

NATIONAL TAX AGENCY **REPORT** **2021**



From the Commissioner

First, I extend my sincere sympathies to those who have been impacted by the Covid-19 pandemic.

Regarding the impact of the Covid-19 pandemic, the unpredictable situation has continued. For this reason, the National Tax Agency (NTA) will listen to voices of the taxpayers regarding their situation and strive to take swift and careful actions going forward, such as introducing deferral programs for tax payments to those who find it difficult to settle their taxes due to the impact of the Covid-19.

The NTA's mission is "to help taxpayers properly and smoothly fulfill their tax duties," and we would like to take measures to enhance taxpayer services and prepare an environment for settlement of taxes, which enables even more swift and smooth filing and payment of taxes. In addition, since our country employs the self-assessment system, understanding and faith of taxpayers towards the tax system and tax administration is of utmost importance.

From this perspective, the NTA recognizes the importance of making an effort to highlight the future state and released the "Future Vision of Tax Administration" in June 2017, and we have promoted various initiatives, aiming for "Achieving a Smart Tax System" with two main pillars, "Improvement of taxpayer convenience" and "More efficient and sophisticated taxation and collection," through the use of ICT.

Further, this June, we released the "Digital Transformation of Tax Administration—Future Vision of Tax Administration 2.0—," which is the updated version of the future vision based on changes in the economic society and the rapid progress in digital technologies, and have decided to undertake drastic reviews on the national tax procedures and operations through utilization of digital technologies. We also indicated a policy that we aim for a "society where all tax procedures can be completed without visiting a tax office" in the "Future Vision 2.0."

As a specific initiative for increasing the convenience for taxpayers, we are striving to enhance services for tax procedures including filing, payment using ICT such as e-Tax.

For instance, in the filing procedure of individual income tax returns, Mynaportal with My Number Card has enabled collective acquisition of required document data such as deduction certificates issued by life insurance companies as well as automatic entry of the data into tax return forms since this January. Going forward, we plan to increase document types of deduction certificates available in Mynaportal accordingly. We are also striving to enhance the tax filing and payment procedures through smartphones, and we hope that taxpayers will take advantage of them through these enhancements for making e-Tax filling and payment more convenient.

Furthermore, we recognize the importance of providing necessary information in a timely manner so that taxpayers understand the tax system.

Regarding the invoice system that will be introduced in October 2023, the applications for invoice issuer registration will be accepted from this October.

For the smooth introduction of the invoice system, upon ensuring that business operators fully understand the system, we are working for public announcements and

public relations so that they deal with and prepare for the system in accordance with each business operation.

To this end, we have opened a special site of the invoice system on the NTA website where the system's explanatory movies, various pamphlets and Q&A are published, and at the same time, we hold online explanatory sessions that can be attended from anywhere and dispatch instructors to explanatory sessions for business operators.

In terms of initiatives to realize proper and fair taxation and collection, the NTA takes systematic and strict action against malicious taxpayers while attempting to protect the rights and interests of taxpayers so that taxpayers who have properly filed and paid their taxes do not feel a sense of unfairness.

Amid economic transactions being globalized and digitalized further, taxation and collection are becoming more complex and difficult, and we are striving to proactively collect and use materials and information and moving forward to make taxation and collection more efficient and sophisticated through the use of ICT, etc.

For international transactions, we are also attempting to enhance exchange information with foreign tax authorities based on tax treaties and to establish and expand the system for implementation areas. We proactively conduct examinations and collections on tax avoidance etc., in which taxation and collection problems are found.

While the environment surrounding the national tax organization is considerably changing as such, the NTA established the new "Organizational Philosophy of the NTA" this April, as about 20 years have passed since the "Organizational Philosophy of the NTA (the Mission of the NTA)" was established in 2001.

To fulfill the NTA's mission and duties, the NTA officials are going to accomplish daily duties all together as "tax professionals who take on a difficult challenge holding the mission to heart," aiming to realize an "organization that supports the nation's finance with trust" under the new organizational philosophy.

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 2021" would help you to better understand tax administration.

June 2021

可部 哲生

Kabe Tetsuo

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 2020: April 1, 2020 to March 31, 2021), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2020: July 1, 2020 to June 30, 2021).

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 Organizational Philosophy of the NTA

The Mission of the NTA is “to help taxpayers properly and smoothly fulfill their tax duties.”

In order for the NTA to fulfill the mission, our duty to carry out is “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),” provided by Article 19 of the Act for Establishment of the Ministry of Finance.

In order for the NTA to fulfill the “mission” and “duties,” we compiled “future vision as an organization,” which indicates what organization we aim for while managing the organization, as well as “codes of conduct,” which indicates important standards and values for each tax official to perform duties. These are declared to tax officials and announced to the public as the “Organizational Philosophy of the NTA.”



NTA

Organizational philosophy of the NTA

Mission

To help taxpayers properly and smoothly fulfill their tax duties.

Duty

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

Future vision as an organization

An organization that supports the nation's finance with trust

- An organization that flexibly copes with changes in the economic society, improves taxpayer convenience and continues to progress
- An organization that makes taxation and collection more efficient and sophisticated and conducts strict and appropriate examinations and disposition for delinquent tax while cooperating with a wide variety of relevant persons
- An organization that is vibrant and open, respects the diversity of each official and provides high performance as a team

Codes of conduct

Tax professionals who take on a difficult challenge holding the mission to heart

- Keep secrets associated with duties and maintain disciplines. Never forgive frauds and carry out duties in a fair and honest manner.
- Constantly review duties with a sense of participation and challenging spirit and make administrative duties more efficient and sophisticated.
- Strive to acquire expertise and skills and demonstrate our abilities to the fullest.

2 Concepts for management of tax administration

The NTA carries out the following initiatives in order to perform the aforementioned mission and duties, 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 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, reallocate the volume of examination duties to corporations with a high necessity of examination from those judged that the necessity of examination is low including the situation of corporate governance.
- 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 (especially promoting exports) 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, we take strict actions including issuing instructions.
- To 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 recycle of liquor containers, etc.

(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”

With “improvement in taxpayer convenience” and “more efficient and sophisticated taxation and collection” as two main pillars, the NTA is undertaking “Digital Transformation of Tax Administration,” drastic review of tax administration processes for taxpayers and the administration by digitalization.

For details, see the NTA website (<https://www.nta.go.jp/about/introduction/torikumi/digitaltransformation/index.htm> [in Japanese]).

“Digital Transformation of Tax Administration”

From “Digital Transformation of Tax Administration
—Future Vision of Tax Administration 2.0—”
released in June 2021

Digital Transformation of Tax Administration

Drastic reviews of tax administration processes for taxpayers and the administration by digitalization

(Basic guidelines)

User’s perspective

Data security

Business process reengineering (BPR)

Future Vision of Tax Administration 2.0*

Precise addressing
to the ICT society

Drastic
digitalization of
tax procedures

A society where
all tax procedures
can be completed
without visiting
a tax office

Improvement in taxpayer
convenience
(Smooth and speedy)

Simple and easy procedure

Check personal information online

Easy consultation by chatbot

Customized notification

More efficient and sophisticated
taxation and collection
(Intelligent)

Automatic check of tax returns

AI and data analysis

Inquiries online

Web conference system

Precise effort into
priority issues

Addressing to
tax avoidance

Ensuring proper
taxation on the
affluent class

Ensuring proper
taxation of
consumption tax

Addressing to
large-scale and
malicious cases

(Infrastructure improvement)

Sophistication of information system
and human resource development

Centralized processing of internal
administrative tasks

Coordination and cooperation with
related agencies

* The updated version of “Future Vision of Tax Administration” was released in 2017 based on changes in the economic society and the progress in digital technologies.

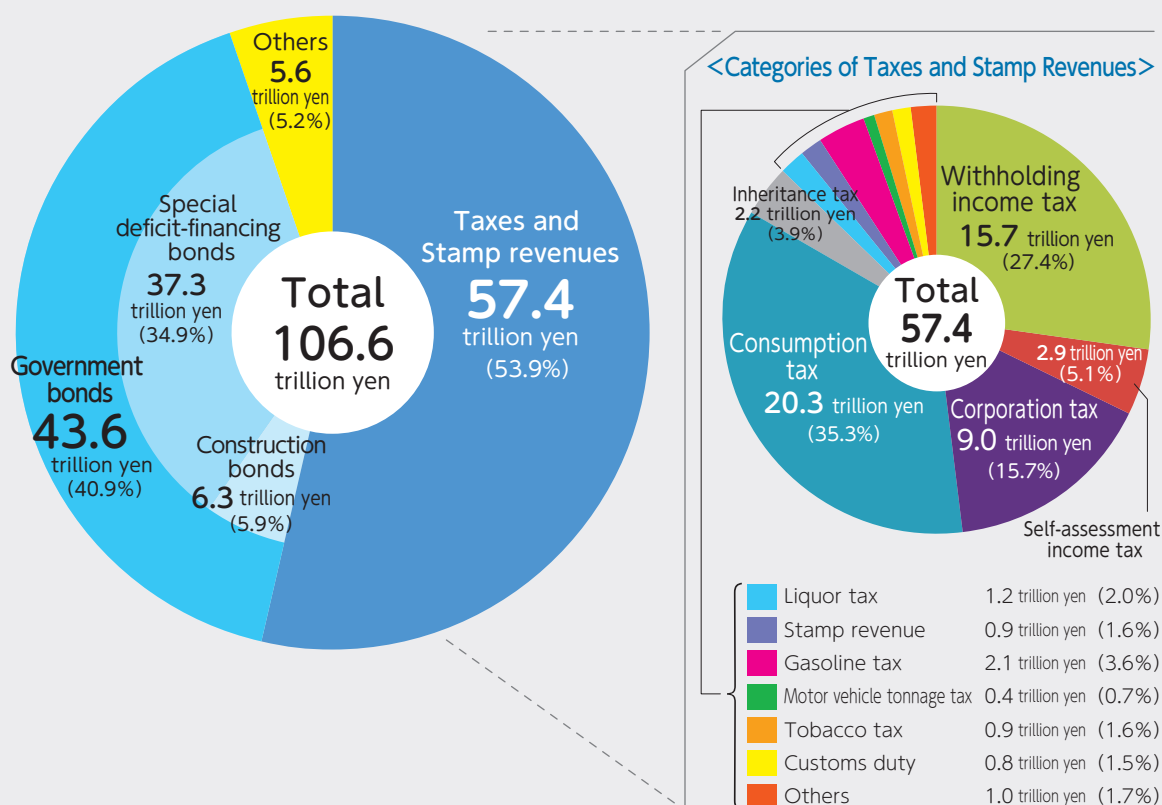
3 Overview of the national tax organization

(1) National revenue and taxes

National revenue (initial budget for general account revenues) in FY2021 stands at 106,609.7 billion yen, of which 57,448 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 (FY2021 general account revenues (initial budget))



※ 1 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.

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

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

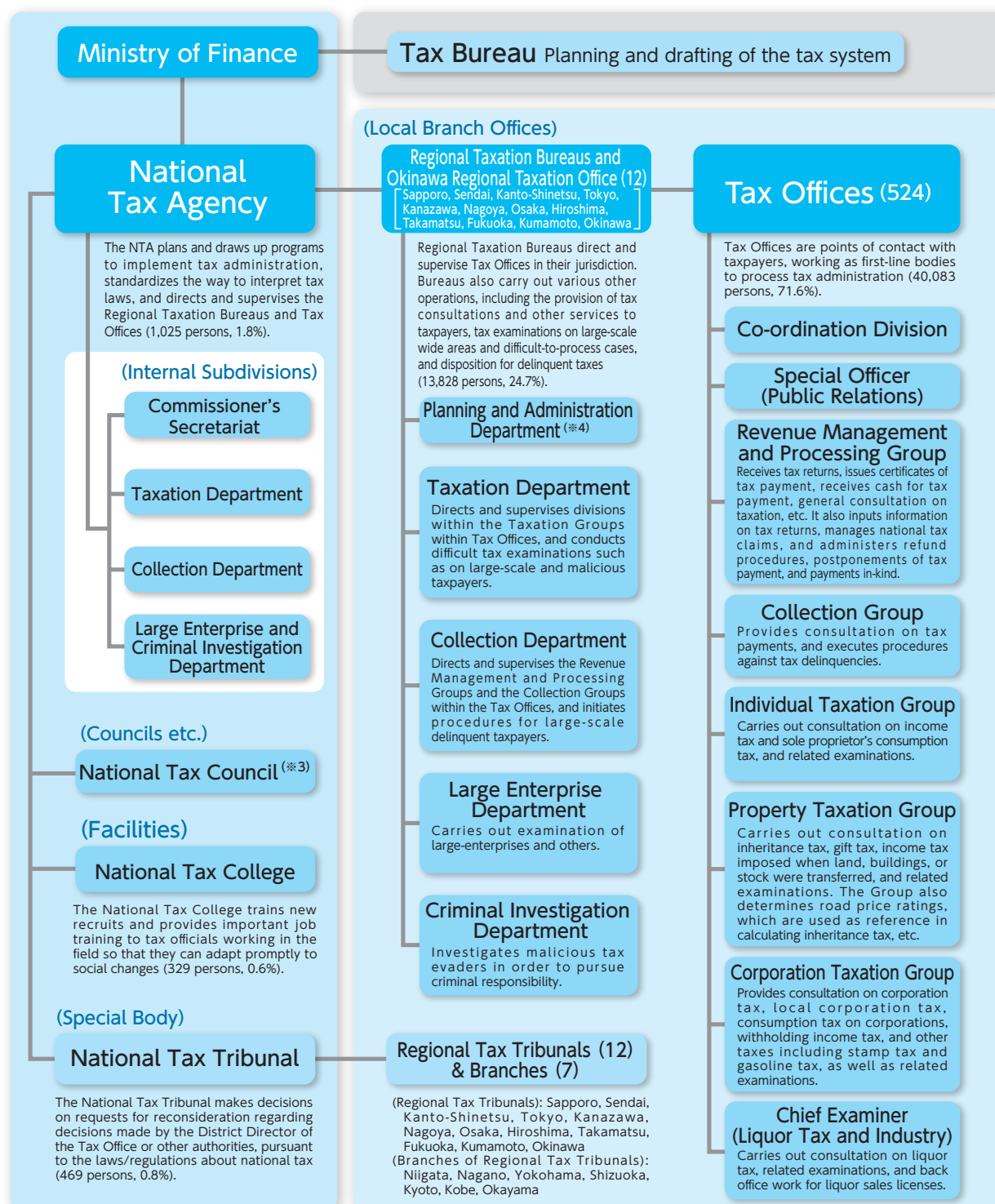
(2) NTA budget and number of personnel

The NTA initial budget in FY2021 stands at 636.5 billion yen, with salary costs amounting to 556.6 billion yen and general expenses 79.9 billion yen.

