

# NATIONAL TAX AGENCY REPORT 2016



# From the Commissioner



First of all, we would like to extend our deepest sympathies to the victims of the 2016 Kumamoto Earthquake. Since the earthquake, the Government as a whole has been implementing various kinds of recovery and reconstruction work. In the immediate aftermath, the National Tax Agency (NTA) extended the deadline for national tax returns, payments, and so on for affected taxpayers, and actively disseminated and publicized information on disaster-related tax measures, procedures, and the like by means of the NTA website, Twitter, and others. We will continue to respond

politely and thoroughly by thinking from the perspective of the affected taxpayers' situations.

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)." Article 30 of the Constitution provides that the people shall be subject to taxation, and the basis for Japanese tax law is tax payment by self-assessment. Based on the above, the Minister of Finance's official instruction states that the mission of the NTA is "to help taxpayers meet their tax responsibilities properly and without difficulty."

To succeed in this mission, the NTA endeavors to provide complete service to taxpayers as well as to conduct proper and fair taxation and collection so that compliant taxpayers feel that tax laws are applied fairly to everyone.

In addition, in tandem with the rapid development of increasingly complicated economic transactions, geographical expansion and the globalization of the economy, and the increasing sophistication of information, Japan's tax administration environment has been changing considerably. Amidst such circumstances, we have been implementing various measures to continuously pursue the NTA's mission.

In terms of enhancing taxpayer service, the NTA offers helpful information to taxpayers about tax filing and payment via the NTA website and other sources in an easy-to-understand manner, and handles taxpayers' inquiries and consultations expeditiously and appropriately. We have also taken a number of steps to make the filing and payment procedures more accessible to taxpayers utilizing ICT, including online national tax return filing and a tax payment system (e-Tax) as well as filing assistance on the NTA website.

Particularly for "e-Tax," from the viewpoint of increasing users' convenience, we have expanded the types of procedures that users can complete via smartphones and tablets. We also provide a program for converting attached documents into a data format compatible with e-Tax and allow users to submit attached documents as image data. In this manner, we have been implementing measures to further improve user convenience.

In terms of achieving proper and fair taxation and collection, we are taking rigorous actions against large and vicious fraudulent cases, thereby protecting the interests of taxpayers. At the same time, we are promoting voluntary enhancement of corporate governance regarding tax matters at large enterprises in order to maintain and improve the level of tax filing.

Moreover, we ensure proper taxation of the affluent class and actively address international cases based on changes in social and economic circumstances. We are also making proactive efforts to examine taxpayers who conduct overseas transactions or who own assets located outside Japan by collecting information about overseas transactions and other transactions as well as by effectively utilizing statutory statements, including overseas wire transfer statements.

In particular, multinational enterprises and the affluent class may take advantage of differences among tax systems in each country and international taxation rules or take advantage of corporations established abroad to reduce tax burden. In taking actions against such international tax avoidance cases, we will use every opportunity to collect information, including active use of information exchanged with tax authorities of other countries, and also conduct necessary examinations based on the recommendations in the final report on the Base Erosion and Profit Shifting (BEPS) Project released in October 2015. We will thus endeavor to realize proper and fair taxation.

The BEPS Project final report also recommends the effective implementation of mutual agreement procedures (MAPs). When international double taxation occurs due to transfer pricing taxation or a similar reason, the NTA strives to resolve this issue through MAPs under the provisions of tax treaties with foreign tax authorities. From the perspective of enhancing predictability for taxpayers, we are also actively implementing MAPs for the Advance Pricing Arrangement (APA).

Regarding the Social Security and Tax Number System ("My Number System"), notification of My Numbers (Individual Numbers) and Corporate Numbers started in October 2015, and these numbers are being used for national tax purposes starting from January 2016. The NTA is an entity that uses My Numbers and Corporate Numbers as well as the entity that assigns Corporate Numbers. This gives us an excellent opportunity to review and upgrade our operations and systems so that we can enhance taxpayer convenience and also increase the efficiency and sophistication of taxation and collection.

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.

To expedite implementation of such measures, taxpayers' understanding and trust in tax administration are essential. Therefore, we provide information on our various activities, policy initiatives, and other issues in the most lucid manner possible through the NTA 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 2016" would help you to better understand us and the NTA.

June 2016



Hiroshi Nakahara

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 2015: April 1, 2015 to March 31, 2016), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2014: July 1, 2014 to June 30, 2015).

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 information and communication technology 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 NTA 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 intervals until the next examination 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

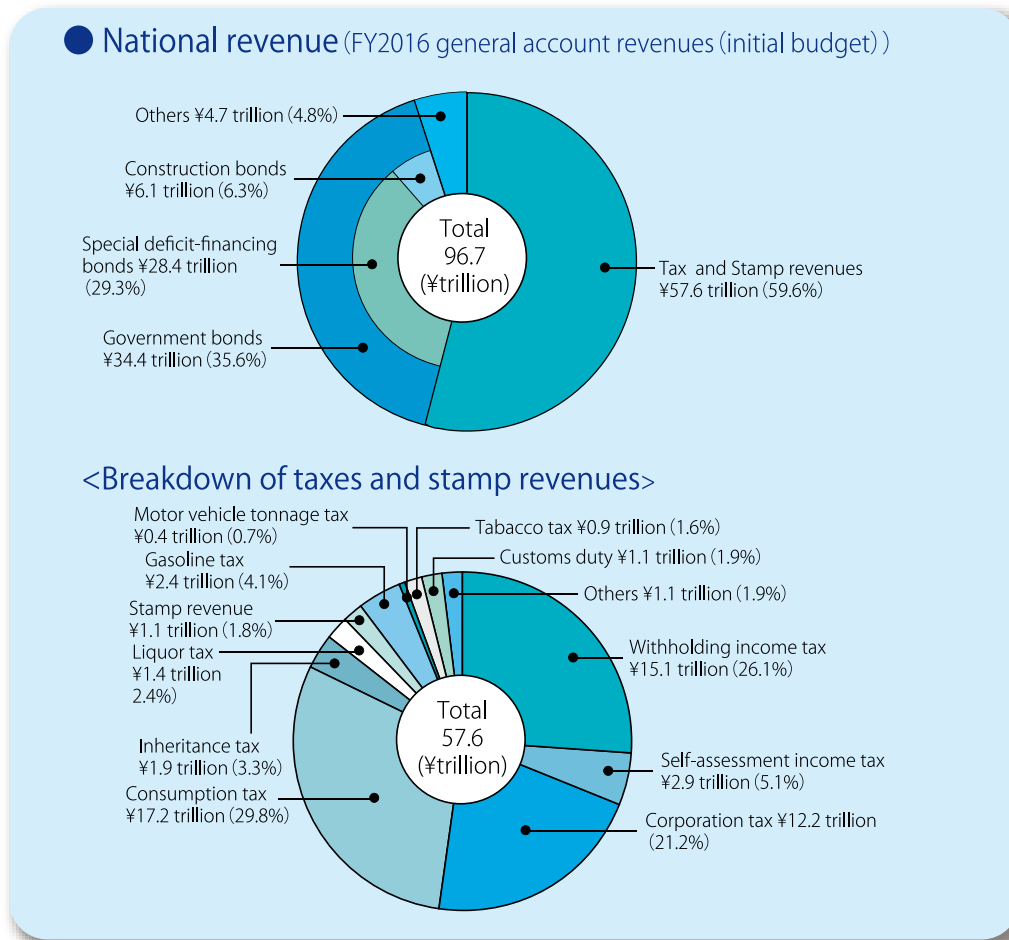
- Provide easily understood information on issues the NTA should work on, on its policy initiatives and its various measures, and on its evaluations and verifications of the results of their implementation. In addition, work to improve tax administration, based on the evaluations and verifications of 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 FY2016 stands at ¥96,722 billion, of which ¥57,604 billion is from taxes and stamp revenues.

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

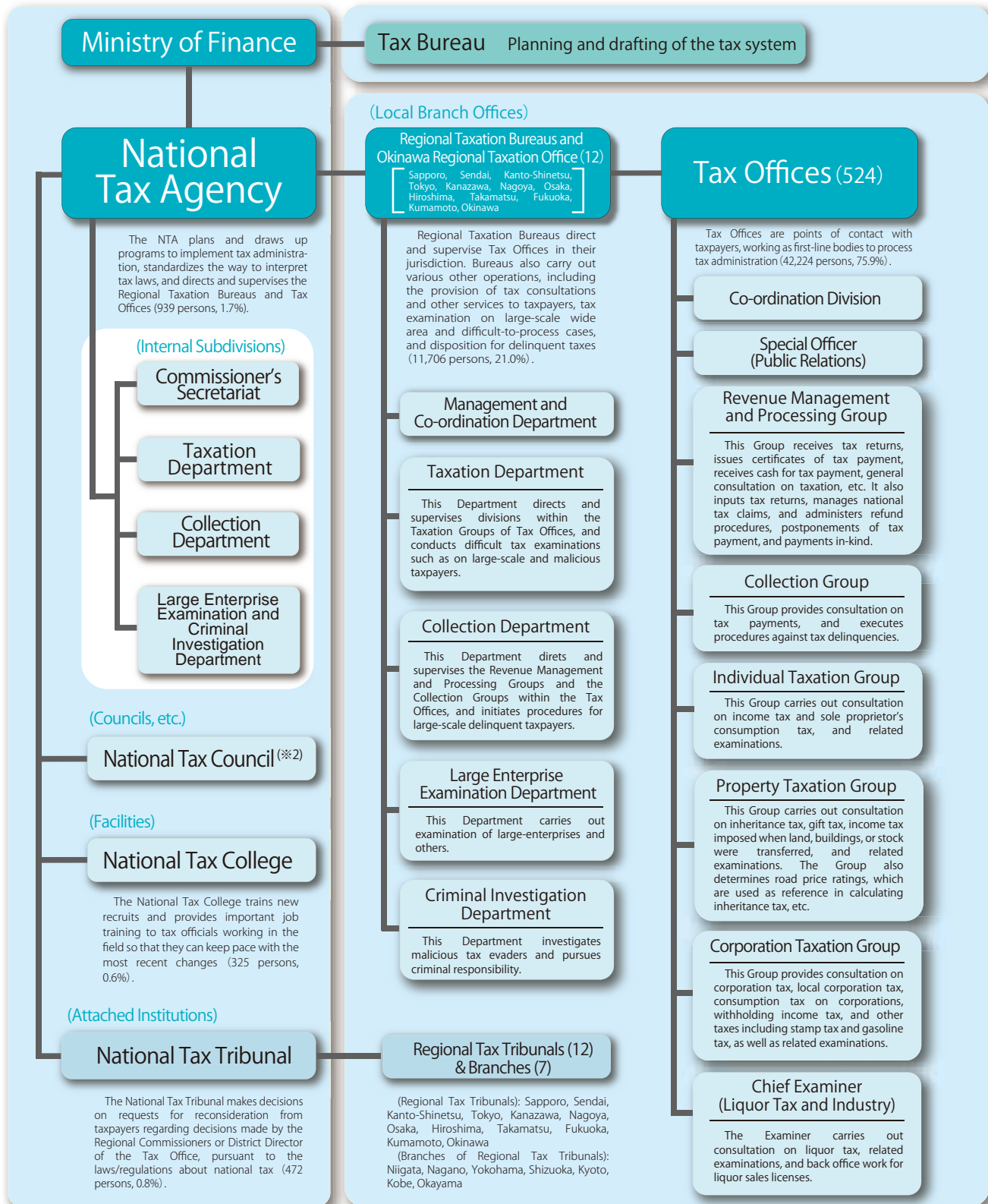
The NTA initial budget in FY2016 stands at ¥703.5 billion, with salary costs amounting to ¥564.3 billion and general expenses ¥139.1 billion.

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 1989. The number hit a peak in FY1997 and the agency has a headcount of 55,666 in FY2016.



### (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.<sup>(\*)</sup>



(\*) 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 (Operation year 2016).  
 2 The National Tax Council addresses the following: ①deliberation 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.

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

## ~ 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 177.6 million times in FY2015), 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 cellular phones or smart phones.



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# Overview of NTA Website (top page)

※ The following diagram is as of May 2016.

- 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
  - Printouts of prepared tax returns can be submitted by mail  
Or can be submitted through e-Tax
- 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"

※ 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.

## II Enhancement of Services for Taxpayers

### (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)) 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)).



Tax☆Space UENO



Tax learning section [top page]

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

Fiscal year	2013	2014
Officials	8,159	8,403
Non-officials	21,207	23,868
Total	29,366	32,271

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

#### ● Number of essays entered for Tax Essay Contest

Fiscal year	2014	2015
Received from high-school students	193,393	199,401
Received from junior high-school students	615,230	616,062



## 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	2013	2014
Frequency held	25,515 times	27,016 times
Number of participants	1,166 thousand people	1,179 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	2014	2015
Number of Advance Inquiries Received	131	125

#### ● Number of Q&A examples posted on website

Fiscal year	2014	2015
Number of Q&A posted	1,785	1,811

#### ◎ Examples of answers provided in writing

- Regarding taxation in cases where creditors waive their claims in accordance with terms of conciliation prepared based on the "Guidelines for the adjustment of debt by victims of natural disasters"
- Regarding the tax treatment of living benefits received by a person other than the premium payer (policy holder)

## II Enhancement of Services for Taxpayers

### (5) Tax consultation

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

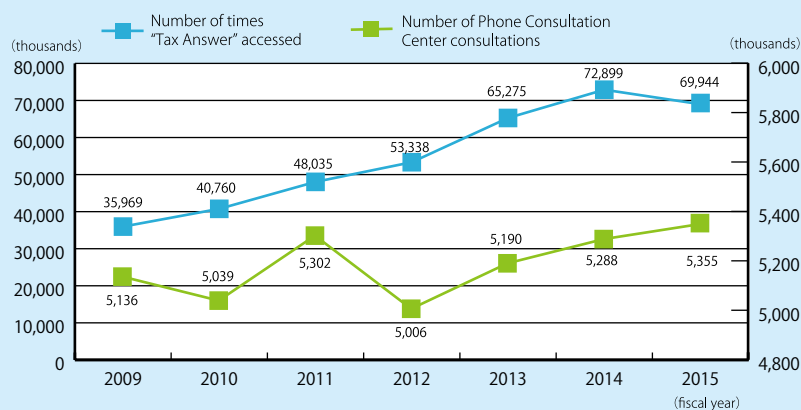
Phone Consultation Centers at Regional Taxation Bureaus provide centralized handling of general tax questions and consultations from taxpayers. Phone Consultation Centers at Regional Taxation Bureaus in Tokyo, Nagoya and Osaka also provide tax consultation in English.

Also, the NTA website provides information in its "Tax Answer" section (<http://www.nta.go.jp/taxanswer> (in Japanese)), 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, appointments can be made in advance 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-easy<sup>1</sup> 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.

