

# VI Future Challenges

## Changes in the Environment Surrounding Tax Administration

At present, our nation is facing an unprecedented situation of a declining birthrate and aging of the population. The saving rate is significantly declining and the working-age population is anticipated to shrink. The so-called steadily growing economy is over, and under such circumstances, the people's desire for administrative and fiscal structural reform is intensifying. In order to deal with such structural change in society, the tax system is also being reviewed. Furthermore, the shapes of enterprises and family lifestyles are undergoing marked transformation, due to diversification of employment and family structures. The remarkably advanced use of IT and expansion of the cross-border activities of individuals and enterprises, along with the economic development of Asian countries and economic internationalization, are seen in economic activities. In addition, accounting standards penetrate both internationally and mutually.

The environment surrounding tax administration is undergoing significant change due to such economic and social movement. Due to a reduction in the tax exemption sales threshold for enterprises for consumption tax, a review of pension taxation, etc., the number of final returns has significantly increased. Accordingly, the administrative work of tax offices involving the processing of such returns has also been increasing. Furthermore, tax avoidance schemes are becoming increasingly shrewd, alongside progress in the use of IT and internationalization of the economic society, meaning that operation of tax examination and collection are becoming ever more difficult. With this in mind, the environment surrounding tax administration is becoming increasingly difficult in both quantitative and qualitative terms.

## The NTA's Responses to Such Changes in the Environment

In order to continuously fulfill the mandate of the people under such difficult circumstances, the NTA should implement priority-oriented tax administration while allocating human and material resources effectively and efficiently. It is important to strive in this way in order to secure sufficient tax examination and collection, maintain and improve taxpayers' compliance with law, and give consideration to taxpayer services.

To this end, in line with the purport of the self-assessment system, whereby after taxpayers calculate the amount of tax themselves, they make a voluntary filing return and payment, it is necessary to restructure the system of providing taxpayer services. After restructuring, the NTA reviews the computer systems and relevant operations regarding the back office work of tax offices, attempts to outsource administrative work that can be handled by persons other than tax office officials, and is planning to positively promote the rationalization of and improved efficiency of administrative work. Furthermore, also concerning the administrative work involved in tax examination and collection, and from the perspective of maintaining and improving taxpayer compliance, the NTA is planning to refine the system by making positive use of IT to review the operations involved in tax examination and collection and to attempt further enhancement of tax administration.

### (1) Assistance for Voluntary Compliance

The NTA is improving taxpayer services so that taxpayers themselves are able to file correct returns and make tax payment.

Specifically, the NTA is providing tax information required by taxpayers by enhancing the content of the information provided on the NTA website. Furthermore, the NTA is endeavoring to diversify the means of tax return filing and tax payment by making the best use of IT, such the

e-Tax and the preparation software on the NTA website, and the introduction of tax payment at convenience stores.

To further improve convenience for taxpayers, such as quickly answering taxpayers' questions in telephone consultations now available independently at each of the tax counsel offices and tax offices, the NTA is taking measures to accept phone calls from taxpayers at the telephone consultation centers in a more centralized manner.

### (2) Integration of Back Office Works

While giving full consideration to the fact that the NTA's operations have a direct bearing on the rights and obligations of taxpayers, the NTA is improving the efficiency of back office work at tax offices by reforming duties through the advanced use of IT.

Specifically, back office works, such as the series of tasks involved in handling tax return filing and tax payment, works related to a taxpayer's changing status, and tax offices' counter work, have been separately handled by

different divisions in tax offices. However, the NTA will try to centralize the majority of such works to a single division to be processed in an integrated fashion and improve the efficiency of the work by using IT systems (i.e., the integration of back office works). Furthermore, the NTA is promoting the centralization of large-volume, temporary work that is independent of other operations and the outsourcing of administrative work that can be handled by persons other than tax officials.

