

NATIONAL TAX AGENCY REPORT 2017



NATIONAL TAX AGENCY, JAPAN

From the Commissioner

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 development of the globalization of the economy and the 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 the NTA has 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 payment system (e-Tax) as well as filing assistance on the NTA website.

The NTA will take measures to further improvement of taxpayers’ convenience with the introduction of the Social Security and Tax Number System as a turning point.

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.

In recent years in particular, amid further globalization of the economy, public interest has been significantly growing in international tax avoidance cases due to the disclosure of the so-called “Panama Papers” and progress in the Base Erosion and Profit Shifting (BEPS) Project.

With the addressing of international taxation being set as an important task, the NTA has been working on the enhancement of information collection and utilization, and cooperation with foreign competent authorities. We also have been actively conducting examination, etc., after establishing and expanding a system for specialized areas.

We will continue to appropriately deal with the act of hiding assets overseas and international tax avoidance performed by the affluent taxpayers and corporations that conduct cross-border transactions, and will actively address international taxation issues that newly arise.

Every member of the staff at the NTA is dedicated to help taxpayers file tax returns and pay tax due 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, the NTA provides 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 2017" would help you to better understand us and the NTA.

June 2017

Hidenori Sakota

Commissioner
National Tax Agency, Japan

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(Note1) 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).

(Note2) The URL about NTA website stated in the text is as of May 2017.

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 means for filing and payment 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) 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 reduce 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.

Column 1 Effective and efficient management of small-sized Tax Offices

To promote the collection of delinquent tax with the limited number of personnel, the NTA has been endeavoring to improve the efficiency of office work and the delinquent tax collection procedure and to advance the delinquent tax collection procedure. Under such a circumstances, the NTA has determined to conduct effective and efficient management of the delinquent tax collection procedure at small-sized Tax Offices (targeted offices) by centralizing tasks at neighboring Tax Offices (central offices) in a certain size based on geographical conditions, etc. In the 2016 operation year, this management was performed at 10 Regional Taxation Bureaus, 16 central offices and 29 targeted offices.

Additionally, the NTA has been endeavoring to optimize the administration system for collection tasks, for example, by centralizing office work of the valuation and auction of seized property to Regional Taxation Bureaus.

(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, correctly understand what the taxpayer asserts and objectively scrutinize them 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.

(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 Japan 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.

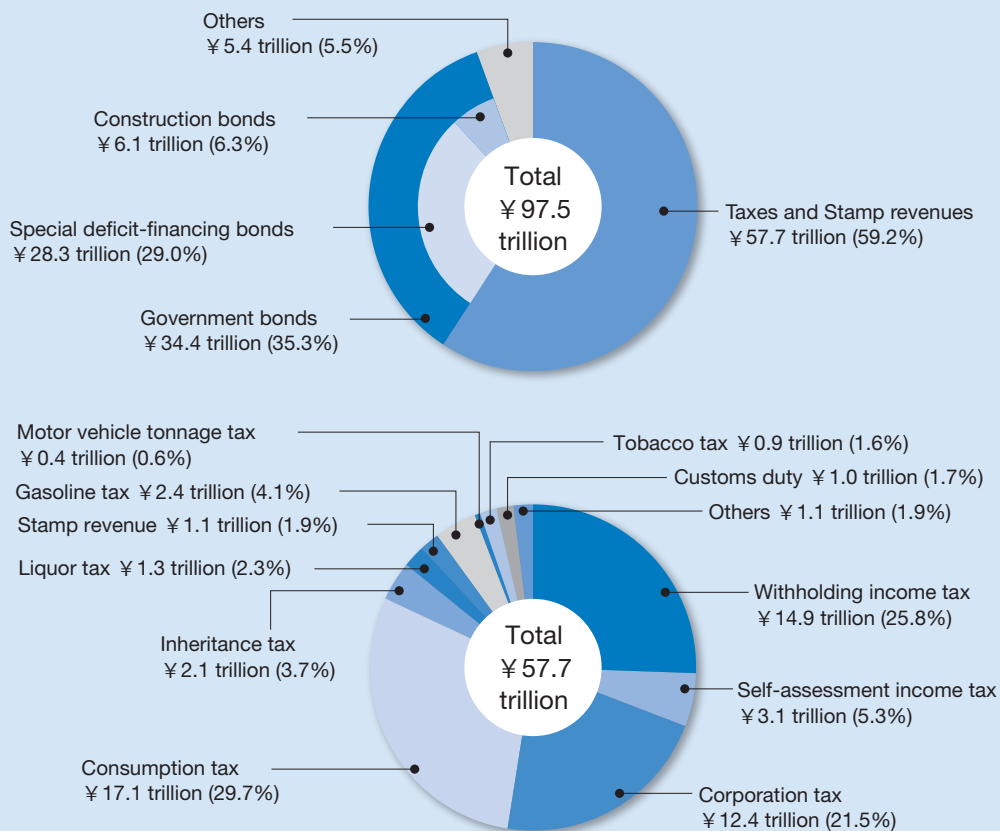
3 Overview of the national tax organization

(1) National revenue and taxes

National revenue (initial budget for general account revenues) in FY2017 stands at ¥97,454.7 billion, of which ¥57,712 billion is from taxes and stamp revenues.

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

■ National revenue (FY2017 general account revenues (initial budget))



*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

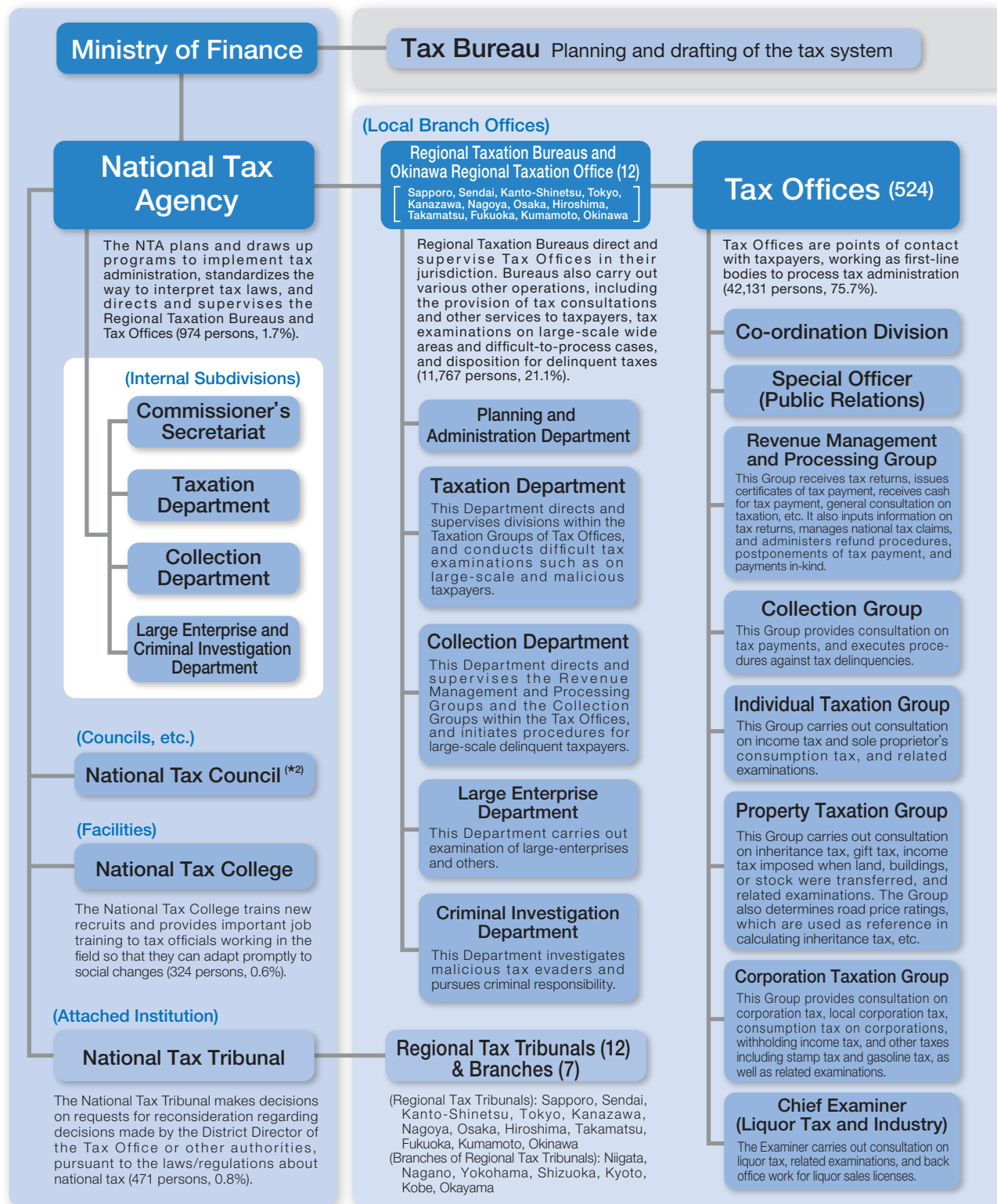
The NTA initial budget in FY2017 stands at ¥700.4 billion, with salary costs amounting to ¥559.8 billion and general expenses ¥140.6 billion.

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 55,667 in FY2017.

(3) Organizational structure of administrative authorities for national tax

The NTA supervises 12 Regional Taxation Bureaus and 524 Tax Offices throughout Japan to process tax administration.^(*1)



*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 2017).

*2 The National Tax Council addresses the following: ① deliberation 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.

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Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

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 214.7 million times in FY2016), 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.

“Think About Tax Week”

The NTA has been regularly taking measures for the improvement in the awareness regarding tax payment to assist citizens to deeply understand the significance and functions of taxes and the current state of tax administration, and to proactively and properly fulfill the obligation of tax responsibilities.

The week from November 11 to 17 is annually set in particular as the “Think About Tax Week.” The NTA conducts various PR activities mainly during this period and also considers this period as an opportunity to receive opinions and requests for tax administration.

The NTA attempts to improve awareness regarding tax payment by assisting citizens to understand the relationship between the lives of the people and taxes through this effort.

(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.

Overview of NTA Website (top page)

* The following diagram is as of May 2017.

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
- Prepared tax returns can be submitted by e-Tax
Printouts can be submitted by postal mail

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 and 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.

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

10 Efforts taken by the NTA

- Explain "the role of taxes and the work of tax offices" by using movie and illustration for easy understanding

7 See on video clip The Tax Information and the work of tax office

- Specific explanations of tax procedures, how to prepare tax returns, how to use e-Tax, etc.
- Shows the NTA activities like tax examination and collection, in an easily understood drama format

9 Text enlargement / voice reading

- Support functions for the elderly and those who have visual disorders

11 Email magazine

- Registration of "What's new? and Email magazine delivery service"

* The NTA submits information including new information regarding the NTA and a press release through the official NTA Twitter account (@NTA_Japan) other than the NTA website. The free video sharing site "YouTube" also delivers videos with information on the NTA activities (including the publicity activities of each Regional Taxation Bureau and Tax Office) and support for self-assessment procedures.

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(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 Certified Public Tax Accountants' Associations and 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)

*The diagram above is as of May 2017.

Number of lecturers dispatched to Tax Education Class, etc.

Fiscal year	2015	2016
Officials	8,313	8,428
Non-officials	26,137	28,954
Total	34,450	37,382

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

Number of essays entered for Tax Essay Contest

Fiscal year	2015	2016
Received from high-school students	199,401	210,468
Received from junior high-school students	616,062	629,534

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 such as primary school children and other people as well as specialists on tax history.

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	2014	2015
Frequency held	27,016 times	26,671 times
Number of participants	1,179 thousand people	1,180 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	2015	2016
Number of Advance Inquiries Received	126	132

■ Number of Q&A examples posted on website

Fiscal year	2015	2016
Number of Q&A posted	1,811	1,821

◎ Examples of answers provided in writing

- Regarding the tax treatment of “reasonable gains” in the case of implementing a system whereby the rights of obtaining patents for inventions made by employees originally belong to employers
- Regarding stamp tax for deposit receipts issued when a fee-charging home for the aged receives a lump-sum payment from a resident

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

(5) Tax consultation

~ General tax consultations are handled at centralized Phone Consultation Centers ~

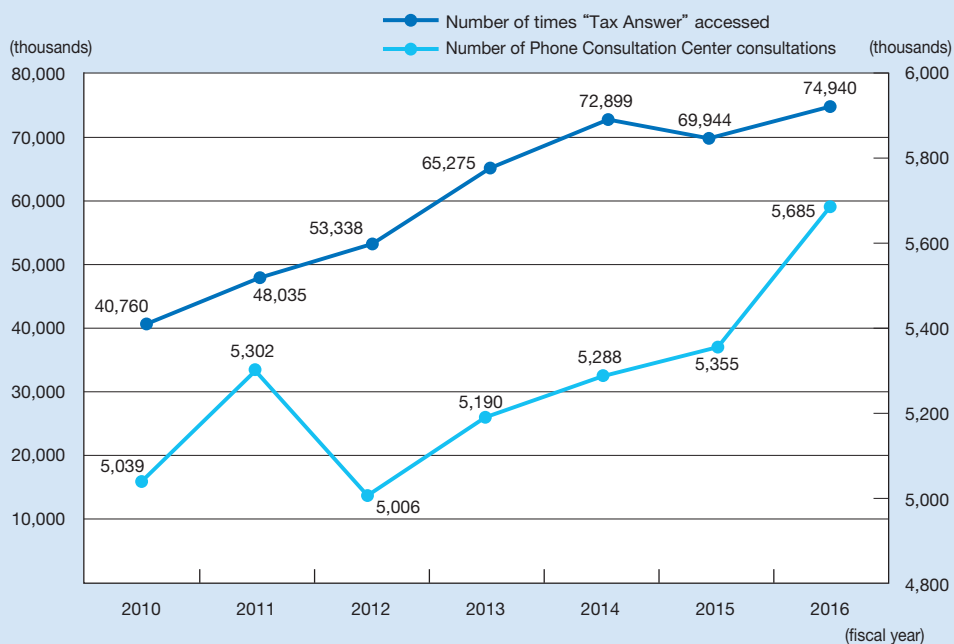
Phone Consultation Centers at Regional Taxation Bureaus provide centralized handling of general tax questions and consultations from taxpayers. Phone Consultation Centers at Regional Taxation Bureaus in Tokyo, Nagoya and Osaka also provide tax consultation in English.

Also, the NTA website provides information in its “Tax Answer” section (<https://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 ~

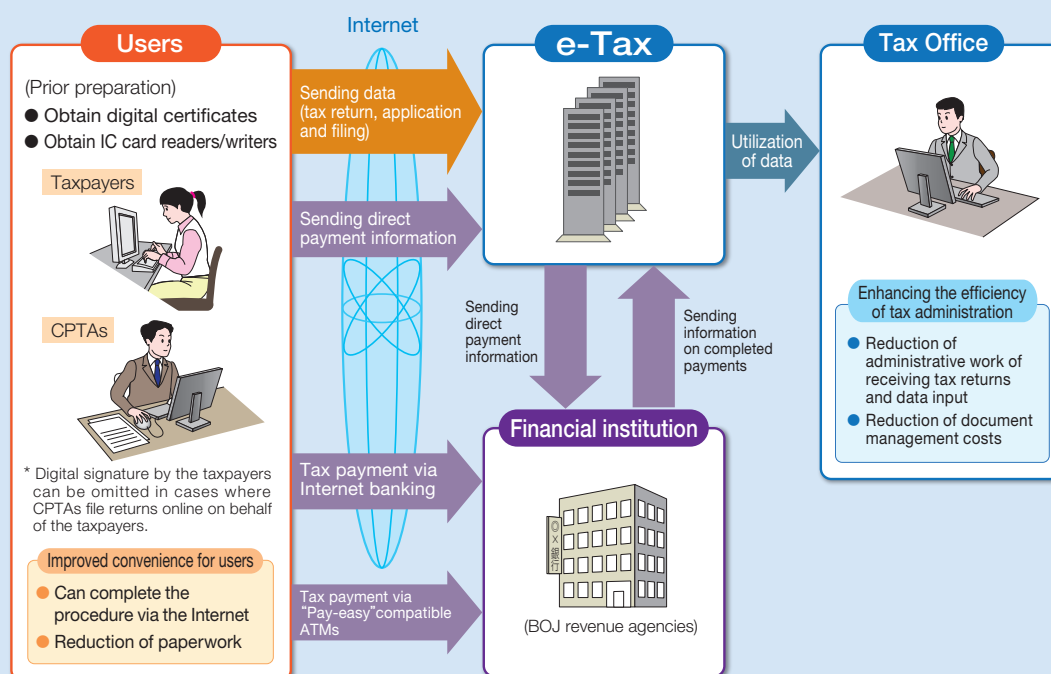
e-Tax enables users to perform procedures for filing income tax, corporation tax, consumption tax, gift tax, stamp tax and liquor tax returns, as well as submitting statutory records and applying for blue return filing, etc. via the Internet instead of submitting paper-based documents. Tax payment can be made via direct payment, the Internet, Pay-easy*¹ 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.