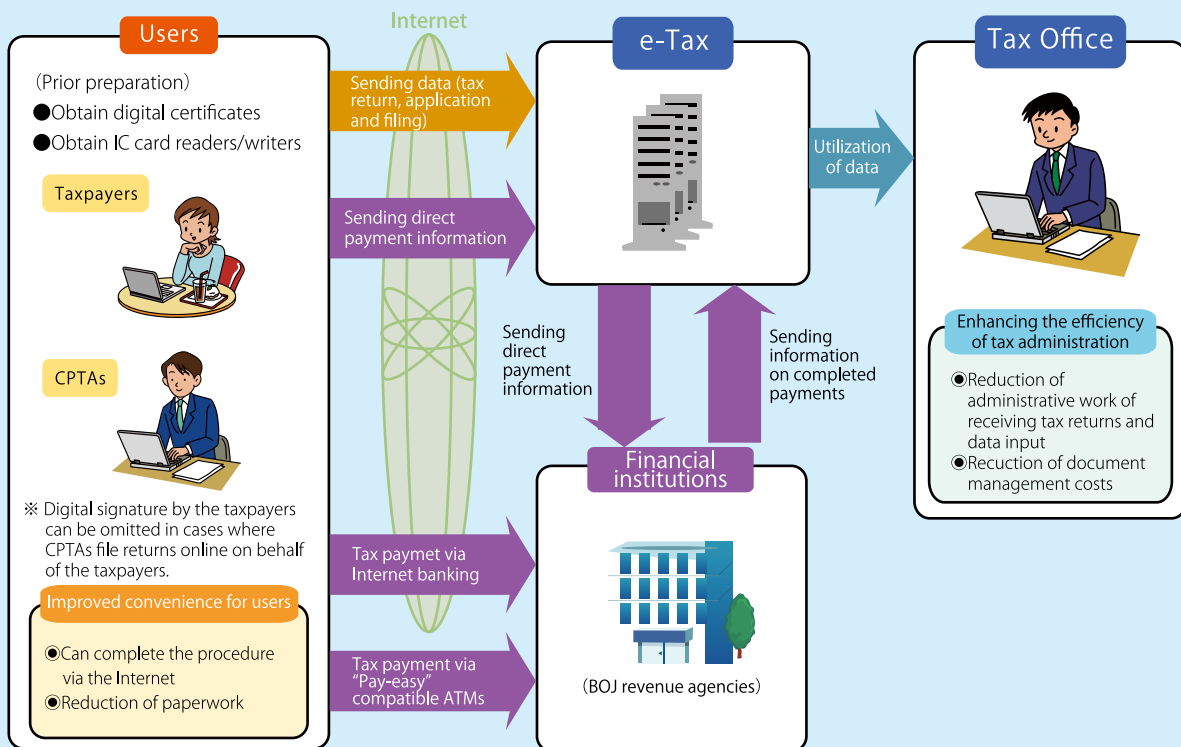
e-Tax also reduces administration work, such as receiving tax returns at the counter or by postal mail and data input, as well as reduces document management costs for tax authorities, thereby promoting the efficiency of tax administration.

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 omitted<sup>2</sup>. Furthermore, we have made efforts to improve user convenience by, for example, expanding the types of procedures that can be performed on smartphones and tablets.



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.

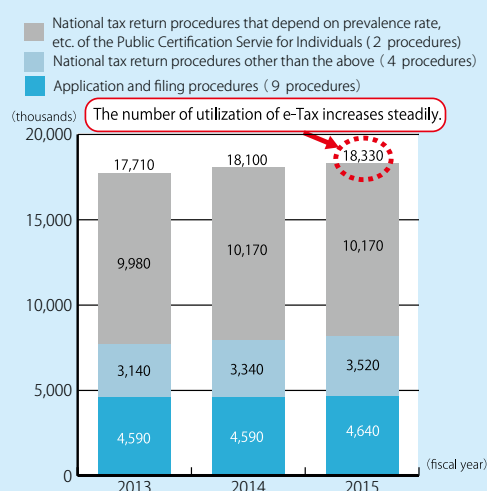
2 In case submission of attachment documents are omitted, the entries of descriptions of the attachment documents are required to be inputted and transmitted together with tax returns.

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.

## II Enhancement of Services for Taxpayers

The NTA has been working to establish and spread the use of e-Tax in accordance with the “Improvement Action Plan by the Ministry of Finance” (decided by the Ministry of Finance in September 2014) based on the “Policy for the Improvement of Convenience of Online Procedures” (decided by the CIO liaison conference in April 2014), which is the government-wide policy to address the issue of online use of services in Fiscal Year 2014 and thereafter. We have also reviewed the methods for submitting attached documents and added more days for accepting data submissions to further improve user convenience (for specific details, refer to Column 1: Measures to improve e-Tax user convenience).

### The number of utilizations of e-Tax



### Actual results of evaluation criteria for the Improvement Action Plan by the Ministry of Finance

Evaluation criteria	Baseline (FY2013)	Actual result (FY2014)	Target (FY2016)
e-Tax user satisfaction	73.3%	74.2%	75%
User satisfaction of the “filing assistance on the NTA website.”	83.1%	83.6%	85%
Percentage of online use			
National tax return procedures that depend on prevalence rate, etc. of the Public Certification Service for Individuals (2 procedures)	51.9%	53.0%	58%
National tax return procedures other than the above (4 procedures)	66.9%	71.0%	72%
Application and filing procedures (9 procedures)	57.7%	58.4%	62%
Utilization rate of ICT	68.8%	71.8%	72%
Cost per application received online	433 yen	432 yen	Decrease from the previous year
Paperwork processing time for the national tax return procedure	918,000 hours	892,000 hours	Decrease from the previous year

1 “National tax return procedures that depend on prevalence rate, etc. of the Public Certification Service for Individuals (two procedures)” refers to procedures for filing income tax returns and consumption tax returns (individuals).

2 “National tax return procedures other than the above (4 procedures)” refers to procedures for filing corporation tax returns, consumption tax returns (corporations), liquor tax returns, and stamp tax returns.

3 “Application and notification procedures (9 procedures)” refers to these 9 procedures refers to withholding records of employment income, etc. (and totaled tables for the same) (6 procedures), payment records of interest, etc. (and totaled tables for the same), requests for issue of certificates of tax payment, and notifications of start (changes etc.) of using e-Tax.

### Column 1

#### Measures to improve e-Tax user convenience

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

##### 1 Provision of a function (program) to convert data into a format compatible with e-Tax

It was previously required to separately submit in writing any data containing financial statements and detailed statements account headings for corporation tax returns prepared using accounting software that was not in a data format compatible with e-Tax. We now provide a program for converting data into a format compatible with e-Tax for accounting software developers so that the aforementioned report data stored in the accounting software can be transmitted via e-Tax. We will further promote transmission of financial statements and so on via e-Tax.

##### 2 Submission of attached documents in the form of image data

In the past, even when filing tax returns or applications by e-Tax, taxpayers needed to submit attached documents in writing (e.g., capital relationship diagrams) required by the Corporation Tax Act and other laws. These attached documents can now be submitted in the form of image data (image files).

From January 2017, the attached documents required by the Income Tax Act (excluding submission of certain attached documents that can be omitted for income tax returns), such as balance certificates for housing loans, can be submitted in the form of image data via e-Tax.

##### 3 Adding more days for accepting data submissions

We have added more days for accepting data submissions by e-Tax. Submissions are accepted on the final Saturdays and Sundays in May, August, and November when more tax returns for corporations are submitted (if the last day of a month is a Saturday, we accept data submissions on the first Sunday of the following month instead of the last Sunday of said month).

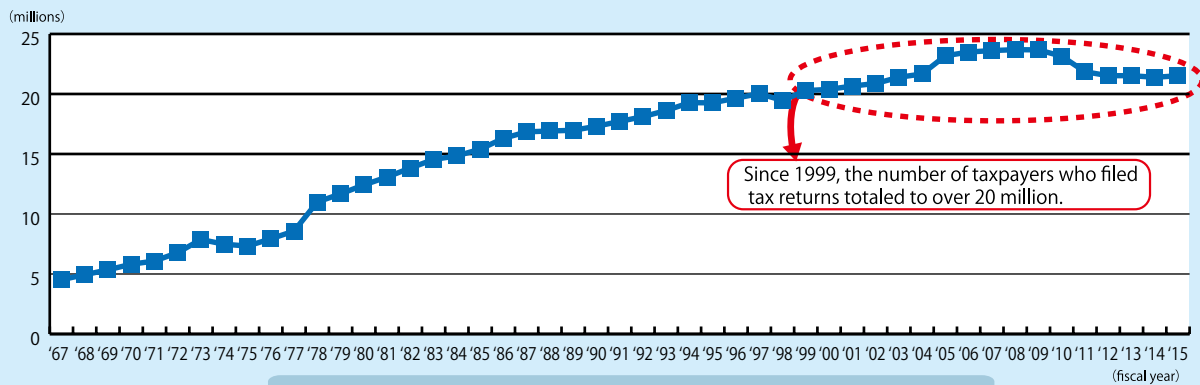


### 3 Filing for tax return

~ The number of taxpayers who filed tax returns totaled 21.51 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. 21.51 million people filed their income taxes and special income taxes for reconstruction for 2015; thus, one out of six residents filed tax returns. Of these, over 12.47 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.

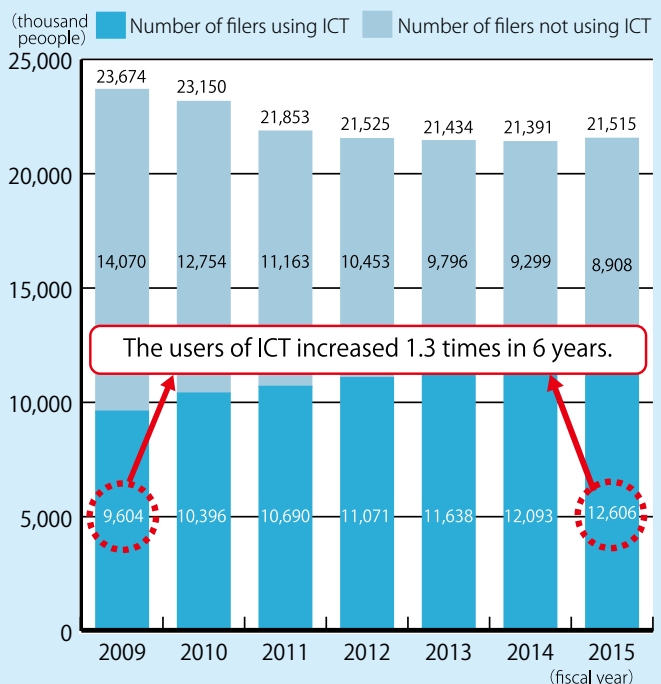
Tax returns and other documents prepared using the filing assistance on the NTA website can be transmitted via e-Tax with a My Number Card digital certificate. Using this system, taxpayers can conveniently file tax returns via the internet from home or other locations without visiting the Tax Office.

Taxpayers can also choose to submit in writing by post or other means.

Note: Conventional digital certificates stored on a Basic Resident Registration Card can continue to be used in e-Tax until the person's My Number Card is issued as long as the digital certificate remains within its term of validity.

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



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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

## II Enhancement of Services for Taxpayers

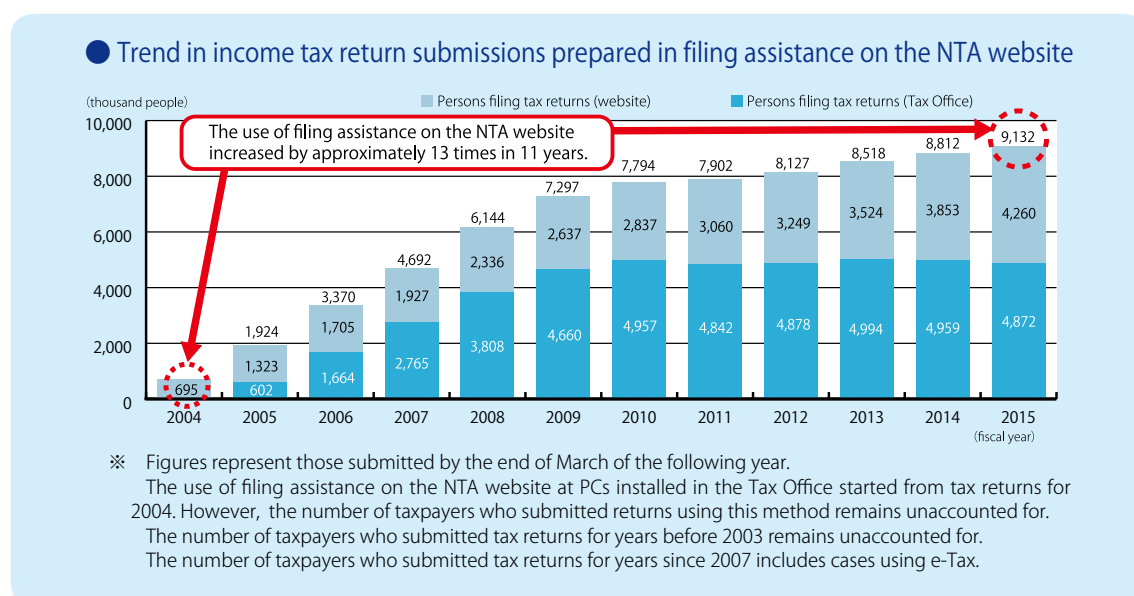
### ~ The number of users of “filing assistance on the NTA website” is increasing each year ~

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 2015, the number of people who submitted tax returns for income tax and special income tax for reconstruction prepared with filing assistance on the NTA website reached 9.13 million cases including those prepared via PCs set up at consultation sites. This comprised about 42% of all people who submitted returns. About 54% 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.



## (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 2015 tax return filing period, the offices were open on February 21 and February 28, 2016, during which 290,000 tax returns for income tax and special income tax for reconstruction 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, by dissemination and publicity work to smoothly establish and implement the Social Security and Tax Number System ("My Number System"), 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 810,000 (as of April 2016). 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 visit the website of the National General Federation of Blue Return Taxpayers' Associations at <http://www.zenairobr.jp> (in Japanese), or 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 800,000 corporations (as of June 2015). Corporations associations organize tax education, tax awareness campaign, seminars on tax and management, etc. With the NTA's support, corporations associations hold "contests for the best picture postcards related to taxes" and promote "enhancement of corporations' tax compliance." For further details, please visit the website of the National General Federation of Corporations Associations at <http://www.zenkokuhojinkai.or.jp> (in Japanese)

## 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 April 2015). 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> (in Japanese)

### 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 27,100 associations (as of March 2015). 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 (co-hosted by Savings-for-tax associations and the NTA). 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 2016). 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 2

### Response to the Great East Japan Earthquake (As of end of March, 2016)

#### 1 Response to affected taxpayers and other parties

To assist taxpayers who have suffered from the Great East Japan Earthquake, the NTA has developed a system for providing appropriate consultations to taxpayers who are taking refuge in various areas throughout Japan at their nearest Tax Offices. The NTA continuously endeavors to disseminate systems, answer inquiries from taxpayers, and so on as well as provide consultations while giving adequate consideration to taxpayers' and other parties' circumstances and emotions.

#### 2 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 FY2015 on liquors and brewing water (1,608 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 6,438 certificates of place of manufacturing, and 710 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, 2016):

#### 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).



Income tax	<p>① If a dwelling was receiving application of special credit for loans relating to a dwelling, but can no longer be lived in due to the Great East Japan Earthquake, application of the special credit for loans relating to a dwelling can continue to be received, during the remaining application period of special credit for loans relating to a dwelling.</p> <p>② In the case of a taxpayer who lost a dwelling as it was destroyed by the Great East Japan Earthquake subsequently reacquired an alternative dwelling, such a taxpayer may elect "special measures for credit relating to reacquisition of a dwelling," instead of normal special credits for loans relating to a dwelling.</p> <p>③ The above ① and ② can be applied simultaneously.</p>
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, 2021, 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	<p>If a vehicle or a motorcycle was damaged by the Great East Japan Earthquake and scrapped within the valid period of its motor vehicle inspection certificate, then the owner can do the procedure for Permanent Deletion Registration or for notice of demolishing or dismantling at a Transport Branch Office or Light Motor Vehicle Inspection Organization, and submit a request for refund of motor vehicle tonnage tax, and thereby obtain refund of motor vehicle tonnage tax.</p> <p>If a person who was a user of a motor vehicle or a motorcycle damaged by the disaster acquires a replacement vehicle and obtains a motor vehicle inspection certificate, etc. during the period until April 30, 2019, then by submitting a notification of tax exemption for motor vehicle tonnage tax to a Transport Branch Office or Light Motor Vehicle Inspection Organization, the motor vehicle tonnage tax which pertains to the initially obtained motor vehicle inspection certificate, etc. is exempted.</p>
Stamp tax, etc.	<p>Stamp tax on a "contract on consumer loan" is exempted for a money loan to a person victimized by the Great East Japan Earthquake, at conditions which compared to conditions of other money loans are specially advantageous, by a local government or government related financial institution, etc.</p> <p>For cases such as a building acquired to replace a building demolished and removed because it was destroyed or damaged by the Great East Japan Earthquake and a building located in the area subject to the designation of evacuation zone, etc. as of the date when such designation of evacuation zone, etc. was made, the stamp tax is exempted for "contracts on transfer of real estate" and "contracts on contracting of construction work" made by that victimized person. Also, registration and license tax in relation to the registration of transfer of ownership will be exempt.</p>
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, 2018, 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> (in Japanese) or visit a nearby Tax Office.

