

The NTA was organized in 1949 as an external organization 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 Organizational Philosophy of the NTA

The Mission of the NTA is “to help taxpayers properly and smoothly fulfill their tax duties.”

In order for the NTA to fulfill the mission, our duty to carry out is “Realizing proper and fair taxation and collection of internal taxes,” “Sound development of the liquor business,” and “Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs),” provided by Article 19 of the Act for Establishment of the Ministry of Finance.

In order for the NTA to fulfill the “mission” and “duties,” we compiled “future vision as an organization,” which indicates what organization we aim for while managing the organization, as well as “codes of conduct,” which indicates important standards and values for each tax official to perform duties. These are declared to tax officials and announced to the public as the “Organizational Philosophy of the NTA.”



NTA

Organizational philosophy of the NTA

Mission

To help taxpayers properly and smoothly fulfill their tax duties.

Duty

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

Future vision as an organization

An organization that supports the nation's finance with trust

- An organization that flexibly copes with changes in the economic society, improves taxpayer convenience and continues to progress.
- An organization that makes taxation and collection more efficient and sophisticated and conducts strict and appropriate examinations and disposition for delinquent tax while cooperating with a wide variety of relevant persons.
- An organization that is vibrant and open, respects the diversity of each official and provides high performance as a team.

Codes of conduct

Tax professionals who take on a difficult challenge holding the mission to heart

- Keep secrets associated with duties and maintain disciplines. Never forgive frauds and carry out duties in a fair and honest manner.
- Constantly review duties with a sense of participation and challenging spirit and make administrative duties more efficient and sophisticated.
- Strive to acquire expertise and skills and demonstrate our abilities to the fullest.

2 Digital transformation for tax administration

(1) General remarks

The NTA released “Digital Transformation for Tax Administration: Future Vision of Tax Administration 2.0” (<https://www.nta.go.jp/about/introduction/torikumi/digitaltransformation/index.htm> [in Japanese]) (hereinafter “Future Vision 2.0”) in June 2021, to clarify our policy for handling the “fundamental reviews of national tax-related procedures and TO BE status of relevant operations using digital (digital transformation for tax administration)” (hereinafter “DX”).

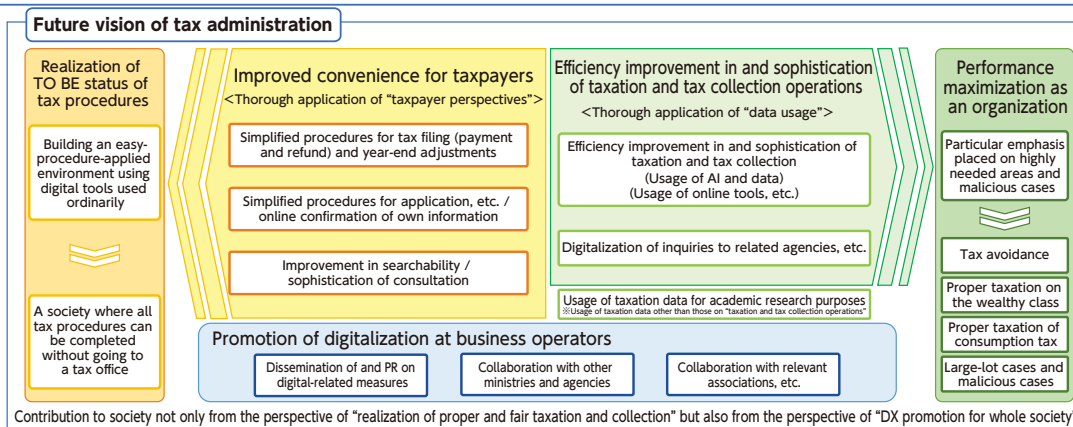
In June 2023, Future Vision 2.0 was revised, for demonstrating that we will further promote DX for tax administration, in accordance with three pillars: that is, two earlier pillars (“improvement of convenience for taxpayers” and “higher efficiency in and sophistication of taxation and tax collection”) plus a new pillar “promotion of digitalization by business operators” (Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023 (<https://www.nta.go.jp/about/introduction/torikumi/digitaltransformation2023/index.htm> [in Japanese])).

Digital Transformation for Tax Administration:
Future Vision of Tax Administration 2023



Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023

- ◆ We will promote digital transformation for tax administration (that is, fundamental reviews of national tax-related procedures and TO BE status of operations) such as digitalization of tax procedures and data usage in operations.
- ◆ We will promote DX for whole society starting from taxation, through facilitating digitalization for operations of business operators.
 - ➔ We will contribute to society from the perspective of “DX promotion for whole society” as well, in addition to the perspective of “realization of proper and fair taxation and collection.”



* We will do our best to ensure adequacy in handling taxpayer information and information security.

