

I Mission of the National Tax Agency

Helping Taxpayers to Voluntarily Fulfill Their Tax Responsibilities Properly and Smoothly

The national and local governments provide various services necessary for the lives of the people. Tax covers the expenses of the services.

The Constitution of Japan stipulates that tax payment is an obligation of the citizen of Japan, and the NTA is responsible for collecting tax so that these public services can be provided smoothly.

In order to achieve proper and fair taxation, the NTA provides tax information, tax education, and other services to taxpayers. On the other hand, the NTA conducts examination and other activities against non-compliance so that honest taxpayers do not feel injustice.

The NTA has also made efforts to guarantee the sound development of the liquor industry and the proper management of CPTAs' (Certified Public Tax Accountants) services.

The ultimate aim of all these efforts is to develop taxpayers' understanding of our tax administration and gain their trust. To this end, the NTA is performing its duties giving the staff the "Mission"* that summarizes the mission mentioned above, and has furthermore released it to the public.



National Tax Agency

* The "Mission" is the document that mentions the "Directive on Standard and Rules for the Implementation of the National Tax Agency's Duties" including the code of conduct for the duties to be performed by the staff (see page 6).

Mission

Realization of taxpayer's voluntary compliance

Assignment

■ The NTA carries out the duties provided in Article 19 of the Ministry of Finance Establishment Law, paying attention to transparency and efficiency.

1. Achievement of proper and fair taxation

(1) Improvement of the tax payment environment

- (i) Customer -friendly publicity of the interpretation of laws and procedures to taxpayers.
- (ii) Prompt and accurate response to taxpayers' inquiries and consultations.
- (iii) Cooperation with other government agencies and citizen in order to gain a wide scope of understanding and cooperation regarding the roles of taxes and tax administration.

(2) Promotion of proper and fair tax administration

- (i) For proper and fair taxation:
 - a. Proper enforcement of the rules and regulations.
 - b. Effective tax examinations and guidance for taxpayers who don't report tax amount properly.
 - c. Efficient collection of delinquent tax by implementing a procedure for tax delinquency against taxpayers failing to pay tax by the due date.
- (ii) Rapid completion of reinvestigation process to protect taxpayers' right and interests.

2. Sound development of the liquor industry

- (i) Stabilization of the liquor industry's business infrastructure, research and development of brewing technologies, and maintenance of the quality and safety of liquors.
- (ii) Effective utilization of resources regarding liquors.

3. Proper management of CPTAs' service

Proper management of CPTAs' service to maintain the proper self-assessment system.

Code of Conduct

1. The code of conduct upon performing duties

- (1) Improvement and maintenance of the transparency of tax administration to inform taxpayers of the interpretation of laws and regulations, and administrative procedures.
- (2) Improvement of the convenience of taxpayers.
- (3) Improvement of the operation to increase efficiency of tax administration.
- (4) Positive collection and utilization of information to conduct tax examination and implement procedures against tax delinquency properly.
- (5) Strict enforcement to malicious tax evasion and tax delinquency.

2. The code of conduct for officials

- (1) Faithfulness to taxpayers.
- (2) Maintenance of the confidentiality and official discipline.
- (3) Endeavor to learn the expert knowledge needed to perform the duties.

Challenges

■ The NTA continuously review and improve the organization and operations of tax administration in order to catch up a highly information-oriented society and globalization economy, and to meet the needs of taxpayers.

