Your taxes help to sustain our community
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 enhanced service to taxpayers as well as to conduct proper and fair taxation and collection so that taxpayers feel that tax laws are applied fairly to everyone.

In addition, in tandem with development of the globalization of the economy and ICT, 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.

To be more specific, starting January 2019, the NTA will implement a system which will simplify the use of e-Tax for individual taxpayers, enabling wage earners to file for refunds by deducting medical expense and Hometown tax (tax deduction for donations to prefectures or municipalities of your choice) through smartphones and other devices. Under such efforts, the NTA is striving to enhance convenience for all taxpayers.

In addition, concerning the My Number System, the NTA will continue to enhance efficiency of administrative tasks and examine ways in which to further improve taxpayers’ convenience through effective use of My Number and Corporate Numbers.

In terms of achieving proper and fair taxation and collection, we are taking rigorous actions against large and vicious fraudulent cases, thereby protecting the rights and 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 and complication of the economy, public interest has been significantly growing in international tax avoidance cases due to the disclosure of the so-called “Panama Papers”, "Paradise 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.

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.

In June of last year, the NTA consolidated and announced the “Future Vision of Tax Administration” in an effort to highlight the future vision of tax administration that is to be sought from the perspective of transparency of tax administration, with recognition to the importance of making solid progress towards its realization.

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 2018” would help you to better understand us and the NTA.

June 2018

Takeshi Fujii
Acting Commissioner
National Tax Agency, Japan
From the Commissioner

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*The fiscal year ranges from April 1 through March 31 of the following year (i.e. fiscal year 2017: April 1, 2017 to March 31, 2018), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2017: July 1, 2017 to June 30, 2018).*
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.”
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 globalization and ICT 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.

(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 meeting certain conditions. Then we 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.

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**Column 1** Release of “Future Vision of Tax Administration ~Achieving a Smart Tax System~”

In order to ensure future filing and payment of taxes by taxpayers based on understanding and trust, in June of 2017, the NTA released the “Future Vision of Tax Administration ~Achieving a Smart Tax System~,” recognizing the importance of making an effort to highlight the future state and making solid progress towards its realization.

**Future Vision of Tax Administration ~Achieving a Smart Tax System~**

**Changes in the surrounding environment**

<table>
<thead>
<tr>
<th>Promotion of ICT and AI</th>
<th>Implementation of the My Number System</th>
<th>Globalization of economic transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing reduction and increase in filing</td>
<td>Increasing complexity and difficulties of examination and collection</td>
<td></td>
</tr>
</tbody>
</table>

**Objective of the study**

It is important to highlight the future vision that is sought from perspective of transparency of tax administration, and to make solid progress towards its realization.

**Future vision**

- Proper adaptation to an ICT society
  - Significant digitization of tax procedures
    - Heightened in taxpayer convenience (Smooth and swift)
      - Customized information delivery
      - Automated tax consultation
      - Promotion of digitalized filing and payment
  - Simple completion of procedures without visiting the tax office

**Smart tax administration**

- Enhanced efficiency and sophistication of taxation and collection (Intelligent)
  - Automated verification of filing contents
  - Offsite processing of minor errors
  - Application of AI in examination and collection

- Precise engagement with important issues
  - Response to international tax avoidance
  - Ensured proper taxation to the wealthy class
  - Response to large scale and malicious cases

**Advancement of information systems**

- Centralized processing of internal administrative tasks
- Coordination and collaboration with local governments

(This future vision describes what can presently be imagined of the tax administration, approximately 10 years from now, on the premise that advancement in information system and cooperation with external organs are obtained. The NTA will be working towards its realization in stages, enhancing taxpayer convenience by promoting digitalization of filing and payment, through improvements in user friendliness of e-Tax, while at the same time, enhancing data platform and applying AI technology and so on. The NTA will also continue to pay attention to the important needs of the taxpayers, who are the users of this information system.)
(1) National revenue and taxes

National revenue (initial budget for general account revenues) in FY2018 stands at ¥97,712.8 billion, of which ¥59,079 billion is from taxes and stamp revenues. The income tax, corporation tax, and consumption tax account for about 80% of tax revenues.

(2) NTA budget and number of personnel

The NTA initial budget in FY2018 stands at ¥702.6 billion, with salary costs amounting to ¥550.5 billion and general expenses ¥152.1 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, 57,202 in FY1997, and the agency has a headcount of 55,674 in FY2018.
(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.\(^1\)

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**Ministry of Finance**

**National Tax Agency**

- The NTA plans and draws up programs to implement tax administration, standardizes the way to interpret tax laws, and directs and supervises the Regional Taxation Bureaus and Tax Offices (884 persons, 1.8%).

**Internal Subdivisions**

- **Commissioner’s Secretariat**
- **Taxation Department**
- **Collection Department**
- **Large Enterprise and Criminal Investigation Department**

**Facilities**

- **National Tax College**

  The National Tax College trains new recruits and provides important job training to tax officials working in the field so that they can adapt promptly to social changes (324 persons, 0.6%).

**Attached Institution**

- **National Tax Tribunal**

  The National Tax Tribunal makes decisions on requests for reconsideration regarding decisions made by the District Director of the Tax Office or other authorities, pursuant to the laws/regulations about national tax (471 persons, 0.8%).

**Tax Bureau** Planning and drafting of the tax system

**Regional Taxation Bureaus and Okinawa Regional Taxation Office**

- Sapporo, Sendai, Kanto-Shinetsu, Tokyo, Kanazawa, Nagoya, Osaka, Hiroshima, Tokyo, Fukuoka, Kumamoto, Okinawa (Local Branch Offices)

**Regional Tax Offices (524)**

- Tax Offices are points of contact with taxpayers, working as first-line bodies to process tax administration (42,044 persons, 76.5%).

**Co-ordination Division**

**Special Officer (Public Relations)**

**Revenue Management and Processing Group**

- This Group receives tax returns, issues certificates of tax payment, receives cash for tax payment, general consultation on taxation, etc. It also inputs information on tax returns, manages national tax claims, and administers refund procedures, postponements of tax payment, and payments in-kind.

**Collection Group**

- This Group provides consultation on tax payments, and executes procedures against tax delinquencies.

**Individual Taxation Group**

- This Group carries out consultation on income tax and sole proprietor’s consumption tax, and related examinations.

**Property Taxation Group**

- This Group carries out consultation on inheritance tax, gift tax, and other taxes.

**Corporation Taxation Group**

- This Group provides consultation on corporation tax, local corporation tax, withholding income tax, and other taxes including stamp tax and gasoline tax, as well as related examinations.

**Chief Examiner (Liquor Tax and Industry)**

- The Chief Examiner carries out consultation on liquor tax, related examinations, and back office work for liquor sales licenses.

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*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 2018).

*2 The National Tax Council addresses the following: 1) deliberation of cases in which the NTA Commissioner does not recognize the opinion of the Director-General of the National Tax Tribunal as reasonable, where the Director-General of the National Tax Tribunal determines the case by interpreting laws differently from the notification issued by the NTA Commissioner; 2) implementation of CPTAs examination and decision on the disciplinary actions applied to CPTAs; and 3) deliberations on the establishment of labeling standards for liquor, and other matters.
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.

Providing information, etc.

Various public relations activities

The NTA provides taxpayers with useful information on tax filing and payments, etc.

More specifically, focused on the NTA website (https://www.nta.go.jp) (accessed 279.0 million times in FY2017), 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.

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 making efforts to deliver information in an easy-to-understand format, such as simplified layout of the website with menu selection consolidated in one location, and pays attention to convenience for the visually disabled and the elderly by providing text enlargement, voice reading functions, etc.

In addition, optimized display on a smartphone or tablet screen is delivered through a function which automatically adjusts the display in accordance with the size of the display (responsive web design).

The NTA also has a website for cellular phones, etc. (https://www.nta.go.jp/m).
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.

Overview of NTA Website (top page)

1. **Search function within the website**
   - Function to search through information on the entire NTA website by referencing a keyword

2. **Text enlargement / voice reading**
   - Support functions for the elderly and those who have visual disorders

3. **Global navigation**
   - Information guide that serves as an entrance to various information sites

4. **New arrivals**
   - Displays new arrival information in a table by content

5. **Monthly access ranking**
   - Displays pages with the most access in a ranking format

6. **Menu by area of interest**
   - Displays page with the most access by area of interest

7. **Search for tax office**
   - Enables the user to search for its jurisdictional tax office by postal code or address

8. **SNS, etc.**
   - Collects and displays information from all tools used by the NTA to release information

9. **Site map**
   - Displays the composition of the entire NTA website in a table

Note: The following diagram is as of May 2018.
(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 NTA, the Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, 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.).

Taking into account changes in the environment surrounding tax education, such as revision of the education guideline and increasing importance of citizenship education, the NTA is making efforts to develop courses and teaching materials that deliver a profound learning experience by accurately ascertaining the needs of the educators and collaborating with related agencies, enabling children and students to make observations in a subjective and interactive manner. Also, a “Tax learning section” is provided on the NTA website (https://www.nta.go.jp/taxes/kids/ (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 (https://www.nta.go.jp/about/organization/tokyo/education/taiken/01.htm (in Japanese)).

<table>
<thead>
<tr>
<th>Number of lecturers dispatched to Tax Education Class, etc.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year</td>
<td>2016</td>
</tr>
<tr>
<td>Officials</td>
<td>8,428</td>
</tr>
<tr>
<td>Non-officials</td>
<td>28,954</td>
</tr>
<tr>
<td>Total</td>
<td>37,382</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Number of essays entered for Tax Essay Contest</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year</td>
<td>2016</td>
</tr>
<tr>
<td>Received from high school students</td>
<td>210,468</td>
</tr>
<tr>
<td>Received from junior high-school students</td>
<td>629,534</td>
</tr>
</tbody>
</table>
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 (https://www.nta.go.jp/about/organization/ntc/english/).

(3) Lectures

~ Tax Enlightenment Activities to Improve Awareness Towards Tax Payment ~

The NTA holds lectures, supported by the Regional Taxation Bureaus and Tax Offices, for college students and adults with the objective to improve awareness towards tax payment, aiming towards development of understanding towards tax payment through accurate knowledge and proactive thoughts on the role of taxes, significance of the self-assessment system and the rights and obligations of taxpayers in the self-assessment system.

(4) 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.

<table>
<thead>
<tr>
<th>Frequency of lectures</th>
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<tbody>
<tr>
<td>Fiscal year</td>
</tr>
<tr>
<td>Frequency held</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Frequency of briefings and number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation year</td>
</tr>
<tr>
<td>Frequency held</td>
</tr>
<tr>
<td>Number of participants</td>
</tr>
</tbody>
</table>
**Advanced 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 (https://www.nta.go.jp/law/shitsugi/01.htm (in Japanese)).

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 (https://www.nta.go.jp/law/bunshokaito/01.htm (in Japanese)).