The headcount at the NTA stayed at around 52,000 from the late 1970s through the 1980s. Thereafter, the number increased, as consumption tax was introduced in 1989. The number hit a peak, 57,202 in FY1997 since FY1989, and the agency has a headcount of 55,954 in FY2021.

(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 (FY2021).

※2 The prescribed number of personnel of 55,954 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.

※4 The Office of Submission Processing Center (tentative name) (hereinafter referred to as "operation center") will be established in July 2021. For details, see Column 6 on page 34.

～ 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> [in Japanese]), 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 318.27 million times in FY2020).

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) The NTA website

～ Provide easy-to-understand information on the NTA website ～

To enable anyone to easily use the NTA website, we are making efforts to deliver information in an easy-to-understand format, such as simplified layout of the website with menu selection put into one place.

We are also striving to provide contents with text enlargement and voice reading functions so that all people including the elderly and handicapped can use information and functions provided on the NTA website without difficulties.

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).

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 2021.

The screenshot shows the NTA website top page with the following numbered callouts:

- 1** Search function within the website: Located at the top right, featuring a search bar with the text "ENHANCED BY Google".
- 2** Text enlargement / voice reading: Located below the search bar, with links for "文字拡大・読み上げ" (Text enlargement / voice reading).
- 3** Global navigation: Located below the search bar, with links for "ホーム" (Home), "税の情報・手続・用紙" (Tax information, procedures, forms), "刊行物等" (Publications, etc.), "法令等" (Laws, etc.), "お知らせ" (Notice), and "国税庁等について" (About the NTA, etc.).
- 4** Urgent notice: Located below the global navigation, with a link for "新型コロナウイルス感染症に関する対応について(詳しくはこちら)" (Response to COVID-19 infection (click here for details)).
- 5** New arrivals: Located below the urgent notice, with a link for "新着情報" (New arrivals).
- 6** Featured topics: Located below the new arrivals, with a link for "注目ワード" (Featured topics).
- 7** Menu by area of interest: Located below the featured topics, with a link for "分野別メニュー" (Menu by area of interest).
- 8** Search for tax office: Located below the menu by area of interest, with a link for "税務署を検索" (Search for tax office).
- 9** SNS, etc.: Located below the search for tax office, with a link for "Twitter" and "LINE".
- 10** Banner: Located below the SNS, etc., with a link for "国税に関するご相談" (Consultation regarding taxes).
- 11** Site map: Located at the bottom of the page, with a link for "国税庁" (NTA).

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 related to information that deserves special attention on the NTA website

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

Gathers and displays the banners created by the NTA

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: 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	2019	2020
Officials	8,770	5,359
Non-officials	35,297	17,482
Total	44,067	22,841

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

■ Number of essays entered for Tax Essay Contest

Fiscal year	2019	2020
Received from high school students	214,421	160,184
Received from junior high-school students	578,204	313,725

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 of the System on Request for Review," and is being held from October 1, 2020 until September 29, 2021.

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	2019	2020
Frequency held	1,810 times	632 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) briefings on revisions to the tax laws and (3) briefings for newly established corporations.

■ Frequency of briefings and number of participants

Operation year	2018	2019
Frequency held	46,750 times	31,706 times
Number of participants	1,772 thousand people	1,142 thousand people

(5) Tax consultation

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

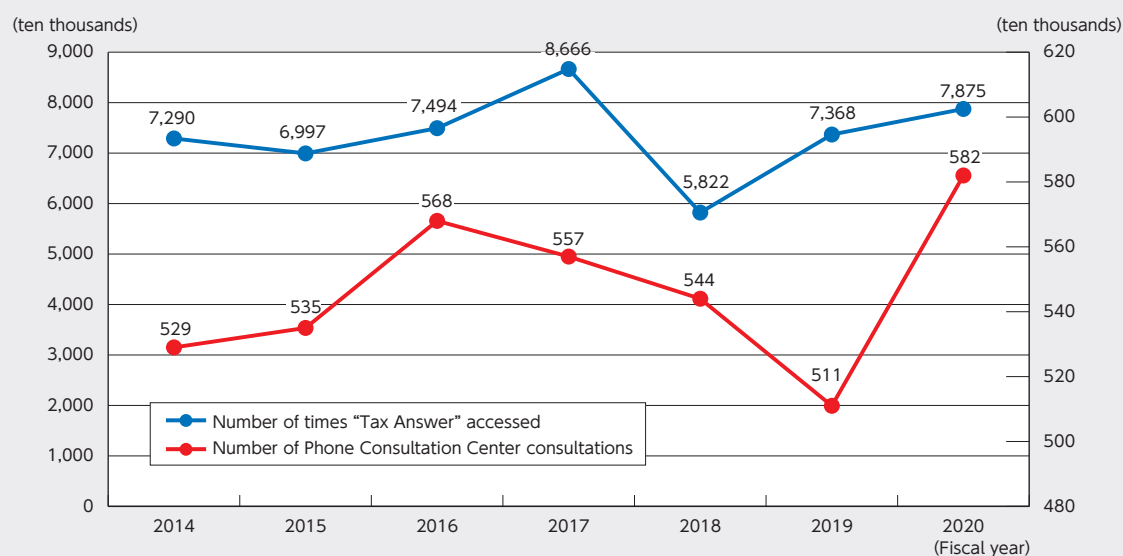
Tax officials of Phone Consultation Centers at Regional Taxation Bureaus provide centralized handling of general national tax questions and consultations from taxpayers. In Tokyo, Nagoya and Osaka they also provide tax consultation in English.

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.

Introduction of a chatbot for tax consultation

A “chatbot for tax consultation” that enables consultation 24 hours a day, 365 days a year, has been introduced on the NTA website since 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

Going forward, we will improve the chatbot based on the opinions and feedbacks from users as well as AI learnings so that it will be simpler and more convenient.

The chatbot will answer questions regarding individual income tax return and year-end adjustment.



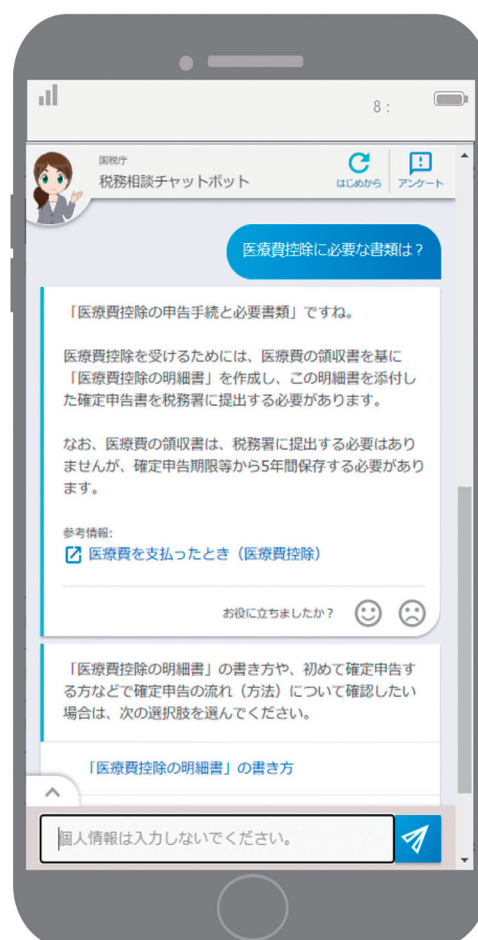
Tax staff FUTABA

■ Number of questions the chatbot received

(ten thousand cases)

	Tax return for 2019	Year-end adjustment for 2020	Tax return for 2020
Number of questions	37	25	420

■ Image of chatbot for tax consultation



(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	2019	2020
Number of Advance Inquiries Received	115	115

■ Number of Q&A examples posted on website

As of the end of fiscal year	2019	2020
Number of Q&A posted	1,968	1,985

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 2020 Kyushu floods.

In addition, due to the fact that the period of the state of emergency declaration based on the Act on Special Measures concerning Pandemic Influenza and New Infectious Diseases Preparedness and Response would fall into the filing period for income tax returns for 2020, we decided to extend deadlines for the filing and payment of self-assessed income tax returns at the same time from the perspective for ensuring to avoid crowds at filing sites by securing a sufficient filing period. 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 31, 2021)

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 the spread of infection by taking preventive measures such as handwashing, gargling and wearing face masks when the NTA officials have face to interactions with taxpayers for filing consultations, tax examinations, etc., as well as by ensuring to prohibit the officials from meeting taxpayers if they have symptoms such as coughs or fevers.

In addition to provision of information and publicity concerning the 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

Since a significant number of people visit the final income tax return sites at the tax offices, etc. for filing consultations on a daily basis, we encouraged e-Tax more than ever for FY2020 filing period for income tax returns so that taxpayers could file their tax returns through their smartphones without going out. At the same time, we started accepting filing consultations before February 16, 2021 for mainly those who received public pensions. In these ways, we managed to reduce and disperse the number of visitors during the filing period for income tax returns.

In addition, we reliably secured social distancing by substantially rearranging the layout of the sites, and implemented a numbered ticket with admission time specified (prior issuance of online tickets is also possible) on a nationwide basis to enter a site in order to ensure that crowds would not occur. Moreover, we asked visitors for their cooperation on the prevention of infection as such that we asked them to wear face masks as well as conducted temperature measurement and requested to come back sometime later if they had fevers. In these ways, we prepared an environment where people who needed filing consultations were able to visit the sites without any concern.

Due to the fact that the period of the state of emergency declaration based on the Act on Special Measures concerning Covid-19, etc. would fall into the filing period of individual income tax returns for 2020 (from February 16 to March 15, 2021), on February 2, 2021, we decided to extend deadlines for the filing and payment of self-assessed income tax, gift tax and consumption of sole proprietors for 2021 to April 15 in order to ensure to avoid crowds at the sites by securing a sufficient filing period. 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 31 2021 for self-assessed income taxes, and May 24, 2021 for consumption taxes of sole proprietors.

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.

3. Measures for those experiencing difficulties in paying their taxes

We have swiftly and flexibly applied grace system including the "Special Grace of Tax Payments (Special Grace)," which was established by the "Act on Temporary Special Provisions of Acts Concerning National Tax Laws for Responding to the Impact of Infections including Covid-19" concluded and enacted on April 30, 2020, with consideration to the situation and sentiment of taxpayers who found it difficult to pay their taxes due to difficult financial situations brought on by the Covid-19 pandemic.

The deadline for Special Grace applications ended on February 1, 2021, however, so that conventional grace systems can be used even after the application deadline, we are 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 "Regional Taxation Bureau Grace Support Center" within each Regional Taxation Bureau, and while responding to questions and consultations regarding the grace system over the phone, it is promoting an application for the grace through digital application via e-Tax and the postal service.

We are offering YouTube videos, etc. that explain further details of grace systems and applications on the NTA website.

For further details, please refer to the NTA website (https://www.nta.go.jp/taxes/nozei/nofu_konnan.htm [in Japanese], https://www.nta.go.jp/english/tax_payment/01.htm).

The NTA has announced information mentioned 1 to 3 above is publicized in the form of FAQ on the NTA website (<https://www.nta.go.jp/taxes/shiraberu/kansensho/index.htm> [in Japanese]).

4. 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) The NTA issued licenses whose application deadline was June 30, 2020, through a quick and simple procedure for restaurant owners who were impacted by the Covid-19 pandemic. The valid period of the licenses was originally limited to six months after issuance but extended to March 31, 2021 at the longest.
- (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, in April 2020, 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.

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 (April 21, 2020).

- (3) Among the liquor products applicable to "high-concentrate ethanol products" shipped on and after May 1, 2020, the NTA has determined that those that satisfy certain requirements will not be imposed any liquor tax.

Furthermore, to support the liquor industry where liquor consumption has been stagnant due to the spread of the Covid-19 pandemic, the NTA has been 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. At the same time, to "realize the transformation of economic structure and virtuous cycle towards post Covid-19," the NTA is determined to support the management reforms of liquor business operators and the structural transformation of the liquor industry.

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]).

■ Application status of the Special Grace of Tax Payment

	From April 2020 to February 2021 ^(※1, ※2)	(Reference) Other Existing deferral measures Operation year 2018 ^(※3)
Number of cases applied	322,801	41,871
Tax amount	1,517,647 million yen	69,487 million yen

※1 Subject to national taxes payment deadlines arrived before February 1, 2021. Consists of the cases where applications were applied by payment deadlines (including applications submitted after payment deadlines of national taxes due to inevitable reasons admitted by District Directors of Tax Offices) and approved by March 31, 2021.

※2 Not including numbers of cases and tax amount of conventional grace systems.

※3 Excluding the grace of asset conversion by the district director of the district tax office.

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, liquor tax, gasoline tax and liquefied petroleum gas tax, as well as submitting statutory statements 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 or Pay-easy¹ compatible ATMs.