### Column 3

## Response to the 2016 Kumamoto Earthquake (as of the End of April 2016)

### 1 Extension of filling and payment deadlines for national taxes

On April 21, 2016, the NTA announced an extension of filling and payment deadlines for national taxes in Kumamoto prefecture (area designation) (notification dated April 22, 2016).

Upon designating the aforementioned area, we also announced a suspension and postponement of payment of the consumption tax scheduled for April 25, 2016 to be transferred from bank accounts of taxpayers who had the place of tax payment in Kumamoto prefecture for final returns filed for the 2015 period.

The extension of deadline can be granted on an individual basis (individual designation) for taxpayers having difficulty due to this earthquake in filing or paying taxes by the deadline in areas other than Kumamoto prefecture. We will disseminate and publicize information on the individual designation as well as appropriately hold consultations with taxpayers.

### 2 Dissemination of tax measures for disasters

After the earthquake, the NTA immediately disseminated and publicized measures (procedures) on tax related treatment for disaster victims and for donations through the NTA website, Twitter, and other means.

#### (Reference) Cooperation with disaster stricken areas

The Kumamoto Training Institute of the National Tax College accepted evacuees (up to 220) and made distributions from its stockpile of disaster goods.

In addition, the Kumamoto Regional Taxation Bureau dispatched officials to affected municipalities in Kumamoto prefecture to deliver relief supplies to evacuation sites and to issue disaster victim certificates.

### Actions taken for the amended Consumption Tax Act

#### 1 Provision of information and consultation

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.

- Post a leaflet about the revision to the NTA website and also keep it at Tax Offices.
- 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

With the aim of ensuring the smooth and appropriate shifting of consumption taxes, the Act on Special Measures for Shifting Consumption Taxes (hereinafter referred to as the "Special Measures Act") prohibits to refuse shifting consumption taxes or to make indication that inhibits the shifting of consumption taxes. The Act also provides exceptions for the obligation to indicate the total price with tax.

Thus, the NTA endeavors to secure smooth and appropriate shifting of consumption taxes through the following measures:

- Publication of 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
- Appropriately provision of 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 at the "revised consumption tax system consultation desk" at Tax Offices
- 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 conducts an on-site inspection.





## Column 5

# 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, testamentary gift, or gifts under the taxation system for settlement at the time of inheritance on or after January 1, 2015. The amendment includes such items as a reduction of the basic deductions.

(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)

### 2 Key Actions

#### (1) Enhancement of the NTA website

In order for taxpayers to fully understand the amendment details, the inheritance tax system, and so on, 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.

#### **[Inheritance Tax and Gift Tax]** (<http://www.nta.go.jp/sozoku-tokushu/index.htm>) (in Japanese)



- ① Outline of the Inheritance Tax  
This section clearly explains the inheritance tax system.
- ② Tool for Judging If You Need to File Your Inheritance Tax Return  
Refer to the figure below, "Tool for Judging If You Need to File Your Inheritance Tax Return."
- ③ Examples of filling out the inheritance tax declaration while applying various exceptions  
This section contains clear instructions for completing the inheritance tax declaration in the case of applying "exemptions for small-scale building land" and "reduction of spouse's tax amount," which are commonly applied.
- ④ Easy-to-make mistakes when preparing an inheritance tax declaration  
Easy-to-make mistakes when preparing an inheritance tax declaration are illustrated in case format.

#### **[Tool for Judging If You Need to File Your Inheritance Tax Return]**

(<https://www.keisan.nta.go.jp/sozoku/yohihantei/top>) (in Japanese)



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.

Users can also simulate tax amount calculation when applying "exemptions for small-scale building land (specified residential land, etc.)" and "reduction of spouse's tax amount," which are commonly applied.

#### (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.

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## 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, establishes appropriate examination systems, and conducts strict examinations by making full use of its organizational strength.

In addition, for other taxpayers 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 as well as a field examination.

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

Operation year	2012	2013	2014
Self-assessed income tax	70	62	68
Corporation tax	93	91	95

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 2014 found ¥7.39 million of undeclared income per case for self-assessed income tax, and ¥8.66 million for corporation tax.

#### ● Undeclared income amount of self-assessed income tax and corporation tax found in field examinations, per case (¥million)

Operation year	2010	2014
Self-assessed income tax	6.35	7.39
Corporation tax	10.07	8.66

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

The NTA utilizes the computer system to select the subjects of tax examinations by analyzing the data related to income tax returns, corporation tax returns, and a variety of other data and information.

In order to collect highly effective data and information efficiently, we are working to develop systems, such as establishing a division that specializes in collecting data and information.

#### (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

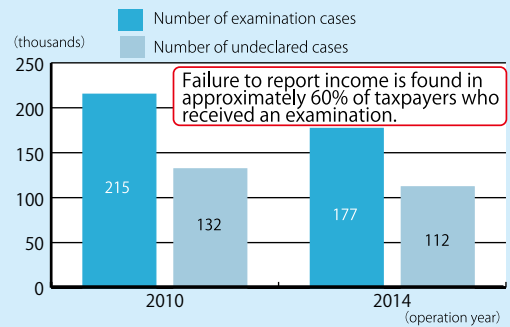
- Based on materials provided by foreign tax authorities through information exchange under the tax treaty, the NTA discovered a failure to declare profits that were acquired from financial instruments held with overseas financial institutions.
- From materials provided by foreign tax authorities through 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 for tax revenue, and is similar to a deposit, which is why it attracts the strong attention of the public. Therefore, proper tax administration is especially necessary. So far, regarding the examination cases of consumption tax, 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.

● Examinations of consumption tax (individual and corporation)



### ◎ 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 defined as legal requirements.

### Column 6

## 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. The NTA endeavors to utilize these systems to ensure further 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 ensure 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.

※ Under this system, "foreign assets" refer to assets held outside Japan. For example, land and buildings held outside Japan as well as deposits and securities held at overseas financial institutions fall under foreign assets. Foreign currency deposits and securities held at financial institutions in Japan do not fall under foreign assets.

### 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 was reviewed and renewed. And the renewal came into force on January 1, 2016.

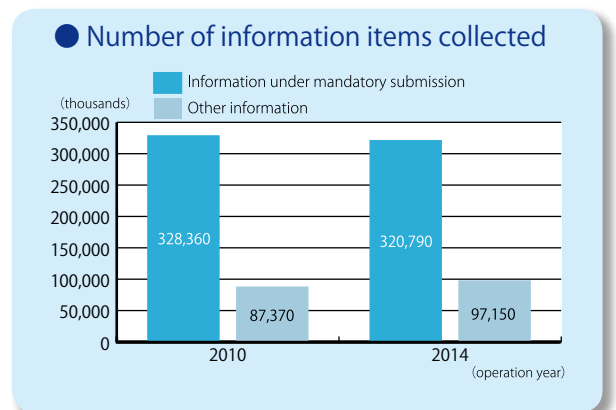
Under this system, if an income amount for a taxable year exceeds 20 million yen, and an individual holds assets with the total amount of 300 million yen or more, or assets subject to exit tax in 2 above with the total amount of 100 million yen or more as of December 31 of the year, the individual is 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 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.

Especially, 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 overseas investments, information on transactions with overseas companies, electronic commerce transactions using the internet, etc. to get the information on new asset investment techniques and transaction forms.



#### (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 FY2015 amounting to ¥13.8 billion in total, of which prosecuted cases accounted for ¥11.2 billion ~

In FY2015, the NTA commenced 189 criminal investigations, processing 181 cases including those carried over from the previous fiscal year, of which it accused 115 cases to prosecutors. The total amount of tax evasion was ¥13.8 billion, with the average at ¥97 million per accused case.

Methods that were often used for tax evasion included excluding sales and booking fictitious costs or expenses. There were also cases of the crime of tax evasion due to simply failing to file a tax return and the attempted crime of receiving illegal consumption tax refunds, both of which were criminalized in 2011.

Funds obtained from tax evasion were, for example, retained as cash, deposits, stocks; spent on paintings and imported luxury cars; spent on amusement, such as gambling; and appropriated for financial support to an associated person. In addition, part of the illicit funds were retained as overseas deposits.



### ● 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
FY2014	194	180	112	14,975 (12,346)	83 (110)
FY2015	189	181	115	13,841 (11,204)	76 (97)

※ Figures of tax evasion include additional tax.

### ~ In FY2015, 133 cases were convicted at the court of first instance, including 2 cases in which prison sentences without probation were issued ~

In FY2015, all cases among 133 cases were convicted at the court of the first instance, with an average prison sentence of 15.2 months and average fines of ¥15 million. 2 persons were sentenced to prison without probation. Of these sentences, the sentence for a criminal investigation case alone was two years' imprisonment with labor, and the sentence for the case in combination with another crime was 6 years' imprisonment with labor. 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
FY2014	98	96	98.0	11	69	15.9	16
FY2015	133	133	100.0	2	64	15.2	15

※ 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 cardboard box placed in a storage room.



### (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 that are in general likely to lead to a difference of opinion between corporations and the NTA. Then we will focus its examination work on other corporations in need of improvement. Thus, we are facilitating to reduce the administrative burden on taxpayers and enhance the efficiency of tax examination.

#### Check sheets for the “voluntary inspection of tax returns and voluntary audit of tax items”

For the purpose of aiding in voluntary proper filing, the NTA has published check sheets for the voluntary inspection of tax returns and voluntary audit of tax items performed at large enterprises on its website (<http://www.nta.go.jp> [Home > Tax filing and payment procedure > Corporation Tax > Reference for tax filing procedure]) (in Japanese).

The site provides two types of check sheets: “Check sheet for tax returns,” which can be used for the voluntary inspection of tax returns before submission, and “Check sheet for tax items that require special attention at large enterprises,” which can be used for the voluntary audit of, for example, omissions in entering adjustments in settling accounts and adjustments for taxable income before tax return preparation. Please make use of these check sheets based on your intended use.

#### (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 2 years in prison or up to a ¥1 million fine) under the tax law, which is heavier than the penalty (up to 1 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.

#### Column 7

#### Efforts to ensure voluntary fulfillment of tax duties by taxpayers

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 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 ¥56.6 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 FY2014, about ¥57.4 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about 56.6 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 2016, it was usable in 394 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 1.51 million cases in FY2014.

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)

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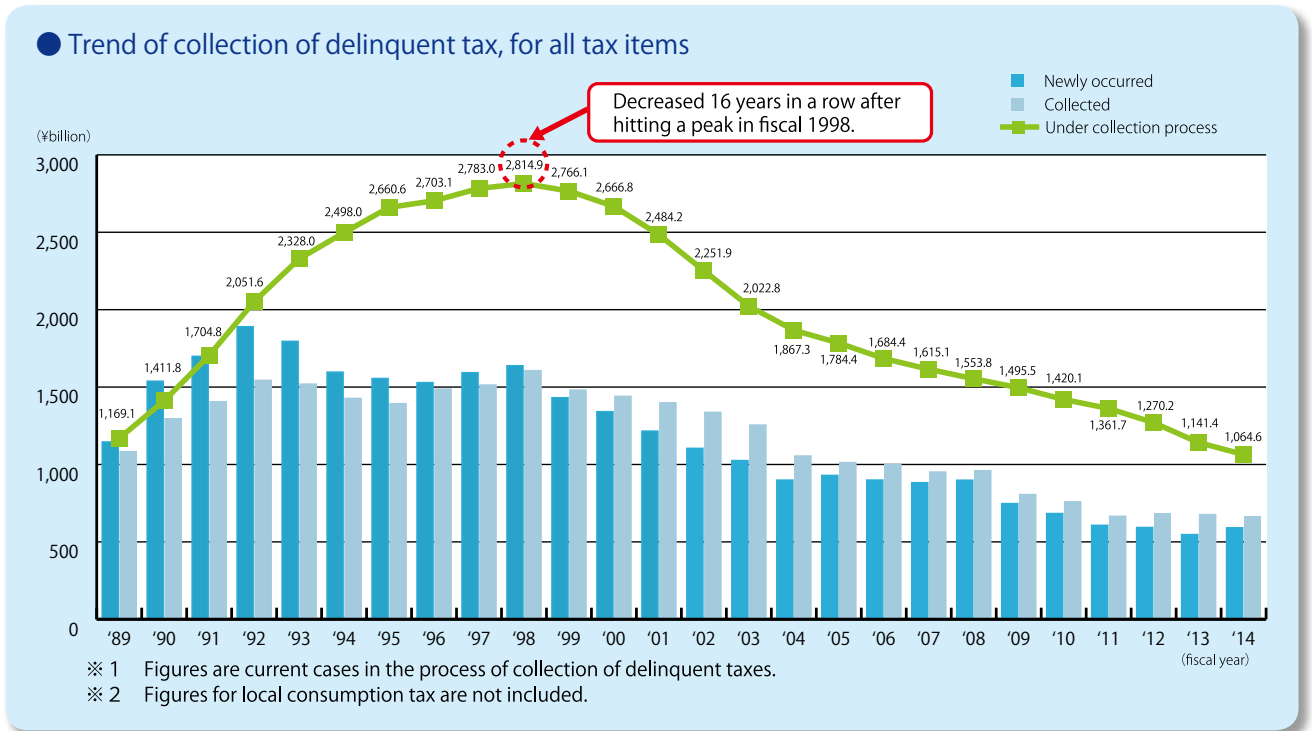
Statistics

### III Proper and Fair Taxation and Collection

#### (2) Reduction of tax delinquency

~ Amounts under collection process reduced to 37.8% 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 FY2014, the tax delinquency amount was about ¥1,064.6 billion.



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 tax<sup>1</sup> is aggressively referred to the prosecutor.

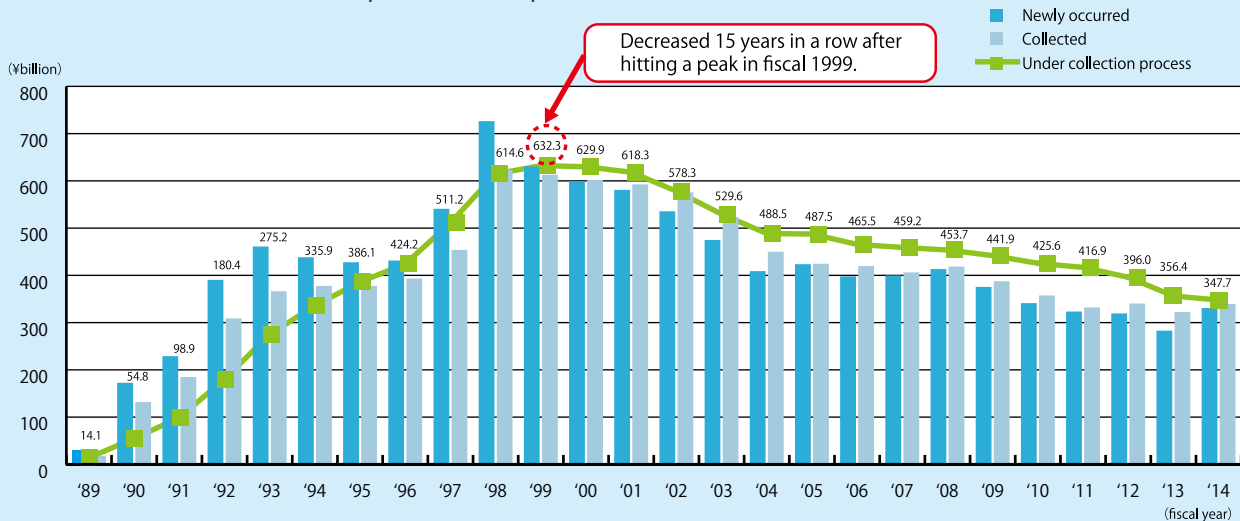
## ~ Organizational response, etc. of difficult-to-handle cases ~

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

### III Proper and Fair Taxation and Collection

#### (3) Office of Tax Collections Call Center

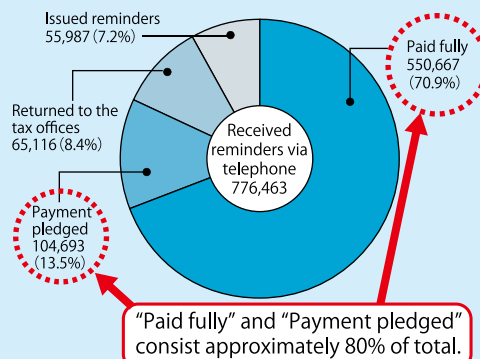
##### ~ Conduct effective and efficient phone notices ~

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 2014 to June-end 2015, this office provided notifications to about 780,000 people, of which about 550,000 people (70.9%) fully paid, and about 100,000 people (13.5%) pledged payment.