**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/taxes/shiraberu/taxanswer/index2.htm (in Japanese)), in which general answers to frequently asked questions are posted (it also provides a mobile phone site.).

![Number of Q&A examples posted on website](image1.png)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Q&amp;A posted</td>
<td>1,821</td>
<td>1,928</td>
</tr>
</tbody>
</table>

![Number of Advance Inquiries received by written reply procedure](image2.png)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Advance Inquiries Received</td>
<td>132</td>
<td>133</td>
</tr>
</tbody>
</table>

![Phone Consultation Center; Number of consultations and number of times “Tax Answer” was accessed](image3.png)

- **Number of times “Tax Answer” accessed**
- **Number of Phone Consultation Center consultations**

![Graph](image4.png)
~ 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.

### Response to affected taxpayers and other parties

To assist those who have suffered from the Great East Japan Earthquake and Kumamoto Earthquake, the NTA has developed a system for providing appropriate consultations to those who are taking refuge 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 their circumstances and emotions.

**Principal tax treatments applicable to those who suffered damage from these disasters**

- The taxpayer may extend the deadline for filing or payment, and postpone tax payment for a certain period.
- The taxpayer may benefit from reduced taxes or postponement of payment, even during the stages of an estimated income tax prepayment or income tax withholding.
- Should the taxpayer suffer damage to its home or belongings, the taxpayer may reduce its income tax through casualty loss deduction methods determined in the Income Tax Act or 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.

For other measures and details, see the NTA website “The Disaster related information” (https://www.nta.go.jp/taxes/shiraberu/saiga/index.htm(in Japanese)).

### Principal tax treatments

<table>
<thead>
<tr>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The taxpayer may extend the deadline for filing or payment, and postpone tax payment for a certain period.</td>
</tr>
<tr>
<td>The taxpayer may benefit from reduced taxes or postponement of payment, even during the stages of an estimated income tax prepayment or income tax withholding.</td>
</tr>
<tr>
<td>Should the taxpayer suffer damage to its home or belongings, the taxpayer may reduce its income tax through casualty loss deduction methods determined in the Income Tax Act or 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.</td>
</tr>
</tbody>
</table>

For other measures and details, see the NTA website “The Disaster related information” (https://www.nta.go.jp/taxes/shiraberu/saiga/index.htm(in Japanese)).
Strongly promote various measures in order to encourage the use of e-Tax and submitting all documents including attachments electrically

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 without visiting the Tax Office. Tax payment can be made via direct payment, the Internet, Pay-easy® 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.

From now on, the NTA will place emphasis on further promotion of e-Tax and submitting all documents including attachments electrically, based on the mid to long-term plan formulated in June 2018, in order to realize initiatives announced in the “Digital Government Execution Plan” (decision of the e-Government Cabinet Meeting held in January 2018) which is the new policy initiative for the entire government.

Outline of e-Tax

<table>
<thead>
<tr>
<th>Users</th>
<th>Internet</th>
<th>e-Tax</th>
<th>Tax Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Prior preparation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Obtain digital certificates</td>
<td>Sending data (tax return, application and filing)</td>
<td>Utilization of data</td>
<td></td>
</tr>
<tr>
<td>• Obtain IC card readers/writers</td>
<td>Sending direct payment information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Digital signature by the taxpayers can be omitted in cases where CPTAs file returns online on behalf of the taxpayers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxpayers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPTAs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved convenience for users</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Can complete the procedure via the Internet without visiting the Tax Office</td>
<td></td>
<td>Enhancing the efficiency of tax administration</td>
<td></td>
</tr>
<tr>
<td>• Reduction of paperwork</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial institution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(BOJ revenue agencies)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax payment via Internet banking</td>
<td></td>
<td>Reduction of administrative work of receiving tax returns and data input</td>
<td></td>
</tr>
<tr>
<td>Tax payment via “Pay-easy” compatible ATMs</td>
<td></td>
<td>Reduction of document management costs</td>
<td></td>
</tr>
</tbody>
</table>
The number of utilizations of e-Tax

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count (thousands)</td>
<td>17,710</td>
<td>18,100</td>
<td>18,300</td>
<td>19,560</td>
<td>24,720</td>
</tr>
</tbody>
</table>

The number of utilization of e-Tax increases steadily.

Column 2: The NTA will endeavor to increase the convenience of e-Tax

At the NTA, introduction and preparation of the following policies are underway in order to further increase the convenience of e-Tax.

In tandem with the mandatory requirement for large enterprises to file online (refer to Column 3), the NTA has plans to introduce the following policies to enable smooth online submission of filing data pertaining to corporate tax, etc., and advance preparations of an environment that enables smooth online submission of filing data pertaining to corporate taxes: ① Reduction in the amount of information requiring submission, ② Acceptance of various data formats, ③ Increase in number of options for submission, and ④ Centralized destination for submission (once only policy). For further details, please turn to the e-Tax website (http://www.e-tax.nta.go.jp/hojin/gimuka/index.htm (in Japanese)).

1 Simplification of authentication procedure

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

By logging into e-Tax through Mynaportal or from the e-Tax website with My Number Cards, taxpayers will be able to start using e-Tax, and prepare/submit tax returns and other data more easily.

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

In terms of those who do not possess a My Number Card or IC card readers/writers, the taxpayer will be able to transmit its filing data through the e-Tax from the filing assistance on the NTA website, using only an ID and password dedicated to e-Tax, issued by the District Director of the Tax Office after in-person identity verification by a staff at the Tax office.

1 “Mynaportal” refers to a portal site, newly created when the My Number System was adopted, which each and every citizen may have access to.

～ Conceptual diagram of the use of e-Tax by individual taxpayers after January 2019 ～

<table>
<thead>
<tr>
<th>Current procedure</th>
<th>Before using e-Tax</th>
<th>When a tax return is filed</th>
<th>Items required when a tax return is filed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition of a My Number Card</td>
<td>Submission of an application of start using e-Tax</td>
<td>Receipt of an ID and a password</td>
</tr>
<tr>
<td></td>
<td>Submission of an application of start using e-Tax</td>
<td>Receipt of an ID and a password</td>
<td>Preparation and transmission of tax filing data</td>
</tr>
<tr>
<td></td>
<td>Only for ID and password method</td>
<td>In-person identity verification by a staff at the Tax office</td>
<td>Only for ID and password method</td>
</tr>
</tbody>
</table>

* In addition to the above, plans are in place for the largest number of users, who are wage earners (year-end adjustment completed) to file for refunds by deducting medical expense and Hometown tax, enabling to file through smartphone etc.
(2) Simplification of authentication procedure for e-Tax use by corporate taxpayers [completed in April 2018]

1 Review of signature or seal policy in corporate tax filing
   The policy which required for the signature or seal of the representative or individual responsible for the busi-
   ness for submission of corporate tax filing was abolished. Now, when a corporate taxpayer files its corporate tax
   through e-Tax, digital signature of the individual responsible for accounting at the corporate taxpayer and
   transmission of digital certificate is no longer necessary.

2 Simplification of authentication method of the corporate entity in e-Tax
   When the corporate taxpayer files using e-Tax, transmission of the representative’s digital signature is no lon-
   ger necessary, as long as the digital signature and digital certificate of the individual (restricted to a director or
   employee of the corporate taxpayer) who has been appointed by the representative of the corporate taxpayer
   is sent.

2 Submission of attachments as image files [attachments under income tax law: completed in January
   2017, attachments under corporate tax law: completed in April 2016]
   Attachments which required separate submission in hardcopies, such as the certificate of remaining balance of
   housing loans and capital relationship diagram, may now be submitted as an image file.

3 e-Tax adaptation to inheritance tax filing [planned for completion after October 2019]
   Inheritance tax will be eligible for filing through e-Tax.

4 Simplification of filing procedures utilizing medical fee notification data [completed as of January 2018]
   Through improvement of filing assistance on the NTA website, when applying for deduction for medical expenses
   for income tax, the “medical expense notification” data (XML format), provided by the medical insurance provider,
   may be sent as attachment to the final tax return data when submitting the final tax return through e-Tax.

5 Automated retrieval of information of head office through entry of Corporate Number [due for completion
   by April 2019]
   Through the use of e-Tax, by entering the Corporate Number, the Corporate Number Notification Information
   (name of corporate entity and other head office information, such as address) will be automatically reflected to the
   system when conducting procedures for filing, application, and notification.

Column 3 | Large enterprises will be required to file returns via e-Tax

With increasing degree of ICT in the economic society, submission of final tax returns and such by large enterprises
which fulfill certain conditions, such as capital exceeding 100-million yen, will be required to submit online, including
attachments, such as financial statements and account heading breakdown statements, beginning April 1, 2020, from
the perspective of reduction of cost to overall society and promotion of efficiency enhancement (FY2018 Tax Reform).
In terms of the online filing requirement of large enterprises, the NTA is committed to preparing adequate conditions
to enable smooth online submission of filing data pertaining to corporate taxes. (Please refer to e-Tax website (http://
www.e-tax.nta.go.jp/hojin/gimuka/index.htm) for specifics.)

- Subject tax item and procedure
  Submission of final tax return, including corporate tax and local corporate tax as well as consumption
tax and local consumption tax

- Large enterprises
  - Corporate tax: corporate entities whose capital exceeds 100-million yen at the beginning of the
    business year
    Mutual companies, investment corporations and special purpose companies
  - Consumption tax: those subject to corporate tax obligation
    National and local governments and public corporations whose capital exceeds
    100-million yen at the beginning of the business year
3 Filing for tax return

~ The number of taxpayers who filed tax returns totaled 21.98 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 expenses. 21.98 million people filed their income taxes and special income taxes for reconstruction for 2017; thus, one out of six residents filed tax returns. Of these, over 12.83 million people filed for refunds, comprising over half of the people filing tax returns.

Trend of individual tax return filers

![Graph showing trend of individual tax return filers from 1999 to 2017.]

Since 1999, the number of taxpayers who filed tax returns totaled to over 20 million.

Various services are provided to meet with various needs of taxpayers

➔ Implemented systems to enable easy and convenient filing process

(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.

* 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.

Filers who used ICT to file an income tax return

![Graph showing number of filers using ICT from 2009 to 2017.]

The users of ICT increased 1.5 times in 8 years.
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 accurately 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 2017, 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 9.93 million cases including those prepared via PCs set up at consultation sites. This comprised about 45% of all people who submitted returns. About 49% 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.

(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 the Tax 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, and at joint meeting sites outside the Tax Offices.

For the 2017 tax return filing period, the offices were open on February 18 and February 25, 2018, during which 293,000 tax returns for income tax and special income tax for reconstruction were filed.

Cooperation with the local government

In an effort to simplify taxpayer filing procedures, the NTA is working on achieving close cooperation between the NTA and the local government. On the system aspects, for example, in the case of income tax filings, the NTA provides such information to the local government. Therefore, there is no need to file for individual enterprise tax and individual inhabitant tax, which are local taxes.