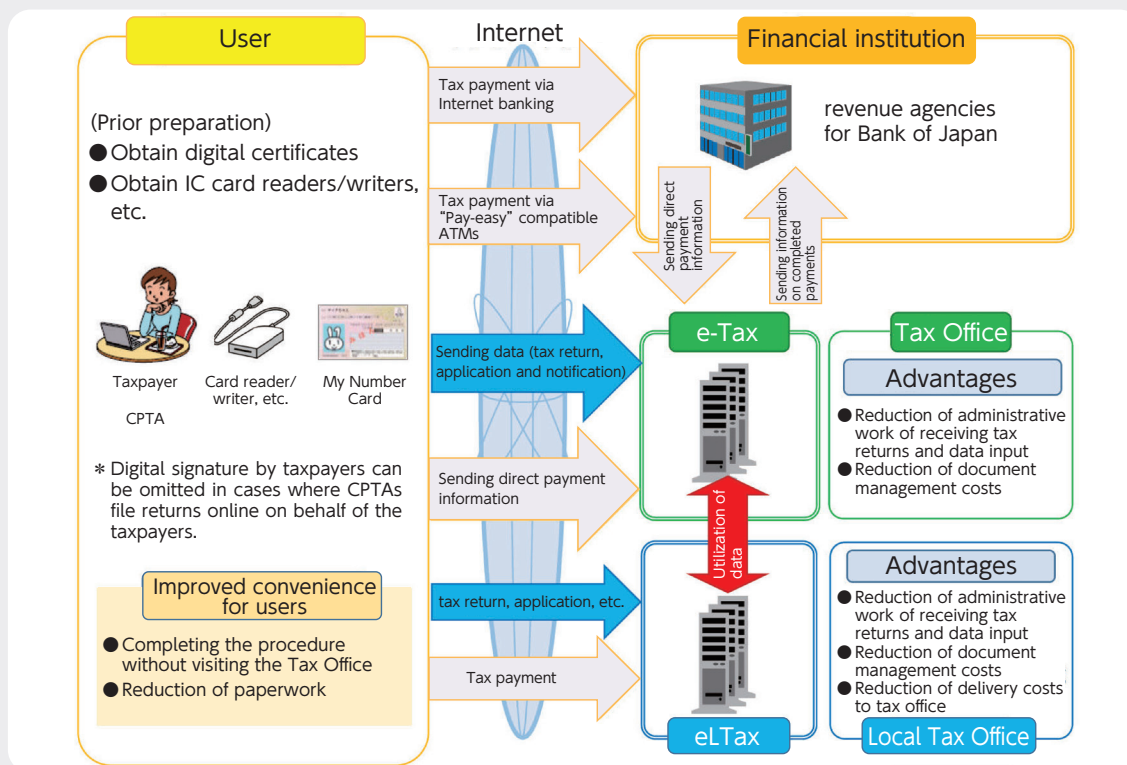
Further, while smartphones have been widely used in recent years, we have prepared an environment such as creating a dedicated site for smartphones so that e-Tax is easily used.

Use of tax and accounting software compatible with e-Tax enables taxpayers and CPTAs to digitally carry out the set of work from accounts processing and data preparation for tax return to filing, which will reduce paperwork.

We think 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 local tax authorities, and not only does it benefit the NTA, but the local tax authorities as well by increasing its efficiency.

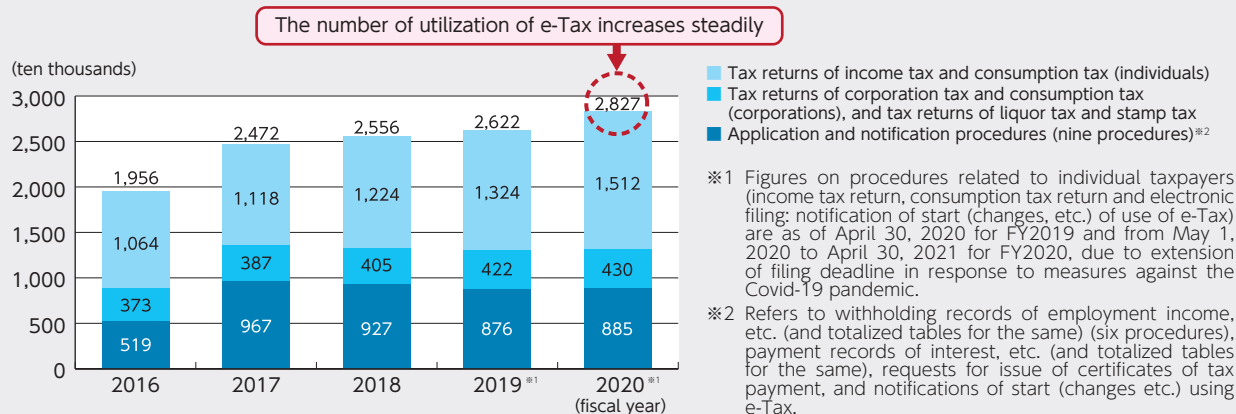
To this end, the NTA will enhance the convenience so as to enable taxpayers to perform procedures easily and accurately, amid the digitalization of the economic society further progressing. At the same time, from the perspective of promoting cost reduction in the whole society and productivity improvement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

■ 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 in April 2020]

Financial statements, one of the attachments in filing corporation tax returns, became eligible for submission in the CSV¹ form.

(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. Preparation of an e-Tax use environment [implemented in January 2021]

Taxpayers can now use the filing assistance on the NTA website from Google Chrome and Microsoft Edge browsers.

3. Introduction of two-dimensional bar code certification, etc. [implemented in March 2021]

Although an IC card reader/writer was needed for certification with My Number Card that is required for sending e-Tax or checking the message box in the e-Tax software, certification is now possible by loading a two-dimensional bar code displayed on PC with a smartphone.*

※It requires "Mynportal" installed in a smartphone.

※Two-dimensional bar code certification with tablet devices has been available for the filing assistance on the NTA website since January 2021.

※For details, see the e-Tax website (https://www.e-tax.nta.go.jp/systemriyo/qrcode_login.htm [in Japanese]).

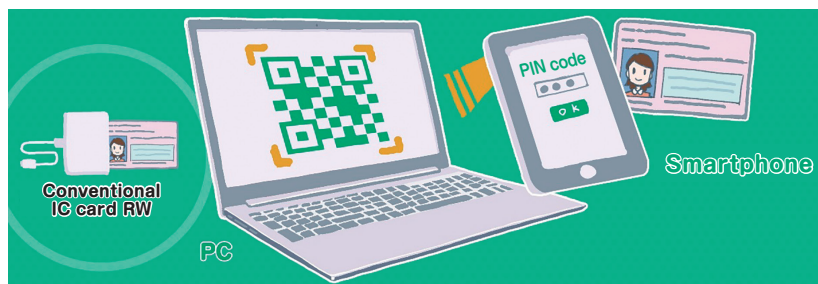


Image of using two-dimensional bar code certification

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, 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.

Together with the introduction of this system, the NTA took measures to improve convenience and prepared an environment so that all corporations including large enterprises will use e-Tax and can smoothly submit tax return data online.

■ 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, special purpose companies and national and local governments

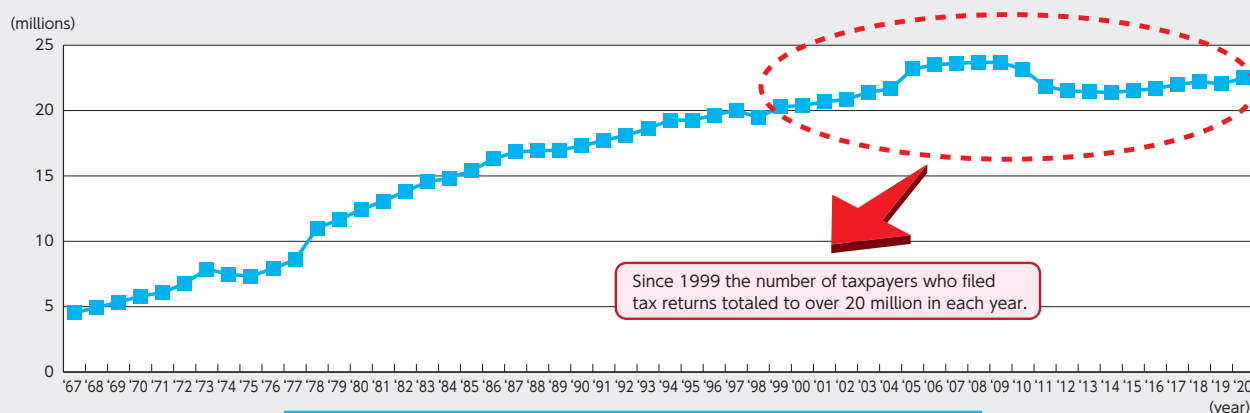
※ For concrete details, see the e-Tax website (<https://www.e-tax.nta.go.jp/hojin/gimuka/index.htm> [in Japanese]).

3 Filing for tax return

~ The number of taxpayers who filed income tax returns totaled 22.49 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. 22.49 million people filed their income tax and special income tax for reconstruction for 2020; thus, one out of six residents filed tax returns. Of these, over 13.01 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

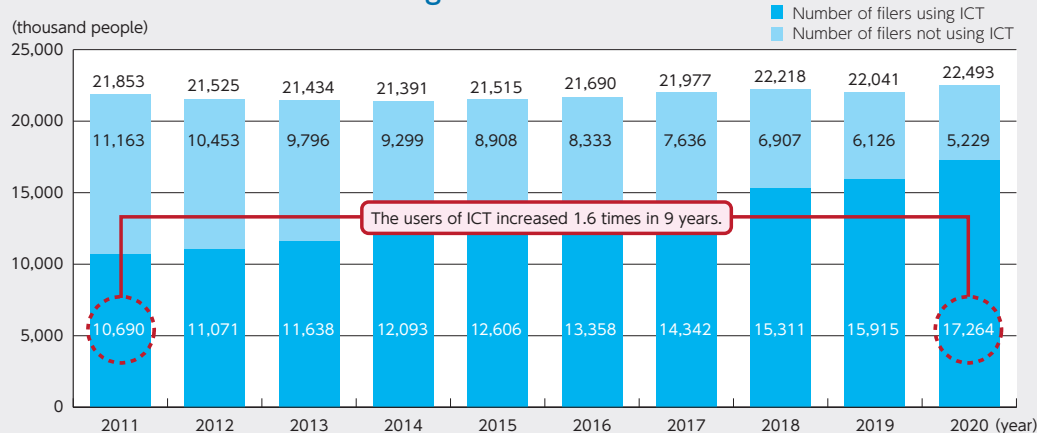
(1) Promotion of filing using ICT

~ Filing assistance on the website and e-Tax ~

The NTA promotes filings using ICT 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 for an income tax return using ICT



~ “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.

Note that, by linking with Mynaportal, information such as deduction certificates is collectively obtained, and amounts, etc. are automatically entered in corresponding fields.

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



Image of the smartphone dedicated site

The 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).

○Taxpayers eligible for use of the dedicated site for smartphones

Item	2020 tax return
Income	Employment income (one source with completed year-end adjustment, one source with uncompleted year-end adjustment or incomes from two or more sources are also eligible.) Other miscellaneous income including pension income or occasional income are eligible.
Income deduction	All income deductions can be processed.
Tax credit	Special credit for contributions, etc. to political parties, etc., reduction or exemption of income tax due to disasters

[Reference] The linkage with Mynaportal is also available.

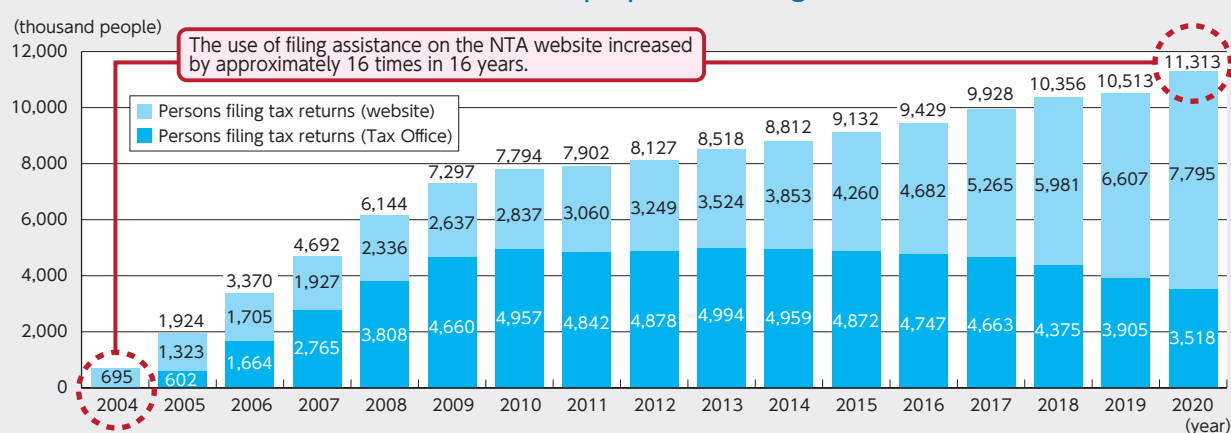
In the case of income other than the above, income deductions or tax credit, taxpayers can prepare tax returns on the same screen as PC's.

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

In the filing period for 2020, 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 11.31 million cases including those prepared via PCs set up at consultation sites. This comprised about 50% of all people who submitted returns. In addition, of the 11.31 million cases which were prepared using the filing assistance on the NTA website, approximately 1.69 million cases were prepared through smartphones.

We will continue our efforts to improve the system to make the filing assistance easier to use based on opinions and 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 and 2020 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 2003 or before 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 during the 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 during the tax return filing period at some Tax Offices, and at joint meeting sites outside the Tax Offices.

For the 2020 tax return filing period, the offices were open on February 21 and February 28, 2021, during which about 130,000 returns of income tax and special income tax for reconstruction were filed.

Cooperation with local governments

In an effort to simplify taxpayer filing procedures and improve administrative efficiency, the NTA is working on achieving close cooperation between the NTA and local governments. 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 local governments.

Also, on the implementation aspects, data of income tax filing and others are mutually provided between the national government and local governments. Such actively increased use of ICT is an effort to boost efficiency and reduce the costs of administrative operations of the national government and local governments.

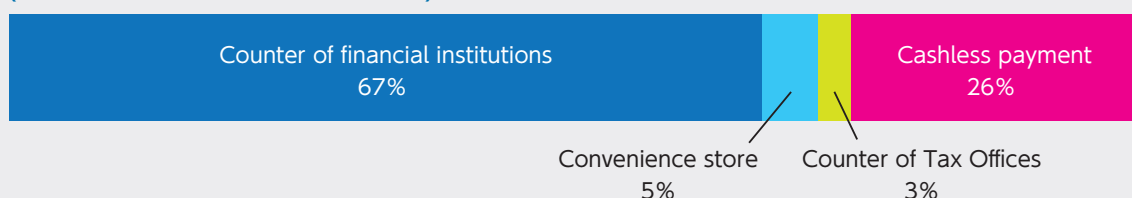
4 Promotion of cashless payment

～ Promote non-face-to-face cashless payment to reduce costs of the entire society ～

At present, 75 percent of total national tax payments are made at financial institutions, convenience stores or counters of Tax Offices.

