

～ 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 ～

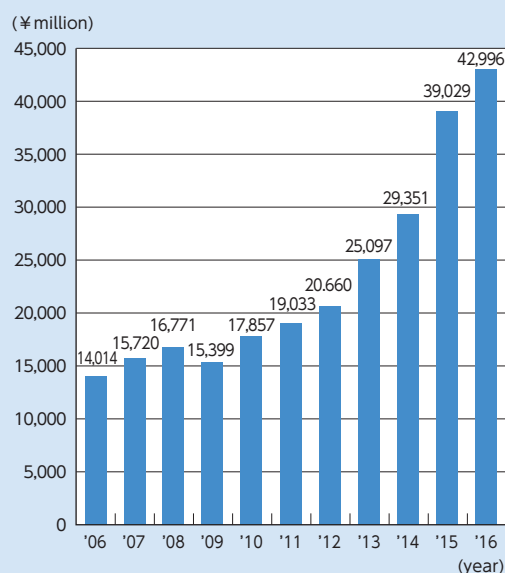
To promote the use of Geographical Indications, which is effective in improving the brand value of liquor made in Japan, the geographical indication system was revised in October 2015 as a measure for promoting the development of the liquor industry. Moreover, based on the revised system, “Nihonshu / 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.

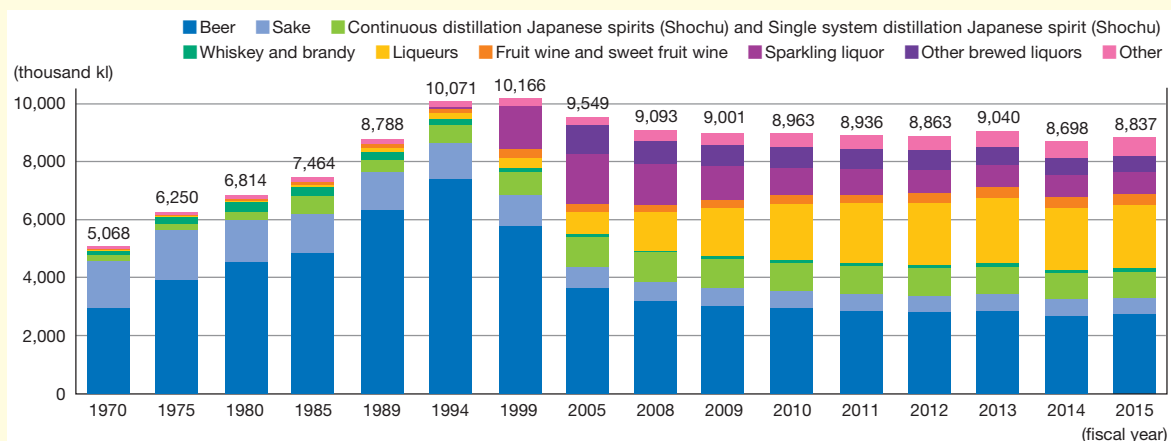
～ Providing information to liquor business operators ～

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

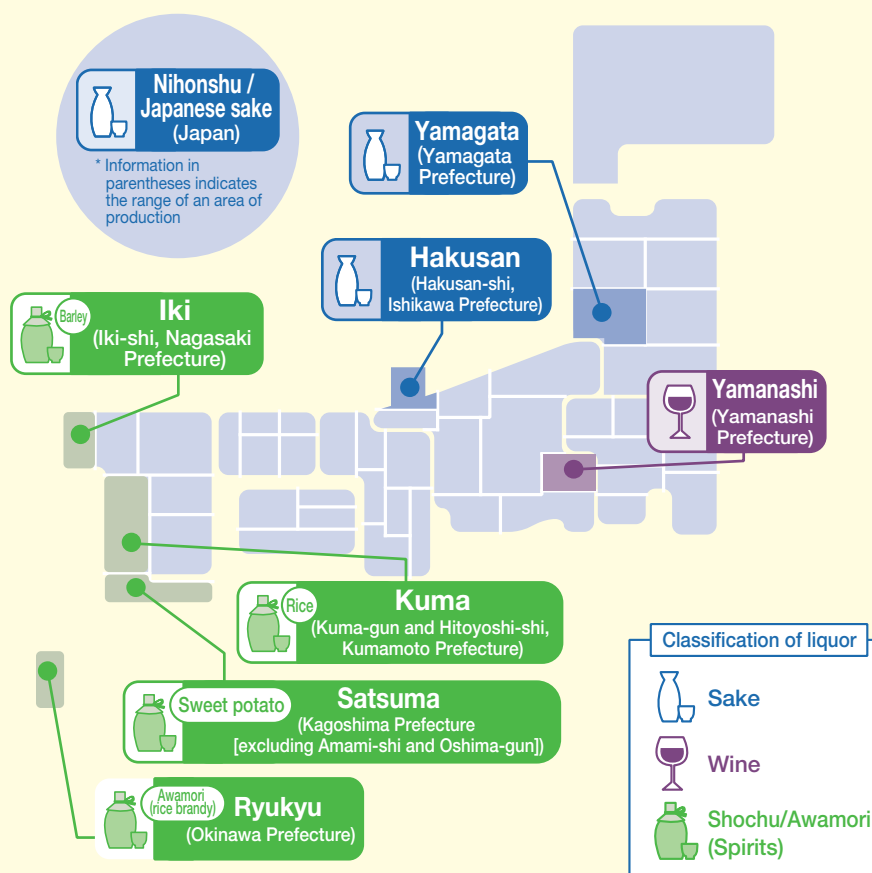
Under the Geographical Indication system for liquor, a liquor made from a characteristic ingredient or by production method in a specific production area can exclusively label the production area.

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.