Also, on the implementation aspects, income tax filing data and other data are mutually provided between national government and local public bodies. Such actively increased use of ICT is an effort to boost efficiency and reduce the costs of administrative operations of national government and local government.
~ Enhanced taxpayer services by offering various payment methods ~

To enhance taxpayer services, diverse payment have been introduced; such as online payment using internet banking, payment at convenience stores, Direct payment, and Credit card payment, instead of paying at the counters of financial institutions and Tax offices in cash with tax payment slips. Additionally, beginning January 2018, taxpayers are able to assign multiple bank accounts for direct payments.

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 2018, it was usable in 423 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 1.69 million cases in FY2016.

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:

• If the determined tax amount is notified before the due date (estimated income tax prepayment, etc.)
• If the taxpayer requested the issuance of tax payment slips for the determined tax amount

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” on the Internet by PC or smartphone.

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).
(1) Outline of My Number System
The Social Security and Tax Number System is the social infrastructure to improve administrative efficiency, enhance public convenience, and realize a fairer and more just 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.

My Number (Individual number)
My Number is a 12-digit number which has been designated to anyone holding residential registration. 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, taxation, and disaster response.

Corporate Number
Corporate Number is a 13-digit number to each corporation, such as stock companies.
Corporate Number is available to anyone, unlike My Number. And the following three types of basic information on the corporation, etc., in principle, is publicly announced on the Internet; (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 ~
An individual or corporation has 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.

From now on forward, the NTA will examine ways in which to further increase taxpayer convenience, such as storing information from e-Tax’s message box in the “Notification” section of the Mynaportal, which allows centralized access to information from all administrative organs.

~ Recognizing income more properly and 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. Therefore, we believe that the number will lead to more proper and fair taxation.

~ Conducting public relations activities ~

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

The NTA publishes the three types of basic information on the corporation which designated Corporate Numbers on the Internet (the NTA Corporate Number Publication Site (https://www.houjin-bangou.nta.go.jp)).

* 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.

~ 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 to enhance convenience of the NTA Corporate Number Publication Site ~

The three types of basic information on the corporation may be searched for on the NTA Corporate Number Publication Site, referencing the “Corporate Number,” “trade name or name” or “address”.

Also, the site offers Data Download function and Web-API function¹ in order to enable users’ ease-of-use of information, such as the Corporate Number.

Starting from April 2018, the NTA added furigana (Japanese pronunciation) to the trade name and name on the NTA Corporate Number Publication Site in order to make it easier for corporations to utilize these information as digitization and networks continue to expand.

~ Initiatives for the boost of 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 the NTA 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 NTA Corporate Number Publication Site (https://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.

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¹ “API” stands for “Application Programming Interface,” a protocol which establishes necessary programs to connect (link) multiple applications. “Web-API” is one type of API, and is made available to the public via websites on the internet.
Promotion of adoption of ICT and Business Process Reengineering (BPR)

~ Working towards realization of a Digital Government ~

The environment surrounding tax administration has been going to dramatic changes, as prominent advancements in ICT and AI achieved and the My Number System is introduced as a new program. In such circumstances, in May of 2017, the “Declaration to Be the World’s Most Advanced IT Nation / Basic Plan for the Advancement of Public and Private Sector Data Utilization” (cabinet decision) was formulated, aimed at realizing a society in which each and every citizen may enjoy the benefits of IT and data usage and application, and achieve genuine prosperity. In addition to this, concerning the field of electronic administration which is one of the key component of the plan, the “Digital Government Strategy” (decision of the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society and Strategic Meeting for Utilization of Public and Private Sector Data) and was decided. The policy aims to realize a Digital Government by placing emphasis on enhancing the convenience of the public and businesses, and reexamining administrative tasks on the premise of a digital environment.

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 Business Process Reengineering (BPR) in an attempt to ease the burden of users and enhance the efficiency and advance 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) 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), and regularly renews the certification afterward.

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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.
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 yearend adjustment, distributing guidebooks and pamphlets, etc.
The reduced tax rate system

Provision of information and public relation about the reduced tax rate system for consumption tax

Outline of the reduced tax rate system

From the perspective of paying consideration to the low income bracket, 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.

Consumption tax rates and items subject to the reduced tax rate

<table>
<thead>
<tr>
<th>Consumption tax rates</th>
<th>The standard tax rate is 10% (consumption tax rate of 7.8% and local consumption tax rate of 2.2%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The reduced tax rate is 8% (consumption tax rate of 6.24% and local consumption tax rate of 1.76%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items subject to the reduced tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and drink excluding alcoholic drink and dining out</td>
</tr>
<tr>
<td>Newspapers issued more than twice a week (those based on subscriptions)</td>
</tr>
</tbody>
</table>

Scope of food and drink subject to the reduced tax rate

Entry in ledgers, description on invoices and the storing of these documents

1. A business operator generating sales of, or purchasing, any items subject to the reduced tax rate is to issue an invoice, etc. adding tax rate-based separations to existing statement items and perform accounting such as book entries (separate accounting).

2. 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 (the method of storing invoices with classified descriptions).
(3) Starting October of 2023, the method of storing eligible invoices (so-called invoice system) will be introduced. Preservation of invoice, etc., such as “eligible invoices,” will become the requirement for purchase tax credit, in addition to “storage of separate statement invoices, etc.” (the method of storing eligible invoices).

### Schedule of changing the method of purchase tax credit

<table>
<thead>
<tr>
<th>Effective period</th>
<th>Current procedure</th>
<th>The method of storing invoices with classified descriptions</th>
<th>The method of storing eligible invoices</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2021</td>
<td></td>
<td><strong>Beginning of acceptance of registration applications</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Entry in ledgers and descriptions on invoices

<table>
<thead>
<tr>
<th>Entry</th>
<th>Effective period</th>
<th>October 1, 2019</th>
<th>October 1, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoices</td>
<td>• Name of the invoice issuer</td>
<td>The method of storing invoices (Current procedure)</td>
<td>The method of storing invoices with classified descriptions</td>
</tr>
<tr>
<td></td>
<td>• Date, month and year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Transaction description</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Price</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Name of the invoice recipient</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The product is an item subject to the reduced tax rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Tax-inclusive prices totaled according to different tax rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Registration numbers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Consumption tax amounts and applicable tax rate according to different tax rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ledgers</td>
<td>• Name of the taxable purchase supplier</td>
<td>The method of storing invoices (Current procedure)</td>
<td>The method of storing invoices with classified descriptions</td>
</tr>
<tr>
<td></td>
<td>• Date, month and year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Transaction description</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Price</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The product is an item subject to the reduced tax rate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Information and public relations about the reduced tax rate system for consumption tax

Under the reduced tax rate system, in addition to the need to make entries of sales and purchases classified according to different tax rate, issuance and storage of invoices corresponding to multiple tax rates will be required. These paperwork will impact many businesses, needless to say those businesses that handle items subject to the reduced tax rate, but also those that do not sell items subject to the reduced tax rate and tax exempt businesses that have no obligation to pay consumption tax.

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.

---

1 Businesses that are allowed to issue “eligible invoices” are limited to taxable businesses that have been registered after applying with the District Director of the tax office (businesses allowed to issue eligible invoice). Acceptance of applications for registry will begin on October 1st, 2021.
Opening of a special site of the reduced tax rate system on the NTA website

- Please visit the special site on the NTA website “About the Reduced Tax Rate System for Consumption Tax” (https://www.nta.go.jp/taxes/shiraberu/zeimokubetsu/shohi/keigenzeiritsu/index.htm (in Japanese)).

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

Setting up a reduced consumption tax rate telephone counseling center (reduced tax call center) 0570-030-456

Available from 9 am until 5 pm on weekdays (not available on weekends, holidays, and New Year holidays (December 29 to January 3))

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

Release of video via the official NTA website which provides an overview of the reduced tax rate system (Web-TAX-TV)

(2) Measures for smooth and appropriate shifting of consumption taxes

〜 Provision of consultation on price indication and the guidance to liquor business operators 〜

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 systems’ 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.

9 Cooperation with private organizations

〜 Provide necessary tax information to taxpayers in cooperation with relevant private organizations 〜

The NTA is implementing public announcement and public relation actively to convey information on taxes to taxpayers accurately, through various explanatory meetings etc., cooperating with relevant private organizations.

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.”

These relevant private organizations are playing a large role in achieving a proper self-assessment system and in spreading knowledge about taxes.
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 481 corporations associations as incorporated associations, and membership stands at about 780,000 corporations (as of December 2017). 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 514 associations nationwide with about 90,000 members (as of April 2017). 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. In addition, they are also coordinating “tax slogan” (supported by the NTA). 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 23,600 associations (as of March 2017). 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 2018). 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)
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.

<table>
<thead>
<tr>
<th>The number of field examinations (thousands cases)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation year</td>
</tr>
<tr>
<td>Self-assessed income tax</td>
</tr>
<tr>
<td>Corporation tax</td>
</tr>
<tr>
<td>Consumption tax</td>
</tr>
<tr>
<td>Inheritance tax</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The penalty tax amount of field examinations (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation year</td>
</tr>
<tr>
<td>Self-assessed income tax</td>
</tr>
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<td>Corporation tax</td>
</tr>
<tr>
<td>Consumption tax</td>
</tr>
<tr>
<td>Inheritance tax</td>
</tr>
</tbody>
</table>

~ 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 including payment records submitted by the business proprietors based on laws.

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 exchange of information 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

- The NTA utilized information obtained through the Automatic Exchange of Information program based on tax treaties in place and identified undeclared income, such as interest generated from savings kept in overseas accounts.
- The NTA has uncovered a reduction in tax burden by conducting transactions through a shell company established in a so-called tax haven.


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Conduct sufficient examinations for ensuring proper taxation of consumption tax

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.

Also, the NTA is working increasingly close with customs authorities in order to address evasion of consumption tax on import products related to contraband import of gold which has become a social issue.

Cases of examinations of the consumption tax

- The NTA uncovered a case in which an individual concealed the fact that he was the actual beneficiary of income by filing his income tax under another person’s name every few years, and evaded payment of consumption tax.
- The NTA uncovered a fraudulent refund of consumption tax by means of falsifying books to disguise domestic sales as sales subject to export exemption.

Uncover the file no returns by utilizing information

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

Cases of examinations of file no returns

- The NTA has uncovered that a company employee has not reported income from a side business of Internet sales.
- The NTA uncovered a case in which a business operator conducted its business in a location distanced from the registered address of the head office with the purpose of concealing its business activities, and illegally evaded filing its taxes.

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) Utilizing other approaches 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 who seemingly has failed to file a return based on accumulated information by the NTA.
- 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.

Efforts through cooperative means

The NTA carries out initiatives to maintain and improve tax compliance through cooperative means in order to advocate voluntary efforts towards proper filing by large corporations.

