

~ Taking various measures for the development of liquor business successfully ~

The NTA is making proactive efforts for the sound development of liquor business, not to mention for realizing the proper and fair taxation of liquor tax.

Liquor business not only formed a historically and culturally important local industry but also has energized the countryside and created the new value as Cool Japan in recent years. Its development contributes to revitalizing regional economies and the Japanese economy.

From this point of view, the NTA, as the competent authority in the business, will continue to strive to identify issues, needs, etc. in the liquor industry and strengthen efforts for development of liquor business in coordination and cooperation with related government offices, organizations and others.

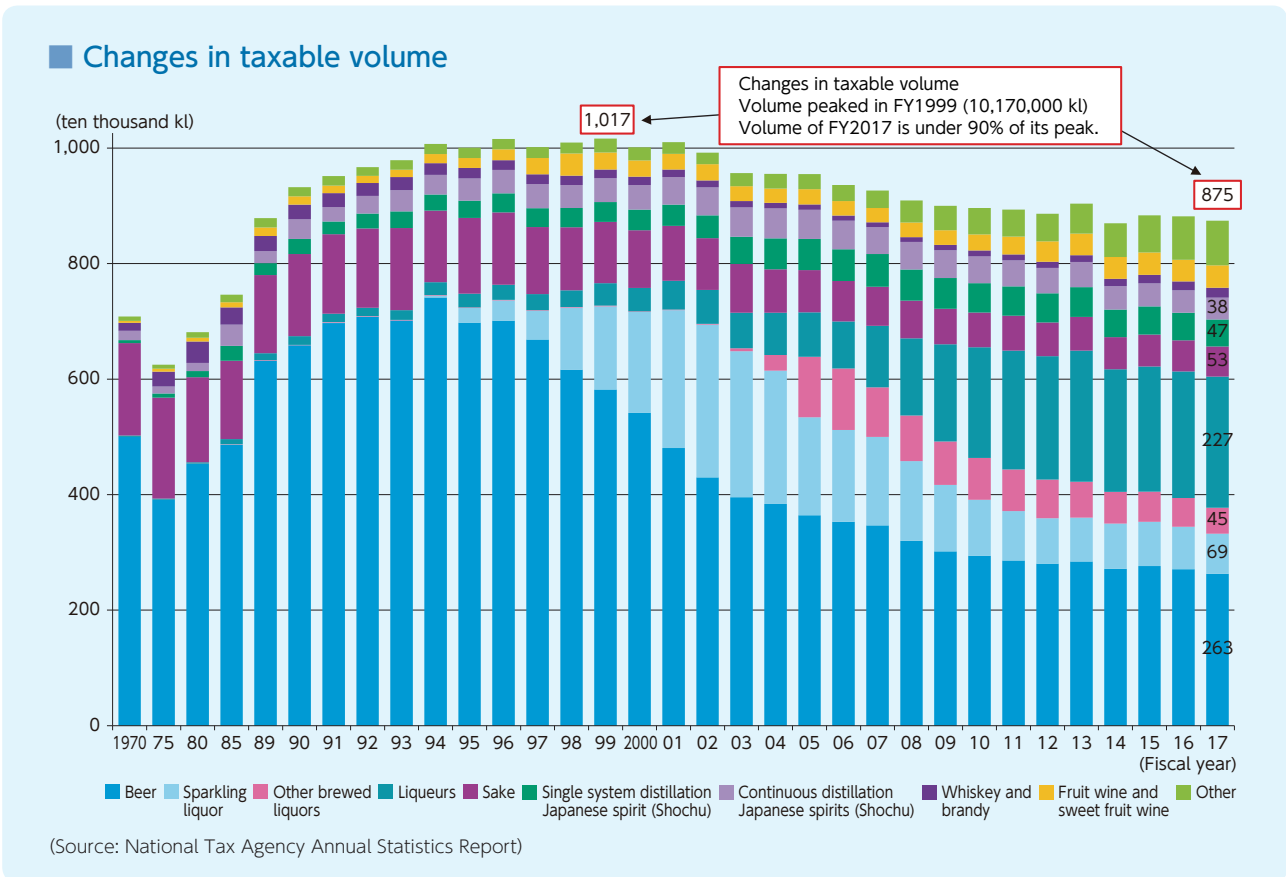
On the other hand, liquor is a product that needs social considerations since it makes people drunk or addicted to it. Therefore, the NTA also responds to efforts to accommodate social requirements appropriately.

