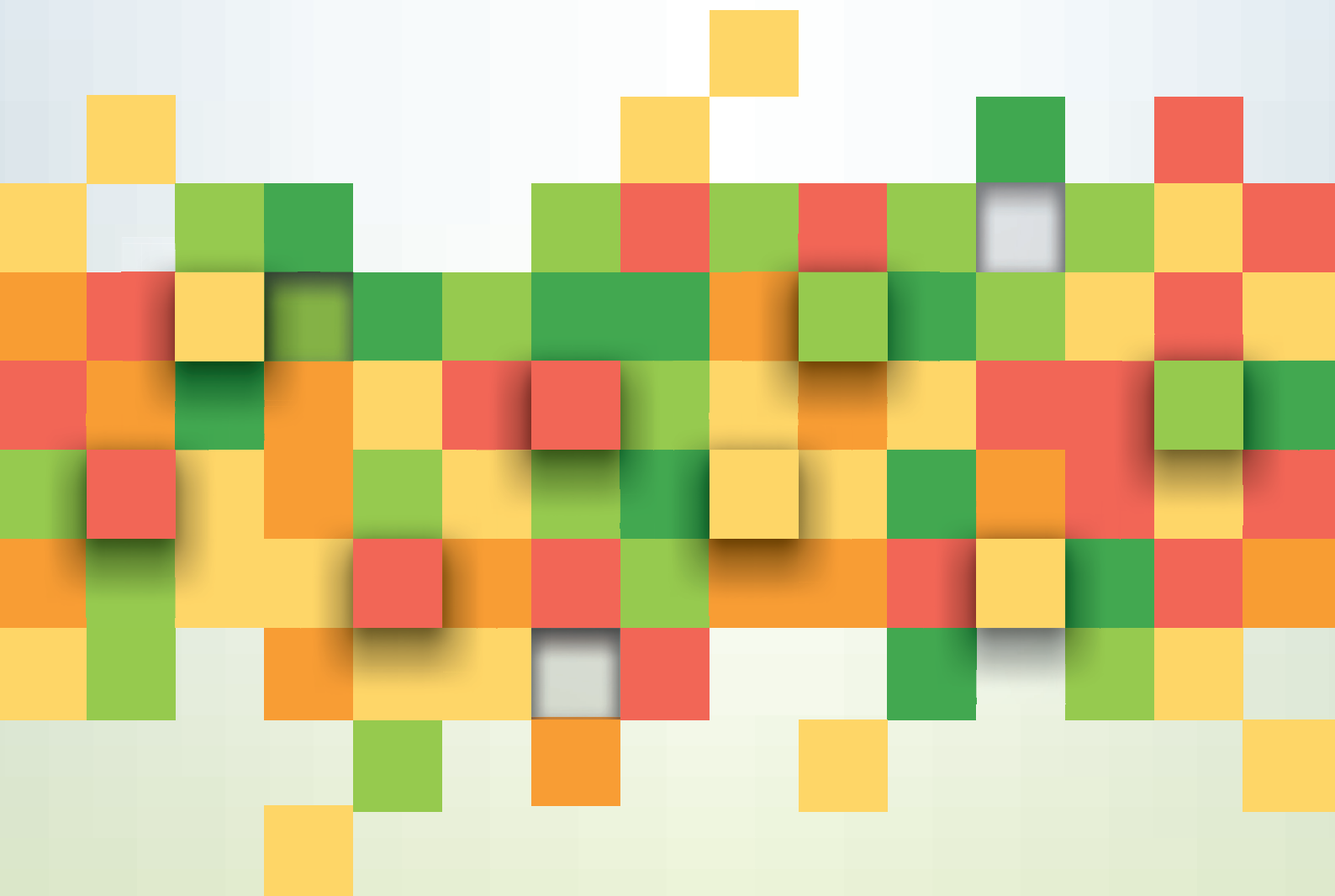


NATIONAL TAX AGENCY REPORT 2020



National Tax Agency, Japan

From the Commissioner

First, I wish to extend my sincere sympathies to those who have been impacted by the Covid-19 pandemic. I would also like to express my utmost respect and appreciation to those in the medical profession who are working tirelessly, day and night, at the front lines of the pandemic to treat and look after those who have fallen ill to Covid-19. So far, the government has undertaken various measures to address the situation. The National Tax Agency (NTA) has listened earnestly to voices of the taxpayers regarding their situation, and have taken swift and careful actions, such as implementation of flexible deadlines for filing of tax returns and tax payments to those experiencing difficulties in meeting these deadlines, and introduction of a deferral program for tax payments to those who find it difficult to settle their taxes due to the impact of Covid-19. We ask taxpayers for your continuous understanding and cooperation despite the inconveniences experienced.

Last year, a title of the new era was ushered in, and the era transitioned from Heisei to Reiwa. The NTA is committed to fulfilling its mission “to help taxpayers properly and smoothly fulfill their tax duties” continuing into the new era by implementing measures to enhance services available to taxpayers and preparing an environment for settlement of taxes that enables an even more convenient and smooth filing and payment of taxes. In addition, so that taxpayers who have properly filed their taxes do not feel a sense of unfairness, the NTA will take strict action against malicious tax evaders and strive to execute proper and fair taxation and collection.

Our country employs the self-assessment system, so understanding and faith of the taxpayers towards the tax system and tax administration is of utmost importance. To this end, the NTA is promoting the significance and necessity of tax and various initiatives of the tax administration, and not limited to efforts to deliver information necessary for filing and payment of taxes, the NTA is pressing forward with efforts to enhance procedures to file and settle taxes with higher convenience through utilization of e-Tax and ICT.

With regards to the increase in consumption tax rate and reduced tax rate system which was implemented last October, the NTA has corresponded to these changes in an attentive manner, such as through sessions to provide guidance on bookkeeping in accordance to separate accounting method and seminars for business operators hosted by the NTA, publication of Q&A which illustrates the new system based on actual examples, distribution of pamphlets for public announcement and public relation, and individual consultations with the aim to promote smooth implementation and establishment of the new system. A significant number of business operators filed their self-assessed tax return for the first time after the reduced tax rate system was implemented, and we believe that a majority of these businesses were able to complete the filing process without any issues. I would like to take this opportunity to thank various parties who contributed to this effort, including the Certified Public Tax Accountants’ Associations, relevant private organizations and trade associations.

Furthermore, beginning in January of this year, the eligibility for use of the dedicated website for smartphones to file individual income tax returns has been expanded, and e-Tax is now available through the combination of smartphone and My Number card. Through these enhancements, filing from home has become closer, and we hope that even more taxpayers take advantage of it.

In regards to initiatives related to the My Number system, while furthering efforts to enhance efficiency in administrative work through utilization of the system, the NTA is moving forward in undertakings to develop a system which will enable taxpayers to collectively gather data, such as deduction certificates, from Mynportal, and complete the e-Tax process by automatically populating the final tax return form.

In terms of initiatives to realize proper and fair taxation and collection, the NTA takes systematic and strict action against large-scale and malicious conduct while attempting to protect the rights and interests of taxpayers. The NTA strives to ensure proper taxation through efforts to precisely cope with new fields of economic activities, such as the Sharing Economy, and through collection and analysis of information with focus on new form of transactions accompanied by advancements in ICT.

With the backdrop of increasingly global economic activities in recent years, international tax avoidance and concealment of assets overseas is getting public interest as transfer of assets abroad by individuals and corporations continues to increase, posing a significant global challenge. To this end, while increasing cooperation with foreign tax authorities, the NTA strives to reinforce the collection and utilization of information, improve and expand the execution system and proactively carry out examinations.

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. The mission expected of the NTA is critical, but in order to continue fulfilling this responsibility in a certain manner, we will continue to promote business process reengineering and tackle various challenges to evolve the organization while paying attention to the to-be state of future economic society. I would appreciate if this “National Tax Agency Report 2020” would help you to better understand us and the NTA.

June 2020

星野次彦

Hoshino Tsuguhiko

Commissioner
National Tax Agency, Japan

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※The fiscal year ranges from April 1 through March 31 of the following year (i.e. fiscal year 2019: April 1, 2019 to March 31, 2020), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2019: July 1, 2019 to June 30, 2020).

The NTA was organized in 1949 as an external organization 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 taxation and collection of internal taxes,” “Sound development of the liquor business,” 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 people as the taxpayers.

Therefore, We have established our practice standards and codes of conduct to perform these duties, which are declared to tax officials as well as announced to the public as the “Missions of the NTA.”



NTA

Missions of the NTA

Mission: Help taxpayers properly and smoothly fulfill their tax duties

Assignment

- To achieve the above mission, the NTA carries out its duties as stipulated in Article 19 of the Act for Establishment of the Ministry of Finance, while keeping in mind transparency and efficiency.

1 Realizing proper and fair taxation 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 business

- 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 Ensuring 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 for 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 sophisticated information and the globalization 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 (Information and Communication Technology), such as e-Tax (online national tax return filing and tax payment system) 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 the severe 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 guidance and development measures 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 actions 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

- As the competent agency in liquor business to aim at the preservation of liquor tax and the sound development of liquor business, the NTA endeavors to ensure the proper enforcement of laws and strengthen the promotion of liquor business from the comprehensive perspective that covers consumers and the whole liquor industry while coordinating and cooperating with related government offices, organizations, etc.

- Make efforts to cultivate overseas markets through distributing information globally and holding international negotiations, etc., to promote the establishment of brands through spreading the use of Geographical Indications (GI), to provide technical assistance to liquor manufacturers, etc. and to ensure the safety of liquor among others.
- To ensure fair trade of liquor, conduct a survey of liquor business operators to check the actual state of trading of liquor, etc. If a transaction that does not comply with “the Standards for the Fair Trade of Liquor” is detected, take strict actions including issuing instructions.
- Respond to social requirements, such as counter-measures against health problems caused by alcohol intake and promotion of recycling resources, increase the publicity of the ban on selling liquor to people younger than the age of 20 and 3R (reduce, reuse and recycle) of liquor containers.

(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.

Column 1

“Future Vision of Tax Administration ~Achieving a Smart Tax System~”

In order to ensure future filing and payment of taxes based on understanding and trust by taxpayers, in June 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.

Given that approximately two years have passed since the announcement of the “Future Vision,” the NTA, in June 2019, in addition to efforts that have been completed so far, publicized the image of the policy that had taken shape in “Recent Status of Ongoing Efforts for ‘Future Vision of Tax Administration’ ~Achieving a Smart Tax System~.”

For details, see the NTA website (<https://www.nta.go.jp/information/release/kokuzeicho/2017/syouraizou/index.htm> [in Japanese]).

June 2019

“Achieving a Smart Tax System”

The NTA will strive to realize a smart tax administration by organizing initiatives that have been accomplished or realized since the announcement of “Future Vision of Tax Administration (June 2017)” until June 2019 and remaining issues for the future, and continue to make progress towards its realization in a systematic and concrete manner.

Improvement of taxpayer convenience

Digitization of tax procedures

- Promotion of e-Tax
 - Further enhancement in ease of use of e-Tax
 - Digitization of final tax return filing process through utilization of the Mynportal
- Digitization of year-end tax adjustment procedure

Enhanced efficiency and sophistication of tax consultation

- Installation of telephone consultation and self-serve booths at the counter through ICT
- Introduction of a chatbot
- Enhancement of information published on the NTA website

Smart counter service

- Diversifying tax payment methods and promotion of cashless transactions
- Digitization and simplification of issuance of tax payment certificate
- Telephone consultation and self-serve booths at the counter through ICT (redisplay)

More efficient and sophisticated taxation and collection

Sophistication of tax examination

- Broadening collection of information
 - Active utilization of CRS information, accurate collection of information through information query procedure, etc.
- Sophistication of data analysis
 - Considering sophistication of selection through machine learning technique, mass data matching analysis, etc.
- Addressing complex and difficult cases
 - Addressing international tax avoidances
 - Ensuring proper taxation of the affluent class
 - Ensuring proper taxation of consumption tax
 - Addressing large-scale and malicious cases
 - Addressing new forms of economic transaction

Enhancement and sophistication of collection

Infrastructure improvement and BPR

Sophistication of information system (in conjunction with BPR)

Centralized processing of internal administrative tasks

Strengthening coordination with external organs (local governments, CPTAs’ Associations and relevant private organizations, foreign tax authorities)

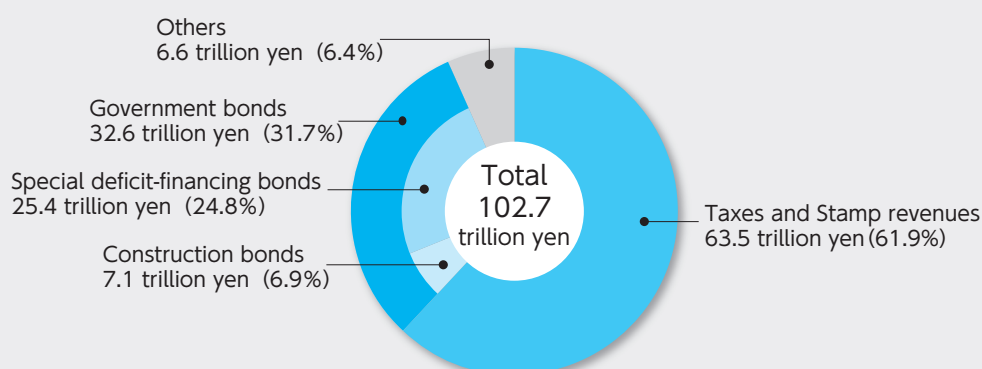
3 Overview of the national tax organization

(1) National revenue and taxes

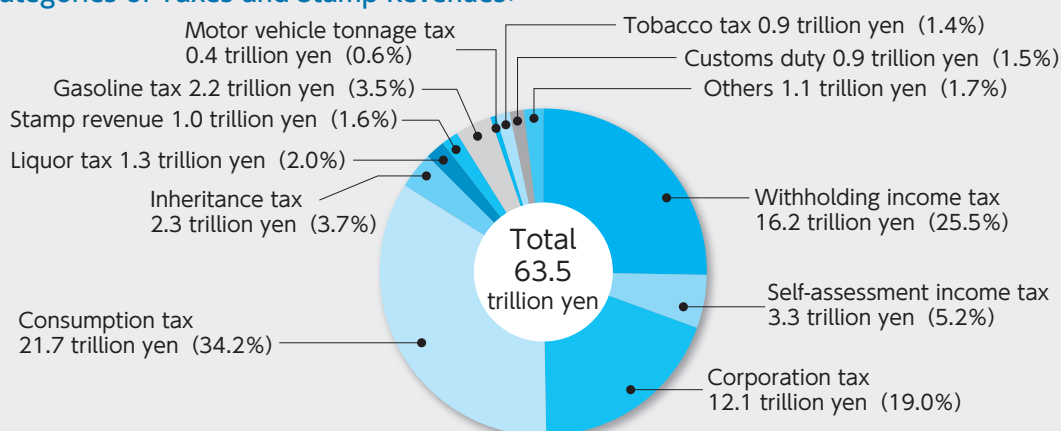
National revenue (initial budget for general account revenues) in FY2020 stands at 102,658 billion yen, of which 63,513 billion yen is from taxes and stamp revenues.

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

■ National revenue (FY2020 general account revenues (initial budget))



<Categories of Taxes and Stamp Revenues>



※ 1 General account revenues for FY2020 include extraordinary and special measures.

※ 2 Government bonds are revenues generated by construction bonds to finance public project-related expenditures and special deficit-financing bonds issued to compensate for the revenue shortfalls. All are debts which are to be repaid in the future.

※ 3 The total amount of each item and the amount indicated as "Total" do not exactly match, due to rounding of fractional figures.

※ 4 Please refer to "Thinking About Japan's National Finance" available on the official web site of the Ministry of Finance (<https://www.mof.go.jp/zaisei/index.htm> [in Japanese]) concerning national expenditures.

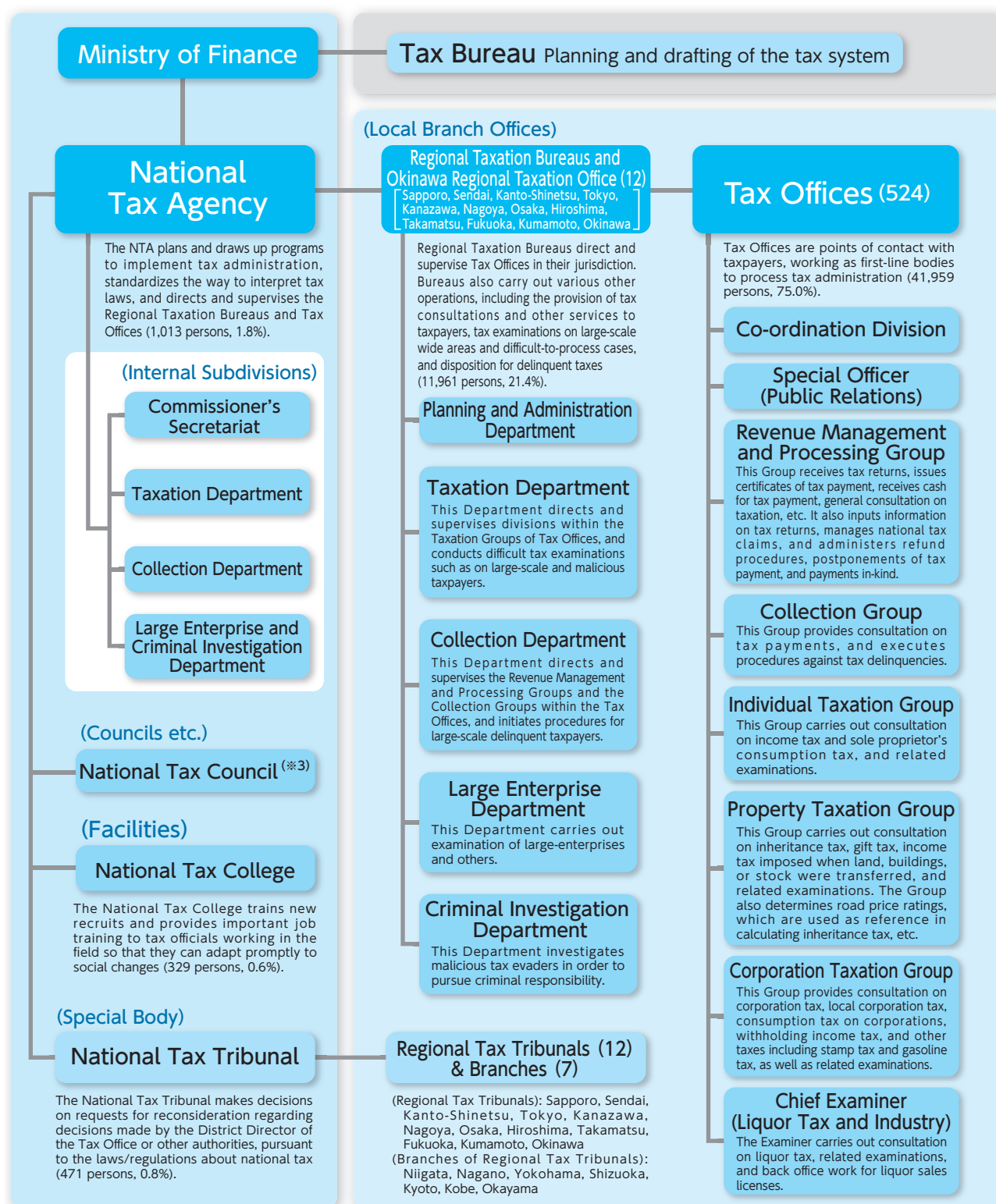
(2) NTA budget and number of personnel

The NTA initial budget in FY2020 stands at 719.4 billion yen, with salary costs amounting to 562.1 billion yen and general expenses 157.2 billion yen.

The headcount at the NTA stayed at around 52,000 from the 1970s through the early 1980s. Thereafter, the number increased, as consumption tax was introduced in 1989. The number hit a peak, 57,202 in FY1997, and the agency has a headcount of 55,953 in FY2020.

(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, 2)



※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 (FY2020).

※2 The prescribed number of personnel of 55,953 people in the NTA includes the prescribed number of personnel of 220 people (0.4%) to promote employment of people with disabilities.

※3 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 (so called “tax compliance”¹).

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, procedures, etc., (3) centralization of taxpayer contact points, and (4) efforts to improve taxpayer convenience in tax consultation and filing returns.

1 Providing information, etc.

~ Various public relations activities ~

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

More specifically, focused on the NTA website (<https://www.nta.go.jp>), the NTA provides a variety of information on the significance and roles of 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 (accessed 334.22 million times in FY2019).

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 various efforts 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 recognizes that understanding the relationship between daily life and taxes through this effort is essential to maintain and develop self-assessment system.

(1) Information provided on the NTA website

~ The NTA website is designed with a focus on taxpayer convenience ~

To enable anyone to easily use its website, the NTA is making efforts to deliver information in an easy-to-understand format, such as simplified layout of the website with menu selection consolidated, and pay 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 (so called feature phones), etc. (<https://www.nta.go.jp/m> [in Japanese])

¹ “Tax compliance” refers to the act of the executive officer to become personally involved in a proactive manner to ensure appropriate filing and to develop internal controls as necessary.

Overview of NTA Website (top page)

* The following diagram is as of June 2020.



Search function within the website

Function to search through information on the entire NTA website by referencing a keyword

Text enlargement / voice reading

Support functions for the elderly and those who have visual disorders

Global navigation

Information guide that serves as an entrance to various information sites

Urgent notice

Displays highly urgent information, such as disaster-related messages

New arrivals

Displays new arrival information in a table by content

Featured topics

Displays terms that are frequently searched and those related to information that deserve special attention

Menu by area of interest

Displays page with the most access by area of interest

Search for tax office

Enables the user to search for its jurisdictional tax office by postal code or address

SNS, etc.

Collects and displays information from all tools used by the NTA to release information

Banner

Displays the contents to be distributed in the form of banner depending on various situations

Site map

Displays the composition of the entire NTA website in a table

* 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.

(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 which was installed at the national level (consisting of the NTA, 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 Regional Taxation Bureaus, Tax Offices, local authorities, educational leaders, etc.).

In terms of the essays on tax, we receive a significant number of applicants every year, for which recognition of excellence are awarded and open essay reading sessions are hosted.

Moreover, Taking into account changes in the environment surrounding tax education, such as revision of the education guideline and increasing importance of citizenship education¹, 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. 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, like school children, students, etc. 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]).



Tax☆Space UENO



An open essay reading session

■ Number of lecturers dispatched to Tax Education Class, etc.

Fiscal year	2018	2019
Officials	9,203	8,770
Non-officials	34,133	35,297
Total	43,336	44,067

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

■ Number of essays entered for Tax Essay Contest

Fiscal year	2018	2019
Received from high school students	219,163	214,421
Received from junior high-school students	593,795	578,204

¹ "Citizenship education" refers to the program to instill the capacity to survive in society and autonomously resolve local issues as a member of society, while acting independently as a citizen and collaborating and cooperating with other individuals.

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.

In addition, a "Special Exhibition" is held on a certain theme for each year.

This year's theme was titled, "Changes in Life and Tax," and is being held from October 1, 2019 until September 29, 2020.

For further information, please visit the National Tax College section within the NTA website (<https://www.nta.go.jp/about/organization/ntc/english/>).



Tax Museum

(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.

■ Frequency of lectures

Fiscal year	2017	2018
Frequency held	1,993 times	2,002 times

(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.

