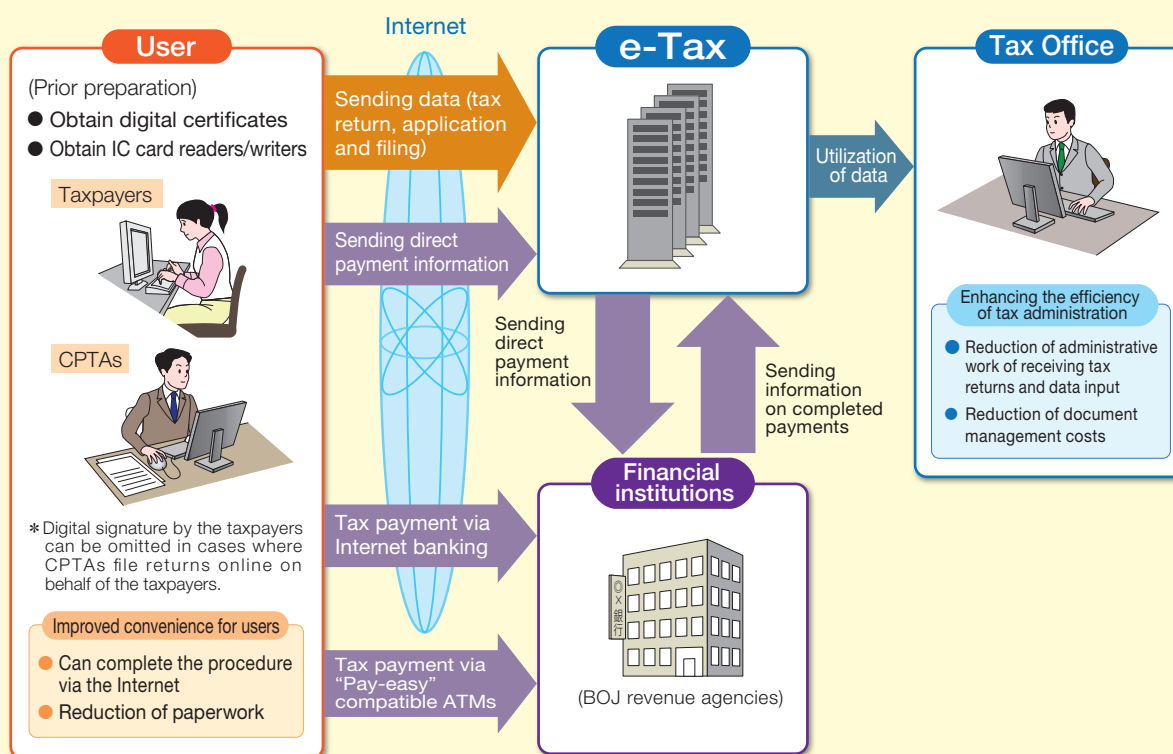
e-Tax also reduces administration work, such as receiving tax returns at the counter or by postal mail and data input, as well as reduces document management costs for tax authorities, thereby promoting the efficiency of tax administration.

In order to encourage and stabilize the use of e-Tax, the NTA has enabled the submission of attachment documents such as medical receipts by individuals to claim medical deduction to be omitted². Furthermore, for improved user convenience, we have started providing services for users of smartphones and tablets for certain types of procedure such as for tax payment, in response to the recent, rapid popularization of these devices.



Mascot character for e-Tax
"Mr.e-Ta"

■ Outline of e-Tax



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.

～ Regarding the “Improvement Action Plan by the Ministry of Finance” for the improvement of convenience of online procedures ～

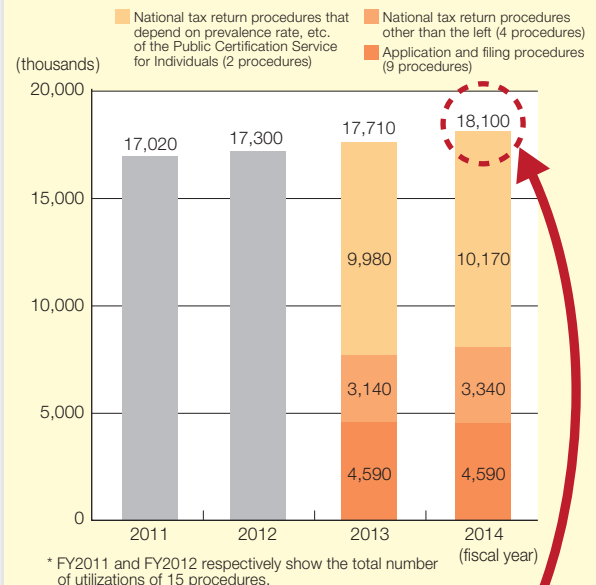
The NTA decided the “Improvement Action Plan by the Ministry of Finance” (hereinafter the “Improvement Action Plan”) in September 2014, based on the “Policy for the Improvement of Convenience of Online Procedures” decided in April 2014, as the policy of the entire government to address the issue of the online use of services in fiscal 2014 and thereafter.

The Improvement Action Plan establishes targets for e-Tax user satisfaction and its utilization rate as well as specifies future measures to improve convenience for users of e-Tax, which the NTA plans to develop and implement.

The NTA will work for the wider use and establishment of e-Tax, based on the Improvement Action Plan.

Please refer to Page 50 for measures to improve convenience for users of e-Tax aiming for its wider use and establishment.

■ The number of utilizations of e-Tax



The number of utilization of e-Tax increases steadily.

■ Outline of the Improvement Action Plan by the Ministry of Finance

Covered period

Three years from FY2014 to FY2016

Procedures for further improvements

- National tax return procedures that depend on prevalence rate, etc. of the Public Certification Service for Individuals (2 procedures)
 - Income tax return
 - Consumption tax return (individual)
- National tax return procedures other than the above (4 procedures)
 - Corporation tax return
 - Consumption tax return (corporation)
 - Liquor tax return
 - Stamp tax return
- Application and filing procedures (9 procedures)
 - Withholding record of employment income, etc. (and totaled table for the same) (6 procedures)
 - Payment record of interest, etc. (and totaled table for the same)
 - Request for issue of certificates of tax payment
 - Notification of start (changes etc.) of using e-Tax

Evaluation criteria

- e-Tax user satisfaction
 - Measure user satisfaction by conducting surveys. [Baseline : 73.3% Target : 75%]
- User satisfaction of the “filing assistance on the NTA website.”
 - Measure user satisfaction by conducting surveys. [Baseline : 83.1% Target : 85%]
- Percentage of online use
 - National tax return procedures that depend on prevalence rate, etc. of the Public Certification Service for Individuals (2 procedures) [Baseline : 51.9% Target : 58%]
 - National tax return procedures other than the above (4 procedures) [Baseline : 66.9% Target : 72%]
 - Application and filing procedures (9 procedures) [Baseline : 57.7% Target : 62%]
- Utilization rate of ICT
 - Establish targets for utilization rates of ICT for income tax returns and consumption tax returns (individuals). [Baseline : 68.8% Target : 72%]
- Cost per application received online
 - Calculate developmental, operational, and other costs per online application. [Baseline : 433yen Target : Decrease from the previous]
- (Reduction in) paperwork processing time
 - Calculate the reduction in paperwork processing time when using e-Tax compared with the time necessary when processing by paper. [Baseline : 106,456 hours Target : Increase from the previous year]

(Note 1) The baseline is the actual result in FY2013. The target was set as the result to be achieved in FY2016.

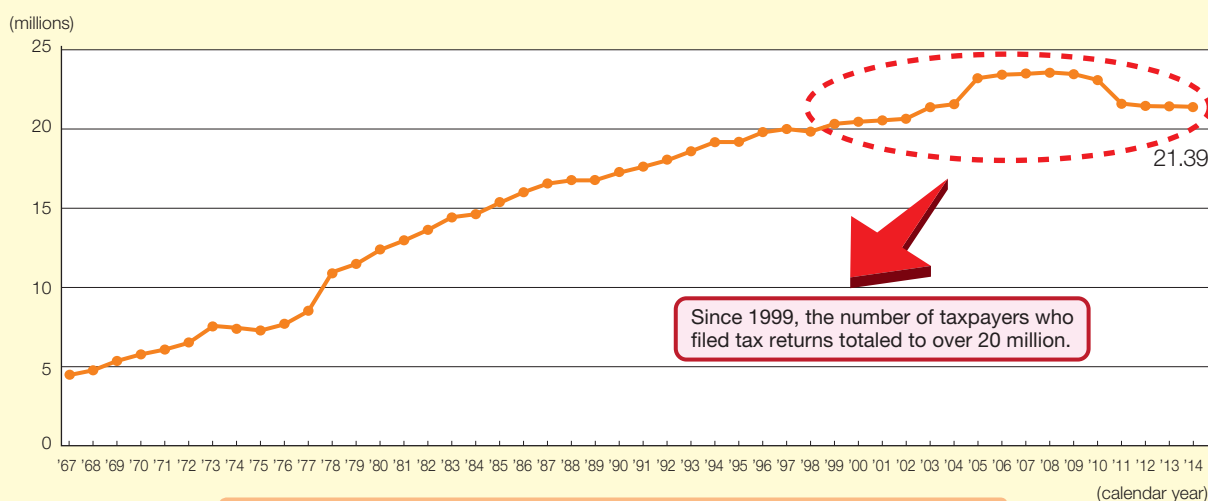
(Note 2) The utilization rate of ICT is the ratio of the number of returns filed with return forms prepared by using the Internet at home or other places (including filings by paper-based documents) relative to the total number of returns.

3 Filing for tax return

~ The number of taxpayers who filed tax returns totaled 21.39 million. More than half filed for tax refunds ~

Tax filing is a procedure, in which the taxpayer calculates income and tax amount for a one year period, and files and pays taxes. Not only persons obligated to file, but also those who obtain tax refunds file tax returns, for example, because they paid large medical bills. 21.39 million people filed their income taxes and special income taxes for reconstruction for 2014; thus, one out of six residents filed taxes. Of these, over 12.49 million people filed for refunds, comprising over half of the people filing tax returns.

■ Trend of individual tax return filers



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

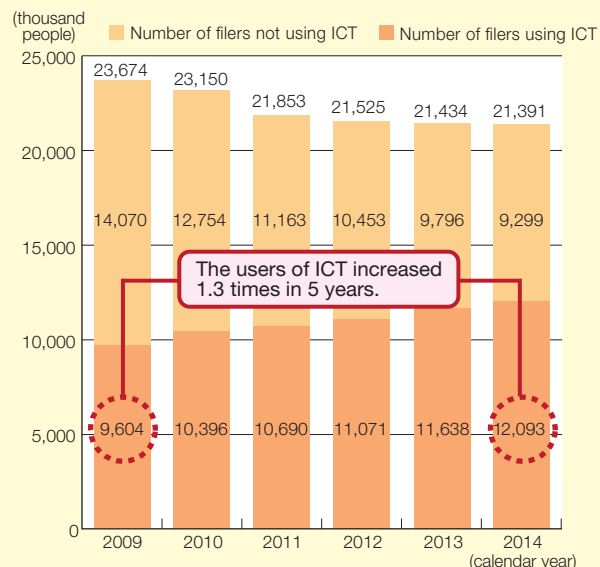
(1) Promotion of filing using ICT

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

The NTA promotes filings using ICT, such as filing assistance on the NTA website and e-Tax, which enables taxpayers anytime to file tax returns conveniently without visiting Tax Offices and calculation errors.

Also, taxpayers visiting consultation sites of Tax Offices can use the PCs for filing assistance on the NTA website to prepare tax returns and to transmit them using e-Tax, experiencing the convenience of filing using ICT.

■ Filers who used ICT to file an income tax return



～ The number of users of “filing assistance on the NTA website” is increasing each year ～

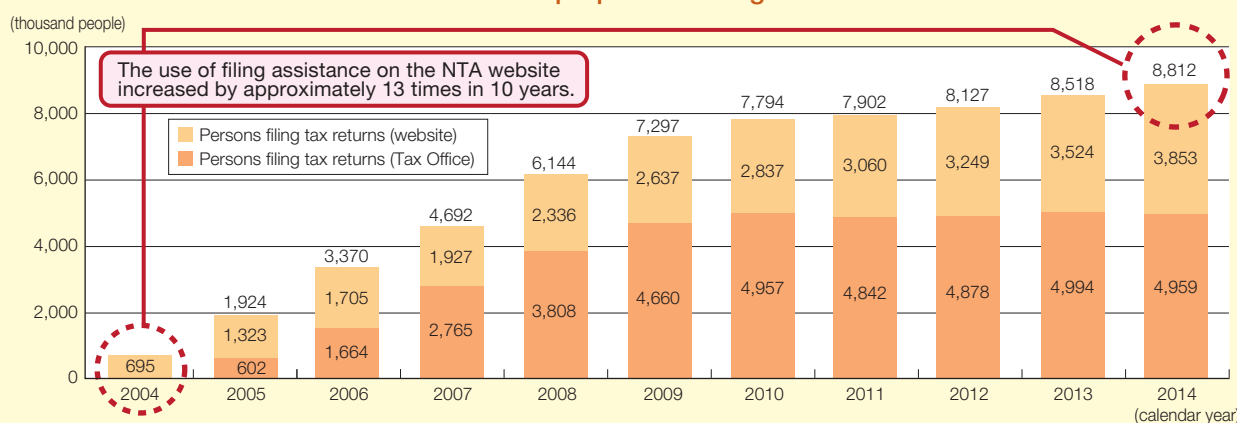
With the filing assistance on the NTA website, if a taxpayer enters the amounts and other necessary information according to the guidance on the PC screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns for income tax and special income 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, or it can be printed and submitted to the Tax Office by post, etc.

In the filing period for 2014, the number of people who submitted income tax and special income tax for reconstruction returns prepared with filing assistance on the NTA website reached 8.81 million cases, including those prepared via PCs set up at consultation sites. This comprised about 41% of all people who submitted returns. About 58% of these submitted their returns via e-Tax.

We will continue our efforts to improve the system to make it easier to use based on feedback from users, so that it can be used by as many taxpayers as possible.

■ Trend in income tax return submissions prepared in filing assistance on the NTA website



* Figures represent those submitted by the end of March of the following year.

The use of filing assistance on the NTA website at PCs installed in the Tax Office started from tax returns for 2004. However, the number of taxpayers who submitted returns using this method remains unaccounted for.

The number of taxpayers who submitted tax returns for years before 2003 remains unaccounted for.

The number of taxpayers who submitted tax returns for years since 2007 includes cases using e-Tax.

(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 2014 tax return filing period, the offices were open on February 22 and March 1, 2015, during which 281,000 income tax and special income tax for reconstruction returns were filed.