1 Situation of Liquor Industry

(1) Situation of domestic market

The taxable volume of liquor (domestic shipment volume) has declined since it peaked at 10,170,000 kl in 1999. The trend in the composition of taxable volume of each kind of liquor products has considerably changed recently. The taxable volume of beer, in particular, declined considerably. A reason for this trend seems to be the shift of consumption from beer to low-priced liquor, such as chuhai and beer-like products (the so-called new genre drinks). On the other hand, craft beer has become popular in recent years.

The taxable volume of sake decreased to approximately a third of its peak of FY1973 in FY2017. However, the taxable volume of junmai-shu (sake in which the only ingredients are rice and malted rice) and junmai ginjo-shu (high quality sake brewed from rice grains milled to 60 percent of its weight or less)



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and the ratio of these kinds of sake to the total of sake have increased.

Although most business operators in the liquor industry are small and medium enterprises, they are engaged in efforts, such as product differentiation, emphasis on value and overseas expansion, and many of them have managed to grow. Recently, corporations in different industries, startups and moreover, foreign companies are entering the market too.

(2) Situation of the export of liquor made in Japan

In recent years, liquor made in Japan has gained global recognition through winning international competitions and others. Also, the global food market is expected to continue growing in the future.

Against that backdrop, the export value of liquor made in Japan reached about 61.8 billion yen (113.4% of the previous year) in 2018, renewing its record high for seven consecutive years.



2 Efforts of the NTA

~ Promotion of liquor business ~

In promoting liquor business, the NTA endeavors to provide support and improve the environment in a way that allows business operators, industrial associations and others to come up with ingenious ideas and make ambitious efforts under the appropriate division of roles between the private and public sectors. In addition, the NTA, as administration, properly becomes involved in issues that the private sector cannot handle, such as improvement of the system and negotiations with foreign governments.

Furthermore, the NTA assists liquor manufacturing in strengthening its technical capabilities in addition to paying attention to stabilizing the business foundation of small and medium enterprises.

(1) Cultivation of overseas demand

① Global distribution of information

To promote the export of liquor made in Japan, the NTA strives to enhance the international recognition and understanding of liquor made in Japan through various measures, such as performing promotional activities in international events and inviting overseas liquor experts to sake breweries.



② Support in business matching (to help sellers to find buyers)

The NTA supports liquor business operators, etc. in participating in overseas liquor expositions and in inviting overseas buyers to Japan among others, so that business operators, etc. can be offered the opportunity to find overseas importers and distributors.



③ Promotion of sake brewery tourism

The “liquor tax exemption system for the sake brewery tourism” came into effect in October 2017, under which when liquor manufacturers sell foreign tourists, etc. to Japan the liquor that they make themselves, the consumption tax and the liquor tax are exempted. With 149 breweries having the license for tax-exemption sales as of April 2019, the NTA will continue to promote the utilization of the system.

④ Increasing publicity of government-wide efforts (JETRO, JFOODO, etc.) and promotion of their utilization

The NTA provides business operators and industrial associations with information on government-wide efforts, such as a set of support measures by JETRO, the New Export Nation Consortium, the Global Farmers / Fishermen / Foresters / Food Manufacturers Project (GFP), and the Japan Food Product Overseas Promotion Center (JFOODO), and promotes the utilization of the above efforts.

⑤ International negotiations for elimination of customs duties and import restrictions, etc.

The government is seeking elimination of customs duties and import restrictions, protection of Geographical Indications (GI), etc. in international negotiations on EPA and others¹.

Regarding the export of liquor made in Japan to the EU region, the EPA² between Japan and the EU, which entered into force on February 2019, realized ① immediate elimination of customs duties on all kinds of liquor, ② relaxation of import restrictions on “Japan Wine,” ③ relaxation of restrictions on the container and capacity constraint on single system distillation Japanese spirit (shochu) and ④ protection of Geographical Indications (GI) for liquor inside the EU.