To this end, 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. Up to this time, the NTA has enabled the submission of attached documents such as medical receipts by individuals to claim medical deductions to be omitted*². Furthermore, we have been making efforts to improve user convenience, such as accepting the submission of a certificate of condemnation and other attached documents in the form of image data, and introducing the coordination of authentication between Mynportal and e-Tax*³.

Outline of e-Tax



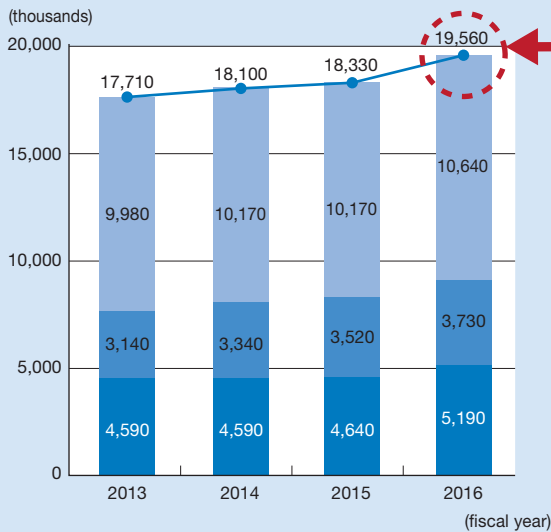
1 "Pay-easy" is a service where taxpayers can pay taxes, public utility charges and other charges through PCs, smartphones/cellular phones or ATMs without queuing at the counters of financial institutions or convenience stores.

2 In case submission of attachment documents is 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.

3 "Mynportal" is a portal site that provides My Number-related administrative services such as a one-stop service of an administrative procedure concerning parenting and a service of sending notifications from an administrative office. Due to the introduction of the authentication coordination between Mynportal and e-Tax, the following services are available without inputting an ID and a password for e-Tax once a user logs into Mynportal: access to message boxes, procedures concerning certificates of tax payment, procedures concerning withholding taxes, and procedures concerning statutory statements.

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

The number of utilizations of e-Tax



The number of utilization of e-Tax increases steadily.

- National tax return procedures that depend on prevalence rate, etc. of the Public Certification Service for Individuals (2 procedures)
- National tax return procedures other than the above (4 procedures)
- Application and filing procedures (9 procedures)

*1 "National tax return procedures that depend on prevalence rate, etc. of the Public Certification Service for Individuals (2 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 filling 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 2 The NTA has been preparing for the simplification of the use of e-Tax

The NTA has been proceeding with a system modification to simplify the use of e-Tax by individual taxpayers, for example, by utilizing digital certificates installed in My Number Cards as a standard and the function of authentication coordination of Mynportal. The following functions will be available in **January 2019**.

● The use of e-Tax with My Number Card (My Number Card method)

By logging into e-Tax through Mynportal or from the e-Tax website with My Number Cards, taxpayers can start using e-Tax, and prepare/submit tax returns and other data with simple settings.

- ▶ To use e-Tax, taxpayers are required to submit an application beforehand to the District Director of the Tax Office, receive a notice of an ID and a password for e-Tax^(*1), and retain and input the ID and password; however, this will no longer be necessary after the procedure is simplified.
- ▶ The NTA has been pursuing the simplification of the procedure for the use of e-Tax, utilizing information based on a notice of medical expenses.

● The use of e-Tax with IDs and passwords (ID and password method)

Taxpayers who have not acquired a My Number Card or an IC card reader/writer will be able to file a tax return online with an ID and a password for e-Tax notified by the District Director of the Tax Office based on a strict procedure for confirming the identity of individuals^(*2).

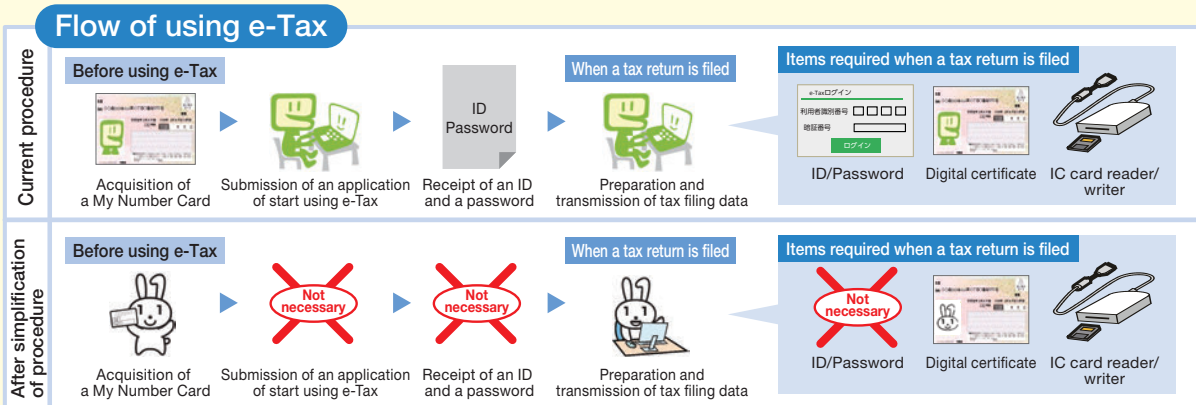
- ▶ The identity of individuals is strictly confirmed by conducting a face-to-face interview with an official at a Tax Office^(*3).
- ▶ Access to a message box in principle requires a digital certificate^(*3).

*1 ID for e-Tax: User identification number, password for e-Tax: Password.

*2 This is a temporary procedure used until My Number Cards and IC card reader/writer come into general use (to be reviewed in about three years after implementation).

*3 These will be conducted as a part of the measures for preventing identity fraud and security measures.

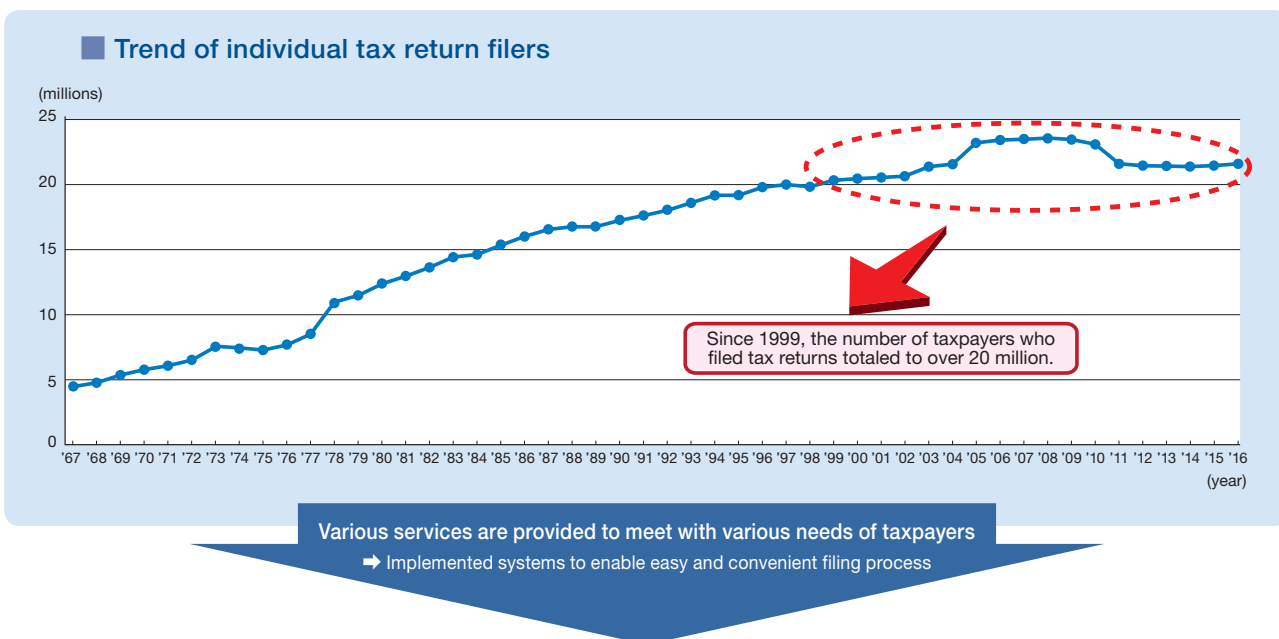
~ Conceptual diagram of the use of e-Tax with the My Number Card method ~



3 Filing for tax return

~ The number of taxpayers who filed tax returns totaled 21.69 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. 21.69 million people filed their income taxes and special income taxes for reconstruction for 2016; thus, one out of six residents filed tax returns. Of these, over 12.58 million people filed for refunds, comprising over half of the people filing tax returns.



(1) Promotion of filing using ICT

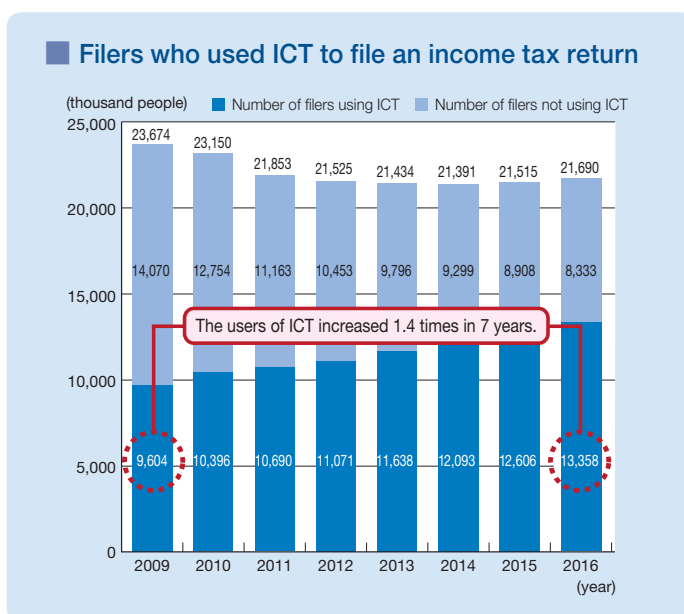
~ Filing assistance on the website and e-Tax ~

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.



II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

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

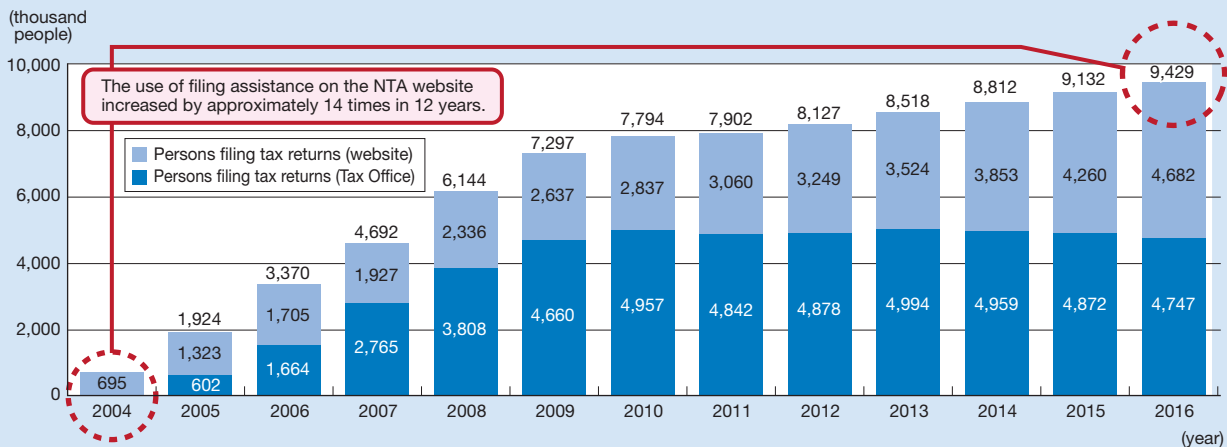
With the filing assistance on the NTA website, if a taxpayer enters the amounts and other necessary information according to the guidance on the PC screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns for income tax and special income 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 2016, 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 9.43 million cases including those prepared via PCs set up at consultation sites. This comprised about 43% of all people who submitted returns. About 52% 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.

■ Trend in income tax return submissions prepared in filing assistance on the NTA website



* Figures represent those submitted by the end of March of the following year.
 The use of filing assistance on the NTA website at PCs installed in the Tax Office started from tax returns for 2004. However, the number of taxpayers who submitted returns using this method remains unaccounted for.
 The number of taxpayers who submitted tax returns for years before 2003 remains unaccounted for.
 The number of taxpayers who submitted tax returns for years since 2007 includes cases using e-Tax.

(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 2016 tax return filing period, the offices were open on February 19 and February 26, 2017, during which 294,000 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 Diversification of payment methods

~ 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. Additionally, tax payment with a credit card started in January 2017.

Taxpayers can also use transfer tax payments from a deposit account for self-assessed income tax and sole proprietors' consumption tax.

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 2017, it was usable in 398 financial institutions.

Online tax payment using Internet banking

National taxes can be paid online through Internet banking and ATMs of financial institutions that accept payment with Pay-easy.

To pay taxes online using Internet banking, etc., taxpayers are required to submit an application of start using e-Tax beforehand.

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 1.6 million cases in FY2015.

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)

Payment with credit card

Credit card payment is a procedure whereby entrusting the payment of national tax to a trustee by inputting information required for payment on the "National Tax Credit Card Payment Site" operated by the trustee for payment on the Internet.

The tax amount that can be paid with a credit card is a maximum of 10 million yen and should be within the payment limit of the credit card to be used.

Taxpayers must pay for handling charges for credit card payment in accordance with the tax payment amount (handling charges are not national revenue).

5 Efforts toward 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 number) and Corporate Numbers.



Mascot character for My Number "Maina-chan"

① 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 municipal offices 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.

② 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 three 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 Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure 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 has implemented the following measures for improving the convenience for taxpayers: (1) attaching a copy of a certificate of residence can be omitted in a declaration procedure to claim, for instance, a housing loan tax credit from 2016, and (2) In January 2017, electronic filing was centralized for the withholding record and the payment record of salaries, a public pension, etc. that should be submitted to both the national and local governments.

The NTA has been pursuing the simplification of the procedure for the use of e-Tax by individual taxpayers, utilizing information based on a notice of medical expenses.

~ Recognizing income properly and more efficiently ~

In the field of national taxes, as numbers 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, we have to note that recognizing all income is difficult even with these numbers.

~ Conducting public relations activities ~

To facilitate the establishment of My Number System, the NTA is actively conducting public relations by publishing FAQs, etc. through a special site regarding My Number System on its website, a briefing session, etc. held for the relevant private sectors, industrial associations, etc., and public relations using newspapers and Internet advertising in cooperation with the relevant ministries and agencies.

Latest information on the Social Security and Tax Number System and inquiries

- The Cabinet Office website for the Social Security and Tax Number System:
<http://www.cao.go.jp/bangouseido/>
- Call Center for the Social Security and Tax Number System (Multilingual Service) :

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 Office.

Latest information on the Social Security and Tax 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.

NTA My Number  <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.

Corporate Number Publication Site  <http://www.houjin-bangou.nta.go.jp/en/>

- Office of Corporate Number Management at the NTA is accepting inquiries about designating Corporate Number, sending a written notice, and how to use "Corporate Number Publication Site".

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).

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

(3) Actions as an entity assigning Corporate Number

~ Assigning Corporate Numbers ~

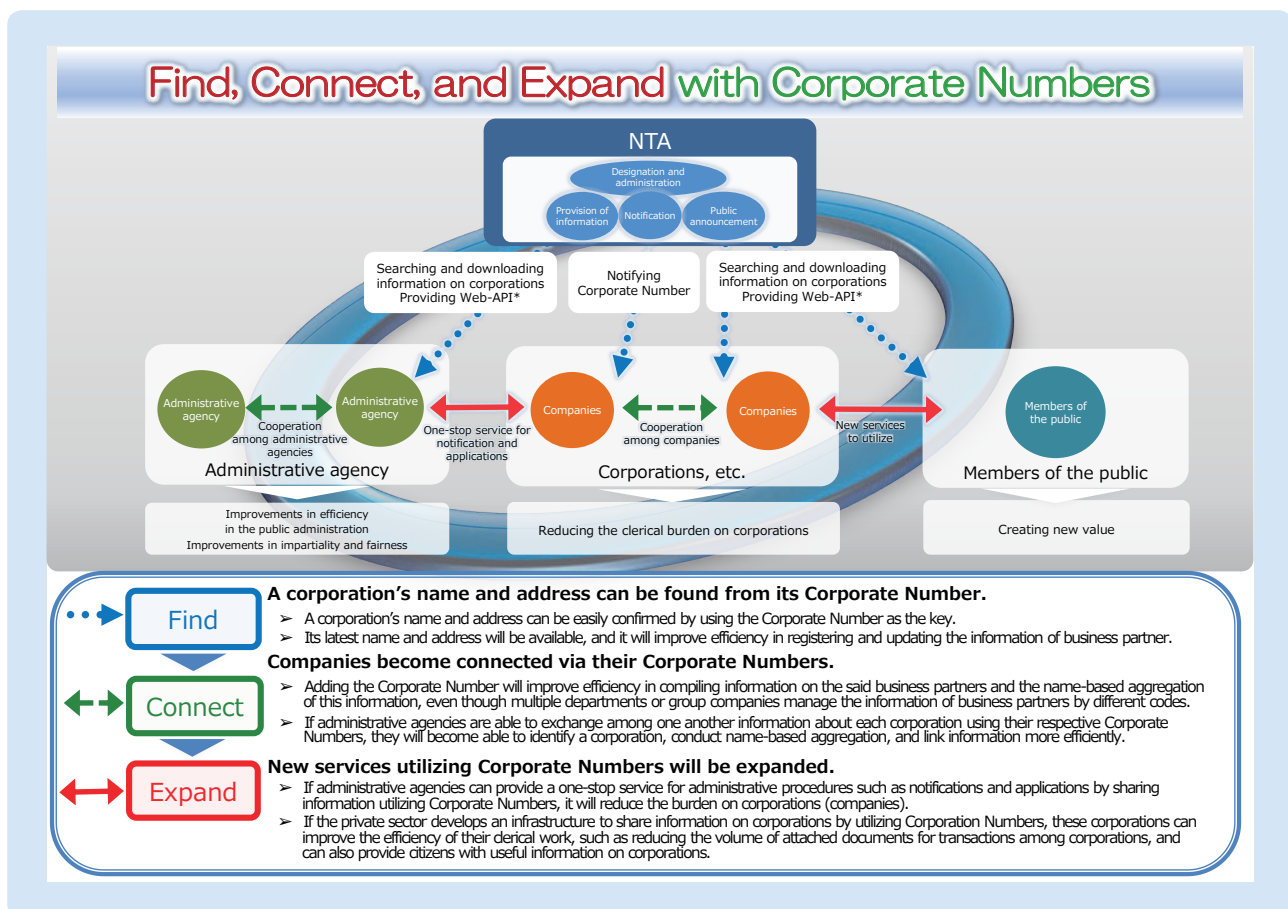
The Corporate Number is designated to ① established registered corporations, such as stock companies, ② national government organs, ③ local public entities, or ④ other corporations or associations without juridical personality, etc., other than those listed in ① through ③, those obligated to file and 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 (<http://www.houjin-bangou.nta.go.jp>)). 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.