Cooperation with the local tax authorities

In an effort to simplify taxpayer filing procedures, the NTA is working on achieving close cooperation between 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, 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 thorough information and publicity to withholding agents ～

In the withholding tax system, withholding agents finalize the taxation process by doing year-end adjustments, which eliminate the procedures for tax returns for a large portion of the over 50 million wage and salary earners. The withholding tax system is as important in tax administration as 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 Cooperation with private organizations

～ Provide necessary tax information to taxpayers in cooperation with relevant private organizations ～

The NTA is implementing measures to convey information on taxes to taxpayers through various explanatory meetings held by relevant private organizations. These relevant private organizations are playing a large role in achieving a proper self-assessment system and in spreading knowledge about taxes.

The NTA is working to strengthen coordination and cooperation between these relevant private organizations, for example by promoting measures for the 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 for the purpose of “contributing to establishing the self-assessment system and promoting small enterprises,” mainly by sole proprietors who use the blue return system. 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 820,000 (as of April 2015). 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 “contributing to spreading knowledge of tax, maintaining and developing a proper and fair self-assessment system, as well as achieving smooth tax administration.” There are 482 corporations associations as incorporated associations, and membership stands at about 820,000 corporations (as of December 2014). 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 <http://www.zenkokuhojinkai.or.jp>

Indirect tax associations

Indirect tax associations are organized for the purpose of “cooperating in achieving smooth tax administration through acquiring knowledge about indirect taxes and establishing a voluntary self-assessment system.” There are 518 associations nationwide with about 90,000 members (as of March 2014). 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 <http://www.kanzeikai.jp>

Savings-for-tax associations

Savings-for-tax associations are organized for the purpose of “smooth payment of various taxes by means of saving funds for tax payment.” The associations are established pursuant to the Tax Fund Saving Partnership Act, and there are now 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 <http://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 “spreading knowledge about taxes, promoting proper filing of returns, uplifting tax payment morality, and thereby contributing to the development of enterprises and regional societies.” There are 83 tax payment associations, and about 160,000 members belong to these associations (as of March 2015). 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 <http://www.nouzeikyokai.or.jp>

Column 1 Response to the Great East Japan Earthquake (As of end of March, 2015)

1 Actions 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.

Subsequently, this measure to extend the deadlines was 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 the 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 the extension of the deadlines requires taxpayers of 12 municipalities of Fukushima Prefecture to make filings and payments for a period of multiple years, the one-year procedure period was established, which requires the taxpayers to make filings and payments by March 31, 2015. For any taxpayer who continues having difficulty in filing or paying taxes by this date, a further extension of the deadline can be permitted on application. The NTA has been carefully taking proper action in consideration of each individual's 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

Anticipating that many victims of the Great East Japan Earthquake would continue to visit Tax Offices, the Sendai Regional Taxation Bureau dispatched backup staff from the Bureau and the Tax Offices in its jurisdiction (about 5,500 staff in total) to Tax Offices in charge of 12 municipalities of Fukushima Prefecture and disaster stricken areas, in order to ensure taxpayer services during the filing period.

In addition, each Taxation Bureau dispatched their staff (about 1,500 staff in total) to the Tax Offices in Sendai City, Ishinomaki Tax Office, Shiogama Tax Office, Fukushima Tax Office, Koriyama Tax Office, Iwaki Tax Office and Soma Tax Office for a period from Thursday, February 12, 2015, to Tuesday, March 17, 2015, as part of the support given by the entire NTA to the Sendai Regional Taxation Bureau.

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 2014 on liquors and brewing water (1,968 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 5,872 certificates of place of manufacturing, and 824 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, 2015):

Income tax	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).
	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).
	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 "special measures for credit relating to reacquisition of a dwelling," instead of normal special credits for loans relating to a dwelling. ③ The above ① and ② can be applied simultaneously.
Gift tax	Under certain conditions, a gift is exempt from taxes up to the maximum amount of exemption in the following cases: 1) a person who lived or intended to live in a house that was destroyed or damaged beyond repair by the Great East Japan Earthquake receives a gift as funds for acquiring a house from a lineal ascendant, including parents and grandparents, between January 1, 2015 and June 30, 2019 or 2) a person who lived in a house located in a designated evacuation zone, etc. as of the date the evacuation zone was designated as such receives a gift as funds for acquiring a house from a lineal ascendant, including parents and grandparents, between the date the evacuation zone was designated as such and the date one year after the designation as an evacuation zone is lifted.
Corporation tax	For corporations designated by an approved local government during the period December 26, 2011 through March 31, 2016, which were newly established in the industrial park zone for reconstruction, the following special measures defer the taxation of corporation tax in each business year from the designated date to the date 5 years after from the designated date: ① Tax deduction of reserves for re-investment allowed with the upper limit of income amount. ② Special depreciation is allowed with upper limit of reserve balance in the fiscal year when the corporation invests in equipment or buildings in the industrial park zone for reconstruction again.
Motor vehicle tonnage tax	If a vehicle or a motorcycle was damaged by the Great East Japan Earthquake and scrapped within the valid period of its motor vehicle inspection certificate, then the owner can do the procedure for Permanent Deletion Registration or for notice of demolishing or dismantling at a Transport Branch Office or Light Motor Vehicle Inspection Organization, and submit a request for refund of motor vehicle tonnage tax, and thereby obtain refund of motor vehicle tonnage tax.
	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.
Stamp tax, etc.	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.
	For cases such as a building acquired to replace a building demolished and removed because it was destroyed or damaged by the Great East Japan Earthquake and a building located in the area subject to the designation of evacuation zone, etc. as of the date when such designation of evacuation zone, etc. was made, the stamp tax is exempted for "contracts on transfer of real estate" and "contracts on contracting of construction work" made by that victimized person. Also, registration and license tax in relation to the registration of transfer of ownership will be exempt.
Liquor tax	In cases where a liquor manufacturer whose manufacturing factory was seriously damaged by the Great East Japan Earthquake ships some specific type of liquors during a period from April 1, 2011 to March 31, 2016, if the taxable volume of the previous year was 1,300 kl or lower, the liquor tax on up to 200 kl of the taxable volume of the year is reduced.

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

Column 2 Actions taken for the amended Consumption Tax Act

1 Background

In order to secure stable financial resources for social security and achieve fiscal consolidation at the same time, revisions were made to the Consumption Tax Act, including a rise of consumption tax rate in two phases. The date for raising consumption tax rate from 8% to 10% was also decided to be April 1, 2017.

■ Rise of consumption tax rate

Date of application	April 1, 2014	April 1, 2017
Consumption tax rate	8.0%	10.0%
(Breakdown: National + Local)	(6.3%+1.7%)	(7.8%+2.2%)

The 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 in order to ensure the smooth and appropriate shifting of consumption taxes.

Exceptions from the obligation to indicate the total price with tax

From October 1, 2013, to September 30, 2018, prices 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 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.
- Provide consultations on the revised Consumption Tax Act, etc. at the “revised consumption tax system consultation desk” at each Tax Office.

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

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.

The “revised consumption tax system consultation desk” at Tax Offices appropriately provides consultation on the revised Consumption Tax Act, on price indication (exceptions from the obligation to indicate the total price with tax), as well as 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 the necessary guidance and advice to prevent and correct any acts that violate the 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 collects a report or conducts an on-site inspection to secure smooth and appropriate shifting of consumption taxes.

Column 3 Actions taken for the amended Inheritance Tax Act

1 Outline of revision

As a part of the FY2013 tax reform, the Inheritance Tax Act was amended covering the inheritance tax on properties to be acquired by inheritance or testamentary gift on or after January 1, 2015. The amendment includes such items as a reduction of the basic deductions.

2 Key Actions

(1) Enhancement of the NTA website

The NTA set up on its website a special section, "Inheritance Tax and Gift Tax," which integrates relevant information on inheritance tax, etc.

More specifically, we are posting a pamphlet for informing site visitors about items amended by this tax reform including and "Outline of Inheritance Tax" that explains the system of the inheritance tax in an easy-to-understand manner. In addition, the website has a section open to the public, "Tool for Judging If You Need to File Your Inheritance Tax Return" to help taxpayers to judge for themselves whether the value of their inherited properties exceeds the basic deduction amount.

■ Reduction of the basic deductions for the inheritance tax

[Before the Amendment]

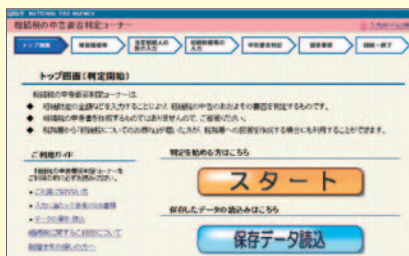
¥50 million+(¥10 million×the number of legal heirs)

[After the Amendment]

¥30 million+(¥6 million×the number of legal heirs)



[Tool for Judging If You Need to File Your Inheritance Tax Return] (<https://www.keisan.nta.go.jp/sozoku/yohihantei/top> (in Japanese Language))



In the section "Tool for Judging If You Need to File Your Inheritance Tax Return," users input figures such as the number of legal heirs and the amount of individual properties and debts. The system then automatically calculates the amount of the applicable basic deduction, etc. The output can be used to reasonably judge if the user needs to file an inheritance tax return.

(2) Improving the consultation system

Taxpayers who want an individual consultation by interview at a Tax Office about specific calculation methods for filing, etc. can receive consultation services by making a prior appointment by phone for more effective and efficient operations.

General consultations are handled in a centralized manner at Phone Consultation Centers.

Column 4 Review of requirements for "scanner storage" in Act on Book and Record Keeping through Electronic Methods

Tax laws require, in principle, that documents such as contracts be stored in the original form of paper documents. If an application is filed and approved, however, storing these documents in the form of electronic data scanned by scanner (hereinafter "scanner storage") is acceptable, instead of storing them in the form of paper documents, if several requirements are met.

These requirements have been reviewed and for example, one of them, the monetary standard on contracts, etc. (below ¥30,000), will be abolished, and under certain conditions, scanner storage of contracts, etc. of ¥30,000 and over will be possible.

This amendment will come into effect for approval applications submitted on or after September 30, 2015.

■ Approval status of storage using electronic records based on the Act on Book and Record Keeping through Electronic Methods

(case)

Operation year	2009	2010	2011	2012	2013
Cumulative number of approved cases at the end of operation year	113,105	123,045	133,012	143,417	154,006
Of which, number of approved scanner storages	54	61	103	120	133

1 Promotion of proper and fair taxation

~ While conducting strict examination on malicious taxpayers, the NTA makes brief contact for simple mistakes ~

For malicious taxpayers who try to illicitly evade their tax burden, the NTA analyzes information from various angles and conducts strict examinations by making full use of its organizational strength.

In addition, the NTA takes care of its administration processes in an effective and efficient manner by balancing its allocation of limited human resources and other resources. For example, it makes brief contact via in writing or by telephone to correct simple mistakes instead of conducting a field examination.

■ The number of field examinations on self-assessed income tax and corporation tax (thousands)

Operation year	2011	2012	2013
Self-assessed income tax	99	70	62
Corporation tax	129	93	91

Field examinations aim to check the content of tax returns based on taxpayers' records, and if mistakes are discovered, to ask taxpayers to correct them. The field examinations in operation year 2013 found ¥6.71 million of undeclared income per case for self-assessed income tax, and ¥8.29 million for corporation tax.

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

(¥million, operation year)

	2009	2013
Self-assessed income tax	5.84	6.71
Corporation tax	14.74	8.29

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

The subjects of tax examinations are selected through a system, which contains data related to income tax returns, corporation tax returns, and a variety of other data and information.

For this data and information, we have in place a structure to efficiently collect data and information that will be very effective to use.

(1) Priority matters addressed in the tax examinations

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

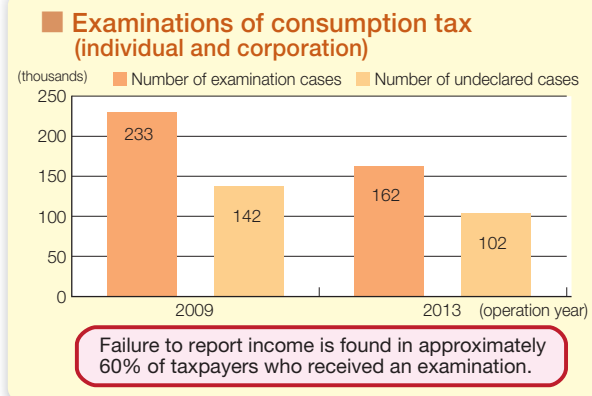
For taxpayers who expect a high income but who filed a low income or did not file, we are addressing tax examinations keeping in mind diversification and globalization of asset management.

◎ 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, the NTA discovered a failure to declare profits that were acquired from financial instruments held with overseas financial institutions.
- From materials provided by foreign tax authorities through information exchange under the tax treaty, the NTA has discovered overseas deposits excluded from inheritance tax declarations.

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

Consumption tax is one of the main taxes, and is similar to a deposit, which is why it attracts the strong attention of the public. Therefore, proper tax administration is especially necessary. In particular, as there are cases where fraudulent consumption tax refunds were claimed through the filing of false returns, we work to prevent the filing of fraudulent refunds by instituting sufficient examinations of the facts. As a result, if the reasons for a tax refund are not clear, we make contact through tax examinations, etc.



◎ Examples of malicious fraud in the consumption tax

- Consumption tax refunds were illicitly received by the trick of falsifying books etc., to disguise domestic sales as tax exempt export sales.
- 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.

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

When conducting tax examinations, the NTA 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.

Column 5 Establishment of a system for proper taxation

In response to changes to the environment, such as the diversification and internationalization of asset management, the following systems are adopted in the recent tax reform to secure proper taxation.

1 Foreign assets statement system

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.

In accordance with 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. The penalty provisions for failing to submit a statement or forging an entry in a statement came into force in January 2015.

2 Exit taxation

To prevent tax avoidance caused by cross-border migration, an exit tax system has been established and will be effective from July 1, 2015.

Under this system, when certain Japan residents in possession of securities or other financial assets totaling 100 million yen or more leave Japan, an exit tax will be levied on unrealized capital gains on securities or other financial assets at the time of leaving Japan. In principle, an individual subject to this exit tax is required to complete certain procedures, such as filing an income tax return, by the time they leave Japan.

* The same tax system has been established in the case of transferring securities and other financial assets to non-residents through gifts or inheritance of assets.

3 Statement of assets and liabilities

To ensure proper filing of income and inheritance tax, a statement of assets and liabilities will be reviewed and renewed. And the renewal will come into force on January 1, 2016.