■ Frequency of briefings and number of participants

Operation year	2017	2018
Frequency held	25,939 times	46,750 times
Number of participants	1,105 thousand people	1,772 thousand people

(5) Tax consultation

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

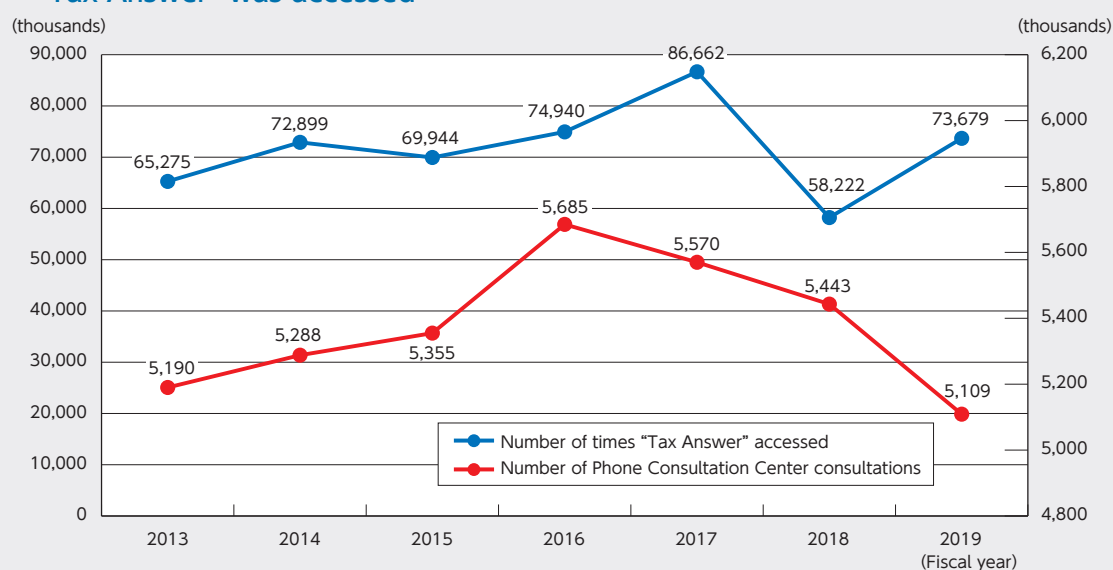
Tax officials of Phone Consultation Centers at Regional Taxation Bureaus provide centralized handling of general national tax questions and consultations from taxpayers. In Tokyo, Nagoya and Osaka they also provide tax consultation in English.

Also, information is provided via “Tax Answer” section on the NTA’s website (<https://www.nta.go.jp/taxes/shiraberu/taxanswer/index2.htm> [in Japanese]), in which general answers to frequently asked questions are posted.



Phone Consultation Center

■ Number of Phone Consultation Center consultations and number of times “Tax Answer” was accessed



~ Tax Offices will provide individual and specific tax consultation services on a prior appointment basis ~

When consultation over the telephone is difficult, for example if it is necessary to check specific documents or facts, interviews can be made at the Tax Office with jurisdiction.

In the interview consultation, since it is necessary to set aside ample time for the interview to provide guidance in a manner that every taxpayer can understand, we are requesting that an appointment for the interview is made in advance over the phone.

A chatbot for tax consultation will be introduced.

A “chatbot for tax consultation” that enables consultation 24 hours a day, 365 days a year, for introduction on the NTA website within FY2020.

1. What is a chatbot?

A “chatbot” is a term developed through combination of “chat” and “robot,” and refers to a conversation program utilizing artificial intelligence (AI). Questions concerning taxes will be selected from a drop down menu or entered into a free entry box, against which an answer will be generated automatically through AI.

2. What the chatbot for tax consultation will deliver

Through the chatbot for tax consultations, users will be able to casually pose questions concerning taxes at any time of the day, and access information published on the NTA website more immediately.

3. Enhancing simplicity and convenience of a chatbot

A chatbot for tax consultation was experimentally introduced on the NTA website from January 2020.

Simplicity and convenience will be enhanced based on opinions and feedback from users and through learnings of AI, and it is scheduled for reintroduction on the NTA website within FY2020.

■ Image of a chatbot for tax consultation

I am a character of a chatbot, Futaba.
I will answer.



(6) Advance inquiries

～ Enhanced predictability for taxpayers ～

In case taxpayers have some doubts regarding the tax treatment of any transaction conducted or to be conducted, Tax Offices receive advance inquiries before transactions or tax filing deadlines and provide answers.

If requested, a written answer may be provided to the advance inquiries mentioned above under certain conditions and the disclosed as Q&As on the NTA website (<https://www.nta.go.jp/law/bunshokaito/01.htm> [in Japanese]).

Besides written answers, answers that can serve as reference for taxpayers among ones to advance inquiries, are also carried on the NTA website as examples in Q&As (<https://www.nta.go.jp/law/shitsugi/01.htm> [in Japanese]).

■ Number of Advance inquiries received by written reply procedure

Fiscal year	2018	2019
Number of Advance Inquiries Received	133	115

■ Number of Q&A examples posted on website

Fiscal year	2018	2019
Number of Q&A posted	1,953	1,968

Measures for victims of natural disaster

The NTA took a measure to extend the national tax filing and payment deadlines for the regions which were affected by Typhoon Hagibis in 2019.

In keeping with the policy of the government, from the perspective of preventing the further spread of Covid-19 pandemic, deadlines for filing of the final tax returns and payment of taxes, such as self-assessed income tax, were extended at the same time, and for those who found it difficult to file before the extended deadlines, the NTA will flexibly accept tax returns without a fixed deadline. Furthermore, the NTA has announced a tax payment deferral program for taxpayers who are experiencing difficulties in settling their taxes due to the impact of Covid-19 pandemic. For further details, please refer to Column 3 (page 18).

In response to taxpayers who have been impacted by natural disasters and such, the NTA continuously disseminates systems, answers inquiries from taxpayers, and so on as well as provides 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 deadlines 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.

Publicity about taxation measures relating to disasters

The NTA has provided information and publicity about taxation measures with the people affected by disasters through pamphlets, website, Twitter and other methods, soon after the occurrence of disasters.

For details of the procedure and other tax measures concerning natural disasters not mentioned above, see the NTA website "The Disaster related information" (<https://www.nta.go.jp/taxes/shiraberu/saigai/index.htm> [in Japanese]).

NTA's response to the Covid-19 pandemic (as of May 15, 2020)

Since the first infected person of Covid-19 in Japan was confirmed in January 2020, various infection control measures and economic measures have been undertaken by the government in accordance with the degree of expansion of the pandemic.

The NTA is striving to prevent further spread of the pandemic so that taxpayers may file tax returns and carry out procedures for tax payments without any concern, including during the period of final income tax return filing, when a significant number of taxpayers visit the Tax Offices.

In addition to provision of information and publicity concerning NTA's response and effort to address the Covid-19 pandemic through its website, the NTA is increasing publicity on a broad scale through relevant private organizations and local governments, while a swift distribution of information is attempted through use of various methods, such as media announcements, publication on newspapers, television and the Internet, Twitter and e-newsletters.

We ask citizens of Japan for continuous understanding and cooperation in preventing further spread of the pandemic.

1. Measures for final income tax return filing

A significant number of people visit the final income tax return sites at the tax offices for filing consultations on a daily basis. Therefore, the NTA has undertaken exhaustive measures to prevent the spread of the pandemic by instructing officials who attend to taxpayers seeking consultation to thoroughly carry out handwashing, gargling, and wearing face masks, as well as frequent ventilation of the filing site, sterilization of furnishings, such as PCs and stationaries at the sites which visitors may come into contact with, and spreading distances between taxpayers by ensuring proper distance between PCs. The agency has also asked for cooperation from taxpayers by requesting them to wash their hands, wear face masks and make use of alcohol disinfectants when entering the final tax return filing sites, while requesting them to refrain from coming to the sites if they should be experiencing any symptoms, such as coughs and fevers, and if they should not be feeling well.

In keeping with the policy of the government, on February 27, 2020, in addition to the NTA's announcement that deadlines for filing and payment of self-assessed income tax, gift tax, and consumption tax of sole proprietors would be extended to Thursday, April 16, 2020, with consideration to the subsequent spread of the Covid-19 pandemic in various regions, the agency also announced on April 6 that it would be flexible in accepting final tax returns, even after Friday, April 17, 2020 without any fixed deadline for those who found it difficult to file within the deadlines due to concern for going outside during the pandemic. With this measure, the payment date of self-assessed income tax and consumption tax of sole proprietors who have signed up for the transfer tax payments has been postponed to May 15, 2020 for self-assessed income taxes, and May 19, 2020 for consumption taxes of sole proprietors.

新型コロナウイルス感染症関連情報

重要なお知らせ

- ◆納税が困難な方へ ▲とじる
 - 《個人・法人共通》
 - 新型コロナウイルス感染症の影響により納税が困難な方へ（納税の猶予制度があります）
 - 国税局直営相談センターのご案内
 - ◆申告・納付期限の延長 ▲とじる
 - 《個人の方へ》
 - 4月17日（金）以降の申告・納付の対応について
 - 《申告所得税・贈与税及び個人事業主の消費税》の申告・納付期限の期限延長手続について（PDF/779KB）
 - 《相続税》の申告・納付期限の期限延長手続について（PDF/730KB）
 - 《法人の方へ》
 - 《法人税及び地方法人税並びに法人の消費税》の申告・納付期限の期限延長手続について（PDF/683KB）
 - ◆酒類事業者等の方へ ▲とじる
 - 新型コロナウイルス感染症に関する対応等について
 - ◆緊急経済対策における税制上の措置 ▲とじる
 - 《新型コロナウイルス感染症緊急経済対策における税制上の措置》について

特集：新型コロナウイルス感染症に関する対応等について（詳しくはこちら）

郵送やインターネットで
申請できます
納税の猶予・納税証明書など

注目ワード

- 税理士試験の受験票
- 税理士試験受験申込み
- 税理士試験の実施
- 料飲店等用酒類免許
- 申告・納付期限の延長
- 納税が困難な方へ
- 所得税の確定申告
- e-Tax
- 非常勤税員の募集
- 定額控除
- 消費税の軽減税率
- 災害関連減税
- 不審な電話にご注意を

税務署を検索

郵便番号から税務署を検索
（半角数字）

2. Measures for deadlines for filing and payment of corporate tax, inheritance tax, liquor tax and others

Tax such as corporate tax, consumption tax of corporations, withholding income tax, inheritance tax and liquor tax were not subject to the extension of deadlines described in 1 above. However, should there be an inevitable reason for inability to file and pay taxes before the deadlines due to impact of the Covid-19 pandemic, the extension of deadlines would be admitted on an individual case, similar to those described in 1 above.

3. Measures for those experiencing difficulties in paying their taxes

The agency has swiftly and flexibly applied measures, such as the deferral of tax payments, with consideration to the situation and sentiment of taxpayers who found it difficult to settle tax payments due to difficult financial situations brought on by the Covid-19 pandemic.

Furthermore, as taxation measures (refer to 4 below) under the emergency economic package, the payment deadlines of national taxes which will reach between February 2020 and end of January 2021, in case there was

a significant decline in revenue from business due to the impact of the Covid-19 pandemic, would be extended by a year and delinquent tax would be waived, while the presentation of collateral would also be waived (special provision for the deferral of tax payments).

With respect to the application of these deferral measures, without waiting for inquiries and consultation initiated by the taxpayers, the NTA is striving to ensure that those taxpayers that require the application of the measures be protected quickly by contacting taxpayers through various channels, such as counters at Tax Offices, explanatory sessions on policies at final tax filing sites, the NTA website, Certified Public Tax Accountants' Associations, public announcements made through relevant private organizations and industrial associations, and public relations activities initiated through newspaper and television advertisements.

In addition, in order to prevent congestion at the counters of Tax Offices, the NTA has established "National Tax Deferral Consultation Centers" within each Regional Taxation Bureau, and while responding to questions and consultations regarding the deferral policy over the phone, it is promoting an application for the deferral through digital applications via e-Tax and the postal service.

4. Taxation measures in the emergency economic package

Taking into account the grave impact of the Covid-19 pandemic has had on the economy of Japan, the government determined to implement urgent taxation measures for taxpayers experiencing difficulties due to the effect of measures to prevent the further spread of the pandemic (enforced on April 30, 2020).

The NTA has publicized the taxation measures in the emergency economic package through distribution of leaflets, etc. For further details, please refer to the NTA website (<https://www.nta.go.jp/taxes/shiraberu/kansensho/keizaitaisaku/index.htm> [in Japanese]).

The NTA has announced information mentioned 1 to 4 above is publicized in the form of FAQ on the NTA website (<https://www.nta.go.jp/taxes/shiraberu/kansensho/index.htm> [in Japanese]).

5. Measures for liquor business

As the competent authority in the liquor business, the NTA carried out the following measures for operators of liquor business.

- (1) While the food and drink industry has been subject to devastating impact from the Covid-19 pandemic, from the perspective of food and drink business operators earning income through takeaway alcoholic drinks, the NTA determined to issue licenses for liquor shop owners with a limited validity (6 months) through a quick and simple procedure (April 9, 2020).
- (2) In order to alleviate the shortage of ethanol required for hand sanitation, based on instructions from the Ministry of Health, Labour and Welfare stating that "high-concentrate ethanol products" could be used as an alternative for hand sanitation, the NTA designed to simplify and expedite the procedure required to obtain licenses to manufacture high-concentrate ethanol products. Specifically speaking, while the production of high-concentrate ethanol products through water injection to material alcohol would be comprehensively approved, the manufacturing license for the production of high-concentrate ethanol products, such as spirits, would be immediately issued (April 21, 2020). In addition, the Offices of Analysis and Brewing Technology located within each Regional Taxation Bureau offer technological support for production and analysis to manufacturers who seek to manufacture and sell high-concentrate ethanol products.
- (3) Among the liquor products applicable to "high-concentrate ethanol products" shipped after May 1, 2020, the NTA has determined that those that satisfy certain requirements will not be imposed any liquor tax.

Furthermore, once the pandemic has subsided, the NTA will be undertaking promotions (regional events aimed towards consumers) for the recovery and expansion of domestic consumption of liquor, supported by both the government and private sectors. The NTA is also determined to support business meetings and promotional activities, branding and sake brewery tourism to promote the recovery and expansion of export of liquor manufactured in Japan.

The NTA strives to provide important information concerning such measures undertaken by the government to support business operators. For further details, please refer to information available on the NTA website (<https://www.nta.go.jp/taxes/sake/kansensho/index.htm> [in Japanese]).

6. Experience of the National Tax College

In response to a request by the Cabinet Secretariat (Crisis Management section), the NTA made the dormitory of the National Tax College located on Wako Campus (Wako-City, Saitama Prefecture) available to accommodate those who returned from Wuhan, China, on chartered flights arranged by the Government of Japan, and passengers and crews who disembarked from a cruise vessel, to serve as accommodations during the health monitoring period from February 1 to March 16, 2020.

Once all the occupants were vacated, the dormitory was returned, following a thorough sanitization and cleaning process.

2 e-Tax (online national tax return filing and tax payment system)

~ Strongly promote various measures in order to encourage the use of e-Tax and submitting all documents including attachment electrically ~

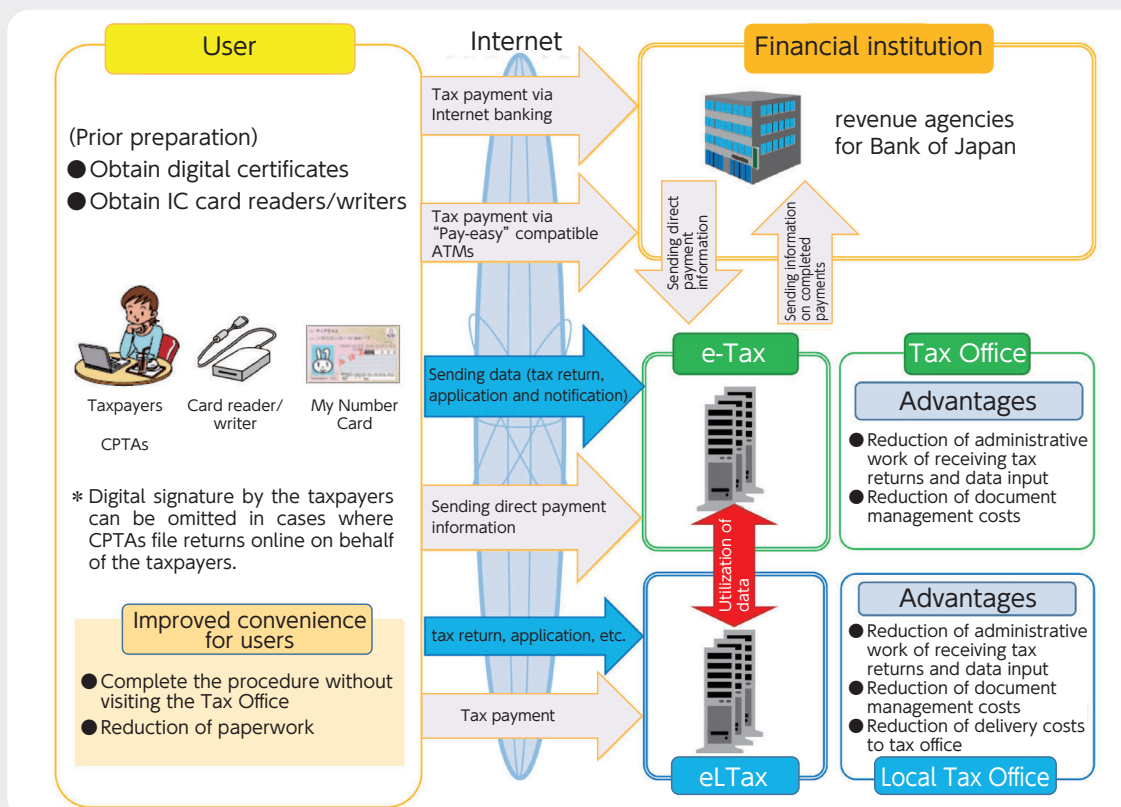
e-Tax enables users to perform procedures for filing income tax, corporation tax, consumption tax, inheritance tax, gift tax, stamp tax and liquor tax returns, as well as submitting statutory records and applying for blue return filing, etc. via the Internet without visiting the Tax Office. Tax payment can be made via direct payment, the Internet, Pay-easy¹ 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.

The NTA thinks 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. In addition, income tax return data (including financial statements and detailed descriptions) submitted through e-Tax are sent to the local government, and not only does it benefit the NTA, but the local government as well by increasing its efficiency.

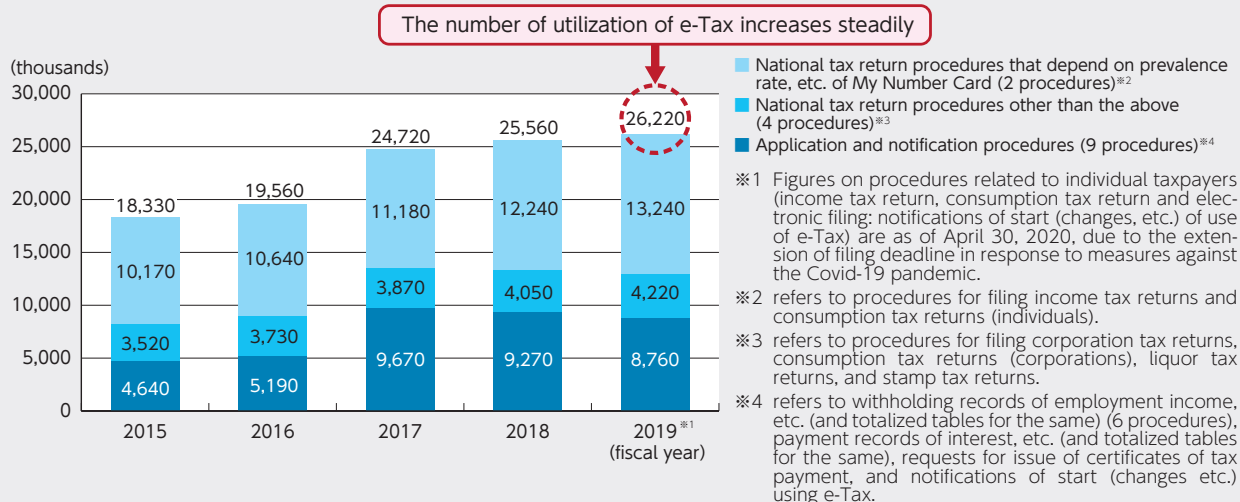
To this end, amid the computerization of the economic society further progressing, the NTA will enhance the convenience so as to enable taxpayers to perform procedures easily and accurately. At the same time, from the perspective of promoting cost reduction in the whole society and productivity improvement in corporations, the NTA will place emphasis on further promotion of e-Tax and submitting all documents including attachments electrically.

■ Outline of e-Tax



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

■ The number of utilizations of e-Tax

Column
4

Measures for the convenience of e-Tax

At the NTA, the following policies are introduced in order to further increase the convenience of e-Tax.

1. More convenient e-Tax use for corporation tax

In tandem with the mandatory requirement for large enterprises to file tax return online (refer to Column 5), the NTA designed an environment that for corporate taxpayers enables smooth online submission of filing data pertaining to corporation tax filing.

(1) Acceptance of various data formats [implemented after May 2019]

Parts of attached forms to corporation tax returns that require the breakdown, account heading breakdown statements and financial statements became eligible for the submission in the CSV form¹.

(2) Centralized destination for submission ("once only policy") [implemented in April 2020]

When financial statements are submitted through e-Tax in filing a corporation tax return, the submission of financial statements in filing a corporation enterprise tax return became no longer necessary due to coordination in information between national and local tax offices.

※There are additional measures that increase convenience of filing a corporation tax return through e-Tax. For details of each item, see the e-Tax website (<https://www.e-tax.nta.go.jp/hojin/gimuka/sesaku.htm> [in Japanese]).

2. e-Tax adaptation to inheritance tax filing [implemented in October 2019]

Inheritance tax return filing became eligible for filing through e-Tax.

3. Broadening the range of the type of attachments that may be sent through e-Tax [implemented in October 2019]

Attachments that may be sent through e-Tax were formerly limited to those stipulated by laws, but for inheritance tax returns, gift tax returns, and applications and notifications (related to corporation taxes), in addition to the documents required by laws, those which have been requested by tax offices are now eligible for submission as image files (PDF format).^{*}

※Please refer to e-Tax website (<https://www.e-tax.nta.go.jp/tetsuzuki/tetsuzuki6.htm#Link3> [in Japanese]) for specifics on attachments that may be submitted as image files.

1 CSV (Comma Separated Value) may be generated using a spreadsheet software, such as MS Excel, and refers to a text format file with high level of compatibility.

Large enterprises are required to file returns via e-Tax

As the use of ICT within economic society and the diversity of work styles have been increasing, it would be important to reduce costs for overall society and improve productivity of enterprises through promotions of seamless use of data, while preparing a convenient tax environment in which all taxpayers are able to file tax returns easily and accurately by furthering the use of ICT in tax related procedures.

From this perspective, submission of tax returns by large enterprises (for domestic enterprises only) were required to submit online, including attachments such as account heading breakdown statements, which applies to the business year beginning on or after April 1, 2020.

The NTA is committed to preparing adequate conditions to enable smooth online submission of filing data pertaining to corporate taxes (taxpayers other than large enterprises can also use this system).

■ Overview of the system

1. Subject tax category and procedure

Submission of final tax return of corporate tax and local corporate tax as well as consumption tax and local consumption tax

2. Large enterprises

- Corporate entities whose capital or contribution exceeds 100 million yen at the beginning of the business year or,
- Mutual companies, investment corporations and special purpose companies, national and local governments

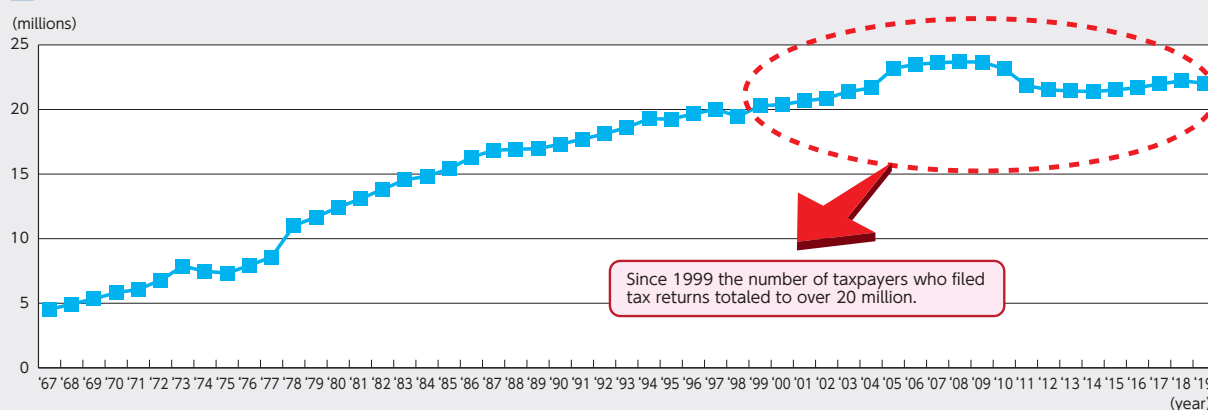
※ For concrete details, see the e-Tax website (<https://www.e-tax.nta.go.jp/hojin/gimuka/index.htm> [in Japanese]).