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

Of 776,463 taxpayers issued reminders for payment by telephone between July 2014 and June-end 2015, 550,667 have fully paid their taxes.



#### (4) Auction by Internet

##### ~ Sold approximately 11,300 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 FY2015. As a result, a total of about 5,000 people participated, and about 11,300 items such as work of art, precious metals, automobiles, real estate, etc. were sold, for a total sales value of about ¥500 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 40.7 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) processing<sup>1</sup> for tax payment slips at the Bank of Japan, the income tax and sole proprietors' consumption tax payments by transfer account<sup>2</sup>, 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.

<sup>1</sup> 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.

<sup>2</sup> 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 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 also return the processing results 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 strives to collect information at every opportunity and improve the examination system. We also actively carry out international cooperation, such as the BEPS Project and exchange of information with various countries.

#### (Reference) So-called “Panama Papers” document

In April 2016, the International Consortium of Investigative Journalists (ICIJ) disclosed the “Panama Papers,” which were leaked from a Panamanian law firm that provides incorporation services, management proxy services, and so on at an offshore financial center. This incident increased suspicions about the opaque use of offshore financial centers.

#### Column 8

#### Measures addressing Base Erosion and Profit Shifting (BEPS): the BEPS Project

In recent years, changes in the structures of global business models have led to gaps and mismatches among multinational enterprises' actual activities, the tax systems of each country, and international taxation rules.

By making use of these gaps and mismatches, multinational enterprises deliberately manipulate their taxable income to avoid paying taxes (BEPS). To address this problem, the Organisation for Economic Co-operation and Development (OECD) launched the BEPS Project in 2012. Under the BEPS Project, discussions have been held regarding measures to effectively address BEPS through international cooperation based on the 15 action items identified in the “Action Plan on BEPS,” which was prepared at the request of the G20 Finance Ministers and Central Bank Governors Meeting. In September 2015, the final reports were developed (and presented at the G20 Finance Ministers and Central Bank Governors Meeting held in Lima, Peru in October 2015 as well as at the G20 Summit hosted in Antalya, Turkey in November 2015).

Each country will improve the domestic laws and revise tax treaties based on the BEPS recommendations for each action item as necessary, and then the implementation of these recommendations will be monitored.

#### 《BEPS Action Plan》

Action 1: Addressing the Tax Challenges of the Digital Economy	Action 2: Neutralising the Effects of Hybrid Mismatch Arrangements
Action 3: Designing Effective Controlled Foreign Company (CFC) Rules	Action 4: Limiting Base Erosion Involving Interest Deductions and Other Financial Payments
Action 5: Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance	Action 6: Preventing the Granting of Treaty Benefits in Inappropriate Circumstances
Action 7: Preventing the Artificial Avoidance of Permanent Establishment Status	Action 8: Aligning Transfer Pricing Outcomes with Value Creation Related to Intangibles
Action 9: Aligning Transfer Pricing Outcomes with Value Creation Related to Risks and Capital	Action 10: Aligning Transfer Pricing Outcomes with Value Creation Related to Other High-risk Transactions
Action 11: Measuring and Monitoring BEPS	Action 12: Mandatory Disclosure Rules
Action 13: Transfer Pricing Documentation and Country-by-Country Reporting	Action 14: Making Dispute Resolution Mechanisms More Effective
Action 15: Developing a Multilateral Instrument to Modify Bilateral Tax Treaties	

#### «Summary of Final Reports»

The final reports were developed for each action item to comprehensively address BEPS. The following measures are set out in each final report.

##### 1 Reestablishment of international taxation principles focusing on taxation in line with actual economic activities

From the perspective that multinational enterprises must fulfill their tax payment obligations where such obligations arise (where value is created), rules focusing on taxation in line with actual economic activities have been established.

- ① For the purpose of addressing issues arising in response to the development of the digital economy, guidelines were developed for consumption tax on cross-border electronic services under Action 1. In Japan, consumption tax is imposed on cross-border services provided by foreign enterprises, such as e-books, music, and advertisements from October 1, 2015 under the FY2015 tax reform.
- ② To prevent tax avoidance by multinational enterprises that make use of gaps and mismatches among the tax systems of each country, Actions 2 to 5 set out rules to achieve international harmonization of the tax systems.
- ③ For the purpose of adapting to multinational enterprises' recent business models, conventional international standards (the model tax convention and for the transfer pricing guidelines) were revised by Actions 6, 7, and 8 to 10.

##### 2 Increased transparency in the activities of governments and multinational enterprises

To ascertain the actual activities and the tax payment status of multinational enterprises, Actions 5 as well as Actions 11 to 13 established a framework in which countries cooperate in collecting and sharing information. Action 5 mandates the practice of compulsory spontaneous exchange of information about advance rulings between taxpayers and tax authorities, such as unilateral Advance Pricing Arrangements (APA) (APA unaccompanied by Mutual Agreement Procedure (MAP)). The NTA will implement this by using the existing framework for exchange of information. Additionally, based on the recommendation in Action 13, documentation rules for transfer pricing have been revised under the FY2016 tax reform (refer to Column 9: Transfer pricing documentation).

##### 3 Elimination of uncertainty for corporations

To eliminate uncertainty (e.g., the occurrence of unexpected double taxation due to the aforementioned BEPS measures) and to ensure predictability, Action 14 develops more effective MAP mechanisms to solve tax treaty-related disputes. To streamline the implementation of BEPS measures that necessitate the amendment of bilateral tax treaties, Action 15 requires the development of a multilateral instrument by December 31, 2016.

For details of the BEPS Project, please visit the "BEPS Project" page on the NTA website at <http://www.nta.go.jp/sonota/kokusai/beps/index.htm> (in Japanese).



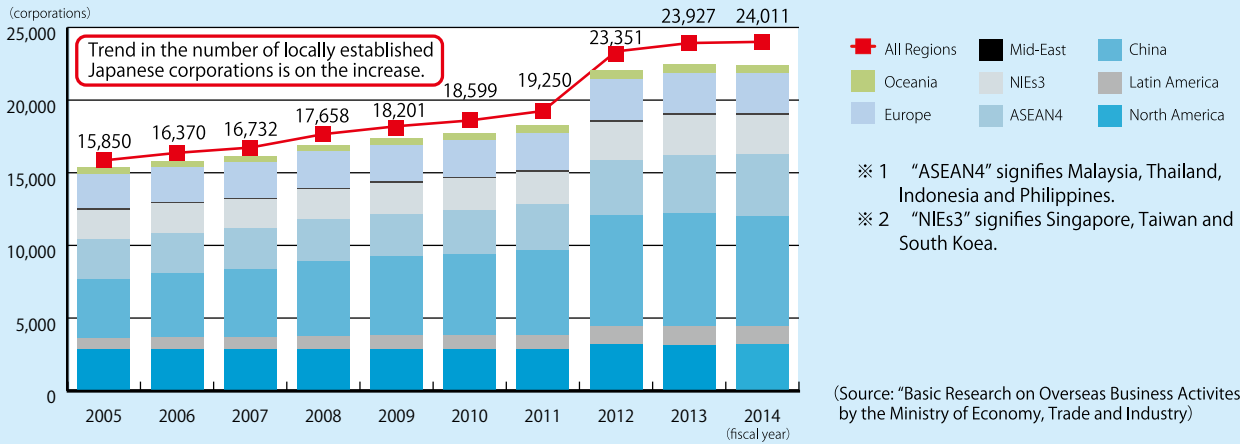
## (1) Changes in the environment concerning international transactions

### ~ 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 15,850 in FY2005 to 24,011 in FY2014, about a 50% increase, with a particularly rapid growth of establishments in China.

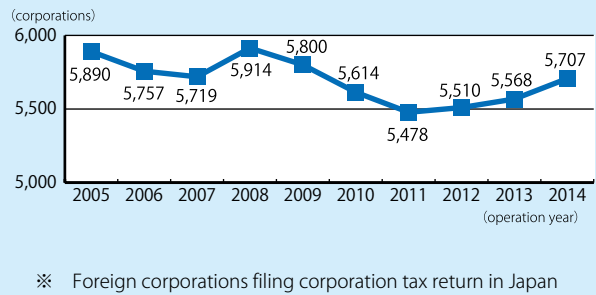
#### ● Trend in the number of locally established Japanese corporations by region



#### ② Trend in the number of foreign corporations

The trend in the number of foreign corporations carrying out business in Japan is shown on the right. There were 5,707 corporations in the 2014 operation year, which was 139 more than the previous year. The number of foreign corporations in the past 10 years has shifted between 5,000 and 6,000.

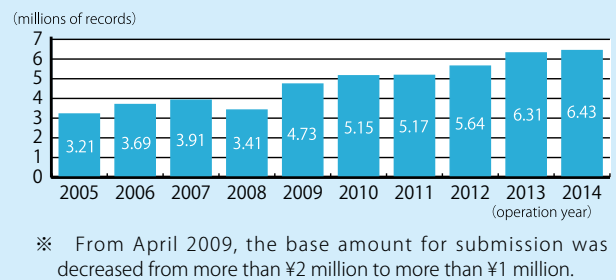
#### ● Trend in the number of foreign corporations



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

A record of remittance and receipt related to foreign countries<sup>1</sup> is to be submitted when a remittance is sent to a foreign country. The figure on the right shows changes in the number of these records submitted. The number of records of remittance in the 2014 operation year was 6.43 million, which was 120,000 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



<sup>1</sup> 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).

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

Evaluation of Policies

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#### (2) Addressing international taxation

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

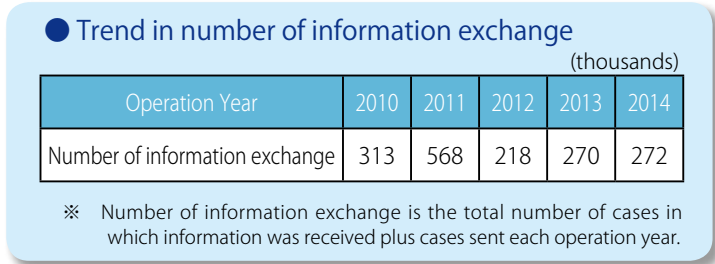
There are cases in which the NTA cannot sufficiently clarify international transactions by individuals and corporations only with the information obtained in Japan. In such a case, the exchange of information under a bilateral tax treaty or tax information exchange agreement makes it possible to acquire 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. As of April 1st 2016, Japan has 65 tax treaties in force, which cover 96 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.

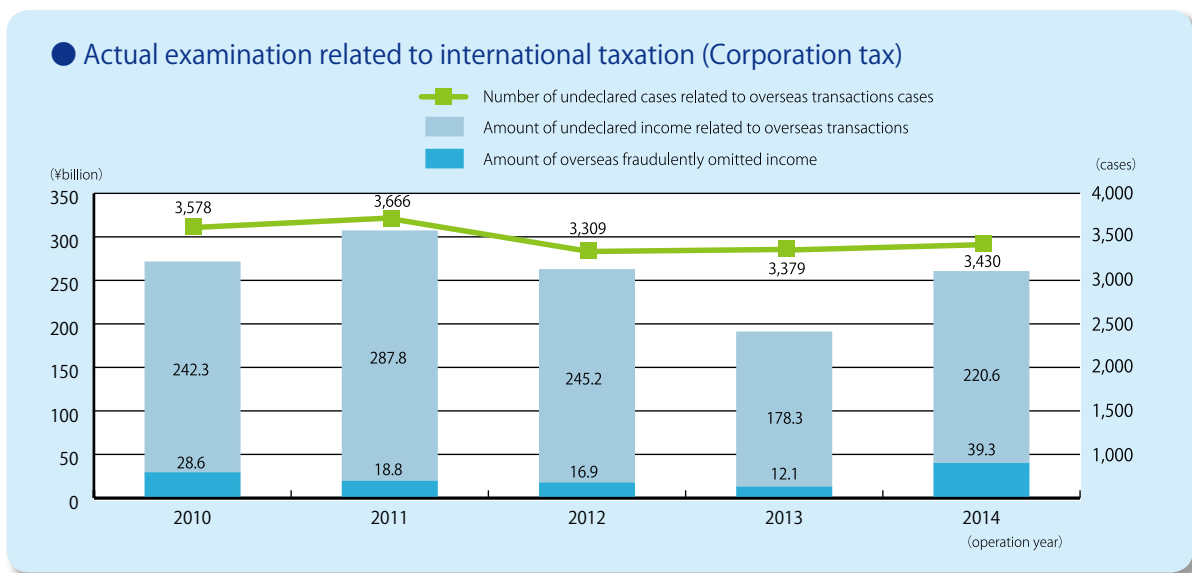
International cooperation system (The Joint International Taskforce on Shared Intelligence and Collaboration: JITSIC), aiming to exchange information relating to international tax avoidance and wealthy individuals, and to share knowledge on examination methodologies, etc. is working under the umbrella of the OECD Forum on Tax Administration (FTA). The NTA is joining it actively.

Moreover, as an important action taken for exchange of information, the OECD developed the Common Reporting Standard (CRS) in 2014 to automatically exchange “information on bank accounts of non-residents” among the tax authorities of each country in order to address tax evasion and tax avoidance performed through overseas financial institutions based on G20 discussions. 101 countries and regions have announced that they will commence automatic exchange of information in accordance with the CRS by the end of 2018. In Japan, the NTA plans to receive reports on account information for the 2017 calendar year from financial institutions by the end of April 2018, and to provide information for the first time to foreign tax authorities by the end of September 2018.



##### ~ 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 cross-border transactions or hold assets in foreign countries. The NTA is performing through examinations which effectively use the records of remittances and receipts related to foreign countries, and information exchange systems based on tax treaties and tax information exchange agreements.





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

International tax avoidance, 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 taxation 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. It is necessary to increase predictability for taxpayers.

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.

#### Column 9

### Transfer pricing documentation

As stated in "Column 8: Measures taken for Base Erosion and Profit Shifting (BEPS): the BEPS Project," we put the transfer pricing documentation in place under the FY2016 tax reform. The key points of the transfer pricing documentation are as follows.

#### 1 Provision of Country-by-Country Reports (new)

For the purpose of collecting information on multinational enterprise groups' activities, such groups are obligated to file a Country-by-Country Report that states the amount of revenue, profit (loss) before income tax, income tax paid, and so on per country where they conduct business.

Multinational enterprise groups with consolidated total revenue of the ultimate parent entity's preceding fiscal year equal to or not less than 100 billion yen are required to report the necessary information via e-Tax within 1 year from the day following the last day of the ultimate parent entity's fiscal year.

※ The above revision applies to the Country-by-Country Reports for the ultimate parent entity's fiscal year that begins on or after April 1, 2016.

#### 2 Provision of Master File (new)

For the purpose of collecting information on multinational enterprise groups' activities in the same manner as described in 1 above, such groups are obligated to file a Master File that states their organizational structure, business overview, financial situation, and so on.

Multinational enterprise groups with consolidated total revenue of the ultimate parent entity's preceding fiscal year equal to or not less than 100 billion yen are required to report the necessary information via e-Tax within 1 year from the day following the last day of the ultimate parent entity's fiscal year.

※ The above revision applies to the Master File for the ultimate parent entity's fiscal years that begins on or after April 1, 2016.

#### 3 Preparation of documentation considered to calculate the arm's length price (revision)

Regarding controlled transactions, corporations must prepare and store the documentation considered to calculate the arm's length price by the due date for filing tax returns.

Criteria for exemptions from the obligation is provided based on the transaction amounts (a total amount of the controlled transactions of less than 5 billion yen and the amount of intangible transactions of less than 300 million yen with a foreign related party during the previous business year).

※ The above revision will apply from business years that begins on or after April 1, 2017.

Note 1: If Japanese corporations conduct transactions with foreign related parties, and that transaction price differs from the transaction price between third parties (this is called the "arm's length price"), resulting in lower taxable income for the Japanese corporations, then that transaction is deemed to have been done at the arm's length price, and its income is recalculated under this system.