We promote non-face-to-face cashless payments from the perspectives of improving taxpayer convenience, reducing costs of the entire society including financial institutions and preventing Covid-19 infection. Setting a goal of raising the cashless payment ratio to around 40 percent by FY2025, we are striving to recommend using them.

■ Proportions of national tax payments by payment method: FY2019 results (based on the number of cases)



～ Enhanced taxpayer services by offering various payment methods ～

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

Since January 2021, individual taxpayers can digitally submit transfer request forms and notifications of direct payment via e-Tax.

Transfer tax payment

***Available for self-assessed income tax and consumption tax of sole proprietors only**

Transfer tax payment is a tax payment procedure by debiting tax amounts from deposit accounts designated by taxpayers in advance.

By submitting a transfer request to a Tax Office or financial institution, or via e-Tax, transfer tax payment will automatically be carried out from the next time onwards.

Direct payment (direct type online payment of national tax)

***Available for all tax categories**

Direct payment is a procedure that enables taxpayers to pay tax immediately or on a designated payment date by simple operation after filing tax returns digitally by e-Tax, by submitting an application indicating bank account information in advance.

This procedure does not require attachment of digital certificate or IC card reader/writer and is particularly convenient for those who pay withholding income tax.

Online tax payment using Internet banking, etc.

***Available for all tax categories**

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 *Available for all tax categories

Credit card payment is a payment procedure by inputting necessary information on the "National Tax Credit Card Payment Site."

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

***Available for all tax categories except the voluntary payment portion of withholding income tax**

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 such as estimated tax prepayment.

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 towards 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.



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

a. 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.

b. 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 ~

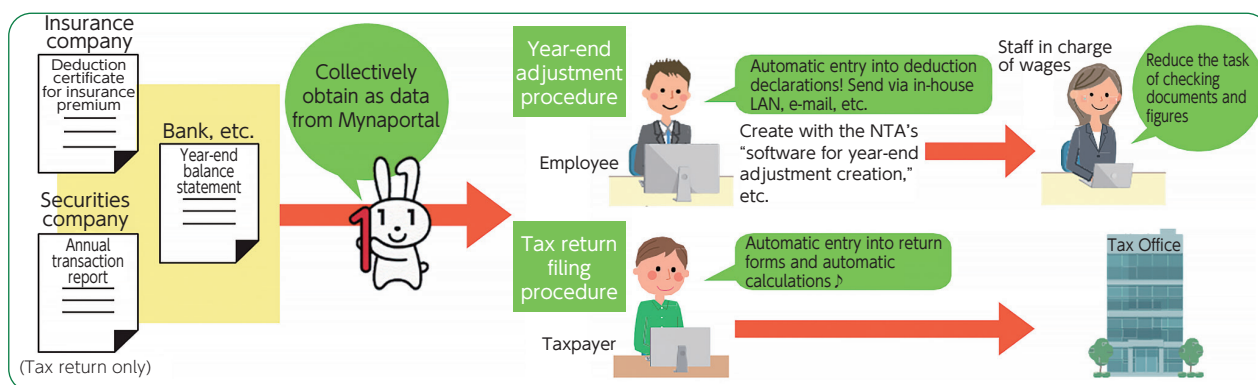
An individual or corporation has to fill in the Number (My Number or Corporate Number) on the filing form and statutory statements each time they submit to the tax authority. When My Number is provided, it is necessary to confirm the identity of individuals based on Act on the Use of Numbers to Identify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

Further, the NTA is moving forward with preparations for a scheme that enables even simpler completion of year-end adjustments and final tax return filings for 2020 and onwards 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 (linkage with Mynportal). We plan to increase document types such as deduction certificates available in Mynportal going forward.



～ 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" (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.

(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 other than those listed in ① through ③ or associations without juridical personality, etc., 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

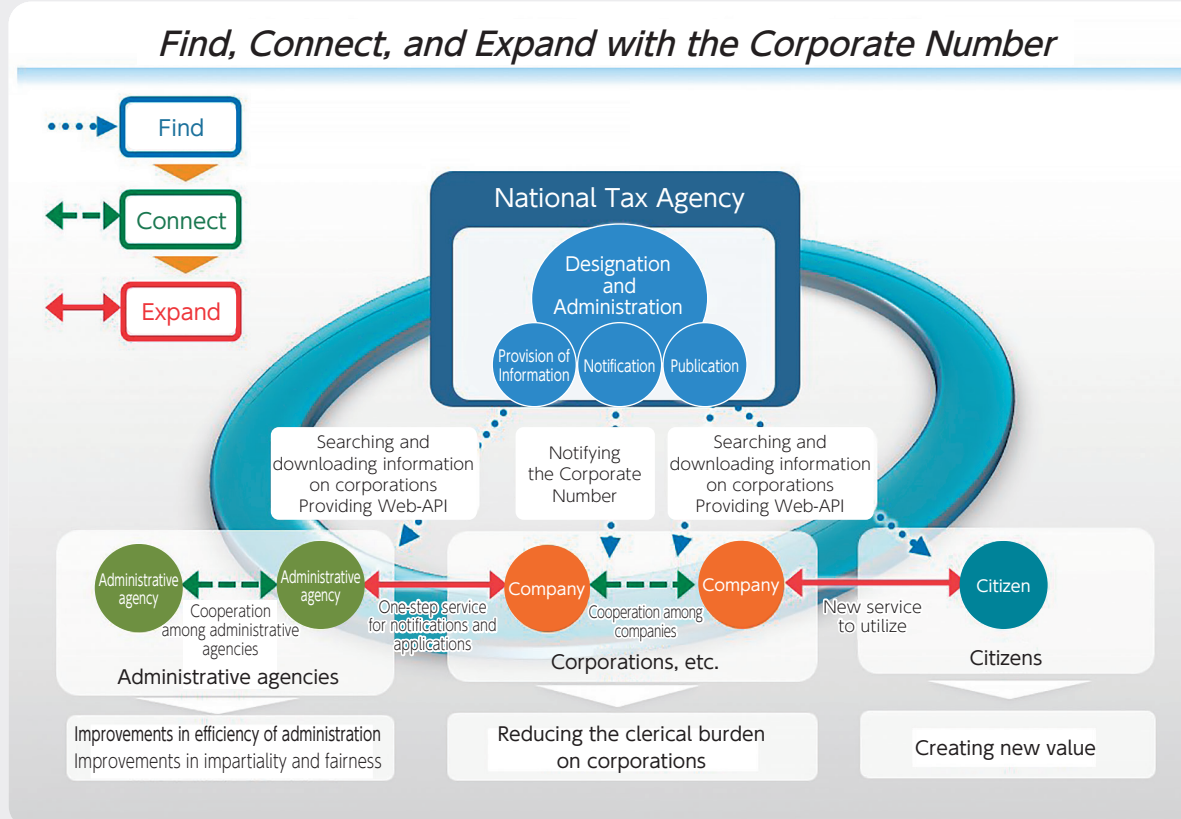
¹ Mynportal refers to an online site operated by the government which enables users to complete various administrative procedures in one stop and check notifications from government organizations.

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.houjin-bangou.nta.go.jp> [in Japanese]).

The three types of basic corporate information may be searched for on the NTA Corporate Number Publication Site. Also, the site offers Data Download and Web-API¹ function in order to enable users' ease-of-use of information such as the Corporate Number.

※ Corporations and associations without juridical personality other than those listed in ① through ④ above may still be designated a Corporate Number by notifying the NTA Commissioner if they meet certain requirements.

■ Outline of the Corporate Number System



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

While the Corporate Number is expected to be used in a wide range of fields in both public and private sectors as a part of the social infrastructure, the NTA undertakes initiatives towards improving the convenience of the NTA Corporate Number Publication Site to promote its use.

As a new initiative, we changed the publication of the three types of basic information from once a day to twice a day from February 2021 and publish the three types of basic information more promptly.

In addition, from March 2021, Data Download function was changed so that the data of all cases throughout the country could collectively be downloaded.

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.

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

The NTA has obtained “issuing agency codes” from the United Nations (UN) and the International Organization for Standardization (ISO), and issuing agency codes can be used in international transactions by combining with a Corporate Number.

While economic transactions have been internationalized, 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 and corporations’ trade names or names and the addresses of head offices or principal places of business in English are published upon requests from corporations, etc.

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 July 2020, which compiled policies with priority towards an inclusive “Digital Society,” in which every single individual is able to benefit from digital technology. Furthermore, the Cabinet adopted the “Digital Government Action Plan,” which clearly outlines initiatives to promote administration utilizing digital technology, in December 2020.

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, and at the same time, is striving to promote one-stop completion³ of “Social Insurance and Tax Related Process” and “Process to Establish Corporations” in line with the process guideline of the overall government as a member of related government agencies. We digitally send a Notification of Corporate Number to corporations that registered incorporation using one-stop completion of “Process to Establish Corporation.”

Further, with the “Regulatory Reform Implementation Plan” approved by the Cabinet in July 2020, it was decided that drastic reviews would be undertaken on paper documents, use of seals and the restriction of face-to-face interaction in administrative procedures at all ministries. In line with it, the NTA also expanded the types of national-tax-related returns and applications that can be submitted online by e-Tax, and conducted reviews as such that use of seals, which had been required before, is basically unneeded.

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 one-stop completion of “Social Insurance and Tax Related Process” refers to the initiative to bring social insurance and tax related procedures carried out by employers that accompany life determining events, such as hiring and retirement of employees that used to require submission of documents to each administrative organization, in a one-stop manner through Mynportal. The utilization of a cloud service is also planned in the future.

The one-stop completion of “Process to Establish Corporations” refers to the initiative to realize a service which enables to complete various procedures through Mynportal in a one-stop manner, which would otherwise require submission of documents to each administrative organization when setting up a corporation. These services began on January 20, 2020 and have become available for all procedures associated with establishing corporations since February 26, 2021.

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.

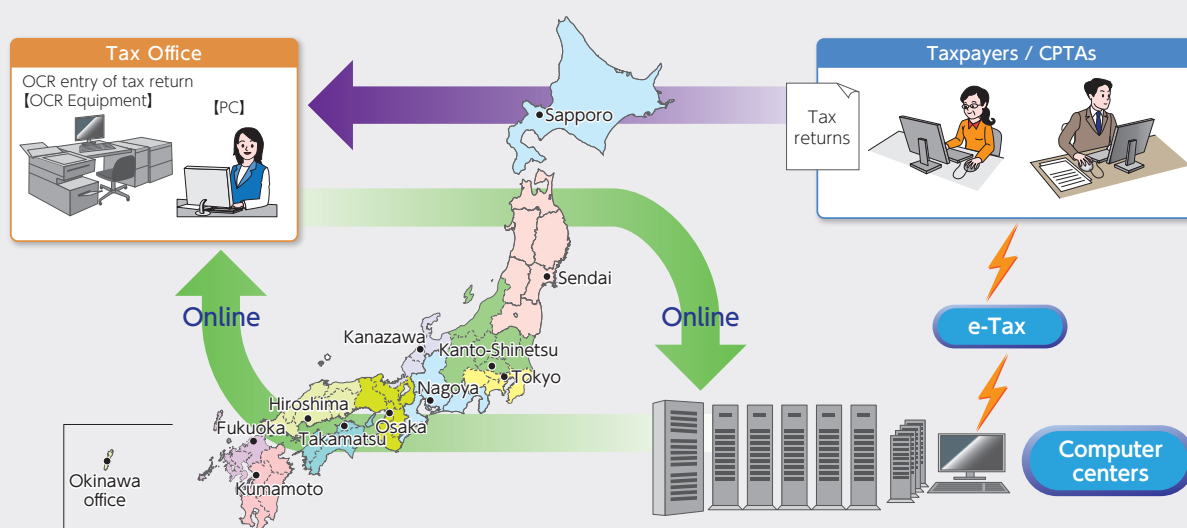
Also, since the NTA holds and accumulates large amounts of taxpayer information, we take great care for the prevention of its improper use and leakage. For instance, we allow our officials to use only the necessary information for their work, and disconnect information systems that access taxpayer information from the Internet. We also conduct 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)¹ 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: 2006²), 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.

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.



- 1 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.
- 2 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.

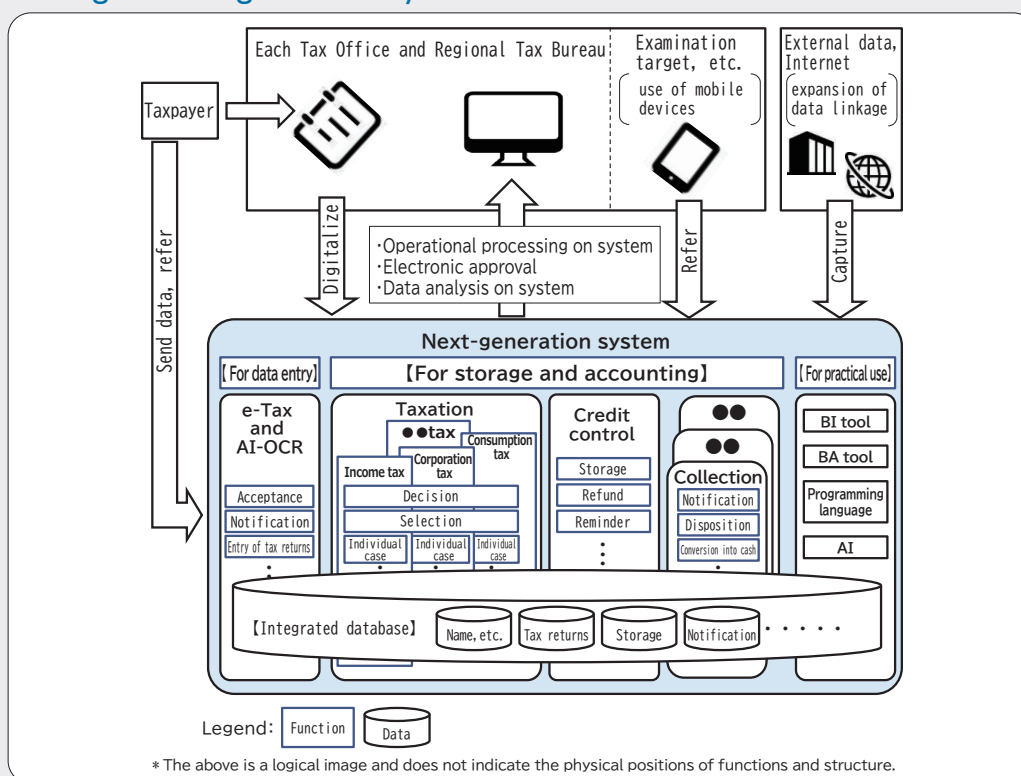
Systems upgrade (development of new system)

The NTA has decided to aim for “improvement of taxpayer convenience” and “more efficient and sophisticated taxation and collection” through utilization of ICT, and as the infrastructure to realize them, we launched the development of next-generation system towards its full-scale introduction in FY2026.