- 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 of burdens due to tax examinations.
  Details of this activity are available at the NTA website “Approaches to enhance the corporate governance on tax matters (for corporations handled by the Large Enterprise Division)” (https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/cg.htm (in Japanese)).

- Promotion 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.” Details of this activity are available at the NTA website “Voluntary inspection of tax returns and voluntary audit of tax items (for corporations handled by the Large Enterprise Division)” (https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/tk.htm (in Japanese)).
  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.

- Efforts through cooperative means concerning transfer price taxation
  For aiming to maintenance and enhance voluntary tax compliance by taxpayers, we have publicized the “Transfer Pricing Guidebook for Taxpayers” (https://www.nta.go.jp/taxes/shiraberu/kokusai/itenkakakuzeisei/index.htm (in Japanese)) in June 2017 to enhance predictability for taxpayers and administration transparency.
  The NTA also releases announcements and communications on documentation policy related to transfer price taxation, and offers consultation services, striving to ensure smooth execution and solid footing of the policy. Please refer to page 50 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 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 ICT in 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. The NTA is also paying attention to transactions related to cryptocurrencies and sharing economy (i.e., home sharing).

(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, more globalized and computerized, the methods of tax evasion are becoming more complex and sophisticated. 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 FY2017, 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. Moreover, the NTA took aggressive actions against those who failed to file taxes by concealing one’s income, achieving the highest number of prosecutions in the past 5 years.

In addition, the NTA took aggressive actions against cases conforming to the social landscape of recent years, such as cross border cases and solar power generation, achieving the significant number of prosecutions.

Cases of accusations filed to the prosecutor in FY2017

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

A corporation in the business of import and export of cosmetic products was illegally benefiting from excessive refund of consumption tax by registering fictitious procurements (taxable transaction) and fictitious export sales (tax-exempt transaction) to a company overseas, despite the fact that none of these transactions actually took place.
Table: Status of criminal investigations

<table>
<thead>
<tr>
<th></th>
<th>Number of cases conducted</th>
<th>Number of cases closed</th>
<th>Number of cases with accusation filed to the prosecutor</th>
<th>Total amount of tax evasion cases (portion with accusation filed to the prosecutor)</th>
<th>Amount of tax evasion per case (portion with accusation filed to the prosecutor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>178 cases</td>
<td>193 cases</td>
<td>132 cases</td>
<td>16,106 (12,692)</td>
<td>83 (96)</td>
</tr>
<tr>
<td>FY2017</td>
<td>174 cases</td>
<td>163 cases</td>
<td>113 cases</td>
<td>13,509 (10,001)</td>
<td>83 (89)</td>
</tr>
</tbody>
</table>

* Figures of tax evasion include additional tax.

Cases in which sentencing were served during FY2017

Three companies in the business of export of high-end wrist watches were illegally benefiting from significant amount of consumption tax refunds by registering fictitious procurements (taxable transaction) in the country and fictitious export sales (tax-exempt transaction) by means of circulating wrist watches repeatedly inside and outside of the country, utilizing the group company’s inventory of high-end wrist watches.

The individual who managed these 3 companies were sentenced to 7-years and 6-month’s prison term for violation of Consumption Tax Law and Local Tax Law by these and related companies.

Ruling Status in the first instance of criminal investigation cases

<table>
<thead>
<tr>
<th></th>
<th>Number of rulings (1)</th>
<th>Number of convictions (2)</th>
<th>Percentage of cases convicted (3) / (4)</th>
<th>Number of convictions with prison sentences without probation (3)</th>
<th>Amount of tax evaded per case (4)</th>
<th>Term of prison sentence per person (5)</th>
<th>Amount of fines per person (company) (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>100 (12)</td>
<td>100 (12)</td>
<td>100.0</td>
<td>14 (9)</td>
<td>59</td>
<td>13.9</td>
<td>14</td>
</tr>
<tr>
<td>FY2017</td>
<td>143 (5)</td>
<td>143 (5)</td>
<td>100.0</td>
<td>8 (4)</td>
<td>62</td>
<td>14.7</td>
<td>15</td>
</tr>
</tbody>
</table>

* Figures in the parenthesis indicate cases combined with non-tax crimes.
* ② ④ to ⑥ exclude those combined with non-tax crimes.

Retained funds which obtained from tax evasion

Funds obtained from tax evasion were, for example, retained as cash, deposits or stocks; spent on dwellings or solar power plants, imported luxury cars or watches; 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, and spent on amusements at overseas casinos.

Past cases where hidden properties were found in criminal investigations

Cash was located from within a safe positioned beneath a removable flooring inside the residential closet.

Figures of tax evasion include additional tax.
2 Reliable tax payment

(1) Establishment of voluntary tax payment

～Approximately ¥61.6 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 FY2016, about ¥62.3 trillion of taxation (amount determined for collection) was self-assessed in Tax Offices, etc. Of this, about ¥61.6 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～

The NTA is taking the following 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.

(2) Reduction of tax delinquency

～Amounts under collection process reduced to 31.9% 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 FY2016, the tax delinquency amount was about ¥897.1 billion.

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 tax is aggressively referred to the prosecutor.

~ Organizational response 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 act and actively uses legal means to collect delinquent taxes.

~ Certain handling of consumption tax delinquency cases ~

The NTA is striving to reduce the balance of delinquent consumption tax, which we start to collect early and thoroughly when newly occurred, by steadily collecting all delinquencies including delinquent consumption taxes.

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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.

2 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).

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(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 2016 to June-end 2017, this office provided notifications to about 830,000 people, of which about 600,000 people (72.1%) fully paid, and about 110,000 people (13.2%) pledged payment.

![Collection of delinquent tax at the Office of Tax Collections Call Center](image)

Of 831,037 taxpayers issued reminders for payment by telephone between July 2016 and June-end 2017, 599,032 have fully paid their taxes.

- Issued reminders: 48,964 (5.9%)
- Returned to the tax offices: 73,435 (8.8%)
- Payment pledged: 109,606 (13.2%)
- "Paid fully" and "Payment pledged" consist approximately 80% of total.

(4) Auction by Internet

~ Sold approximately 800 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 places 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 FY2017. As a result, a total of about 9,000 people participated, and about 800 items such as automobiles, jewelry goods, real estate, etc. were sold, for a total sales value of about ¥400 million.

![Examples of properties that have been sold by internet auctions](image)
(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 42.9 million tax payment cases each year. To efficiently process this huge amount of payment cases, the NTA is working on more efficient processing operations. There is optical character recognition (OCR) processing\(^1\) for tax payment slips at the Bank of Japan, the income tax and sole proprietors’ consumption tax payments by transfer account\(^2\), 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.

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**Strict control of information**

The NTA has a variety of information such as on personal income. Personal information must be controlled strictly. 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.”

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\(^1\) 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

~ Public interest increase in international tax avoidance cases ~

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”, “Paradise 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.

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

![Graph showing amount of overseas investment from the household sector](graph)

- Figures are data from June 2017, post retrospective revisions
- (Source: “Japan’s Flow of Funds Account” by Bank of Japan)

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

![Graph showing trend in the number of locally established Japanese corporations by region](graph)

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)
The policy initiatives and specific measures based on “International Strategic Total Plan”

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 NTA has aggressively continued its actions towards international taxation after the publication of the “International Strategic Total Plan,” and with the release of the “Paradise Papers” in November of 2017, public interest on this subject has grown even larger than ever before.

Under such circumstances, in December of 2017, the NTA released “The Policy Initiatives Based on ‘International Strategic Total Plan’” and “Specific Measures Based on ’International Strategic Total Plan,’” which compiles the agency’s policy initiatives and specific measures concerning international taxation.

### The policy initiatives based on “International Strategic Total Plan” (December 2017)

**Policy of National Tax Agency**

- In recent years, the economy has been increasingly globalized. Under such circumstances, due to the disclosure of the so-called “Panama Papers”, “Paradise Papers”, and progress in the Base Erosion and Profit Shifting (BEPS) Project, public interest has been significantly increasing in international tax avoidance cases.

  The NTA will advance each of the initiatives outlined in the “International Strategic Total Plan,” and should there be any tax issues, the NTA will properly take action, such as active commencement of examinations.

#### 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

- **Utilization of foreign asset statements**
  - Recognition of assets exceeding ¥50 million held overseas (deposits, securities, real estate, etc.)

- **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)

- **Exchange of information under tax treaties, etc.**
  - Collection of information on the actual situation of transactions, dividends, income from real estate, etc.

- **Automatic exchange of information on financial accounts based on the CRS**
  - Collection of information on overseas financial accounts (account balance, etc.) (A first exchange will be conducted by September 2018).

- **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

- **Director (International Taxation) at the NTA**
  - Establishment of a commander for international taxation (Director (International Taxation) at the NTA (FY2017))

- **Project teams for the selective management of the affluent class**
  - Establishment of project teams for the selective management of the affluent class in all Regional Taxation Bureaus (FY2017)

- **Chief Examiners (International Taxation) of Taxation Department and the International Examination Divisions at Regional Taxation Bureaus**
  - 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

#### Reinforcement of global networks

- **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

- **Exchange of information under tax treaties, etc.**
  - Automatic exchange of information on financial accounts based on the CRS

- **Participation in global frameworks**
  - Response to international discussions concerning the BEPS (*2) and the tax transparency

#### National Tax Agency Report 2018

* CRS: The abbreviation of Common Reporting Standard
* BEPS: The abbreviation of Base Erosion and Profit Shifting
The specific measures based on “International Strategic Total Plan” (December 2017)

Specific measures related to examination and collection by the NTA (examples of examination cases, etc.)

- 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.
- In response to these changes in the economic environment, the NTA recognizes the importance of initiatives on international taxation, and actively initiates examinations on acts, such as those below, by affluent class and corporations engaged in 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

- In these examinations, in addition to records of remittances and receipts related to foreign countries, foreign asset statements and statements of assets and liabilities, requests for exchange of information based on tax treaties in place are being actively utilized in order to accurately ascertain taxation issues. (Case 1 to 7)

- The NTA is also striving to shed light on issues concerning not only self-assessment income taxes and corporate taxes related to cross-border transactions, but a wide array of tax categories, such as inheritance tax, gift tax, withholding income tax, consumption tax, international taxation and application of the Controlled Foreign Company (CFC) Rule (Case 8 to 13), while at the same time, making efforts to protect our country’s revenue from tax income by utilizing the mutual tax collection assistance system on collections (Case 14).

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

- Detect precisely cross-border fund transfers and assets held overseas

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 ¥1 million. 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).
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).

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 2016 was roughly 73,000 as of the end of June 2017).

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 NTA can exchange information with foreign tax authorities 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. As of April 2018, Japan has 70 tax treaties¹ in force, which cover 123 jurisdictions, and the number of information exchange amounts to some hundred thousand cases per year.