■ Overview of EPA between Japan and the EU

Sake and Shochu

Tariffs

The EU eliminated customs duties on sake immediately. (No tariff on shochu before this treaty)
Japan will eliminate customs duties on sake and shochu in the 11th year. (11 equal annual installments)

Geographical Indication (GI)

Mutual protection is ensured.
*Japanese Geographical Indications (GI) was not protected in the EU previously.

Non-tariff measure

Relaxation of restrictions on the container and capacity constraint on single system distillation Japanese spirit (shochu) has made it possible to export the product in 720 ml (*yongo-bin*) bottles and 1.8 liter (*issho-bin*) bottles.
*No containers other than specified ones, such as 700 ml bottles, could be exported before the treaty.

Wine

Tariffs

Both the EU and Japan will eliminate customs duties immediately.

Geographical Indication (GI)

Mutual protection was ensured.
*Japanese Geographical Indications (GI) was not protected in the EU previously.

Non-tariff measure

Import restrictions on Japan Wine were relaxed.
*Any Japan Wine can be exported, free from restrictions on chaptalization volumes and grape varieties, specified in the EU’s regulation regarding to winemaking.
*It was required to attach a certificate, issued by the competent authority, which certifies that the wine complies with the EU regulation. However, wine may be exported with self-certification, that declares that the wine is “Japan Wine.”

1 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 relax 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 relaxed in the EU, Brazil, Malaysia, Russia, Thailand, Egypt, French Polynesia, Dubai and Abu Dhabi.
2 This is the Economic Partnership Agreement (EPA)—concluded between Japan and the EU with the aim of strengthening the economic relationship in international trade, investment and others—and is a comprehensive treaty that comprises of 23 chapters, including not only the international trade of goods but also services and intellectual proprietary rights.

(2) Promotion of establishment of brands

① Expansion of the use of Geographical Indications (GI)

Under the Geographical Indication (GI) system, in the case that the characters of a liquor product or agricultural product unique to a specific production area (quality, recognition in society, etc.) have been established, only the product that is produced within the production area and fulfills certain production standards can exclusively label its production area (the name of region as a brand).

② Wine labeling rules

The NTA formulated the wine labelling rule that sets the definition, etc. of Japan Wine (Standard for Wine Production Process and Quality Indication). The rule came into effect in October 2018.

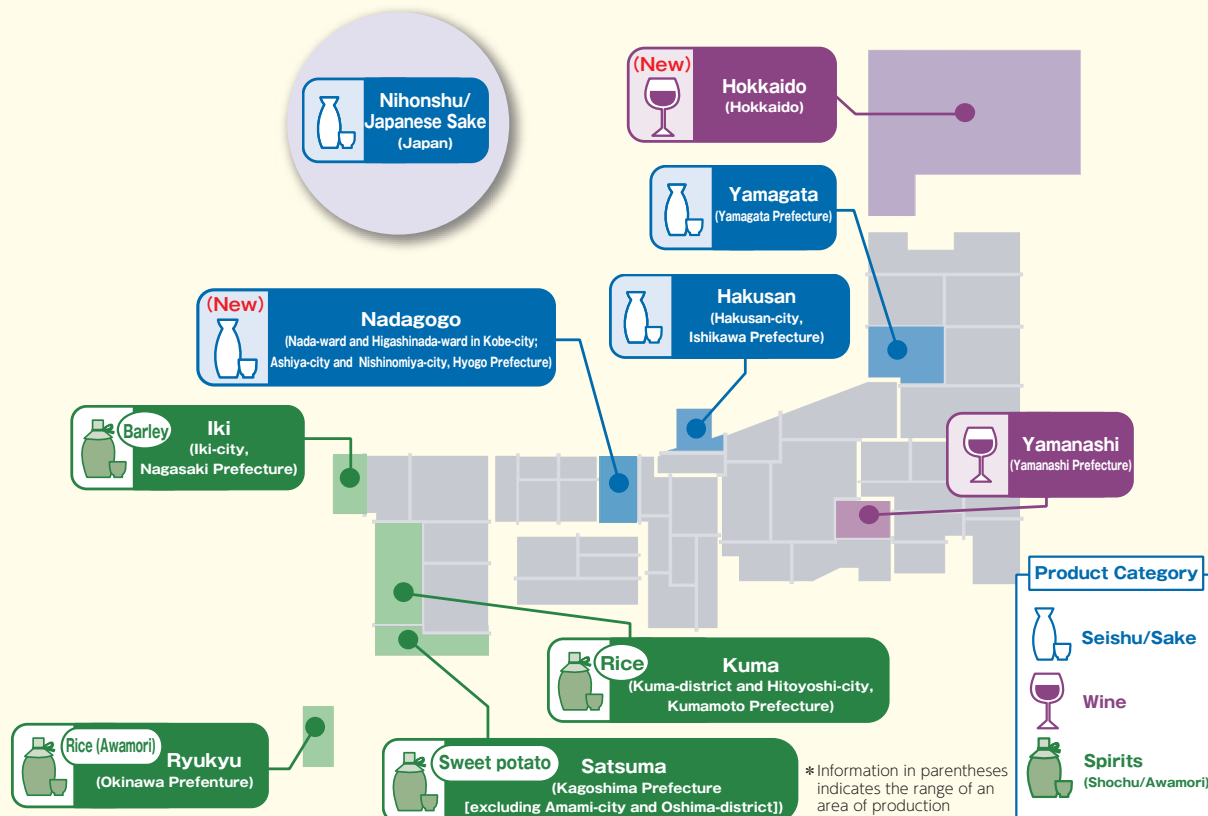
The labeling rule divides wines distributed in Japan, into wines made in Japan and imported wines, and among wines made in Japan, ones made exclusively from domestic grapes are labeled “Japan Wine.”