We are advancing the development of next-generation system with the following concepts:

1. A system to realize operational processing mainly with data (from paper to data),
2. Integration of database applications, which are currently divided by tax category (elimination of vertical division systems),
3. Renewal from so-called large “main frame” computers using the original OS to so-called an “open system” using store-bought general-purpose OS (departure from main frame).

■ Image of next-generation system



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, we strive 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.

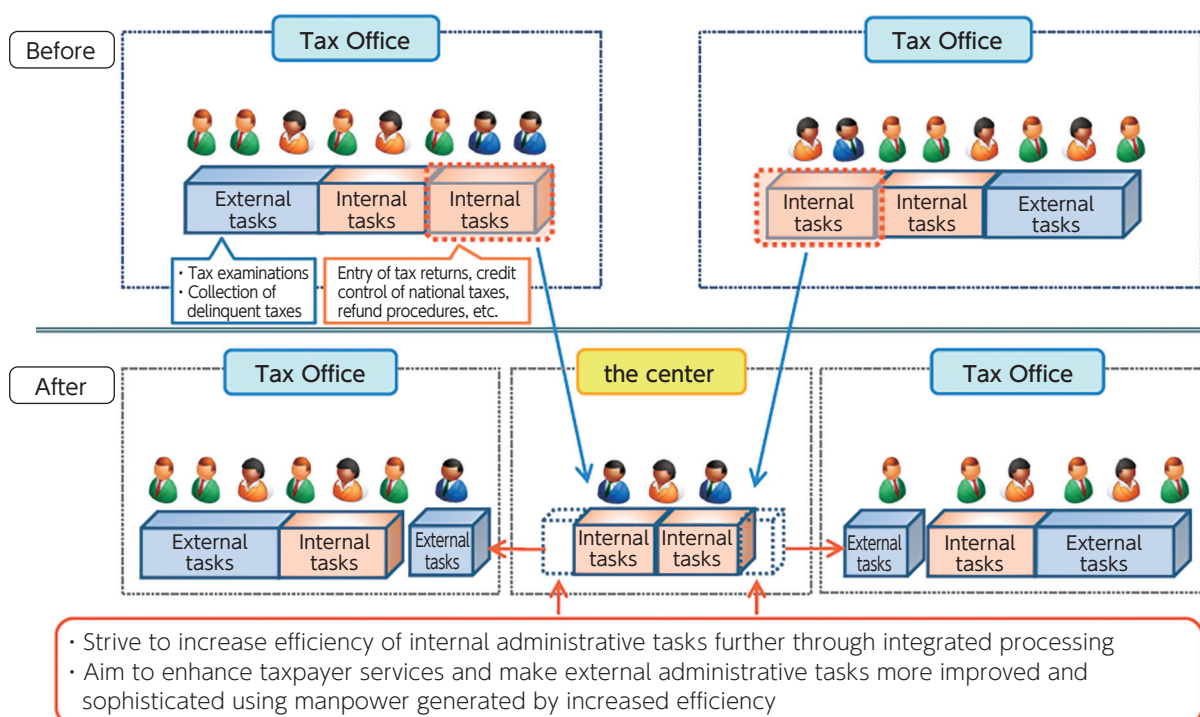
“Center-based system for internal administrative tasks”

The NTA established an operation center as an organization in Regional Taxation Bureaus in July 2021 and will implement a “center-based system for internal administrative tasks” handled by several Tax Offices will be integrated in a “center-based system,” targeting some Tax Offices.

Internal administrative tasks subject to the integration include the entry and review of tax returns and notifications as well as the procedure of tax refunds.

Further, we plan to implement the center-based system for all Tax Offices by 2026.

We will strive to increase efficiency of internal administrative tasks further through the center-based system, aim to enhance taxpayer services and make external administrative tasks such as tax examination improved and sophisticated, using manpower generated from increased efficiency.



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 distributing guidebooks and pamphlets, etc. and publishing movies on the NTA website, 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 the method for storing eligible invoices (so-called invoice system).

a. 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 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 Supply of food and drink excluding alcoholic drink and dining out ② Supply of newspapers issued twice a week or more (those based on subscriptions)

b. Outline of the method of storing eligible invoices

Starting October 2023, the method of storing eligible invoices (so-called invoice system) will be introduced. Under the invoice system, purchase tax credits require the storage of accounting books and bills such as eligible invoices (so-called “invoices”) issued by a taxable business operator who applied and has been registered as an “eligible invoice issuer” by the District Director of a Tax Office.

■ Schedule of changing the method of purchase tax credit

October 1, 2023

The method of storing invoices with classified descriptions

The method of storing eligible invoices (so-called invoice system)

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

～ Providing 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
- Providing necessary guidance against refusals to shift consumption taxes as the competent authority of the liquor industry, in addition to providing consultation and receiving information concerning liquor businesses

9 Cooperation with private organizations

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

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

We are 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 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 1,700 associations nationwide, and the total number of members is about 560,000 (as of March 2021). 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 740,000 corporations (as of December 2020). 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 90,000 members (as of April 2020). 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 about 18,000 associations nationwide (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 130,000 members belong to these associations (as of March 2021). 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 Promotion of proper and fair taxation

~ 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, we establish appropriate examination systems, and conduct 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, we make brief contact via in writing or by telephone.

■ The number of field examinations

(thousand cases)

Operation year Tax category	2017	2018	2019
Self-assessed income tax	73	74	60
Corporation tax	98	99	76
Consumption tax	132	133	105
Inheritance tax	13	12	11

■ The additional tax amount of field examinations

(billion yen)

Operation year Tax category	2017	2018	2019
Self-assessed income tax	94.7	96.1	99.2
Corporation tax	194.8	194.3	164.4
Consumption tax	102.1	109.9	100.4
Inheritance tax	78.3	70.8	68.1

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

The NTA utilizes a 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 fictitious purchases were registered pretending that an expensive fixed asset was purchased.

～ 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 and non-residents' financial account information based on Common Reporting Standard (CRS).

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.

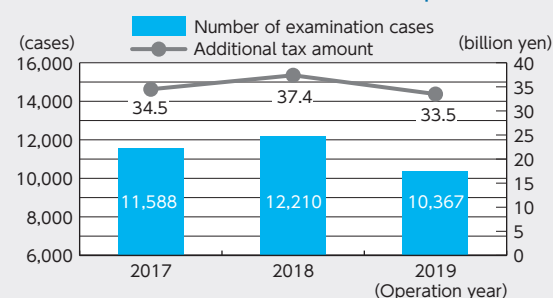
◎ Cases in which the NTA identified overseas assets not reported for Japanese tax purposes or international tax avoidance

- The NTA uncovered a case in which a foreign corporation owned shares but did not report dividends and gains on sale of shares, using overseas remittance reports, etc.
- The NTA used the exchange of information based on the tax treaty and uncovered a case in which a representative had sales proceeds deposited in his/her personal account at an overseas bank and did not properly report sales,

～ 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 non-filers 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 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 cases in which large profits made by sales of goods through the Internet were not reported, and only part of gains on cryptocurrencies managed with the profits was reported.

～ 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, necessity for efforts and systematic measures to address the securing of fair taxation is mutually recognized as an issue 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, we 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_taiou/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

We carry 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 enterprises, 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.

We will establish the mutual trustful relationship with those corporations under favorable corporate governance on tax matters and lower the examination frequencies when judged that they require lower attention, and will focus our 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, we expect the effects of 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 the effect of 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.

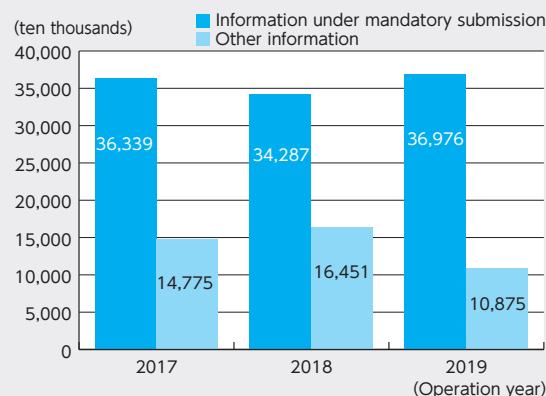
(3) Data and Information

~ 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.

Note that we are striving to enrich information further, using the legal system enacted since January 2020 concerning collection of information, as well.

■ Number of information items collected



Column 7

Management of examination processes considering the spread of the Covid-19 pandemic

It has been decided that on-site examinations, etc. would be conducted in line with taxpayers' situation while determining the spread of the Covid-19 pandemic, and we undertook on-site examinations after ensuring taxpayers' understanding and cooperation.

In addition, for cases in which examinations could be conducted without attending to taxpayers, we provided administrative guidance by phone or in a written form, or in other ways other than on-site examinations.

(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 towards cases with socially strong ripple effects ~

In FY2020, in view of the purpose of the tax criminal investigation system, the NTA focused on and actively engaged in cases with strong social ripple effects, such as consumption tax cases, failure to file tax return cases, international cases and up-to-date and distinctive cases.

As a result, we accused a fraudulent refund case by misusing the export tax exemption system for consumption tax, and for an international tax evasion case by booking fictitious costs to an overseas corporation. We also accused for so-called poverty businesses and a real estate case in a popular resort area among inbound tourists.

◎ An example of accusations filed to the prosecutor in FY2020

The NTA accused a foreign resident who received fraudulent consumption tax refunds.

The NTA accused a foreign resident who intentionally booked an excessive amount of tax-exempted export sales and tax credit for consumption tax on purchases not based on real transactions and received fraudulent consumption tax refunds by misusing the export tax exemption system for consumption tax.

The NTA accused the foreign resident of an attempted crime about fraudulent consumption tax refunds withheld by the tax office of jurisdiction.

■ 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
FY2019	150	165	116	11,985 (9,276)	73 (80)
FY2020	111	113	83	9,050 (6,926)	80 (83)

※ Figures of tax evasion include additional tax.

■ Ruling Status in the first trial of criminal investigation cases

	Number of judgements 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
FY2019	124 (9)	124 (9)	100.0	5 (4)	47	15.5	12
FY2020	87 (3)	86 (3)	98.9	6 (2)	57	14.1	13

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

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

◎ An example in FY2020 resulted in conviction

The first crypto-asset case resulted in a conviction in Japan

For the first time in Japan, a crypto-asset case of income tax evasion by not reporting gains on crypto-asset transactions resulted in a judgement of conviction with a one-year imprisonment (three-year suspended sentence) and a fine of 18,000,000 yen.

Case where hidden properties were found in criminal investigations

The NTA found cash in the storage space under a bed in a bed room.



2 Ensuring tax payment

(1) Establishment of voluntary tax payment

~ Approximately 65.7 trillion yen of taxes paid within the fiscal year (98.3% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2019, about 66.8 trillion yen of taxation (amount determined for collection) was self-assessed in Tax Offices. Of this, about 65.7 trillion yen of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.3% 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 Tax Accountants' Associations.

So that taxpayers do not forget their deadlines for tax payment and to settle their payments in a planned 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.

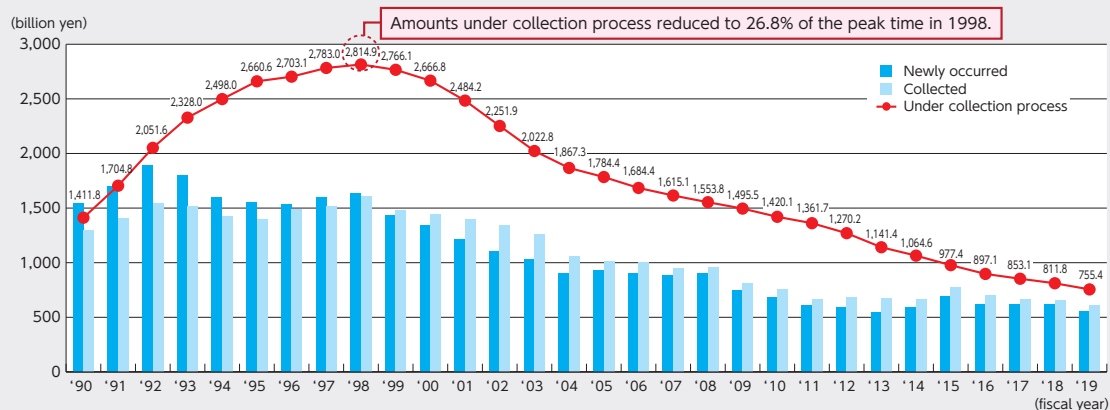
※ Delinquency signifies that the national tax was not paid by due date and a payment demand letter was sent.

(2) Efforts to promote reduction of tax delinquency

~ Amounts under collection process reduced to 26.8% of the peak time ~

At the end of FY2019, the tax delinquency amount was about 755.4 billion yen.

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



※ 1 Figures are current cases under the collection process 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 paying in a lump sum, the NTA will consider applying measures to relax conditions of the tax payment, such as grace of tax payment or grace of asset conversion, 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 the default of commitments to pay the tax is repeated, the NTA will take disposition for collecting 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 collecting delinquent tax is referred to the prosecutor.

◎ Cases of accusations filed to the prosecutor in FY2020

The NTA accused the case in which disposition for collecting delinquent tax was evaded by depositing money to a bank account in the name of a relative, etc.

For the purpose of evading disposition for collecting delinquent tax, the suspect withdrew part of commission fees transferred from a client in cash and hid his/her asset, including by depositing it in a bank account in the name of a relative.