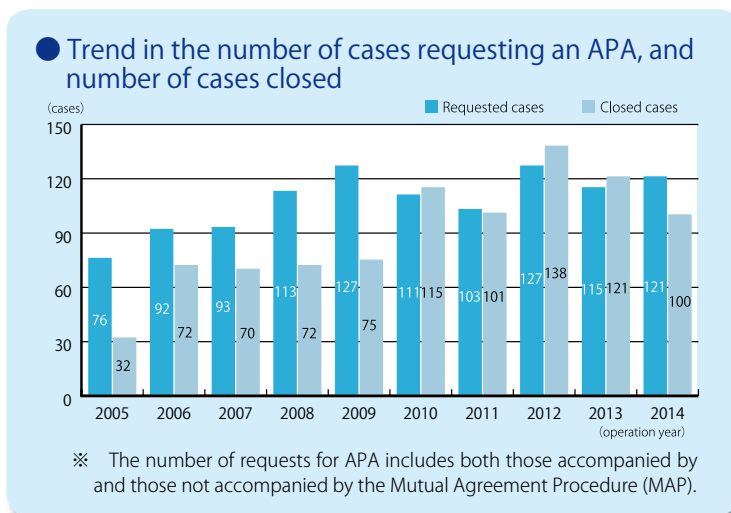
### III Proper and Fair Taxation and Collection

#### ~ 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 121 in the 2014 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.

APA is also available for internal transactions between the permanent establishment of a foreign corporation and its head office, and the internal transactions between the Japanese corporation's head office and its permanent establishment in foreign countries and regions for the business year starting on and after April 1, 2016.

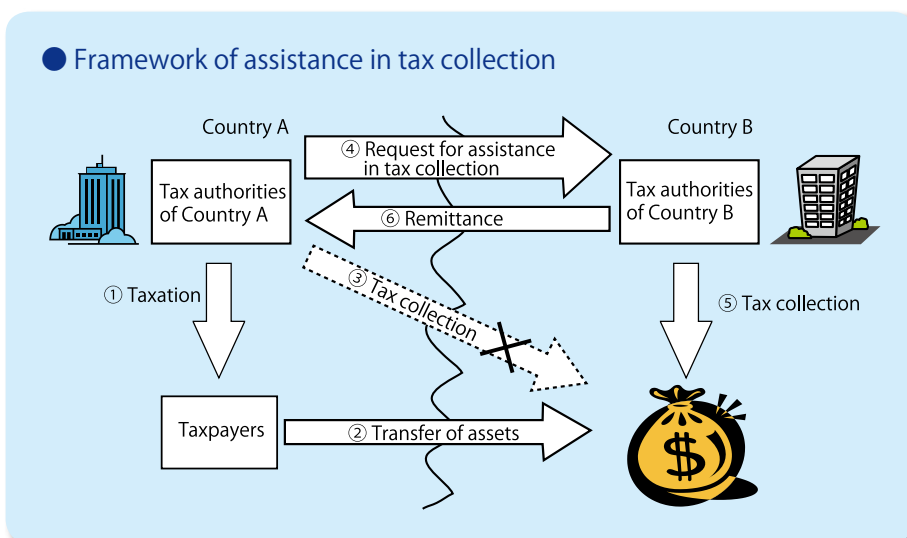


#### (4) International cooperation in tax collection

##### ~ 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 jurisdiction<sup>1</sup>.

In Japan, international tax collection is promoted by mutual assistance for tax collection under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters<sup>2</sup>, which became effective in October 2013.



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

<sup>2</sup> 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 60 jurisdictions including Japan (as of May 1, 2016).





## 4 Mutual Agreement Procedure (MAP)

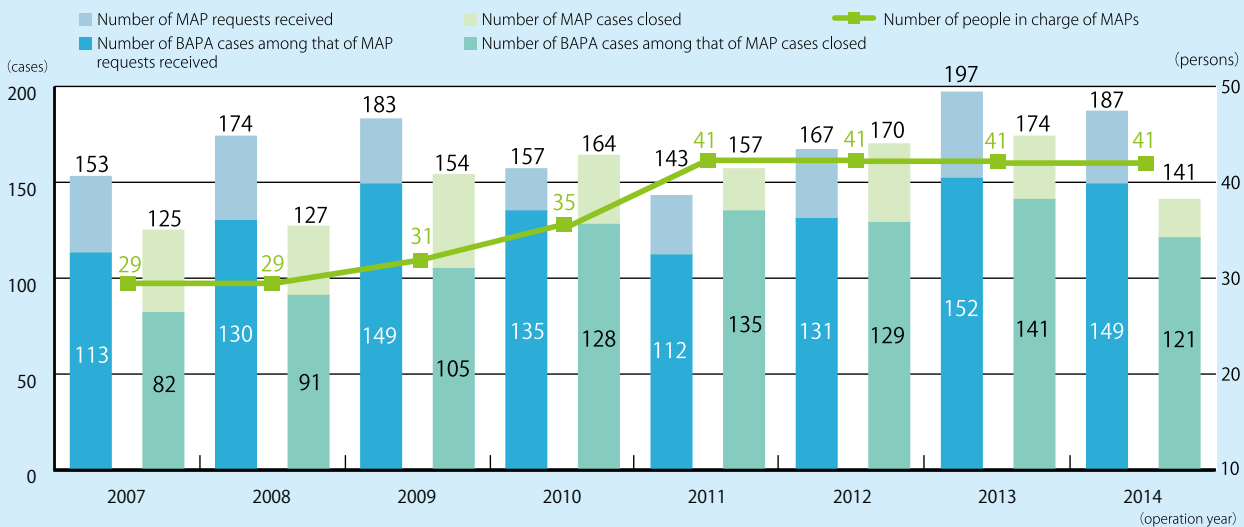
~ MAP cases processed properly and promptly in order to resolve international double taxation issues ~

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 Procedures<sup>1</sup> prescribed in tax treaties.

The number of MAP cases received in 2014 operation year was 187, and more than 90% are related to transfer pricing.

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.  
 \* "BAPA" stands for Bilateral Advance Pricing Arrangement

### ● Treaty partners with which the NTA has MAP inventory (as of June 2015)

	Europe	Asia/Pacific	North Americas
OECD countries	Belgium France Germany Ireland Italy Luxemburg The Netherlands Sweden Switzerland United Kingdom	Australia New Zealand South Korea	Canada United States
Non-OECD economies		China Hong Kong India Indonesia Singapore Thailand Malaysia Vietnam	
	10 countries	11 countries/economies	2 countries

(Note)  
 As of June 30, 2015, the number of treaty partners with which the NTA had MAP inventory was 23.

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

## 5 Cooperation and coordination with foreign tax authorities

### (1) Technical cooperation for developing countries

#### ~ Technical cooperation for developing countries mainly in Asia ~

Under the framework of technical cooperation by the Japan International Cooperation Agency (JICA) etc., the NTA is actively providing technical cooperation to developing countries, 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 FY2015, the NTA dispatched its officials to China, Indonesia, Malaysia, Mongolia, Philippines and Viet Nam, and gave lectures to them.

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 FY2015, they stay in Cambodia, 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 “Advanced” for upper management-level officials. In total, 25 tax officials participated in both courses in FY2015.

#### (2) Country-Focused Training Courses in Tax Administration

The courses target tax officials from specified developing countries, and give lectures and others based on their request. 106 tax officials from Cambodia, Indonesia and Viet Nam participated in the courses in FY2015.

#### (3) International Taxation for Asian Countries

This course targets tax officials from Asian developing countries on the subject of “international taxation”.

8 tax officials from 6 countries (Malaysia, Myanmar, Philippines, Thailand, Timor-Leste, and Viet Nam) participated in FY2015.

#### (4) Practicum at the NTA

This course targets 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, 18 students studying at graduate schools of Keio University, Hitotsubashi University, Yokohama National University and National Graduate Institute of Policy Studies participated in FY2015.



## ● Status of training conducted in Japan

(number of countries, people)

		FY2011	FY2012	FY2013	FY2014	FY2015
International Seminar on Taxation (ISTAX) (General)	Countries	20	15	16	17	16
	People	20	15	16	17	16
International Seminar on Taxation (ISTAX) (Advanced)	Countries	12	11	13	13	9
	People	12	11	13	13	9
Country-Focused Training Courses in Tax Administration	Countries	6	7	6	6	3
	People	51	95	116	111	56
International Taxation for Asian Countries	Countries	3	5	6	6	6
	People	7	11	16	12	8
Practicum at the NTA	Countries	12	12	11	13	14
	People	19	19	20	17	18

## (2) Participation in international conferences for tax authorities

### ~ Cooperation among 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 on tax administration for Commissioners from OECD and non-OECD countries, for sharing each country's knowledge and experience on a wide range of fields in tax administrations.

In May 2016, the 10th Forum was held in Beijing, China 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 2015, the 45th meeting was held in Singapore, with discussions about promotion of international cooperation in the area of tax administration and common problems the members are facing.

#### ③ OECD Committee on Fiscal Affairs (CFA)

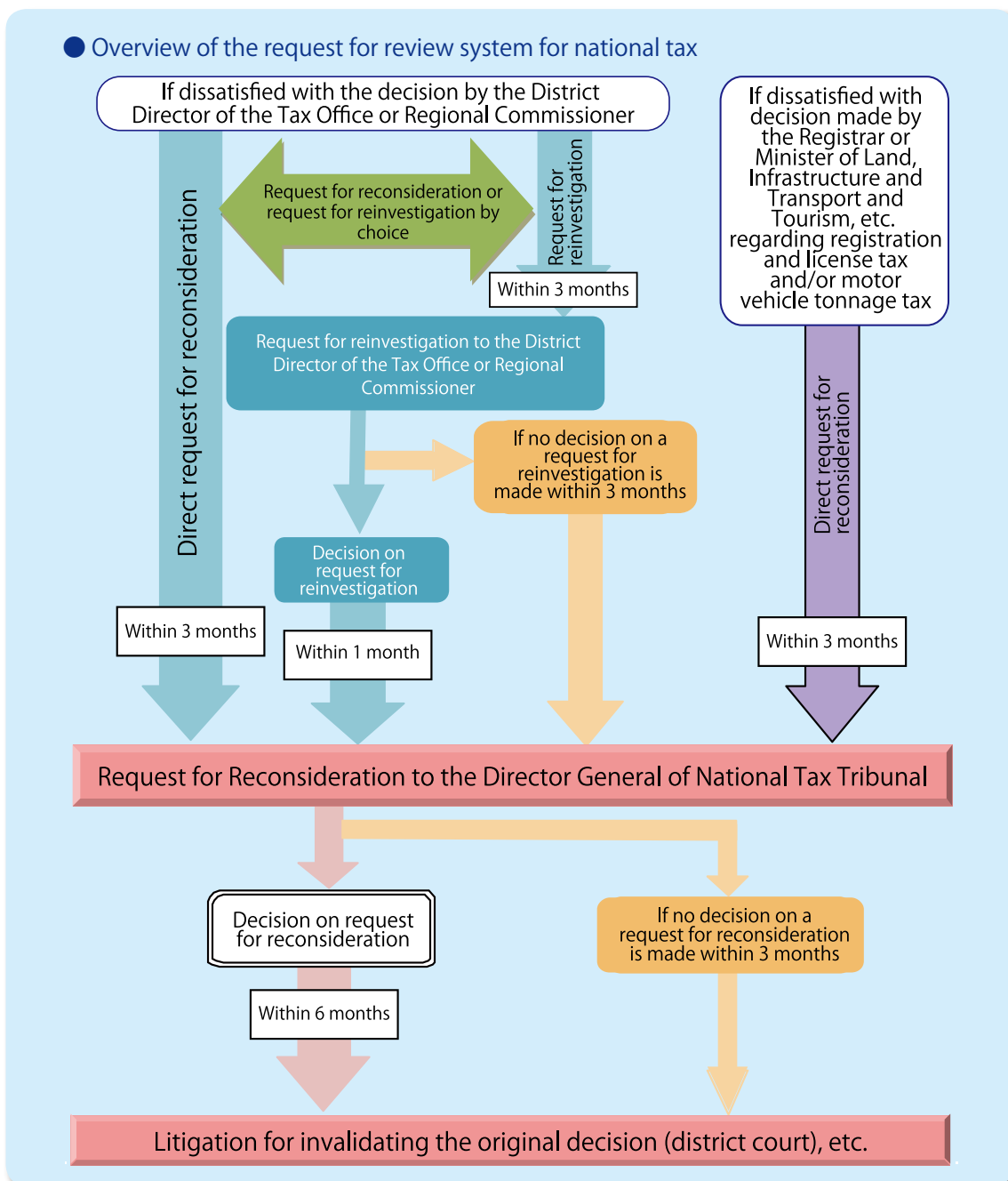
The OECD Committee on Fiscal Affairs is a forum where the Model Tax Convention and the Transfer Pricing Guidelines are reviewed, and the tax authorities share their knowledge and experience. The Committee is currently developing countermeasures against the BEPS mentioned above. For further details, please see the NTA website at <http://www.nta.go.jp/sonota/kokusai/oecd/oecd.htm> (in Japanese).

# 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 a taxpayer can choose either of these. When a taxpayer chooses a request for reinvestigation but is still dissatisfied with the disposition determined for the request for reinvestigation, the taxpayer may file a request for reconsideration.

In June 2014, the relevant laws relating to this review system were revised, including the revision of the principle of petition after a request for review, the extension of the period for a request for review, the change of the Japanese name of a request for reinvestigation from “Igi Moshitate” to “Saichosa no Seikyu,” setting the standard length of deliberations, the expansion of the rights of the applicant of a request for reconsideration in the procedure for a request for reconsideration. This revision came into force on April 1, 2016. For further details, please refer to the leaflet for the revision of the request for review system for national taxes on the NTA website.





## (1) Request for reinvestigation

### ~ Simplified, prompt and appropriate remedies for taxpayer rights ~

A request for reinvestigation is the system for a request for review made by taxpayers who are dissatisfied with the decision made by the District Director of the Tax Office, etc., such as a correction, determination, or seizure, in pursuit of cancellations or changes in disposition. A request for review is selectively filed against the District Director of the Tax Office, etc., who executed said disposition, before the taxpayer files a request for reconsideration to the Director-General of the National Tax Tribunal.

The request for review system aims to pursue the remedy of the rights and interests of citizens and to ensure the appropriate operation of public administration with simplified, prompt and fair procedures. Thus, when a request for reinvestigation is filed, we endeavor to listen intently to taxpayers' claims, conduct fair examinations and consideration, and process requests appropriately and expeditiously.

## (2) Request for reconsideration

### ~ Remedy for taxpayer rights by a fair third-party institution ~

A request for reconsideration is the system for a request for review, to the Director-General of the National Tax Tribunal, made by taxpayers who are dissatisfied with the decision made by the District Director of the Tax Office, etc., such as a correction, determination, or seizure, in pursuit of cancellations or changes in disposition. A request for reconsideration can be directly filed without undergoing a request for reinvestigation. A request for consideration can also be filed when a taxpayer files a request for reinvestigation but is still dissatisfied with the disposition determined for the request for reinvestigation.

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.

## IV Remedy for 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 1 year in principle ~

#### a. Request for reinvestigation

##### ① Target

The NTA has set the standard length of deliberations for a request for reinvestigation to 3 months and is striving to finish processing requests for reinvestigations within 3 months in principle.

##### ② Result

In FY2015, 99.3% of requests for reinvestigation were closed within 3 months.

3,200 reinvestigations were requested in the fiscal year (2,859 in taxation and 341 in tax collection). Of these, 8.4% of taxpayer claims were approved in whole or in part due to new facts, etc.

※ Relevant laws were revised in June 2014, and the Japanese name of a request for reinvestigation was changed from "Igi Moshitate" to "Saichosa no Seikyu." This revision was enforced in April 2016.

#### b. Request for reconsideration

##### ① Target

With respect to requests for reconsideration, the NTA and the National Tax Tribunal have set the standard length of deliberations for a request for reconsideration to 1 year and are striving to finish processing within 1 year in principle.

##### ② Result

In FY2015, 92.4% of requests for reconsideration were closed within 1 year.