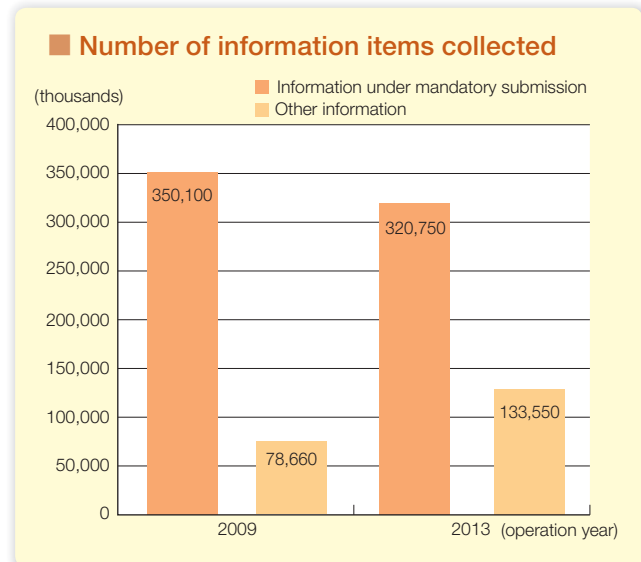
Under this system, if an income amount for a taxable year exceeds 20 million yen, and an individual holds assets with the total amount of 300 million yen or more, or assets subject to exit tax in 2 above with the total amount of 100 million yen or more as of December 31 of the year, the individual is required to submit a statement describing the type, quantity and price of the assets, and the amount of debt by March 15 of the following year.

(2) Data and Information

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

The NTA, through every occasion, collects a variety of information such off-the-books and fake transactions as found in the course of tax examinations, in addition to the withholding records of employment income, payment records of dividend, etc. 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 asset investment techniques and transaction forms, and collect information on overseas investments, information on transactions with overseas companies, electronic commerce transactions using the internet, etc.



(3) Criminal investigation

~ Pursues criminal responsibility 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 become broader, globalized, and computerized, the methods 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 FY2014 amounting to ¥15.0 billion in total, of which prosecuted cases accounted for ¥12.3 billion ~

In fiscal 2014, the NTA commenced 194 criminal investigations, processing 180 cases including those carried over from the previous fiscal year, of which it accused 112 cases to prosecutors. The total amount of tax evasion was ¥15.0 billion, with the average at ¥110 million per accused case.

Methods that were often used for tax evasion included excluding sales and booking fictitious costs or expenses. In the real estate industry where accusations have been repeatedly filed, tax evasion was often spotted in excluding sales and booking fictitious expenses. Regarding nightclubs and bars, tax evasion was often spotted in failing to pay withholding taxes collected pertaining to compensation to a hostess, and in the construction business, booking fictitious costs was often used.

Funds obtained from tax evasion were, for example, retained as cash, deposits, stocks, or real estate; spent on imported luxury cars and wristwatches; spent on amusement, such as horse racing; and appropriated for financial support to an associated person or key money at a home for the elderly.

In addition, part of the illicit funds were retained as overseas deposits or thrown into foreign casinos.

■ Status of criminal investigations

	Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Total amount of tax evasion cases (portion with accusation filed to the prosecutor)	Amount of tax evasion per case (portion with accusation filed to the prosecutor)
	cases	cases	cases	¥million	¥million
FY2013	185	185	118	14,458 (11,731)	78 (99)
FY2014	194	180	112	14,975 (12,346)	83 (110)

* Figures of tax evasion include additional tax.

～ In fiscal 2014, 96 cases were convicted at the court of first instance, including 11 cases in which prison sentences without probation were issued ～

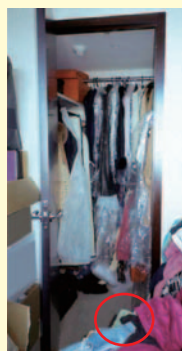
In fiscal 2014, 96 cases among 98 cases were convicted at the court of the first instance, with an average prison sentence of 15.9 months and average fines of ¥16million. 11 persons were sentenced to prison without probation. Prison sentences without probation have been handed down every year since 1980.

■ Ruling status in the first instance of criminal investigation cases

	Number of rulings ①	Number of convictions ②	Percentage of cases convicted ②/①	Number of convictions with prison sentences without probation ③	Amount of tax evaded per case ④	Term of prison sentence per person ⑤	Amount of fines per person(company) ⑥
	cases	cases	%	persons	¥million	months	¥million
FY2013	116	115	99.1	9	52	12.9	12
FY2014	98	96	98.0	11	69	15.9	16

* ④ to ⑥ exclude those combined with non-tax crimes.

■ Past cases where hidden properties were found in criminal investigations



Cash was found in a paper bag hidden in a closet.



(4) Approaches to enhance the corporate governance on tax matters

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

From the viewpoint of maintenance and improvement of tax return filing standard of Japan as a whole, maintenance and improvement of tax compliance of large enterprises is very important. To this end, the NTA, taking the opportunities of examination of large corporations, checks the status of corporate governance on tax matters, exchanges opinions with executive officers, 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 tax matters, 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 on 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 a ¥1 million fine) under the tax law, which is heavier than the penalty (up to one year in prison or up to a ¥500,000 fine) under the National Public Service Act. The NTA has given regular training on information security to its officials in order to thoroughly inform them of such penalty provisions. When interviewing taxpayers, tax officials consider taxpayers' privacy and refrain from interviewing them in their storefronts or in front of their homes. Based on the purpose of the "Act on the Protection of Personal Information Held by Administrative Organs," the NTA is also striving to conduct strict control of taxpayer information by making a periodic inspection of the status of control of administrative documents.

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 2015)

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

Delinquent Tax	Up to two months from the day after the due date for tax payment	Annual rate of 2.8% (Special Standard Rate*+1.0%)
	Starting on the date two months from the day after the due date for tax payment	Annual rate of 9.1% (Special Standard Rate*+7.3%)

* "Special Standard Rate" is a rate announced by the Minister of Finance by December 15 of the previous year as the 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.

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.

Column 6 A variety of efforts to ensure voluntary fulfillment of tax duties by taxpayers

A field examination is highly effective in correcting fraud and errors in taxpayers' filings, and to lead taxpayers to proper filing. Conversely, it requires a large number of human resources to conduct a field examination. Therefore, to ensure proper and fair taxation within the limited human resources and other resources, the NTA has been making effort to operate its work effectively and efficiently depending on each case by employing various measures other than field examinations to ensure that taxpayers voluntarily fulfill their tax duties.

The NTA is enhancing its efforts to promote voluntary and proper tax filing by a wide range of taxpayers by utilizing various approaches. Specifically, such approaches include supporting self-checking before taxpayers' filing, sending letters for a voluntary review of filing, and maintaining a cooperative relationship with the CPTAs' Associations and the relevant private organizations.

2 Reliable tax payment

(1) Establishment of voluntary tax payment

~ Approximately ¥49.6 trillion taxes paid into the national treasury within the fiscal year (98.7% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2013, about ¥50.2 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about ¥49.6 trillion of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.7% collection ratio.

~ Enhanced taxpayer services by offering various payment methods ~

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 2015, it was usable in 392 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 1.40 million cases in FY2013.

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:

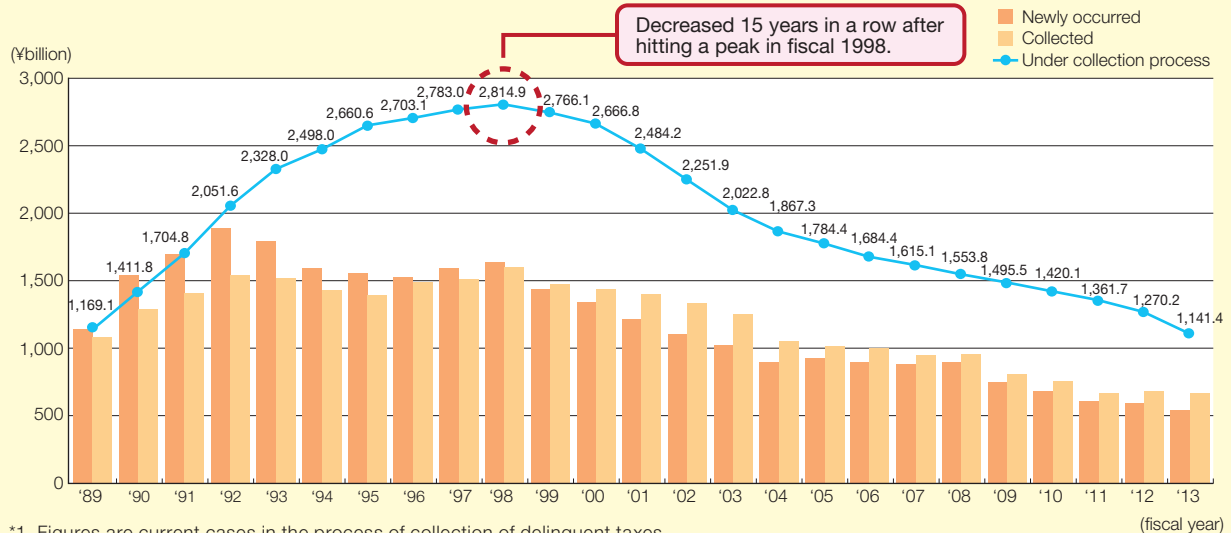
- ① If the determined tax amount is notified before the due date (estimated income tax prepayment, etc.)
- ② If the tax payment is demanded by letter or telephone (for all tax items)
- ③ If the tax payment is under the official assessment system (for various additional taxes)
- ④ If the taxpayer requested 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 40.5% 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 FY2013, the tax delinquency amount was about ¥1,141.4 billion.

■ Trend of collection of delinquent tax, for all tax items



*1 Figures are current cases in the process of collection of delinquent taxes.

*2 Figures for local consumption tax are not included.

■ Tax delinquency in fiscal 2013 for each major tax item

(billion yen)

	Under collection process at the end of the previous year	Newly occurred	Collected	Under collection process at the end of the year
Income tax	592.2	161.8	207.4	546.6
Withholding income tax	240.2	47.2	72.9	214.5
Self-assessed income tax	352.0	114.5	134.5	332.0
Corporation tax	163.5	69.1	90.7	141.9
Inheritance tax	115.6	30.5	52.6	93.6
Consumption tax	superscript 95.4 396.0	superscript 70.3 281.4	superscript 79.6 321.0	superscript 86.0 356.4
Other taxes	2.8	4.9	4.7	2.9
Total	superscript 95.4 1,270.2	superscript 70.3 547.7	superscript 79.6 676.5	superscript 86 1,141.4

*1 Local consumption tax is not included as the above figures indicate national tax delinquency.

However, according to Article 9 (4) of the supplementary provisions of the Local Tax Act, the national government must assess and collect local consumption tax with national consumption tax for a certain period. Therefore, the delinquent amounts of local consumption tax are indicated by the superscript amounts in the Consumption tax and Total fields.

*2 Any fraction less than 100 million yen was rounded off, and therefore the sum of figures may not be equal to the total figure.

Amounts under collection process remains high at approximately ¥1.1 trillion

→ Continue to work on preventing and reducing delinquencies with cooperation of all Tax Bureaus and Offices.

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.

Regarding the new system of a grace period (e.g., introduction of granting a grace period for asset conversion on application), which came into force in April 2015, appropriate action is taken based on the objectives of the revision, which were to reduce the burden on taxpayers and to secure tax collection early and adequately.

~ Strict and resolute handling of large and malicious delinquent cases ~

When collecting delinquent tax in a large and malicious delinquency case, strict and resolute action is taken, such as executing strict and accurate disposition for delinquent tax by search, seizure, auction, etc.

Particularly strict action is taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax. This crime of evading disposition for delinquent tax¹ is aggressively referred to the prosecutor.

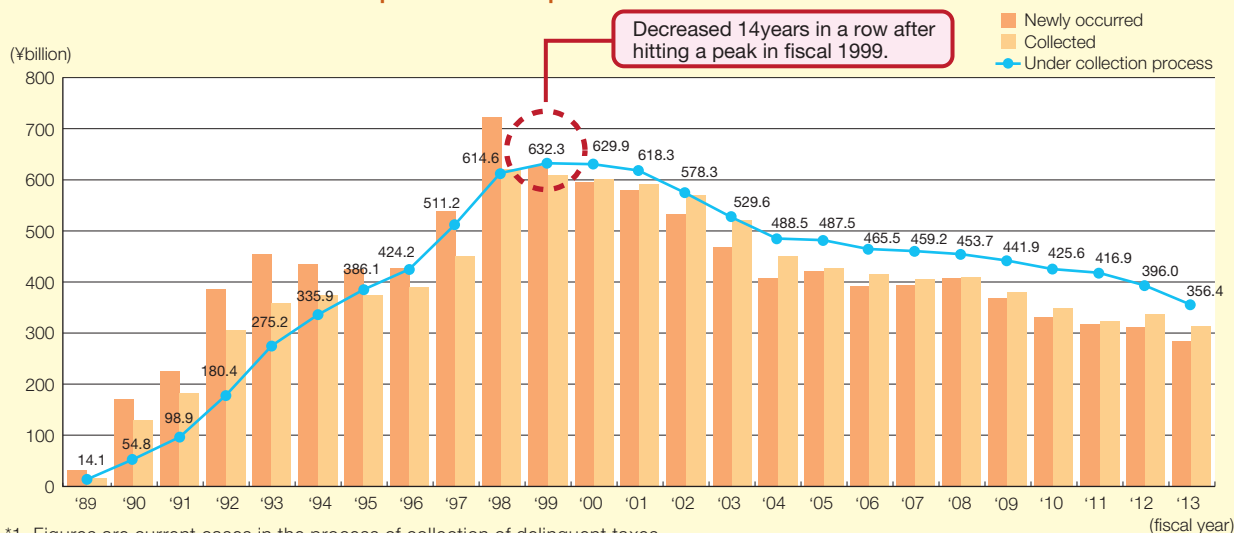
~ Organizational response, etc. of difficult-to-handle cases ~

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 act² and actively uses legal means to collect delinquent taxes.

~ Certain handling of consumption tax delinquency cases ~

While the delinquent balance of consumption tax has been decreasing year after year, it is an increasingly large percentage of all delinquencies each year. Therefore, the NTA is striving to reduce the balance of delinquent consumption tax by steadily collecting all delinquencies including delinquent consumption taxes through Regional Taxation Bureaus and Tax Offices.

■ Trend of collection of delinquent consumption tax



*1 Figures are current cases in the process of collection of delinquent taxes.

*2 Figures for local consumption tax are not included.