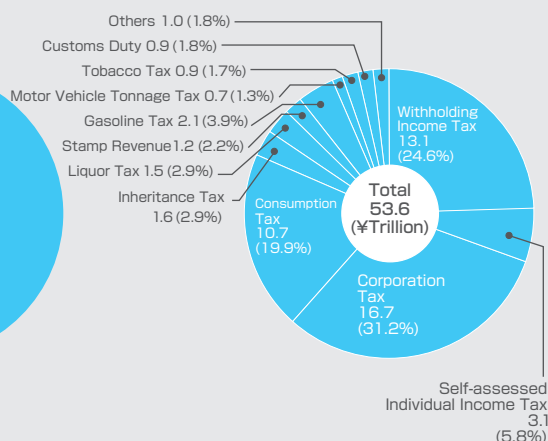
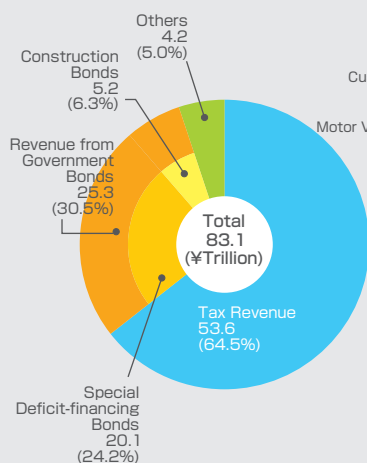
National Revenue and Taxes

The national revenue (general account revenue budget) in fiscal 2008 is ¥83,061 billion. Of this revenue, ¥53,554 billion is from taxes and stamps. Deducting tax from customs and stamp revenue from the Japan Post, revenue from national taxes alone amounts to ¥46,970 billion (about 88%).

Income tax, corporation tax, and consumption tax account for about 80% of tax revenue.

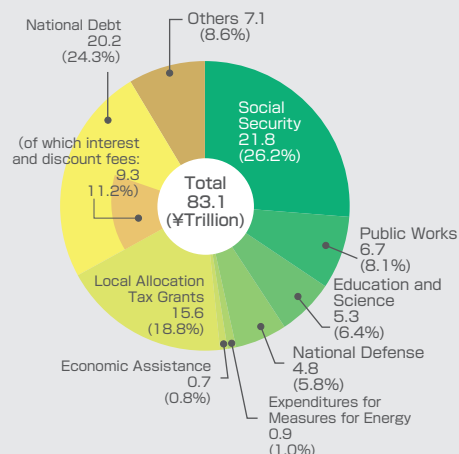
● National Revenue

Fiscal 2008 General Account Revenue (Budget)



● National Expenditure

Fiscal 2008 General Account Expenditure (Budget)



Note: "Revenue from government bonds" is revenue from construction bonds, which are issued to cover public works expenditure, and special deficit-financing bonds, which are issued to cover shortfalls in revenue. All revenue from government bond issues constitutes a debt that must be repaid in future.

NTA Budget and Personnel

The fiscal 2008 NTA budget is ¥722 billion, the majority of which will be spent on personnel expenses. Recently, the NTA has prioritized efficiency of operations and improvement of taxpayer services, leading to a higher percentage of IT (information technology)-related expenditures, including expenditures on the Kokuzei Sogo Kanri System [NTA Comprehensive Information Management System] (hereinafter called "KSK").

The NTA workforce numbered around 52,000 from the 1970s through the first half of the 1980s. With the introduction of consumption tax in 1989, personnel figures increased, peaking in 1997, but declined over nine years up to 2006 by more than 1,000.

From 2007 on, personnel figures turned upward, and in 2008, NTA staff numbered 56,216.

	1975	1997	2008	(Reference) 2008/1975
Budget (¥Billion)	236.0	654.8	722.7	306.2%
Number of personnel	52,440	57,202	56,216	107.2%
(1) Number of Income Tax Returns Filed (Thousand cases)	7,327	20,023	23,616	322.3%
(2) Number of Corporations (Thousand cases)	1,482	2,793	3,005	202.8%
(3) Number of Establishments Subject to Commodity Tax (Thousand cases)	117	—	—	—
(4) Number of Enterprises Subject to Consumption Tax (Thousand cases)	—	2,521	3,701	—
(1)+(2)+(3)+(4)	8,926	25,337	30,322	339.7%

The number of income tax returns filed (1) in fiscal 2008 represents the figure for the year 2007.