3 Filing for tax return

~ The number of taxpayers who filed income tax returns totaled 22.04 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 a certain amount of medical expenses. 22.04 million people filed their income tax and special income tax for reconstruction for 2019; thus, one out of six residents filed tax returns. Of these, over 13.03 million people filed for refunds, comprising over half of the people filing tax returns.

■ Trend of the number of income tax return filers



- Responding to diversified needs of the taxpayers
- Provision of various services to enable effortless filing

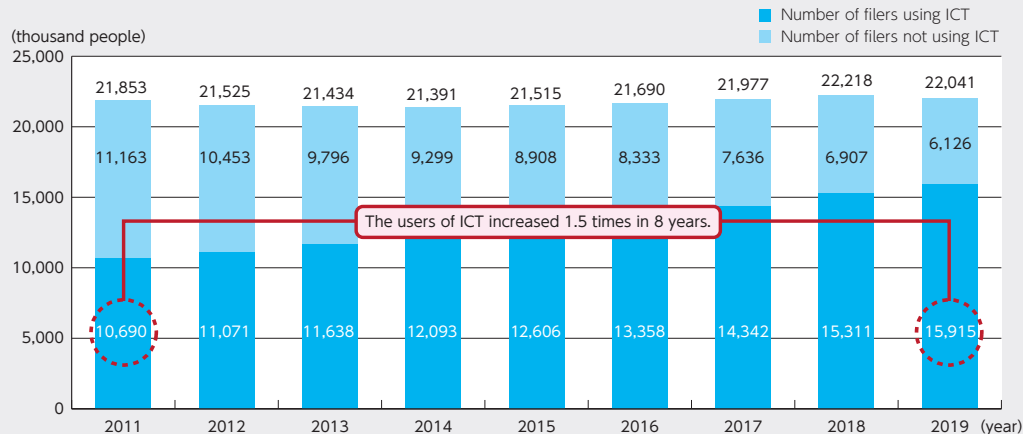
(1) Promotion of filing using ICT

~ Filing assistance on the website and e-Tax ~

The NTA promotes filings using ICT from home etc., such as filing assistance on the NTA website and e-Tax.

※ 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



~ “The filing assistance on the NTA website” is now accessible from smartphones ~

With the filing assistance on the NTA website, if a taxpayer enters the amounts and other necessary information according to the guidance on the 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 sole proprietors, and gift tax, as well as financial statements for blue returns.

In addition, taxpayers with employment income, miscellaneous income, or occasional income may prepare final income tax returns using a smartphone-friendly dedicated site.

Furthermore, data of the prepared tax returns may be transmitted via e-Tax either by the My Number Card method or by the ID and password method.

■ Filing an income tax return using a smartphone

**Dedicated site
for smartphones**

国税庁 確定申告書等作成コーナー

収入・所得金額の入力

会社員の方やパート、アルバイトの方で、「給与所得の源泉徴収票」をお持ちの方

給与所得
収入金額

—

国民年金、厚生年金、企業年金などの所得があり、「公的年金等の源泉徴収票」をお持ちの方

公的年金
収入金額

—

原稿料や講演料、生命保険の個人年金など他の所得に当てはまらない所得がある方

雑（その他）所得
収入金額

—

A smartphone-friendly dedicated site

Taxpayers with employment income as well as those with pension income, miscellaneous income from a sideline, etc. may prepare income tax returns using the site designed and optimized for smartphone and tablet touchscreens (the dedicated site for smartphones).

※Dedicated site for smartphones is available for filing 2019 tax returns only.

Completing filing procedures on e-Tax

Taxpayers who possess a My Number Card and a smartphone compatible with the My Number Card may transmit data via e-Tax.

Those taxpayers who do not own a smartphone compatible with the My Number Card may also transmit data via e-Tax using an ID and password issued by the NTA after verifying their identity through a face-to-face meeting with a tax official.

○Taxpayers eligible for use of the dedicated site for smartphones

※The underlined parts were added in 2019.

Item	2019 tax return
Income	All types of employment incomes (one source with completed year-end adjustment, <u>one source with uncompleted year-end adjustment, income from two or more sources</u>), <u>miscellaneous incomes</u> (pension income, income from a sideline, etc.), <u>occasional incomes</u> (lump sum payout from a life insurance contract, etc.)
Income deduction	All income deductions
Tax credit	Special credit for contributions, etc. to political parties, etc., <u>reduction or exemption of income tax due to disasters</u>

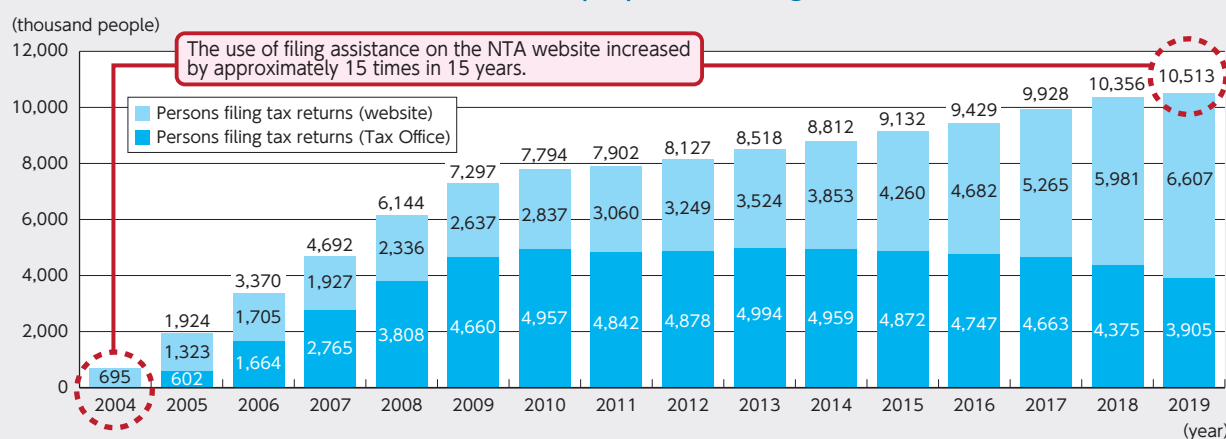
~ The number of users of “filing assistance on the website” is increasing each year ~

In the filing period for 2019, 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 10.51 million cases including those prepared via PCs set up at consultation sites. This comprised about 48% of all people who submitted returns.

Of the 10.51 million cases which were prepared using the filing assistance on the NTA website, approximately 1.08 million cases were prepared through smartphones.

We will continue our efforts to improve the system to make it easier to use based on feedback from users, so that it can be used by as many taxpayers as possible.

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



※ Figures before 2018 represent those submitted by the end of March of the following year and figures for 2019 represent those submitted by the end of April of the following year.

The use of filing assistance on the NTA website at PCs installed in the Tax Office started from tax returns for 2004. However, the number of taxpayers who submitted returns using this method remains unaccounted for.

The number of taxpayers who submitted tax returns for years before 2003 remains unaccounted for.

The number of taxpayers who submitted tax returns for years since 2007 includes cases using e-Tax.

(2) Response to diverse taxpayer needs

~ Opening tax office on Sundays and holidays during filing period ~

We received a comment from taxpayers which is “it’s a problem that filing consultations can only be handled on weekdays; I would like to receive the service even on closed days of the Tax Offices.” In response, the NTA receives tax returns and provides filing consultations on two Sundays and holidays during the tax return filing period at some Tax Offices, and at joint meeting sites outside the Tax Offices.

For the 2019 tax return filing period, the offices were open on February 24 and March 1, 2020, during which about 230,000 final income tax returns 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, there is no need to file for individual business tax and individual inhabitant tax, which are local taxes since the same information will be forwarded from the Tax Office to the local government.

Also, on the implementation aspects, data of income tax filing and others 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.

4 Diversification of payment methods

~ Enhanced taxpayer services by offering various payment methods ~

To enhance taxpayer services, diverse payment methods have been introduced, such as Cashless payment such as online payment using Direct payment and Internet banking, Credit card payment and payment at convenience stores using a QR code, instead of paying at the counters of financial institutions and Tax Offices in cash with tax payment slips.

Taxpayers can also use transfer tax payments from a deposit account for 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 institutions which are 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, for example by requesting that non-compatible financial institutions become compatible. As of the end of March 2020, it was usable in 426 financial institutions.

Online tax payment using Internet banking, etc.

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

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

Payment with credit card

Credit card payment is a payment procedure by inputting necessary information on the "National Tax Credit Card Payment Site" on the Internet by PC or smartphone, etc.

The tax amount that can be paid with a credit card is less than 10 million yen and 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).

Payment at convenience stores

By creating a QR Code on a smartphone or PC at home that embodies information required to complete payment of taxes, taxpayers are able to pay taxes at the cash register of convenience stores after scanning the QR Code at kiosk terminals (i.e., "Loppi" and "FamiPort") located within the stores.

Taxpayers may also complete the payment at convenience stores using the bar coded payment slips issued by the jurisdictional Regional Taxation Bureau or Tax Office which are used to inform the taxpayer of scheduled income tax payments and finalized tax payment amounts prior to the payment deadline.

The maximum amount of taxes payable at convenience stores is 300,000 yen.

(Note) "QR Code" is a registered trademark of DENSO WAVE INCORPORATED.

5 Efforts toward the Social Security and Tax Number System (My Number System)

(1) Outline of My Number System

My 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 Numbers) and Corporate Numbers.

1. A fairer and more just society

Preventing illicit receipt of benefits

2. Enhanced public convenience

Making administrative procedures effortless

3. Improved administrative efficiency

Completing procedures accurately without excess process



(Source: Cabinet Office, Government of Japan website (<https://www.cao.go.jp/bangouseido/seido/index.html>) [in Japanese])

① 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 in the fields of social security, taxation, and disaster response.

② Corporate Number

The corporate Number is a 13-digit number to each corporation, such as stock companies. The Corporate Number is available to anyone, unlike My Number.

(2) Actions as an entity utilizing My Numbers and Corporate Numbers

～ Utilization and publicity in the national tax field ～

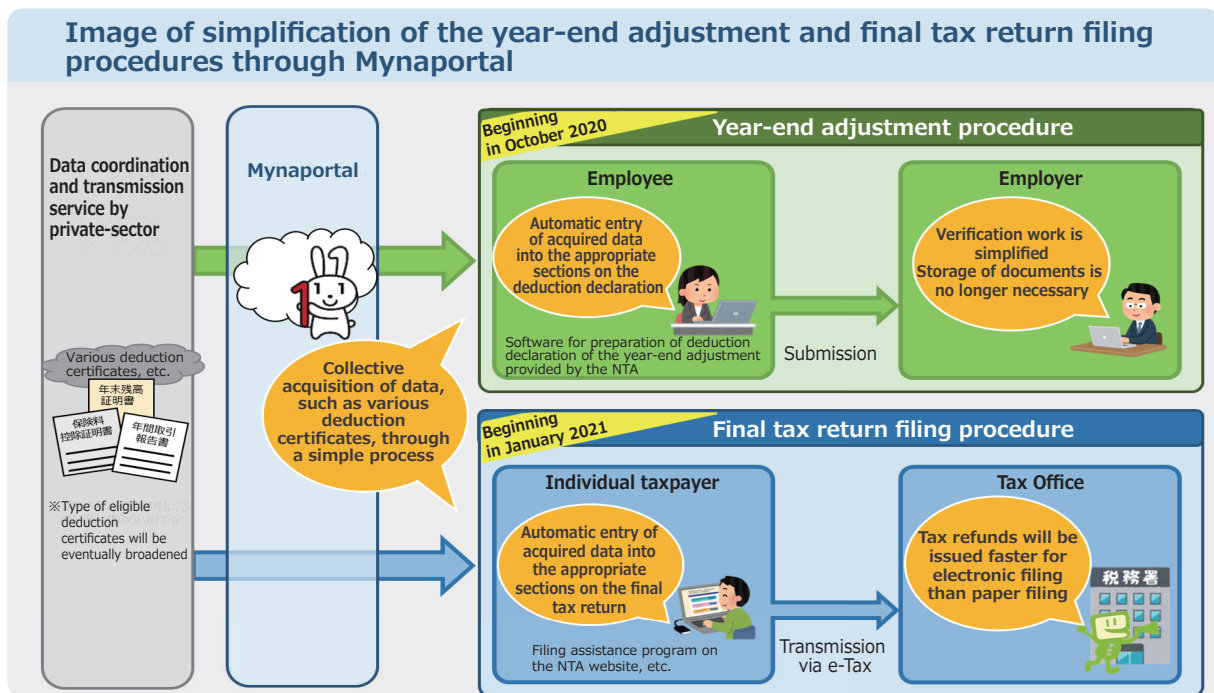
An individual or corporation has to fill in the Number (My Number or Corporate Number) on the filing form and statutory statements each time they submit to the tax authority. When My Number is provided, it is necessary to confirm the identity of individuals based on Act on the Use of Numbers to Identify 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.

In addition to creating a special website on the NTA website (<https://www.nta.go.jp/taxes/tetsuzuki/mynumberinfo/index.htm>) [in Japanese]) which contains FAQ concerning My Number System with the aim to encourage its use, the NTA is actively promoting public relations through various media, such as through advertisements published on newspapers and the Internet.

～ Improving convenience for taxpayers ～

Taking the opportunity of the introduction of My Number System, attaching a copy of a certificate of residence can be omitted in a filing procedure procedure. In addition, starting January 2019, taxpayers who have transmitted a tax return of income tax, consumption tax, gift tax or inheritance tax via e-Tax can check the data saved in e-Tax's message box and processing status through the "Notice" function of Mynportal.¹

The NTA is moving forward with preparations for a scheme that enables even simpler completion of year-end adjustments and final tax return filings by automatically transferring data, such as deduction certificates issued by insurance companies, which are to be collectively obtained through Mynportal and automatically completing the form.



～ Recognizing income more properly and efficiently ～

In the field of national taxes, as numbers will be required on documents such as tax return form and statutory statements, the NTA expects that aggregation of data of statutory statements for individuals and matching of those data with the tax return 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.

(3) Promotion of popularization of My Number Card

Based on "Policy Concerning Popularization of My Number Card and Promoting the Use of My Number Card" (decision by the Digital Government Cabinet meeting held on June 4, 2019) which is the policy of the government as a whole, the NTA is proactively engaging in activities to promote My Number Card, such as by installing a "My Number Card Application Corner" through cooperation with local governments, not only at final tax return filing sites, but also through various occasions, such as the "Think About Tax" week.

¹ Mynportal refers to an online site operated by the government which enables users to complete various administrative procedures in one stop and check notifications from government organizations.

(4) Actions as an entity assigning Corporate Numbers

～ Assigning Corporate Numbers ～

The Corporate Number is designated to ① corporations registered for incorporation, such as stock companies, ② national government organizations, ③ local public entities, or ④ corporations or associations without juridical personality, etc., or other than those listed in ① through ③, those submitted a “Notification of Establishment of a Salary-Paying Office,” etc. The NTA designates a Corporate Number based on the registration information provided by the Ministry of Justice or notification submitted to the Tax Office, and also sends the Notification of Corporate Number.

The NTA publishes the three types of basic information ((i) trade name or name, (ii) address of head office or principal place of business, and (iii) Corporate Number) of the corporation which is designated a Corporate Number on the Internet (the NTA Corporate Number Publication Site at <https://www.houjinbangou.nta.go.jp> [in Japanese]).

※ Corporations and associations without juridical personality other than those mentioned above may still be designated a Corporate Number by notifying the NTA Commissioner if they meet certain requirements.

～ Promoting the utilization of the Corporate Number ～

The Corporate 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 and to encourage the utilization of the system by national and local administrative agencies and private organizations.

～ Initiatives for convenience of the NTA Corporate Number Publication Site ～

The three types of basic corporate information 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 and Web-API¹ function in order to enable users’ ease-of-use of information such as Corporate Number.

In April 2018, the NTA started to publish furigana (Japanese pronunciation) of corporations’ trade names or names in order to make it easier for corporations to utilize these information as digitization and networks continue to expand. Additionally, in December 2018, functions were added with the aim to enhance reliability of data provided, such as those to remove corporations whose registered addresses of head offices are indicated in a form that no longer exists due to abolishment of addresses for reason of city-lot readjustment, etc.

In regards to publication of the three types of basic information on the corporations, they had been published after the NTA notified the corporation of the designated Corporate Number, but from January 2020, they are now published immediately after a Corporate Number is designated.

～ Initiatives for the boost of international utilization of Corporate Numbers ～

The NTA was registered as an issuing agency with the United Nations (UN) and the International Organization for Standardization (ISO), and has obtained “issuing agency codes” in 2015. Corporate Numbers can be used as a unique gratuitous corporation code also in international transactions when issuing agency code and corporation code (Corporate Number) are used in combination.

As there are increasing opportunities to use corporation names and addresses in English, the English version of the NTA Corporate Number Publication Site (<https://www.houjin-bangou.nta.go.jp/en/>) was established in April 2017, and corporations’ trade names or names and the addresses of head offices or principle places of business in English are published upon requests from corporations.

¹ Web-API (Application Programming Interface) refers to an interface that connects different systems in order to exchange information that meets specified criteria by sending simple requests through the Internet from a system constructed by the user.

6 Promoting digitization of administrative services

~ Towards a Digital Government¹ ~

As an undertaking of the entire government, with the aim to realize a society in which its citizens are able to live with a sense of security and reassurance and experience prosperity, the “Declaration to be the World’s Most Advanced IT Nation: Basic Plan for the Advancement of Public and Private Sector Data Utilization” was adopted by the Cabinet in June 2019, which compiled policies with priority towards an inclusive “Digital Society,” in which every single individual is able to benefit from digital technology. Furthermore, the “Digital Government Action Plan,” which clearly outlines initiatives to promote administration utilizing digital technology, was adopted by the Cabinet in December 2019.

In addition, the environment surrounding tax administration is evolving in a significant manner, with increasingly complex and sophisticated processes coupled with economic transactions increasing in complexity and reach accelerated by the increasing use of ICT and globalization of the economic society.

Keeping in mind these numerous plans and changes in the environment, the NTA is determined to move forward with its BPR (Business Process Reengineering)² efforts to reduce the burden on users and enhance efficiency and grade of administrative operations from the perspective of citizens and businesses.

In particular, the NTA is promoting online processing and omission of attachments, as well as examination of the realization of online and one stop completion³ of “Social Insurance and Tax Related Process Executed by Corporations for Its Employees” and “Process to Establish Corporations” in accordance with the process guideline of the overall government as a member of related government agencies.

Ensuring stable and reliable ICT system and information security

Since 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.

Also, 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.

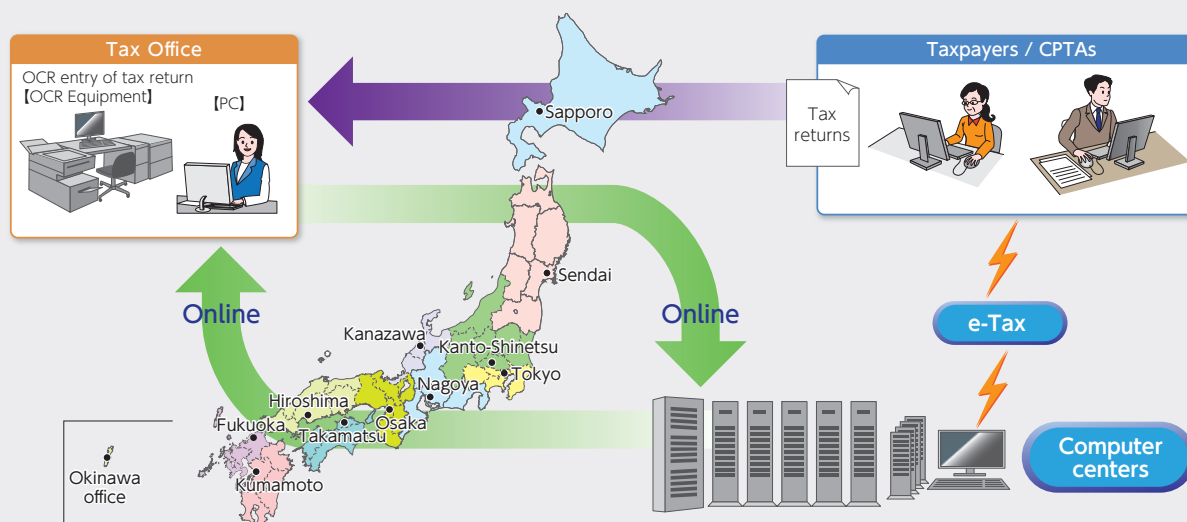
At the computer center which stores data for e-Tax and the KSK System, the NTA built an information security management system (ISMS)⁴ which complies with international standards, and in 2007, obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001: 2005 and JISQ27001: 2006⁵), and regularly renews the certification afterward.

Furthermore, in 2020, the computer center which stores data for the system that designates the Corporate Number also acquired the same certification.

- ¹ “Digital Government” refers to the initiative of the entire government to review the state of the administration on the premise of digitization, while placing priority on enhancing convenience for citizens and businesses.
- ² “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.
- ³ The online and one-stop completion of “Social Insurance and Tax Related Process Executed by Corporations for Its Employees” refers to the initiative to bring social insurance and tax related procedures carried out by corporations (employers) that accompany life determining events, such as hiring and retirement of employees that used to require submission of documents to each administrative organizations, in an online and one-stop manner through the use of Mynportal. The initiative aims to construct a scheme in the future which will enable corporations to complete submission of various information to administrative organizations using a cloud service.
The online and one-stop completion of “Process to Establish Corporations” refers to the initiative to realize a service which enables a user to complete various procedures through the Mynportal online in a one-stop manner, which would otherwise require submission of documents to each administrative organization when setting up a corporation.
- ⁴ 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, completeness and usability of information assets which should be protected.
- ⁵ 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 facilitate sophisticated and efficient administration by centrally managing information across the area and the type of tax.



Systems upgrade (development of new system)

While coping with changes surrounding the tax administration, aiming towards realization of the “Digital Government” being undertaken by the entire government and smart tax administration, set as a goal in the “Future Vision of Tax Administration” published in June 2017 by the NTA, it is imperative to upgrade the information systems for tax administration, such as the KSK (Kokuzei Sogo Kanri) System which is the core system of tax administration.

For this purpose, the NTA has begun work on development of a new system, scheduled to begin operations during FY2026.

Strict Management of Information

The NTA retains various information, such as income data of individuals, and strict management of information of personal information and taxpayer information is required, since should these information leak out, cooperation from taxpayers cannot be expected, disrupting smooth execution of examinations and collection of taxes, etc.

For this reason, should a tax official leak confidential information obtained through a tax examination, etc., criminal punishment based on tax laws (up to two years in prison or a fine of up to 1 million yen) that is more serious than penalty defined by the National Public Servant Law (up to a year in prison or a fine of up to 500,000 yen) will be sentenced.

In terms of tax officials, in addition to the regularly scheduled training on information security which they are required to attend, they are also informed that certain locations, such as storefronts and entrances, be avoided for questionings during an examination in consideration of the taxpayer’s privacy.

Since the NTA handles Specific Personal Information (personal information which contains My Number), with respect to the aim of related laws and regulations, such as the My Number Law, it strives to exercise control of taxpayer information held by the NTA in a strict manner, such as through regular inspection of the condition in which administrative documents are archived and managed.

7 Proper withholding tax system operation

～ Providing 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 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 a year-end adjustment, distributing guidebooks and pamphlets, etc.

8 Actions for the amended Consumption Tax Act

(1) The reduced tax rate system and the method of storing eligible invoices

The NTA is working to provide information and consultation, while maintaining close communication and cooperation with relevant ministries and private organizations, so that business operators are able to fully understand the reduced tax rate system for consumption tax and method for storing eligible invoices (so-called invoice system).

① Outline of the reduced tax rate system

At the same time as consumption tax was increased to 10% in October 2019, the “reduced tax rate system” for consumption tax which set the tax rate for sales of food and beverage (excluding alcoholic drinks and dining out) at 8% was implemented with the aim to reduce its impact on daily living costs.