~ Organizational response to difficult-to-handle cases ~

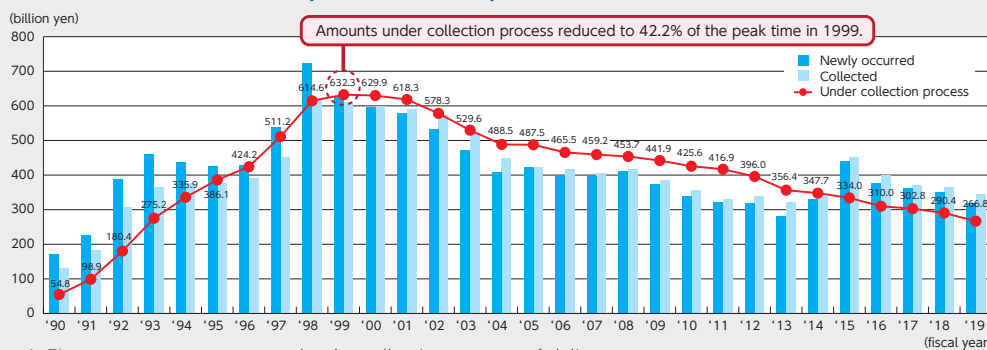
For delinquency processing of difficult-to-handle cases, such as complicated transactions and disguise of transfer of asset, the NTA secures sufficient resources necessary to solve the case and takes organizational actions such as disposition for delinquent tax by management over a wide geographic area, 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 Figures are current cases under the collection process of delinquent taxes.

※ 2 Figures for local consumption tax are not included.

- 1 If actions such as hiding of assets are done to evade seizure or other disposition for collecting 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 taxpayer 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 Article 42 of Act on General Rules for National Taxes and Article 424 of the Civil Code).

(3) Office of Tax Collections Call Center

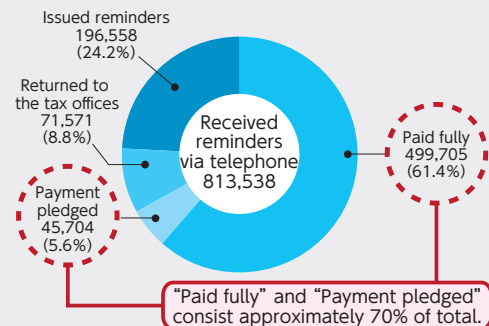
~ Conduct effective and efficient phone notices ~

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 2019 to end of June 2020, the office provided notifications to about 810,000 people, of which about 500,000 people (61.4 %) fully paid, and about 50,000 people (5.6 %) pledged payment.

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

Of 813,538 taxpayers issued reminders for payment by telephone between July 2019 and end of June 2020, 499,705 have fully paid their taxes.



(4) Public auction by Internet

~ Sold approximately 300 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 place 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.

Five Internet auctions were held in FY2020. As a result, a total of about 4,000 people participated, and about 300 items such as automobiles, jewelry goods, real estate were sold, for a total sales value of about 100 million yen.

■ Examples of properties that were sold by Internet auctions in FY2020



(5) Accurate and efficient management of claims and liabilities

～ 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 a system so that these claims and liabilities are managed accurately and efficiently.

There are about 41.56 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 account 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

～ Increase of public interest 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 ～

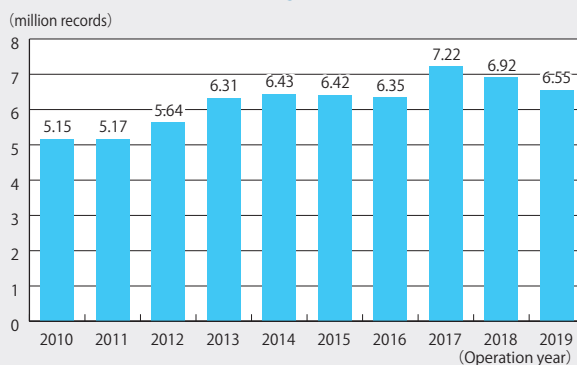
The NTA adopts the following systems in order to precisely detect cross-border transactions and assets within and outside of Japan, while comprehensively analyzing collected or given information and others to deal accurately with cases of international tax avoidance.

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.

a. 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).

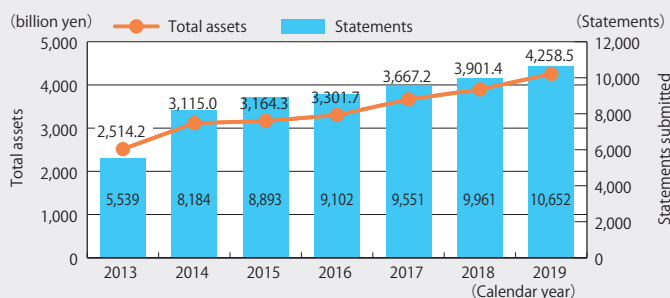
■ The number of Records of remittances and receipts related to foreign countries submitted



b. 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).

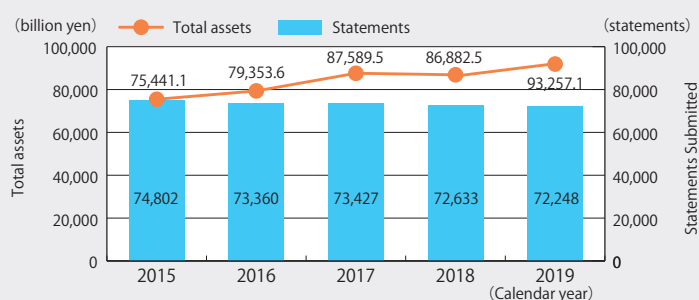
■ The number of foreign asset statements submitted and total amount of assets reported



c. 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).

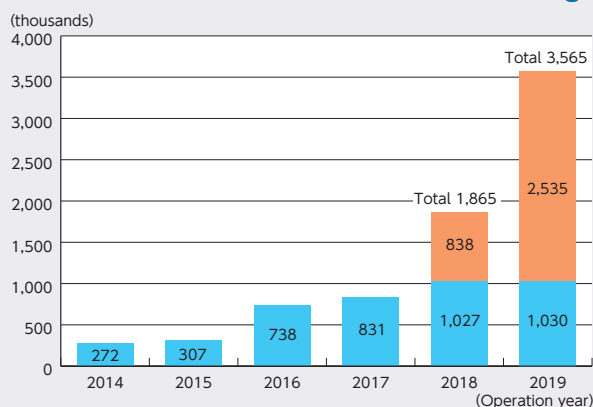
■ The number of statements of assets and liabilities submitted and total amount of assets reported



d. Exchange of information under tax treaties, etc.

Regarding the cross-border transactions, the NTA acquires the necessary information for proper and fair taxation and collection from other jurisdictions by utilizing exchange of information with foreign tax authorities under Tax Treaties, etc.¹ (As of April 2021, Japan has 79 Tax Treaties, etc. in force, which cover 143 jurisdictions).

■ Trend in number of information exchange



※1 Number of information exchange represents the total of provisions and receipts in each operation year.

※2 Figures for operation year 2018 and onwards include financial account information of non-residents under the CRS and Country-by-Country Report.

e. 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 (name, address, account balance, etc.) with other jurisdictions on a periodical basis. So far, over 100 jurisdictions participate in exchange of information based on this framework, and the number of participating jurisdictions is expected to increase going forward.

Japan has also exchanged information with other foreign tax authorities based on the framework every year since 2018. The NTA uses the information received to detect and identify financial assets located overseas and income generated through those assets, and cross-border transactions with taxation issues after paying attention to changes in asset balances and 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~June 2020		July 2018~June 2019		July 2019~June 2020	
	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	15	1,630,421	10	74,770	11	373,870
North America and Central & South America	15	41,995	19	96,288	9	6,261	11	33,526
EU and NIS Countries	40	232,492	41	299,313	35	8,895	38	64,129
Middle East and Africa	8	24,580	11	32,755	4	229	5	2,174
Total	74	744,986	86	2,058,777	58	90,155	65	473,699

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.

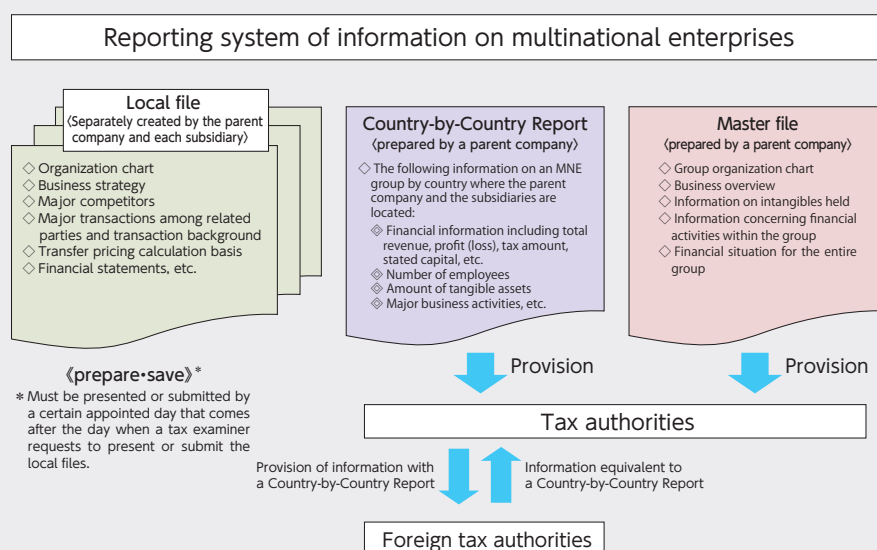
f. Reporting system of information on multinational enterprises

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 2019, the NTA received 1,751 reports from tax authorities of 44 jurisdictions, while it provided 844 reports for tax authorities in 52 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.

a. Participation in global frameworks

(a) Development 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]).

(b) 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 2021, 139 jurisdictions including Japan have been participating in this framework, and monitoring the implementation of the recommendations through the peer review process. As well as discussing review of the recommendations in themselves, in these days, participants have discussed solutions for taxation issues arising from digitalization of the economy.

Regarding exchange of information under tax treaties, the framework and the practical implementation in each country and region are monitored through the peer review process at the "Global Forum on Transparency and Exchange of Information for Tax Purposes," in which 162 jurisdictions participate as of April 2021.

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 international tax avoidance.

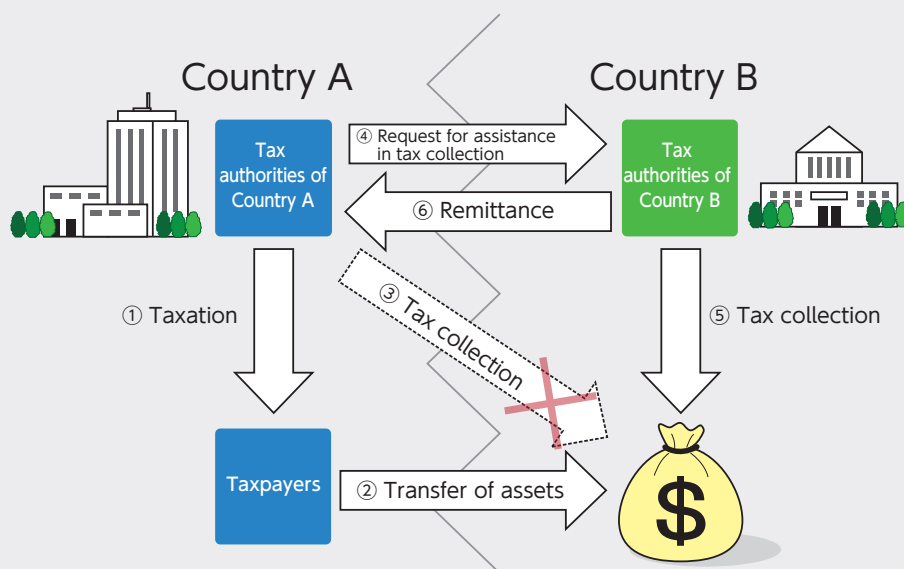
The NTA is actively participating in these activities and discussions.

b. 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.

■ Framework of mutual assistance in tax collection



■ Web-TAX-TV "Chase overseas assets! Efforts for International Collection"



The NTA's Internet program, "Web-TAX-TV," distributes a drama movie about revenue officers' work. In the movie, they conduct tax collection using the mutual assistance in tax collection system based on tax treaties for a malicious tax delinquency case where a delinquent taxpayer transfers assets to overseas and tries to avoid tax payment. We would like you to have a look at it.

The NTA website "Web-TAX-TV"

<https://www.nta.go.jp/publication/webtaxtv/index.html> (in Japanese)

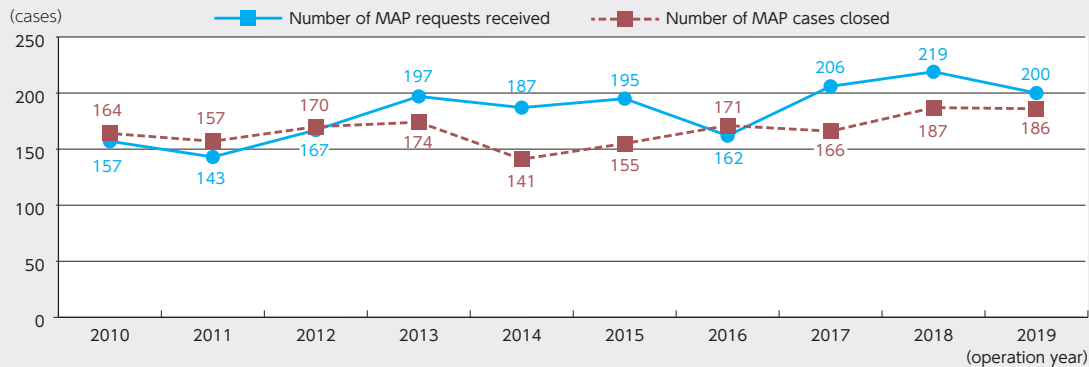
¹ It is a multilateral convention on mutual assistance for the exchange of tax-related information, tax collection and service of documents and has become effective by 130 jurisdictions including Japan (as of June 1, 2021).

c. 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)¹ 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)² in view of the predictability for taxpayers and the proper and smooth administration of the transfer pricing taxation³.

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 authorities for swift and smooth MAP negotiations⁴. 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.