～ Initiatives for the international utilization of Corporate Numbers ～

① 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 Opening of Corporate Number Publication Site (English Version)

While economic transactions are being internationalized, there are increasing opportunities to use corporation names and addresses in English. In order for Corporate Numbers to be used more widely, the English version of the Corporate Number Publication Site (<http://www.houjin-bangou.nta.go.jp/en/>) was established in April 2017, and trade names or names and the addresses of head offices or principle places of business in English are published upon requests from corporations.

6 Promotion of adoption of ICT and Business Process Reengineering (BPR)¹

～ Actions for changing in the Japan’s tax administration environment ～

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.

In order to improve convenience for people and achieve more simple, efficient, reliable and transparent administrative operations by utilizing ICT in administrative areas and reviewing operations and 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.

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, such as the initiatives for Business Process Reengineering (BPR) for the reduction in the administrative burden on people and the advancement of administrative operations.

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 equipment.

Since the NTA holds and accumulates large amounts of taxpayer information, it takes great care for the prevention of its improper use and leakage. For instance, the NTA allows its officials to use only 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 built an information security management system (ISMS)² which complies with international standards, and in 2007, obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001: 2005 and JISQ27001: 2006)³, and regularly renews the certification afterward.

1 “Business Process Reengineering (BPR)” means a fundamental reform of existing organizations and business rules, and a redesign of duties, work flow, administrative mechanisms, and information systems from a process viewpoint.

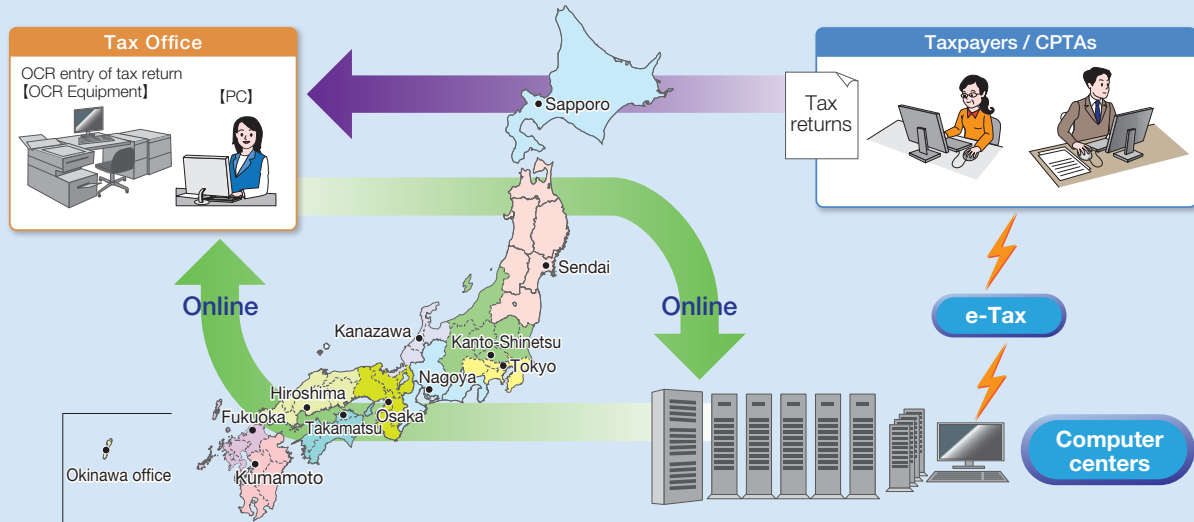
2 An Information Security Management System (ISMS) is an organizational initiative to implement the planning, operation, review and improvement which are required in order to maintain a situation of appropriate management for confidentiality and completeness and usability of information assets which should be protected.

3 ISO/IEC27001:2005 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 27001:2006 is a Japanese domestic standard published in May 2006, corresponding to ISO/IEC27001.

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

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.



7 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.

8 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 1,900 associations nationwide, and the total number of members is about 630,000 (as of April 2017). 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 790,000 corporations (as of December 2016). 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 2016). 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> (in Japanese)

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 150,000 members belong to these associations (as of March 2017). 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> (in Japanese)

Column 3 Response to the Great East Japan Earthquake (As of end of March, 2017)

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 fiscal 2016 on liquors and brewing water (1,441 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 8,835 certificates of place of manufacturing, and 817 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, 2017):

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).
	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, for that dwelling. 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. ③ The above ① and ② can be applied simultaneously.
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 December 31, 2021) 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	<p>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.</p>

*For other measures and details, see the NTA website <http://www.nta.go.jp> or visit a nearby Tax Office.

Column 4 Response to the 2016 Kumamoto Earthquake (as of the End of March 2017)

1 Extension of filing and payment deadlines for national taxes

On April 21, 2016, the NTA announced an extension of filing 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.

After that, based on the post-earthquake situation in Kumamoto Prefecture, the measure for the extended deadlines was set as November 30, 2016 and December 16, 2016 (notification dated October 17, 2016).

The deadline can be further extended upon request for taxpayers still having difficulty in filing or paying taxes by the above dates. The NTA has been striving to meticulously deal with the situation in consideration of the circumstances of each taxpayer.

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.

In advance of the filing of tax returns for 2016, those Tax Offices having jurisdiction over affected areas held consultations with municipalities in those area about casualty loss deduction for those who have houses damaged by the Kumamoto Earthquake.

The Kumamoto-Higashi Tax Office and the Kikuchi Tax Office, where many tax filings by affected taxpayers were expected to file, established a system whereby affected taxpayers can appropriately make consultations and file tax returns, such as providing consultations for tax filings by arranging larger external venues than the halls usually used inside the Tax Office buildings.

(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.

Column 5 Actions taken for the amended Consumption Tax Act

1 Provision of information and consultation concerning the reduced tax rate system for consumption tax

The “reduced tax rate system” for consumption tax is to be implemented along with the raising of the consumption tax rate scheduled on October 1, 2019.

■ Outline of the reduced tax rate system

Consumption tax rates	The standard tax rate is 10% (national consumption tax rate of 7.8% and local consumption tax rate of 2.2%) The reduced tax rate is 8% (national consumption tax rate of 6.24% and local consumption tax rate of 1.76%)
Items subject to the reduced tax rate	① Food and beverages excluding alcoholic beverages and dining out ② Newspapers issued more than twice a week (those based on subscriptions)
Entry in ledgers, description on invoices, and storing these documents	<ul style="list-style-type: none"> ● Business operators that sell and/or purchase target items will be required to carry out separate accounting by issuing invoices, etc. and making entries that state classifications by tax rate in addition to prior requirements. ● A requirement for purchase tax credit is currently “storing ledgers, invoices, etc.” After the reduced tax rate system is implemented, business operators will be required to store ledgers, invoices, etc. in accordance with the separate accounting* (method of storing invoices, etc. with classified descriptions). <p><small>* These are classified as “invoices, etc. with classified description.” Starting from October 2023, business operators will be required to store “qualified invoices, etc.” in place of “invoices, etc. with classified description” (method of storing qualified invoices, etc.).</small></p>

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 fully understand the reduced tax rate system for consumption tax.

- Opening of a special site of the reduced tax rate system on the NTA website
- Publication of Q&As with explanations based on specific cases about items subject to the reduced tax rate
- Setting up a guidance exclusively for the reduced tax rate at an existing telephone counseling center
- Explanation for the reduced tax rate system through various explanatory meetings
- Provide consultations on the reduced tax rate system 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 refusing to shift consumption taxes or acting in a way that interferes with said shifting. The Act also provides exceptions for the obligation to indicate the total price with tax.

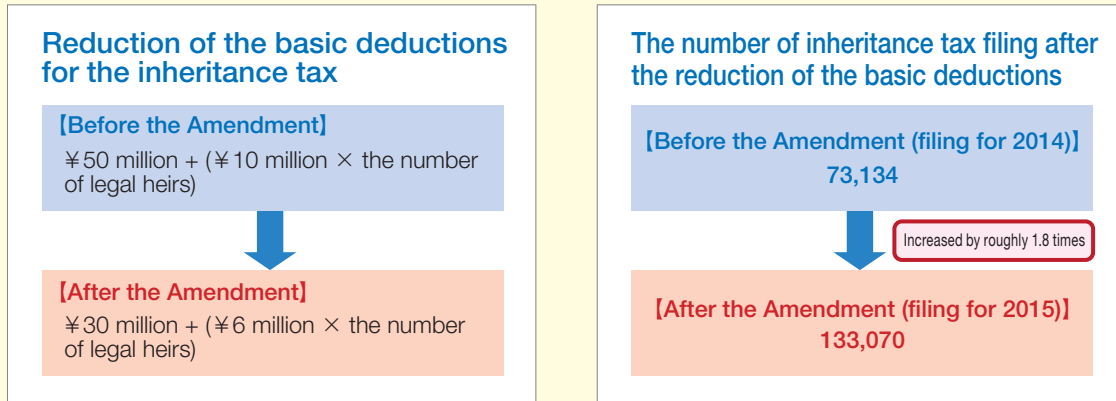
Thus, the NTA endeavors to secure smooth and appropriate shifting of consumption taxes through the following measures:

- 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 6 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.



2 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(<https://www.nta.go.jp/souzoku-tokushu/index.htm>)” which integrates relevant information on inheritance tax, etc.

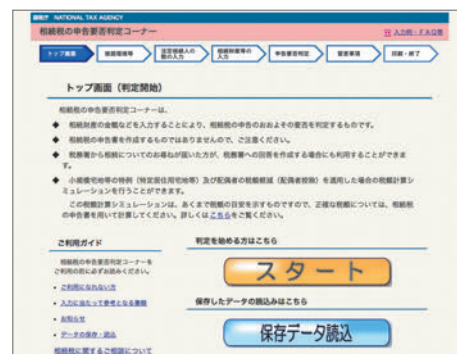
More specifically, we are posting a pamphlet for informing site visitors about items amended by this tax reform including and “Outline of Inheritance Tax” that explains the system of the inheritance tax in an easy-to-understand manner. In addition, the website has a section open to the public, “Tool 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.

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

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

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.



* The diagram above is as of May 2017.

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.

■ The number of field examinations

(thousands cases)

Operation year	2014	2015
Self-assessed income tax	68	66
Corporation tax	95	94

■ Undeclared income amount found in field examinations, per case

(¥million)

Operation year	2014	2015
Self-assessed income tax	7.39	7.94
Corporation tax	8.66	8.88

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

The NTA utilizes the 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 ~

The NTA clarifies the actual state of increasing overseas investment and cross-border transactions and conducts in-depth examinations by utilizing information from the record of remittance and receipt relating to foreign countries and other materials, and the information exchange system based on the tax treaty, etc. with competent foreign authorities.

We properly impose taxes on investment profit generated from diversified and globalized asset management conducted in particular by the affluent class. We also actively conduct examinations to accumulate information for the future proper taxation of inheritance tax.

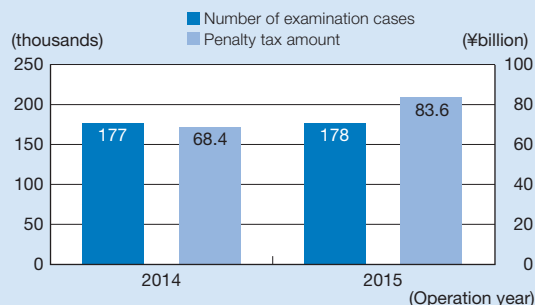
◎ Cases in which the NTA identified overseas assets not reported for Japanese tax purposes

- 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.
- The NTA has discovered a reduction in tax burden by conducting transactions through a shell company established in a so-called tax haven.

~ Prevent fraudulent consumption tax refunds by means of sufficient examination, etc. ~

Consumption tax is one of the main taxes for tax revenue, which is why it attracts the strong attention of the public. Therefore, proper tax administration is especially necessary. Especially, 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.

Examinations of consumption tax (individual and corporation)



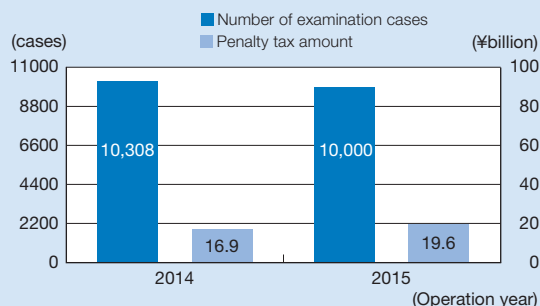
Examples of examinations of the consumption tax

- The NTA has discovered intentional underreporting of income to avoid being a payer of consumption tax.
- The NTA has discovered a fraudulent refund of consumption tax by means of falsifying books to disguise domestic sales as sales subject to export exemption.

~ Discover the file no returns by utilizing information ~

Since the file no returns will cause a strong sense of unfairness to compliant taxpayers, the NTA precisely identifies file no returns by further collecting and utilizing information from materials, and actively conducts examinations.

Examination results of file no returns (individuals and corporations)



Examples of examinations of file no returns

- The NTA has discovered that a company employee has not reported income from a side business of Internet sales.
- The NTA has discovered that a business continued under the false pretense of the discontinuance of business.

~ 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.

(2) Other approaches for ensuring compliance than field examinations

～ Promote various contact methods in addition to field examinations ～

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.

◎ Efforts to ensure voluntary fulfillment of tax obligations by taxpayers

- The NTA encourages voluntary review of filing by sending written inquiries, to the person who seemingly has made some calculation error or has applied incorrect tax laws, and the person who seemingly has failed to file a return based on available information.
- The NTA has been making effort to improve the level of tax filing among all industries and regions, and to ensure future proper tax filing by utilizing various approaches. Such approaches include drawing taxpayers' attention to proper tax filing in written form, holding briefings, and distributing leaflets to taxpayers in certain industries and regions.

Approaches to enhance the large corporate governance on tax matters

● Approaches to enhance the corporate governance on tax matters

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. Then we will focus its examination work on other corporations in need of improvement.

With this action, the NTA will be able to effectively utilize the limited number of personnel. From a corporate perspective, benefits will arise, such as a reduction in risks that tax affairs are inappropriately processed, and a reduction in the amount of paperwork due to tax examinations being conducted as necessary.

Details of this activity are available at the NTA website [<https://www.nta.go.jp> (Home > Tax filing and payment procedure > Corporation Tax > Reference for tax filing procedure) (in Japanese)] (This location is as of May 2017).

● Publication of the “voluntary inspection of tax returns and voluntary audit of tax items” at large enterprises

～ Publication of check sheets for the “voluntary inspection of tax returns and voluntary audit of tax items” by Large Enterprise Department of Regional Taxation Bureau ～

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.”

These sheets 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.

We expect a reduction in risks that processing errors are identified during examination by utilizing these to prevent errors in tax returns.

[<https://www.nta.go.jp> (Home > Tax filing and payment procedure > Corporation Tax > Reference for tax filing procedure) (in Japanese)] (This location is as of May 2017).

● Publication of the “Transfer Pricing Guidebook for Taxpayers”

Under the environmental change surrounding transfer pricing taxation, including progress in the BEPS Project and the establishment of documentation rules for transfer pricing, the NTA has reviewed the administrative processes (policy initiatives and specific measures), aiming to enhance voluntary tax compliance by taxpayers regarding transfer pricing taxation. We have also publicized the “Transfer Pricing Guidebook for Taxpayers” in June 2017 to enhance predictability for taxpayers and administration transparency.