* We will aim to provide efficient and easy-to-use services for all taxpayers including those who are not dexterous in handling digital.

* Towards realization of the future vision, we will carry out the following: “realize center-based system for internal administrative tasks;” sophisticate the systems; and improve the infrastructure (personnel development, etc.).

(2) Status of the initiatives concerning “improvement in convenience for taxpayers”

We will aim to build an environment that enables even those who are not familiar with tax to carry out procedures easily and conveniently using a digital tool used ordinarily (smartphone, tablet, PC, etc.). As such, we will pursue various measures, more treasuring the “taxpayer perspectives” than ever.

As an approach for that, we set an assumed typical model of taxpayer (persona), to obtain a bird’s eye view of the whole actual flow for a taxpayer to “confirm whether declaration is necessary or not, find the necessary procedures, make an inquiry, submit a tax return, and pay taxes” as well as to enable optimum improvements for UI/UX; and specify a customer journey for the persona to implement tax procedures. Through it, we are visualizing the current problems and considering improvement measures.

As concrete measures, we are promoting the following: simplify the declaration and application procedures (expansion of the range of items that can be entered automatically, etc.) towards realization of “Japanese version of pre-filled tax return” (tax return not requiring description); sophistication of search and consultation using digital, etc.

(3) Status of the initiatives concerning “improvement of efficiency in and sophistication of taxation and tax collection”

Data are the sources of wisdom, value, and competitive edge; they also are positioned as the clues used to solve social challenges in Japan, which is an advanced country in addressing new challenges. In tax administration, too, we think it is important to improve efficiency in and sophisticate the operations using data (or on the premise of data usage) as well as to tackle the challenge of BPR.

Therefore, we will not only proactively use data but also actively leveraging online tools in carrying out tasks, including the scenes of taxation and tax collection. Also, we will expand data-used information exchange for inquiries to other entities such as local governments and financial institutions, through promoting digitalization.

Also, from the viewpoint of effective use of data, we are considering the ways to use taxation data for academic research purposes as well.

(4) Promotion of digitalization at business operators

Powerful promotion of digitalization of all transactions of business operators or of all accounting processes, etc.: This is regarded as one of the important challenges for the whole government to tackle.

Regarding the administrative tasks processed by business operators in daily operations (those related to economic transactions, those processed by back office), if they can be completed by digital consistently, it is expected each business operator can enjoy huge advantages such as improved accuracy through prevention of simple errors and improved productivity through higher operational efficiency.

Therefore, we also are promoting the measures to encourage business operators to pursue operational digitalization, in addition to digitalization of tax procedures.

If economic transactions and operations are digitalized, and if an environment is established where efficient digital processing is enabled consistently including tax processing, productivity improvement would be realized at business operators; as a result, digitalization of other business operators would be encouraged, and both tax procedures and operations would see further digitalization. This means creation of a “virtuous cycle in that promotion of digitalization leads to further digitalization.” Thus, if it occurs, we could expect it will lead to DX promotion for whole society and advantages of digitalization will spread to whole society.

We are endeavoring to help business operators promote respective operational digitalization, from the perspective of enabling digitalization of whole business process of business operators, with an eye on the fact that such efforts have social implications in that they could contribute to DX promotion for whole society.

3 Thoughts on management of tax administration

We will pursue the following initiatives, to fulfill the above-mentioned missions and roles as well as to earn understanding and trust from taxpayers.

NTA Initiatives

(1) Enhancement of services for taxpayers

- Work to provide an excellent means for filing and payment using ICT, such as e-Tax (online national tax return filing and tax payment system) and filing assistance on the NTA website.
- Provide the necessary information needed for filing via NTA websites etc. so that taxpayers can correctly file and pay their taxes themselves.
- Work to improve an environment and provide support to enhance tax education, in cooperation with the relevant ministries, agencies, educators and private organizations.
- 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.

(2) Promotion of administrative work efficiency and enhancement of organizational foundations

- To appropriately perform the NTA's duties under the severe 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 reduce costs.
- Constantly review to simplify and boost efficiency, for example by computerization of clerical processes. For the income tax return, focus on encouraging use of e-Tax which contributes to enhanced taxpayer convenience.
- Thoroughly control administrative documents and information.
- Accurately assign personnel corresponding to their experience and abilities, while paying attention to hiring and promoting female staff. To enhance needed specialized knowledge, provide guidance and development measures such as training.

(3) 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, 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 strict actions 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, reallocate the volume of examination duties to corporations with a high necessity of examination from those judged that the necessity of examination is low including the situation of corporate governance.
- Achieve proper and speedy processing of a request for review, as well as develop environment for more user-friendly request for review system.