Automatic exchange of information on financial accounts of non-residents 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 2018, 102 jurisdictions have committed to implement exchanging information based on the CRS by the end of 2018².

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.

¹ Tax treaties refer to tax treaties, information exchange agreements, Convention on Mutual Administrative Assistance in Tax Matters and private-sector arrangement with Taiwan.
² Some of these countries and regions have already begun to implement automatic exchange of information based on the CRS.
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 report from financial institutions located inside the country by the end of April every year\(^1\), and provide information for foreign tax authorities by the end of September of that year. 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.

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1 The deadline for 2018 is May 1.
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), some corporations became obligated to provide (or prepare and store) the following information to Tax Offices after the FY2016 tax reform: (1) information concerning business activities of each countries conducted by MNE groups (“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 (transaction price between third parties) for transactions with foreign related parties (“local file”).

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 foreign 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 amount of the transactions with a foreign related party becomes more than a certain amount, 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 local files (this applies from the business year that begins on or after April 1, 2017).

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

<table>
<thead>
<tr>
<th>Reporting system of information on multinational enterprises</th>
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<tbody>
<tr>
<td><strong>Local file</strong>&lt;br&gt;&quot;Separately created by the parent company and each subsidiary&quot;&lt;br&gt;Organization chart&lt;br&gt;Business strategy&lt;br&gt;Major competitors&lt;br&gt;Major transactions among related parties and transaction background&lt;br&gt;Transfer pricing calculation basis&lt;br&gt;Financial statements, etc.</td>
</tr>
<tr>
<td><strong>Country-by-Country Report</strong>&lt;br&gt;&lt;br&gt;&quot;prepared by the parent company&quot;&lt;br&gt;The following information on an MNE group by country where the parent company and the subsidiaries are located:&lt;br&gt;Financial information including total revenue, profit (loss), tax amount, stated capital, etc.&lt;br&gt;Number of employees&lt;br&gt;Amount of tangible assets&lt;br&gt;Major business activities, etc.</td>
</tr>
<tr>
<td><strong>Master file</strong>&lt;br&gt;&lt;br&gt;&quot;prepared by the parent company&quot;&lt;br&gt;Group organization chart&lt;br&gt;Business overview&lt;br&gt;Information on intangibles held&lt;br&gt;Information concerning financial activities within the group&lt;br&gt;Financial situation for the entire group</td>
</tr>
</tbody>
</table>

**Provision**

Tax authorities

Provision of information with a Country-by-Country Report

Foreign tax authorities

* Preparation and storage: Provision is required to be presented by a certain appointed day that comes after the day when a tax examiner requests to present local files.

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1 The ultimate parent entity of an MNE group that earns a total revenue of ¥100 billion 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).
Enhancement of human resources for examination
(establishment and expansion of a system for specialized areas)

~ Establishment of dedicated divisions and project teams ~

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 teams are established in all Regional Taxation Bureaus from July, 2017 and similar initiatives are implemented nationwide.

Reinforcement of global networks (cooperation with competent foreign authorities)

~ Enhance cooperation with the foreign competent 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.

Participation in global framework
(1) 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 of the each jurisdiction’s tax system and business activities of 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.
Utilization of a mutual tax collection assistance system

The collection of tax claims is subject to the restrictions of executive jurisdiction (which means that a country’s tax authorities cannot exercise its public authorities outside the country’s territory), the avoidance of tax collection by means of transfer of assets to overseas can be coped with by enforcing 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 Matters (as of May 1, 2018), which became effective in October 2013.

The 15 actions discussed in the BEPS Project:

1. Addressing the Tax Challenges of the Digital Economy
2. Neutralizing the Effects of Hybrid Mismatch Arrangements
3. Designing Effective Controlled Foreign Company (CFC) Rules
4. Limiting Base Erosion Involving Interest Deductions and Other Financial Payments
6. Preventing the Granting of Treaty Benefits in Inappropriate Circumstances
7. Preventing the Artificial Avoidance of Permanent Establishment Status
8. Aligning Transfer Pricing Outcomes with Value Creation Related to Intangibles
10. Aligning Transfer Pricing Outcomes with Value Creation Related to Other High-risk Transactions
11. Measuring and Monitoring BEPS
12. Mandatory Disclosure Rules
14. Making Dispute Resolution Mechanisms More Effective
15. Developing a Multilateral Instrument to Modify Bilateral Tax Treaties

(2) Participation in the activities at the OECD

For the purpose of ensuring implementations of the recommendations in the final report of the BEPS Project to the broader area including emerging and developing countries, the “Inclusive Framework on BEPS” has been established in 2016. As of April 2018, 113 jurisdictions including Japan are participating in the “Inclusive Framework on BEPS”, and monitoring the implementation of the recommendations through the peer review process, etc.

Regarding exchange of information under 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 150 jurisdictions participate.

Moreover, at the “Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)” of the “OECD Forum on Tax Administration,” participants are taking part in activities with the objective to share information among participating countries, and to work together on common challenges, such as tax avoidance on a global scale.

The NTA is actively participating in these activities.

Framework of mutual assistance in tax collection

1. 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 85 jurisdictions including Japan (as of May 1, 2018).
Promotion of the Mutual Agreement Procedure (MAP)

When international double taxation arises from transfer pricing adjustments or others, the NTA enters into Mutual Agreement Procedure (MAP) with relevant foreign tax authorities under the provisions of applicable tax treaties to resolve such double taxation upon request from taxpayers. Also, the NTA enters into MAP related to Advance Pricing Arrangement ("APA") in order to ensure the predictability of taxpayers and promote the proper and smooth administration of the transfer pricing taxation.

In the 2016 operation year, the number of MAP cases requested was 162, and the number of MAP cases closed was 171, and the number of MAP year-end inventories were 456. Of the MAP cases requested and closed, approximately 80% were related to APA and about 20% were related to transfer pricing adjustments, etc.

The NTA has been making every effort to resolve the MAP cases appropriately and promptly. Specifically, we have been enhancing the environment conducting MAP by ensuring staffing and have been striving to conduct swift and smooth negotiations through promoting cooperative relationship with relevant foreign tax authorities. In addition, through active provision of technical assistance towards emerging countries, the NTA strives to promote penetration of international taxation rules, and at the same time, share knowledge and best practices on process and procedure of MAP, in order to promote resolution of MAP cases.

Actions against the affluent class and 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 affluent class and corporations conducting cross-border transactions as a priority issue and has been actively conducting examinations.
Providing an environment for the proper and smooth operation of transfer pricing taxation

As company activities become increasingly global, more transactions are becoming subject to the transfer pricing taxation, 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) 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 5 Engagement of the NTA through cooperative methods regarding transfer price taxation

As part of the FY2016 tax reform, documentation policy related to transfer price taxation was laid out, and the obligation for simultaneous documentation was enacted. The NTA provides support for the preparation of "documents considered as necessary to calculate arm’s length price" (hereinafter, "local file") of corporations that are subject to the obligation for simultaneous documentation. Since July 2017, the NTA has been actively engaged in individual reference concerning transactions subject to obligation for simultaneous documentation (hereinafter, "individual reference") with the aim to maintain and enhance spontaneous tax compliance by corporations concerning transfer price taxation. Through the consulting service, as examples, the NTA responds to requests from taxpayers regarding individual references for the functional analysis, the selection of method to calculate arm’s length pricing and comparative transactions in preparation of local files.

In addition to responses to individual references, the NTA has been conducting a confirmation of local file preparation status and visiting corporations in accordance with the guidance since July 2017. Based on the taxpayer’s understanding and cooperation, the NTA officers visit offices, and while confirming the status of its preparation, provides guidance and advice concerning details, if necessary.

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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.

3. Corporations which have transactions with a single foreign affiliated entity with a total amount exceeding ¥5 billion, or the total amount of intangible asset transaction exceeding ¥300 million during the preceding business year, must prepare or obtain and store local files related to the subject foreign affiliated transaction, by the due date of the final tax return (Special Taxation Measures Law, Article 66-4, paragraph 6, Article 68-88, paragraph 6). The obligation for simultaneous documentation will become effective from the corporation’s business year commencing after April 1st, 2017.

4. Information on individual reference and corporate visitations may also be found in “NTA Transfer Pricing Guidebook for Taxpayers,” in the NTA web site. (https://www.nta.go.jp/taxes/shiraberu/kokusai/itenkakakuzeisei/index.htm)
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.

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 FY2017, the NTA dispatched its officials to Cambodia, Indonesia, Lao PDR, Malaysia, 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 FY2017, they stayed in Cambodia, Indonesia, Lao PDR, Myanmar, 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 FY2017, 24 tax officials from 24 countries 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 FY2017, 79 tax officials from Cambodia, China, Indonesia, 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 FY2017, 12 tax officials from 6 countries (Cambodia, Thailand, Lao PDR, Mongolia, Sri Lanka, 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 FY2017, 15 students studying at graduate schools of Keio University, Yokohama National University, and National Graduate Institute of Policy Studies participated in total.

<table>
<thead>
<tr>
<th>Status of training conducted in Japan</th>
<th>(number of countries, people)</th>
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<tr>
<td></td>
<td>FY2013</td>
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<tr>
<td>International Seminar on Taxation (ISTAX) (General)</td>
<td>Countries</td>
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<td></td>
<td>People</td>
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<tr>
<td>International Seminar on Taxation (ISTAX) (Advanced)</td>
<td>Countries</td>
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<td></td>
<td>People</td>
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<tr>
<td>Country-Focused Training Courses in Tax Administration</td>
<td>Countries</td>
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<td>People</td>
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<tr>
<td>International Taxation for Asian Countries</td>
<td>Countries</td>
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<tr>
<td>Practicum at the NTA</td>
<td>Countries</td>
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<td></td>
<td>People</td>
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</table>

(2) Participation in international conferences

〜 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 Commissioner from 35 OECD and 15 non-OECD jurisdictions, for sharing each jurisdiction’s knowledge and experience on a wide range of fields in tax administrations. In September 2017, the 11th Forum was held in Oslo, Norway with discussions including implementations of anti-BEPS measures.

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 2017, the 47th meeting was held in Philippine, with discussions about future visions of capacity building programs that may be beneficial for tax officials of SGATAR Members.
~ the request for review system for national tax ~

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 reexamination, 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.

Overview of the request for review system for national tax

- If dissatisfied with the decision by the District Director of the Tax Office or Regional Commissioner
  - Request for reconsideration or request for re-examination by choice
    - Within 3 month
    - Request for re-examination
      - If no decision on a request for re-examination is made within 3 months
        - Decision on request for re-examination
          - Within 1 month
          - If no decision on a request for reconsideration is made within 6 months
            - Litigation for invalidating the original decision (district court), etc.