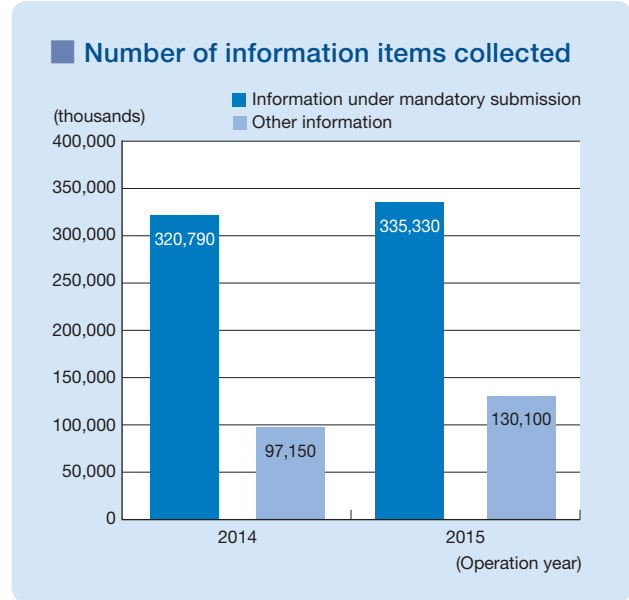
Please refer to page 47 for details.

(3) 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.



(4) 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.”

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.

~ Positive action toward cases with socially strong ripple effects ~

In FY2016, the NTA took positive action against consumption tax cases; for example, an accusation was filed to the prosecutor for a large amount of illegal refund using the export exemption system for consumption tax.

We have also actively worked on cases relating to photovoltaic power generation and earthquake disaster reconstruction, the markets of which have been rapidly expanding.

■ Examples of accusations filed to the prosecutor in FY2016

Example of an illegal refund using the export exemption system for consumption tax

A corporation in the business of exporting luxury watches exported goods in stock (luxury watches) at an affiliated company, pretending that these were sold to an overseas corporation; however, the same goods returned to Japan to be sold. In such a manner, the corporation recorded fictitious purchases and sales through repeated false transactions and illegally received a large refund on consumption tax.

III Proper and Fair Taxation and Collection

■ 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)
FY2015	189 cases	181 cases	115 cases	¥million 13,841 (11,204)	¥million 76 (97)
FY2016	178	193	132	16,106 (12,692)	83 (96)

*Figures of tax evasion include additional tax.

■ 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
FY2015	133 cases (12)	133 cases (12)	100.0 %	2 persons (1)	¥million 64	months 15.2	¥million 15
FY2016	100 (12)	100 (12)	100.0	14 (9)	59	13.9	14

*1 Figures in the parenthesis indicate cases combined with non-tax crimes.

*2 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 travel bag placed in a closet at a dwelling.



Funds obtained from tax evasion were, for example, retained as cash, deposits, stocks, or deposits for foreign exchange margin trading; spent on dwellings, imported luxury cars, luxury watches, gold bullion, or race horses; appropriated for financial support to an associated person; and spent on amusement, such as gambling.

In addition, part of the illicit funds was, for example, retained as overseas deposits, spent on overseas condominiums, and spent on amusements at overseas casinos.

2 Reliable tax payment

(1) Establishment of voluntary tax payment

~ Approximately ¥61.9 trillion taxes paid into the national treasury within the fiscal year (98.8% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2015, about ¥62.7 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about ¥61.9 trillion of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.8% collection ratio.

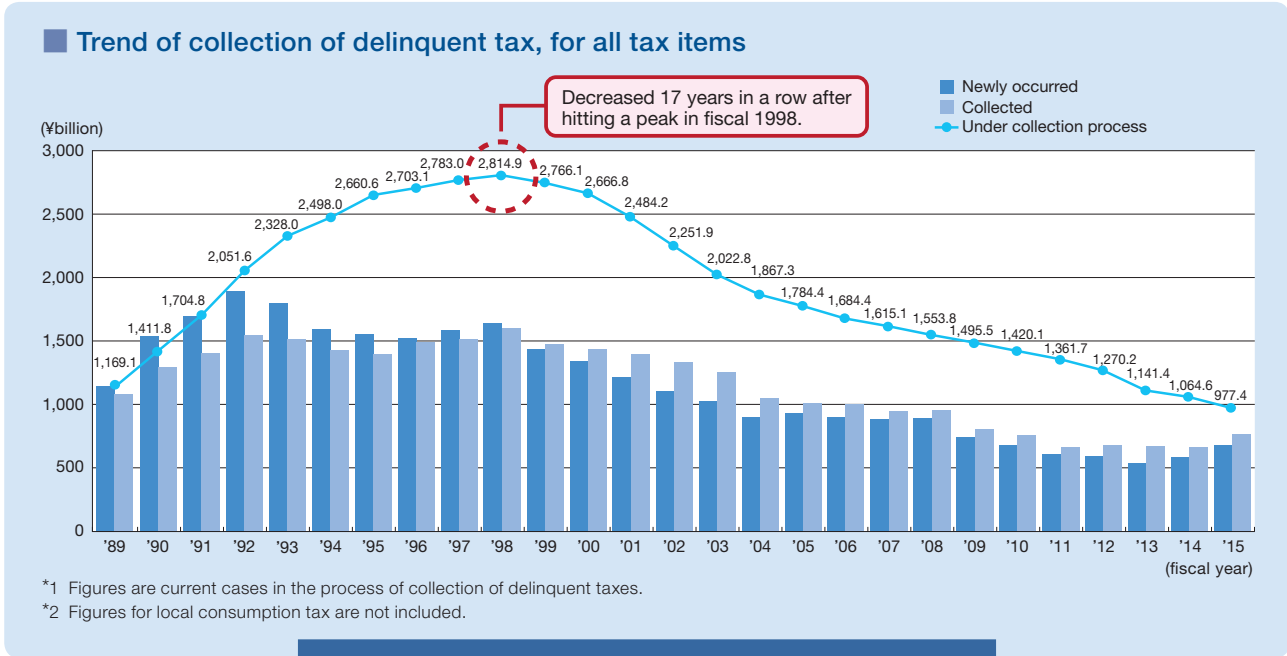
~ Measures to prevent delinquencies ~

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.

(2) Reduction of tax delinquency

~ Amounts under collection process reduced to 34.7% 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 FY2015, the tax delinquency amount was about ¥977.4 billion.



Amounts under collection process remains high at approximately ¥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 taxpayers' rights and interests. Therefore, in collection of delinquent tax, appropriate actions such as seizure, auction and other disposition, are taken based on an accurate understanding of the facts. On the other hand, tax payment relief measures can be provided, such as postponement of tax payment, or suspension of conversion into cash. As described above, the NTA deals with delinquent tax based on laws and regulations while considering the actual situation of each delinquent taxpayer.

Regarding the grace period which 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 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 tax¹ is aggressively referred to the prosecutor.

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.

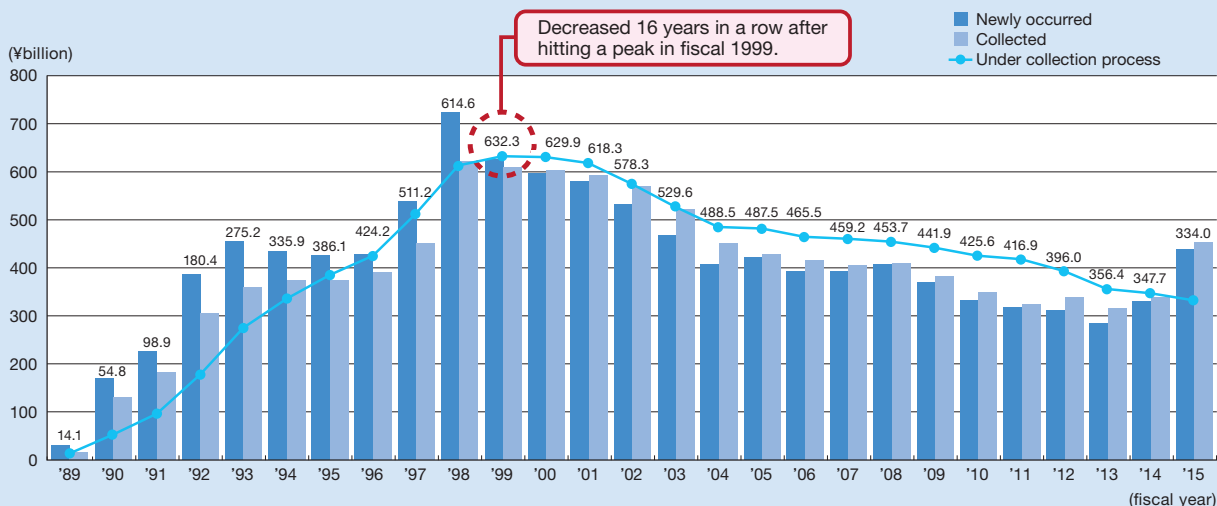
~ Organizational response, etc. of difficult-to-handle cases ~

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 act¹ 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.

(3) Office of Tax Collections Call Center

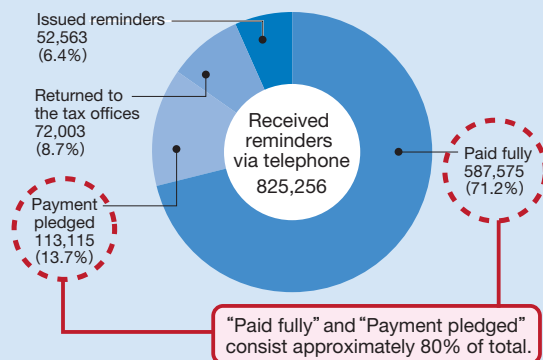
~ Conduct effective and efficient phone notices ~

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 2015 to June-end 2016, this office provided notifications to about 830,000 people, of which about 590,000 people (71.2%) fully paid, and about 110,000 people (13.7%) pledged payment.

■ Collection of delinquent tax at the Office of Tax Collections Call Center

Of 825,256 taxpayers issued reminders for payment by telephone between July 2015 and June-end 2016, 587,575 have fully paid their taxes.



¹ 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).

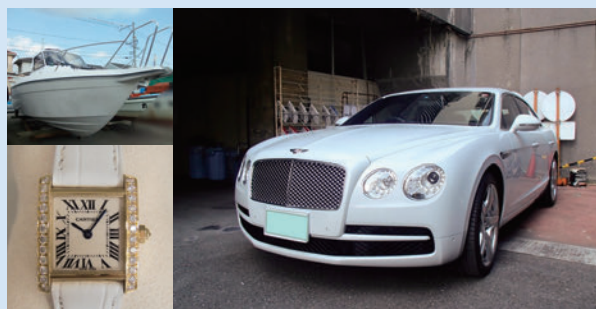
(4) Auction by Internet

~ Sold approximately 400 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 FY2016. As a result, a total of about 4,000 people participated, and about 400 items such as automobiles, jewelry goods, 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 42.5 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) processing¹ for tax payment slips at the Bank of Japan, the income tax and sole proprietors' consumption tax payments by transfer account², 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.

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 two years in prison or up to a ¥1 million fine) under the tax law, which is heavier than the penalty (up to one 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. When interviewing taxpayers, tax officials consider taxpayers' privacy and refrain from interviewing them in their storefronts or in front of their homes.

Because the NTA deals with Specific Personal Information (means Personal Information that includes My Number), 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 based on the purpose of the "Act on the Use of the Numbers to Identify a Specific Individual in the Administrative Procedure."

¹ 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.

² 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 magnetic tapes containing 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 record the processing results on the magnetic tapes and return the tapes to the Tax Offices.

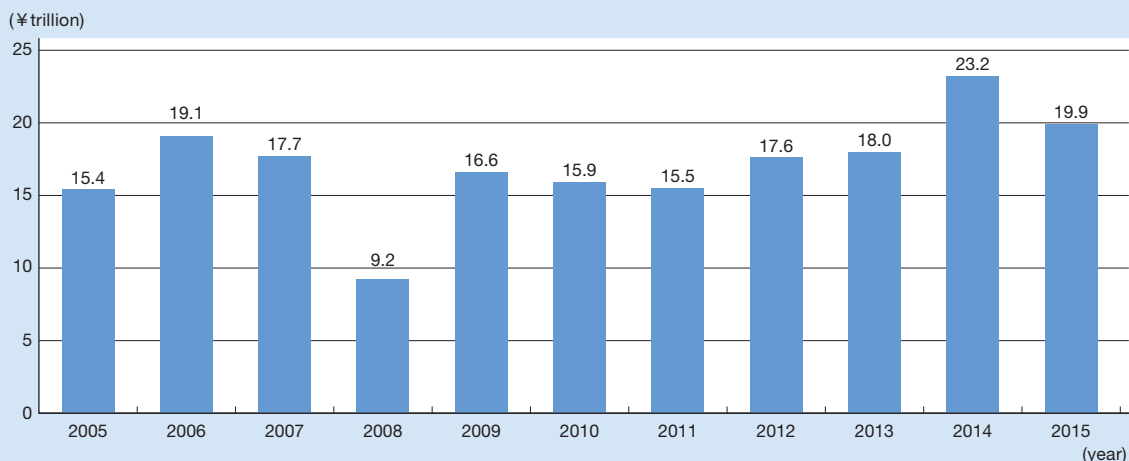
3 Addressing international transactions

(1) Background

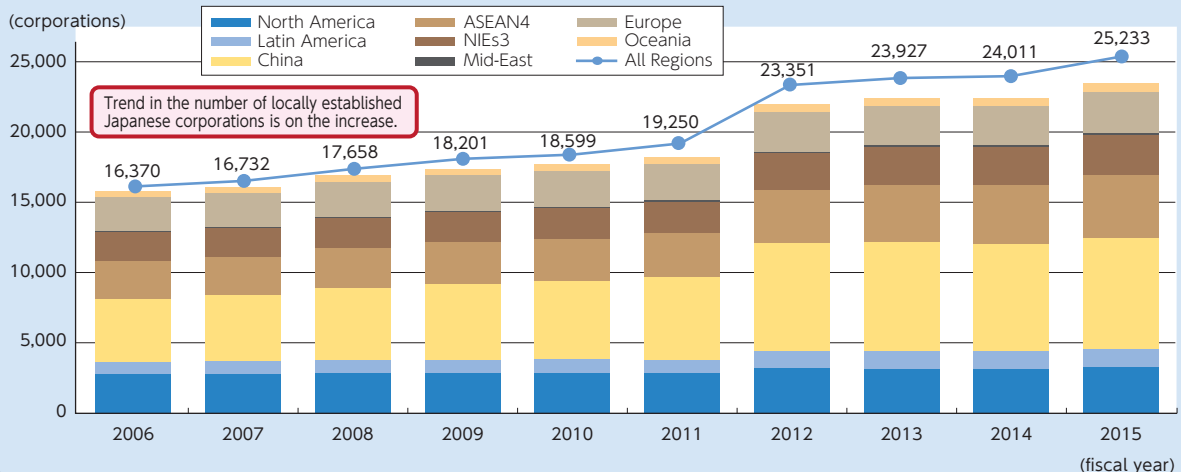
In recent years, the economy has been increasingly globalized with an increase in overseas investment by individual investors and cross-border transactions conducted by corporations. Under such circumstances, due to the disclosure of the so-called “Panama Papers” and progress in the Base Erosion and Profit Shifting (BEPS) Project, public interest has been significantly increasing in international tax avoidance cases, such as the act of hiding assets overseas performed by the affluent class and corporations that conduct cross-border transactions and the act of reducing tax burden using corporations established overseas or the difference in the tax systems and tax treaties of other countries.

The NTA considers that realizing proper and fair taxation in view of such global trends as well as domestic trends will lead to securing trust from all citizens.

■ Amount of overseas investment from the household sector (portfolio investment assets)



■ Trend in the number of locally established Japanese corporations by region



*1 “ASEAN4” signifies Malaysia, Thailand, Indonesia and Philippines.

*2 “NIEs3” signifies Singapore, Taiwan and South-Korea.

(Source: “Basic Research on Overseas Business Activities,” by the Ministry of Economy, Trade and Industry)

While the NTA has set the addressing of international taxation as an important task, we have especially publicized the “International Strategic Total Plan,” where the present state of efforts toward international taxation and the future direction are compiled, in October 2016.