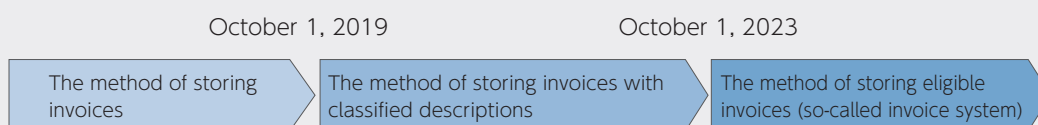
■ Tax rates and items subject to the reduced tax rate

Consumption tax rates	The standard tax rate is 10% (consumption tax rate of 7.8% and local consumption tax rate of 2.2%) The reduced tax rate is 8% (consumption tax rate of 6.24% and local consumption tax rate of 1.76%)
Items subject to the reduced tax rate	① Food and drink excluding alcoholic drink and dining out ② Newspapers issued twice a week or more (those based on subscriptions)

② Outline of the method of storing eligible invoices

Starting October 2023, the method of storing eligible invoices (so-called invoice system) will be introduced. As a general rule, taxable businesses will be required to store ledgers and invoices, such as “eligible invoices” (invoices) in order to benefit from purchase tax credits.

■ Schedule of changing the method of purchase tax credit



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

~ Provision of consultation on price shifting and guidance to liquor business operators ~

Consumption tax is a tax which is supposed to be eventually incurred by consumers through shifting onto the price of the product.

Therefore, it is important that business operators are able to shift consumption taxes onto the product price in a smooth and appropriate manner, and the NTA is undertaking the following actions to ensure its fulfillment.

- Consultation and collection of information concerning the shifting of consumption taxes at the “revised consumption tax systems’ consultation desk” at Tax Offices and an existing telephone counseling center
- As the competent authority of the liquor industry, in addition to providing consultation concerning liquor businesses and attending to collection of information, providing necessary guidance against refusals to shift consumption taxes

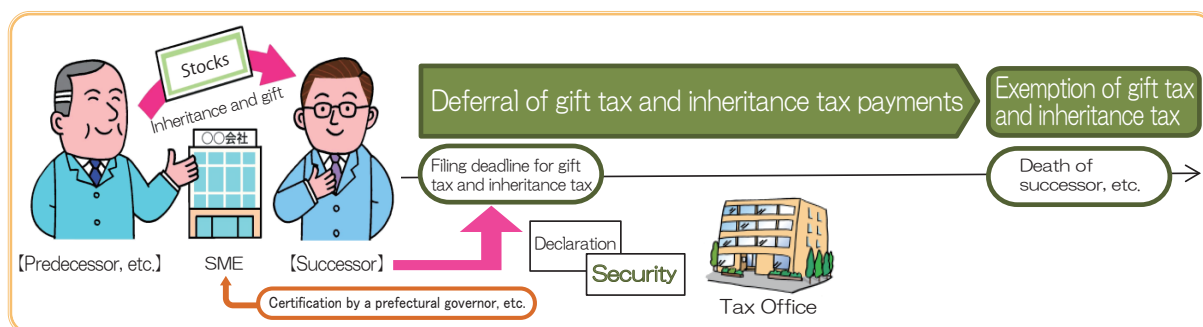
Corresponding to the Tax Measure for the Succession to Businesses

1. Outline of the revision

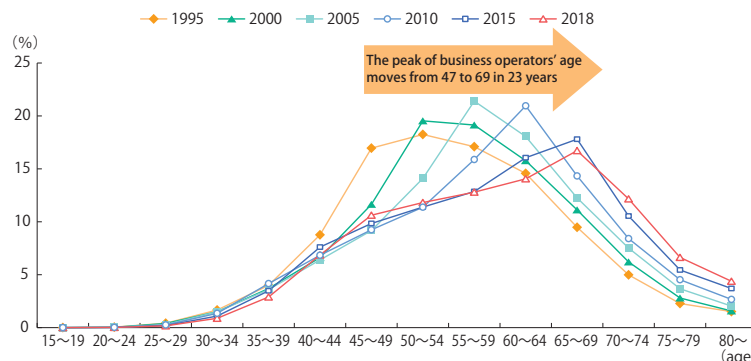
The Tax Measure for the Succession to Businesses is a system in which payment of gift tax or inheritance tax is deferred under a certain set of conditions, and in case the successor is deceased, payment of these taxes are waived for unlisted stocks or business assets that has been acquired by a successor to a company or individual business. Its application must be certified by a prefectural governor and is based on the Act on Facilitation of Succession of Management of Small and Medium Sized Enterprises.

Concerning this Tax Measure for the Succession to Businesses, under the FY2018 tax reform, in order to promote intensive subrogation as the aging of small and medium enterprise proprietors progresses (see "Reference"), the measure concerning unlisted stocks underwent significant enhancement, and under the FY2019 tax reform, a measure to newly encompass business assets of individuals was created.

[Outline of the Tax Measure for the Succession to Businesses concerning shares of unlisted companies]

**(Reference) Aging of Small and Medium Enterprise Proprietors**

According to the 2019 White Paper on Small and Medium Enterprises in Japan, the aging of proprietors is progressing (refer to graph on right), and going forward, while it is predicted that the number of proprietors who retire due to age will increase, it is considered important for new leaders of proprietors to enter into business and promising businesses and management resources to be passed on to the next generation in order to sustain and grow the regional society, let alone the economy of Japan.



2. Main priorities

As described in the "Reference" section above, in the context of increasing societal concern regarding the issue of aging of small and medium enterprise proprietors, the Tax Measure for the Succession to Businesses entails various measures, such as information and public relations, so that taxpayers may carry out the declaration and payment of taxes equipped with the proper understanding of the content of the revision of the tax system, as well as the overall scheme of the system and declaration procedures.

(1) Enhancing the content of NTA website

The NTA has opened on its website a section titled, "Special Feature on the Tax Measure for the Succession to Businesses," (<https://www.nta.go.jp/publication/pamph/jigyo-shokei/indx.htm> [in Japanese]) which compiles information related to the Tax Measure for the Succession to Businesses. Specifically speaking, it contains reference for taxpayers, such as a pamphlet which illustrates the Tax Measure for the Succession to Businesses in an easy-to-understand manner and common Q&A's.

(2) Dispatch of instructors to various seminars and training sessions

Regional Taxation Bureaus and Tax Offices are proactively responding to requests for instructors to seminars and training sessions on the Tax Measure for the Succession to Businesses that are hosted by related nongovernment organizations, etc.

Instructors have been dispatched to over 700 occasions from Regional Taxation Bureaus and Tax Offices between April 2018 and December 2019.

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 the "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.

Blue return taxpayers' associations

Blue return taxpayers' associations are organized for the purpose of "contributing to establishing the self-assessment system and promoting small enterprises," mainly by sole proprietors who use the blue return system. They are formed mainly by sole business proprietors who use the system. There are about 1,800 associations nationwide, and the total number of members is about 580,000 (as of April 2020). Each blue return taxpayers' association performs a wide range of activities including the guidance on bookkeeping, holding seminars, and encouraging filing of blue returns. For further details, please visit the website of the National General Federation of Blue Return Taxpayers' Associations at <https://www.zenaoirobr.jp> (in Japanese), or contact the nearest blue return taxpayers' association.

Corporations associations

Corporations associations are organized for the purpose of "contributing to spreading knowledge of tax, maintaining and developing a proper and fair self-assessment system, as well as achieving smooth tax administration." There are 481 corporations associations as incorporated associations, and membership stands at about 760,000 corporations (as of December 2019). 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 with a self check list." 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 487 associations nationwide with about 91,000 members (as of April 2019). 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 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 <https://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 18,000 associations (as of March 2019). 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 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 140,000 members belong to these associations (as of March 2019). 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 <https://www.nouzeikyokai.or.jp> (in Japanese).

1 Proper and Fair Taxation and Collection

~ Strict examination on malicious taxpayers, but brief contact for simple mistakes ~

The NTA analyzes information from various angles and for malicious taxpayers who try to illicitly evade their tax burden, the NTA establishes appropriate examination systems, and conducts strict examinations.

In addition, for other taxpayers the NTA takes care of its administration processes in an effective and efficient manner by balancing its allocation of limited human resources and other resources. For example, it makes brief contact via in writing or by telephone.

■ The number of field examinations

(thousands cases)

Tax category \ Operation year	2016	2017	2018
Self-assessed income tax	70	73	74
Corporation tax	97	98	99
Consumption tax	130	132	133
Inheritance tax	12	13	12

■ The penalty tax amount of field examinations

(billion yen)

Tax category \ Operation year	2016	2017	2018
Self-assessed income tax	81.9	94.7	96.1
Corporation tax	173.2	194.8	194.3
Consumption tax	103.0	102.1	109.9
Inheritance tax	71.6	78.3	70.8

~ 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

~ Conduct sufficient examinations for ensuring proper taxation of consumption tax ~

As consumption tax is one of the main taxes for tax revenue and 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 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.

◎ Cases of examinations of consumption tax

- The NTA uncovered a case in which a bogus contract was prepared with the aim to illegally receive tax refunds on consumption tax by registering fictitious purchases while registering fictitious export sales (tax-exempt transaction) at the same time.
- The NTA uncovered a case in which an overseas business operator who distributes gaming applications was not filing consumption tax.

～ 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

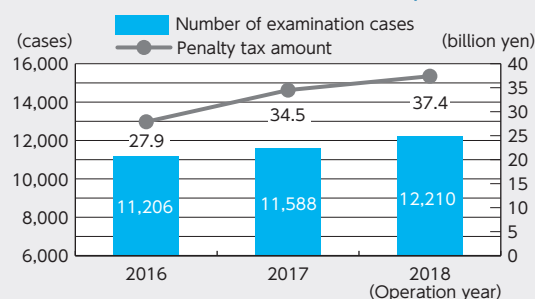
- The NTA ascertained the fact from a foreign assets statement that the subject of the examination possessed real estate and savings account abroad, and incomes of rent generated through the real estate and interest from the savings account had been excluded from the tax return.
- The NTA ascertained from information obtained through exchange of information based on the tax treaty that subcontracting expenses paid to an overseas corporation had been inflated.

※ Details of the activity mentioned above are available at the NTA website “International Strategic Total Plan - The Present State of Efforts toward International Taxation and the Future Direction.” (<https://www.nta.go.jp/taxes/shiraberu/kokusai/strategy/index.htm> [in Japanese])

～ Identify non-filers by utilizing information ～

Since failure to file tax return will cause a strong sense of unfairness to voluntary compliant taxpayers, the NTA precisely identifies failure to file by further collecting and utilizing information from materials, and actively conducts examinations.

■ Examination results of non-filers (income tax, inheritance tax and corporation tax)



◎ Cases of examinations of non-filers

- The NTA has discovered that a company employee was obligated to file a final tax return related to earnings (affiliate income) gained from corporate advertisements displayed on his/her website together with his/her salary income, but failed to do so.
- The NTA uncovered a case in which an individual illicitly avoided filing tax returns by intentionally discarding prepared documents, despite recognizing the fact that a significant amount of profit was being generated.

～ Precise Action Towards New Fields of Economic Activities including the Sharing Economy¹ ～

Recently, as new fields of economic activities, such as the sharing economy, exhibit increasing expansion, the theme of necessity for efforts and systematic measures to address the securing of fair taxation is mutually recognized within Japan and abroad.

The NTA is striving to develop an environment for appropriate filing in these fields while broadening its collection of information. Through these efforts, the NTA will accurately identify taxpayers who are suspected of taxation issues, and take actions to ensure fair taxation, including provision of administrative guidance.

Please refer to the section titled “Precise Action Taken Towards New Fields of Economic Activities including the Sharing Economy” (https://www.nta.go.jp/information/release/kokuzeicho/2019/sharingu_economy_taio/pdf/01.pdf [in Japanese]) uploaded on the NTA website.

¹ “New fields of economic activities including the sharing economy” is used as a collective term for sharing business and service, transactions of crypto assets (virtual currency), online advertising (affiliate etc.), digital contents, online shopping and auctions and new other economic transactions.

~ Accurately understanding claims made by taxpayers and executing proper tax administration ~

When conducting tax examinations, the NTA consistently strives to accurately interpret assertions made by the taxpayer and study the laws and regulations based on accurate fact finding to exercise proper taxation. Towards this end, we are thoroughly adhering to the procedures and processes as defined in legal requirements.

(2) Utilizing approaches other 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

- Initiatives to encourage voluntary review by contacting by documents or telephone, 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
- Initiative to promote proper declaration by publication through the NTA website on points to pay extra attention to when filing one's tax return

Cooperative approaches

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

● Approach to enhance the corporate governance on tax matters

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 extend the period until the next examination to focus its resources for examinations on other corporations which require higher attention.

With this action, the NTA will be able to effectively utilize the limited human resource. 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.

The results of evaluation about details of measurement indices on 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 "self-inspection of tax returns and self-audit of tax items" at large enterprises

~ Publication of check sheets 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 "Self inspection of tax returns and self-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 self-audit of, for example, omissions in entering adjustments in settling accounts and in adjustments for taxable income before tax return preparation. 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 approach concerning transfer price taxation

The NTA has published the “Transfer Price Guidebook-Towards Maintenance and Enhancement of Voluntary Tax Compliance” (June 2017) (<https://www.nta.go.jp/taxes/shiraberu/kokusai/itenkakakuzeisei/index.htm> [in Japanese]) with the aim to increase the predictability of taxpayers and transparency of public administration concerning transfer price taxation.

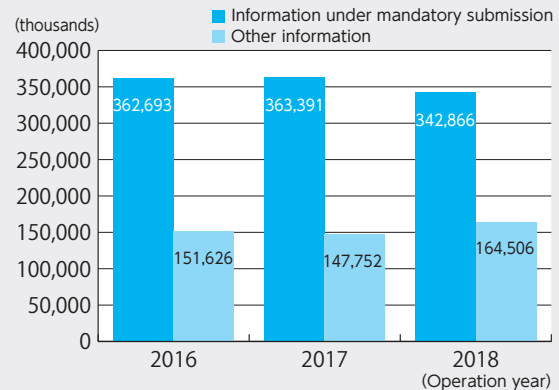
(3) Data and Information

～ Collect data and information through every opportunity to use such information for accurate guidance as well as tax examinations ～

The NTA, through every occasion, collects a variety of information found in the course of tax examinations, in addition to the withholding records of employment income, payment records of dividend, etc. The NTA uses such information for accurate guidance as well as tax examinations.

The legal framework around collection of data and information has been organized and put into effect since January 2020. The NTA is undertaking efforts to enhance collection of data and information within this framework.

■ Number of information items collected



(4) Criminal investigation

～ Pursues criminal responsibility of malicious tax evaders ～

The tax criminal investigation system aims to pursue criminal responsibility of malicious tax evaders and 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.”

～ Positive action toward cases with socially strong ripple effects ～

During FY2019, based on the current socio-economic situation, the NTA actively engaged cases with socially strong ripple effects, such as illicit receipt of consumption tax refunds, failure to file tax returns, international cases, tax evasion cases in business areas where markets are expanding, and tax evasion cases where tax evaders utilize the current unique factors.

In particular, the NTA applied for the first time the penalty for failure to present a foreign asset statement in an international case where illicit funds were concealed abroad. In addition, the NTA charged an Internet advertising agency and an accountant who benefitted from a significant amount of profits through his consulting services specializing in consumption tax refunds.

◎ Cases of accusations filed to the prosecutor in FY2019

First application of the penal provision for failure to present a foreign asset statement

The NTA charged an individual with failure to present a foreign asset statement. In that case, the individual evaded a significant amount of income tax by depositing sales proceeds into a third-party savings account and concealing his income. He also failed to submit a foreign asset statement on an overseas savings account in which the proceeds was deposited without a justifiable cause.

■ Status of criminal investigations

	Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Total amount of tax evasion cases (portion with accusation filed to the prosecutor)	Amount of tax evasion per case (portion with accusation filed to the prosecutor)
	cases	cases	cases	million yen	million yen
FY2018	166	182	121	13,999 (11,176)	77 (92)
FY2019	150	165	116	11,985 (9,276)	73 (80)

※ Figures of tax evasion include additional tax.

■ Ruling Status in the first trial of criminal investigation cases

	Number of rulings ①	Number of convictions ②	Percentage of cases convicted ②/①	Number of convictions with prison sentences without probation ③	Amount of tax evaded per case ④	Term of prison sentence per person ⑤	Amount of fines per person (company) ⑥
	cases	cases	%	persons	million yen	months	million yen
FY2018	122 (5)	122 (5)	100.0	7 (2)	61	14.3	14
FY2019	124 (9)	124 (9)	100.0	5 (4)	47	15.5	12

※ 1 Figures in the brackets indicate cases combined with non-tax crimes.

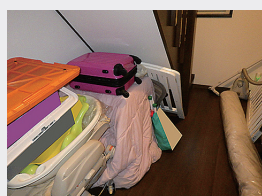
※ 2 ④ to ⑥ exclude those combined with non-tax crimes.

◎ Cases in FY2019 resulted in actual prison sentences Malicious tax evaders sentenced to imprisonment

A company who develops, manufactures, and sells processors hid income by recording fictitious outsourcing expenses, evaded a significant amount of corporate and consumption taxes. In combination with fraud, the previous representative of the company was sentenced 5 years in prison without a stay of execution.

Past cases where hidden properties were found in criminal investigations

Cash was discovered from hidden safe under a staircase in a residence.



2 Reliable tax payment

(1) Establishment of voluntary tax payment

~ Approximately 66.5 trillion yen of taxes paid within the fiscal year (98.9% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2018, about 67.2 trillion yen of taxation (amount determined for collection) was self-assessed in Tax Offices. Of this, about 66.5 trillion yen of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.9% collection ratio.

~ Measures to prevent delinquencies ~

In order to prevent delinquencies, the NTA is proactively increasing publicity of payment deadlines and saving funds for tax payment with the cooperation of relevant private organizations and Certified Public Accountants' Associations.

So that taxpayers do not forget their deadlines for tax payment and to settle their payments in a programmed manner, the NTA has introduced various payment options, such as transfer tax payments and advance payments utilizing direct payment, while promoting active adoption of these options.

A written notice is sent in advance to taxpayers who paid after the due date for the previous time. After the due date has passed, a phone call is placed to taxpayers before the payment demand letter is sent.

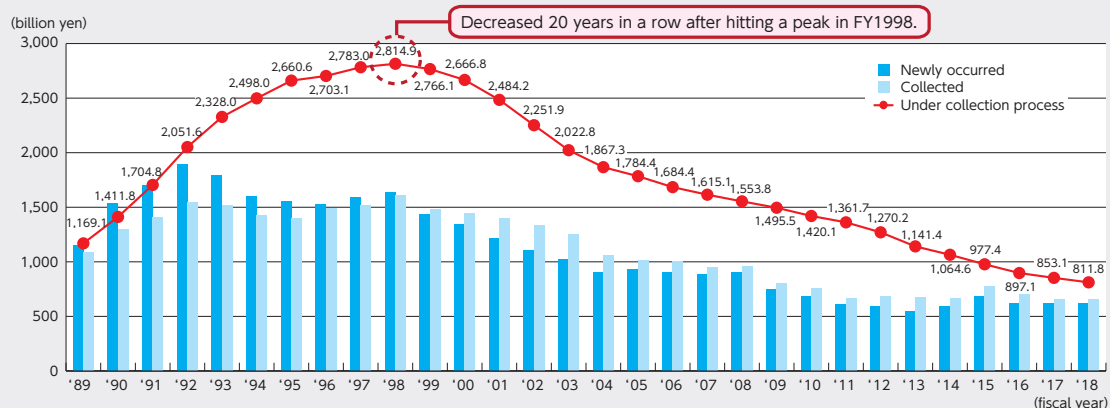
※ Delinquency signifies that the national tax was not paid by due date and a payment demand letter was sent.

(2) Efforts to promote reduction of tax delinquency

~ Amounts under collection process reduced to 28.8% of the peak time ~

At the end of FY2018, the tax delinquency amount was about 811.8 billion yen.

■ Trend of collection of delinquent tax, for all tax categories



※ 1 Figures are current cases in the process of collection of delinquent taxes.

※ 2 Figures for local consumption tax are not included.

Amounts under collection process remains high at approximately 0.8 trillion yen

→ Continue to work on preventing and reducing delinquencies with cooperation of all Tax Bureaus and Offices.

For delinquent national taxes, from the viewpoint of fairness with the great majority of taxpayers who pay within the due date, the NTA is working for early completion, and works to resolve delinquencies under the following basic policy.

~ Appropriate action in collection while considering each delinquent taxpayer's situation ~

In the collection of delinquent taxes, voluntary payment is urged and the taxpayer's intention to pay is confirmed while the resolution policy is determined following a thorough examination of the situation of each delinquent taxpayer, such as the condition of its business, assets and balance of income and expenditure.

In particular, should the taxpayer consult with the NTA concerning difficulties it may have in settling in a lump sum payment, the NTA will consider applying measures to relax conditions of the tax settlement, such as deferred payment or conversion of assets into cash, after thoroughly listening to the taxpayer's circumstances, and permit payment in installments provided it satisfies the requirements of laws and regulations. On the other hand, should sincere intentions towards payment of taxes not be recognized, including where default of commitments to pay the tax is repeated, the NTA will take disposition for delinquent tax, such as seizure and auctioning off of assets in a timely and appropriate manner.

~ Strict and resolute handling of large and malicious delinquent cases ~

When collecting delinquent tax in a large and notably malicious delinquency case, strict and resolute action is taken, such as search and seizure or collection of delinquent tax through public auctions, exercised in a timely and appropriate manner.

In addition, stricter actions are taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax¹. This crime of evading disposition for delinquent tax is referred to the prosecutor.

◎ Cases of accusations filed to the prosecutor in FY2019

Prosecution of a case involving evasion of collection of delinquency by altering the account of accounts receivable payments

With the aim to evade collection of delinquency, the suspect established a paper company appointing his wife as the company's nominal representative, and concealed his asset by having his accounts receivable payments remitted to this company's account.

~ Organizational response to difficult-to-handle cases ~

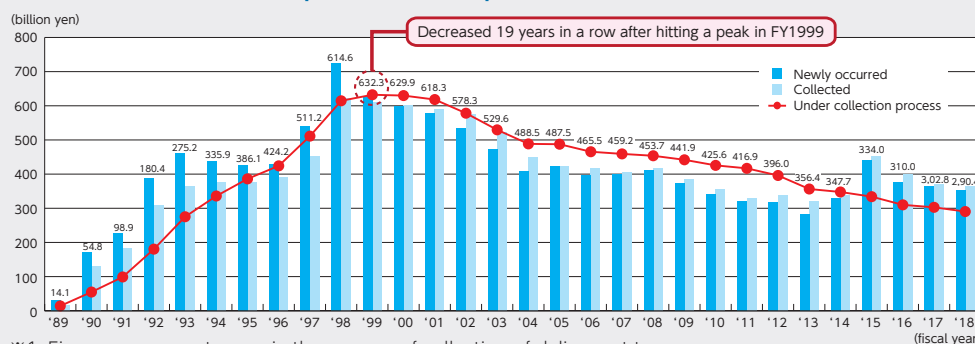
For delinquency processing of difficult-to-handle cases, such as complicated transactions and disguise of transfer of asset, the NTA secures sufficient resources necessary to solve the case and takes organizational actions such as disposition for delinquent tax by management over a wide geographic area, with timely project team formation.

The NTA also takes legal action, such as a lawsuit to demand the rescission of a fraudulent act² and actively uses legal means to collect delinquent taxes.

~ Certain handling of consumption tax delinquency cases ~

With respect to delinquency of consumption taxes, the NTA is striving to reduce the balance of delinquent consumption tax in a decisive manner, such as by making sure that new cases are dealt with swiftly.

■ Trend of collection of delinquent consumption tax



- 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 yen 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) regarding assets 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).

(3) Office of Tax Collections Call Center

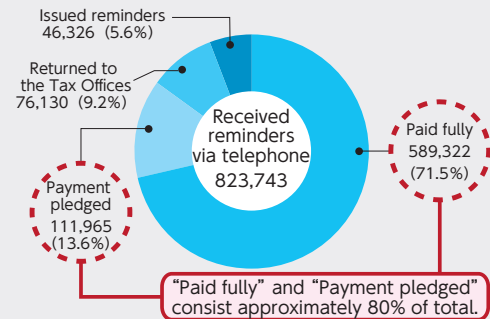
~ Conduct effective and efficient phone notices ~

The Office of Tax Collections Call Center is broadly in charge of new delinquency cases. This office provides early and collective phone notification reminders using a phone notice system, for effective and efficient collection of delinquent tax.

Over the year from July 2018 to end of June 2019, this office provided notifications to about 820,000 people, of which about 590,000 people (71.5%) fully paid, and about 110,000 people (13.6%) pledged payment.