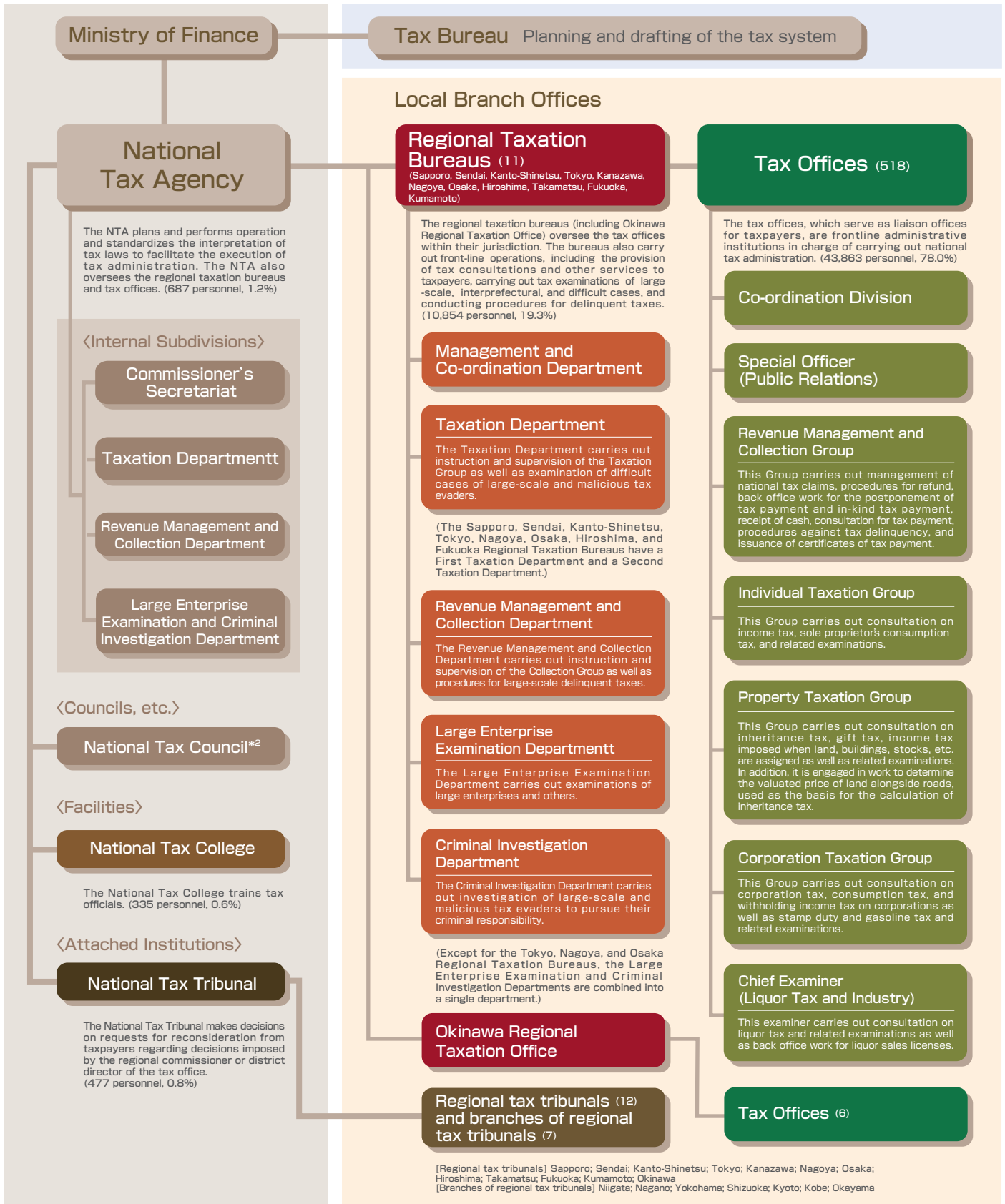
The number of corporations (2) in fiscal 2008 represents the figure as of the end of June 2007.

The figures for item (4) represent the number of Notifications of Taxable Enterprise Status submitted. Fiscal 2008 data represent the figures as of the end of March 2008.