### (3) Reviewing Tax Examination and Collection Operation

Under circumstances whereby internationalization and highly networked information are progressing in the economic society, in order to ensure proper and fair taxation, the NTA is responding to advanced areas, such as international tax avoidance and electronic commerce, by developing a system to deal with business groups engaged in such wide-area transactions, and is also reviewing tax examination and collection duties throughout its organization. Furthermore, the NTA is planning to refine the system so as to be able to make flexible use of the various

information on taxpayers.

In view of the CPTAs' public mission to support the self-assessment system, the NTA is also facilitating the system for the documents attached by CPTAs to tax returns under the CPTA Law. At the same time, the NTA is improving responses to taxpayer inquiries and the utilization of advance pricing arrangements regarding transfer pricing in order to increase the predictability of tax matters for taxpayers' economic activities.

### (4) Improving the NTA Officials' Work Environment

The NTA is developing a work environment where its officials are encouraged to perform their duties with enthusiasm.

Particularly, in view of the fact that the number of female NTA officials is increasing year by year, based on the basic philosophy of the "Act for the Promotion of Measures to Support the Fosterage of the Next Generation," as established in July 2003, the NTA has devised an "Action Plan" to develop a work environment to promote a balance between childcare and work, under which the NTA started

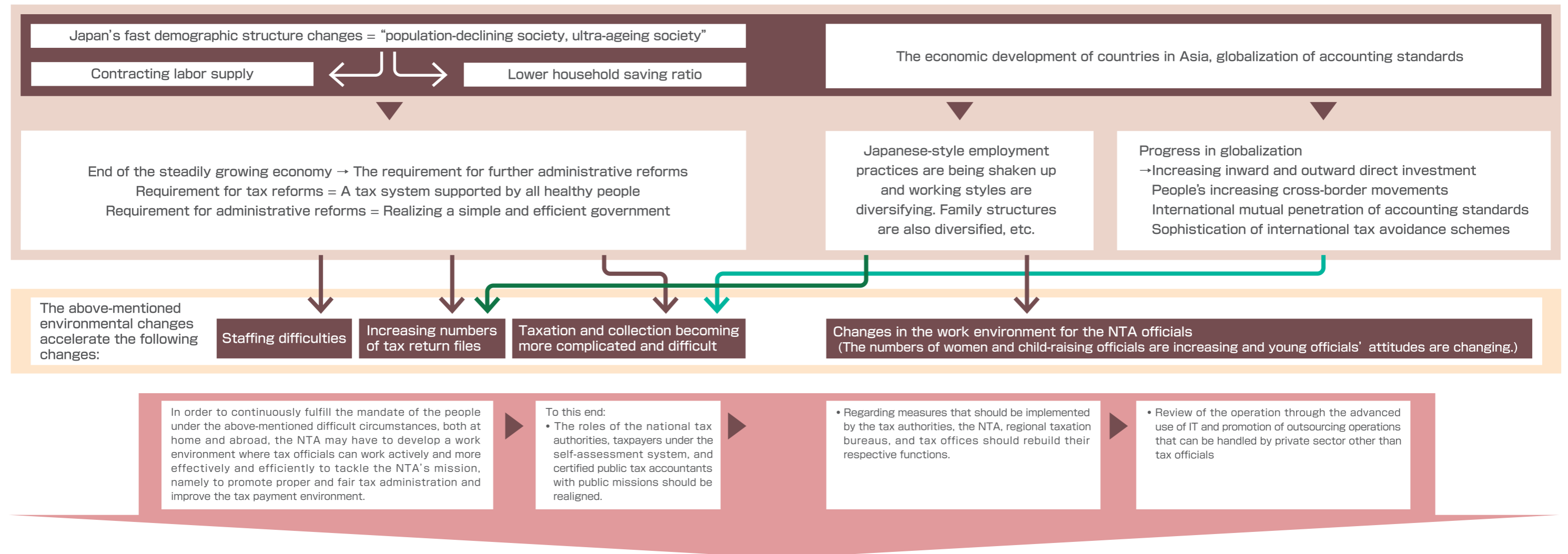
activity on April 1 2005. In order to promote further good balance between childcare and work, this plan was reviewed in the third year as stipulated beforehand, based on the state of ongoing various measures and opinions of the staff. The amended plan, "Comfortable Childcare Support Plan," was released and has been implemented since April 1 2008.