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

Of 823,743 taxpayers issued reminders for payment by telephone between July 2018 and end of June 2019, 589,322 have fully paid their taxes.



(4) Public auction by Internet

~ Sold approximately 2,200 items by Internet auctions ~

The NTA is auctioning off properties which were seized for the collection of delinquent taxes.

In a public auction, participants either place their tender or participate in an auction for a property. The NTA hosts an Internet auction by using a private-sector auction site.

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 the effective means to sell the assets or goods of high value that have been seized.

Six Internet auctions were held in FY2019. As a result, a total of about 10,000 people participated, and about 2,200 items such as automobiles, jewelry goods, real estate were sold, for a total sales value of about 460 million yen.

■ Examples of properties that were sold by Internet auctions in FY2019



(5) Accurate and efficient management of claims and liabilities

~ Proper and prompt process realized by advanced 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 43.04 million tax payment cases each year. To efficiently process this huge amount of payments, the NTA is working on more efficient processing operations with optical character recognition (OCR) processing¹ for tax payment slips at the Bank of Japan, income tax and sole proprietors' consumption tax payments by transfer account² and online tax payment and Direct payment. The NTA is also pursuing efficient and speedy refunds with adopting online transfer procedures.

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, progress in the Base Erosion and Profit Shifting (BEPS) Project and Automatic Exchange of Financial Account Information of non-residents under the Common Reporting Standard (CRS) developed by the OECD, public interest has been significantly increasing on international tax avoidance cases. Those include hiding assets overseas by the affluent class and corporations that conduct cross-border transactions and reducing tax burden using the mismatch in the tax systems among jurisdictions.

In consideration of this situation, the NTA considers that achieving proper and fair taxation in view of both global and domestic trends will lead to securing trust from taxpayers.

(2) Actions against the affluent class and corporations conducting cross-border transactions

~ Active engagement with international tax avoidance cases ~

The NTA places undertakings in international taxation high on its list of priorities, and actively carries out examinations of international tax avoidance cases, while at the same time: (1) enhancement of information resources (reinforcement of information collection and utilization), (2) enhancement of human resources for examination (establishment and expansion of a system for implementation areas), and (3) reinforcement of global networks (cooperation with foreign tax authorities).

① Enhancement of information resources (reinforcement of information collection and utilization)

~ Detect precisely cross-border transactions and domestic and foreign assets ~

The NTA adopts the following systems in order to precisely detect cross-border transactions and assets within and outside of Japan, while comprehensively analyzing collected or given information and others to deal accurately with cases of international tax avoidance.

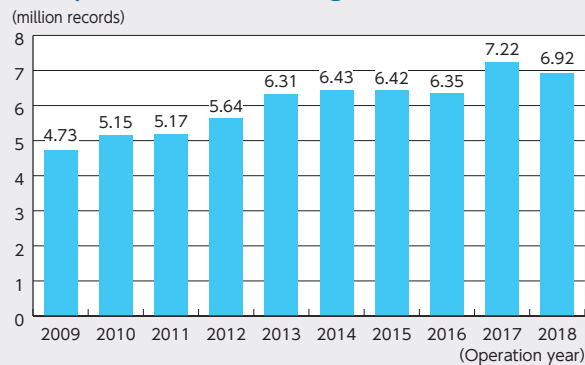
¹ OCR processing (optical character recognition processing) converts the characters written on a tax payment slip into electronic data. This electronic data is communicated between the Bank of Japan and the NTA, providing more efficient information transfer and paperless processing.

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 or savings accounts. If it is necessary to send tax payment slips to financial institutions in large quantities, the Tax Offices send 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 return the data of the processing results to the Tax Offices.

(i) 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 over 1 million yen. The record states the name and address of the sender and receiver of funds, remittance amount, etc. (enforced in April 1998).

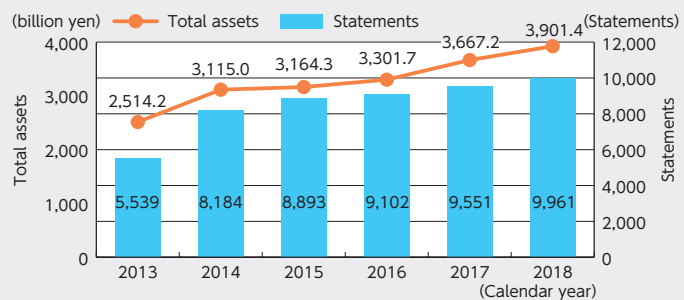
■ The number of Records of remittances and receipts related to foreign countries submitted



(ii) Foreign asset statements

Those who have foreign assets totaling over 50 million yen as of December 31 in the year are to submit a statement describing the type, value of the assets overseas, etc. by March 15 of the following year to Tax Offices (enforced in January 2014).

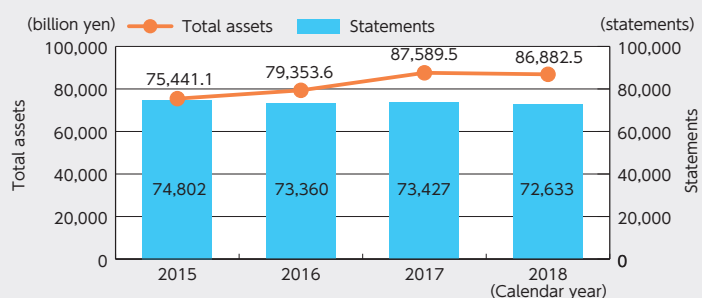
■ The number of foreign asset statements submitted and total amount of assets reported



(iii) 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 as of December 31 in the year are to submit a statement describing the type, value of the assets, the amount of debt, etc. by March 15 of the following year to Tax Offices (enforced in January 2016).

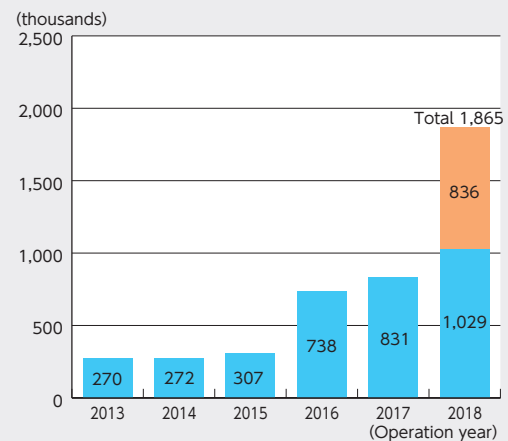
■ The number of statements of assets and liabilities submitted and total amount of assets reported



(iv) Exchange of information under tax treaties, etc.

In some cases, it is difficult for the NTA to clarify the cross-border transactions sufficiently 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, which makes it possible to acquire the necessary information for proper and fair taxation from other jurisdictions. In recent years in particular, the network of exchange of information has been expanding and strengthening. As of April 2020 Japan has 76 tax treaties¹ in force, which cover 136 jurisdictions, and exchanges information regarding taxation and collection.

■ Trend in number of information exchange



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

※2 Figures for FY2018 include financial account information of non-residents under the CRS and Country-by-Country Report (836,000 cases).

(v) Automatic Exchange of Financial Account Information of non-residents based on the Common Reporting Standard (CRS)

To address international tax evasion and avoidance performed through foreign financial institutions, in 2014, the OECD developed the Common Reporting Standard (CRS) which is the international standard for Automatic Exchange of Financial Account Information of non-residents with other jurisdictions. According to the information published by the OECD, during 2019, tax authorities of 95 jurisdictions implemented Automatic Exchange of Information concerning financial accounts of non-residents (name, address, account balance, etc.) under the CRS.

Japan also commenced exchanging information with other foreign tax authorities in 2018. The NTA uses the information received to identify financial assets located overseas and income generated through those assets, and to detect and identify cross-border transactions with taxation issues after analyzing the information together with other documents and information, such as records of remittances and receipts related to foreign countries and foreign asset reports.

■ Table: Automatic Exchange of Information concerning financial accounts of non-residents under the CRS

	Receipt				Provision			
	July 2018~June 2019		July 2019~November 2019		July 2018~June 2019		July 2019~November 2019	
	Number of countries and regions	Number of accounts	Number of countries and regions	Number of accounts	Number of countries and regions	Number of accounts	Number of countries and regions	Number of accounts
Asia and Pacific	11	445,919	14	1,467,369	10	74,770	11	373,883
North America and Central & South America	15	41,995	19	96,288	9	6,261	11	33,523
EU and NIS Countries	40	232,492	41	294,636	35	8,895	37	64,078
Middle East and Africa	8	24,580	11	32,747	4	229	5	2,173
Total	74	744,986	85	1,891,040	58	90,155	64	473,657

¹ The term "Tax treaties, etc." refers to tax treaties, information exchange agreements, Convention on Mutual Administrative Assistance in Tax Matters and private-sector arrangement with Taiwan.

◎ Cases of effective use of the CRS information

- The NTA identified a savings account located overseas based on the CRS information, and revealed the fact that interest generated through that account remain undeclared.
- The NTA identified a savings account located overseas in the name of the deceased based on the CRS information, and revealed the fact that the account and a real estate property located overseas, which was identified separately through the examination, remain undeclared.
- The NTA identified the fact that a significant amount of balance remained in a savings account located overseas under the name of the corporate representative based on the CRS information, and revealed the fact that earned commission was being excluded from the corporate income deliberately by collecting that commission through the representative's individual account.

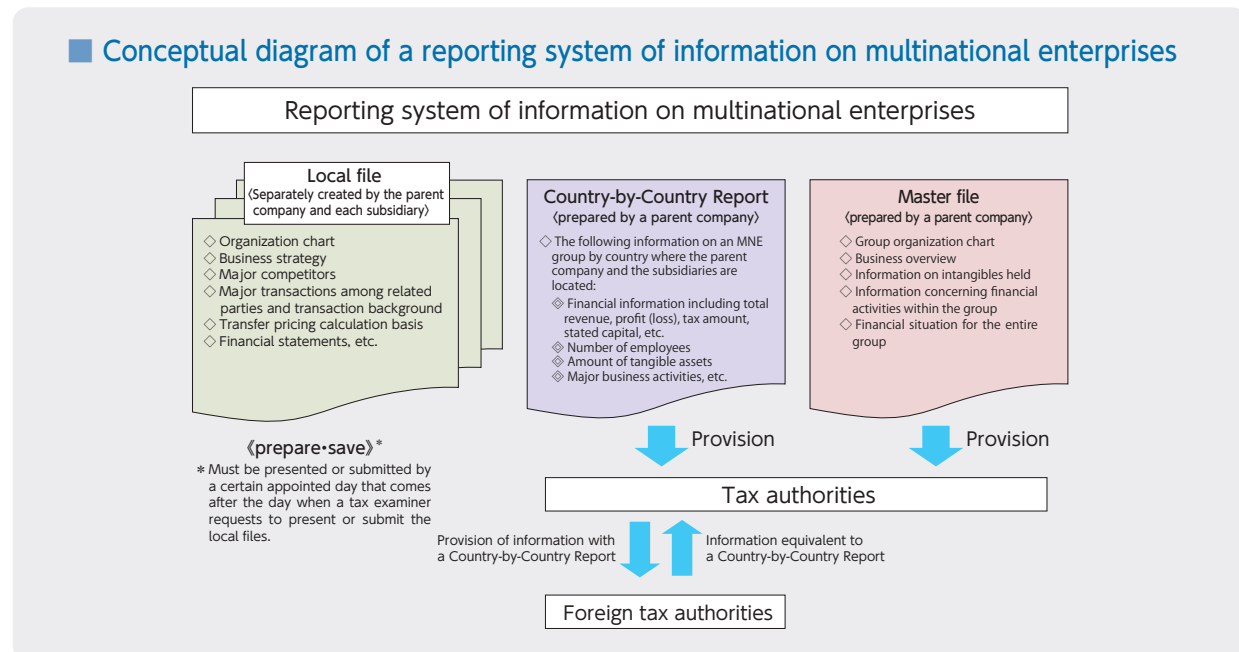
(vi) Reporting system of information on multinational enterprises

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")¹.

Of this information, the (1) CbC Report is agreed to be provided for the tax authority of the jurisdiction where a constituent entity of the MNE group is located, by each jurisdiction, based on the automatic exchange of information stipulated in the tax treaty. In the operation year 2018, the NTA received 2,100 reports from tax authorities of 42 jurisdictions, while it provided 831 reports for tax authorities in 51 jurisdictions.

In addition, 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 (3) "local files" by the filing deadline of final tax returns. Local files must be presented or submitted by a certain appointed day that comes after the day when a tax examiner requests to present or submit local files (this applies to the business year that begins on or after April 1, 2017).

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



¹ The ultimate parent entity of an MNE group that earns a total revenue of 100 billion yen or more in the preceding fiscal year of the ultimate parent entity is required to submit a CbC Report and a master file via e-Tax no later than 12 months after the last day of the fiscal year of the ultimate parent entity (this applies to the fiscal year of the ultimate parent entity that begins on or after April 1, 2016).

② Enhancement of human resources for examination (establishment and expansion of a system for implementation 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.

In addition, the project team for the selective management of the affluent class established in each Regional Tax Bureau across the country in July 2017, collects and analyzes information through an integrated management of taxpayers who in particular hold a large amount of assets among the affluent class, by managing its relevant parties, the presiding company, and companies involved as an integrated group.

③ Reinforcement of global networks (cooperation with competent foreign authorities)

～ Enhance cooperation with the foreign tax authorities ～

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

(i) Participation in global framework

● Formation and implementation of international agreements

The BEPS Project was initiated by the OECD in 2012 to address the problem of tax avoidance by MNEs that are artificially manipulating taxable income by using the mismatch among the domestic law of each jurisdiction. With the G20 members that are non-OECD countries participating in discussions, the final report was publicized in October 2015.

The final report presents 15 recommendations, by means of reviewing the overall international tax rules, to address international tax avoidance by MNEs and to increase the transparency of each jurisdiction's tax system and MNEs' business activities. The NTA has been proactively engaged in implementing those recommendations appropriately. For detailed information on each action plan, please refer to the section titled "BEPS Project" on the NTA website (<https://www.nta.go.jp/taxes/shiraberu/kokusai/beps/index.htm> [in Japanese]).

● 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 economies, not only limited to OECD countries, but including emerging and developing countries, the "Inclusive Framework on BEPS" has been established in 2016. As of April 2020, 137 jurisdictions including Japan are participating in this framework, and monitoring the implementation of the recommendations through the peer review process and discussing review of the recommendations.

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 160 jurisdictions participate.

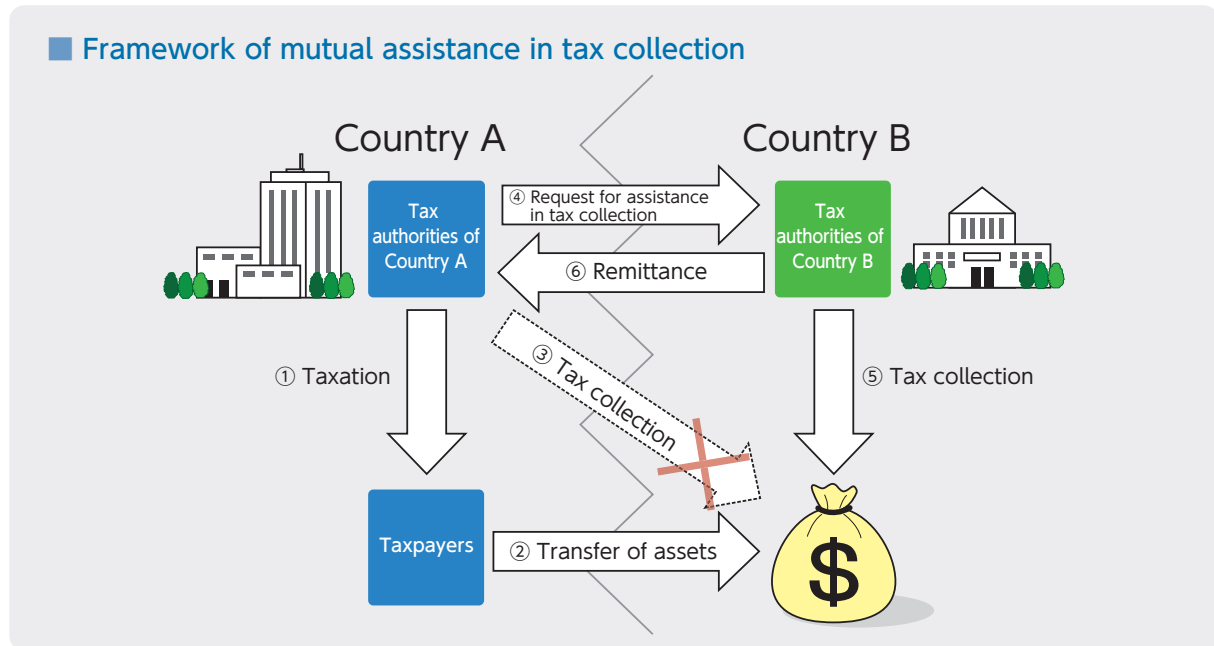
Moreover, at the "Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)" of the "OECD Forum on Tax Administration," participants are taking part in activities with the objective to share information among participating countries, and to work together on common challenges, such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

The NTA is actively participating in these activities and discussions.

(ii) Utilization of a mutual tax collection assistance system

A country's tax authority cannot exercise its public authorities outside the country's territory for the purpose of tax collection. For this reason, in order to deal properly with international tax collection evasion through transfer of assets overseas, a framework of "mutual assistance in tax collection" which enables each country's tax authority to mutually collect tax claims of treaty partners is adopted in tax treaties.

The NTA promotes international tax collection by actively utilizing the mutual assistance system for tax collection under treaties such as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters¹.



(iii) Mutual Agreement Procedure (MAP)

When a taxpayer makes a request regarding international double taxation arises from transfer pricing adjustments or others, the NTA enters into Mutual Agreement Procedure (MAP)² with relevant foreign tax authorities based on the provisions of applicable tax treaties to resolve such double taxation. In addition, the NTA enters into MAP for Advance Pricing Arrangement (APA)³ in view of the predictability for taxpayers and the proper and smooth administration of the transfer pricing taxation⁴.

The NTA makes every effort to resolve the MAP cases appropriately and promptly. Specifically, we have been ensuring adequate number of staff and establishing cooperative relationships with relevant foreign tax authorities⁵ for swift and smooth MAP negotiations. In addition, through active provision of technical assistance towards emerging countries, the NTA strives to promote international taxation rules, and at the same time, shares knowledge and best practices on process and procedure of MAP, in order to facilitate resolution of MAP cases.

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 124 jurisdictions including Japan (as of June 1, 2020).

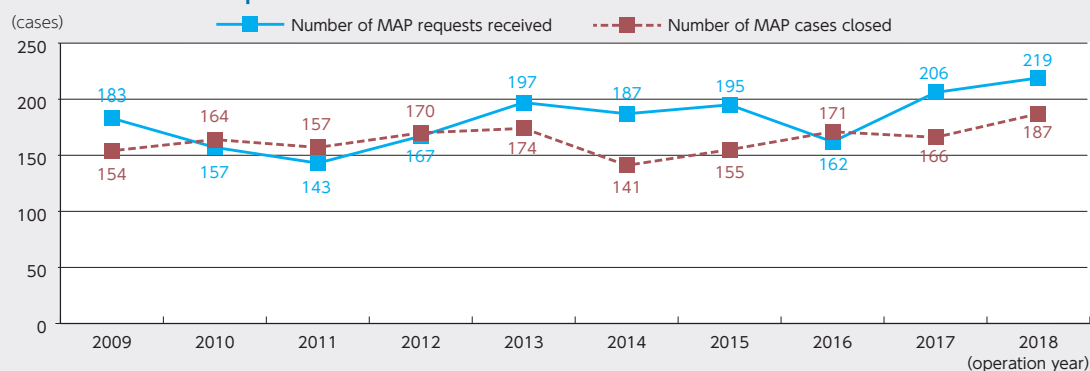
² "Mutual Agreement Procedure (MAP)" is a formalized set of procedure between tax authorities of treaty partners which are provided in tax treaties. The NTA enters into MAP when taxpayers consider that international double taxation arise or will arise from transfer pricing adjustments or others, or when taxpayers request bilateral APA.

³ APA means the advance confirmation by a tax authority on taxpayer's method for calculating the arm's length price.

⁴ An adjustment of an enterprise's the income based on the transaction price between third parties (referred to as "arm's length price") when such enterprise engages in a transaction with a related enterprise abroad, and the income of such enterprise is diminished due to the fact that the transaction price is different from an "arm's length price."

⁵ The number of persons in charge of MAP was 31 in the 2009 operation year, but it has increased to 46 as of the 2019 operation year. During the 2018 operation year, the NTA conducted 38 times of MAP meeting for 147 days in total.

■ Number of MAP requests received and MAP cases closed



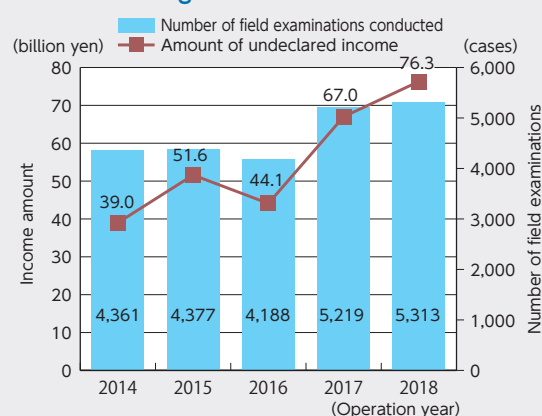
※ "Number of MAP requests received" consists of such requests from taxpayers and from foreign tax authorities.

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

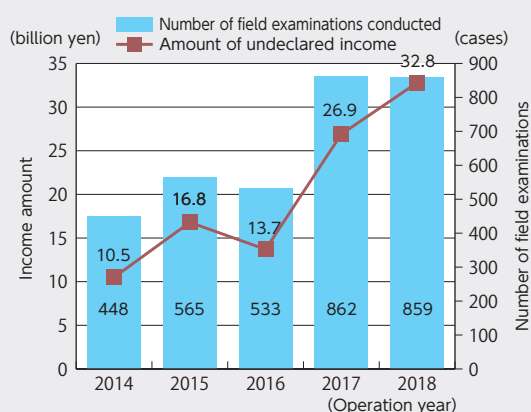
~ Actively conducting examinations the affluent class and corporations conducting cross-border transactions ~

The NTA has set actions against affluent class and corporations conducting cross-border transactions as a priority issue, and by pressing forward with the above initiatives, has been actively conducting examinations with the objective to properly deal with concealment of assets overseas and with acts of international tax evasion.

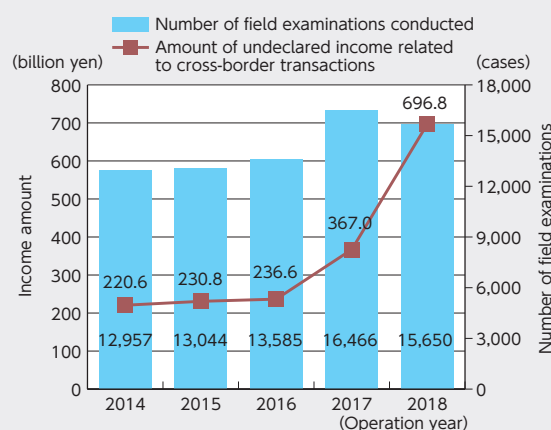
■ Actual number of income tax examinations carried out against the affluent class



■ Actual number of income tax examinations carried out against the affluent class related to cross-border transactions



■ Actual examination of corporation tax related to cross-border transactions



◎ Example cases of examinations on the affluent class and enterprises engaged in cross-border transactions

- The NTA ascertained the fact that assets were being managed through an account under the family's name with an overseas financial institution, and the income generated through this assets was not being declared.
- The NTA ascertained the fact that an overseas account was being used to receive consulting fees from a foreign corporation, and the subject fee was not being declared as income.

～ Defining conditions for application of transfer price 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. For the Advance Pricing Arrangement (APA) for transfer pricing taxation the NTA has been providing an environment where taxpayers can smoothly use this APA, such as engaging in consultations prior to accepting requests for APA.

4 Cooperation with foreign tax authorities

(1) Technical cooperation for developing countries

～ Technical cooperation for developing countries with a focus on Asia ～

Under the framework of technical cooperation by the Japan International Cooperation Agency (JICA), 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 foster the foreign officials who understand Japan's tax administration.