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

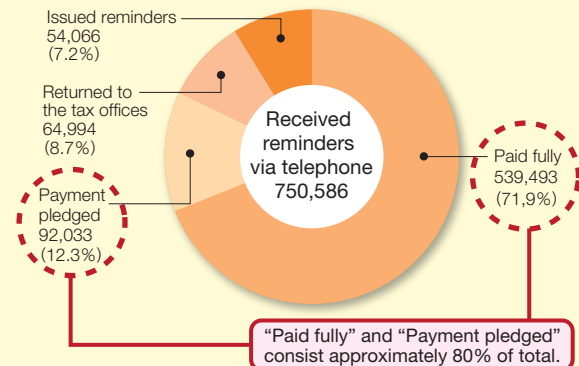
~ Conduct effective and efficient phone notices ~

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 2013 to June-end 2014, this office provided notifications to about 750,000 people, of which about 540,000 people (71.9%) fully paid, and about 90,000 people (12.3%) pledged payment.

Collection of delinquent tax at the Office of Tax Collections Call Center

Of 750,586 taxpayers issued reminders for payment by telephone between July 2013 and June-end 2014, 539,493 have fully paid their taxes.



* The total percentage does not equal 100% due to the rounding of fractions.

(4) Auction by Internet

~ Sold approximately 600 items by internet auctions ~

The NTA has conducted internet auctions using a private-sector auction website.

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 FY2014. As a result, a total of about 3,000 people participated, and about 600 items such as work of art, precious metals, automobiles, real estate, etc. were sold, for a total sales value of about ¥400 million.

Examples of properties that have been sold by internet auctions



(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 System so that these claims and liabilities are managed accurately and efficiently.

There are about 40.4 million tax payments each year. To efficiently process this huge amount of payments, the NTA is working on more efficient processing operations. There is optical character recognition (OCR) processing¹ for tax payment slips at the Bank of Japan, the income tax and sole proprietors' consumption tax payments by transfer account², online tax payment using internet banking etc., and direct online tax payment. The NTA centralized transfer processing then adopted online transfer procedures. In these ways, the NTA is pursuing efficient and speedy payment processing.

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 ～

As cross-border economic activities by companies and individuals have become more complex and diverse in recent years, some taxpayers do not declare revenue received overseas, or do not pay tax in any country taking advantage of the different taxation system of each country. Such international tax avoidance has become a significant problem.

To deal with this problem, the NTA is improving its examination system and shares information and experiences with foreign tax authorities.

Base Erosion and Profit Shifting (BEPS)

In order to address international tax avoidance by multinational corporations, 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 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. The OECD plans to recommend measures in three steps to effectively address BEPS under international cooperation during the period from September 2014 to December 2015. The first report was published on September 16, 2014.

Of the recommendations stated in the first report, those that will require revisions to domestic laws and tax treaties will start being examined step-by-step in each country in the future. At the same time, discussions have been continuously taking place at the OECD about the remaining issues and the issues pertaining to other action plans that are to be discussed in the future. The NTA also participates actively in these discussions from its position as an executive authority.

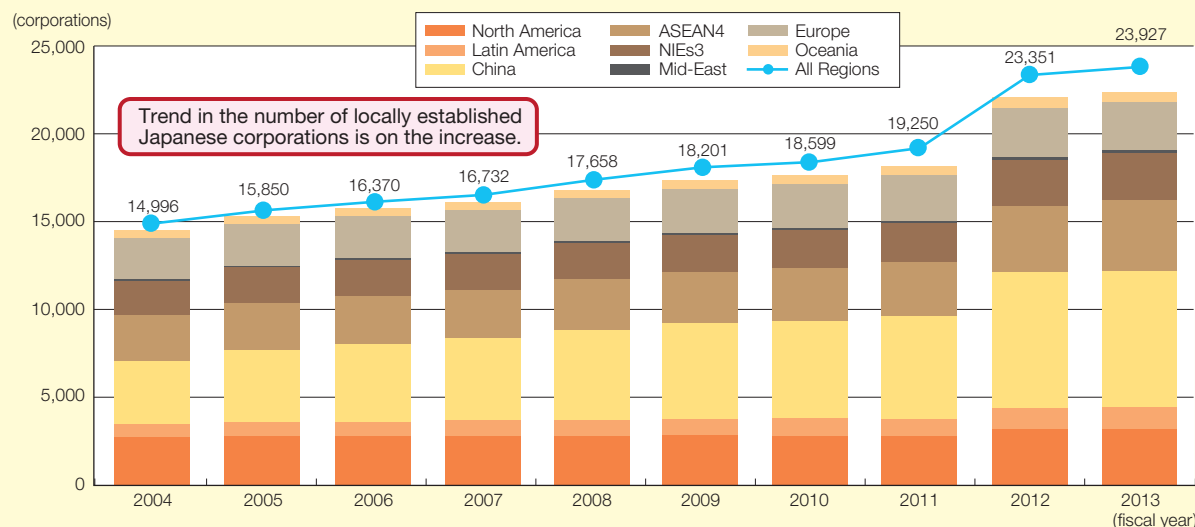
(1) Changes in the environment concerning international transactions

～ 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 14,996 in FY2004 to 23,927 in FY2013, about a 60% increase, with a particularly rapid growth of establishments in China.

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



*1 “ASEAN4” signifies Malaysia, Thailand, Indonesia and Philippines.

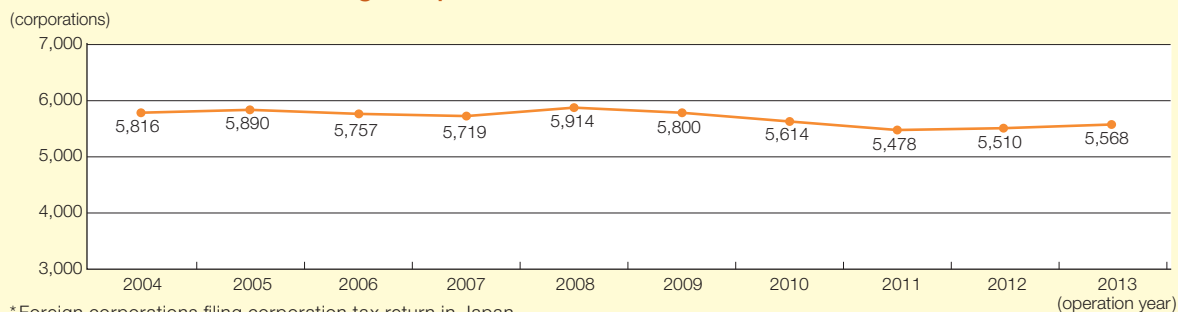
*2 “NIEs3” signifies Singapore, Taiwan and South Korea.

(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 5,568 corporations in the 2013 operation year, which was 58 more than the previous year. The number of foreign corporations in the past 10 years has shifted between 5,000 and 6,000.

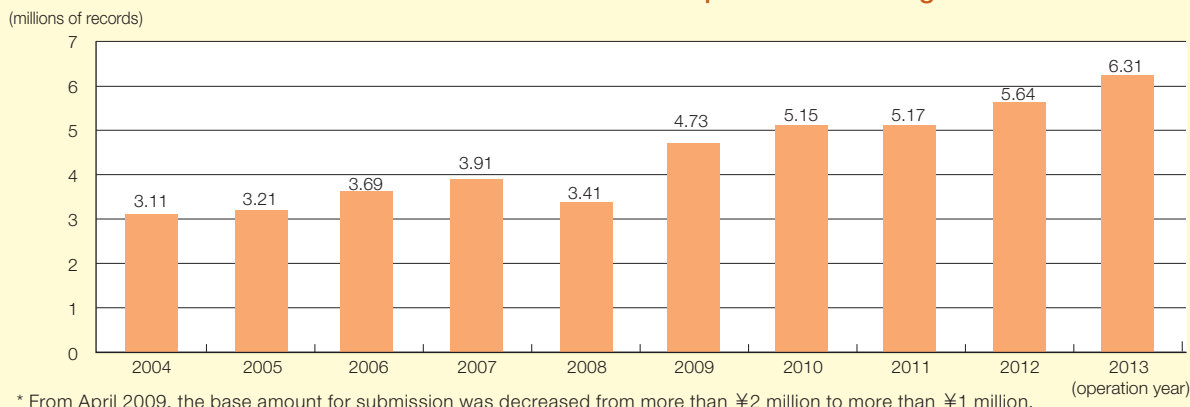
■ Trend in the number of foreign corporations



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

A record of remittance and receipt related to foreign countries¹ is to be submitted when a 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 2013 operation year was 6.31 million, which was 670,000 more than that of the previous year. It is approximately 2.6 times of increase compared to 2.44 million of the 1998 operation year, when this system was introduced.

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



Column 7 Revision of consumption taxation on cross-border supplies of services

To ensure competitive equality between Japanese and foreign businesses, consumption tax will be imposed on cross-border services provided by foreign businesses, such as the provision of e-books, music, and advertisements from October 1, 2015.

《Outline of the reform》

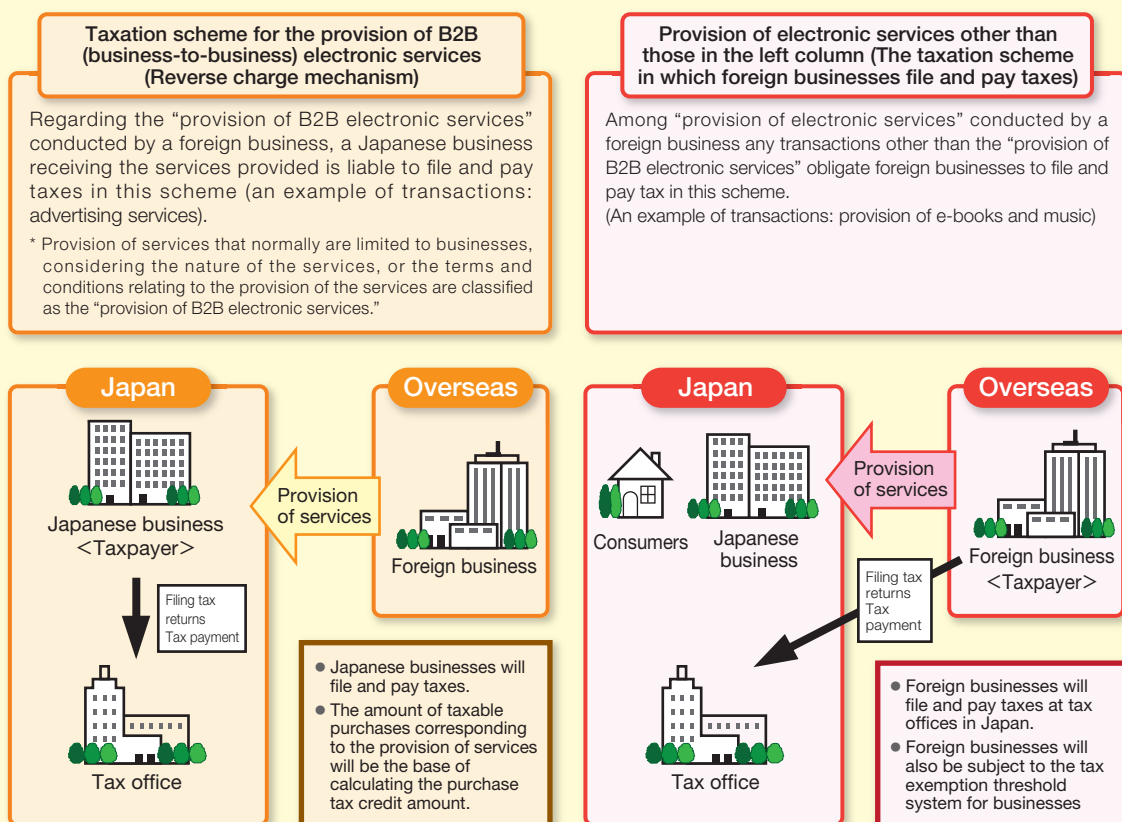
1 Revision of criterion for determining either domestic or foreign transactions

We regard services provided via electronic and telecommunication networks (e.g., internet) such as the provision of e-books, music, and advertisements as “provision of electronic services.” A criterion for determining whether the place of supply in a transaction is conducted in Japan, whereby consumption tax is to be imposed (criterion for determining either domestic or foreign transactions) has been revised from the location of the office of the service provider associated with providing such services to address of the service recipients. According to this revision, consumption tax will be imposed on “provision of electronic services.” received by consumers etc. in Japan regardless of whether the service provider is either a Japanese or a foreign business.

* Electronic services exclude services notifying the results of transfer assets via telecommunication networks when the notification is ancillary to the transfer of other assets.

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).

2 Taxation scheme



* A foreign business providing B2B electronic services for a Japanese business is required to indicate beforehand that the service recipient will be liable to file and pay consumption tax when providing the services.

Key points

As a transitional measure, for the time being the reverse charge mechanism shall solely apply to businesses that file a consumption tax return through a general taxation system with a taxable sales ratio of below 95% for the taxable period.

However, the businesses may, for the time being, disregard the specific taxable purchases on their return: businesses that file a consumption tax return through a general taxation system with a taxable sales ratio of 95% or more; and businesses to which a simplified taxation system applies. Therefore, these businesses do not need to include specific taxable purchases in their consumption tax return for the taxable period even if specific taxable purchases are made.

3 A transitional measure to ensure proper taxation (establishment of a system for registered foreign businesses)

A Japanese business receiving electronic services other than "provision of B2B electronic services" from a foreign business for the time being shall not be eligible for a purchase tax credit.

However, if the foreign service provider is a foreign business registered with the NTA Commissioner (a registered foreign business), a purchase tax credit can be claimed for the provision of electronic services other than "provision of B2B electronic services" provided by the foreign businesses.

Reference The following taxation method was also revised in the FY2015 tax reform.

When a foreign business provides services related to entertainment and sport in Japan, the Japanese business receiving the service is liable to file and pay taxes in accordance with the reverse charge mechanism (this revision will be applied to services provided on or after April 1, 2016).

(2) Addressing international taxation

～ 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 64 tax treaties in force, which cover 90 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.

Nine countries of Japan, the U.S., the U.K., Germany, France, Canada, Australia, China, and South Korea, participated in the Joint International Tax Shelter Information Centre (JITSIC), aiming to exchange information relating to international tax avoidance and wealthy individuals, and to share knowledge on examination methodologies, etc. In order to make JITSIC an international cooperative system that goes beyond an association of these nine countries, it plans to operate as a broader network under the umbrella of OECD Forum on Tax Administration (FTA) in the future.