Column 11 Promotion of the use of the Geographical Indication system

The use of Geographical Indications may be effective in improving the brand value of Japanese liquor and promoting exports. Therefore, the NTA has been promoting the use of the system through publicity and raising awareness by means of creating pamphlets and holding explanatory meetings.

The total number of the Geographical Indications for Japanese liquor has become ten at present as shown in the below “Designated Geographical Indications for liquor.” We will make Japanese Geographical Indications well-known such as “Nihonshu / Japanese sake,” a Geographical Indication at a country level, and other Geographical Indications in Japan, for example, by sending messages overseas with the government and the private sector acting together. We will also urge the protection of these Geographical Indications through international negotiations.

Designated Geographical Indications for liquor



Column 12 Labeling Rules for Wines

So far, in Japan, “Japan Wine,” which is made exclusively from domestic grapes, and wines made from imported concentrated juice or imported wines, existed together in the market, causing the problem that distinguishing one from the other by referencing the label was difficult.

In such backdrop, an official labeling rule for wines, “Wine Labeling Rule” (“Standard for Wine Production Process and Quality Indication”) was established, with the objective to make the contents of label easily understandable so that consumers could make proper selections.

- Only fruit wine made exclusively from domestic grapes and manufactured within Japan shall label as “Japan Wine”.
- Moreover, only “Japan Wine” may display: ① geographic location, ② grape variety, and ③ vintage
(Note) There are requirements for each label. For instance, if a geographic location is displayed as the name of a wine production area, the area that harvested the grape (their grape should account for 85% or more of the content) and the brewery must be situated in the scope that the geographic location indicates.
- Wines made from overseas ingredients are required to have indications, such as “Concentrated juice contained” and “Imported wine contained” on their front labels. Neither geographic location nor grape variety nor vintage can be indicated.

(3) Technological assistance

① Promotion of the spread of brewing technology, etc.

Each Regional Taxation Bureau has the Office of Analysis and Brewing Technology as its technological function to promote the spread of advanced technologies, etc., including research results of the National Research Institute of Brewing (NRIB), through activities, such as giving advice and consultation to liquor manufacturers, holding competitions, research workshops, etc. and dispatching officials to seminars, appraisals, etc., held by sake-making associations, etc.

② Support in the quality and safety of liquor

With the aim of ensuring the safety of liquor in all stages from liquor production to consumption and enhancing the level of quality, the Office of Analysis and Brewing Technology gives technological assistance concerning improvement, etc. in the production process of liquor and confirms safety through actions including research and provision of information on the radioactive substances of liquor.