Furthermore, the NTA is planning to review the training system in tune with environmental changes.

**To promote the above measures, the NTA will endeavor to attain the optimum allocation of limited staff resources, budget distribution based on quantitative results, and placement of the right people in the right jobs.**

# Changes in the Environment Surrounding Tax Administration

# and NTA's Responses to Such Changes



## Assistance for Voluntary Compliance

- Basic stance  
Taxpayer services should be rebuilt in line with the rising number of tax return filers and with the objectives of the self-assessment system.
- (1) Promotion of the advanced use of IT for providing information expansion of the NTA website and the Tax Answer System, the utilization of mail magazines
  - (2) Promoting diversified means of tax return filing and tax payment through the utilization of IT; Spreading the utilization of e-Tax, expansion of the preparation software on the NTA; website and the introduction of tax payment at convenience stores
  - (3) Measures for the filing period for the final tax return
    - (a) Further encouragement of self-completion of tax returns in self-assessment consultation
    - (b) Implementation of self-assessment consultation on Sundays (two Sundays) (services on government holidays)
  - (4) Improving the efficiency of the tax consultation system  
Putting together general tax consultations at the Telephone Consultation Center

## Integration of Back Office Works

- Basic stance  
With consideration given to ensuring appropriate operations, the tax authorities should promote improvement in efficiency and streamlining of operations including operational reforms responding to highly networked information and the outsourcing of administrative work that can be handled by private sector other than tax officials.
- (1) Increasing the efficiency of back office works
    - (a) Efforts for integration of back office work at all Tax Offices
    - (b) Examining possible approaches for efficient back office work through trial of centralization
  - (2) Increasing efficiency in operations related to general affairs, etc.  
Promoting IT utilization, the centralization and outsourcing of accounting, health and welfare, and remuneration - related works

## Reviewing Tax Examination and Collection Operation

- Basic stance  
To maintain and improve taxpayers' compliance, the tax authorities should view the tax examination and collection systems to implement tax examination and collection more effectively and efficiently.
- (1) Improving tax examination and collection duties
    - (a) Considering a review of the tax examination and collection systems, based on sharing of roles between regional taxation bureaus and tax offices
    - (b) Using more sophisticated systems, such as sharing various information
  - (2) Roles of CPTAs with public missions  
Promotion of the system of attaching documents, and so forth
  - (3) Addressing cutting - edge areas
    - (a) Addressing the international taxation, including fighting against international tax avoidance schemes-Responding to advanced information regarding corporate activities
    - (b) Securing taxpayers' predictability - Improving responses to taxpayer inquires - Utilizing advance price arrangement regarding transfer pricing taxation
    - (c) Responding to the consolidated taxation system

## Improving the NTA Officials' Work Environment

- Basic stance  
The tax authorities should develop a work environment where tax officials can work with enthusiasm and hope.
- (1) Endeavoring to realize a gender-equal society
    - (a) Promoting a personnel policy to optimally exploit female officials' abilities and attitudes
    - (b) Promoting the NTA action plan (Comfortable Childcare Support Plan) to achieve a balance between childcare and work
  - (2) Improving the guidance and fosterage measures for young officials
  - (3) Reforming training systems in response to changes in the environment surrounding tax administration
  - (4) Improving the work environment

To promote the above measures, the NTA endeavors to attain the optimum distribution of its limited staff resources, distribute budget based on quantitative results, and place the right people in the right jobs. For the government as a whole, the NTA will move forward with a phased approach for the "Optimization Plan of Operations and Systems related to National Tax Administration" (issued in March 2006, revised in May 2007) by fiscal 2010.