■ Trend in number of information exchange

(thousands)

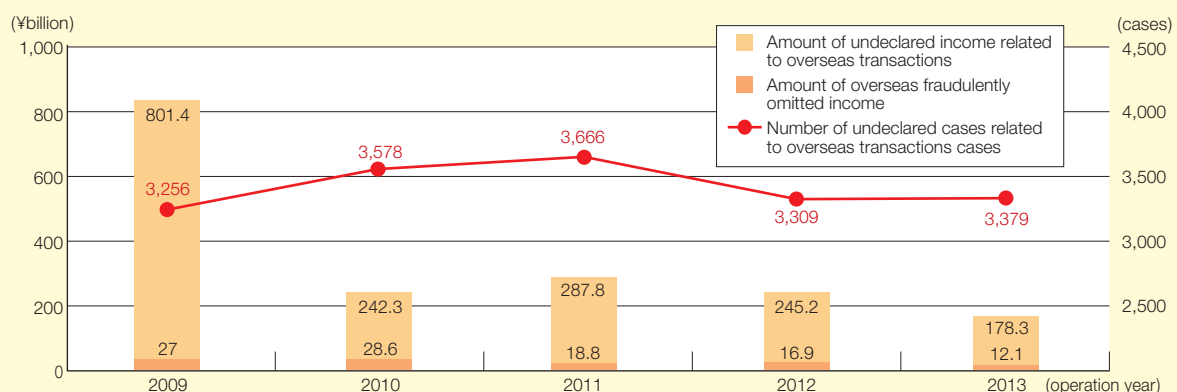
Operation Year	2009	2010	2011	2012	2013
Number of information exchange	502	313	568	218	270

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

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

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

■ Actual examinations related to international taxation (Corporation tax)





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

International tax avoidance, 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.

In the area of international taxation, the NTA has been working to enhance and strengthen its examination system by increasing the number of its Senior Examiners (International Taxation) who are dedicated to working on international taxation and recruiting lawyers and financial specialists. Especially, 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.

(3) Transfer pricing issues

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

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 taxation, 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.

Therefore, the NTA issues official announcements to clarify its administration policy on the system's operations and its application criteria, by revising directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation. In the 2013 operation year, the NTA illustrated the scope of transactions involving third parties that are subject to the transfer pricing taxation by providing specific examples of transactions in a directive on the interpretation of laws.

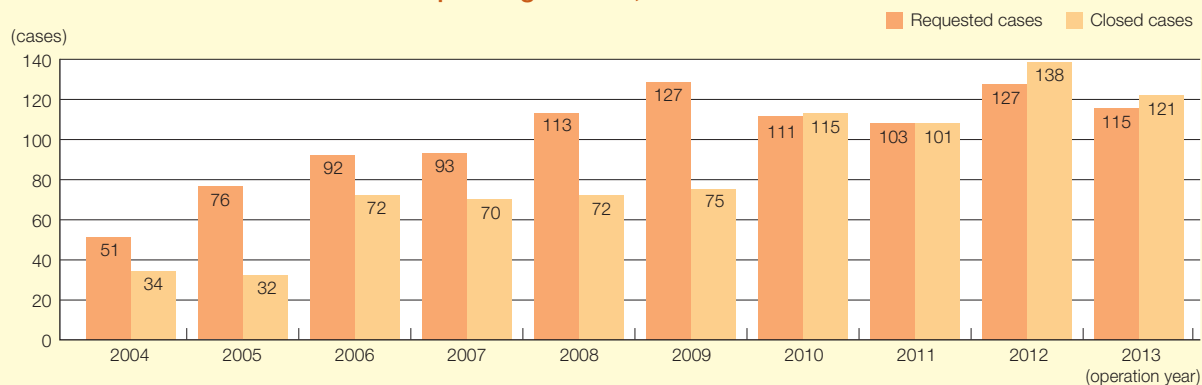
¹ If a Japanese company does a transaction with a foreign affiliated company, and that transaction price differs from the transaction price between third parties (this price is called an "arm's length price"), resulting in lower taxable income for the Japanese company, then that transaction is deemed to have been done at an arm's length price, and income is recalculated under this system.

～ Development of an environment in which taxpayers can use the Advance Pricing Arrangement(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 115 in the 2013 operation year, maintaining the level of over 100 cases since the 2008 operation year. 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.

■ Trend in the number of cases requesting an APA, and number of cases closed



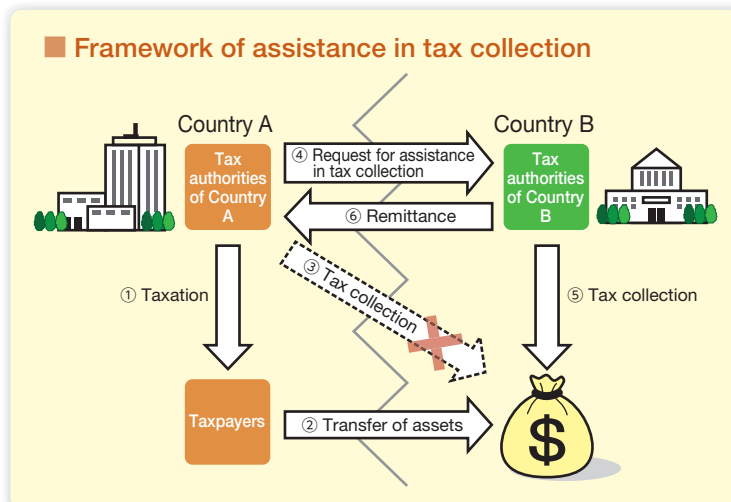
* The number of requests for APA includes both those accompanied by and those not accompanied by the Mutual Agreement Procedure (MAP).

(4) 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 jurisdiction¹.

In Japan, international tax collection is promoted by mutual assistance for tax collection under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters², which became effective in October 2013.



¹ It means that a country's tax authorities cannot exercise its public authorities outside the country's territory.

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 49 jurisdictions including Japan (as of May 1, 2015).

4 Mutual Agreement Procedure (MAP)

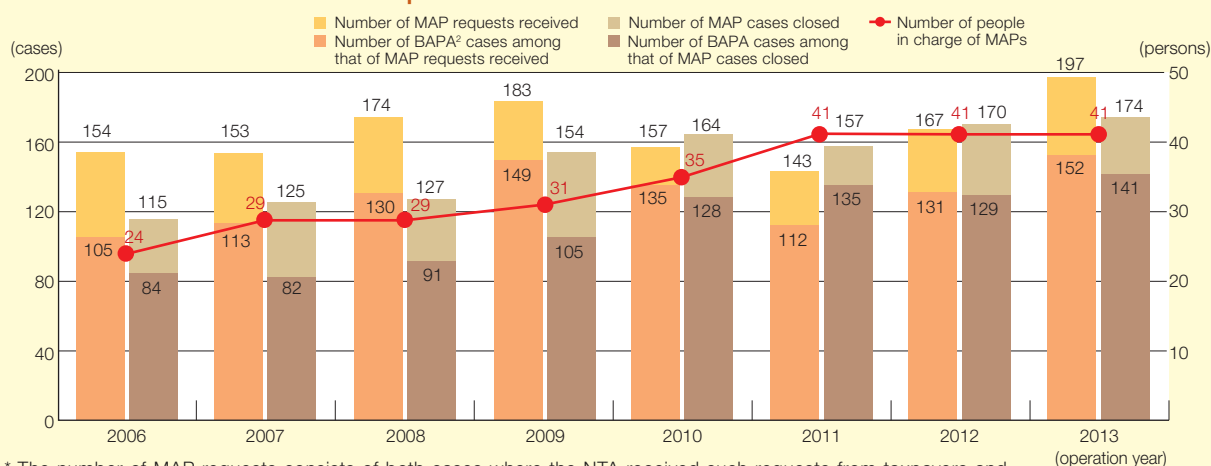
~ MAP cases processed properly and promptly in order to resolve international double taxation issues ~

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. We exert ourselves to resolve such double taxation problems 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. The number of MAP cases closed in 2013 operation year was 174, 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 NTA has been making every effort to resolve MAP cases appropriately and promptly by ensuring staffing and conducting more swift and smooth negotiations through promoting cooperative relationship with relevant foreign tax authorities.

■ The number of MAP cases requested and closed



* 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.
MAP cases related to compensating adjustments and amendments to previously agreed APAs are included in the years when MAP requests on those issues were made.

■ Treaty partners with which the NTA has MAP inventory (as of June 30, 2014)

	Europe		Asia / Pacific	The Americas
OECD countries	Belgium France Germany Ireland Italy	Luxembourg The Netherlands Sweden Switzerland United Kingdom	Australia South Korea	Canada United States
Non-OECD economies			China Hong Kong India Indonesia Singapore Thailand	
	10 countries		8 countries/economies	2 countries

(Note)

As of June 30, 2014, the number of treaty partners with which the NTA had MAP inventory was 20. BAPA were requested for all treaty partners listed on the left.

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.

2 "BAPA" stands for Bilateral Advance Pricing Arrangements.

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, focusing on Asian countries. The aims are to improve tax administration of developing countries, and to foster those who understand Japan's tax administration.



International Seminar on Taxation

Overview of technical cooperation

1 Dispatch of tax officials to developing countries

Based on the requests of the foreign tax authorities, the NTA has dispatched its officials as lecturers in fields such as taxpayer services, international taxation and staff training. In FY 2014, the NTA dispatched its officials to China, Indonesia, Malaysia, Viet Nam and Mongolia, and gave lectures to.

With a view to giving continuous advice on tax administration to developing countries, the NTA has dispatched tax officials as long-term experts of JICA. In FY2014, they stay in Indonesia and Viet Nam.

2 Training in Japan

(1) International Seminar on Taxation (ISTAX)

ISTAX is a seminar for tax officials in developing countries, providing lectures and others on the tax system and tax administration of Japan. It has 2 courses: “general” for mid-career officials, and “senior” for upper management-level officials. In total, 30 tax officials participated in both courses in FY2014.

(2) Country-Focused Training Courses in Tax Administration

The courses are targeted for tax officials from specified developing countries, and give lectures and others based on their request. 111 tax officials from Cambodia, China, Indonesia, Mongolia, Malaysia and Viet Nam participated in the courses in FY2014.

(3) International Taxation for Asian Countries

This course is targeted for tax officials from Asian developing countries on the subject of “international taxation”. 12 tax officials from 6 countries (China, Indonesia, Malaysia, Philippines, Thailand and Viet Nam) participated in FY2014.

(4) Practicum at the NTA

This course is targeted for 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. In total, 17 students studying at graduate schools of Keio University, Hitotsubashi University, Yokohama National University and National Graduate Institute of Policy Studies participated in FY2014.

■ Status of training conducted in Japan

(number of countries, people)

		FY2010	FY2011	FY2012	FY2013	FY2014
International Seminar on Taxation (ISTAX) general course	Countries	18	20	15	16	17
	People	18	20	15	16	17
International Seminar on Taxation (ISTAX) senior course	Countries	14	12	11	13	13
	People	14	12	11	13	13
Country-Focused Training Courses in Tax Administration	Countries	4	6	7	6	6
	People	54	51	95	116	111
International Taxation for Asian Countries	Countries	4	3	5	5	6
	People	9	7	11	16	12
Practicum at the NTA	Countries	12	12	12	11	13
	People	20	19	19	20	17

(2) Participation by tax authorities in international conferences

～ Cooperation in countries for resolution of problems on international taxation ～

In order to cooperate and share experiences with foreign tax authorities for the purpose of solving problems, such as double taxation and tax avoidance, the NTA actively participates in international conferences including ① the OECD Forum on Tax Administration (FTA), ② the Study Group on Asian Tax Administration and Research (SGATAR), and ③ the OECD Committee on Fiscal Affairs (CFA).

① OECD Forum on Tax Administration (FTA)

The OECD Forum on Tax Administration is a forum for sharing each country's knowledge and experience on a wide range of fields in tax administrations. In October 2014, the 9th Forum was held in Dublin, Ireland, with discussions about multilateral cooperation on international taxation, including on the issue of "Base Erosion and Profit Shifting (BEPS)," improvements in voluntary tax compliance by taxpayers, and the future course of action of the OECD Forum on Tax Administration.

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 17 countries and regions in Asia. This is a forum for discussions on cooperation and sharing of knowledge in the region. In November 2014, the 44th meeting was held in Australia, 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. The Committee is currently developing countermeasures against the BEPS mentioned above. For further details, please see the NTA website "OECD Committee on Fiscal Affairs (CFA)". <http://www.nta.go.jp/sonota/kokusai/oecd/oecd.htm>

IV

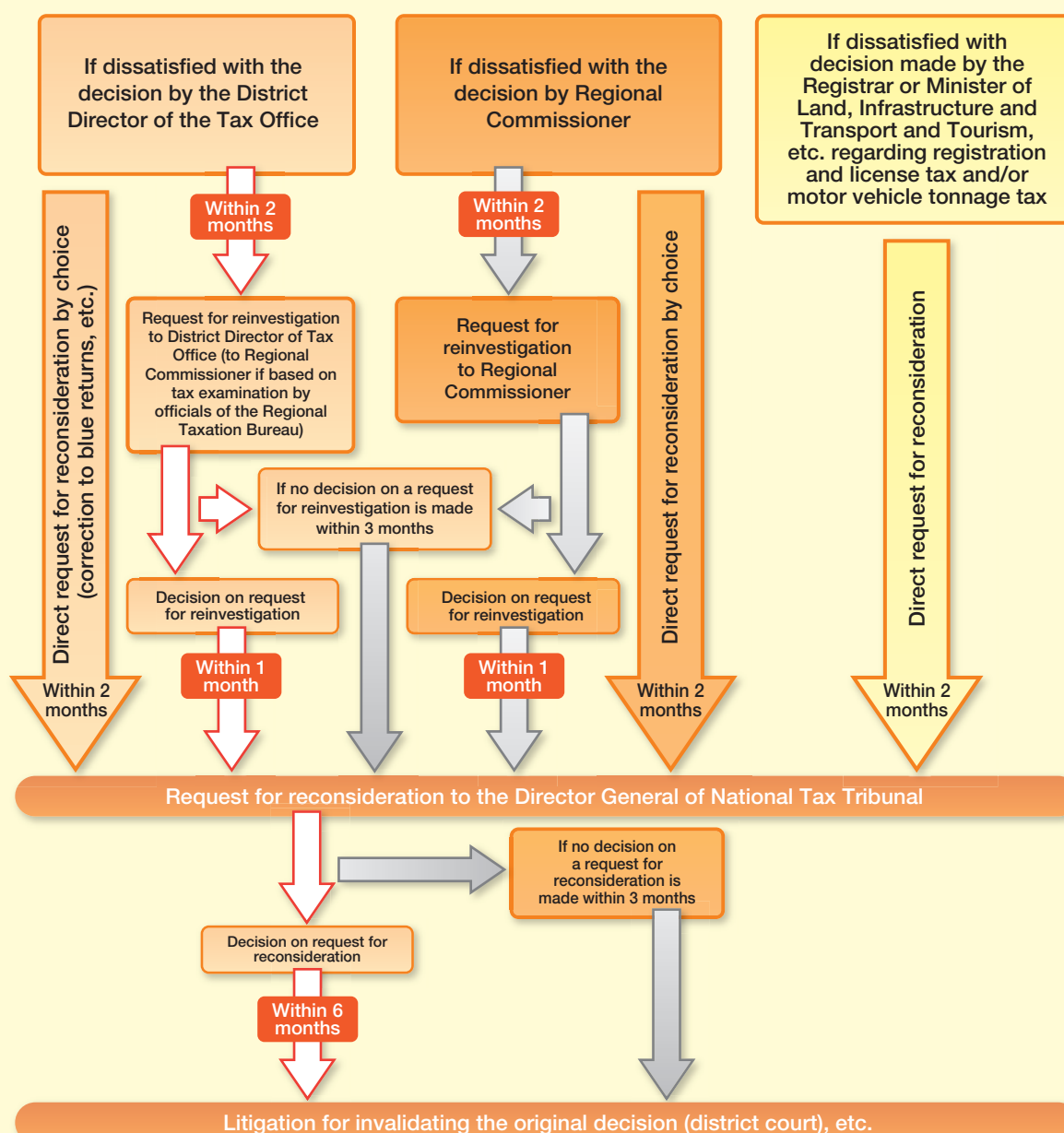
Remedy for Taxpayer Rights

When a taxpayer is dissatisfied with the action taken by the District Director of the Tax Office for taxation and delinquent tax, the said taxpayer may file a request for a 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.