International Seminar on Taxation

Overview of technical cooperation

1. Dispatch of officials to developing countries

Based on the requests of developing countries' tax authorities, the NTA dispatches its officials to give lectures in fields such as international taxation, tax collection and taxpayer services. In FY2019, the NTA dispatched its officials to Lao PDR, Malaysia, Myanmar, Philippines 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 also dispatches its officials as long-term experts of JICA. In FY2019, they stayed in Cambodia, Indonesia, Lao PDR, and Myanmar.

2. Trainings conducted in Japan

(1) International Seminar on Taxation (ISTAX)

ISTAX is a seminar for tax officials from several developing countries, and gives 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 FY2019, 27 tax officials from 19 countries participated in both courses in total.

(2) Country-Focused Training Courses in Tax Administration

The courses target tax officials from a certain developing country, and give lectures based on its requests. In FY2019, 32 tax officials from Indonesia, Lao PDR and Myanmar participated in the courses.

(3) International Taxation for Asian Countries

This course targets tax officials from Asian developing countries and gives lectures on "international taxation." In FY2019, 7 tax officials from 7 countries (Cambodia, Indonesia, Lao PDR, Malaysia, Mongolia, Myanmar and Philippines) 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 gives lectures on Japan's tax system and tax administration. In FY2019, 15 students studying at graduate schools of Keio University, Yokohama National University and National Graduate Institute of Policy Studies participated in total.

■ Status of trainings conducted in Japan

(number of countries, people)

		2015	2016	2017	2018	2019
International Seminar on Taxation (ISTAX) (General)	Countries	16	15	15	14	16
	People	16	15	15	14	16
International Seminar on Taxation (ISTAX) (Advanced)	Countries	9	8	9	9	11
	People	9	10	9	9	11
Country-Focused Training Courses in Tax Administration	Countries	3	4	4	6	3
	People	56	96	79	86	32
International Taxation for Asian Countries	Countries	6	7	6	5	7
	People	8	11	12	7	7
Practicum at the NTA	Countries	14	9	11	11	12
	People	18	15	15	17	15

Column
7**OECD Asia-Pacific Academy for Tax and Financial Crime Investigation**

In recent years, international tax and financial crimes have been a big concern in every country and international cooperation is vital to combat these crimes. To promote international cooperation, the OECD has played a central role to hold the “OECD Academy for Tax and Financial Crime Investigation” (hereinafter, referred to as “the Academy”) for tax crime investigators from various regions.

The Academies were held in various areas in the world, such as Italy in 2013, Kenya in 2017, and Argentina in 2018. There were programs on investigative methods on tax crimes, bribery and money laundering, and international cooperation.

In collaboration with the OECD, the NTA held the Academy in May 2019 at Wako Campus of the National Tax College which was mainly targeted to countries in the Asia-Pacific. The NTA would contribute to enhancing investigative techniques of officials from Asia-Pacific countries and promoting international collaboration by holding programs of the Academy periodically.



OECD Asia-Pacific Academy for Tax and Financial Crime Investigation

(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, the NTA actively participates in international conferences including the OECD Forum on Tax Administration and the Study Group on Asian Tax Administration and Research.

① OECD Forum on Tax Administration (FTA)

The FTA is a forum for Commissioners from 37 OECD and 16 non-OECD jurisdictions to share each authority's knowledge and experience on a wide range of fields in tax administrations. In March 2019, the 12th Plenary Meeting was held in Santiago, Chile with discussions about measures to improve tax compliance, etc. The 13th Plenary Meeting is scheduled to be held in the Netherlands towards the end of 2020.

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

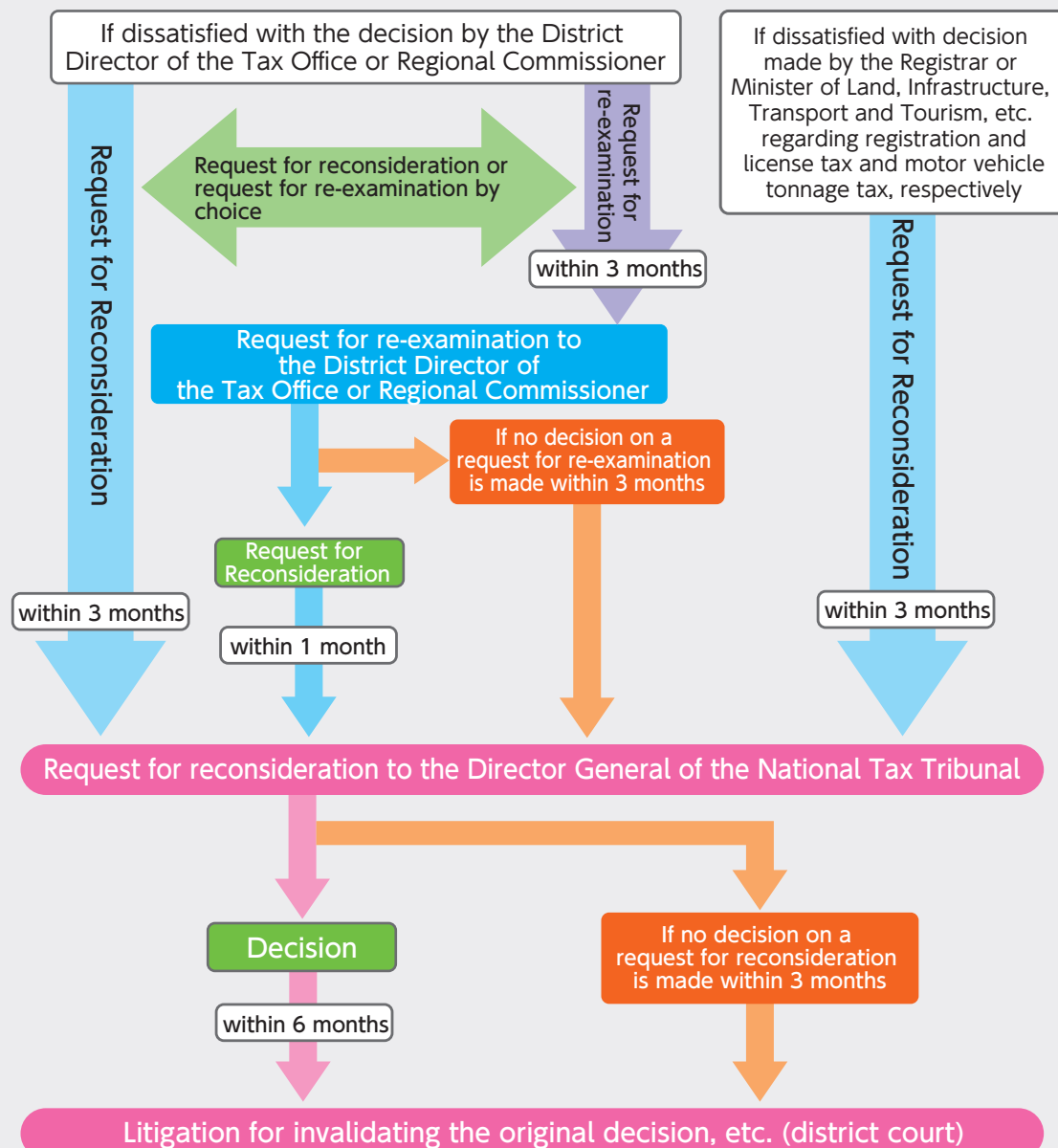
SGATAR is comprised of tax authorities of 17 countries and regions in Asia-Pacific. This is a forum for discussions on cooperation and sharing of knowledge in the region. In October 2019, the 49th meeting was held in Indonesia with discussions about taxation on digital economy and trends in tax administration of recent years.

~ 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 ("the principle of petition after administrative protest").

A request for review can be a request for re-examination to the District Director of the Tax Office, etc., or a request for reconsideration to the Director-General of the National Tax Tribunal, and a taxpayer can choose either of these. When a taxpayer chooses a request for re-examination but is still dissatisfied with the disposition determined for the request for re-examination, the taxpayer may file a request for reconsideration.

■ Overview of the request for review system for national tax



(1) Request for re-examination

～ Simplified, prompt and fair remedies for taxpayer rights ～

A request for re-examination 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 can be directly filed without undergoing a request for re-examination. A request for reconsideration 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.

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 and the methods of tax examinations. 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.

Since July 2001, the NTA has 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 FY2019, 91.1% of requests for re-examination were closed within 3 months. 1,513 re-examination were requested in the fiscal year (1,389 in taxation and 124 in tax collection). Of these, 12.4% 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.

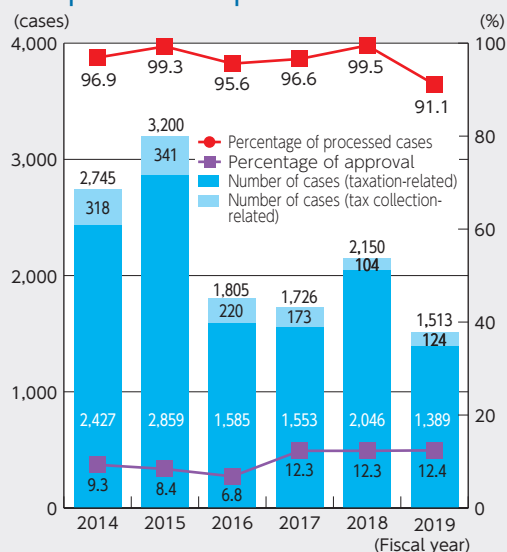
● **Result** In FY2019, 98.0% of requests for reconsideration were closed within 1 year. There were 2,846 requests for reconsideration in the fiscal year (2,736 in taxation and 110 in tax collection). Of these, 13.2% of taxpayer claims were approved in whole or in part by recognizing new fact.

③ Litigation

For litigation, 216 cases were closed in FY2019 (178 in taxation, 37 in tax collection and 1 in the National Tax Tribunal). Of these, 9.7% 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 (<https://www.kfs.go.jp>) (in Japanese).

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

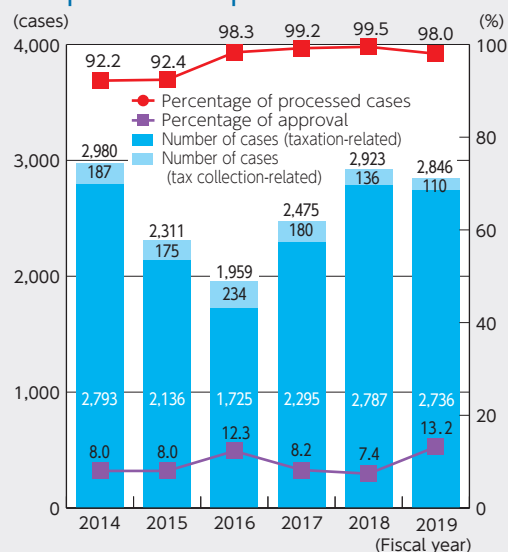


※1 These figures are provisional numbers as of the end of April 2020.

※2 Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases.

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

■ Percentage of processed requests for reconsideration within 1 year, and number of processed requests for reconsideration



※1 These figures are provisional numbers as of the end of April 2020.

※2 Percentage of processed requests in FY2017 and ensuing years are calculated by excluding the retention period of cases in which reasons to suspend the inquiry occurred, such as MAP cases and public prosecution-related cases.

Column



50th anniversary of the National Tax Tribunal

～ Half a Century into Its History, Continuing on Its Unwavering Mission ～

In May 1970, the National Tax Tribunal (hereinafter, referred to as the “Tribunal”) was established as an affiliate organization (currently a special organization) to the NTA to achieve decisions on requests for reconsideration concerning dispositions based on laws on national tax, and it welcomed its 50th anniversary in May 2020.

With respect to the aim of the Administrative Appellate Law “to pursue the remedy of the rights and interest of citizens and to ensure the appropriate operations of public administration through simple and swift procedures,” the National Tax Tribunal holds its mission to heart, “as a fair third-party institution within the tax administration, pursue the remedy of legitimate rights and interests of taxpayers, and contribute to ensuring the appropriate operations of tax administration through proper and swift disposition of cases.”

For this purpose, the Tribunal has consistently stayed true to three points since its inception – “administration based on limitation on issue principle,” “complete agreement” and “preparation of indisputable decision,” – as the basics of its administrative policy, and has processed approximately 270,000 cases of request for re-examination since the Tribunal was founded.

The decisions of the Tribunal are, in principle, not available to the public, but those cases which may serve as a precedent for other cases, with sufficient consideration to protecting the confidentiality of the person requesting reconsideration, content of the decision is published and made available to the public on the Tribunal’s website with the judicial precedent that may serve as reference attached.

Furthermore, from the perspective of enhancing neutrality and fairness of inquiries, approximately half of appeal judges that oversee cases are hired from a pool of private sector experts, such as lawyers, Certified Public Tax Accountants and Certified Public Accountants, as officials with fixed terms. The Tribunal maximizes the benefit of an organization comprised of diverse human resources, conducting thorough reviews backed by broad and multifaceted perspectives.

The Tribunal will continue with its effort and actions to further improve the convenience to taxpayers and to realize proper and swift achievement of decisions through efforts to improve productivity of administration work from effective utilization of ICT, complete agreement, and increasing the quality of decisions with the aim to gain further trust and approval of the citizens.

Status of initiatives to date and information on the 50th anniversary commemorative event and special articles are published on the Tribunal’s website (<https://www.kfs.go.jp> [in Japanese]).

■ 50-year history of the National Tax Tribunal

year and month	events	year and month	events
1970.3 5	Promulgation of law to reform a section of Act on General Rules of National Taxes National Tax Tribunal is established	2002.4	Examples of case decisions and search engine of case summaries are published on the Tribunal’s website
1971.5	First issue of “Case Sentencings Collection”	2004.9	Use of e-Tax to file requests for reconsideration begins
1972.5	Okinawa Office of the National Tax Tribunal is established	2007.7	Appointment of appeal judges (officials with fixed terms) begins
1979.3	First issue of “Case Decisions Summary”	2011.4	Introduction of measures to ensure transparency of judgements
1984.7	The Tribunal is converted from an “affiliate organization” of the NTA to a “special organization” as result of reform of National Government Organization Law, etc.	2013.7	Total count of appeal judges (officials with fixed terms) reaches 50
1991.4	A case involving request for reconsideration concerning consumption tax occurs	2014.4	Reform of Article 99 of Act on General Rules of National Taxes (Case Decisions Based on Interpretation Different from that of the Commissioner of the NTA) goes into effect
1999.10	Official website of the National Tax Tribunal is established	2016.4	Reform of Act on General Rules of National Taxes concerning requests for review goes into effect

～ Taking various measures for the development of liquor business ～

The NTA is making proactive efforts for the sound development of liquor business, not to mention for realizing the proper and fair taxation of liquor tax.

Liquor business not only formed a historically and culturally important local industry but also has energized the countryside and created the new value as Cool Japan in recent years. Its development contributes to revitalizing regional economies and the Japanese economy.

From this point of view, the NTA, as the competent authority in the business, will continue to strive to identify issues, needs, etc. in the liquor industry and strengthen efforts for the development of liquor business in coordination and cooperation with related government offices, organizations and others.

On the other hand, liquor is a product that needs social considerations since it makes people drunk or addicted to it. Therefore, the NTA also responds to efforts to accommodate social requirements appropriately.

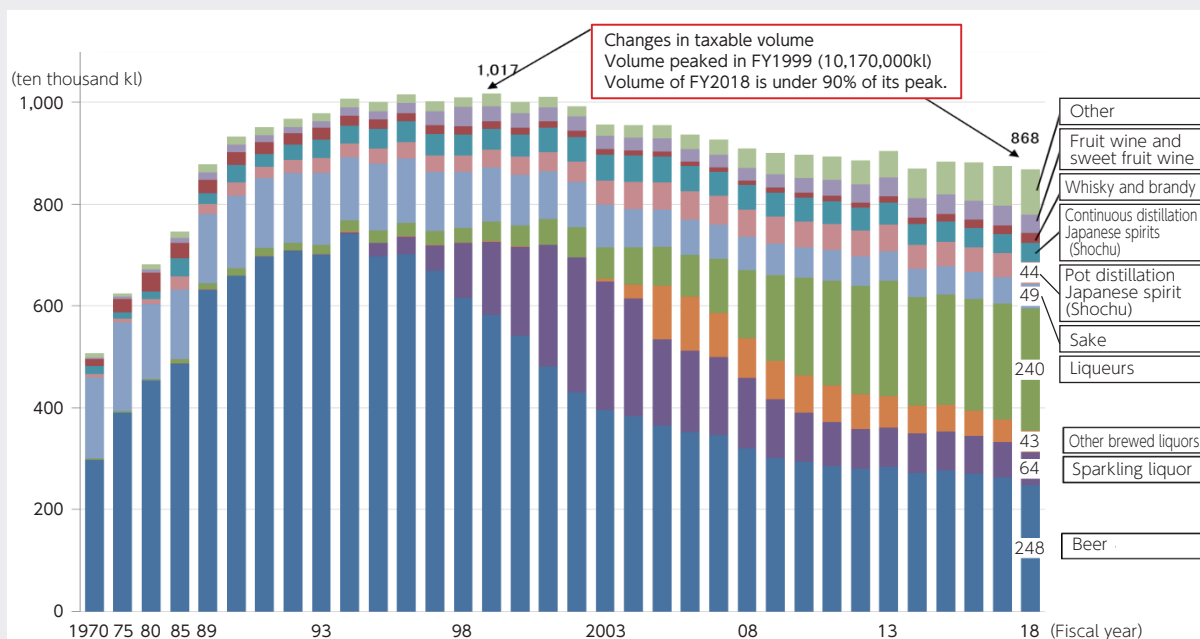
1 Situation of Liquor Industry

(1) Situation of domestic market

The taxable volume of liquor (domestic shipment volume) has declined since it peaked at 10,170,000 kl in 1999. The trend in the composition of taxable volume of each kind of liquor products has considerably changed recently. The taxable volume of beer, in particular, declined considerably, because there seems to be the shift of consumption from beer to low-priced liquor, such as chuhai and beer-like products (the so-called new genre drinks). On the other hand, craft beer has become popular in recent years.

Although most business operators in the liquor industry are small and medium enterprises, they are engaged in efforts, such as product differentiation, emphasis on value and overseas expansion, and many of them have managed to grow. Recently, business operators in different industries, startups and moreover, foreign companies are entering the market too.

Changes in taxable volume

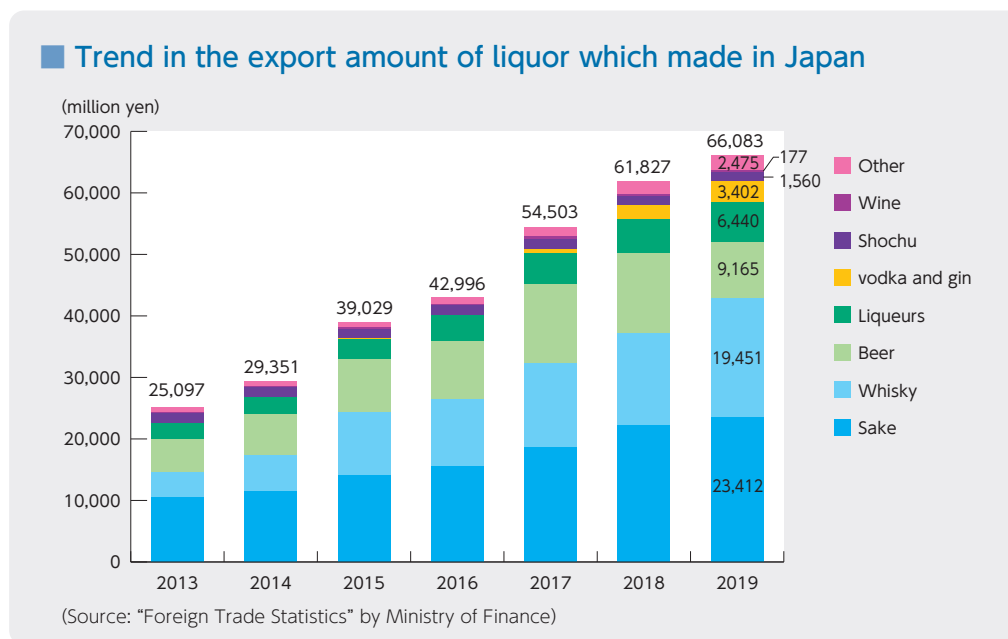


(Source: National Tax Agency Annual Statistics Report)

(2) Situation of the export of liquor made in Japan

Looking at the overseas market, in recent years, liquor made in Japan has gained global recognition through winning international competitions and others. Also, the global food market is expected to continue growing in the future.

Against that backdrop, the export value of liquor made in Japan reached about 66.1 billion yen (6.9% increase from the previous year) in 2019, renewing its record high for eight consecutive years.



2 Efforts of the NTA

～ Promotion of liquor business ～

In promoting liquor business, the NTA endeavors to provide support and improve the environment in a way that allows business operators, industrial associations and others to come up with ingenious ideas and make ambitious efforts under the appropriate division of roles between the private and public sectors. In addition, the NTA, as a government agency, properly deals with issues that the private sector cannot handle, such as improvement of the system and negotiations with foreign governments. Furthermore, the NTA assists liquor manufacturing industry in strengthening its technical capabilities in addition to paying attention to stabilizing the business foundation of small and medium enterprises.

(1) Cultivation of overseas demand

① International negotiations for removal of tariffs and import restrictions, etc.

The NTA is seeking elimination of customs duties and import restrictions, protection of Geographical Indications (GI), etc. in international negotiations on EPA and others.

Regarding the export of liquor made in Japan to the EU region, the EPA between Japan and the EU¹, which entered into force on February 2019, realized (1) immediate elimination of customs duties on all kinds of liquor, (2) relaxation of import restrictions on "Japan Wine," (3) relaxation of restrictions on the capacity constraint on pot distillation Japanese spirit (shochu) and (4) protection of Geographical

¹ This is the Economic Partnership Agreement (EPA)—concluded between Japan and the EU with the aim of strengthening the economic relationship in international trade, investment and others—and is a comprehensive treaty that comprises of 23 chapters, covering not only the international trade of goods but also services and intellectual proprietary rights.

Indications (GI) for liquor within the EU.

As for the Japan-U.S. Trade Agreement which took effect in January 2020, the U.S. committed to taking the following actions: (1) proceed to amend the capacity constraint on wines and distilled spirits, (2) proceed to consider protection of 10 Geographical Indications of Japanese liquor within the U.S., (3) streamline the procedure for the approval of labels necessary for sales of liquor in the U.S., and (4) review the treatment of Japanese *Shochu* in the U.S. market.

After the accident at Fukushima Daiichi Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions¹. The NTA will continue to ask that these restrictions be lifted based on scientific evidence.

② Expediting and simplifying export procedures

In the customs clearance procedure for exports of liquor from Japan, should a destination country require a certification issued by the NTA, the NTA strives to issue the required certification as swiftly as possible.

In September 2019, from the perspective of expediting the issuance process of the export certification, the NTA improved the flow of administrative procedures from receipts of requests to issuances of various certifications.

In addition, in April 2020 the application procedure on the exemption of liquor tax for exports has been simplified as the presentation of an export certificate to the District Director of the Tax Office became unnecessary.

③ Support in business matching

The NTA is supporting liquor business operators, etc. in participating in overseas liquor expositions and in inviting overseas buyers to Japan so that they can get the opportunity to find overseas importers and distributors.



④ International promotion

To promote the export of liquor made in Japan, the NTA strives to enhance the international recognition and understanding of liquor made in Japan through various measures, such as performing promotional activities in international events and inviting overseas liquor experts to sake breweries.



⑤ Promotion of sake brewery tourism

The "liquor tax exemption system for the sake brewery tourism" came into effect in October 2017, under which when liquor manufacturers sell the liquor that they make themselves to foreign tourists, the liquor tax, in addition to the consumption tax, is exempted. With 151 breweries having the license for tax-

¹ After the accident at Fukushima Daiichi 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 relax the restrictions in cooperation with relevant government agencies, the National Research Institute of Brewing and others. As the result, restrictions on Japanese liquors have been lifted or relaxed in the EU, Brazil, Malaysia, Russia, Thailand, Egypt, French Polynesia, Dubai and Abu Dhabi, Brunei and Singapore (as of January 2020).

exemption sales as of October 2019, the NTA will continue to promote the utilization of the system.