■ Number of MAP requests received and MAP cases closed



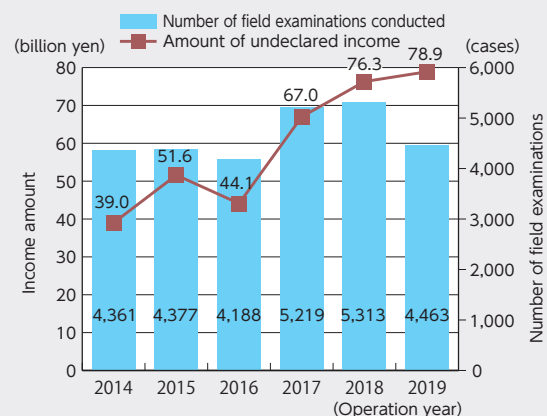
※ "Number of MAP requests received" consists of such requests from taxpayers and from foreign tax authorities.

(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



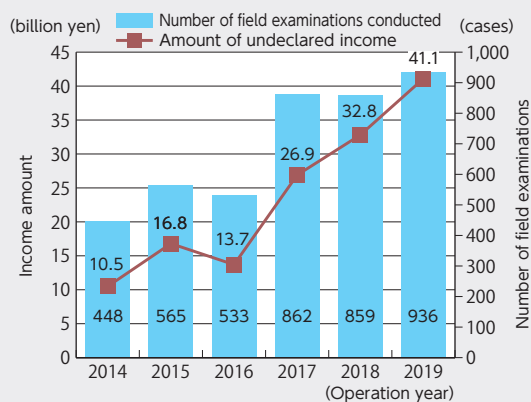
1 "Mutual Agreement Procedure (MAP)" is a formalized set of procedure between tax authorities of treaty partners which are provided in tax treaties. The NTA enters into MAP upon the taxpayers request where taxpayers consider that international double taxation arise or will arise from transfer pricing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

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

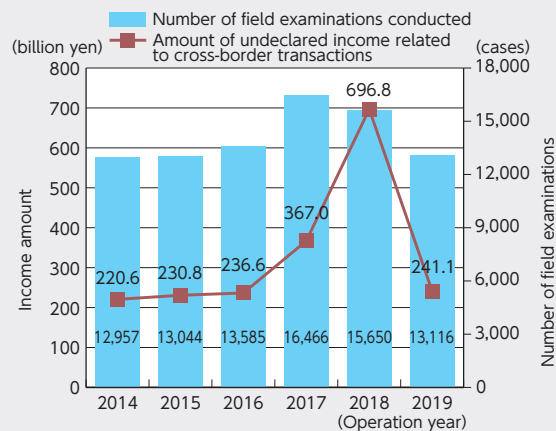
3 An adjustment of an enterprise's the income based on the transaction price between third parties (referred to as "arm's length price") when such enterprise engages in a transaction with a related enterprise abroad, and the income of such enterprise is diminished due to the fact that the transaction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

4 The number of persons in charge of MAP was 33 in the 2010 operation year, but it has increased to 46 as of the 2020 operation year. During the 2019 operation year, the NTA conducted 31 times of MAP meeting for 97 days in total.

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 Official Development Assistance (ODA), 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.

In FY2020, since it was difficult to invite trainees from foreign countries and to dispatch lecturers to overseas due to the Covid-19 pandemic, we had to postpone some trainings, however, we made efforts to hold as many trainings as possible, using a web conference system, etc.



Practicum at the NTA

Overview of technical cooperation

1. Dispatch of officials to developing countries

Based on the requests received from developing countries' tax authorities, the NTA dispatches its officials for trainings held in those countries. In FY2020, we gave lectures to the tax authorities of Indonesia and Lao PDR using web conference systems.

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 Japan International Cooperation Agency (JICA). In FY2020, they stayed in Indonesia, Lao PDR, Myanmar and Vietnam.

2. Trainings conducted in Japan

(1) International Seminar on Taxation (ISTAX)

This is the seminar for tax officials from several developing countries, and gives lectures on Japan's tax system and tax administration. It has two courses: "General" for mid-career officials, and "Advanced" for upper management-level officials, but in FY2020, these courses were postponed due to Covid-19.

(2) Country-Focused Training Courses

The courses target tax officials from a certain developing country, and give lectures based on its requests. In FY2020, 15 tax officials from Afghanistan participated in the course, using a web conference system.

(3) International Taxation for Asian Countries

This course targets tax officials from Asian developing countries and gives lectures on "international taxation." In FY2020, it was postponed due to Covid-19.

(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 FY2020, nine students in total, enrolling in graduate schools of Keio University, Yokohama National University and National Graduate Institute of Policy Studies, participated in this course.

■ Status of trainings conducted in Japan

(number of countries, people)

		2016	2017	2018	2019	2020
International Seminar on Taxation (ISTAX) (General)	Countries	15	15	14	16	—
	Participants	15	15	14	16	—
International Seminar on Taxation (ISTAX) (Advanced)	Countries	8	9	9	11	—
	Participants	10	9	9	11	—
Country-Focused Training Courses in Tax Administration	Countries	4	4	6	3	1
	Participants	96	79	86	32	15
International Taxation for Asian Countries	Countries	7	6	5	7	—
	Participants	11	12	7	7	—
Practicum at the NTA	Countries	9	11	11	12	7
	Participants	15	15	17	15	9

~ Efforts against taxation and financial crimes in Asia Pacific region ~

In recent years, international tax and financial crimes have been a big concern in every country, and the international cooperation is vital to combat these crimes. To promote the international cooperation, the OECD has played a central role to hold the “OECD International Academy for Tax and Financial Crime Investigation” for tax crime investigators from various regions. In various regions in the world, the Academy has provided the programs on investigation techniques on tax crimes, money laundering, and international cooperation, etc.

In collaboration with the OECD, the NTA held the first program for the “OECD Asia-Pacific Academy for Tax and Financial Crime Investigation” in May 2019 at Wako Campus of the National Tax College which was mainly targeted to countries in the Asia-Pacific, and held six programs in total including those held online as of the end of FY2020. The NTA will continue to contribute to enhancing investigation techniques of officials from Asia-Pacific countries and promoting international collaboration by regularly holding programs of the Academy.

(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.

a. OECD Forum on Tax Administration (FTA)

The FTA is the forum for Commissioners from 37 OECD and 16 non-OECD jurisdictions to share each authority's knowledge and experience in a wide range of fields in tax administrations. In December 2020, the 13th Plenary Meeting took place virtually, where the authorities discussed actions taken against the Covid-19 pandemic, for the digitalization of tax administration, etc.

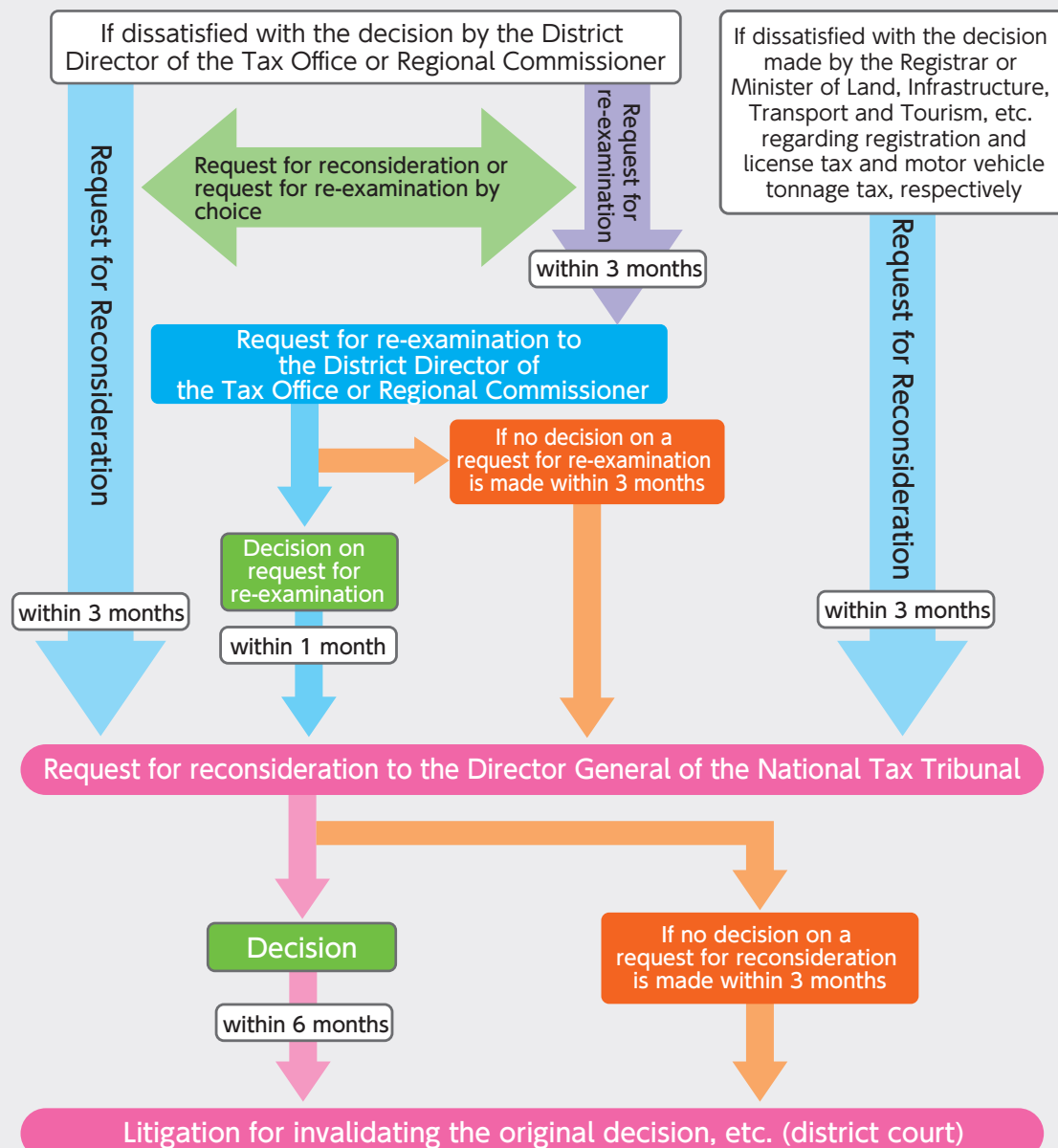
b. Study Group on Asian Tax Administration and Research (SGATAR)

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. The annual forum for 2020 was postponed due to the impact of Covid-19 pandemic.

Remedy for Taxpayer Rights

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").

■ 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 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. ~

a. 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 FY2020, 99.9% of requests for re-examination were closed within 3 months. 999 re-examinations were requested in the fiscal year (957 in taxation and 42 in tax collection). Of these, 10.0% of taxpayer claims were approved in whole or in part by recognizing new facts, etc.

b. Request for reconsideration

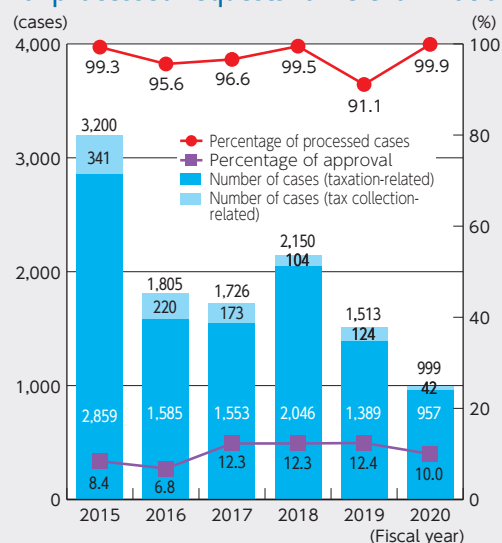
- **Target** The NTA and the National Tax Tribunal have set the standard length of deliberations for a request for reconsideration to 1 year and are striving to finish processing requests for reconsideration within 1 year in principle.
- **Result** In FY2020, 83.5% of requests for reconsideration were closed within 1 year. There were 2,328 requests for reconsideration in the fiscal year (2,177 in taxation and 151 in tax collection). Of these, 10.0% of taxpayer claims were approved in whole or in part by recognizing new fact, etc.

c. Litigation

For litigation, 180 cases were closed in FY2020 (157 in taxation, 21 in tax collection and 2 in the National Tax Tribunal). Of these, 7.8% of taxpayer claims were approved in whole or in part.

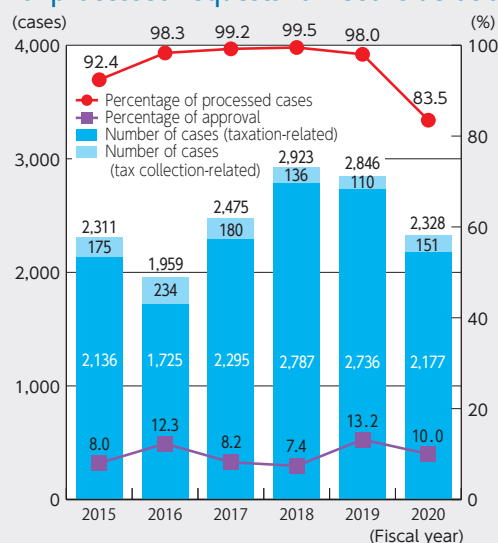
※ The NTA and the National Tax Tribunal provide information such as the leaflet of revision of the request for review system for national tax, overviews of the requests for re-examination, the requests for reconsideration and litigation and cases of decisions on requests for reconsideration, to deepen 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 2021.
- ※2 Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases, as well as, in FY2020, cases in which re-examination requests could not be processed within three months due to interruptions by natural disasters, etc. or taxpayers' conditions.
- ※3 Figures for FY2015 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 2021.
- ※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.

～ 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.