- If dissatisfied with decision made by the Registrar or Minister of Land, Infrastructure, Transport and Tourism, etc. regarding registration and license tax and/or motor vehicle tonnage tax
  - Request for reconsideration or request for re-examination by choice
    - Within 3 month
    - Decision on request for reconsideration
      - Within 6 month
      - If no decision on a request for reconsideration is made within 6 months
      - Litigation for invalidating the original decision (district court), etc.
(1) Request for re-examination

~ Simplified, prompt and fair 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.

This system is intended for review by the District Director of the Tax Office of its own disposition. And it 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 of 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.

The Director-General of the National Tax Tribunal may make a decision without being bound to the legal interpretation indicated in the NTA Commissioner’s notice, and the decisions 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 respond sincerely to a variety of opinions from taxpayers in order to obtain their understanding and confidence and to make use of tax administration. We also endeavor to give a prompt and 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 FY2017, 96.6% of requests for re-examination were closed within 3 months. 1,726 reexaminations were requested in the fiscal year (1,553 in taxation and 173 in tax collection). Of these, 12.3% 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 FY2017, 99.2% of requests for reconsideration were closed within 1 year. There were 2,475 requests for reconsideration in the fiscal year (2,295 in taxation and 180 in tax collection). Of these, 8.2% of taxpayer claims were approved in whole or in part.

③ Litigation

For litigation, 210 cases were closed in FY2017 (150 in taxation, 57 in tax collection and 3 in the National Tax Tribunal). Of these, 10.0% 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).
Taking various measures to secure liquor tax revenues and lead to the development of the liquor industry successfully

Since Meiji era (1868–1912), liquor tax revenues had been a major national income along with land tax revenues and been the top-rated income, namely, exceeding 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 FY2016, liquor tax revenues comprised 2.2% of all tax revenues. Liquor tax is not affected much by the economy, which provides stable tax revenues, and in FY 2016, liquor tax revenues was ¥1,319.5 billion. It fulfills an important role for national tax revenue even today. Compared with food items, a high tax rate is imposed on liquor. For securing liquor tax revenues appropriately and smoothly shifting the tax burden onto customers, there is a liquor licensing system for manufacturers and sellers.

The environment faced by the liquor industry has been changing considerably, such as decreasing domestic consumers due to a declining birthrate and increased 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 development of Japanese liquor 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, considering consumers and the overall liquor industry.

1) Measures for promoting the development of liquor made in Japan

Although the volume of consumption (taxable volume) of overall liquors is on a decline, the 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 54.5 billion yen in 2017, marking a record-high for 6 consecutive years. Taking a look at export value by category, sake comprises the largest amount, with 18.7 billion yen (119.9% vs. previous year), boasting the 8th consecutive year of record-setting volume, with export volume reaching approximately 23,482KL (119.0% vs. previous year). This is followed by whiskey, with approximately 13.6 billion yen, and beer, with approximately 12.9 billion yen. Whiskey, in particular, has demonstrated significant increase, growing by 11.3 times, from approximately 1.2 billion yen, 10 years ago (2007).

Examining exports by country (region), at the top of the list is the United States, with approximately 12 billion yen, Republic of Korea coming in at 2nd, with approximately 10.8 billion yen, and Taiwan in 3rd position, with approximately 5.3 billion yen.

In terms of promotion of export of Japanese liquor, the NTA is engaged in the following initiatives with the public and private sectors, in cooperation with the promotion of "Cool Japan", which is an initiative of the overall government.

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1 As part of the FY2017 tax reform, the liquor 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 NTA has been endeavoring to make Japanese liquor widely well-known 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.

In cooperation with related government offices, the NTA is requesting for tariff elimination, resolution of non-tariff barriers and protection of Geographical Indication for Japanese liquor, at opportunities at the seat of various international negotiations.¹

The NTA is engaged in supporting the development of foreign specialists in Nihonshu (Japanese sake), with the objective to develop correct knowledge concerning Japanese liquor.

The NTA is promoting dissemination and awareness of the attractiveness of liquor made in Japan, e.g., to conduct tours at sake brewery for foreign ambassadors in Japan in cooperation with the liquor industry.

The NTA is striving for proper management of the Export Alcohol Market System, which was enacted on October 1, 2017, while aiming to promote and enhance recognition for proliferation and expansion of the system in cooperation with related government offices and associations.

In addition, the NTA establishes labeling standards for liquors such as wine and sake with the perspective to promote the use of the Geographical Indication, which is effective in enhancing brand value of Japanese liquor, and to assist consumers’ choice of merchandises.

Moreover, the NTA is organizing a variety of seminars conducted by business-guidance experts, providing information with regard to the actual cases of revitalization and management innovation attempted by liquor business operators and to the measures for small- and medium-sized companies. NTA also examines and analyzes the trends in liquor industry by conducting various surveys on manufacturers and distributors, followed by providing these results on the NTA website.

![Changes in taxable volume](source: National Tax Agency Annual Statistics Report)

1 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.
Result of the EPA negotiation between Japan and EU

Through the EPA negotiation between Japan and EU, which resulted in a settlement with EU in December 2017, the following achievements, which will contribute to promotion of Japanese liquor and the export of these products, were achieved in the EU side: ① Tariff elimination for all liquors, ② Protection GI for Japanese liquor, including the GI “Nihonshu” (Japanese sake), ③ Removal or relaxation of import restrictions on “Japan wine” (fruit wine manufactured exclusively within Japan and from grapes harvested in Japan), and container and capacity constraint on single system distillation Japanese spirit (shochu).

As a result, while only wines which complied with the EU’s regulation regarding to winemaking, with the attachment of certificate that certifies the conformity with such regulation and is issued by the competent authority, could have been imported into the EU region, now, after the Agreement is entry into force, most of Japan wines originally manufactured for domestic consumption without the conformity with EU regulation, may be exported with only a self-certification, leading to significant reduction in monetary and resource burdens. Moreover, before, single system distillation Japanese spirit (shochu) could be distributed and sold only in the designated volumes, such as 700ml and 1,750ml, but after the Agreement is entry into force, the product in 720ml (yongo-bin) bottles and 1.8 liter (issho-bin) bottles can be exported.

Column 6  Labeling Rules for Wines

1  Wine Market Trends and Background of Enactment of the Labeling Rule

As taxable volume of overall liquors is on a decline, taxable volume of fruit wines is on an increase. There is also an increase in the number of those newly obtaining manufacturing license for fruit wines. In 2017, 39 new entities were granted manufacturing licenses.

In such manner, as public interest in fruit wine (including grape wine) in Japan was on an increase, there had never been any official labeling rules on wines.

For this reason, “Japan wine,” which is made exclusively from domestic grapes, and wines made from imported concentrated fruit juice or imported wines, existed together in the market, causing the problem that distinguish one from the other by referencing the label was difficult.

In such backdrop, in October 2015, an official labeling rule for wines, “Standard for Wine Production Process and Quality Indication” (hereinafter, “Wine Labeling Rule”) was established, with the objective to make the contents of label easily understandable so that consumers could make proper selections.

This Wine Labeling Rule will enter into force on October 30, 2018. Shipments of “Japan wines” continue its growing trend in 2016, an increase of 5.2% against previous year results. (Source: NTA “General Condition of Domestic Manufactured Wines (results from 2016 research)” )


2 Outline of the Wine Labeling Rule

- According to the Wine Labeling Rule, fruit wines will be categorized as follows:
  - Japan wine: fruit wine manufactured within Japan, using domestic grapes exclusively
  - Domestically manufactured wine: fruit wine, etc., manufactured within Japan, including Japan wine
  - Imported wine: fruit wine, etc., imported from abroad
    (Except fruit wine, etc. means fruit wine and sweet fruit wine.)

- Of these, only Japan wines shall be labeled as "Japan wine," and according to a certain set rules, the label may display: ① geographic location, ② grape variety, and ③ year of grape harvest.

[When geographic location may be displayed]
- **Display of location of wine production** ⇒ if the location of harvesting the grape (over 85% of usage) and location of fermentation is located within the region of the indicated location
- **Display of location of harvesting grape** ⇒ if the location of harvesting the grape (over 85% of usage) is located within the region of the indicated location
- **Display of location of fermentation** ⇒ if the location of fermentation is located within the region of indicated location (with supplemental display that declares the respective location is not the location of harvesting the grape, e.g., "Tokyo is not the location of harvesting the grape used as raw material.")

[Example of a front label of Japan wine]

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Column 7 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 ingredient or by production method characteristically originated in a specific production area can exclusively label the production area.

The NTA has designated the following as a Geographical Indication so far (as of March 2018):
- “Iki”, “Kuma”, “Satsuma”, and “Ryukyu” for spirits
- “Nihonshu / Japanese sake”, “Hakusan”, and “Yamagata” for sake
- “Yamanashi” for wine

The use of Geographical Indications may be 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.

The total number of the Geographical Indications for Japanese liquor has become eight at present. We will make Japanese Geographical Indications well-known such as “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 urge the protection of these Geographical Indications through international negotiations.
(2) Initiatives to develop a fair trading environment in liquor

Since the provision of an environment of fair trade is important for the sound development of the liquor industry, the NTA announced and educated liquor businesses on the “Guideline for the Fair Trade of Liquor” (hereinafter, “guideline”) which was established and announced in August of 2006, and “Standards for the Fair Trade of Liquor” (hereinafter, “trade standard”), which was established and announced in March of 2017. The NTA promoted voluntary actions of liquor businesses aimed towards ensuring fair trade, while at the same time, carrying out fact-finding surveys on liquor trade (hereinafter, “survey on actual trade”), and issuing guidance for reform, when a trade is recognized as having issues, compared against trading standards.

Moreover, from the perspective of promoting voluntary action to ensure fair trade by liquor businesses, the NTA announces examples of major trades which are in violation of fair trade rules indicated by the guideline.

(3) Initiatives to ensure safety of liquor and enhance quality levels

The NTA works to ensure safety and high level of quality from the process of production to the 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 provided in 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.
(4) Response to social demands

~ Preventing inducement to improperly drink of liquors ～

Social demand for prevention of alcohol consumption by minors and for moderate drinking has become strong. In June 2014, “The Basic Act on Measures against Health Problems Caused by Alcohol” was entry into force.

Based on the law, the government established the “Basic Plan on Promotion of Measures against Health Problems Caused by Alcohol” through a cabinet decision in May 2016, which includes “prevention of inducement to improperly drink of liquors,” and is engaged in advancing measures declared in the plan, with relevant government offices and associations acting as one.

The NTA is making announcements and communicating with liquor retailers about observation of display requirement in the alcohol sales sections, and on prohibition of liquor sales to minors.

In addition, for the purpose of assuring proper sales management of liquor, it became mandatory in June 2017 for liquor sales managers, who shall be designated for each sales area, to participate in a liquor sale management training. The NTA will continue to promote actions to respond to the demands of the society, such as by increasing the opportunity for training and enhancing the training content concerning prevention of inducement to improperly drink liquors.