In FY2020, as a new measure, the NTA will support business operators in the compilation of model cases.

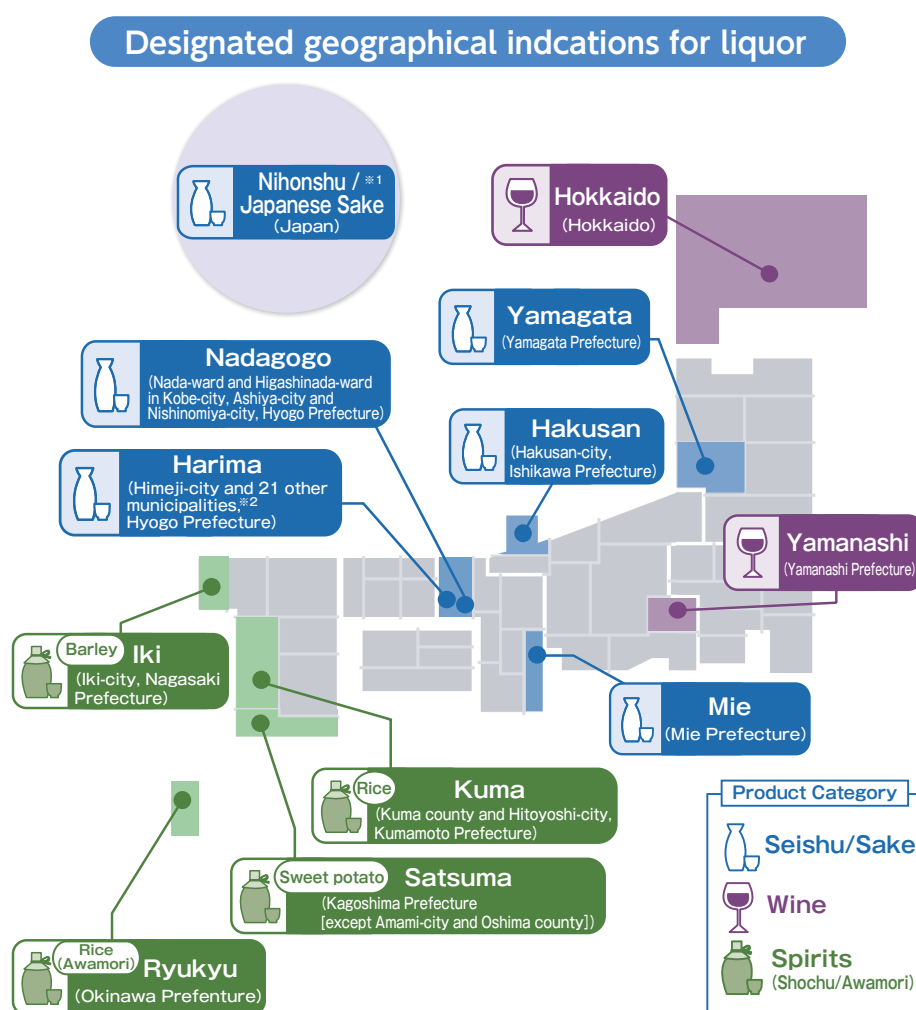
(2) Promotion of branding

① Expansion of the use of Geographical Indications (GI)

Under the Geographical Indication (GI) system, in the case that the characters of a liquor product or agricultural product unique to a specific production area (quality, recognition in society, etc.) have been established, only the product that is produced within the production area and fulfills certain production standards can exclusively use the name of its production area (the name of region as a brand).

The NTA is engaged in the designation and proliferation of GI from the perspective of enhancing brand value of liquor within and outside of Japan. The NTA also provides support to the regions who seek consultations on being designated GI by hosting information sessions and seminars, and preparing publicity materials such as pamphlets.

By the end of June 2020, the NTA has designated 12 Geographical Indications and hosted a symposium with the objective of increasing awareness among consumers.



※ 1 Sake made only from rice grown in Japan and brewed in Japan may call itself "Japanese Sake."

※ 2 Aioi City, Kakogawa City, Ako City, Nishiwaki City, Miki City, Takasago City, Ono City, Kasai City, Shiso City, Kato City, Tatsuno City, Akashi City, Taka town, Inami Town, Harima Town, Ichikawa Town, Fukusaki Town, Kamikawa Town, Taishi Town, Kamigori Town, and Sayo Town, Hyogo Prefecture

※ 3 Locations in the brackets indicate geographical regions. Locations colored in the map are indicated by prefectures and do not necessarily correspond to the areas of production.

② Initiatives to establish the wine labeling rule

So far, in Japan, “Japan Wine,” which is made exclusively from domestic grapes, and wines made from imported concentrated juice or imported wines, existed together in the market, causing the problem that distinguishing one from the other by referencing the label was difficult.

In such backdrop, the NTA formulated the wine labeling rule that sets the definition, etc. of Japan Wine “Standard for Wine Production Process and Quality Indication” (Wine labeling Rule). The rule came into effect in October 2018.

(See <https://www.nta.go.jp/taxes/sake/hyoji/kajitsushu/index.htm> [in Japanese])

In addition, the NTA holds symposiums for the consumers of Japan Wine and information exchange sessions bringing together industry associations and research institutes.

Through the establishment of such labeling rules, the NTA will strive to elevate the brand power of Japan Wine.

③ Preparation and publication of back labels for exporting Japanese sake

In August 2019, in cooperation with the Japan Food Product Overseas Promotion Center (JFOODO), the NTA engaged in activities to increase awareness among business operators and industry associations of back labels of Japanese sake so that consumers overseas are able to recognize Japanese sake and easily choose comparing each other in order to increase exports of Japanese sake by preparing a “standard back label” and “labeling guideline” for exports.

④ Hosting committee meetings on the global branding strategy of Japanese sake

Since September 2019 in order to promote exports and branding in the whole industry of Japanese sake, the NTA has been hosting committee meetings on the global branding strategy of Japanese sake and hold multi-faceted discussions concerning current challenges and future initiatives bringing together the committee members with relevant ministries, agencies, organs and experts in the field.

⑤ Support for building model cases of branding for overseas markets

In FY2020, as a new measure, the NTA strives to support the assembling model cases of initiatives (i.e., strategy plannings, new product developments, developments of sales channels, etc.) undertaken by business operators to build their brand for overseas markets.

Column



Mid-term report of the committee meetings on the global branding strategy of Japanese sake

In the committee meetings on the global branding strategy of Japanese sake, a summary of discussions held between September and December 2019 and government measures based on these discussions were made available to the public in the form of a mid-term report in December 2019.

For the implementation of the government's compiled measures, the NTA is planning to drastically enhance initiatives to promote exports with significantly increased budget in FY2020 and by establishing the International Promotion and Negotiation Office.

Mid-term report on the committee meetings on the global branding strategy of Japanese sake (excerpts)

- The potential of the exportation of Japanese sake is significant.
- Increasing brand power through proactive valuations from a cultural perspective
- Importance of a branding strategy for the premiumization of products and a price determination commensurate of the value of the products
- While expecting greater efforts by business operators who are at the center of the initiative, the government supports for business operators' spontaneous and enthusiastic undertakings.

1. Discussion summary

Need to advance efforts to improve recognition, develop sales channels, and elevate brand value in an integrated manner

- (1) Improving recognition
- (2) Advancing development of sales channels
- (3) Ensuring proper quality control
- (4) Communicating consumer-friendly information
- (5) Leveraging inbound tourists
- (6) Appeal of food pairing (umami)
- (7) Results of tasting session for foreigners visiting Japan
- (8) Product branding
- (9) Utilization of Geographical Indication (GI)
- (10) Price diversification

[Notable opinions concerning branding]

- Direction should be changed from "good products for lower price" to "good products for high price."
- The story behind the products deserved for higher pricing is important.
- Not the facts concerning raw materials or technical significance, but the proposition of value is important.
- Efforts referred to the market and culture of wine (i.e., food pairing, terroir, denomination of origin) should prove effective.
- Sparkling and vintage Sake create new value. Potential for overseas market is strong.
- Luxury market is growing. A perspective of business for the affluent class is also important.
- Reconsider whether a determination of price point based on costing, such as raw material costs and rice polishing ratio, is appropriate.
- A possibility to achieve higher pricing through auctions is interesting.
- Diversity is also important. Variety of products of standard to high-end should be sought.

2. Government initiatives

The NTA, in coordination with relevant ministries, agencies and industry associations, will continue to engage the following initiatives and to work towards the removal of duties and import restrictions of destination countries through international negotiations.

- (1) Enhancing recognition and communication of easily understood information
- (2) Further development of sales channels
- (3) Ensuring appropriate quality control
- (4) Further brand building activities
- (5) To-be state of the labeling rule

[Major initiatives]

- Market research in foreign countries (taste preference, pricing, regulations, quality control, parcel delivery, etc.)
- Establishment of "Consortium for promotion of Japanese liquor exports" (supports to develop sales channels and matching services between trading companies and sake breweries)
- Supports for building model cases concerning Sake brewery tourism and the execution of "Your Japan 2020" campaign
- Supports for building model cases for branding in overseas markets by business operators (strategy planning, development of new products, development of sales channels, etc.)
- Advancing the designation of GI focused on the origin of raw materials
- Consideration of registration on the UNESCO Intangible Cultural Heritage list and a certification of chief Sake brewers as Living National Treasures
- Investigation and research concerning impacts of Terroir and aging on quality and prevention of quality degradation
- Starting discussions on labeling rules

(3) Technological assistance

① Promotion of the spread of brewing technology, etc.

Each Regional Taxation Bureau has the Office of Analysis and Brewing Technology as its technological function to promote the spread of advanced technologies including research results of the National Research Institute of Brewing (NRIB), through activities such as giving advice and consultation to liquor manufacturers, holding competitions, research workshops, etc. and dispatching officials to seminars, appraisals, etc., held by sake-makers associations and others.

② Support in the quality and safety of liquor

With the aim of ensuring the safety of liquor in all stages from liquor production to consumption and enhancing the level of quality, the Office of Analysis and Brewing Technology gives technological assistance concerning improvement, etc. in the production process of liquor and confirms safety through actions including research and provision of information on the radioactive substances of liquor.

Sanitation control in accordance with the HACCP¹ program became mandatory through the amendment of the Food Sanitation Act which took effect in June 2018. To this end, the NTA promotes sake brewers' awareness and supports the liquor industry association to develop a manual² in cooperation with the National Research Institute of Brewing.

③ Efforts by National Research Institute of Brewing (NRIB)

The National Research Institute of Brewing (NRIB) is responsible for high-level analysis and appraisal, and the research, surveys, etc. that give theoretical grounds thereto, which the Office of Analysis and Brewing Technology is unable to handle.

National Research Institute of Brewing

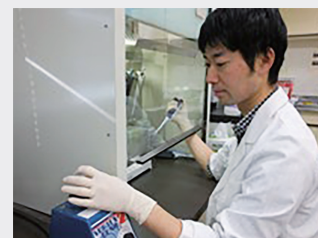
National Research Institute of Brewing (NRIB), to fulfill the mission of NTA to carry out proper and fair taxation of liquor tax and promote the sound development of the liquor business, in addition to research and investigations by requests from the NTA, carries out the following activities in particular.

- Research and development of advanced technologies, etc.
- Development of brewing engineers through brewing classes
- Dispatch of lecturers and judges to seminars and appraisal meetings held by sake-brewing associations

In recent years, the NRIB has enhanced research and development activities to increase the brand value of liquor made in Japan, such as the development of new species of yeast that enables the production of sake that maintains freshness after extended periods of transportation and storage with the objective of contributing to the promotion of liquor exports.

(Photo on right: a researcher working on the development of new species of yeast that does not degrade after extended periods of transportation and storage)

For further details, please visit the NRIB website (<http://www.nrrib.go.jp/English/index.htm>).



¹ The HACCP program refers to a food hygiene management system in which the food manufacturer takes initiatives to ensure safety of the food product by managing Critical Control Points that is essential in removing or minimizing elements of hazard upon identification of the elements of hazard through a hazard analysis, such as contamination, that may result in food poisoning or the entry of foreign objects into the food made.

² In consideration to the burden placed on small scale enterprises, the Ministry of Health, Labour and Welfare has mandated that a manual be prepared by the trade association of food manufactures. In regard to liquor production, a manual was jointly prepared by eight associations, including the Japan Sake and Shochu Makers Association. Please refer to the following site on the Ministry of Health, Labour and Welfare website for information on the available manual. https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000179028_00003.html (in Japanese)

(4) Measures for small and medium enterprises

In order for the liquor industry, of which small and medium enterprises account for the majority, to adjust to change in the social and economic conditions properly, the NTA takes various measures, for example, holding seminars lectured by experts including Small and Medium Enterprise Management Consultants (SMECs) and assisting in drafting plans for raising the ability to run business, stipulated by Small and Medium-sized Enterprise Business Enhancement Act, in addition to supporting diverse efforts by industrial associations, such as the modernization project by the Japan Sake and Shochu Makers Association.

Moreover, in coordination with related government offices, organizations, and local government and others, the NTA provides business operators and industrial associations with information on governmental measures for small and medium enterprises (consultation desks, subsidies, the tax system, financing, etc.) in an attempt to promote the use of these measures.

(5) Promotion of Okinawa

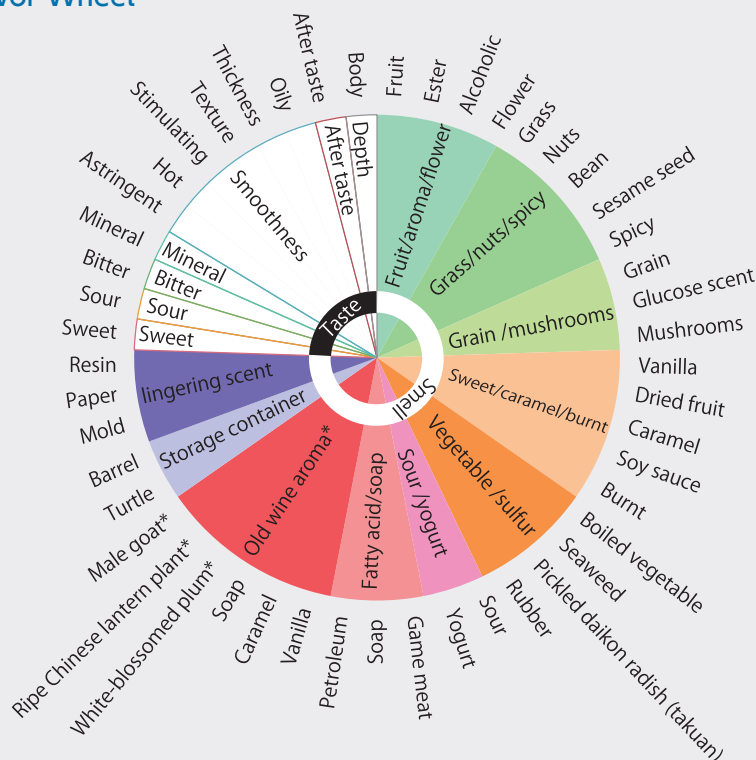
Based on "Ryukyu Awamori Overseas Export Project," the NTA makes efforts to promote liquor made in Okinawa in coordination with related government offices, including the Cabinet Office.

The NTA communicates information on Awamori at promotional events abroad, provides support to Awamori producers' participation in liquor expositions overseas, and in addition, dispatches analysts from the Okinawa Regional Taxation Office to undertakings by relevant ministries and agencies as specialists on the brewing technology.

In addition, the NTA hosts Awamori appraisal meetings which utilize a flavor wheel¹ for the improvement of the quality and technology of Awamori production.

The NTA is determined to make further progress in the dissemination of information on a global scale in cooperation with relevant ministries and agencies to promote the export of Awamori.

■ Awamori Flavor Wheel



¹ On April 26, 2017, equipped with scientific knowledge on Awamori, the Okinawa Regional Taxation Office compiled descriptions that characterize the flavor and taste of Awamori, and prepared a flavor wheel positioning similar flavors and tastes in close vicinity in a circular shape. Please refer to the following site for more details. https://www.nta.go.jp/about/organization/okinawa/sake/flavor_wheel.htm (in Japanese)

(6) Establishment of a fair trading environment of liquor

As it is important to establish a fair trading environment to realize the sound development of liquor business, the NTA propagates the “Guideline for the Fair Trade of Liquor,” formulated and publicized in August 2006, and the “Standards for the Fair Trade of Liquor,” formulated and publicized in March 2017, (hereinafter referred to as “the Standards”) to liquor business operators and enlightens them, thus making efforts that promote the proactive actions by liquor business operators to ensure fair trade, and the NTA also conducts examinations on the actual status of liquor trade. If examinations detect a transaction that does not comply with the Standards, etc., the NTA takes actions including giving instructions.

From the perspective of promoting voluntary efforts to ensure fair trading by liquor business operators, the NTA publishes the outline of its examination outcome along with the example cases of instructions and the cases in which improvements were instructed every year.

The NTA will continue to strive to ensure communication of the standards and carry out detailed examinations on the actual status of liquor trades, and deal decisively with non-compliant liquor business operators.

(7) Response to social demands

① Promotion of resource recycling

From the perspective of building a recycling-based society through activities, such as recycling liquor containers and reducing food waste, as a member of the food industry, while the NTA carries out PR and enlightenment activities through associations, etc. in the liquor industry to ensure that efforts, including the one to recycle liquor containers, are further promoted, it designates October as “3R¹ Promotion Month” and carries out enlightenment activities in cooperation with relevant ministries and agencies.

In addition, based on the “Plan for Global Warming Countermeasures” determined through the Cabinet decision in 2016, the NTA conducts evaluation and verification of the CO₂ reduction goal (Action Plan for Achieving a Low-carbon Society) undertaken by the beer industry in the Liquor Subcommittee under the National Tax Council.

② Measures for the prevention of those under the age of 20 from consuming alcohol

With the purpose to prevent those under the age of 20 from consuming alcohol, in addition to preparing educational posters and pamphlets, the NTA designates April as the “Month to emphasize the prevention of those under the age of 20 from consuming alcohol,” and carries out enlightenment activities in coordination with relevant ministries, agencies, and industry associations.

In addition, through an establishment of “Labeling standard concerning the prevention of those under the age of 20 from consuming alcohol (public notice)” and a liquor sale management training, the NTA provides guidance to liquor business operators to ensure adequate sales management of alcohol products while issuing documents in joint names with relevant ministries and agencies to business operators of liquor sales, requesting a strict practice of age verification when making a sale of alcohol product.

③ Measures against Health Problems Caused by Alcohol

Based on “The Basic Act on Measures against Health Problems Caused by Alcohol,” 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 the NTA is engaged in advancing measures declared in the plan with relevant government offices and associations.

Currently, the discussion is underway towards the second basic plan (April 2021 to March 2026), and the NTA will continue to press forward with efforts to prevent consuming alcohol from those under the age of 20 and pregnant women and health problems caused by alcohol together with the liquor industry.

¹ Refers to the first letters of R at the beginning of the three phrases: Reduce, Reuse and Recycle.

～ Basic Direction of Liquor Administration ～

1. Mission of the NTA

① Realizing of proper and fair taxation and collection of domestic taxes ② Sound development of the liquor business and ③ Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs)

2. Outline of the liquor industry

- The domestic liquor market has saturated in terms of volume and is contracting, as a whole.
- If pricing competition becomes excessive, that will weaken the power of business operators.

- In recent years, along with Ready-to-drink alcohol beverages, whisky, wine, craft beers, etc. are expanding.
- With the recognition of liquor made in Japan including Japanese sake and whisky, exports are increasing. The global food market is expected to continue growing in the future.
- Many business operators are growing through measures including differentiation, emphasis on value and overseas expansion.
- Business operators in different industries, start-ups and also foreign companies are entering the market.

3. Main issues in the liquor industry

(1) Product differentiation and a shift to high value-added products

- Appeal to consumers about an easy-to-understand value
- Price setting commensurate with high value-added
- Branding of products (individual companies, regions and JAPAN)
- Collaboration between agriculture, commerce and industry, and cooperation among different industries
- Expansion and appeal of a new value axis that comes from thinking outside the box

(2) Cultivation of overseas demand (including inbound)

- Enhancement of international recognition and understanding
- Expansion into non-Japanese food markets
- Exploration of local importers, distributors, etc.
- Displays and propositions that are easy to understand to overseas business operators and consumers
- For the wealthy
- Sake brewery tourism

(3) Utilization of technologies and securing human resources, etc.

- Succession and development of traditional techniques
- Utilization of digital tools
- Business succession
- Work style reforms
- Further involvement and contribution of women
- Securing raw materials

(4) Ensuring fair trade

- Ensuring fair trade through compliance with "Standards for the Fair Trade of Liquor" and "Guideline for the Fair Trade of Liquor."
- Securing proper sales management

(5) Response to social demands

- Reduction of environment load
- Measures against health problems caused by alcohol

4. Basic direction of liquor administration

As the competent agency in liquor business to aim at the preservation of liquor tax and the sound development of liquor business, the NTA endeavors to ensure the proper enforcement of laws and strengthen the promotion of liquor business (especially exports) from the comprehensive perspective that covers consumers and the whole liquor industry while coordinating and cooperating with related government offices, organizations, etc.

(1) Proper enforcement of laws

- License
- Oversight of liquor business associations
- Ensuring fair trade
 - Implementation of in-depth surveys of the actual state of trade, etc.
 - Strict treatment of problematic business operators
- Ensuring proper displays
- Ensuring quality and safety
- Promotion of resource recycling
- Measures for preventing those under the age of 20 from drinking alcohol
- Measures against health problems caused by alcohol

(2) Promotion of liquor business

- Support and improvement of the environment in a way that allows business operators, industrial associations and others to come up with ingenious ideas and make ambitious efforts under the appropriate division of roles between the private and public sectors
- Proper involvement in issues that the private sector cannot handle, such as improvement of the system and negotiations with foreign governments
- Support in strengthening the technical capabilities of liquor manufacturers while paying attention to stabilizing the business foundation of small and medium enterprises

Main concrete efforts

Cultivation in demands overseas

- International negotiations (for removal of tariffs and import restrictions, etc.)
- Expediting and simplifying export procedures
- Support in business matching
- International promotion
- Promotion of sake brewery tourism

Promotion of branding

- Expansion of the use of Geographical Indications
- Making wine labeling rules take root
- Hosting committees to review the global branding strategy of Japanese sake
- Support business operators to build model cases

Technological assistance

- Promotion of spread of advanced technologies, etc.
 - Guidance and consultation for business operators
 - Holding of competitions, research workshops, etc.
- Confirmation of safety concerning radioactive substances
- Support in responding to the mandatory adoption of HACCP
- Efforts by National Research Institute of Brewing
 - Research and development of advanced technologies, etc.
 - Development of brewing engineers
 - Dispatching lecturers and judges
 - Promotion of liquor exports

Measures for small and medium enterprises

- Support for efforts by industrial associations (modernization project, etc.)
- Propagation of government-wide measures for small and medium enterprises and promotion of their use

For details of efforts by the NTA, see the "Sake no Shiori (the bookmark of liquor)" in the NTA website (<https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/01.htm> [in Japanese]).

～ 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 taxpayer in line with the principles of the self-assessment system, and to achieve proper tax compliance as provided for in the tax laws and regulations, based on their independent and fair standpoint.

As of the end of March 2020, 78,795 persons are registered as CPTAs, and 4,197 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.¹, 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.

Taxpayers are able to use services of CPTAs etc. to properly file returns and pay taxes. In addition, because corporations and sole 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 CPTAs' 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 etc. 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 etc. 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 etc.

Specifically, this system allows CPTAs etc. to attach to tax returns the documents regarding the calculation 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. must be given by the tax officials in charge at the Tax Office, etc., the opportunity to state an opinion on the items written in the attached documents, before the taxpayer is notified.

Since 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

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.

actively consulting with 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 and is thereby further promoting and establishing it.

(2) Promotion of e-Tax usage

~ Collaboration and cooperation towards the realization of electronic tax return filing ~

Concerning promotion of usage of e-Tax, the role that CPTAs etc. play is significant, so the NTA is aiming to establish a collaborative and cooperative relationship with the CPTAs association, etc., towards realization of electronic tax return filing, such as through periodical exchange of opinion concerning e-Tax with the Japan Federation of Certified Public Tax Accountants' Associations in order to gain thoughts on ways to improve the system from the users' perspective, and to place NTA's requests for cooperation concerning promotion of e-Tax's utilization.