③ Efforts by National Research Institute of Brewing (NRIB)

The National Research Institute of Brewing (NRIB) is responsible for high-level analysis and appraisal, and the research, surveys, etc. that give theoretical grounds thereto, which the Office of Analysis and Brewing Technology is unable to handle.

National Research Institute of Brewing

National Research Institute of Brewing (NRIB) is, for the mission of NTA, namely, proper and fair taxation of liquor tax and the sound development of the liquor business, performing advanced analyses and appraisals of liquor and conducting studies and researches that may theoretically support its analyses and appraisals. The NRIB is also providing human resources development courses that combine advanced skills and practical management, and, for maintaining and strengthening the manufactures’ technical level, holding Annual Japan Sake Awards. In addition, the NRIB has recently been addressing measures on the basis of government’s important policies including the promotion of Cool Japan Strategy, and enhancing cooperation with related Japanese and foreign organizations as a national center for liquor.

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



Analysis on liquor for export

(4) Measures for small and medium enterprises

In order for the liquor industry, of which small and medium enterprises account for the majority, to adjust to change in the social and economic conditions properly, the NTA takes various measures, for example, holding seminars lectured by experts including Small and Medium Enterprise Management Consultants (SMECs), assisting in drafting plans for raising the ability to run business, stipulated by Small and Medium-sized Enterprise Business Enhancement Act, etc. in addition to supporting diverse efforts by industrial associations, such as the modernization project by the Japan Sake and Shochu Makers Association.

Moreover, in coordination with related government offices, organizations, local governments, etc., the NTA provides business operators and industrial associations with information on governmental measures for small and medium enterprises (consultation desks, subsidies, the tax system, financing, etc.) in an attempt to promote the use of these measures.

(5) Promotion of Okinawa

Based on “Ryukyu Awamori Overseas Export Project,” the NTA makes efforts to promote liquor made in Okinawa in coordination with related government offices, including the Cabinet Office.

(6) Establishment of a fair trading environment of liquor

As it is important to establish a fair trading environment to realize the sound development of liquor business, the NTA propagates the “Guideline for the Fair Trade of Liquor,” formulated and publicized in August 2006, and the “Standards for the Fair Trade of Liquor,” formulated and publicized in March 2017, (hereinafter referred to as “the Standards”) to liquor business operators and enlightens them, thus making efforts that promote the proactive actions by liquor business operators to ensure fair trade.

In addition, to check the situation of compliance with the Standards, etc., the NTA conducts examinations on the actual status of liquor trade, etc. If examinations detect a transaction that does not comply with the Standards, etc., the NTA takes actions including giving instructions.

Furthermore, regarding the examinations, the NTA publicizes examples of instructions and instances that were regarded as feared to violate the Standards and received guidance to improve their situation along with the outline of the examination outcome.

(7) Response to social demands

① Measures against Health Problems Caused by Alcohol

Social demand for prevention of alcohol consumption those under the age of 20 and for moderate drinking has become strong. In June 2014, “The Basic Act on Measures against Health Problems Caused by Alcohol” was entry into force.

Based on the law, the government established the “Basic Plan on Promotion of Measures against Health Problems Caused by Alcohol” through a cabinet decision in May 2016, which includes “prevention of inducement to improperly drink of liquors,” and is engaged in advancing measures declared in the plan, with relevant government offices and associations acting as one.

The NTA is making announcements and communicating with liquor retailers about observation of display requirement in the alcohol sales sections, and on prohibition of liquor sales to those under the age of 20.

In addition, for the purpose of assuring proper sales management of liquor, it became mandatory in June 2017 for liquor sales managers, who shall be designated for each sales area, to participate in a liquor sale management training.

The NTA will continue to promote actions to respond to the demands of the society, such as by increasing the opportunity for training and enhancing the training content concerning prevention of inducement to improperly drink liquors.

② Promotion of resource recycling

From the perspective of building a recycling-based society through activities, such as recycling liquor containers and reducing food waste, as a member of the food industry, the NTA carries out PR and enlightenment activities through associations, etc. in the liquor industry to ensure that efforts, including the one to recycle liquor containers, are further promoted.