The relevant laws relating to this review system were revised in June 2014 and will become effective within two years from the day of promulgation (June 13, 2014) (See page 46 for the outline of the revision).

Overview of the request for review system for national tax





(1) Request for reinvestigation

~ Simplified, prompt and appropriate remedies for taxpayer rights ~

A request for a reinvestigation is the procedure to request the cancelation or change of a disposition from the District Director of the Tax Office, etc., when a taxpayer is dissatisfied with the ruling that the District Director of the Tax Office executed, such as a correction, determination, or seizure. The request for a reinvestigation is the first stage in the administrative appeal filed with regard to national taxes.

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 request for reinvestigation are entitled to file a request for reconsideration with the Director-General of the National Tax Tribunal.

The National Tax Tribunal is an organization whose mission is to pursue remedy of the legitimate rights and interests of taxpayers and to contribute to ensuring the proper operation of tax administration. It makes decisions on requests for reconsideration from the position of a fair third party. 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 people who have held the position of judge or public prosecutor. For the position of appeal judges of the National Tax Tribunal, specialists in the private sector such as Certified Public Tax Accountants and lawyers are employed as officials with fixed terms.

In handling a request for reconsideration, the National Tax Tribunal organizes and clarifies the points under dispute. It then fully examines the contents of the documentary evidence, etc., presented by the person requesting reconsideration, and the District Director of the Tax Office conducts its own tax examination and strives to properly and quickly handle the request for reconsideration.

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.

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.

(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 FY2014, 96.9% of requests for reinvestigation were closed within 3 months.

2,745 reinvestigations were requested in the fiscal year (2,427 in taxation and 318 in tax collection).

Of these, 9.3% 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 striving to finish processing within one year in principle.

② Result

In FY2014, 92.2% of requests for reconsideration were closed within one year.

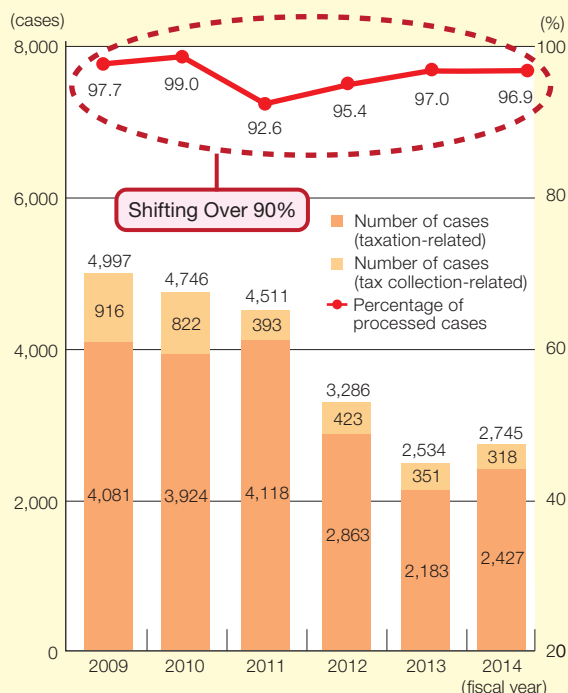
There were 2,980 requests for reconsideration in the fiscal year (2,793 in taxation and 187 in tax collection). Of these, 8.0% of taxpayer claims were approved in whole or in part.

c. Litigation

For litigation, 280 cases were closed in FY2014 (216 in taxation, 62 in tax collection and 2 in the National Tax Tribunal). Of these, about 6.8% of taxpayer claims were approved in whole or in part.

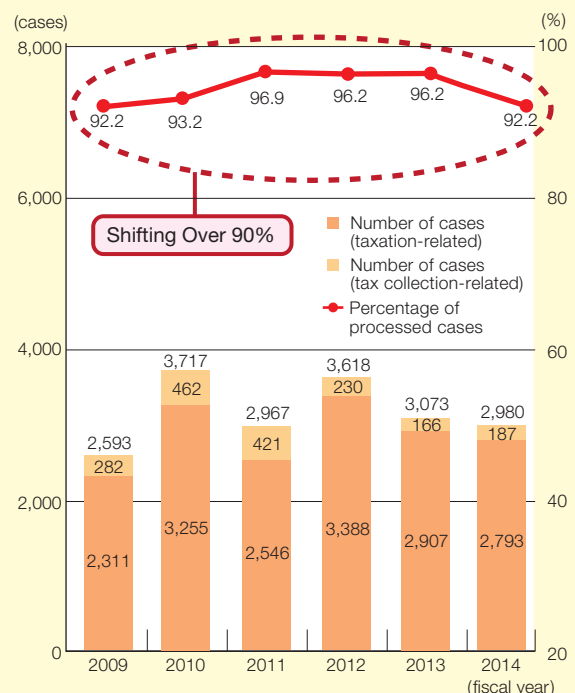
* The NTA and the National Tax Tribunal provide information such as overviews of the requests for reinvestigation, the requests for reconsideration and litigation, and cases of decisions on requests for reconsideration, to deepen understanding about remedy for taxpayer rights. These are on the NTA website and on the National Tax Tribunal website (<http://www.kfs.go.jp>).

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



* These figures are provisional numbers as of the end of April 2015.
* Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases.

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



* These figures are provisional numbers as of the end of April 2015.

Column 8 Outline of revision of the request for review system for national tax

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.

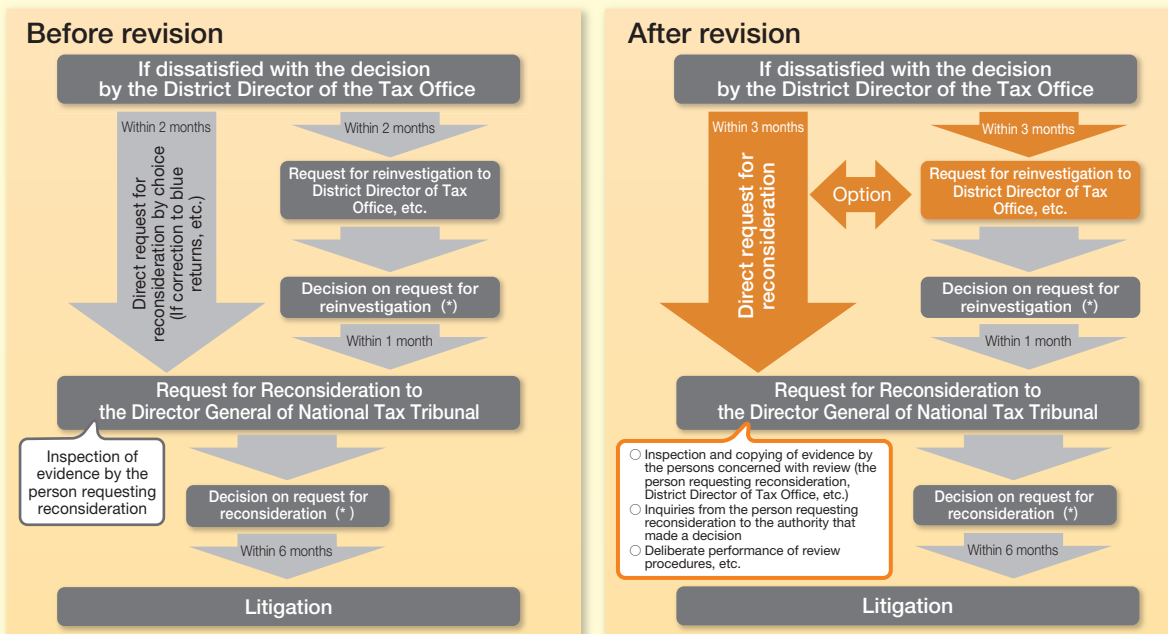
(3) Inspection and copy of evidence in connection with a request for reconsideration

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) Developing provisions for review procedures

Various provisions have been developed to speed up reviews and to expand the rights of the person requesting reconsideration. Those provisions include those for determining the standard review period, inquiries from the person requesting reconsideration to the authority that made a decision, and the planned performance of review procedures.

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



(*) 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.

(Note) 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.

1

Introduction of the Social Security and Tax Number System (“My Number System”)

(1) Outline of the Social Security and Tax Number System

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.

Upon the introduction of the Social Security and Tax Number System, the NTA will act as an entity assigning corporate numbers and also as an entity utilizing individual and corporate numbers.



Mascot character for My Number
“Maina-chan”

～ Individual number (My Number) ～

From October 2015, a 12-digit individual number will be designated to anyone holding residential registration. The number will be notified by municipal offices that will send a notification card to the residential registration address. The use of individual numbers is limited to the procedures prescribed by law or municipal regulations, such as procedures in the fields of social security, taxes, and disaster measures.

～ Corporate numbers ～

From October 2015, a 13-digit corporate number will be designated to each corporation, such as stock companies. The number will be notified by the NTA that will send a written notice to the corporation’s registered location. The following three types of information on the corporation, etc., will, in principle, be publicly announced and available to anyone; (1) trade name or name, (2) location of headquarters or main office, and (3) corporate number.

(2) Actions as an entity assigning corporate numbers

～ Assigning corporate numbers ～

Corporate numbers will be assigned to (1) established registered corporations, such as stock companies, (2) national authorities, (3) local governments, or (4) among the corporations or associations without juridical personality, etc., other than those listed in (1) through (3), those obligated to file and pay corporation or consumption tax, or to withhold income tax from salaries, etc. The NTA will designate corporate numbers based on the registration information provided by the Ministry of Justice or other information without requiring any particular notification procedures, and will also send the number notifications.

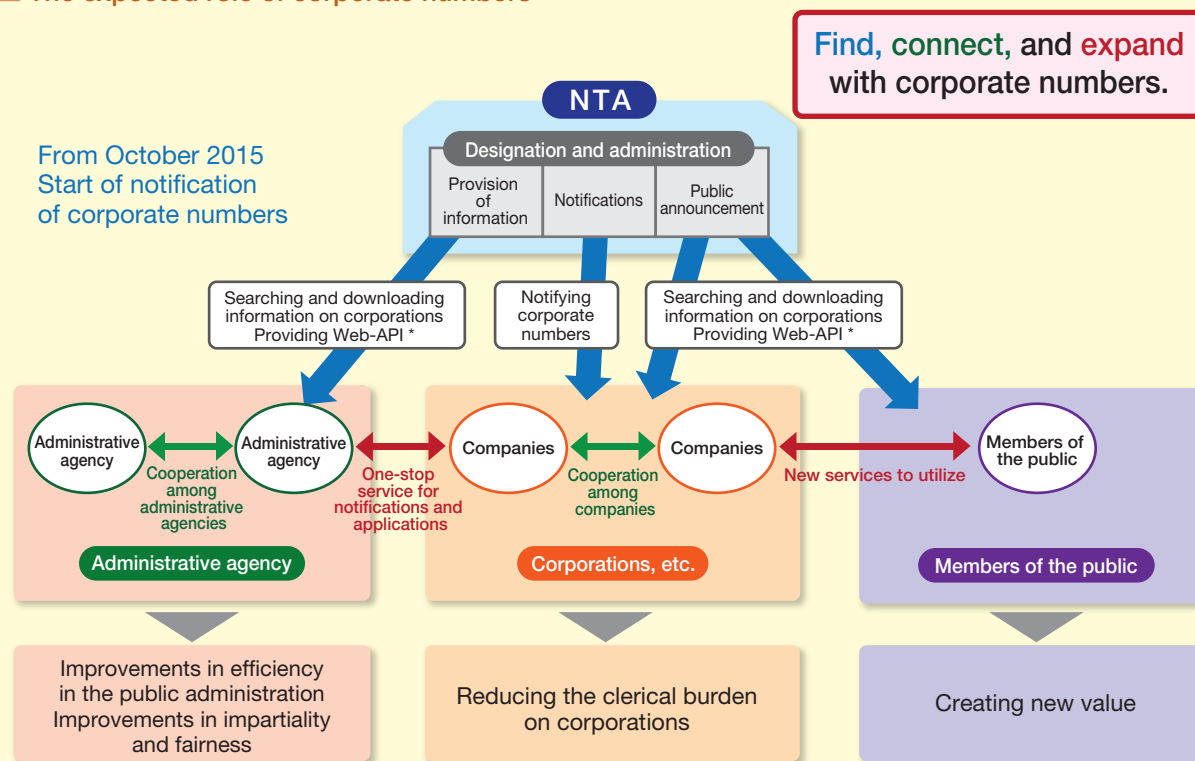
* A corporation or association without juridical personality other than those mentioned above can also receive a designated number by submitting a request to the NTA Commissioner if it meets certain requirements.

The NTA will announce the designated corporate numbers via the Internet. The Internet site will provide a function to search for a corporate number from a corporation’s trade name or location, and a function to download data so that the publicized information will be available for users’ secondary use.

～ Promoting the utilization of corporate numbers ～

Corporate numbers, unlike individual numbers, have no limit on their range of use, and it is important to utilize them in broad fields as a part of the social infrastructure. Cooperating with relevant ministries and agencies, the NTA is striving to explain the system under the slogan of “find, connect, and expand” and to encourage the utilization of the system by national and local administrative agencies and private organizations.

■ The expected role of corporate numbers



Find

A corporation's name and location can be found from its corporate number.

- A corporation's name and location can be easily confirmed by using the corporate number as the key.
- Its latest name and location will be available, and it will improve efficiency in registering and updating the information of business partners.

Connect

Companies become connected via their corporate numbers.

- Multiple departments or group companies manage the information of business partners by different codes. Adding corporate numbers will improve efficiency in compiling information on the said business partners and the name-based aggregation of this information.
- If administrative agencies are able to exchange among one another information about each corporation using corporate numbers, they will become able to identify a corporation, conduct name-based aggregation, and link information more efficiently.