The affluent class and corporations that conduct cross-border transactions

- Hiding assets overseas
- International tax avoidance using corporations established overseas
- International tax avoidance using the difference in the tax systems and tax treaties of other countries

International Strategic Total Plan	
Enhancement of information resources	
[Utilization of records of remittances and receipts related to foreign countries] • Recognition of outward and inward overseas remittances exceeding ¥1 million	[Exchange of information under tax treaties, etc.] • Collection of information on the actual situation of transactions, dividends, income from real estate, etc.
[Utilization of foreign asset statements] • Recognition of assets exceeding ¥50 million held overseas (deposits, securities, real estate, etc.)	[Automatic exchange of information on financial accounts based on the CRS ^{*1}] • Collection of information on overseas financial accounts (account balance, etc.) (A first exchange will be conducted by September 2018.)
[Utilization of statements of assets and liabilities] • Recognition of assets totaling ¥300 million or more (deposits, securities, real estate, etc.) or securities, etc. totaling ¥100 million or more (for individuals earning an income of exceeding ¥20 million)	[Establishment of a reporting system of information on multinational enterprises] • Collection of information on multinational enterprise groups (A first exchange will be conducted by September 2018.)
Enhancement of human resources for examination	
[Chief Examiners (International Taxation) of Taxation Department and the International Examination Divisions at Regional Taxation Bureaus] • Collection and analysis of information of international tax avoidance, and examination planning • Research and development of examination methods concerning complicated cross-border transactions	[Establishment and expansion of a project team for the selective management of the affluent class] • Management of individuals especially holding a large amount of assets among the affluent class, and examination planning
[Senior Examiners (International Taxation) at Regional Taxation Bureaus and Tax Offices] • Identifying cases that have international taxation issues and actively conducting examinations	[Establishment of an organizational infrastructure related international taxation (establishment is budgetary-requested for FY2017)] • Request for the establishment, etc. of a headquarters for international taxation (Director (International Taxation) at the NTA) • Request for increasing dedicated personnel in charge of international taxation
Reinforcement of global networks	
[Exchange of information under tax treaties, etc.] (aforementioned) [Automatic exchange of information on financial accounts based on the CRS] (aforementioned)	[Participation in global frameworks] • Response to international discussions concerning the BEPS ^{*2} and the tax transparency
[Utilization of a mutual tax collection assistance system] • Request for tax collection regarding assets held in a tax treaty contracting state to the tax authority of the treaty partner	[Promotion of the Mutual Agreement Procedure] • Solution of international double taxation issues

*1 CRS: The abbreviation of Common Reporting Standard *2 BEPS: The abbreviation of Base Erosion and Profit Shifting

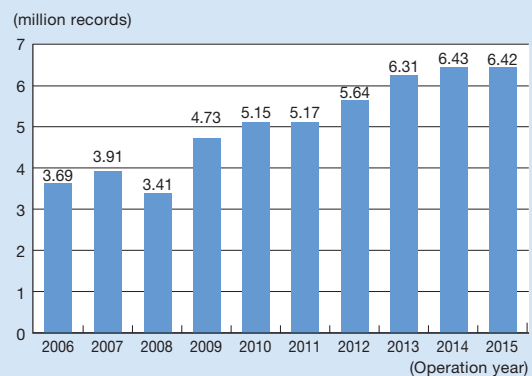
(2) Enhancement of information resources (reinforcement of information collection and utilization)

For the purpose of detecting cross-border fund transfers and assets held overseas, the NTA has been utilizing the following systems:

① Records of remittances and receipts related to foreign countries

Records of remittances and receipts related to foreign countries is a report to be submitted to Tax Offices by financial institutions that conduct outward and inward overseas remittances exceeding one million yen. The record states the name and address of the sender and receiver of funds, remittance amount, and My Number or Corporate Number (enforced in April 1998; the number of records submitted in the 2015 operation year was roughly 6.42 million).

The number of Records of remittances and receipts related to foreign countries submitted

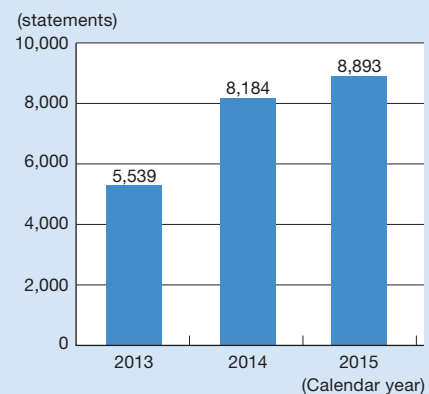


* From April 2009, the threshold amount for submission was decreased from more than ¥2 million to more than ¥1 million.

② Foreign asset statements

Those who have assets in foreign countries totaling over 50 million yen as of December 31 in the year are to submit a statement describing the type, quantity, and value of the assets overseas, My Number, etc. by March 15 of the following year to Tax Offices (enforced in January 2014; the number of statements submitted for 2015 was roughly 8,900 as of the end of June 2016).

■ The number of foreign asset statements submitted



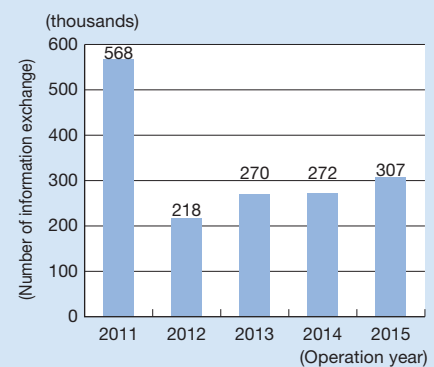
③ Statements of assets and liabilities

Those who earn an income of over 20 million yen in the year, and hold assets totaling 300 million yen or more or securities, etc. totaling 100 million yen or more (assets subject to exit taxation) as of December 31 in the year are to submit a statement describing the type, quantity and value of the assets, the amount of debt, My Number, etc. by March 15 of the following year to Tax Offices (enforced in January 2016; the number of statements submitted for 2015 was roughly 75,000 as of the end of June 2016).

④ Exchange of information under tax treaties, etc.

There are cases in which the NTA cannot sufficiently clarify the cross-border transactions only with the information obtained in Japan. In such cases, the exchange of information under bilateral tax treaties or provisions of the multilateral Convention on Mutual Administrative Assistance in Tax Matters makes it possible to acquire the necessary information for proper and fair taxation from other countries. In recent years in particular, the network of exchange of information has been expanding and strengthening; for example, the Tax Information Exchange Agreement with the Republic of Panama recently entered into force. As of April 2017, Japan has 68 tax treaties in force, which cover 110 countries or regions, and the number of information exchange amounts to some hundred thousand cases per year.

■ Trend in number of information exchange



* Number of information exchange is the total number of cases in which information request was received plus cases sent for requesting information each operation year.

⑤ Automatic exchange of information on financial accounts based on the CRS

To address international tax evasion and avoidance performed through overseas financial institutions, in 2014, the OECD developed the Common Reporting Standard (CRS) which is the international standard for automatic exchange of information on financial account of non-residents among tax authorities. As of April 2017, 100 countries and regions have committed to implement exchanging information based on the CRS.

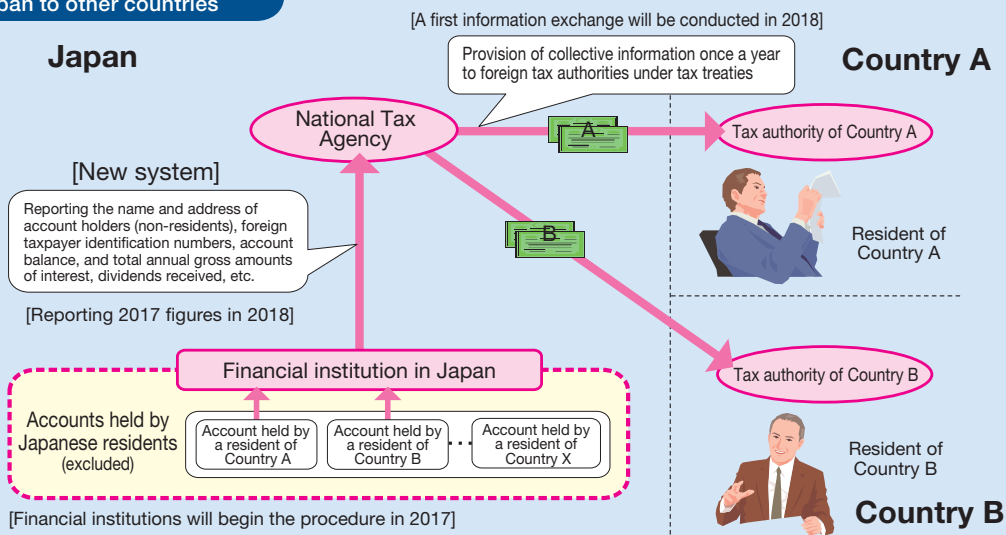
Tax authorities of each country will ① receive financial account information (name, address, account balance, etc.) held by non-residents from financial institutions located in each country and ② provide such information each other with tax authorities of the country which those non-residents reside based on the provisions of exchange of information set forth in tax treaties and other agreements.

In Japan, we introduced the system in the tax reform of 2015, which requires financial institutions located inside the country to report financial account information held by non-residents to the NTA.

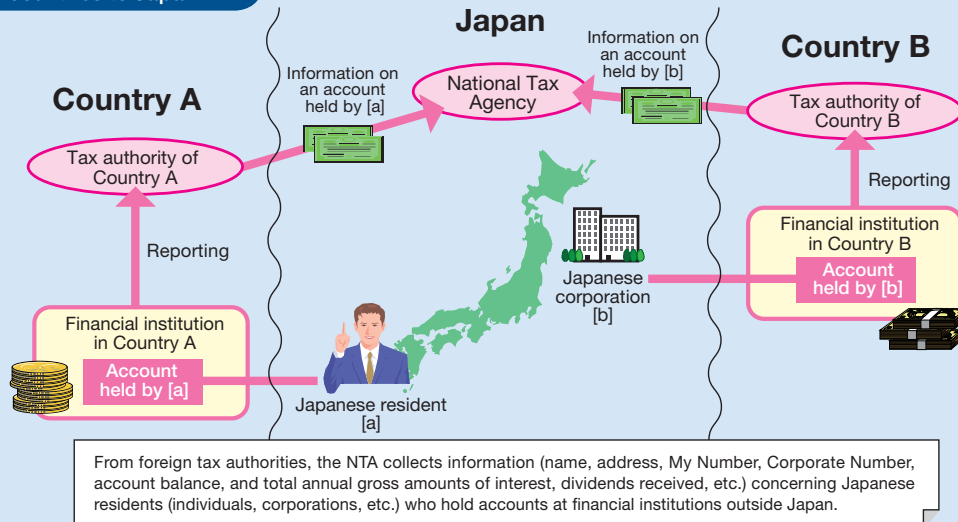
The system has come into force on January 1, 2017. The NTA will receive the first report from financial institutions located inside the country by April 2018, and will begin providing information for foreign tax authorities by September 2018. The NTA will also receive financial account information of Japanese residents from foreign tax authorities, which is expected to expedite voluntary and proper declaration through enhancing transparency relating assets overseas. The NTA will identify financial assets overseas and income derived from those assets, and detect and reveal whole picture of cross-border transactions which contains taxation issues by utilizing information provided by foreign tax authorities.

■ Conceptual diagram of the automatic exchange of information on financial accounts based on the CRS

Provision of information from Japan to other countries



Provision of information from other countries to Japan



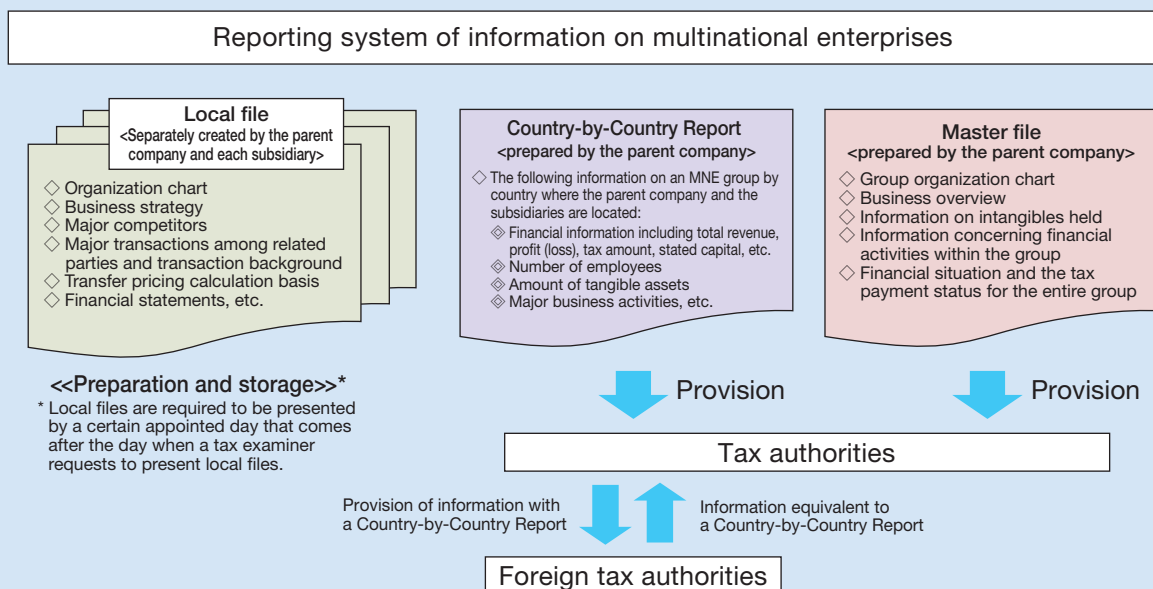
⑥ Establishment of a reporting system of information on multinational enterprises

For the purpose of understanding the global activities and the actual situation of tax payment conducted by multinational enterprises (MNEs), based on the recommendation of the BEPS Project, relevant corporations became obligated to provide (or create and store) the following information to Tax Offices after the FY2016 tax reform: (1) information concerning business activities conducted by MNE groups by country (“Country-by-Country (CbC) Report”), (2) information concerning the overall global business activities conducted by MNE groups (“master file”), and (3) detailed information for calculating arm’s length price for transactions with related parties (“local file”).

The ultimate parent entity of an MNE group that earns a total revenue of 100 billion yen or more in the preceding fiscal year of the ultimate parent entity is required to submit a CbC Report and a master file via e-Tax no later than 12 months after the last day of the fiscal year of the ultimate parent entity (this applies from the fiscal year of the ultimate parent entity that begins on or after April 1, 2016). Based on the automatic exchange of information prescribed in tax treaties, etc., a CbC Report is to be transmitted to the tax authority of the residence country of the constituent entity of an MNE group. Japan will begin providing information for foreign tax authorities by September 2018 and will also begin receiving information equivalent to a CbC Report from other countries.

When the total amount of the transactions with a foreign related party during the previous business year was 5 billion yen or more, or the total amount of the transactions of intangibles with the foreign related party during the previous business year was 300 million yen or more, corporations are required to prepare or obtain and store local files by the deadline for the submission of final tax returns. Local files must be presented or submitted by a certain appointed day that comes after the day when a tax examiner requests to present or submit local files (this applies starting from the business year that begins on or after April 1, 2017).

■ Conceptual diagram of a reporting system of information on multinational enterprises



(3) Enhancement of human resources for examination (establishment and expansion of a system for specialized areas)

To deal with the more complicated and diversified cross-border transactions and international tax avoidance, the NTA has established a division dedicated to examinations relating to international taxation.

Moreover, from the perspective of further enhancing information collection regarding the affluent class, the NTA has established a project team for the selective management of the affluent class in the Tokyo, Osaka, and Nagoya Regional Taxation Bureaus in the 2014 operation year. The project team collects and analyzes information through an integrated management of taxpayers who in particular hold a large amount of assets among the affluent class, relevant parties, the presiding company, and companies involved as a group subject to management.

The project team will be established nationwide starting from the 2017 operation year.

(4) Reinforcement of global networks (cooperation with competent foreign authorities)

With cross-border economic activities being more active, it is essential to cooperate with the foreign competent authorities to ensure proper and fair taxation. Therefore, the NTA has been striving to enhance cooperation with the foreign competent authorities.

① Participation in global framework

● Formation and fulfillment of international agreements

The BEPS Project was initiated by the OECD in 2012 to deal with the problem of tax avoidance conducted by MNEs by artificially manipulating taxable income through the use of the difference between the MNEs' actual activities and the tax system of each country or international tax rules. With the participation of G20 members that are non-OECD countries in discussions, the final report was publicized in October 2015.

The final report presents various recommendations to deal with international tax avoidance conducted by MNEs and to increase the transparency at the governments and the MNEs by means of reviewing the overall international tax rules. The NTA has been playing an active role for the smooth implementation of the recommendations with the Ministry of Finance.

■ The 15 actions discussed in the BEPS Project:

Action 1: Addressing the Tax Challenges of the Digital Economy	Action 2: Neutralizing 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	

● Participation in the activities at the OECD

For the purpose of spreading recommendations on the final report of the BEPS Project to the broader area of emerging and developing countries and of monitoring the implementation status in these countries, the Inclusive Framework on BEPS has been established. As of April 2017, 96 jurisdictions including Japan are participating in the Inclusive Framework on BEPS.

Regarding exchange of information under on tax treaties, the legal and regulatory framework and the practical implementation in each country and region are mutually examined at the “Global Forum on Transparency and Exchange of Information for Tax Purposes,” in which 141 countries and regions participate.