The figures under (Reference) represent the fiscal 2008 percentages, based on a value of 100 in the fiscal 1975 figures.

Structure of the National Tax Agency

The NTA is responsible for the nationwide tax administration and oversees the 12 regional taxation bureaus (including Okinawa Regional Taxation Office) and 524 tax offices.*1



*1 The number of personnel for each department shows the prescribed staff number for fiscal 2008, and the percentage shows its proportion of the prescribed staff number of the NTA as a whole.

*2 The National Tax Council performs the following: (1) studies and deliberations at the request of the NTA commissioner in cases where the director-general of the National Tax Tribunal gives a decision that interprets the law differently from the directives issued by the NTA commissioner, (2) the enforcement of CPTA examinations and deliberations on disciplinary actions against CPTAs, and (3) deliberations on the establishment of labeling standards for liquor, and other issues.

Major Undertakings

The NTA is tackling various tasks in order to deal with the rapid development of the advanced information society, globalization of the economic society, etc.

In fiscal 2007, the NTA promoted online tax return filing and tax payment (e-Tax), took measures to address globalization, and strove for efficient and simplified operations in order to reduce administrative costs.

1 Online Procedures

In order to improve convenience for taxpayers, the NTA has been promoting the utilization of IT such as the e-Tax system for online tax return filing and tax payment and “preparation software” on the NTA website.

The NTA made efforts to improve usability of e-Tax for the convenience of taxpayers, in accordance with the “Action Plan for Encouraging Online Services” (hereinafter called the “Action Plan”) for national tax as decided in March 2006 (revised in March 2007). (For more information, see page 15.)

With respect to “preparation software,” based on taxpayer’s needs, the NTA compiled an “Operation Manual” and put it on its website, adding functions to enable those who use it for the first time to conduct input easily in preparing final income tax returns. (For more information, see page 16.)



Poster for e-Tax (2007)



The screen of “preparation software” on the NTA website

2 Internationalization

Japan has been facing international tax avoidance that manipulates international gaps in taxation systems or tax treaties. The NTA deals with such international tax evasion or tax avoidance schemes strictly by grasping the reality of these schemes through every opportunity available. If the NTA finds any taxation problem, the NTA will conduct an in-depth tax examination and take the necessary measures.

With respect to the transfer pricing issues arising from transactions between corporations and overseas affiliates, the NTA strives to realize the proper and smooth enforcement of transfer pricing taxation through the endeavor to clarify our administration policy, e.g., the public release of “Reference Case Studies on Application of Transfer Pricing Taxation.” (For more information, see page 33.)

In order to avoid double taxation resulting from a taxation rule gap among countries, the NTA actively participates in international conferences for tax authorities, as it is important to develop common rules. In addition, the NTA also strives to properly and promptly complete mutual agreement procedures under tax treaties and provide technical assistance to developing countries.



Forum on Tax Administration (FTA) of the Organization for Economic Cooperation and Development (OECD)

3 More Efficient and Simplified Operations

To achieve “simple and efficient government,” the Japanese government has been working on further streamlining its administrative operations by setting out a “Plan for Improving Efficiency in Administrative Operations” and an “Operation and System Optimization Plan” in each agency and ministry.

To work on newly emerging issues in the rapidly changing environment surrounding tax administration, while efficiently conducting its operations to flexibly meet such changes, the NTA must continuously review its daily operations and related systems.

To this end, and from the viewpoint of further optimization, such as more efficient and simplified operation and cost reduction, the NTA formulated the “Operation and System Optimization Plan for National Tax Administration” in March 2006 (revised in May 2007). Concretely, the NTA aims to reduce administrative costs by the integration of back office works, the centralization of tax consultation, a reduction in systems-related expenses, and the promotion of an open KSK System* in order to ensure the transparency of government procurement.

In addition, the NTA has been promoting the simplification and efficiency of operations by taking various actions, such as utilizing human resources outside of the NTA.

* “promotion of an open system” means constructing a system based on common standards or specifications over systems that have been uniquely developed by specific manufacturers.