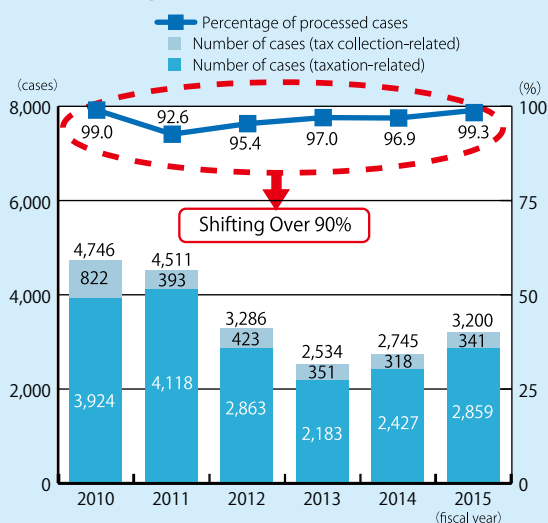
There were 2,311 requests for reconsideration in the fiscal year (2,136 in taxation and 175 in tax collection). Of these, 8.0% of taxpayer claims were approved in whole or in part.

#### c. Litigation

For litigation, 262 cases were closed in FY2015 (218 in taxation, 40 in tax collection and 4 in the National Tax Tribunal). Of these, about 8.4% of taxpayer claims were approved in whole or in part.

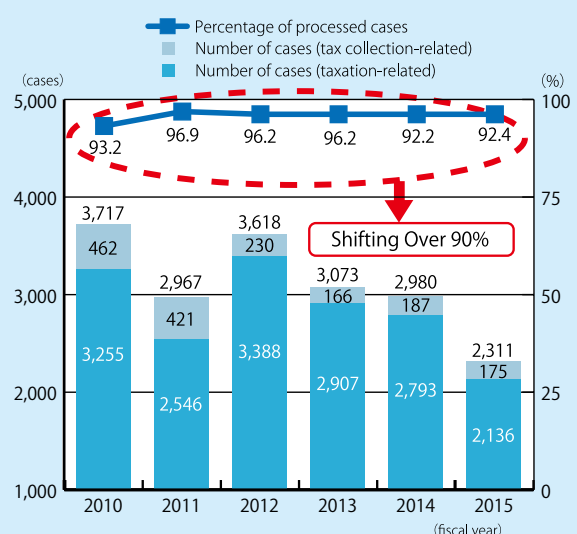
※ The NTA and the National Tax Tribunal provide information such as the leaflet of revision of the request for review system for national tax, overviews of the requests for reinvestigation, the requests for reconsideration and litigation, and cases of decisions on requests for reconsideration, to deepen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

#### ● 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 2016.  
\* Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases.

#### ● Percentage of processed requests for reconsideration within 1 year, and number of processed requests for reconsideration



\* These figures are provisional numbers as of the end of April 2016.

## 1 Introduction and Establishment of the Social Security and Tax Number System ("My Number System")

### (1) Outline of My Number System

My 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 My Number System, the NTA acts as an entity assigning Corporate Numbers and also as an entity utilizing My Numbers (Individual Numbers) and Corporate Numbers.



Mascot character for My Number "Maina-chan"

#### ~ My Number (Individual Number) ~

From October 2015, a 12-digit Individual Number has been designated to anyone holding residential registration. The Number has been notified by a municipal office and the like that has been sending a notification card to the residential registration address. The use of My Number 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 Number ~

From October 2015, the NTA has been designating a 13-digit Corporate Number to each corporation, such as stock companies. The Number has been notified by the NTA that has been sending a written notice to the corporation's registered address or principal place of business. The following 3 types of information on the corporation, etc., in principle, is publicly announced and available to anyone; ① trade name or name, ② address of head office or principal place of business, and ③ Corporate Number.

### (2) Actions as an entity utilizing My Numbers and Corporate Numbers

#### ~ Utilization in the national tax field ~

Upon the introduction of My Number System, an individual or corporation will have to fill in the Number (My Number or Corporate Number) on the declaration form and statutory statements they submit to the tax authority.

When My Number is provided, it is necessary to confirm the identity of individuals based on the Act in the Administrative Procedure (Number Act) 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 My 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 from 2016, 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 and ③ Mynaportal<sup>1</sup> and e-Tax function in a coordinated fashion.

<sup>1</sup> "Mynaportal" is a portal site by individuals with functions that makes convenient online services available on various channels such as PCs and portable terminals in cooperation with the private service sector for the purpose of further improvement in the convenience of citizens as well as functions that were available with "the Personal Information Cooperation Record Disclosure System," such as access to records of exchanging specific personal information among national and local governments, access to the user's specific personal information held by local governments, etc., and receiving various notifications including vaccination, pension and nursing care sent by local governments. (The operation is scheduled to begin from January 2017.)

### ~ Recognizing income properly and more efficiently ~

In the field of national taxes, as the Number 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, it should be noted that recognizing all income is difficult even with Numbers.

### ~ Conducting public relations activities ~

To facilitate the introduction and establishment of My Number System, the NTA is actively conducting public relations by publishing FAQs, etc through special cite on its website and additionally holding a briefing session, etc regarding My Number System for the relevant private sectors and industrial associations, etc.

#### 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/jp/seisaku/bangoseido/english.html>

• Toll-free telephone service for My Number: 0120-95-0178 ※ Wrong calls have been increasing. Please make sure to dial the correct number.

Available from 9:30 am until 8 pm on weekdays and until 5:30 pm on weekends and holidays (excluding year-end and New Year holidays)


※ Latest information about operation hours is available on the website of the Cabinet Secretariat.

#### Latest information on the Social Security and Tax Number System (My Number System) pertaining to national taxes

For the latest Information on the Corporate Number and information on the My Number System for national taxes, please visit the special site on the NTA website.

• Click  on the NTA website to visit the special site. <http://www.nta.go.jp/mynumberinfo/index.htm> (in Japanese)

The Corporate Number is published on the NTA Corporate Number Publication Site on the Internet.

• Click  on the NTA website to visit the NTA Corporate Number Publication Site. <http://www.houjin-bangou.nta.go.jp/setsume/english/>

• Please inquire details, non-delivery, and resending of the Notification of Corporate Number from the Office of Corporate Number Management at the NTA.

Toll-free telephone service of the Office of Corporate Number Management at the NTA 0120-053-161 Available from 8:45 am until 6 pm on weekdays (not available on weekends, holidays, and New Year holidays)

When the above number is not accessible from IP phones, etc., please call 03-5800-1081 (calls will be charged).





### (3) Actions as an entity assigning Corporate Number ~ Assigning corporate numbers ~

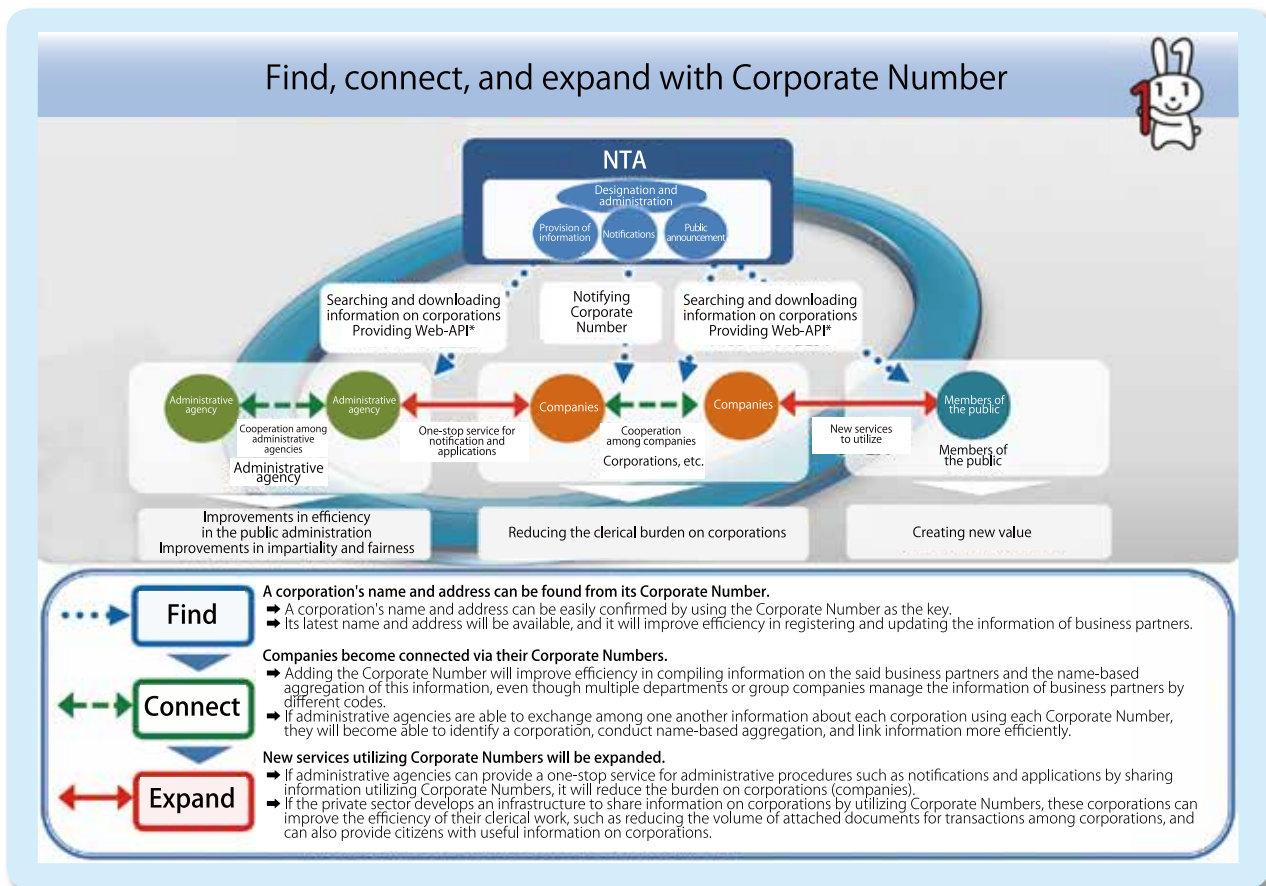
The Corporate Number is designated to ① established registered corporations, such as stock companies, ② national government organs, ③ local public entities, or ④ other corporations or associations without juridical personality, etc., other than those listed in ① through ③, those obligated to file and pay corporation or consumption tax, or to withhold income tax from salaries, etc. The NTA designates the Corporate Number based on the registration information provided by the Ministry of Justice or other information without requiring any particular notification procedures, and also sends the Notification of the Corporate Number.

※ 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 publishes the designated Corporate Numbers via the Internet (Corporate Number Publication Site). The Internet site provides a function to search for Corporate Numbers from a corporation's trade name or address, and a function to download data so that the publicized information will be available for users' secondary use.

### ~ Promoting the utilization of Corporate Number ~

The Corporate Number, unlike My Number, has 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.



- 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

Column 10

**Registering NTA as an issuing agency based on international standards**

1 Outline of the registration as an issuing agency based on international standards

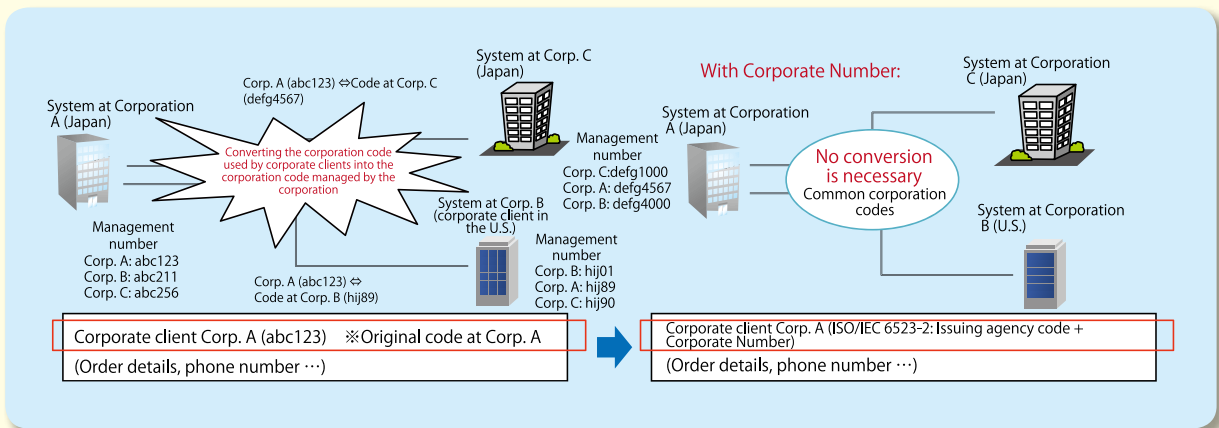
The NTA is registered as an issuing agency with the United Nations (UN) and the International Organization for Standardization (ISO), and has obtained “issuing agency codes” so that Corporate Numbers can be used as common corporation codes in international distribution (e.g., electronic commerce) as well as in Japan.

Corporate Numbers became available for international transactions as a unique gratuitous corporation code when issuing agency code and corporation code (Corporate Number) are used in combination.

2 Specific cases

(1) Electronic commerce

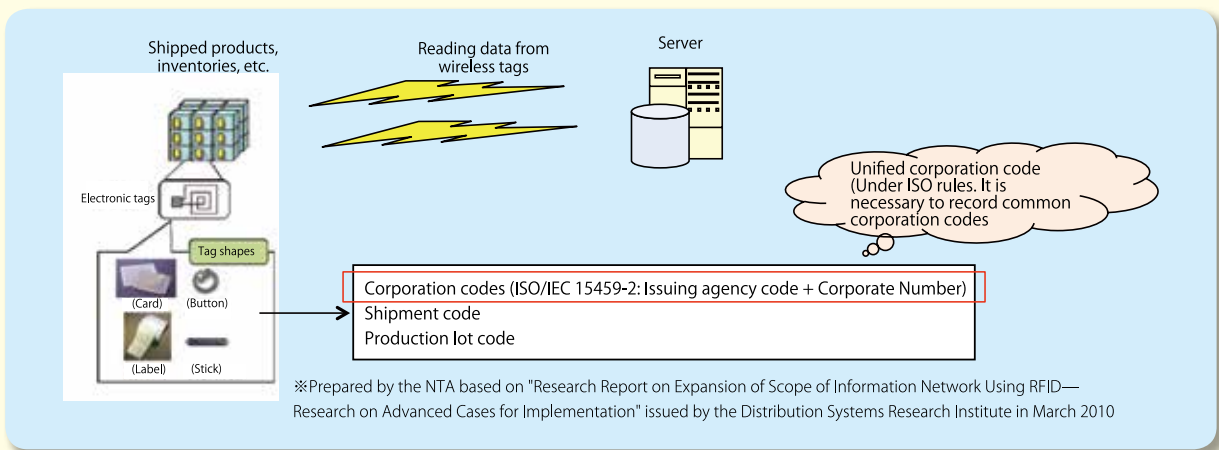
If sales orders are made among corporations without common corporation codes, corporations are required to convert the corporation code used by corporate clients into their own corporation code. Using Corporate Numbers as common corporation codes does not require such a conversion and leads to the reduction in costs (operation loads) relating to the conversion and maintenance of corporation codes.



(2) Electronic tag

Information about shipped products and inventories in daily transactions are available through the attached wireless electronic tags (cards or buttons in the shape of a tag). This technology is spreading.

In the future, if corporations record internationally common corporation codes based on Corporate Numbers on electronic tags, the use of electronic tags will spread, and the efficiency of distribution will be improved as codes are used in a greater variety of fields.





## 2 Optimization of operations and systems

### ~ Promotion for optimization of operations and systems ~

In order to improve serviceability and improve administrative operations more simply, efficiently, reliably and transparently by utilizing ICT and reviewing operations and legal 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 government's information system reform” and the “Investment plan for government's information system” were decided on to reform information systems.

Following these plans, the NTA will make a constant effort to reduce 30 percent of the operation costs of the information systems, such as the KSK (Kokuzei Sogo Kanri) system and e-Tax, targeted for 2021. We will also promote strategic initiatives to rebuild these systems into systems of higher added value.