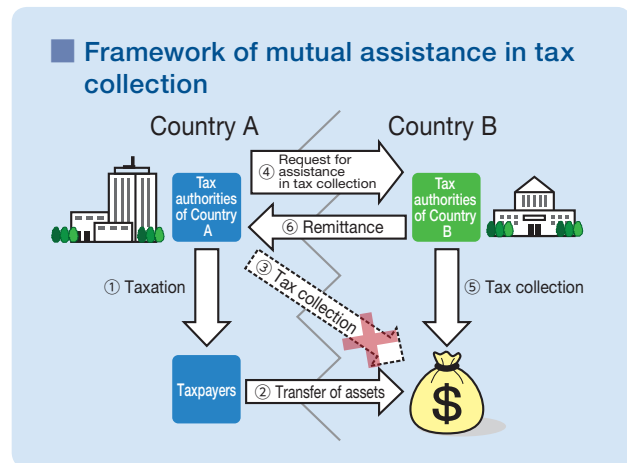
At the “Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)” at the “OECD Forum on Tax Administration,” many countries cooperate in exchange of information, including collaborative action in the light of the so-called “Panama Papers.”

The NTA will actively participate in these activities.

② Utilization of a mutual tax collection assistance system

While the collection of tax claims is subject to the restrictions of executive jurisdiction¹, the avoidance of tax collection by means of transfer of assets to overseas can be coped with the framework of “mutual assistance in tax collection,” which enables each country’s tax authorities to mutually enforce tax claims of treaty partners in cooperation under tax treaties.

In Japan, international tax collection is promoted by actively utilizing the mutual assistance system for tax collection under treaties such as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters², which became effective in October 2013, etc.



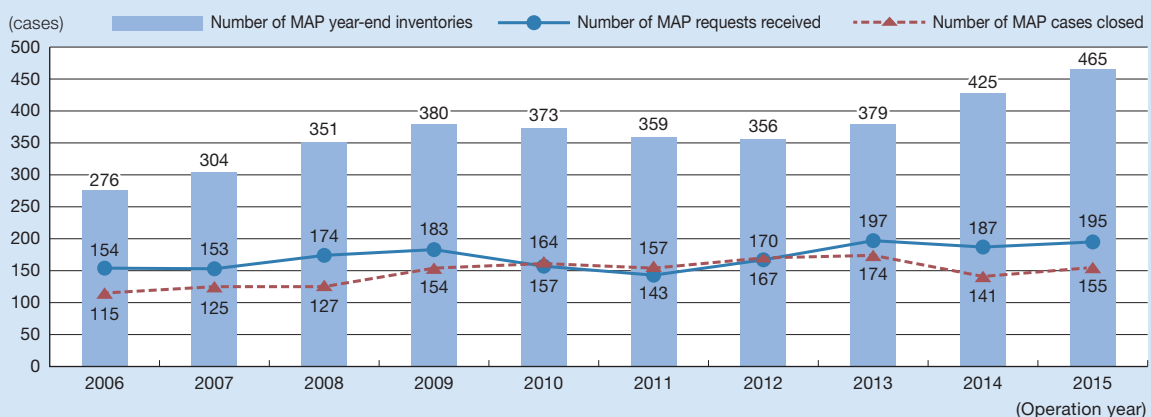
③ Promotion of the Mutual Agreement Procedure (MAP)

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 international double taxation problems by negotiating with foreign tax authorities through the Mutual Agreement Procedures (MAP)³ prescribed in tax treaties.

In the 2015 operation year, the number of MAP cases requested was 195, and the number of MAP cases closed was 155. Of the MAP cases requested and closed, more than 90% were related to transfer pricing taxation, and roughly 80% were related to the Advance Pricing Arrangements (APAs).

As the elimination of international double taxation through MAP will encourage mutual investments, the NTA has been making every effort to resolve the MAP cases appropriately and promptly. Specifically, we have been strengthening⁴ an frastructure by ensuring staffing and have been striving to conduct swift and smooth negotiations through promoting cooperative relationship with relevant foreign tax authorities. We have also been dealing with emerging countries multilaterally, such as an attempt to make progress in MAP through the establishment of an frastructure, etc. in those countries by providing technical cooperation.

The number of MAP cases requested, closed and year-end inventories



* 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.

1 It means that a country’s tax authorities cannot exercise its public authorities outside the country’s territory.
 2 It is a multilateral convention on mutual assistance for the exchange of tax-related information, tax collection and service of documents and has become effective by 80 jurisdictions including Japan (as of May 1, 2017).
 3 “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.
 4 The number of people in charge of MAP was 19 in the 2006 operation year; however, this increased to 43 in the 2016 operation year.

■ Treaty partners with which the NTA has MAP inventory (as of June 2016)

	Europe		Asia/Pacific	The Americas	Countries/economies total	
OECD Countries	Belgium France Germany Ireland Italy	The Netherlands Sweden Switzerland The United Kingdom	Australia Korea	Canada The United States Mexico	14 countries	
Non-OECD economies			China Hong Kong India Indonesia	Singapore Thailand Malaysia Vietnam	8 countries/economies	
Countries/economies total	9 countries		10 countries/economies		3 countries	22 countries/economies

* In Japan, 61 tax treaties (applicable to 72 countries/economies) contain provisions regarding MAP (as of June 2017).

About the NTA

Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Proper Management of Liquor Administration

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

Evaluation of Policies

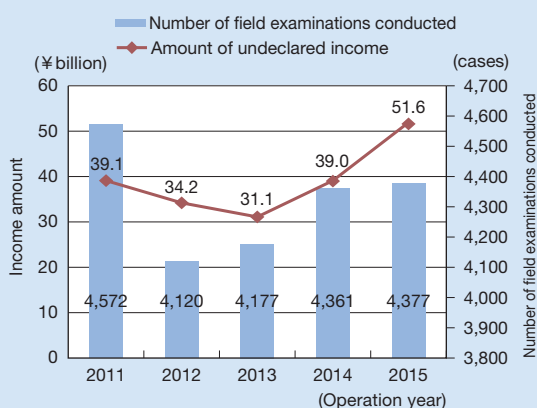
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(5) Actions against the affluent class and corporations that conduct cross-border transactions

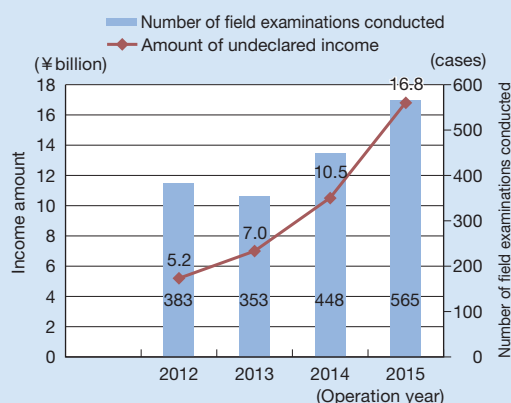
① Examinations of the affluent class

With the globalization of the Japanese economy, the NTA has focused on examining taxpayers who conduct cross-border transactions or hold assets in foreign countries. The NTA is performing thorough 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.

■ Actual examination related to the affluent class



■ Of the left, examination results concerning the affluent class investing overseas



*1 Undeclared income amount includes domestic transactions as well as overseas transactions.

*2 No data is available for the 2011 operation year.

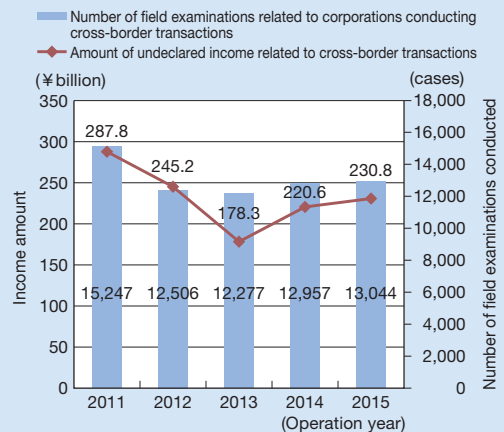
② Actions against corporations that conduct cross-border transactions

A growing number of corporations have been conducting cross-border transactions in Japan. A peculiarity of corporations conducting cross-border transactions is that we cannot easily confirm transaction details as the business partner companies in these transactions are located overseas. We have detected corporations that use this peculiarity and illegally decrease the income amount by manipulating transaction amounts and corporations that avoid taxation through applying Controlled Foreign Company (CFC) Rules by misrepresenting investors at overseas subsidiaries.

Moreover, there is an international tax avoidance scheme for reducing the tax burden for the overall corporate group by utilizing the difference among taxation systems in each country. We need to strictly address these issues that are peculiar to corporations conducting cross-border transactions.

For this reason, the NTA has set actions against corporations conducting cross-border transactions as a priority issue and has been actively conducting examinations.

Actual examination of corporation tax related to cross-border transactions



③ Transfer pricing issues

As company activities become increasingly global, more transactions are becoming subject to the transfer pricing taxation¹, and transactions are becoming more complex, with growing importance of transactions. To increase predictability for taxpayers, the NTA has announced its administration policy on the operations and its application criteria, by revising directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation. The Advance Pricing Arrangement (APA)² for transfer pricing taxation ensure predictability and legal stability for taxpayers, and contribute to the proper and smooth operation of transfer pricing taxation. Based on these situations, the NTA has been providing an environment where taxpayers can smoothly use this APA.

Column 8 Publication of the “NTA Transfer Pricing Guidebook for Taxpayers”

Under the environmental changes surrounding transfer pricing taxation, including progress in the BEPS Project and the establishment of transfer pricing documentation, the NTA has reviewed the administrative processes (policy initiatives and specific measures), aiming at enhancing voluntary tax compliance by taxpayers regarding transfer pricing taxation. We have also publicized the “NTA Transfer Pricing Guidebook for Taxpayers” in June 2017 to enhance the predictability for taxpayers and administration transparency.

Outline of the “NTA Transfer Pricing Guidebook for Taxpayers”

I Transfer pricing administration policy of National Tax Agency [Policy initiatives]

- Promoting measures contributing to the maintenance and improvement in voluntary tax compliance based on the establishment of transfer pricing documentation in addition to ensuring the predictability for taxpayers
- Selectively conducting field examinations of transactions where income is transferred overseas, such as BEPS cases

[Specific examples of measures (from July 2017)]

- Consultation desks will be established at each Regional Taxation Bureau to actively respond to individual inquiries and to provide consultation for corporations regarding transfer pricing documentation.
- The NTA will request foreign tax authorities to conform to the BEPS recommendations at the OECD based on concerns for the inappropriate use of CbC Reports by foreign tax authorities. In this situation, information collected from corporations at the consultation desks at Regional Taxation Bureaus will also be utilized as a reference.



II Points to consider and check for applying transfer pricing rules

With the aim of dispatching information to which taxpayers can refer for voluntary consideration, the NTA has prepared and publicized documentation indicating advice, etc. for taxpayers with specific examples from the viewpoints of the NTA and taxpayers in order to announce items to be considered and confirmed upon the application of transfer pricing taxation.

III Guide for contemporaneous documentation

The NTA has prepared and publicized a sample (an example for preparing local files) describing the overall perspective and items that should be stated on local files that are required to be prepared, following the establishment of transfer pricing documentation, with an example of a foreign related transaction conducted by a fictitious corporation.

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.

² 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 foreign related parties.

4 Cooperation 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 to give lectures in fields such as taxpayer services, international taxation, and staff training. In FY2016, the NTA dispatched its officials to Cambodia, Indonesia, Mongolia, Myanmar, and Vietnam, and gave lectures to those countries' tax officials.

Moreover, with a view to giving continuous advice on tax administration to developing countries, the NTA has also dispatched tax officials as long-term experts of JICA. In FY2016, they stay in Cambodia, Indonesia, and Vietnam.

2 Training conducted in Japan

(1) International Seminar on Taxation (ISTAX)

ISTAX is a seminar for tax officials in developing countries, providing lectures on Japan's tax system and tax administration. It has 2 courses: "General" for mid-career officials, and "Advanced" for upper management-level officials. In FY2016, 25 tax officials participated in both courses in total.

(2) Country-Focused Training Courses in Tax Administration

The courses target tax officials from specified developing countries, and give lectures based on their request. In FY2016, 96 tax officials from Cambodia, Indonesia, Mongolia, and Vietnam participated in the courses.

(3) International Taxation for Asian Countries

This course targets tax officials from Asian developing countries and gives the lectures on “international taxation”. In FY2016, 11 tax officials from 7 countries (Indonesia, Lao PDR, Malaysia, Mongolia, Myanmar, Timor-Leste, and Vietnam) participated in the course.

(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 FY2016, 15 students studying at graduate schools of Keio University, Yokohama National University, and National Graduate Institute of Policy Studies participated in total.

■ Status of training conducted in Japan

(number of countries, people)

		FY2012	FY2013	FY2014	FY2015	FY2016
International Seminar on Taxation (ISTAX) (General)	Countries	15	16	17	16	15
	People	15	16	17	16	15
International Seminar on Taxation (ISTAX) (Advanced)	Countries	11	13	13	9	8
	People	11	13	13	9	10
Country-Focused Training Courses in Tax Administration	Countries	7	6	6	3	4
	People	95	116	111	56	96
International Taxation for Asian Countries	Countries	5	6	6	6	7
	People	11	16	12	8	11
Practicum at the NTA	Countries	12	11	13	14	9
	People	19	20	17	18	15

(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) and ② the Study Group on Asian Tax Administration and Research (SGATAR).

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 BEPS, improvements in voluntary tax compliance by taxpayers, and the future course of action of the OECD Forum on Tax Administration.

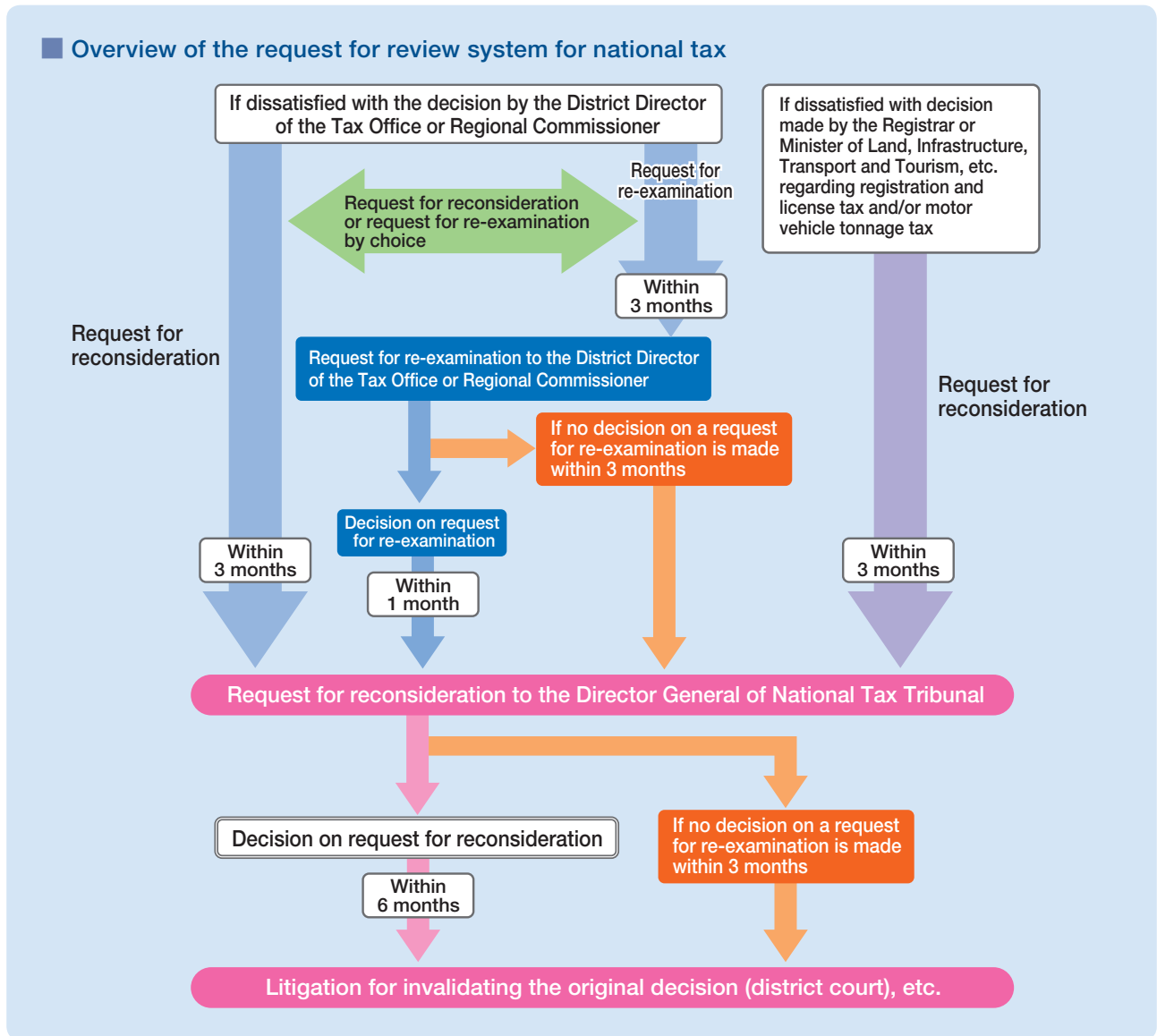
② Study Group on Asian Tax Administration and Research (SGATAR)

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 2016, the 46th meeting was held in New Zealand, with discussions about promotion of international cooperation in the area of tax administration and common problems the members are facing.