Furthermore, the NTA will deliver proactive cooperation towards the initiatives of the Japan Federation of Certified Public Tax Accountants' Associations with the aim to promote the use of online tax return filing by all CPTAs with the belief that the complete understanding of the merits of e-Tax usage by CPTAs etc. and further utilization of e-Tax will contribute to reduction in cost for the society as a whole.

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 conducts CPTA services without licenses, by applying disciplinary actions and filing accusations seeking prosecution.

The NTA discloses the names of disciplined CPTAs etc. in the official gazette and via the NTA website.

■ Number of disciplinary actions against CPTAs etc.

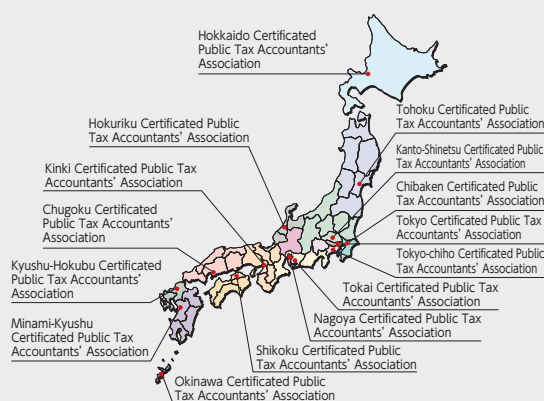
(case)

fiscal year	2015	2016	2017	2018	2019
cases	41	39	38	51	43

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 etc.. There are now 15 CPTAs' Associations throughout Japan. CPTAs' Associations engage in a wide range of activities, including ① Training to enhance the qualities of CPTAs, ② Dispatch of lecturers for tax workshops in elementary, junior and senior high schools, universities, etc. to fulfill the tax education and ③ Free tax consultation for small taxpayers.

The Japan Federation of Certified Public Tax Accountants' Associations is the only organization in Japan specified in the CPTA Act, consisting of member CPTAs' Associations. The Federation provides guidelines, liaison, and supervision for CPTAs' Associations and their members. It also handles the administration to register members, and conducts research on the CPTAs etc. system. For further details, please visit the website of the Federation at <https://www.nichizeiren.or.jp/eng/>.



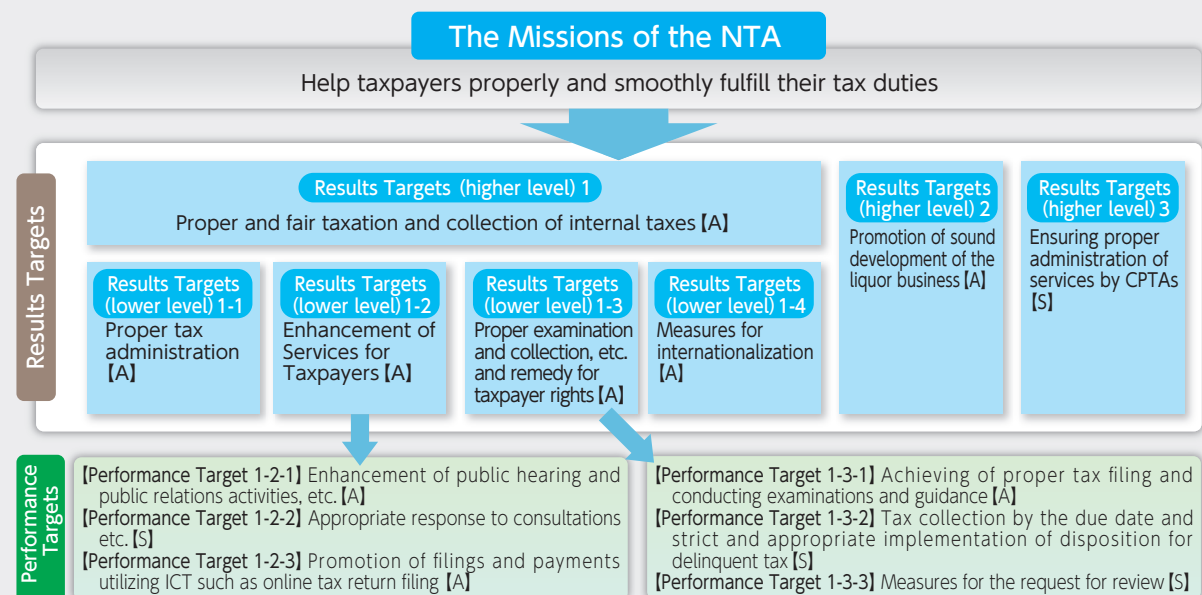
~ The purpose of policy evaluation is to fulfill accountability, realize results-based administration and revitalize the organization ~

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 (hereinafter referred to as “results targets, etc.”).

■ Concept of “the NTA’s missions” and “results targets, etc.” (for operation year 2018)



※ The NTA evaluates by indices of the following 5 stages about the achievement of each target.

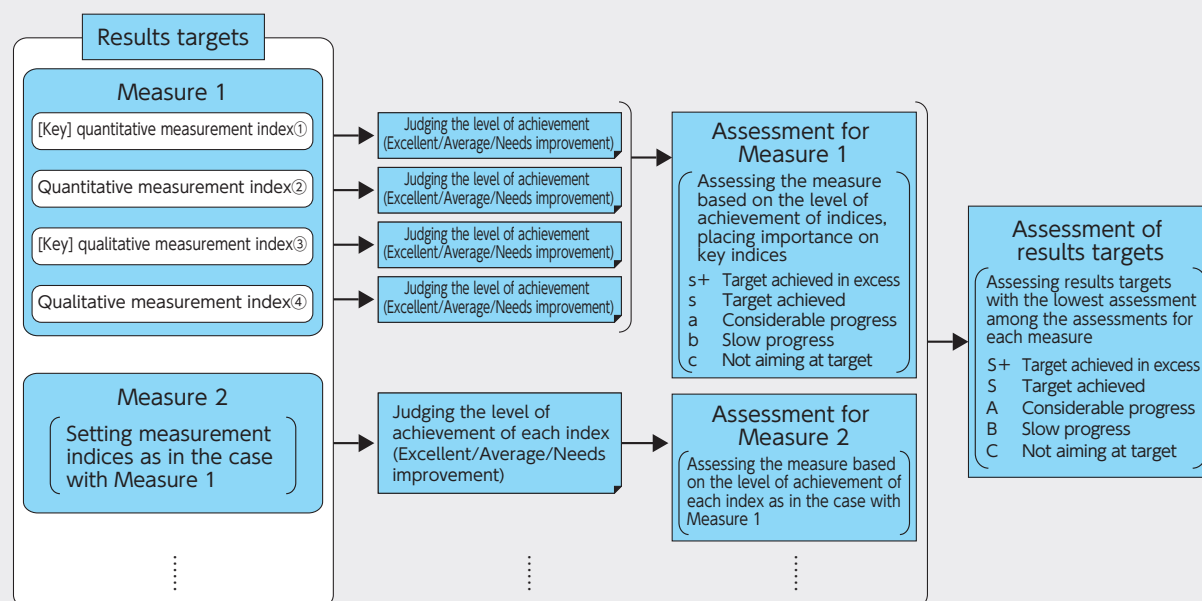
[S+] Target achieved in excess [S] Target achieved [A] Considerable progress [B] Slow progress [C] Not aiming at target

~ 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 (33), 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 2018 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.

■ Assessment method for results targets, etc.



■ Key measurement indices obtained through a questionnaire survey (FY2018)

* 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.

Item	Percentage of favorable evaluation
Evaluation on publicity of national taxes	79.9%
Level of satisfaction with telephone consultation at Phone Consultation Centers	95.5%
Level of satisfaction with consultation by interview at the Tax Offices	90.9%
Favorable impression of officials' reception manner	90.4%
Level of satisfaction in using signposting, and services at reception and window inside Tax Offices	86.4%

* "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 2018 include the following: "Strict self-evaluation with the attitude to discipline oneself is worthy of praise," "It is important to demonstrate the status and performance through numbers, and we hope that more numeric goals are set going forward," "We hope that positive evaluation scores do not result in complacency, and we hope to see continuous efforts to elevate itself to even higher levels."

*For details, please visit the "NTA's Results Evaluation" on the NTA website (<https://www.nta.go.jp/about/evaluation/01.htm> [in Japanese]).

Tax revenues and budget

【Budget and final accounts of taxes and stamp revenues for fiscal year 2018】

Tax category	Budget after correction	Actual (Percentage of total)
	Million yen	Million yen
Withholding income tax	16,180,000	16,564,998 (26.6)
Self-assessed income tax	3,295,000	3,335,580 (5.3)
Corporation tax	12,296,000	12,318,027 (19.7)
Inheritance tax	2,240,000	2,333,324 (3.7)
Consumption tax	17,823,000	17,680,881 (28.3)
Liquor tax	1,311,000	1,275,127 (2.0)
Tobacco tax	874,000	861,294 (1.4)
Gasoline tax	2,330,000	2,347,842 (3.8)
Liquefied petroleum tax	8,000	7,595 (0.0)
Aviation fuel Tax	52,000	52,661 (0.1)
Petroleum and coal tax	709,000	701,350 (1.1)
Power resources development promotion tax	323,000	322,045 (0.5)
Motor vehicle tonnage tax	395,000	394,444 (0.6)
International tourist tax	6,000	6,888 (0.0)
Customs duty	1,022,000	1,071,123 (1.7)
Tonnage due	10,000	10,258 (0.0)
Other *	—	41 (0.0)
Stamp revenue	1,054,000	1,072,909 (1.7)
Subtotal	59,928,000	60,356,385 (96.8)
Local corporation tax	663,600	680,634 (1.1)
Local gasoline tax	249,300	251,209 (0.4)
Liquefied petroleum gas tax (transferred)	8,000	7,595 (0.0)
Aviation fuel tax (transferred)	14,900	15,046 (0.0)
Motor vehicle tonnage tax (transferred)	271,100	270,723 (0.4)
Special tonnage tax	12,500	12,818 (0.0)
Special local corporation tax	2,114,300	2,087,894 (3.3)
Special tobacco tax	128,800	124,812 (0.2)
Special income tax for reconstruction	409,800	415,420 (0.7)
Other	—	1,589 (0.0)
Total	63,800,300	64,224,124

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

【NTA initial budget for fiscal year 2020】

Items	Budget
	Million yen
ICT-related expenses	49,189
Expenses to improve convenience for taxpayers *1	11,742
Expenses related to internationalization measures	1,070
General operating expenses, etc. *2	60,725
Expenses to improve work environment and ensure safety *3	7,436
Expenses related to tax reforms	18,890
Expenses for National Tax College	2,099
Expenses for National Tax Tribunal	172
Expenses for National Research Institute of Brewing	948
Common number system related costs	3,665
Expenses for export promotion of liquor made in Japan	1,306
Subtotal	157,242
Salary costs	562,138
Total NTA budget	719,379

*1 “Expenses to improve convenience for taxpayers” includes expenses related to maintenance of e-Tax and the filing assistance on the NTA website.

*2 “General operating expenses, etc.” includes expenses for tax forms and correspondence, wage expenses for part-timers, travel expenses, honoraria for hired bookkeeping instructors, and PR expenses.

*3 “Expenses to improve work environment and ensure safety” includes expenses to improve facilities and health care.

Tax returns and taxation

【Income tax】

(Calendar year 2019)

Total population	Thousand people	126,160
Number of persons engaged		67,240
Number of final returns filed		22,040
Refunds		13,030
Tax payments		6,300
Breakdown by income earners	Business income earners	1,670
	Other income earners	4,630
	Real estate income earners	1,090
	Employment income earners	2,510
	Miscellaneous income earners	710
	Other	330

【Inheritance tax】

(Calendar year 2018)

Number of deceased	1,362,470 people
Number of deceased subject to taxation	116,341 people
Number of taxpayers (number of heirs)	300,241 people
Taxable amount	16,264.0 Billion yen
Amount of tax	2,110.4 Billion yen

【Gift tax】

(Calendar year 2018)

Number of people subject to taxation	415,595 people
Value of properties acquired	2,038.4 Billion yen
Amount of tax	239.7 Billion yen

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

【Withholding agents and withholding income tax】

(Operation year 2018)

Category of income etc.	Number of withholding agents	Amount of tax
	Thousand	Billion yen
Employment income (wages and salaries)	3,532	11,229.8
Retirement income	—	236.0
Interest income, etc.	35	344.9
Dividend income	147	5,046.0
Capital gains on listed shares etc. kept in special account	12	373.2
Income from remuneration, etc.	2,847	1,198.3
Income paid to non-residents and foreign corporations, etc.	36	715.4
Total	—	19,143.7

*The figures of withholding agents are figures as of the end of June 2019.

*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 2018)

Number of corporations	3,132 Thousand corporations
Number of tax returns filed	2,929 Thousands
Percentage of corporations filing	91.4%
Percentage of returns declaring a surplus	34.7%
Amount of self-assessed income	73,386.5 Billion yen
Amount of self-assessed loss	13,054.1 Billion yen
Amount of tax	12,792.2 Billion yen

*The number of corporations is the figure as of the end of June 2019.

【Consumption tax】

(Operation year 2018)

Category	Payment	Refund
Number of tax returns	Individuals	1,117 Thousands
	Corporations	1,872 Thousands
	total	2,989 Thousands
Amount of tax	16,490.2 Billion yen	4,384.5 Billion yen

【Liquor tax and liquor production】

(Fiscal year 2018)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	406	55,721
Sake compounds	27	2,632
Continuous distillation Japanese spirits (Shochu)	344	78,222
Single system distillation Japanese spirit (Shochu)	448	104,116
Mirin (rice cooking wine)	87	1,976
Beer	2,544	537,163
Fruit wine	95	9,324
Sweet fruit wine	46	676
Whisky	140	49,024
Brandy	44	1,459
Sparkling liquor	422	85,991
Alcohol for material & Spirits	772	62,204
Liqueurs	2,270	184,594
Other brewed liquors Powder liquor & miscellaneous liquor	411	34,074
Total	7,978	1,207,177

Tax examinations

【Field examination of self-assessed income tax】

(Operation year 2018)

Number of cases	Number of undeclared cases	Amount of undeclared income	Additional tax revenue collected
Thousands	Thousands	Billion yen	Per case
		Thousand yen	Thousand yen
74	61	602.4	8,190
			96.1
			1,310

【Field examination of withholding income tax】

(Operation year 2018)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousand yen	Thousands	Billion yen
116	36	37.0

*The amount of additional tax revenue collected in connection with the income obtained on and after January 1, 2013 includes special income tax for reconstruction.

【Field examination of corporation tax】

(Operation year 2018)

Category	Number of Cases	Number of undeclared cases	Amount of undeclared income	Additional tax revenue collected
	Thousands	Thousands	Billion yen	Per case
			Thousand yen	Thousand yen
All corporations	99	74	1,381.3	13,970
				194.3
Of which, corporations handled by the Large Enterprise Department	2	2	855.3	353,150
				80.4

【Field examination of consumption tax】

(Operation year 2018)

Category	Number of Cases	Number of undeclared cases	Additional tax revenue collected
	Thousands	Thousands	Billion yen
Individuals	38	32	29.9
Corporations	95	56	80.0
			Thousand yen
			780
			840

【Field examination of inheritance tax】

(Operation year 2018)

Number of cases	Number of undeclared cases	Amount of undeclared inheritance	Additional tax revenue collected
Thousands	Thousands	Billion yen	Per case
		Thousand yen	Thousand yen
12	11	353.8	283.8
			70.8
			5,680

【Collected number of statutory information】

(Operation year 2018)

Statutory information	Number collected
	Thousands
Withholding record of employment income	21,976
Payment record of interest	8,695
Payment record of dividends	62,421
Other	249,774
Total	342,866

International taxation

[Fraudulent income through overseas transactions]

(Operation year 2018)

Number of examinations of corporations conducting overseas transactions	15,650 cases
Number of undeclared cases related to overseas transactions	4,367 cases
Of which, cases of overseas fraudulent calculations	646 cases
Amount of undeclared income related to overseas transactions	696.8 Billion yen
Of which, amount of overseas fraudulently omitted income	22.7 Billion yen

[Transfer pricing taxation]

(Operation year 2018)

Number of taxation cases	257 cases
Amount of taxable income	36.5 Billion yen

[Cases of advance pricing arrangement related to transfer pricing]

(Operation year 2018)

Number of cases requested	141 cases
Number of cases processed	118 cases

Delinquency

[Tax delinquency cases by major tax categories]

(Fiscal year 2018)

	Under collection process at the end of the previous year	Newly occurred	Collected	Under collection process at the end of the year
	Billion yen	Billion yen	Billion yen	Billion yen
Income tax	384.8	158.1	179.7	363.1
Withholding income tax	130.5	32.4	45.3	117.6
Self-assessed income tax	254.3	125.6	134.4	245.5
Corporation tax	91.3	69.7	69.2	91.8
Inheritance tax	70.8	30.8	38.8	62.9
Consumption tax	Superscript 77.7 302.8	Superscript 94.8 352.1	Superscript 97.5 364.4	Superscript 75.0 290.4
Other taxes	3.4	3.5	3.4	3.6
Total	Superscript 77.7 853.1	Superscript 94.8 614.3	Superscript 97.5 655.5	Superscript 75.0 811.8

*1 Local consumption tax is not included as the above figures indicate national tax delinquency. However, according to Article 9 (4) of the supplementary provisions of the Local Tax Act, the national government must assess and collect local consumption tax with national consumption tax for a certain period. Therefore, the delinquent amounts of local consumption tax are indicated by the superscript amounts in the Consumption tax and Total fields.

*2 Any fraction less than 100 million yen was rounded off, and therefore the sum of figures may not be equal to the total figure.

Criminal investigation

[Criminal investigations]

(Fiscal year 2019)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (filed accusation to the prosecutor)	
			Per case		Per case	
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
150	165	116	12.0	73	9.3	80

[Filed accusations to the prosecutor, by tax category]

(Fiscal year 2019)

Tax category	Number of cases	Amount of tax evasion	
		Million yen	Per case
Income tax	Cases 17	1,607	95
Corporation tax	64	5,636	88
Inheritance tax	0	0	0
Consumption tax	32	1,975	62
Withholding income tax	3	58	19
Total	116	9,276	80

Remedy for taxpayer rights

[Request for re-examination]

(Fiscal year 2018)

Category	Number of requests for re-examination	Number of new requests for re-examination ①	Number of cases processed ②	Number of requests approved ③			
					Full	Partial	Percentage ③/②
Taxation-related	Cases 2,520	Cases 1,949	Cases 2,046	263	26	Cases 237	% 12.9
Collection-related	121	94	104	1	1	0	1.0
Total	2,641	2,043	2,150	264	27	237	12.3

* 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 2018)

Category	Number of requests for reconsideration	Number of new requests for reconsideration ①	Number of cases processed ②	Number of requests approved ③			
					Full	Partial	Percentage ③/②
Taxation-related	Cases 5,325	Cases 2,951	Cases 2,787	213	77	Cases 136	% 7.6
Collection-related	193	153	136	3	0	3	2.2
Total	5,518	3,104	2,923	216	77	139	7.4

[Litigation]

(Fiscal year 2018)

Category	Number of litigations	Number of cases filed for first instance ①	Number of cases closed ②	Number of lost cases ③			
					Full	Partial	Percentage ③/②
Taxation-related	Cases 322	Cases 95	Cases 140	6	3	Cases 3	% 4.3
Collection-related	57	16	36	—	—	—	—
National Tax Tribunal-related	1	—	1	—	—	—	—
Total	380	111	177	6	3	3	3.4

* The figures for cases for litigation are the total numbers for each level of trial.

Tax consultations

[The five items most frequently the subject of consultation]

(Phone Consultation Centers)

(Fiscal year 2019)

Rank	Tax category	Items	cases
1	Income tax	Obligations & procedures to file tax returns, etc.	Thousand 547
2	Income tax	Year-end adjustment	263
3	Income tax	Special credit for loans relating to a dwelling	254
4	Income tax	Medical expenses deduction	246
5	Income tax	Exemption for spouse, special exemption for spouse and exemption for dependents	153

(Tax Answer System)

(Fiscal year 2019)

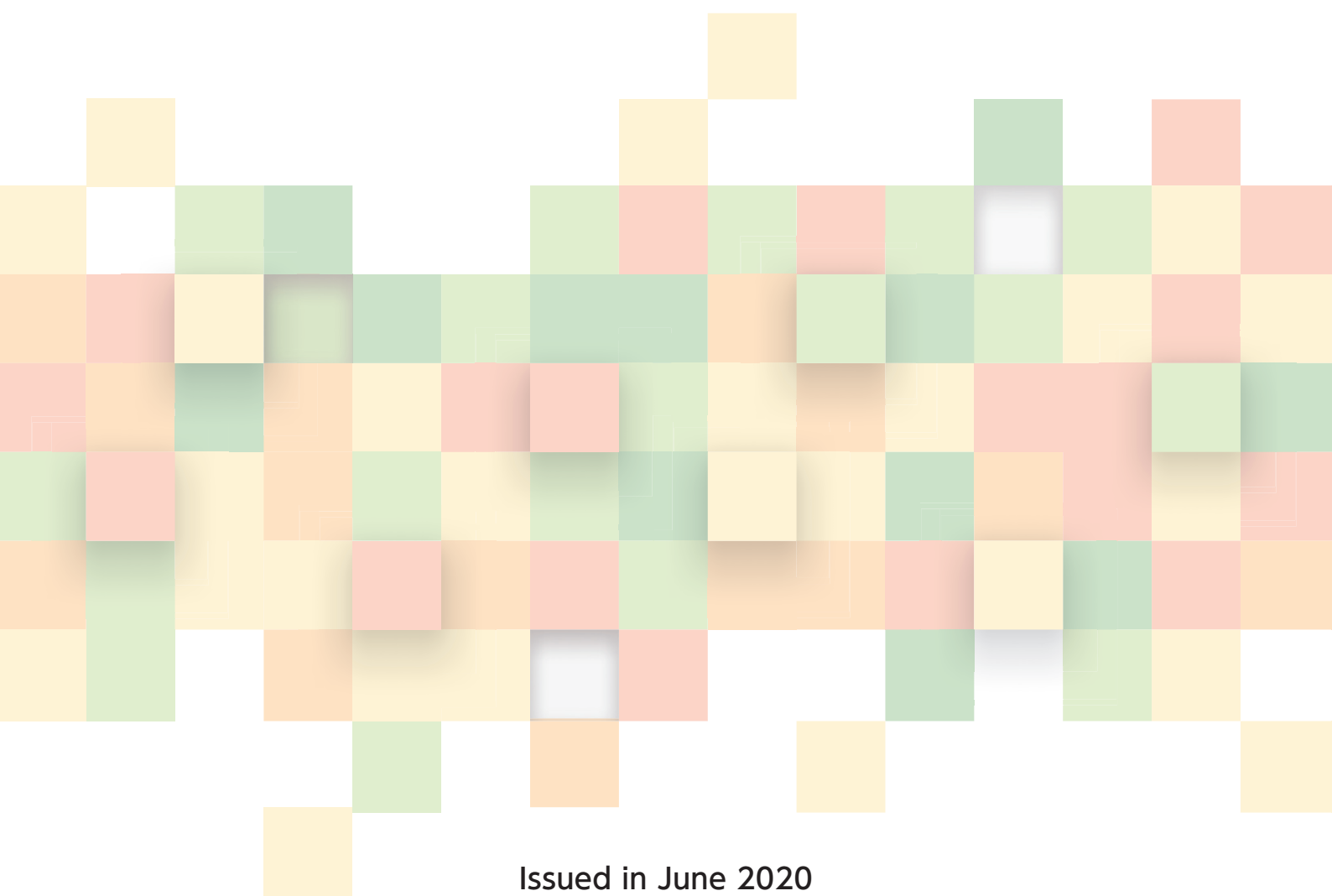
Rank	Tax category	Items	cases
1	Income tax	When have paid medical expenses (medical expenses deduction)	Thousand 2,877
2	Income tax	Tax rate of income tax	2,157
3	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	1,406
4	Income tax	Deduction for employment income	1,348
5	Stamp duty	Table of Stamp Taxes (1) Type 1 Document to Type 4 Document	1,231

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

(Fiscal year 2019)

Tax category	cases
Income tax	Thousand 2,604
Corporation tax	191
Property tax	927
Consumption tax, etc.	404
Other	983
Total	5,109

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For further details, please visit the website of e-Tax at
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