### Ensuring stability and reliability of ICT system and information security

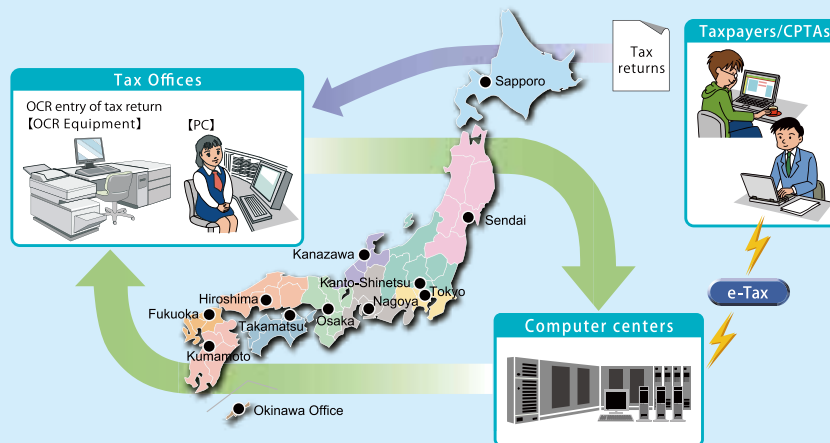
Because the national tax-related operations are closely connected to public rights and obligations, failure in its ICT system is likely to have a large impact on citizens and impair the credibility of tax administration. Therefore, the NTA is working to maintain stable operation of ICT systems by regularly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

Since the NTA holds and accumulates large amounts of taxpayer information, it takes great care for the prevention of its improper use and information leakage. For instance, the NTA officials are restricted their use of taxpayer's information only to the necessary information for their work, and the NTA physically disconnects officials' PCs that access taxpayer information from the internet. The NTA also conducts security audits regularly.

At the computer center which stores data for e-Tax and the KSK System, the NTA implements an information security management system (ISMS)<sup>1</sup> which complies with international standards. In 2007, the NTA also obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001 and JISQ27001)<sup>2</sup> and regularly renews the certification afterward.

### 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 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 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 FY2014, liquor tax revenues comprised only 2.3% (¥1,327.6 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 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.

## National Research Institute of Brewing (NRIB)

National Research Institute of Brewing (NRIB) performs advanced analyses and appraisals of liquor and conducts studies and researches to theoretically support its analyses and appraisals, which are required for the proper and fair taxation of liquor tax and the sound development of the liquor industry, the mission of the NTA. The NRIB also provides human resources development courses that combine advanced skills and practical management, and holds nationwide tasting parties for new sake to maintain and strengthen liquor manufacturers' skills. In recent years, the NRIB has been addressing measures on the basis of government's important policies including the promotion of Cool Japan Strategy, and enhancing cooperation with related organizations at home and abroad as a national center for liquor.

For further details, please visit the NRIB website (<http://www.nrib.go.jp/English/index.htm>).

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



Analysis on liquor for export





## (2) Promoting the development of the liquor industry

### ~ Establishment of labeling rules ~

From the perspective of promoting international awareness of “Japan wine” and easy-to-understand labeling for consumers, the NTA established the “Labeling standards for manufacturing process and quality of wine, etc.” on October 30, 2015.

In addition, from the viewpoint of promoting the use of geographical indication (GI), which is effective in improving the brand value of liquor made in Japan, the geographical indication system was revised on October 30, 2015. Moreover, based on the revised system, in light of improving the brand value of the overall sake, “Nihonshu / Japanese sake” was designated as a geographical indication at a country level on December 25, 2015.

### ~ Development of export environment for liquor made in Japan ~

Export amount of Japanese liquor has been on the rise in recent years due to an overseas Japanese food boom and other factors, and reached approximately 39 billion yen in 2015, marking a record-high for 4 consecutive years. While the largest export amount was achieved by sake (approximately 14 billion yen), the export of whisky and beer has also been increasing.

In order to develop the export environment, the NTA is taking the following initiatives:

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).

Under the Trans-Pacific Partnership (TPP) Agreement signed in February 2016, all participating countries agreed to the abolition of duty on liquor. Also, Japan and the U.S. agreed to carry out procedures for mutually protecting geographical indications for liquor.

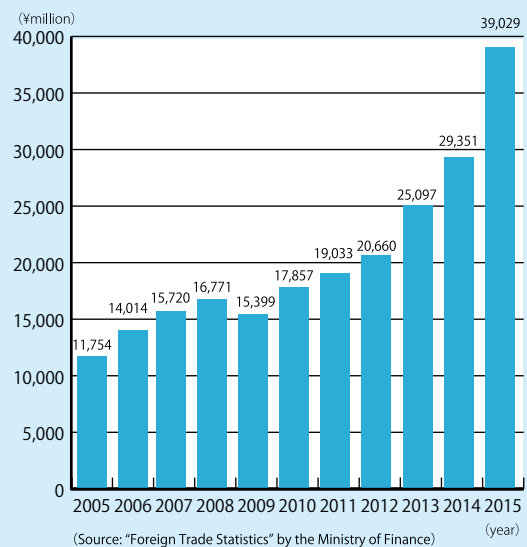
After the accident at Fukushima No. 1 Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions. The NTA has been urging these countries to lift or to mitigate the restrictions in cooperation with the Ministry of Foreign Affairs and the National Research Institute of Brewing.

As the result, restrictions on Japanese liquors have been lifted or mitigated in the EU, Brazil, Malaysia, Russia, Thailand and Egypt.

### ~ Providing information to liquor business operators ~

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.

● Trend in the export amount of sakes



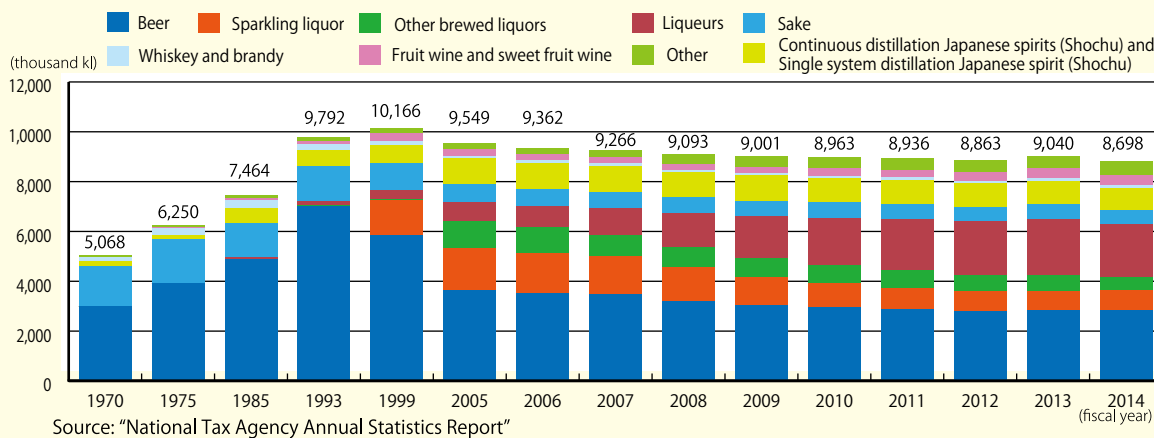
## Column 11

### Recent trends in Japanese liquors

The environment for liquor in Japan has been changing in response to a decrease in population due to a declining birthrate and aging population, the rise in health and safety awareness among citizens, and diversification of lifestyle, resulting in the decreasing trend in the consumption of liquor overall.

#### ● Changes in taxable volume

Note: Taxable volume indicates the volume of liquor shipped from a factory or imported on which a liquor tax was imposed.



#### 《Sake》

The taxable volume of sake has been decreasing after peaking in 1975, and in 2014, it fell to roughly 30 percent from its peak. Against this backdrop, the breakdown of the taxable volume of sake indicates that the percentage of sake with a specific class name such as Ginjo-shu (high-quality sake brewed from rice grains milled to 60 percent of its weight or less) and Junmai-shu (sake in which the only ingredients are rice and malted rice) accounts for roughly 30 percent of sake and is increasing every year.

(Reference) Sake with a specific class name

Specific class name	Ginjo-shu	Junmai-shu	Junmai ginjo-shu	Honjozo-shu
Ingredient	Rice, malted rice, distilled alcohol	Rice, malted rice	Rice, malted rice	Rice, malted rice, distilled alcohol
Percentage of rice-grain weight remaining after milling	60% or less	—	60% or less	70% or less
Percentage of the weight of koji rice (polished rice used to produce malted rice) among the weight of polished rice	15% or more	15% or more	15% or more	15% or more
Conditions such as flavor	Brewed from the finest rice, characteristic flavor, excellent color	Excellent flavor and color	Brewed from the finest rice, characteristic flavor, excellent color	Excellent flavor and color

#### 《Fruit wine》

While the taxable volume of overall liquor is decreasing, the taxable volume of wine and other fruit wines has been on the rise in recent years.

Especially, "Japan wine," which is made from Japanese grapes only, have been rated higher on the market in recent years. For example, the quality of some Japan wines is high enough to win prizes at international competitions.

#### 《Whisky》

Japanese whisky wins prizes at international contests every year, and is highly regarded all over the world. Japanese whisky is considered as one of the five best whiskies in the world as is Scotch whisky, and its export has been considerably expanding.

#### 《Beer》

The consumption of beer and sparkling liquor has been decreasing. The quality of Japanese beer is highly valued as seen in the example of winning prizes at international beer competitions, and its export has been expanding.

#### 《Japanese spirits (shochu)》

A stable consumption of Japanese spirits (shochu) has been established in recent years. Regional branding derived from various ingredients, traditions, and the culture is increasing, and "Iki," "Kuma," "Satsuma," and "Ryukyu" are designated as geographical indications thus far.



## Promotion of Japanese liquors

### 1 Initiatives to expand exports

The NTA regularly exchanges opinions with liquor industry organizations and organizes seminars for individual liquor business operators to provide knowledge on trading business and other information with the support of the Japan External Trade Organization (JETRO) and relevant ministries, etc. so as to aid liquor business operators in smooth exports.

To enhance the name recognition of Japanese liquor overseas, the NTA sends its officials to international conferences and events (e.g., the World's Fair in Milano) held abroad to promote Japanese liquor with cooperation from relevant organizations. The NTA also conducts tours at sake manufacturers for foreign ambassadors living in Tokyo in cooperation with the liquor industry to promote dissemination and awareness of the attractiveness of liquor made in Japan.



Tours at sake manufacturers

### 2 Initiatives to improve brand value

#### (1) Establishment of labeling rules for wines

While various types of wines are on the market, such as wines made by Japanese grapes only or made by imported ingredients, there was no official labeling rule for wines to distinguish between these differences. Amid such circumstances, from the perspective of easy-to-understand labeling for consumers and the improvement in the brand value of Japan wines, the NTA established the "Labeling standards for manufacturing process and quality of wine, etc." pursuant to laws. The standard defines wines in which the ingredient is only grapes made in Japan as "Japan wine" and wines made from imported ingredient (such as imported fruit juice) as "domestically produced wine" clearly distinguishing from one another.

We will aim at improving the brand value of Japan wines through the dissemination and awareness of this system in the future.

#### (2) Revision of geographical indication system

Under the geographical indication system for liquor, a liquor made from a characteristic ingredient or by production method in a specific production area can exclusively label the production area. While this system is effective in improving the brand value of Japanese liquor and promoting its export, areas designated as a geographical indication remained six areas until this point.

Against this backdrop, we implemented a system reform such as expanding the scope of targeted liquor to all items and clarifying the requirements to obtain a designation in order to promote the application of the system.

In the future, we will encourage the application of the system through the dissemination of this revised system.

#### (3) Designation of the geographical indication "Nihonshu / Japanese sake"

With the designation of "Nihonshu / Japanese sake" as a geographical indication at a country level, in Japan, sake that can indicate "Nihonshu / Japanese sake" is limited to those produced in Japan and those in which rice and rice koji as the ingredient are originated in Japan.

We will lobby foreign countries to ensure that sake fulfilling the requirement above is exclusively allowed to indicate "Nihonshu / Japanese sake" through international negotiations in the future.

### (3) 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.

At the 190th session of the Diet, the Liquor Tax Law was partially revised whereby the “Standard of fair transaction” for liquor was established and regular attendance at the induction course for the sale and management of liquor became mandatory for the purpose of preventing excessive price competition of liquor. We will take appropriate action based on this revision in the future.

### (4) 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.



## ~ 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 2016, 75,643 persons are registered as CPTAs, and 3,273 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 charge<sup>1</sup>. 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.

We are endeavoring to coordinate and cooperate with the Certified Public Tax Accountants' Associations and Japan Federation of Certified Public Tax Accountants' Associations (hereinafter referred to as “CPTAs' Associations, etc.”) to ensure that CPTAs play important roles in the proper and smooth administration of the self-assessment system by conducting (1) and (2) below.

### (1) Promotion of the document attached by CPTAs, etc.

The documents attached by CPTAs, etc. to tax returns as provided for in the Certified Public Tax Accountant Act contributes to achieving proper tax compliance by clarifying the specific roles played by CPTAs in preparing tax returns. Also, this system was established, purporting the smooth operation of tax administration with NTA's respect for such roles played by CPTAs.

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.

<sup>1</sup> 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 proper operation 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	2011	2012	2013	2014	2015
Number of disciplinary actions	34	41	50	59	41

## 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.

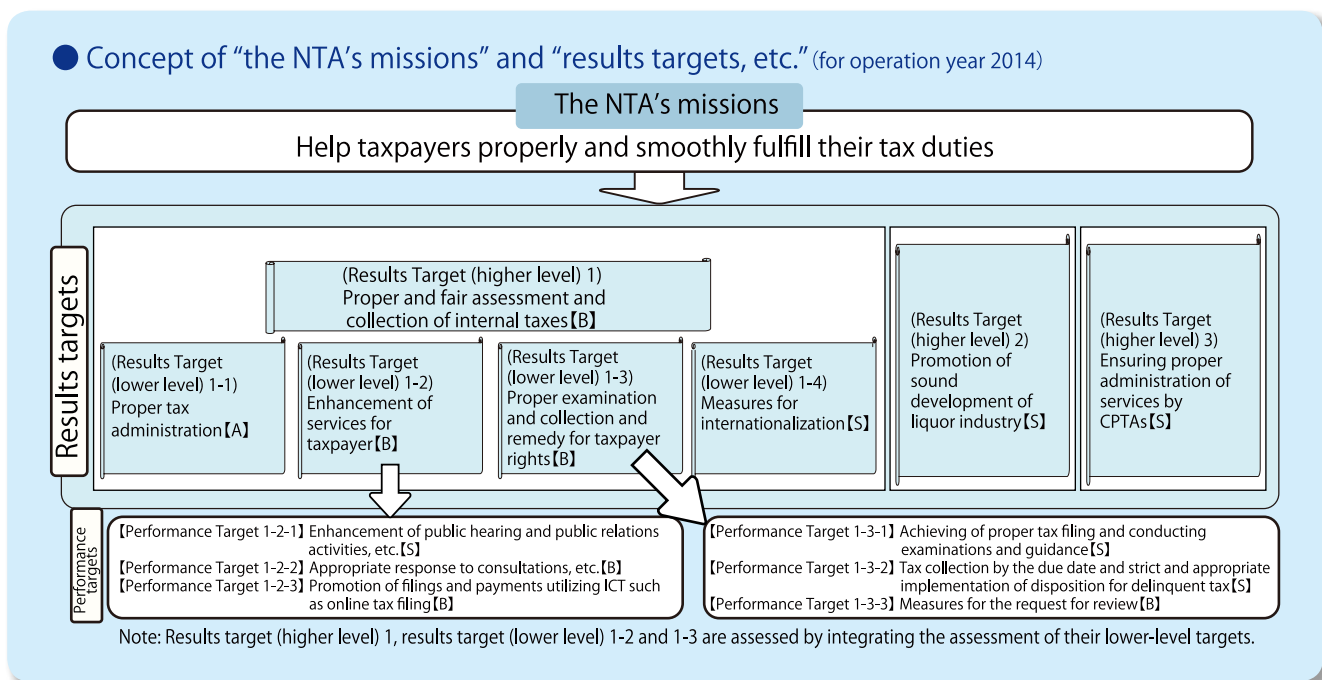
The Japan Federation of Certified Public Tax Accountants' Associations is the only organization in Japan specified in the CPTA Act, consisting of member CPTAs' Associations. The Federation provides guidelines, liaison, and supervision for CPTAs' Associations and their members. It also handles the administration 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/eng/>

## ~ 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 order to accomplish the NTA’s missions “Help taxpayers properly and smoothly fulfill their tax duties”, 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 4 sub-results targets (lower level) and 6 performance targets.