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 re-examination 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 re-examination but is still dissatisfied with the disposition determined for the request for re-examination, 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 name from “a request for reinvestigation” to “a request for re-examination,” 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.



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IV Remedy for Taxpayer Rights

(1) Request for re-examination

~ Simplified, prompt and appropriate remedies for taxpayer rights ~

A request for re-examination 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 re-examination 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 re-examination. A request for consideration can also be filed when a taxpayer files a request for re-examination but is still dissatisfied with the disposition determined for the request for re-examination.

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.

* When a taxpayer is dissatisfied with the action taken by the NTA Commissioner, the taxpayer may file a request for reconsideration against the NTA Commissioner.

(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.

(4) Trend in remedies for taxpayer rights

~ The NTA is working to finish processing requests for re-examination within 3 months and requests for reconsideration within 1 year in principle ~

① Request for re-examination

- **Target** The NTA has set the standard length of deliberations for a request for re-examination to 3 months and is striving to finish processing requests for re-examination within 3 months in principle.
- **Result** In FY2016, 95.6% of requests for re-examination were closed within 3 months. 1,805 re-examination were requested in the fiscal year (1,585 in taxation and 220 in tax collection). Of these, 6.8% of taxpayer claims were approved in whole or in part due to new facts, etc.

② Request for reconsideration

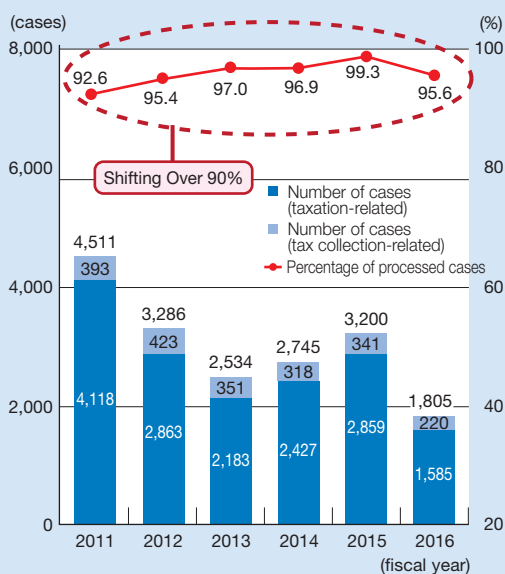
- **Target** The NTA and the National Tax Tribunal have set the standard length of deliberations for a request for reconsideration to 1 year and are striving to finish processing requests for reconsideration within 1 year in principle.
- **Result** In FY2016, 98.3% of requests for reconsideration were closed within 1 year. There were 1,959 requests for reconsideration in the fiscal year (1,725 in taxation and 234 in tax collection). Of these, 12.3% of taxpayer claims were approved in whole or in part.

③ Litigation

For litigation, 245 cases were closed in FY2016 (186 in taxation, 54 in tax collection and 5 in the National Tax Tribunal). Of these, 4.5% 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 re-examination, 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).

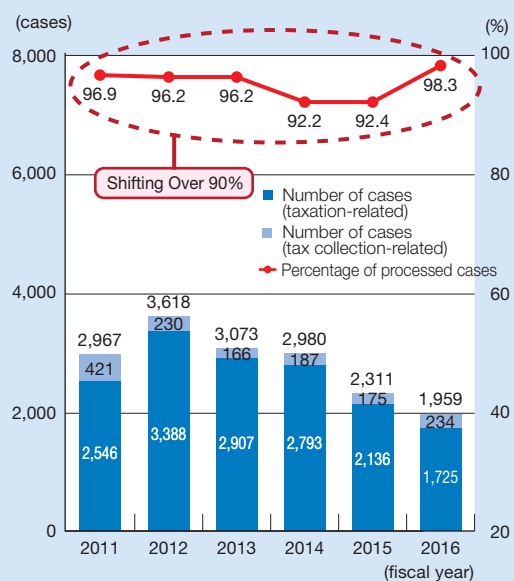
■ Percentage of processed requests for re-examination within 3 months, and number of processed requests for re-examination



*1 These figures are provisional numbers as of the end of April 2017. Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases.

*2 Figures for FY2015 and earlier indicate the number and percentage of processed requests for reinvestigation before the revision.

■ 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 2017.

~ Taking various measures to secure liquor tax revenues and lead to the development of liquor industry successfully ~

Specially, 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 FY2015, liquor tax revenues comprised only 2.2 % (¥1,338 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.¹

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 environment faced by the liquor industry has been changing considerably, such as decreasing domestic consumers due to a declining birthrate and aging population, rising health and safety consciousness among the public, and diversifying lifestyles. As the authority for the liquor industry, the NTA has been making efforts with the private sector to promote the export of liquor made in Japan and to develop an export environment in order to achieve a sound development of the liquor industry in consideration of the environmental changes mentioned above. We have also been taking various measures from a comprehensive perspective of consumers and the overall liquor industry.

(1) Promoting the development of the liquor industry

~ Measures for promoting Japanese liquor and exports ~

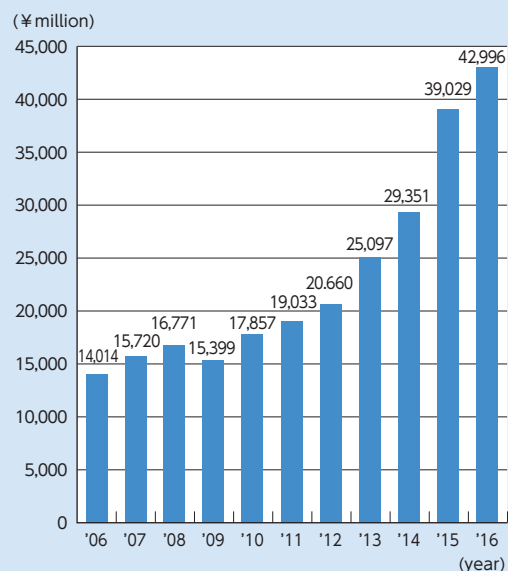
To promote the use of Geographical Indications, which is effective in improving the brand value of liquor made in Japan, the geographical indication system was revised in October 2015 as a measure for promoting the development of the liquor industry. Moreover, based on the revised system, “Nihonshu / Japanese sake” was designated as Geographical Indications for seishu at a country level in December 2015, and then “Yamagata” was designated as Geographical Indication for seishu in December 2016.

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 43 billion yen in 2016, marking a record-high for 5 consecutive years. While the largest export amount was achieved by sake (approximately 15.6 billion yen), the export of whisky and beer has also been increasing.

The NTA is doing the following measures for expanding export.

- The NTA has been endeavoring to increase the name recognition of Japanese liquor overseas through the promotion of Japanese liquor by means of sending NTA officials to international conferences and events (e.g., the Rio Olympics and Paralympics) and gaining cooperation from relevant organizations.
- The NTA conducts tours at sake brewery for foreign ambassadors in Japan in cooperation with the liquor industry to promote dissemination and awareness of the attractiveness of liquor made in Japan.

■ Trend in the export amount of sakes



(Source: “Foreign Trade Statistics” by the Ministry of Finance)

¹ As part of the FY2017 tax reform, the tax rate structure was revised, including the integration of tax rates for beer and malt beverages, and the definition of beer, etc. was also revised. The liquor tax system is expected to change significantly in the medium- to long-term.

- 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).
- 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, Egypt, French Polynesia, Dubai and Abu Dhabi.
- The NTA has been seeking the protection of Geographical Indications for Japanese liquor overseas through international negotiations.

Reference Establishment of the “liquor tax exemption system for the sake brewery tourism”

Under the FY2017 tax reform, the “liquor tax exemption system for the sake brewery tourism” was established, for which the NTA and the Japan Tourism Agency had jointly submitted a request. Under this system, consumption and liquor tax will be exempted when foreign travelers purchase liquor at the places for selling liquor for export. This revision will apply from October 1, 2017 onward. This system is expected to increase the attractiveness of the sake brewery tourism, to increase the name recognition of Japanese liquor, and in turn to lead to the development of an export environment for Japanese liquor.

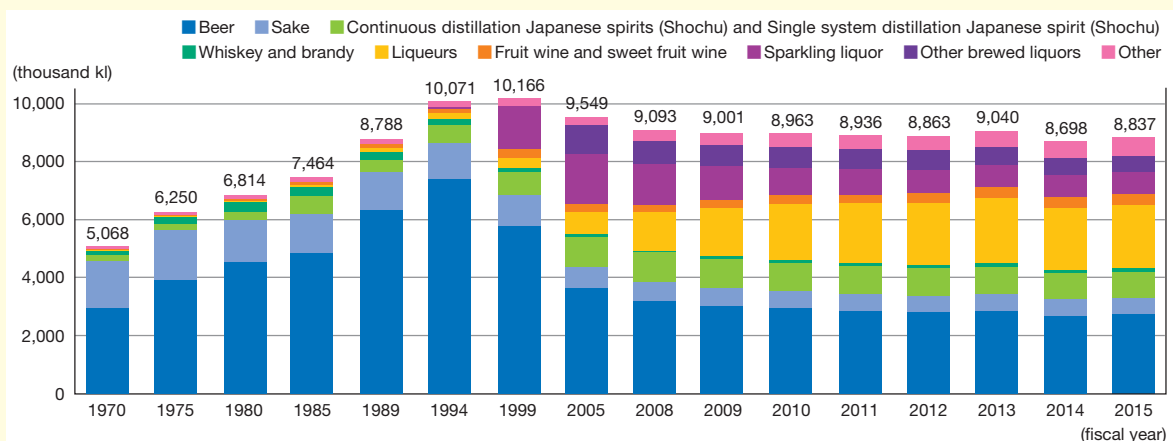
~ Providing information to liquor business operators ~

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.

Column 9 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



(Source: National Tax Agency Annual Statistics Report)

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 2015, 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, excellent characteristic flavor, excellent color	Excellent flavor and color	Brewed from the finest rice, excellent characteristic flavor, excellent color	Excellent flavor and color

《Japanese spirits (Shochu)》

While the taxable volume of Japanese spirits (shochu) has been decreasing after peaking in 2006, shochu made by a simple distillation process, which brings out the flavor of ingredients, has received the highest prize at an international competition. This indicates that shochu has become highly regarded overseas for its quality.

《Beer・Sparkling liquor,etc.》

The home consumption of beer and sparkling liquor has been decreasing; however, 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. In recent years, craft beer and other distinctive beer have been attracting interest from consumers.

《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 due to the expansion of home consumption and an increase in the number of new wineries. Some “Japan wines,” which are made from Japanese grapes only, have been rated higher on the market for their high quality in recent years. For example, some Japan wines have won prizes at international competitions.

《Whisky》

The taxable volume of whisky has been increasing in recent years, and its export has also been expanding year after year. 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.

Column 10 Initiatives to improve the brand value of liquor made in Japan

Promotion of the use of the Geographical Indication system

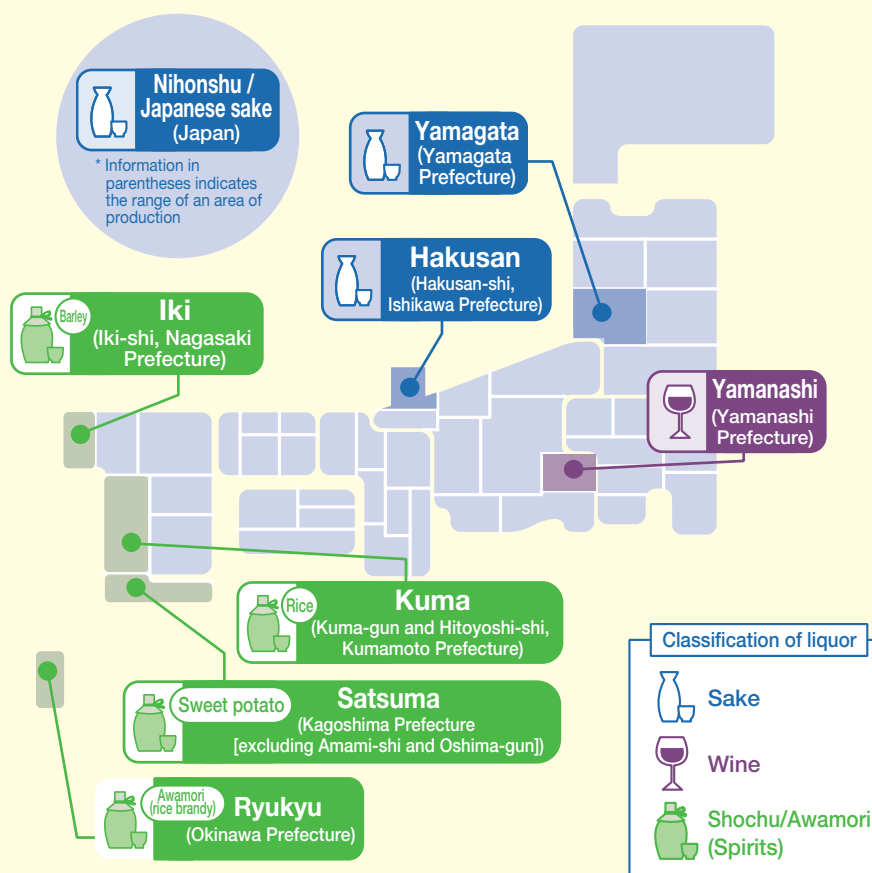
Under the Geographical Indication system for liquor, a liquor made from a characteristic ingredient or by production method in a specific production area can exclusively label the production area.

The use of Geographical Indications is 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.

After “Yamagata” was designated as a Geographical Indication for sake in December 2016, the total number of the Geographical Indications for Japanese liquor has become eight at present. With the designation of “Yamagata,” consultations are expected to increase in other areas in the future. The NTA will provide appropriate support suitable to the actual situation in each area.

Moreover, we will increase the name recognition of “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 seek the protection of these Geographical Indications through international negotiations.

■ Designated Geographical Indications for liquor (as of the end of February 2017)



(2) 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 of liquor. Through this examination, if we find cases in which trading does not comply with the provided rules, we will provide guidance for improvements. If there is suspicion of violating the Anti-Monopoly Act, we will take actions such as reporting the cases to the Japan Fair Trade Commission (JFTC).

Additionally, the “Act for partial amendment to the Liquor Tax Act, and the Act on the Maintenance of the Liquor Tax and on Liquor Business Associations” promulgated in June 2016 included a revision of the development of necessary standards that the liquor industry should follow for the fair trade of liquor. Following this revision, the NTA established the “standards for the fair trade of liquor” in March 2017. In preparation for the enforcement of the revised act in June 2017, the NTA has sent pamphlets for the revised act to all liquor manufacturers and has held explanatory meetings in various areas throughout the country in cooperation with organizations in the liquor industry. We have also been giving publicity to the details of the revised act to raise awareness by publishing this information on the NTA website.

In the future, the NTA will disseminate the details of the “standards for the fair trade of liquor,” confirm whether these standards are observed, and cooperate with the Japan Fair Trade Commission more than ever. In this manner, we will make increased efforts to ensure the fair trade of liquor.

(3) 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 (Registration is also available with the code on the right).



Analysis on liquor for export

QR code



(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.

The Basic Act on Measures for Health Problems from Alcohol came into force in June 2014, and in May 2016, a basic plan was decided by the Cabinet. Based on this plan, we will take measures for the prevention of the inducement for the inappropriate drinking of alcohol with the liquor industry in an integrated manner, utilizing the liquor sales manager system.

～ 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 2017, 76,493 persons are registered as CPTAs, and 3,519 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 charge¹. 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.

To achieve the proper and smooth administration of the self-assessment system, CPTAs undertaking the public mission play extremely important roles. Therefore, 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.”), for example, by conducting consultations and exchanging opinions with CPTAs' Associations, etc. about a wide range of issues.

Specific activities are (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.

¹ 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.

Fiscal year	2012	2013	2014	2015	2016
Number of disciplinary actions	41	50	59	41	39

(cases)

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.