~ Basic Direction of Liquor Administration ~

1. Mission of the NTA

① Realizing of proper and fair taxation and collection of domestic taxes ② Sound development of the liquor business and ③ Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs)

2. Outline of the liquor industry

- The domestic liquor market has saturated in terms of volume and is contracting, as a whole.
- If pricing competition becomes excessive, that will weaken the power of business operators.
- In recent years, along with low-alcohol drinks, *junmai-shu*, whisky, wine, craft beers, etc. are expanding.
- With the recognition of liquor made in Japan growing overseas, exports are increasing. The global food market is expected to continue growing in the future.
- Many business operators are growing through measures including differentiation and overseas expansion.
- Companies in different industries, start-ups and also foreign companies are entering the market.

3. Main issues in the liquor industry

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| <p>(1) Product differentiation and a shift to high value-added products.</p> <ul style="list-style-type: none"> • Appeal to consumers about an easy-to-understand value • Establishment of brands for products (individual companies, regions and Japan) • Collaboration between agriculture, commerce and industry, and cooperation among different industries • Expansion and appeal of a new value axis that comes from thinking outside the box | <p>(2) Cultivation of overseas demand (including inbound)</p> <ul style="list-style-type: none"> • Enhancement of international recognition and understanding • Expansion into non-Japanese food markets. • Exploration of local importers, distributors, etc. • Displays and propositions that are easy to understand to overseas business operators and consumers. • For the wealthy | <p>(3) Utilization of technologies and securing human resources etc.</p> <ul style="list-style-type: none"> • Succession and development of traditional techniques • Utilization of digital tools • Business succession • Further involvement and contribution of women • Securing raw materials | <p>(4) Ensuring fair trade</p> <ul style="list-style-type: none"> • Ensuring fair trade through compliance with “Standards for the Fair Trade of Liquor” and “Guideline for the Fair Trade of Liquor.” • Securing proper sales management |
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4. Basic direction of liquor administration

As the competent agency in liquor business to aim at the preservation of liquor tax and the sound development of liquor business, the NTA endeavors to ensure the proper enforcement of laws and strengthen the promotion of liquor business from the comprehensive perspective that covers consumers and the whole liquor industry while coordinating and cooperating with related government offices, organizations, etc.

(1) Proper enforcement of laws	(2) Promotion of liquor business		
<ul style="list-style-type: none"> ● License ● Oversight of liquor business associations ● Ensuring fair trade <ul style="list-style-type: none"> • Implementation of in-depth surveys of the actual state of trade, etc. • Strong treatment of problematic business operators ● Ensuring proper displays ● Ensuring quality and safety ● Promotion of resource recycling ● Measures for preventing those under the age of 20 from drinking alcohol ● Measures against health problems caused by alcohol 	Main concrete efforts		
	Cultivation in orders overseas	Measures for small and medium enterprises	Technological support
	<ul style="list-style-type: none"> ● Global distribution of information ● Support in business matching ● Promotion of sake brewery tourism ● Publicity of government-wide efforts (JETRO, JFOODO, etc.) and promotion of their utilization ● International negotiations for removal of tariffs and import restrictions, etc. 	<ul style="list-style-type: none"> ● Support for efforts by industrial associations (modernization project, etc.) ● Propagation of government-wide measures for small and medium enterprises and promotion of their utilization ● Assistance in improving business management and others 	<ul style="list-style-type: none"> ● Promotion of spread of advanced technologies, etc. <ul style="list-style-type: none"> • Guidance for business operators and provision of consultation • Holding of competitions, research workshops, etc. ● Confirmation of safety concerning radioactive substances ● Support in responding to the mandatory adoption of HACCP ● Efforts by National Research Institute of Brewing <ul style="list-style-type: none"> • Research and development of advanced technologies, etc. • Development of brewing engineers • Dispatching lecturers and judges
	Promotion of establishment of brands	Promotion of Okinawa	
	<ul style="list-style-type: none"> ● Expansion of the use of Geographical Indications ● Making wine labeling rules take root 	<ul style="list-style-type: none"> ● Promotion of liquor made in Okinawa in response to “Ryukyu Awamori Overseas Export Project” 	

For details of efforts by the NTA, see the “*Sake no Shiori* (the bookmark of liquor)” in the NTA website (<https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/01.htm> (in Japanese)).