Expand

New services utilizing corporate numbers will be expanded.

- If administrative agencies can provide a one-stop service for administrative procedures such as notifications and applications by sharing information utilizing corporate numbers, it will reduce the burden on corporations (companies).
- If the private sector develops an infrastructure to share information on corporations by utilizing corporate numbers, these corporations can improve the efficiency of their clerical work, such as reducing the volume of attached documents for transactions among corporations, and can also provide citizens with useful information on corporations.

* "Web-API" is the method of delivering data that enables users to obtain three types of publically available information (trade name, location, and corporate number) automatically by submitting from their own system via the Internet a simple request that specifies extraction conditions to the NTA's system.

(3) Actions as an entity utilizing individual and corporate numbers**～ Utilization in the national tax field ～**

Upon the introduction of the Social Security and Tax Number System, an individual or corporation will have to fill in numbers (individual or corporate numbers) of the submitting party and of the party who will receive the payment on statutory statements on the declaration form and statutory statements they submit to the tax authority.

When individual numbers are provided, it is necessary to confirm the identity of the individual to prevent identity fraud. Therefore, the NTA enact a notice that establishes specific procedures to confirm the identity of individuals in the national tax field.

～ Improving convenience for taxpayers ～

Taking the opportunity of the introduction of the Social Security and Tax Number System, the NTA is considering further improving convenience for taxpayers. Specifically, (1) attaching a certificate of residence can be omitted in a declaration procedure to receive, for instance, a housing loan tax credit, and (2) electronic filing can be centralized for the withholding record and the payment record of salaries/pensions, which are currently submitted to both the national and local governments.

In the FY2015 tax reform, the necessary revisions were made for the omission of attaching a certificate of residence.

～ Recognizing income properly and more efficiently ～

In the field of national taxes, as numbers will be required on documents such as declaration form and statutory statements, the NTA expects that name-based aggregation of statutory statements and matching with declaration form will become more accurate and efficient, and, in turn, income will be recognized more accurately. As a matter of course, it is difficult to recognize and verify some transactions, including information on business income and foreign assets and transactions, with statutory statements only. Therefore, we have to note that recognizing all income is difficult even with these numbers.

～ Conducting public relations activities ～


To facilitate the introduction of the Social Security and Tax Number System, the NTA is actively conducting public relations by publishing FAQs and other information regarding the Social Security and Tax Number system on its website and communicating to the relevant private sectors and industrial associations for the use of the numbers in the field of national taxes.

Latest information on the Social Security and Tax Number System and inquiries

- The Cabinet Secretariat website for the Social Security and Tax Number System:
<http://www.cas.go.jp/seisaku/bangoseido/index.html>
- My Number call center (Navigation Dial (0570 service):
NTT's Japan-wide call handling service) **0570-20-0291** (in English)

* Callers will be charged a fee for telephone calls via Navigation Dial. Inquiries can be made from 9:30 to 17:30 on weekdays (not available on Saturdays, Sundays, public holidays and New Year holidays).

Latest information on the Social Security and Tax Number System pertaining to national taxes (including corporate numbers)

Available by clicking  on the top page of the NTA website (in Japanese):
<http://www.nta.go.jp/mynumberinfo/index.htm>

As the latest information will be updated from time to time, please check the “News Corner” section.

To promote even greater convenience when using e-Tax, the NTA is preparing to implement the following measures:

(1) Introduction of a new identification method for e-Tax

When an individual taxpayer files an income tax return from home by e-Tax, his/her personal identification needs to be authenticated for each submission using a digital certificate stored on their Basic Resident Registration Card based on the Public Certification Service for Individuals and an IC card reader/writer (hereafter referred to as “a digital certificate, etc.”).

From January 2017, along with the conventional identification method, a new identification method that does not require a digital certificate, etc. will be implemented.

(2) Submission of attached documents in the form of image data in e-Tax

Even when tax returns or applications are filed by e-Tax, attached documents, such as a certificate of expropriation, capital relationship diagram, and a copy of the articles of incorporation need to be separately submitted by post or by other means.

From April 2016, the NTA plans to sequentially allow the submission of these attached documents in the form of image data.

(3) Provision of a function to convert data into a format acceptable to e-Tax

Even when a corporation tax return is filed by e-Tax, among the financial statements and statements classified by account titles prepared using accounting software, those not prepared in a data format compliant with e-Tax need to be separately submitted by mail or by other means.

From April 2016, the NTA plans to provide a function to convert these documents to data in a format compliant with e-Tax.

～ Promotion for optimization of operations and systems ～

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 on in June 2013 to enable Japan to be the society that utilizes IT at the most advanced level in the world. Based on this decision, the “Roadmap for official information system reform” and the “Investment plan for official information system” were decided on to reform information systems.

According to the basic principle of these plans, the NTA shall strive to advance information systems for national taxes, ensure security, reduce expenses, and improve convenience for taxpayers.

Ensuring stability and reliability of ICT system and information security

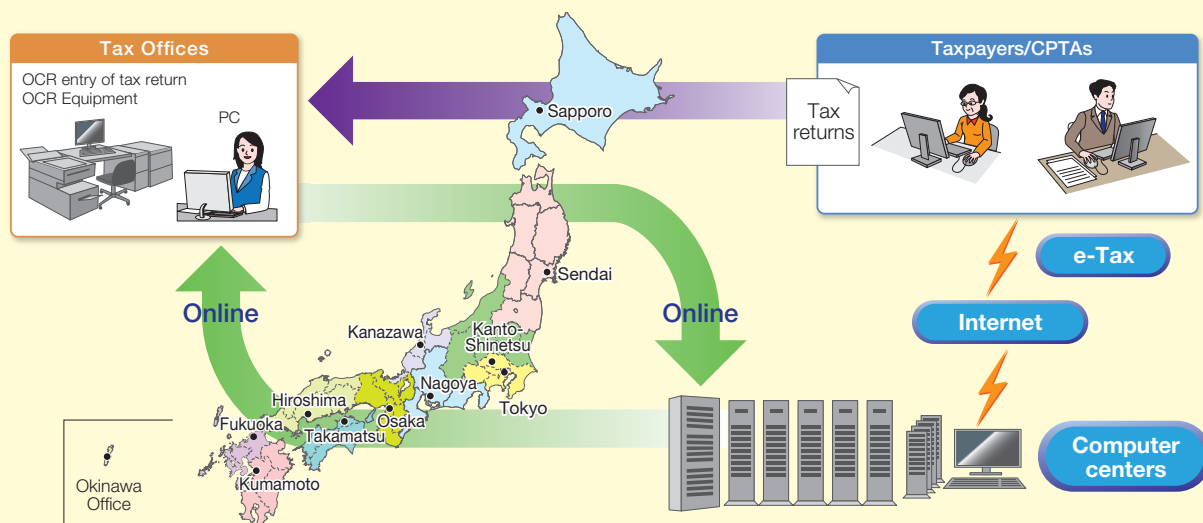
Because the national tax-related operations are closely connected to public rights and obligations, failure in its ICT system is likely to have a large impact on citizens and impair the credibility of tax administration. Therefore, the NTA is working to maintain stable operation of ICT systems by regularly updating ICT equipment.

Since the NTA holds and accumulates large amounts of taxpayer information, it takes great care for the prevention of its improper use and leakage. For instance, the NTA allows its officials to use only the necessary information for their work and conducts security audits regularly to ensure information security.

At the computer center which stores data for e-Tax and the KSK System, the NTA built an information security management system (ISMS)¹ which complies with international standards, and in 2007, obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001: 2005 and JISQ27001: 2006)².

Kokuzei Sogo Kanri (KSK) System

The KSK System, which links all Regional Taxation Bureaus and Tax Offices, is a computer system to centrally manage national tax receivables etc. by inputting the data of past tax returns and tax payment, or a variety of other information. Moreover, this data is analyzed for use for tax examinations and the collection of delinquent tax. As such, the system also facilitates sophisticated and efficient administration.



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.

~Taking various measures to secure liquor tax revenues and lead to the development of liquor industry successfully ~

Both land tax and liquor tax accounted for a large share of total revenue sources in the Meiji era, especially, liquor tax revenues exceeded land tax revenues at one time. Thereafter, there has been an increase in the relative weight of income tax, corporation tax and consumption tax, etc., and in FY2013, liquor tax revenues comprised only 2.7% (¥1,370.9 billion) of all tax revenues. Even though the current portion of liquor tax revenue is limited, it fulfills an important role for national tax revenue even today because of the fact that liquor tax is not affected much by the economy, which provides stable tax revenues.

Compared with food items, a high tax rate is imposed on liquor. For securing liquor tax revenues appropriately and smoothly shift the tax burden onto customers, there is a liquor licensing system for manufactures and sellers.

The NTA, as the authority for the liquor industry, has taken various measures to lead to the development of liquor industry successfully and secure liquor tax revenues with considering the recent changes in the environment faced by liquor industries, such as decreasing domestic consumers because of the arrival of decreasing population and diversifying lifestyles, and rising health consciousness.

In recent years, the 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 high level of quality in the process of production through consumption of liquors.

Specifically, the NTA provides the liquor business operators with technical guidance and consultation concerning the safety of liquors, examines safety, quality and labeling of commercially sold liquor. The results of examination are listed on the NTA website.

With regard to the Fukushima No.1 Nuclear Power Plant accident, the NTA has been taking measures to ensure the safety of liquors in alliance with the National Research Institute of Brewing by radioactive examination on liquors.

(2) Measures for appropriate labeling of liquors

~ For providing consumers with reliableness on purchasing liquors ~

In recent years, there have been some inappropriate labeling cases where a sake containing distilled alcohol was labeled as "Junmai-shu" (Sake made only from rice and rice koji. Generally, it has rich taste and flavor.).

The NTA endeavors to ensure 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. In some cases, the NTA purchased liquors from the market and conducts inspection and examination to check carefully whether the labeling is appropriate or not by using the analysis method of the National Research Institute of Brewing.

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 (<http://www.nrrib.go.jp/English/index.htm>).

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



Analysis being conducted

(3) Response to social demands

～ Preventing 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.

As the Basic Act on Measures for Health Problems from Alcohol came into force in June 2014, the NTA has been promoting awareness among the public about alcohol-related problems to increase interest in this issue and foster a better understanding for cooperation with the relevant ministries and agencies.

～ Recycling liquor containers effectively ～

In order to ensure effective use of resources, the NTA keeps liquor business operators informed about liquor container recycling and reducing food waste generated in liquor manufacturing processes, etc.



Poster for the prevention of underage drinking
(For public facilities, liquor shops etc.)



Poster to raise public awareness
about alcohol-related problems



Poster for the promotion of
3R for liquor containers

(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 examines 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 can take 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 a variety of seminars conducted by business-guidance experts, introduces actual cases of revitalization and management innovation attempted by liquor business operators, and provides information on measures for small- and medium-sized companies. 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.

Column 9 Approaches to develop the environment for export of Japanese liquors

～ Promoting Japanese attractiveness to the world through Japanese liquors ～

1 Status of export of liquors

While domestic consumption of liquors has been downward due to the effects of the decrease in the drinking population and the aging society, the amount of Japanese liquors exported has been increasing in the past few years, thanks to the Japanese food boom overseas. In 2014, their exports amounted to 29.4 billion yen, marking the third consecutive year of a record high. *Sake* accounted for almost 40% of the export amount of liquors (approximately ¥11.5 billion). Not only major liquor manufacturers, but also small- and medium-sized manufactures in various regions of Japan export sake.

2 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* makers, which may lead to the development of Japanese economy. From these viewpoints, development of export environment of Japanese liquors is 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 also supports various measures taken in the liquor industry; for example, aiding in developing export strategies at the Sake Export Council, which was inaugurated under the leadership of liquor makers and distributors.

(2) Efforts for abolishment and mitigation of trade barriers

Where the regulations or systems of the export destinations are the barriers, the NTA has made various 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).

After the accident at Fukushima No. 1 Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions, such as the ban of imports or the obligatory attachment of certificates for liquors made in specific prefectures. The NTA has been urging these countries to lift or to mitigate the restrictions in cooperation with the Ministry of Foreign Affairs, by 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, Russia and Thailand.

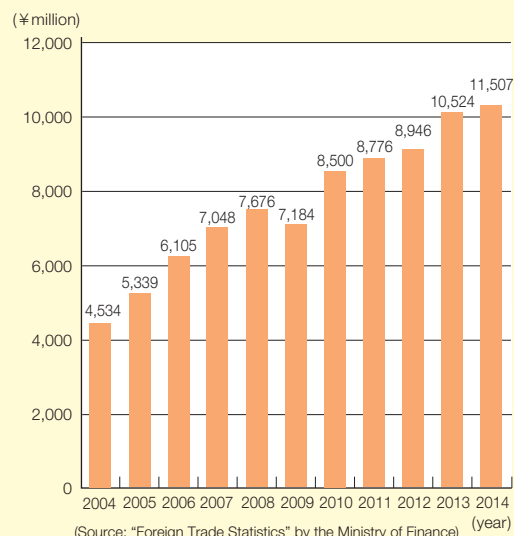
(3) Initiatives to present the attractiveness of Japanese liquors abroad

The NTA has taken many opportunities to send a message of attractiveness of Japanese liquors to the world:

The NTA launched an advertisement to raise awareness of Japanese liquors around the globe in cooperation with related industry organizations at international ceremony such as “Japan Night” held in the Davos Forum in January 2015. In some cases, the NTA officials also take part in such ceremony for promoting Japanese Liquors.

The NTA also plans to conduct tours at sake manufacturers for foreign ambassadors living in Tokyo in cooperation with the Ministry of Foreign Affairs and the Japan Sake and Shochu Makers Association.

■ Trend in the export amount of sake



Scene of the Japan Night at the Davos Forum

～ 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 2015, 75,146 persons are registered as CPTAs, and 2,989 CPTAs corporations are established.

1 Services and roles of CPTAs

CPTA services are ① tax proxy, ② preparation of tax documents and ③ tax consultation service. These operations must not be performed by persons other than CPTAs etc., even at no charge¹. 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 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.

2 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.

¹ In compliance with Article 51 of the Certified Public Tax Accountant Act, CPTA services can also be performed by lawyers and legal professional corporations that have notified their practice of CPTA services to the Regional Commissioner with jurisdiction over the district where CPTA services are to be provided, as well as CPTAs and CPTAs Corporations.

(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.

3 Appropriate guidance for and supervision of CPTAs, etc.

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.

■ Number of disciplinary actions against CPTAs etc.