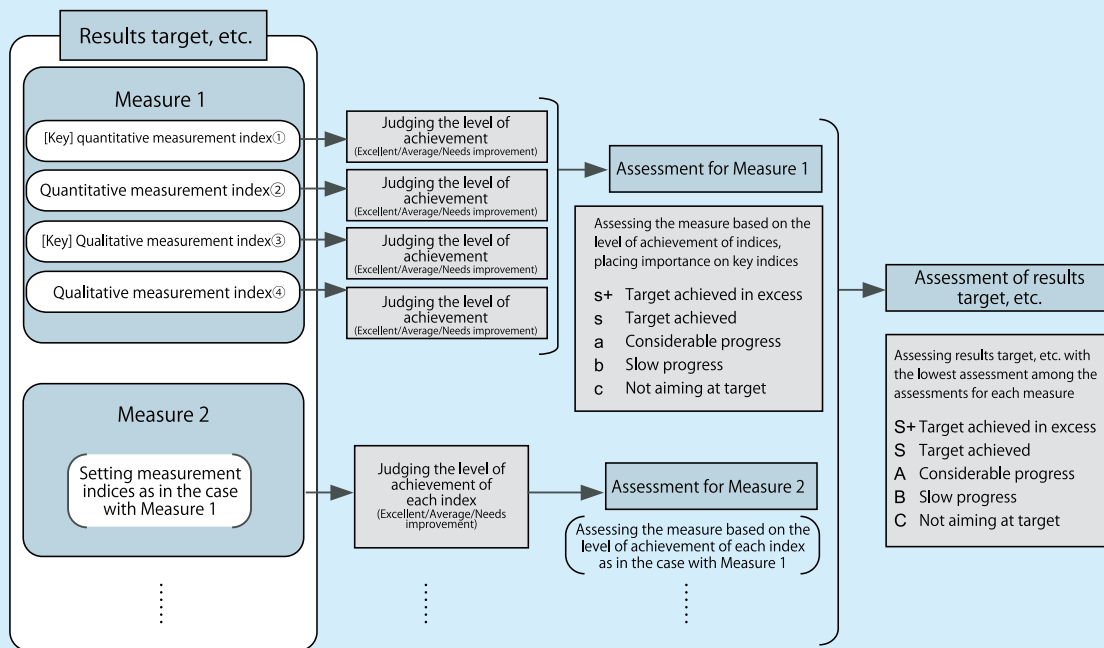


## ~ Evaluation method and evaluation result of results target ~

For results targets, etc., in principle, means for achieving the target are set as “measures,” and measurement indices are set for each measure. Measures are assessed mainly by judging the level of achievement of the measurement indices. We combine quantitative measurement indices (37) and qualitative measurement indices (26), depending on the details of measures, and strive for appropriate assessment. Results targets, etc. are assessed by integrating assessment on measures pertaining to the results targets, etc.

Evaluation results for operation year 2014 can be seen as assessment indicated in the “Concept of the NTA's missions and results targets, etc.” Based on these evaluations and verification, we are striving to improve tax administration.

● Assessment method for results target, etc.



Note: "Key" is indicated on some measurement indices as one or more indices have to be designated as key indices.

※ For the results target (lower level) 1-2 "Enhancement of Services for Taxpayers," the level of taxpayers' satisfaction with tax offices is obtained through a questionnaire survey.

● Key measurement indices obtained through a questionnaire survey

(FY2014)

Item	Percentage of favorable evaluation %
Favorable impression of officials' reception manner	84.6
Level of satisfaction in using signposting, and services at reception and window inside tax offices	78.1
Level of satisfaction in using facilities inside tax offices	67.2
Evaluation on publicity of national taxes	80.4
Level of satisfaction with telephone counseling at telephone counseling centers	95.0

※ "Percentage of favorable evaluation" indicates the percentage of favorable evaluation ("Good" and "Rather good") received in a questionnaire survey in the 5-grade evaluation from "Good" to "Bad."

## 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 2014 include the following: "Although evaluation clustered on A last year, it diverged into S, A, and B, which is satisfactory," "To avoid misunderstanding, it should bring to readers' attention that the evaluation for operation year 2014 and the evaluation for the period prior to that cannot be simply compared due to the specification of assessment criterion," "It is important to improve the efficiency of administration at the entire government with the implementation of the My Number System."

## Tax revenues and budget

### Budget and final accounts of taxes and stamp revenues for fiscal year 2014

Tax category	Budget after correction	Actual	
	Million yen	Million yen	(Percentage of total)
Withholding income tax	13,145,000	14,026,721	(24.2)
Self-assessed income tax	2,672,000	2,763,507	(4.8)
Corporation tax	10,513,000	11,031,608	(19.1)
Inheritance tax	1,748,000	1,882,858	(3.3)
Consumption tax	15,339,000	16,028,958	(27.7)
Liquor tax	1,341,000	1,327,564	(2.3)
Tobacco tax	922,000	918,706	(1.6)
Gasoline tax	2,545,000	2,486,350	(4.3)
Liquefied petroleum gas tax	10,000	9,677	(0.0)
Aviation fuel tax	53,000	52,090	(0.1)
Petroleum and coal tax	613,000	630,715	(1.1)
Power resources development promotion tax	327,000	321,069	(0.6)
Motor vehicle tonnage tax	387,000	372,773	(0.6)
Customs duty	1,045,000	1,073,104	(1.9)
Tonnage due	10,000	9,989	(0.0)
Other <sup>※</sup>	—	20	(0.0)
Stamp revenue	1,056,000	1,034,992	(1.8)
Subtotal	51,726,000	53,970,700	(93.3)
			(0.0)
Local gasoline tax	272,400	266,029	(0.5)
Liquefied petroleum gas tax (transferred)	10,000	9,677	(0.0)
Aviation fuel tax (transferred)	15,000	14,883	(0.0)
Motor vehicle tonnage tax (transferred)	265,600	255,849	(0.4)
Special tonnage due	12,500	12,486	(0.0)
Special local corporation tax	2,391,700	2,394,470	(4.1)
Special tobacco tax	142,600	142,135	(0.2)
Special income tax for reconstruction	329,900	349,193	(0.6)
Special corporate tax for reconstruction	444,600	432,751	(0.7)
<b>Total</b>	<b>55,610,300</b>	<b>57,848,173</b>	

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

### NTA initial budget for fiscal year 2016

Item	Budget
	Million yen
ICT-related expenses	38,361
Expenses to improve convenience for taxpayers <sup>※1</sup>	11,370
Expenses related to internationalization measures	887
General operating expenses, etc. <sup>※2</sup>	58,292
Expenses to improve work environment and ensure safety <sup>※3</sup>	7,478
Expenses related to tax reforms	11,592
Expenses for National Tax College	2,143
Expenses for National Tax Tribunal	290
Expenses for National Research Institute of Brewing	977
Common number system related costs	7,756
Subtotal	139,146
Salary costs	564,323
<b>Total NTA budget</b>	<b>703,469</b>

※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

(Fiscal year 2015)

Total population	Thousand people	127,080
Number of persons engaged		63,510
Number of final returns filed		21,510
Refund		12,470
Tax payment		6,320
Breakdown by income earners	Business income earners	1,700
	Other income earners	4,620
	Real estate income earners	1,090
	Employment income earners	2,430
	Miscellaneous income earners	770
	Other	330

※ "Total population" and "Number of persons engaged" are figures as of 2014.

### Inheritance tax

(Calendar year 2014)

Number of deceased	1,273,004 People
Number of deceased subject to taxation	56,239 People
Number of taxpayers (number of heirs)	155,889 People
Taxable amount	11,488 Billion yen
Amount of tax	1,390 Billion yen

### Gift tax

(Calendar year 2014)

Number of people subject to taxation	437,217 People
Value of properties acquired	2,160 Billion yen
Amount of tax	278 Billion yen

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

## Withholding agents and withholding income tax

(Operation year 2014)

Income etc. category	Number of withholding agents	Amount of tax
Employment income (wages and salaries)	Thousands 3,543	Billion yen 9,923.3
Retirement income	-	219.7
Interest income, etc.	40	455.7
Dividend income	135	3,940.8
Capital gains on listed shares etc. kept in special account	11	435.6
Income from remuneration, etc.	2,825	1,174.9
Income paid to non-residents and foreign corporations, etc.	30	537
<b>Total</b>	-	<b>16,687</b>

※ 1 The figures of withholding agents are figures as of the end of June 2015.

※ 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 2014)

Number of corporations	3,019 Thousands
Number of tax returns filed	2,794 Thousands
Percentage of corporations filing	90.1%
Percentage of returns declaring a surplus	30.6%
Amount of self-assessed income	58,443 Billion yen
Amount of self-assessed loss	14,455 Billion yen
Amount of tax	11,169 Billion yen

※ The number of corporations is the figure as of the end of June 2015.

## Consumption tax

(Fiscal year 2014)

Number of tax returns	Category	Payment	Refund
		Thousand cases	Thousand cases
	Individuals	1,127	36
	Corporations	1,835	124
	<b>Total</b>	<b>2,962</b>	<b>159</b>
Amount of tax		13,504 Billion yen	3,620 Billion yen

## Liquor tax and liquor production

(Fiscal year 2014)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	447	63,640
Sake compounds	35	3,489
Continuous distillation Japanese spirits (Shochu)	373	83,770
Single system distillation Japanese spirit (Shochu)	507	114,032
Mirin (rice cooking wine)	91	2,051
Beer	2,733	588,652
Fruit wine	95	8,508
Sweet fruit wine	7	731
Whisky	101	34,612
Brandy	5	1,857
Sparkling liquor	560	104,445
Alcohol for material & Spirits	444	35,976
Liqueurs	1,871	163,394
Other brewed liquors		
Powder liquor & miscellaneous liquor	537	43,565
<b>Total</b>	<b>7,805</b>	<b>1,248,722</b>

## Tax examinations

## Field examination of self-assessed income tax

(Operation year 2014)

Number of cases	Number of undeclared cases	Amount of undeclared income		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
68	56	500.8	7,390	74.2	1,100

## Field examination of withholding income tax

(Operation year 2014)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousands	Thousands	Billion yen
117	34	26.1

※ 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 corporation tax

(Operation year 2014)

Category	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
All corporations	95	70	823.2	8,660	170.7
Of which, corporations handled by the Large Enterprise Examination Department	3	2	333.7	125,990	63

## Field examination of consumption tax

(Operation year 2014)

Category	Number of cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	Per case
	Thousands	Thousands	Billion yen	Thousand yen
Individuals	36	29	18.6	520
Corporations	91	52	45.2	490

## Field examination of inheritance tax

(Operation year 2014)

Number of cases	Number of undeclared cases	Amount of undeclared inheritance		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
12	10	329.6	26,570	67	5,400

## Collected number of statutory information

(Operation year 2014)

Statutory information	Number collected
	Thousands
Withholding record of employment income	19,756
Payment record of interest	1,144
Payment record of dividends	73,597
Other	226,296
<b>Total</b>	<b>320,793</b>



## International taxation

### Fraudulent income through overseas transactions

(Operation year 2014)

Number of examinations of corporations conducting overseas transactions	12,957 Cases
Number of undeclared cases related to overseas transactions	3,430 Cases
Of which, cases of overseas fraudulent calculations	418 Cases
Amount of undeclared income related to overseas transactions	220.6 Billion yen
Of which, amount of overseas fraudulently omitted income	39.3 Billion yen

### Transfer pricing taxation

(Operation year 2014)

Number of taxation cases	240 Cases
Amount of taxable income	17.8 Billion yen

### Cases of advance pricing arrangement related to transfer pricing

(Operation year 2014)

Number of cases requested	121 Cases
Number of cases processed	100 Cases

## Delinquency

### Tax delinquency cases by major tax items

(Fiscal year 2014)

	Under collection process at the end of the previous year	Newly occurred	Collected	Under collection process at the end of the year
	Billion yen	Billion yen	Billion yen	Billion yen
Income tax	546.6	154.1	204.8	495.9
Withholding income tax	214.5	41.3	68.1	187.7
Self-assessed income tax	332	112.8	136.6	308.2
Corporation tax	141.9	67.4	82.6	126.7
Inheritance tax	93.6	36.3	38.2	91.7
Consumption tax	superscript 86 356.4	superscript 86.5 329.4	superscript 86.3 338	superscript 86.2 347.7
Other taxes	2.9	4.2	4.5	2.6
Total	superscript 86 1,141.4	superscript 86.5 591.4	superscript 86.3 668.1	superscript 86.2 1,064.6

※ 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.

## Criminal investigation

### Criminal investigations

(Fiscal year 2015)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (filed accusation to the prosecutor)	
			Per case	Per case	Per case	Per case
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
189	181	115	13.8	76	11.2	97

### Large-scale cases

(Fiscal year 2015)

Number of cases with accusation filed to the prosecutor	Cases of 300 million yen or more tax evasion	Cases of 500 million yen or more tax evasion
Cases	Cases	Cases
115	5	1

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

(Fiscal year 2015)

Tax item	Number of cases	Amount of Tax evasion	
		Billion yen	Per case
	Cases	Billion yen	Million yen
Income tax	25	3.1	124
Corporation tax	69	5.7	82
Inheritance tax	5	1.1	218
Consumption tax	12	1.0	87
Withholding income tax	4	0.3	71
Total	115	11.2	97

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

## Remedy for taxpayer rights

## Request for reinvestigation

(Fiscal year 2014)

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		
Taxation-related	Cases 3,028	Cases 2,441	Cases 2,427	255	67	Cases 188	% 10.5
Collection-related	367	314	318	1	0	1	0.3
<b>Total</b>	<b>3,395</b>	<b>2,755</b>	<b>2,745</b>	<b>256</b>	<b>67</b>	<b>189</b>	<b>9.3</b>

※ In June 2014, the relevant laws relating to this review system were revised, including the change of the Japanese name of a request for reinvestigation from "Igi Moshitate" to "Saichosa no Seikyū." This revision came into force on April 1, 2016.

## Request for reconsideration

(Fiscal year 2014)

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		
Taxation-related	Cases 4,350	Cases 1,869	Cases 2,793	236	115	Cases 121	% 8.4
Collection-related	250	161	187	3	2	1	1.6
<b>Total</b>	<b>4,600</b>	<b>2,030</b>	<b>2,980</b>	<b>239</b>	<b>117</b>	<b>122</b>	<b>8.0</b>

## Litigation

(Fiscal year 2014)

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		
Taxation-related	Cases 434	Cases 76	Cases 216	17	11	Cases 6	% 7.9
Collection-related	99	33	62	2	2	0	3.2
National Tax Tribunal-related	3	1	2	—	—	—	—
<b>Total</b>	<b>536</b>	<b>110</b>	<b>280</b>	<b>19</b>	<b>16</b>	<b>6</b>	<b>6.8</b>

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

## Tax consultations

## The five tax items most frequently the subject of consultation

[Phone Consultation Centers]

(Fiscal year 2015)

Rank	Tax category	Items	Thousand cases
1	Income tax	Obligations & procedures to file tax returns, etc.	472
2	Income tax	Special credit for loans relating to a dwelling	258
3	Income tax	Year-end adjustment	235
4	Income tax	Medical expenses deduction	231
5	Income tax	Exemption for spouse, special exemption for spouse and exemption for dependents	159

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

(Fiscal year 2015)

Tax category	Thousand cases
Income tax	2,654
Property tax	1,052
Corporation tax	274
Consumption tax, etc.	348
Other	1,028
<b>total</b>	<b>5,355</b>

[Tax Answer System]

(Fiscal year 2015)

Rank	Tax category	Items	Thousand cases
1	Income tax	Tax rate of income tax	2,294
2	Income tax	When have paid medical expenses (medical expenses deduction)	2,063
3	Income tax	Exemption for dependents	1,317
4	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	1,253
5	Income tax	Medical expenses eligible for medical expenses deduction	1,150



# NATIONAL TAX AGENCY REPORT 2016

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