~ Recycling liquor containers effectively ～

In order to ensure effective use of resources, the NTA keeps liquor business operators informed about the recycling of liquor container 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 2018, 77,327 persons are registered as CPTAs, and 3,727 CPTAs corporations are established.

1 Services and roles of CPTAs

~ Support taxpayers and boost self-assessment system ~

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 charge. 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.

~ Conduct consultations and exchange opinions about a wide range of issues ~

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.

~ Further promoting and establishing the attached document regarding the calculation and consultation ~

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.

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.
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.

(2) Promotion of e-Tax usage

Coordination for online filing procedures

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.

From the perspective of reducing cost for society overall through online filing procedures, etc., the NTA will proactively cooperate with undertakings by CPTAs’ Associations, etc., to enhance CPTAs’ understanding of the merits of e-Tax use, and to further promote the use of e-Tax.

3 Appropriate guidance for and supervision of CPTAs, etc.

Prevent violation of the Certified Public Tax Accountant Act and take strict action against those who violated

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 conduct 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.

<table>
<thead>
<tr>
<th>Number of disciplinary actions against CPTAs etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>fiscal year</td>
</tr>
<tr>
<td>cases</td>
</tr>
</tbody>
</table>

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 (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 2016 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.
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 (FY2016)

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage of favorable evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation on publicity of national taxes</td>
<td>79.3%</td>
</tr>
<tr>
<td>Level of satisfaction with telephone consultation at Phone Consultation Centers</td>
<td>95.1%</td>
</tr>
<tr>
<td>Level of satisfaction with consultation by interview at the Tax Offices</td>
<td>92.2%</td>
</tr>
<tr>
<td>Favorable impression of officials’ reception manner</td>
<td>90.7%</td>
</tr>
<tr>
<td>Level of satisfaction in using signposting, and services at reception and window inside tax offices</td>
<td>86.9%</td>
</tr>
</tbody>
</table>

*“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 2016 include the following: “Concerning evaluations, I’d give recognition to the fact that objective reviews are being carried out every year without fail, and a process to reflect those results to bettering future practices is in place.” “I request that proactive initiative be taken to further development of ICT, including proliferation of e-Tax, appealing to the fact that it leads to reduction in cost, not only for the administration, but for the users, and also save time.” “I hope for advancement in data linkage so that imposition and collection of taxes among national and local taxes are conducted in an even more efficient manner.”

* For details, please visit the “NTA’s Results Evaluation” on the NTA website. (https://www.nta.go.jp/ji/about/evaluation/01.htm) (in Japanese)
**Tax revenues and budget**

**[Budget and final accounts of taxes and stamp revenues for fiscal year 2016]**

<table>
<thead>
<tr>
<th>Tax category</th>
<th>Budget after correction</th>
<th>Actual (Percentage of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding income tax</td>
<td>Million yen 14,564,000</td>
<td>Million yen 14,485,964 (94.6)</td>
</tr>
<tr>
<td>Self-assessed income tax</td>
<td>3,054,000</td>
<td>3,125,101 (5.3)</td>
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<tr>
<td>Corporation tax</td>
<td>11,136,000</td>
<td>10,328,900 (17.5)</td>
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<tr>
<td>Inheritance tax</td>
<td>2,110,000</td>
<td>2,131,394 (3.6)</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>16,601,000</td>
<td>17,228,172 (29.2)</td>
</tr>
<tr>
<td>Liquor tax</td>
<td>1,359,000</td>
<td>1,319,504 (2.2)</td>
</tr>
<tr>
<td>Tobacco tax</td>
<td>923,000</td>
<td>914,171 (1.6)</td>
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<tr>
<td>Gasoline tax</td>
<td>2,386,000</td>
<td>2,434,237 (4.1)</td>
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<tr>
<td>Liquefied petroleum tax</td>
<td>9,000</td>
<td>8,690 (0.0)</td>
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<tr>
<td>Aviation fuel tax</td>
<td>52,000</td>
<td>51,362 (0.1)</td>
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<tr>
<td>Petroleum and coal tax</td>
<td>688,000</td>
<td>701,966 (1.2)</td>
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<tr>
<td>Power resources development promotion tax</td>
<td>320,000</td>
<td>319,670 (0.5)</td>
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<tr>
<td>Motor vehicle tonnage tax</td>
<td>385,000</td>
<td>391,506 (0.7)</td>
</tr>
<tr>
<td>Customs duty</td>
<td>919,000</td>
<td>939,010 (1.6)</td>
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<tr>
<td>Tonnage due</td>
<td>10,000</td>
<td>9,839 (0.0)</td>
</tr>
<tr>
<td>Other*</td>
<td>-</td>
<td>8 (0.0)</td>
</tr>
<tr>
<td>Stamp revenue</td>
<td>1,052,000</td>
<td>1,079,147 (1.8)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>55,860,000</td>
<td>55,468,640 (94.1)</td>
</tr>
</tbody>
</table>

Local corporation tax 629,300
Local gasoline tax 255,300
Liquefied petroleum gas tax (transferred) 9,000
Aviation fuel tax (transferred) 14,900
Motor vehicle tonnage tax (transferred) 264,200
Special tonnage tax 12,500
Special local corporation tax 1,756,500
Special tobacco tax 142,800
Special income tax for reconstruction 371,400
Other 3,524
Total 59,315,900

**[NTA initial budget for fiscal year 2018]**

<table>
<thead>
<tr>
<th>Items</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million yen</td>
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<tr>
<td>ICT-related expenses</td>
<td>41,738</td>
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<tr>
<td>Expenses to improve convenience for taxpayers**</td>
<td>10,634</td>
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<tr>
<td>Expenses related to internationalization measures</td>
<td>885</td>
</tr>
<tr>
<td>General operating expenses, etc.**</td>
<td>58,379</td>
</tr>
<tr>
<td>Expenses to improve work environment and ensure safety **</td>
<td>7,891</td>
</tr>
<tr>
<td>Expenses related to tax reforms</td>
<td>23,943</td>
</tr>
<tr>
<td>Expenses for National Tax College</td>
<td>2,074</td>
</tr>
<tr>
<td>Expenses for National Tax Tribunal</td>
<td>235</td>
</tr>
<tr>
<td>Expenses for National Research Institute of Brewing</td>
<td>961</td>
</tr>
<tr>
<td>Common number system related costs</td>
<td>5,359</td>
</tr>
<tr>
<td>Subtotal</td>
<td>152,099</td>
</tr>
<tr>
<td>Total NTA budget</td>
<td>702,647</td>
</tr>
</tbody>
</table>

**Salary costs**

<table>
<thead>
<tr>
<th>Million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>550,548</td>
</tr>
</tbody>
</table>

**General Expenditures**

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General operating expenses, etc.</td>
<td>26,189</td>
</tr>
<tr>
<td>Expenses to improve convenience for taxpayers**</td>
<td>5,068</td>
</tr>
<tr>
<td>Expenses related to internationalization measures</td>
<td>3,574</td>
</tr>
<tr>
<td>General operating expenses, etc.**</td>
<td>46,986</td>
</tr>
<tr>
<td>Expenses to improve work environment and ensure safety **</td>
<td>4,036</td>
</tr>
<tr>
<td>Expenses related to tax reforms</td>
<td>23,943</td>
</tr>
<tr>
<td>Expenses for National Tax College</td>
<td>2,074</td>
</tr>
<tr>
<td>Expenses for National Tax Tribunal</td>
<td>235</td>
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</tr>
<tr>
<td>Subtotal</td>
<td>152,099</td>
</tr>
<tr>
<td>Total NTA budget</td>
<td>702,647</td>
</tr>
</tbody>
</table>

**Tax returns and taxation**

**[Income tax]**

(Fiscal year 2017)

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>126,710</td>
</tr>
<tr>
<td>Number of persons engaged</td>
<td>65,300</td>
</tr>
<tr>
<td>Number of final returns filed</td>
<td>21,980</td>
</tr>
<tr>
<td>Refund</td>
<td>2,830</td>
</tr>
<tr>
<td>Tax payment</td>
<td>6,410</td>
</tr>
<tr>
<td>Business income earners</td>
<td>1,700</td>
</tr>
<tr>
<td>Other income earners</td>
<td>4,710</td>
</tr>
<tr>
<td>Real estate income earners</td>
<td>1,100</td>
</tr>
<tr>
<td>Employment income earners</td>
<td>2,520</td>
</tr>
<tr>
<td>Miscellaneous income earners</td>
<td>750</td>
</tr>
<tr>
<td>Other</td>
<td>340</td>
</tr>
</tbody>
</table>

**[Inheritance tax]**

(Calendar year 2016)

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of deceased</td>
<td>1,307,748</td>
</tr>
<tr>
<td>Number of deceased subject to taxation</td>
<td>106,880</td>
</tr>
<tr>
<td>Number of taxpayers (number of heirs)</td>
<td>277,857</td>
</tr>
<tr>
<td>Taxable amount</td>
<td>14,802.1 Billion yen</td>
</tr>
<tr>
<td>Amount of tax</td>
<td>1,867.9 Billion yen</td>
</tr>
</tbody>
</table>

**[Gift tax]**

(Calendar year 2016)

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of people subject to taxation</td>
<td>431,806</td>
</tr>
<tr>
<td>Value of properties acquired</td>
<td>2,004.4 Billion yen</td>
</tr>
<tr>
<td>Amount of tax</td>
<td>210.4 Billion yen</td>
</tr>
</tbody>
</table>

* Figures include the taxation system for settlement at the time of inheritance.
Withholding agents and withholding income tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Income etc. category</th>
<th>Number of withholding agents</th>
<th>Amount of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (wages and salaries)</td>
<td>3,543 Thousand</td>
<td>10,485.8 Billion yen</td>
</tr>
<tr>
<td>Retirement income</td>
<td>—</td>
<td>236.2</td>
</tr>
<tr>
<td>Interest income, etc.</td>
<td>37</td>
<td>336.5</td>
</tr>
<tr>
<td>Dividend income</td>
<td>142</td>
<td>3,914.0</td>
</tr>
<tr>
<td>Capital gains on listed shares etc. kept in special account</td>
<td>12</td>
<td>235.3</td>
</tr>
<tr>
<td>Income from remuneration, etc.</td>
<td>2,847</td>
<td>1,209.8</td>
</tr>
<tr>
<td>Income paid to non-residents and foreign corporations, etc.</td>
<td>34</td>
<td>620.3</td>
</tr>
</tbody>
</table>

Total | — | 17,037.9 Billion yen |

1 The figures of withholding agents are figures as of the end of June 2017.
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 2016)

| Number of corporations | 3,079 Thousand corporations |
| Number of tax returns filed | 2,861 Thousands |
| Percentage of corporations filing | 90.8 % |
| Percentage of returns declaring a surplus | 33.2 % |
| Amount of self-assessed income | 63,474.9 Billion yen |
| Amount of self-assessed loss | 11,916.2 Billion yen |
| Amount of tax | 11,237.2 Billion yen |