(cases)

Fiscal year	2010	2011	2012	2013	2014
Number of disciplinary actions	37	34	41	50	59

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 and 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 <http://www.nichizeiren.or.jp>

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

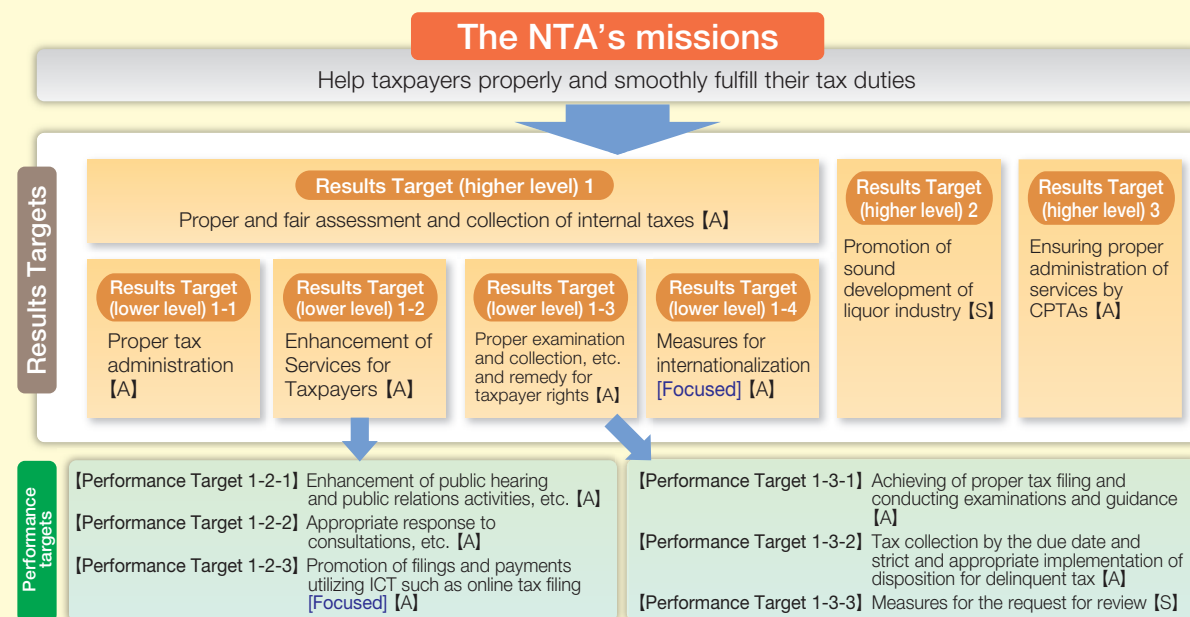
The purpose of the “Results Evaluation for the Targets to Be Achieved by the NTA” (policy evaluation) is to ① clarify the NTA’s missions and objectives to be achieved and fulfill accountability to citizens and taxpayers, ② continue promoting more efficient, high-quality and results-based administration 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 and results of evaluation ~

In operation year 2013, 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 (higher level) 1 through 3). The Results Target (higher level) 1 has four sub-results targets (lower level) and six performance targets.

The following shows the major results of evaluation of each target for operation year 2013. The NTA is working to improve tax administration in consideration of these results of evaluation and verification.

■ Concept of “the NTA’s missions” and “results targets, etc.” (for operation year 2013)



(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.

[S+]: Goal exceeded [S]: Goal achieved [A]: Considerable progress toward accomplishment [B]: No major progress [C]: No progress

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 2013 include the following: “We expect the NTA to encourage the public to acquire a better understanding of taxes.” “e-Tax has been improved remarkably since its introduction.” “Evaluations should incorporate how opinions from the front lines have been reflected in the subsequent operational improvements.”

* For details, please visit the “NTA’s Results Evaluation” on the NTA website. (<http://www.nta.go.jp/kohyo/katsudou/jissekihyoka/01.htm>)

Tax revenues and budget

Budget and final accounts of taxes and stamp revenues for fiscal year 2013

Tax category		Budget after correction	Actual
General Account		Million yen	Million yen
	Withholding income tax	12,156,000	12,759,155
	Self-assessed income tax	2,629,000	2,771,658
	Corporation tax	10,065,000	10,493,718
	Inheritance tax	1,495,000	1,574,336
	Consumption tax	10,649,000	10,829,301
	Liquor tax	1,347,000	1,370,852
	Tobacco tax	991,000	1,037,548
	Gasoline tax	2,566,000	2,574,263
	Liquefied petroleum gas tax	11,000	10,265
	Aviation fuel tax	50,000	52,188
	Petroleum and coal tax	564,000	599,473
	Power resources development promotion tax	330,000	328,292
	Motor vehicle tonnage tax	386,000	381,356
	Customs duty	1,003,000	1,034,379
	Tonnage due	10,000	9,972
	Other*		122
	Stamp revenue	1,102,000	1,126,069
	Subtotal	45,354,000	46,952,947
	Local gasoline tax	274,500	275,436
	Liquefied petroleum gas tax (transferred)	11,000	10,265
	Aviation fuel tax (transferred)	14,300	14,911
	Motor vehicle tonnage tax (transferred)	264,900	261,740
	Special tonnage due	12,500	12,465
	Special local corporation tax	2,018,500	2,000,989
	Special tobacco tax	153,300	160,526
	Special income tax for reconstruction	319,500	333,847
	Special corporate tax for reconstruction	1,093,500	1,204,313
	Total	49,516,000	51,227,438

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

NTA initial budget for fiscal year 2015

Item		Budget
General Expenditures		Million yen
	ICT-related expenses	36,707
	Expenses to improve convenience for taxpayers* ¹	10,806
	Expenses related to internationalization measures	885
	General operating expenses, etc.* ²	57,471
	Expenses to improve work environment and ensure safety* ³	9,315
	Expenses related to tax reforms	12,436
	Expenses for National Tax College	2,160
	Expenses for National Tax Tribunal	331
	Expenses for National Research Institute of Brewing	954
	Common number system related costs	8,717
	Subtotal	139,782
	Salary costs	567,569
	Total NTA budget	707,351

*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

(Calendar year 2014)

		Thousand people
Total population		127,300
Number of persons engaged		63,110
Number of final tax returns filed		21,390
Breakdown by income earners	Refund	12,490
	Tax payment	6,120
	Business income earners	1,630
	Other income earners	4,490
	Real estate income earners	1,080
	Employment income earners	2,350
	Miscellaneous income earners	760
Other		300

* "Total population" and "Number of persons engaged" are figures as of 2013.

Withholding agents and withholding income tax

(Operation year 2013)

Income etc. category	Number of withholding agents	Amount of tax
	Thousands	Million yen
Employment income (wages and salaries)	3,543	9,481,200
Retirement income	—	223,900
Interest income, etc.	40	460,700
Dividend income	131	2,622,500
Capital gains on listed shares etc. kept in special account	11	516,000
Income from remuneration, etc.	2,819	1,171,000
Income paid to non-residents and foreign corporations, etc.	31	349,100
Total	—	14,824,300

*¹ The figures of withholding agents are figures as of the end of June 2014.

*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 2013)

Number of corporations	3,007 Thousands
Number of tax returns filed	2,771 Thousands
Percentage of corporations filing	89.9%
Percentage of returns declaring a surplus	29.1%
Amount of self-assessed income	53,278,000 Million yen
Amount of self-assessed loss	12,774,400 Million yen
Amount of corporation tax filed	10,940,300 Million yen

* The number of corporations is the figure as of the end of June 2014.

Inheritance tax

(Calendar year 2013)

Number of deceased	1,268,436 People
Number of deceased subject to taxation	54,421 People
Number of taxpayers (number of heirs)	152,638 People
Taxable amount	11,638,100 Million yen
Amount of tax	1,536,600 Million yen

Gift tax

(Calendar year 2013)

Number of people subject to taxation	401,716 People
Value of properties acquired	1,859,200 Million yen
Amount of tax	169,000 Million yen

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

Consumption tax

(Fiscal year 2013)

Category		Payment	Refund
Number of tax returns		Thousand cases	Thousand cases
	Individuals	1,124	33
	Corporations	1,834	113
	Total	2,958	145
Amount of tax		9,382,600 Million yen	2,054,400 Million yen

Liquor tax and liquor production

(Fiscal year 2013)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	444	67,537
Sake compounds	37	3,758
Continuous distillation Japanese spirits (<i>Shochu</i>)	399	90,206
Single system distillation Japanese spirit (<i>Shochu</i>)	513	122,544
<i>Mirin</i> (rice cooking wine)	92	2,078
Beer	2,862	616,151
Fruit wine	93	8,568
Sweet fruit wine	5	584
Whisky	89	32,158
Brandy	5	1,892
Sparkling liquor	527	101,352
Alcohol for material & Spirits	359	30,314
Liqueurs	1,996	163,414
Other brewed liquors	608	49,322
Powder liquor & miscellaneous liquor		
Total	8,030	1,289,879

Tax examinations

Field examination of self-assessed income tax

(Operation year 2013)

Number of cases	Number of undeclared Cases	Amount of undeclared income		Additional tax revenue collected	
		Per case		Per case	
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
62	51	413.7	6,710	69.6	1,130

Field examination of consumption tax

(Operation year 2013)

Category	Number of cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	
	Thousands	Thousands	Billion yen	Thousand yen
Individuals	32	26	16.9	530
Corporations	87	49	37.8	440

Field examination of withholding income tax

(Operation year 2013)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousands	Thousands	Billion yen
117	32	25.4

* The amount of additional tax revenue collected in connection with the income obtained on and after January 1, 2013 includes special income tax for reconstruction.

Field examination of inheritance tax

(Operation year 2013)

Number of cases	Number of undeclared cases	Amount of undeclared inheritance		Additional tax revenue collected	
		Per case		Per case	
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
12	10	308.7	25,920	53.9	4,520

Field examination of corporation tax

(Operation year 2013)

Category	Number of cases	Number of undeclared Cases	Amount of undeclared income		Additional tax revenue collected
			Per case		
	Thousands	Thousands	Billion yen	Thousand yen	Billion yen
All corporations	91	66	751.5	8,290	159.1
Of which, corporations handled by the Large Enterprise Examination Department	3	2	321.5	118,450	67.8

Collected number of statutory information

(Operation year 2013)

Statutory information	Number collected
	Thousands
Withholding record of employment income	20,101
Payment record of interest	1,089
Payment record of dividends	87,952
Other	211,611
Total	320,753

International taxation

Fraudulent income through overseas transactions

(Operation year 2013)

Number of examinations of corporations conducting overseas transactions	12,277 Cases
Number of undeclared cases related to overseas transactions	3,379 Cases
Of which, cases of overseas fraudulent calculations	416 Cases
Amount of undeclared income related to overseas transactions	178.3 Billion yen
Of which, amount of overseas fraudulently omitted income	12.1 Billion yen

Transfer pricing taxation

(Operation year 2013)

Number of taxation cases	170 Cases
Amount of taxable income	53.7 Billion yen

Cases of advance pricing arrangement related to transfer pricing taxation

(Operation year 2013)

Number of cases requested	115 Cases
Number of cases closed	121 Cases

Criminal investigation

Criminal investigations

(Fiscal year 2014)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (filed accusation to the prosecutor)	
				Per case		Per case
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
194	180	112	15.0	83	12.3	110

Large-scale cases

(Fiscal year 2014)

Number of cases with accusation filed to the prosecutor	Cases of 300 million yen or more tax evasion	Cases of 500 million yen or more tax evasion
Cases	Cases	Case
112	6	1

Delinquency

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

(As of the end of fiscal year 2014)

Industry	Number of persons		Amount of tax	
	People	%	Million yen	%
Manufacturing	23	2.9	4,332	1.9
Distribution	46	5.9	25,529	11.0
Real estate & construction	211	26.9	57,839	25.0
Food & beverage	39	5.0	6,454	2.8
Financial	12	1.5	4,048	1.8
Other industries*1	265	33.8	61,905	26.8
Other*2	188	24.0	71,200	30.7
Total	784	100.0	231,307	100.0

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

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

Filed accusations to the prosecutor, by tax category

(Fiscal year 2014)

Tax category	Number of cases	Amount of Tax evasion	
			Per case
	Cases	Billion yen	Million yen
Income tax	18	1.8	102
Corporation tax	69	7.5	109
Inheritance tax	2	0.5	244
Consumption tax	13	1.1	87
Withholding income tax	10	1.4	137
Total	112	12.3	110

Remedy for taxpayer rights

Request for reinvestigation

(Fiscal year 2013)

Category	Number of requests for reinvestigation	Number of new requests for reinvestigation ①	Number of cases processed ②	Number of requests approved ③			Percentage ③/②
					Full	Partial	
	Cases	Cases	Cases		Cases		%
Taxation-related	2,770	2,002	2,183	252	73	179	11.5
Collection-related	404	356	351	1	1	0	0.3
Total	3,174	2,358	2,534	253	74	179	10.0

Request for reconsideration

(Fiscal year 2013)

Category	Number of requests for reconsideration	Number of new requests for reconsideration ①	Number of cases processed ②	Number of requests approved ③			Percentage ③/②
				Full	Partial		
	Cases	Cases	Cases			Cases	%
Taxation-related	5,388	2,700	2,907	226	68	158	7.8
Collection-related	255	155	166	10	5	5	6.0
Total	5,643	2,855	3,073	236	73	163	7.7

Litigation

(Fiscal year 2013)

Category	Number of litigations	Number of cases filed for first instance ①	Number of cases closed ②	Number of lost cases ③			Percentage ③/②
				Full	Partial		
	Cases	Cases	Cases			Cases	%
Taxation-related	524	99	267	22	14	8	8.2
Collection-related	97	33	57	2	1	1	3.5
National Tax Tribunal-related	6	2	4	—	—	—	—
Total	627	134	328	24	15	9	7.3

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

Tax consultations

The five items most frequently the subject of consultation

[Phone Consultation Centers]

(Fiscal year 2014)

Rank	Tax category	Items	Thousand cases
1	Income tax	Obligations & procedures to file tax returns, etc.	446
2	Income tax	Special credit for loans relating to a dwelling	260
3	Income tax	Medical expenses deduction	231
4	Income tax	Year-end adjustment	224
5	Income tax	Filing returns for refund	150

Number of consultations at Phone Consultation Centers, by tax category

(Fiscal year 2014)

Tax category	Thousand cases
Income tax	2,597
Corporation tax	284
Property tax	997
Consumption tax	212
Other indirect taxes	236
General rules, collections	271
Other	690
Total	5,288

[Tax Answer System]

(Fiscal year 2014)

Rank	Tax category	Items	Thousand cases
1	Income tax	When have paid medical expenses (medical expenses deduction)	2,667
2	Income tax	Tax rate of income tax	2,262
3	Income tax	Medical expenses eligible for medical expenses deduction	1,467
4	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	1,420
5	Income tax	Exemption for dependents	1,372

NATIONAL TAX AGENCY REPORT 2015

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Your taxes help to sustain our community