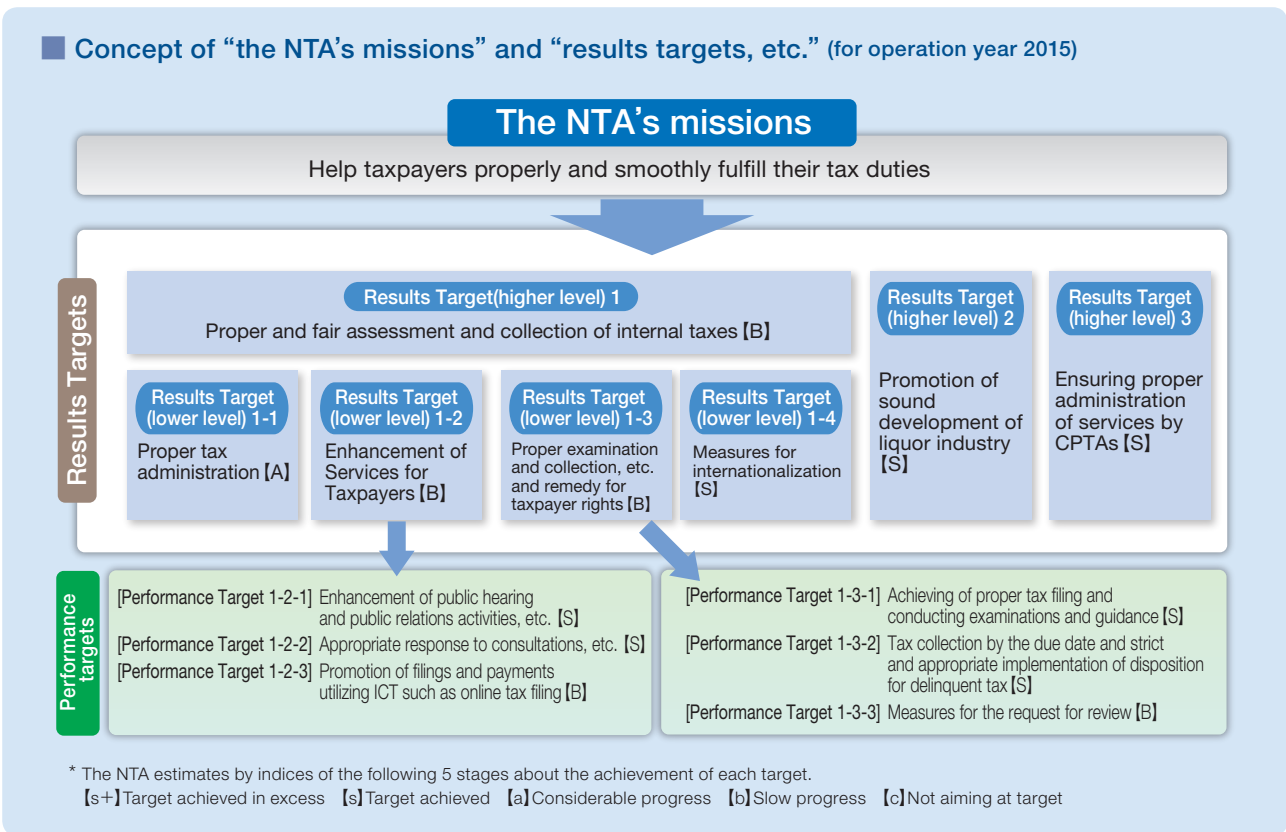
The Japan Federation of Certified Public Tax Accountants' Associations is the only organization in Japan specified in the CPTA Act, consisting of member CPTAs' Associations. The Federation provides guidelines, liaison, and supervision for CPTAs' Associations and their members. It also handles the administration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



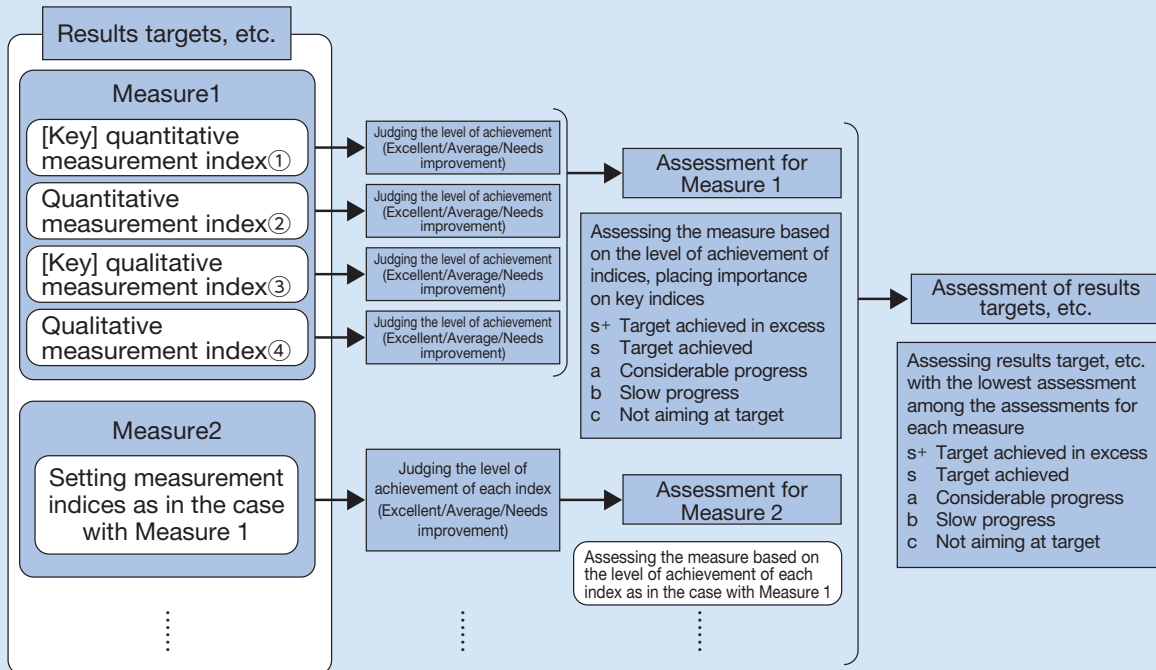
~ Evaluation method and evaluation result of results target ~

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 (32), 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 2015 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.

About the NTA
Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration
Proper and Fair Taxation and Collection
Remedy for Taxpayer Rights
Proper Management of Liquor Administration
Proper Administration of Services by Certified Public Tax Accountants (CPTAs)
Evaluation of Policies
Statistics

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 (FY2015)

Item	Percentage of favorable evaluation
Favorable impression of officials' reception manner	90.3%
Level of satisfaction in using signposting, and services at reception and window inside tax offices	86.6%
Level of satisfaction in using facilities inside tax offices	77.0%
Evaluation on publicity of national taxes	80.6%
Level of satisfaction with telephone consultation at Phone Consultation 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 2015 include the following: "The target was neither excessively high nor easy, and how to set the target has been established," "The current introduction of My Number is a good opportunity to promote the use of e-Tax, and therefore the NTA should actively publicize the convenience of e-Tax," "Supporting developing countries is very important. It is highly recommended to continue providing support that transmits a strong awareness of compliance of tax officials."

* For details, please visit the "NTA's Results Evaluation" on the NTA website. (<http://www.nta.go.jp/kohyo/katsudou/jissekihoyoka/01.htm>) (in Japanese)

Tax revenues and budget

[Budget and final accounts of taxes and stamp revenues for year 2015]

Tax category	Budget after correction	Actual (Percentage of total)
	Million yen	Million yen
Withholding income tax	14,706,000	14,773,154 (24.6)
Self-assessed income tax	2,884,000	3,033,983 (5.1)
Corporation tax	11,741,000	10,827,403 (18.1)
Inheritance tax	1,761,000	1,968,440 (3.3)
Consumption tax	17,112,000	17,426,292 (29.1)
Liquor tax	1,308,000	1,338,006 (2.2)
Tobacco tax	906,000	953,553 (1.6)
Gasoline tax	2,466,000	2,464,555 (4.1)
Liquefied petroleum gas tax	10,000	9,201 (0.0)
Aviation fuel tax	51,000	51,312 (0.1)
Petroleum and coal tax	628,000	630,446 (1.1)
Power resources development promotion tax	323,000	315,908 (0.5)
Motor vehicle tonnage tax	374,000	384,930 (0.6)
Customs duty	117,000	1,048,742 (1.7)
Tonnage due	10,000	9,914 (0.0)
Other*	—	16 (0.0)
Stamp revenue	1,027,000	1,049,547 (1.8)
Subtotal	56,424,000	56,285,403 (93.9)
Local corporation tax	522,500	516,125 (0.9)
Local gasoline tax	263,800	263,697 (0.4)
Liquefied petroleum gas tax (transferred)	10,000	9,201 (0.0)
Aviation fuel tax (transferred)	14,600	14,660 (0.0)
Motor vehicle tonnage tax (transferred)	256,700	264,193 (0.4)
Special tonnage due	12,500	12,393 (0.0)
Special local corporation tax	2,175,300	2,080,608 (3.5)
Special tobacco tax	140,100	147,530 (0.2)
Special income tax for reconstruction	367,700	370,690 (0.6)
Other	—	4,872 (0.0)
Total	60,187,200	59,969,372

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

[NTA initial budget for fiscal year 2017]

Items	Budget
	Million yen
ICT-related expenses	41,337
Expenses to improve convenience for taxpayers ^{*1}	9,831
Expenses related to internationalization measures	888
General operating expenses, etc. ^{*2}	58,738
Expenses to improve work environment and ensure safety ^{*3}	7,630
Expenses related to tax reforms	13,315
Expenses for National Tax College	2,109
Expenses for National Tax Tribunal	267
Expenses for National Research Institute of Brewing	943
Common number system related costs	5,553
Subtotal	140,612
Salary costs	559,804
Total NTA budget	700,416

*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 2016)
		Thousand people
Total population		126,930
Number of persons engaged		64,400
Number of final returns filed		21,690
Refund		12,580
Tax payment		6,370
Breakdown by income earners	Business income earners	1,730
	Other income earners	4,640
	Real estate income earners	1,100
	Employment income earners	2,460
	Miscellaneous income earners	770
	Other	310

[Inheritance tax]

		(Calendar year 2015)
Number of deceased		1,290,444 People
Number of deceased subject to taxation		103,043 People
Number of taxpayers (number of heirs)		272,714 People
Taxable amount		14,571.4 Billion yen
Amount of tax		1,811.6 Billion yen

[Gift tax]

		(Calendar year 2015)
Number of people subject to taxation		452,004 People
Value of properties acquired		2,102.8 Billion yen
Amount of tax		215.6 Billion yen

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

【Withholding agents and withholding income tax】

(Operation year 2015)

Income etc. category	Number of withholding agents	Amount of tax
	Thousands	Billion yen
Employment income (wages and salaries)	3,540	10,277.0
Retirement income	—	227.7
Interest income, etc.	40	396.7
Dividend income	138	4,619.6
Capital gains on listed shares etc. kept in special account	11	575.4
Income from remuneration, etc.	2,838	1,197.4
Income paid to non-residents and foreign corporations, etc.	33	648.0
Total	—	17,941.7

- *1 The figures of withholding agents are figures as of the end of June 2016.
 *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 2015)

Number of corporations	3,048	Thousand corporations
Number of tax returns filed	2,825	Thousands
Percentage of corporations filing	90.5	%
Percentage of returns declaring a surplus	32.1	%
Amount of self-assessed income	61,536.1	Billion yen
Amount of self-assessed loss	13,711.8	Billion yen
Amount of tax	11,384.4	Billion yen

- * The number of corporations is the figure as of the end of June 2016.

【Consumption tax】

(Fiscal year 2015)

Number of tax returns	Category	Payment	Refund
		Thousand cases	Thousand cases
	Individuals	1,128	37
	Corporations	1,842	131
	Total	2,970	167
Amount of tax		15,319.5 Billion yen	3,679.2 Billion yen

【Liquor tax and liquor production】

(Fiscal year 2015)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	444	63,484
Sake compounds	35	3,390
Continuous distillation Japanese spirits (Shochu)	367	82,994
Single system distillation Japanese spirit (Shochu)	481	115,963
Mirin (rice cooking wine)	96	2,124
Beer	2,794	599,781
Fruit wine	107	8,784
Sweet fruit wine	5	589
Whisky	111	40,005
Brandy	5	1,821
Sparkling liquor	536	102,213
Alcohol for material & Spirits	532	40,603
Liqueurs	1,920	157,230
Other brewed liquors Powder liquor & miscellaneous liquor	506	41,361
Total	7,938	1,260,340

Tax examinations

【Field examination of self-assessed income tax】

(Operation year 2015)

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
66	55	524.3	7,940	79.8	1,210

【Field examination of withholding income tax】

(Operation year 2015)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousands	Thousands	Billion yen
113	34	43.5

- * 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 2015)

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	94	69	831.2	8,880	159.2
Of which, corporations handled by the Large Enterprise Department	3	2	365.0	133,550	58.7

【Field examination of consumption tax】

(Operation year 2015)

Category	Number of cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	Per case
	Thousands	Thousands	Billion yen	Thousand yen
Individuals	35	28	21.5	620
Corporations	90	52	56.5	630

【Field examination of inheritance tax】

(Operation year 2015)

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	300.4	25,170	58.3	4,890

【Collected number of statutory information】

(Operation year 2015)

Statutory information	Number collected
	Thousands
Withholding record of employment income	19,893
Payment record of interest	10,416
Payment record of dividends	69,385
Other	235,632
Total	335,326

International taxation

【Fraudulent income through overseas transactions】

(Operation year 2015)

Number of examinations of corporations conducting overseas transactions	13,044 Cases
Number of undeclared cases related to overseas transactions	3,362 Cases
Of which, cases of overseas fraudulent calculations	438 Cases
Amount of undeclared income related to overseas transactions	230.8 Billion yen
Of which, amount of overseas fraudulently omitted income	16.7 Billion yen

【Transfer pricing taxation】

(Operation year 2015)

Number of taxation cases	218 Cases
Amount of taxable income	13.7 Billion yen

【Cases of advance pricing arrangement related to transfer pricing】

(Operation year 2015)

Number of cases requested	137 Cases
Number of cases processed	98 Cases

Delinquency

【Tax delinquency cases by major tax items】

(Fiscal year 2015)

	Under collection process at the end of the previous year	Newly occurred	Collected	Under collection process at the end of the year
Income tax	Billion yen 495.9	Billion yen 155.2	Billion yen 198.8	Billion yen 452.3
Withholding income tax	187.7	38.2	63.8	162.1
Self-assessed income tax	308.2	117.0	135.0	290.2
Corporation tax	126.7	63.4	83.2	106.9
Inheritance tax	91.7	26.9	36.7	81.9
Consumption tax	superscript 86.2 347.7	superscript 118.1 439.6	superscript 120.1 453.3	superscript 84.2 334.0
Other taxes	2.6	2.0	2.3	2.3
Total	superscript 86.2 1,064.6	superscript 118.1 687.1	superscript 120.1 774.4	superscript 84.2 977.4

*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 2016)

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 178	Cases 193	Cases 132	Billion yen 16.1	Million yen 83	Billion yen 12.7	Million yen 96

【Filed accusations to the prosecutor, by tax item】

(Fiscal year 2016)

Tax item	Number of cases	Amount of Tax evasion	
		Per case	Per case
Income tax	Cases 27	Million yen 2,282	Million yen 85
Corporation tax	79	6,503	82
Inheritance tax	2	482	241
Consumption tax	23	3,379	147
Withholding income tax	1	46	46
Total	132	12,692	96

Remedy for taxpayer rights

[Request for reinvestigation]

(Fiscal year 2015)

Category	Number of requests for reinvestigation	Number of new requests for reinvestigation ①	Number of cases processed ②	Number of requests approved ③			
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 3,468	Cases 2,867	Cases 2,859	264	53	Cases 211	% 9.2
Collection-related	373	324	341	6	5	1	1.8
Total	3,841	3,191	3,200	270	58	212	8.4

* 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 Seikyu." This revision came into force on April 1, 2016.

[Request for reconsideration]

(Fiscal year 2015)

Category	Number of requests for reconsideration	Number of new requests for reconsideration ①	Number of cases processed ②	Number of requests approved ③			
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 3,459	Cases 1,902	Cases 2,136	183	37	Cases 146	% 8.6
Collection-related	259	196	175	1	0	1	0.6
Total	3,718	2,098	2,311	184	37	147	8.0

[Litigation]

(Fiscal year 2015)

Category	Number of litigations	Number of cases filed for first instance ①	Number of cases closed ②	Number of lost cases ③			
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 405	Cases 78	Cases 218	21	18	Cases 3	% 9.6
Collection-related	76	21	40	1	1	0	2.5
National Tax Tribunal-related	6	2	4	—	—	—	—
Total	487	101	262	22	19	3	8.4

* 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 2016)

Rank	Tax category	Items	Thousand cases
1	Income tax	Obligations & procedures to file tax returns, etc.	530
2	Income tax	Special credit for loans relating to a dwelling	280
3	Income tax	Medical expenses deduction	248
4	Income tax	Year-end adjustment	247
5	Income tax	Exemption for spouse, special exemption for spouse and exemption for dependents	185

[Tax Answer System] (Fiscal year 2016)

Rank	Tax category	Items	Thousand cases
1	Income tax	Tax rate of income tax	2,882
2	Income tax	When have paid medical expenses (medical expenses deduction)	2,147
3	Income tax	Deduction for employment income	1,480
4	Income tax	Exemption for dependents	1,412
5	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	1,403

[Number of consultations at Phone Consultation Centers, by tax category]

(Fiscal year 2016)

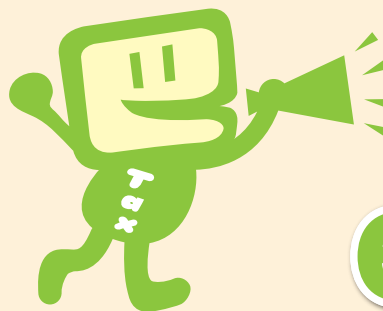
Tax category	Thousand cases
Income tax	2,859
Corporation tax	238
Property tax	986
Consumption tax, etc.	311
Other	1,292
Total	5,685

NATIONAL TAX AGENCY REPORT 2017

Issued in June 2017

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