Tax examinations

Field examination of self-assessed income tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Number of cases</th>
<th>Number of undeclared cases</th>
<th>Amount of undeclared income</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands</td>
<td>70</td>
<td>58</td>
<td>835.9 Billion yen</td>
</tr>
</tbody>
</table>

Field examination of withholding income tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Number of cases</th>
<th>Number of illegal cases</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands</td>
<td>116</td>
<td>35</td>
</tr>
</tbody>
</table>

Field examination of corporation tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of undeclared cases</th>
<th>Amount of undeclared income</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>All corporations</td>
<td>97</td>
<td>72</td>
<td>826.7 Billion yen</td>
<td>8,830 Per case</td>
</tr>
<tr>
<td>Of which: corporations handled by the Large Enterprise Department</td>
<td>3</td>
<td>2</td>
<td>348.9 Billion yen</td>
<td>132,290</td>
</tr>
</tbody>
</table>

Field examination of consumption tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of undeclared cases</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>37</td>
<td>30</td>
<td>24.5 Billion yen</td>
</tr>
</tbody>
</table>

Field examination of inheritance tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Number of cases</th>
<th>Number of undeclared inheritance</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands</td>
<td>10</td>
<td>329.5 Billion yen</td>
</tr>
</tbody>
</table>

Field examination of withholding income tax (Operation year 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
<th>Number of illegal cases</th>
<th>Additional tax revenue collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>All corporations</td>
<td>97</td>
<td>72</td>
<td>826.7 Billion yen</td>
</tr>
<tr>
<td>Of which: corporations handled by the Large Enterprise Department</td>
<td>3</td>
<td>2</td>
<td>348.9 Billion yen</td>
</tr>
</tbody>
</table>

Collected number of statutory information (Operation year 2016)

<table>
<thead>
<tr>
<th>Statutory information</th>
<th>Number collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding record of employment income</td>
<td>21,932</td>
</tr>
<tr>
<td>Payment record of interest</td>
<td>14,447</td>
</tr>
<tr>
<td>Payment record of dividends</td>
<td>64,533</td>
</tr>
<tr>
<td>Other</td>
<td>261,781</td>
</tr>
<tr>
<td>Total</td>
<td>362,693</td>
</tr>
</tbody>
</table>
**International taxation**

**Fraudulent income through overseas transactions** (Operation year 2016)
- Number of examinations of corporations conducting overseas transactions: 13,585 cases
- Number of undeclared cases related to overseas transactions: 3,335 cases
- Of which, cases of overseas fraudulent calculations: 500 cases
- Amount of undeclared income related to overseas transactions: 236.6 Billion yen
- Of which, amount of overseas fraudulently omitted income: 20.6 Billion yen

**Transfer pricing taxation** (Operation year 2016)
- Number of taxation cases: 169 Cases
- Amount of taxable income: 62.7 Billion yen

**Cases of advance pricing arrangement related to transfer pricing** (Operation year 2016)
- Number of cases requested: 110 Cases
- Number of cases processed: 103 Cases

**Delinquency**

**Tax delinquency cases by major tax items** (Fiscal year 2016)

<table>
<thead>
<tr>
<th>Tax Item</th>
<th>Under collection process at the end of the previous year</th>
<th>Newly occurred</th>
<th>Collected</th>
<th>Under collection process at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>Billion yen 452.3</td>
<td>Billion yen 150.5</td>
<td>Billion yen 191.7</td>
<td>Billion yen 411.1</td>
</tr>
<tr>
<td>Withholding income tax</td>
<td>Billion yen 162.1</td>
<td>Billion yen 34.8</td>
<td>Billion yen 53.1</td>
<td>Billion yen 143.7</td>
</tr>
<tr>
<td>Self-assessed income tax</td>
<td>Billion yen 290.2</td>
<td>Billion yen 115.7</td>
<td>Billion yen 138.5</td>
<td>Billion yen 267.4</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>Billion yen 106.9</td>
<td>Billion yen 61.1</td>
<td>Billion yen 69.8</td>
<td>Billion yen 98.1</td>
</tr>
<tr>
<td>Inheritance tax</td>
<td>Billion yen 81.9</td>
<td>Billion yen 31.7</td>
<td>Billion yen 38.4</td>
<td>Billion yen 75.2</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>Superscript 84.2</td>
<td>Superscript 101.1</td>
<td>Superscript 106.5</td>
<td>Superscript 78.8</td>
</tr>
<tr>
<td>Other taxes</td>
<td>2.3</td>
<td>3.1</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Total</td>
<td>Superscript 84.2</td>
<td>Superscript 101.1</td>
<td>Superscript 106.5</td>
<td>Superscript 78.8</td>
</tr>
</tbody>
</table>

*1 Local consumption tax is not included as the above figures indicate national tax delinquency. According to Article 9 (4) of the supplemental 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 2017)

<table>
<thead>
<tr>
<th>Cases</th>
<th>Number of cases conducted</th>
<th>Number of cases closed</th>
<th>Number of cases with accusation filed to the prosecutor</th>
<th>Amount of tax evasion (filed accusation to the prosecutor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>174</td>
<td>Cases</td>
<td>163</td>
<td>Cases 113</td>
<td>Billion yen 13.5</td>
</tr>
<tr>
<td>13.5</td>
<td>Million yen</td>
<td></td>
<td></td>
<td>Per case 83</td>
</tr>
</tbody>
</table>

**Filed accusations to the prosecutor, by tax item** (Fiscal year 2017)

<table>
<thead>
<tr>
<th>Tax Item</th>
<th>Number of cases</th>
<th>Amount of tax evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>19</td>
<td>Million yen 1,950</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>61</td>
<td>Million yen 5,645</td>
</tr>
<tr>
<td>Inheritance tax</td>
<td>3</td>
<td>Million yen 387</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>27</td>
<td>Million yen 1,768</td>
</tr>
<tr>
<td>Withholding income tax</td>
<td>3</td>
<td>Million yen 251</td>
</tr>
<tr>
<td>Total</td>
<td>113</td>
<td>Million yen 10,001</td>
</tr>
</tbody>
</table>

National Tax Agency Report 2018 68
### Remedy for taxpayer rights

#### Request for re-examination  
(Fiscal year 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of requests for re-examination</th>
<th>Number of new requests for re-examination</th>
<th>Number of cases processed</th>
<th>Number of requests approved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cases</td>
<td>Cases</td>
<td>Cases</td>
<td>Cases</td>
</tr>
<tr>
<td>Taxation-related</td>
<td>2,059</td>
<td>1,450</td>
<td>1,585</td>
<td>120</td>
</tr>
<tr>
<td>Collection-related</td>
<td>256</td>
<td>224</td>
<td>220</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>2,315</td>
<td>1,674</td>
<td>1,805</td>
<td>123</td>
</tr>
</tbody>
</table>

Full: 7.6%  Partial: 1.4%  Percentage: 6.8%

*1 In June 2014, the relevant laws relating to this review system were revised, including the change of the Japanese name of a request for re-examination from “Igi Moshitate” to “Saichosa no Seikyu.” This revision came into force on April 1, 2016.

*2 Figures include the cases of “Igi Moshitate”.

#### Request for reconsideration  
(Fiscal year 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of requests for reconsideration</th>
<th>Number of new requests for reconsideration</th>
<th>Number of cases processed</th>
<th>Number of requests approved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cases</td>
<td>Cases</td>
<td>Cases</td>
<td>Cases</td>
</tr>
<tr>
<td>Taxation-related</td>
<td>3,576</td>
<td>2,253</td>
<td>1,725</td>
<td>234</td>
</tr>
<tr>
<td>Collection-related</td>
<td>319</td>
<td>235</td>
<td>234</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>3,895</td>
<td>2,488</td>
<td>1,959</td>
<td>241</td>
</tr>
</tbody>
</table>

Full: 13.6%  Partial: 3.0%  Percentage: 12.3%

#### Litigation  
(Fiscal year 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of litigations</th>
<th>Number of cases filed for first instance</th>
<th>Number of cases closed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cases</td>
<td>Cases</td>
<td>Cases</td>
</tr>
<tr>
<td>Taxation-related</td>
<td>359</td>
<td>88</td>
<td>196</td>
</tr>
<tr>
<td>Collection-related</td>
<td>90</td>
<td>35</td>
<td>54</td>
</tr>
<tr>
<td>National Tax Tribunal-related</td>
<td>6</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>455</td>
<td>125</td>
<td>245</td>
</tr>
</tbody>
</table>

Full: 5.9%  Partial: 4.5%  Percentage: 4.5%

* 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 2017)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tax category</th>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax</td>
<td>Obligations &amp; procedures to file tax returns, etc.</td>
<td>570</td>
</tr>
<tr>
<td>2</td>
<td>Income tax</td>
<td>Medical expenses deduction</td>
<td>316</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Special credit for loans relating to a dwelling</td>
<td>256</td>
</tr>
<tr>
<td>4</td>
<td>Income tax</td>
<td>Year-end adjustment</td>
<td>254</td>
</tr>
<tr>
<td>5</td>
<td>Income tax</td>
<td>Exemption for spouse, special exemption for spouse and exemption for dependents</td>
<td>184</td>
</tr>
</tbody>
</table>

#### Number of consultations at Phone Consultation Centers, by tax category  
(Fiscal year 2017)

<table>
<thead>
<tr>
<th>Tax category</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>2,894</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>222</td>
</tr>
<tr>
<td>Property tax</td>
<td>969</td>
</tr>
<tr>
<td>Consumption tax, etc.</td>
<td>301</td>
</tr>
<tr>
<td>Other</td>
<td>1,184</td>
</tr>
<tr>
<td>Total</td>
<td>5,570</td>
</tr>
</tbody>
</table>

#### [Tax Answer System]  
(Fiscal year 2017)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tax category</th>
<th>Items</th>
<th>Thousand cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income tax</td>
<td>Tax rate of income tax</td>
<td>4,686</td>
</tr>
<tr>
<td>2</td>
<td>Income tax</td>
<td>When have paid medical expenses (medical expenses deduction)</td>
<td>2,964</td>
</tr>
<tr>
<td>3</td>
<td>Income tax</td>
<td>Deduction for employment income</td>
<td>1,878</td>
</tr>
<tr>
<td>4</td>
<td>Income tax</td>
<td>When have built a new house or purchased a newly built house (special credit for loans relating to a a dwelling)</td>
<td>1,618</td>
</tr>
<tr>
<td>5</td>
<td>Income tax</td>
<td>Exemption for dependents</td>
<td>1,468</td>
</tr>
</tbody>
</table>
NATIONAL TAX AGENCY
REPORT 2018

Issued in June 2018

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Chiyoda-ku, Tokyo, 100-8978
Japan
TEL.03-3581-4161 (Representative)

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