(4) Proper management 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 strengthens the promotion of liquor business (especially promoting exports) from the comprehensive perspective that covers consumers and the whole liquor industry while coordinating and cooperating with related government offices, organizations, etc.
- Make efforts to cultivate overseas markets through distributing information globally and holding international negotiations, etc., to promote the establishment of brands through spreading the use of Geographical Indications (GI), to provide technical assistance to liquor manufacturers, etc. and to ensure the safety of liquor among others.
- To ensure fair trade of liquor, conduct a survey of liquor business operators to check the actual state of trading of liquor, etc. If a transaction that does not comply with "the Standards for the Fair Trade of Liquor" is detected, we take strict actions including issuing instructions.
- To respond to social requirements, such as countermeasures against health problems caused by alcohol intake and promotion of recycling resources, increase the publicity of the ban on selling liquor to people younger than the age of 20 and recycle of liquor containers, etc.

(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) Results evaluation (Evaluation of Policies) 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.

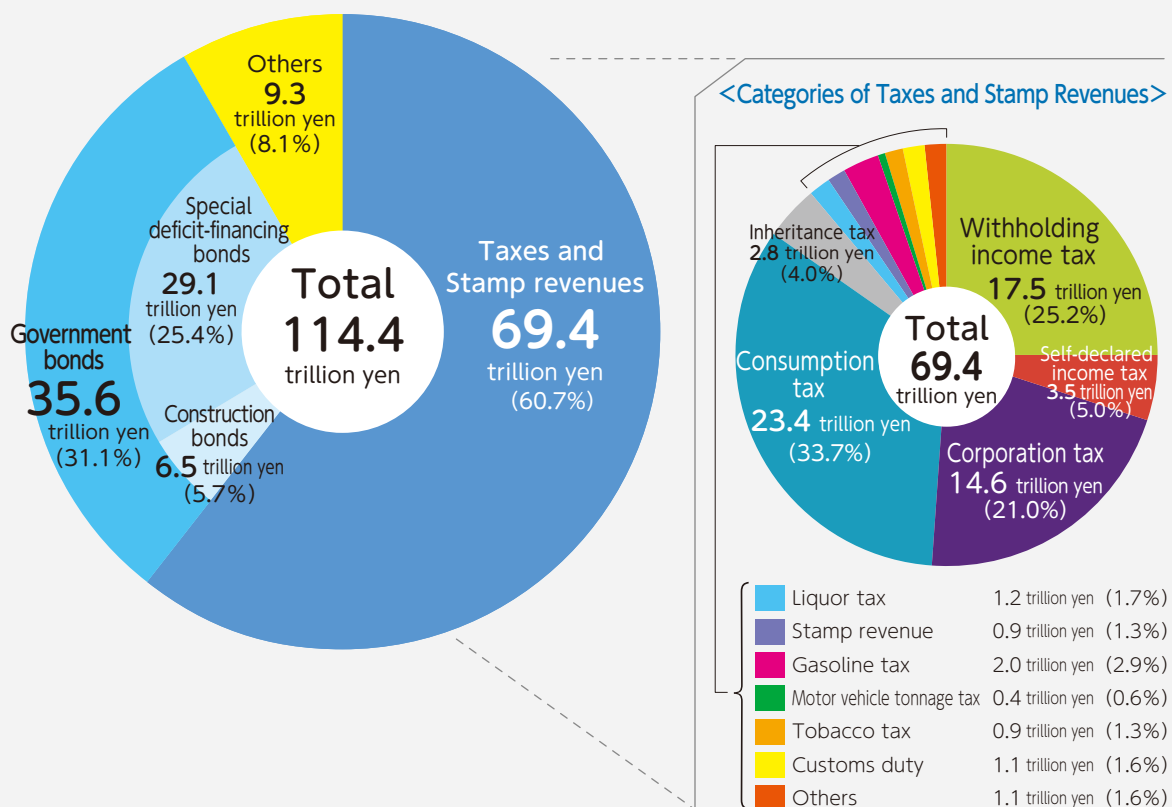
4 Overview of the national tax organization

(1) National revenue and taxes

National revenue (initial budget for general account revenues) for FY2023 stands at 114,381.2 billion yen, of which 69,440 billion yen is from taxes and stamp revenues.

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

■ National revenue (FY2023 general account revenues (initial budget))



※1 Government bonds are revenues generated by construction bonds to finance public project-related expenditures and special deficit-financing bonds issued to compensate for the revenue shortfalls. 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.

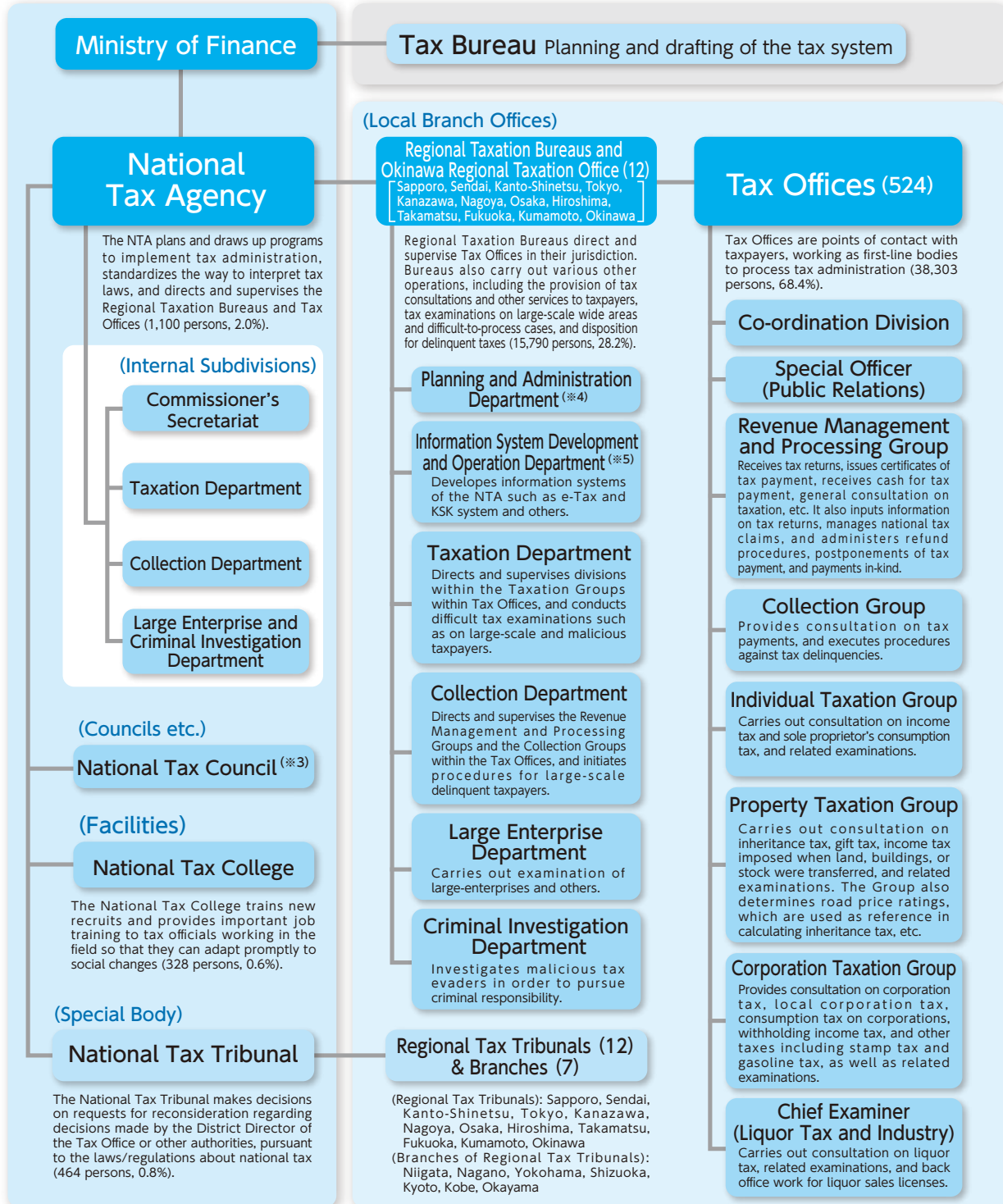
※3 Please refer to "Thinking About Japan's National Finance" available on the official website of the Ministry of Finance (<https://www.mof.go.jp/zaisei/index.htm> [in Japanese]) concerning national expenditures.

(2) NTA budget

The NTA initial budget in FY2023 stands at 641.7 billion yen, with salary costs amounting to 563 billion yen and general expenses 78.7 billion yen.

(3) Organizational structure and number of personnel of the NTA

The NTA supervises 12 Regional Taxation Bureaus and 524 Tax Offices throughout Japan to process national tax administration. Also, the authorized capacity for manpower of the NTA is 55,985 persons for FY2023. (※1. ※2)



※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 (FY2023).

※2 The prescribed number of personnel of 38,303 persons for tax offices includes the prescribed number of personnel of 220 people (0.4%) to promote employment of the challenged.

※3 The National Tax Council addresses the following: ① deliberation of cases in which the NTA Commissioner does not recognize the opinion of the Director-General of the National Tax Tribunal as reasonable, 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.

※4 Office of Submission Processing Center was established in July 2021. For details, please refer to Column 2 on page 21.

※5 Information System Dept. was installed in the Tokyo Regional Taxation Bureau in July 2023.