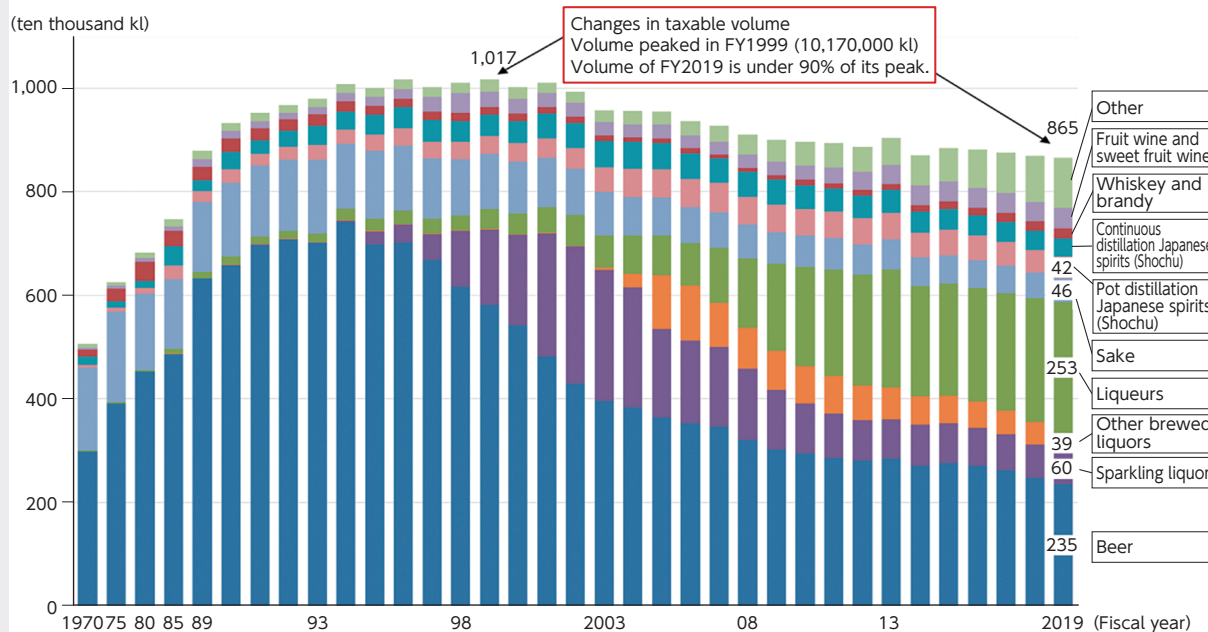
1 Situation of Liquor Industry

(1) Situation of domestic market

The taxable volume of liquor has declined since it peaked in 1999.

It is apparent that 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 sparkling liquor, chuhai and beer-like products (the so-called new genre drinks).

Changes in taxable volume



(Source: National Tax Agency Annual Statistics Report)

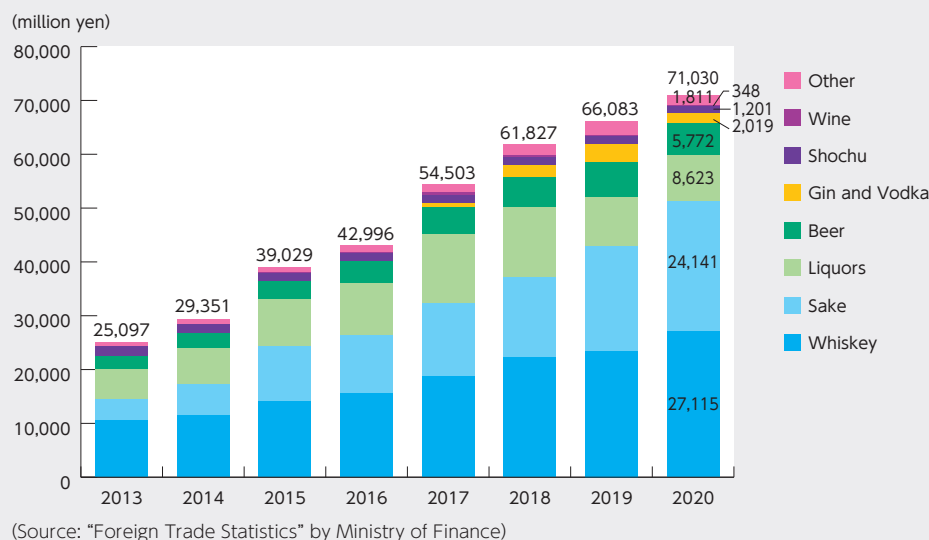
Although most business operators in the liquor industry are small and medium enterprises, they are engaged in efforts, such as product differentiation, emphasis on value and overseas expansion, and many of them have managed to grow. Recently, business operators in different industries, startups and moreover,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

(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.

Against that backdrop, the export value of liquor made in Japan reached about 71.0 billion yen (7.5% increase from the previous year) in 2020, renewing its record high for nine consecutive years.

■ Trend in the export amount of liquor which made in Japan



(3) Impact of the Covid-19 pandemic

Due to the impact of the expansion of the Covid-19 pandemic, domestic liquor consumption has further declined particularly at restaurants since April 2020. On the other hand, exports temporarily saw a significant drop particularly to Europe and the U.S. but have recovered since August the same year, and the total amount of exports for the year turned positive.

■ Trend of domestic liquor consumption in 2020

(Rate of year-on-year increase/decrease in percentage)

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Consumption at home	+5.2	+12.5	+9.5	+22.5	+26.9	+17.4	+12.2	+11.7	+5.9	+22.1	+14.2	+8.2	+13.6
Consumption at restaurants	+16.1	+12.3	▲ 51.9	▲ 90.0	▲ 88.0	▲ 62.5	▲ 52.6	▲ 63.6	▲ 53.3	▲ 35.9	▲ 57.2	▲ 81.7	▲ 52.7
Consumption at home and restaurants	+9.5	+12.5	▲ 13.6	▲ 17.1	▲ 9.0	▲ 6.3	▲ 7.0	▲ 10.2	▲ 9.5	+2.9	▲ 10.2	▲ 24.1	▲ 8.1

(Source: Average amount of consumption expenditure per household "with two-or-more-person" [in nominal terms] in the 2020 Family Income and Expenditure Survey by the Statistic Bureau, the Ministry of Internal Affairs and Communications)

2 Efforts of the NTA

～ Promotion of liquor business ～

In promoting liquor business, the NTA endeavors to provide support for each assistance project 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, we assist liquor manufacturing industry in strengthening its technical capabilities in addition to paying attention to stabilizing the business foundation of small and medium enterprises.

(1) Initiatives for the recovery of domestic consumption

① Promotions towards the recovery and expansion of domestic liquor consumption

Since domestic liquor consumption has significantly dropped particularly at restaurants due to the expansion of the Covid-19 pandemic, the NTA carried out promotions for the recovery and expansion of domestic liquor consumption in coordination with each industry.

a. Japanese wine fair

The NTA held a distribution-style seminar connecting with restaurants throughout the country online in order to recover the consumption of Japanese wine, expand the sales channel and bring domestic demand.

We have also released a website “Japanese Wine Fun Site” (<https://nihonwine-fun.nta.go.jp> [in Japanese]) and distributed information, etc. on Japanese wine so that consumers can be more familiar with Japanese wine.

b. Craft beer online festival

For the recovery and expansion of craft beer consumption and the revitalization of the producing regions and peripheral industries, the NTA held an online communication event between makers who convey the attractiveness of craft beer and consumers, and strove to improve the recognition of craft beer and promoted the use of the Internet for selling and restaurants’ take-out service.

c. Campaign for rediscovering the attractiveness of liquor shops in town

The NTA held a liquor shop fair in order for liquor shop owners in a community to convey the attractiveness and characteristics of local liquor and to raise consumers’ interests through tasting, etc.

d. Registration of breweries in Japan on the online map

By establishing an environment where consumers can easily access to brewery information, the NTA registered and displayed the detailed information of breweries who desired the publication on the Internet map in order to bring interests in liquor made in Japan and recover the consumption.

② Establishment of the Subsidy to Assist the Structural Transformation of Liquor Business (Frontier Subsidy)

While liquor businesses are facing structural issues such as a decline in domestic consumption, a decline in the number of liquor business operators and aging, it is necessary to encourage the management reform of liquor business operators and the structural transformation of liquor business in order to cope with these issues.

Based on the perspective, “The Subsidy to Assist the Structural Transformation of Liquor Business (Frontier Subsidy)” was established with the third supplementary budget for FY2020, which will assist product differentiation, diversification of sales method and new and advanced initiatives regarding the use of ICT technology.

(2) Cultivation of overseas demand

In the “Expansion and Implementation Strategies for Exports of Agriculture, Forestry and Fisheries Products and Food” (decided by the Headquarters on Creation of Regional Vitality in the Agriculture, Forestry and Fisheries on December 15, 2020), the three types of liquor (sake, whisky and authentic shochu/awamori) were focused as main export regarding liquor items, and target countries, export target, etc. by item were determined. Aiming to achieve the government objective of raising exports of agriculture, forestry and fisheries products and food to 2 trillion yen by 2025 and 5 trillion yen by 2030, the NTA will actively strive to improve the recognition and expand sales channels particularly for these three items based on the strategies in order to further expand exports of liquor made in Japan.

a. International negotiations for elimination of customs duties and import restrictions, etc.

The NTA is seeking elimination of customs duties and import restrictions, protection of Geographical Indication (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 spirits (shochu) and (4) protection of Geographical Indication 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. Of which, the capacity constraint on distilled spirits was relaxed in December 2020, which has enabled the distribution using one-sho bottles (1.8 l), four-go bottles (720 ml), etc. in the U.S.

In the Japan-U.K. Comprehensive Economic Partnership Agreement (Japan-U.K. EPA) that came into effect in January 2021, the same contents as the Japan-EU EPA were maintained regarding elimination of customs duties on liquor, relaxation of import restrictions on Japan Wine and protection of Geographical Indication, and at the same time, further relaxation of capacity constraint was realized.

In the Regional Comprehensive Economic Partnership (RCEP) Agreement signed in November 2020, Japan acquired gradual elimination of customs duties on sake, etc. from China and Korea, which concluded EPA with Japan for the first time.

After the accident at Fukushima Daiichi Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions². The NTA will continue to ask that these restrictions be lifted based on scientific evidence.

b. 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 April 2020 the application procedure on the exemption of liquor tax for exports has been simplified as the presentation of an export statement to the District Director of the Tax Office became unnecessary. Further, since April 2021, the NTA has introduced an export certification issuing system, which enables

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.

² 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, Abu Dhabi, Brunei, Singapore, Morocco and Egypt (as of May 2021).

application and issuance of certification centrally, aiming to improve business operators' convenience by application through the Internet.

c. Support in business matching (to help sellers to find buyers)

The NTA supports business matching between liquor business operators and importers/distributors in overseas through participation in large-scale exhibitions held in overseas, invitation of overseas buyers and business meetings.

In FY2020, having been unable to hold face-to-face business meetings with overseas buyers due to the impact of the Covid-19 pandemic, we held "online business meetings" with buyers in 11 countries or regions including China and Hong Kong.

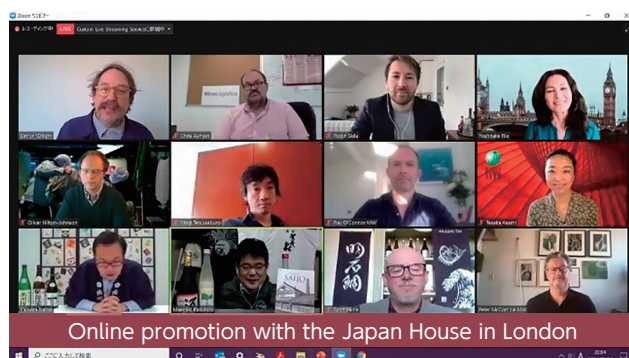
In Japan, while supporting business matching between breweries who are motivated for exports and export trading companies/wholesalers, we launched a "consortium for promoting exports of liquor made in Japan," which provides various support in a comprehensive manner, and held 13 seminars and business matching services concerning exports mainly online.



d. International promotion

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

In FY2020, since overseas travelling was difficult due to the impact of the Covid-19 pandemic, we held an online promotion event in coordination with the Japan House in London, U.K. in February 2021 on the theme of Japanese sake targeting local liquor business operators, and strove to increase the recognition and understating of Japanese sake.



(3) Branding and promotion of sake brewery tourism

In FY2020, as a measure for adding high value to liquor made in Japan and cultivating inbound demand, the NTA provided support in establishing branding strategies based on overseas needs as well as model cases of an initiative that aims to expand inbound consumption by combining tourism resources including sake breweries, and conducted research and empirical analysis on valid methods, etc. In addition, while publishing the results, in FY2021, we are making efforts to promote branding in the whole industry and sake brewery tourism by making these efforts assistance projects and prompting proactive efforts by liquor business operators.

a. Preparation and publication of back labels for exporting Japanese sake

Cooperated by the Japan Food Product Overseas Promotion Center (JFOODO), we prepared a "standard back label" and "labeling guideline" for exports in August 2019 and increase awareness among business operators and industry associations so that consumers overseas are able to recognize Japanese sake and easily choose comparing each other.

The NTA is striving for the further popularization of "standard back label" including the use of the "data creation system for standard back label" developed by JFOODO in April 2021.

Column
8

Project for branding liquor made in Japan and promoting sake brewery tourism

In FY2020, in the aim of branding the whole liquor industry and promoting sake brewery tourism, the NTA conducted research and analysis on effective methods for establishing model cases of the initiative for adding high value to liquor made in Japan and increasing the recognition, and published the results.

In FY2021, based on the results, the NTA will continue to support business operators who are motivated towards branding and the promotion of sake brewery tourism in the form of assistance project.

Outline of project implementation

— Branding of liquor made in Japan and promotion of sake brewery tourism

■ Promotion project for branding liquor made in Japan

Regarding the initiatives implemented with 24 themes, we classified issues according to the stage of overseas deployment by business operators and the contents of the initiatives, and indicated the directions of solutions for those issues.

	Corresponding value chain	Hypothesis issues	Direction of solutions
(1) Improved recognition and easy-to-understand information	Develop → Legal system → Consume	<ul style="list-style-type: none"> ■ Establish the ways of promotion and information distribution for recognition by overseas consumers ■ Identify targets (country and consumer) to promote 	<ul style="list-style-type: none"> ■ Develop products suitable for the market of each country ■ Select information upon setting the user base in each country
(2) Cultivation of sales channel	Develop → Distribute → Consume	<ul style="list-style-type: none"> ■ Verify a possibility to co-work with influencer or celebrity ■ Prepare logistics such as export duties, importers, etc. 	<ul style="list-style-type: none"> ■ Business matching with local business operators ■ Prepare guides in expanding sales ■ Prepare delivery and local receivers in overseas
(3) Appropriate quality control	Develop → Produce → Distribute	<ul style="list-style-type: none"> ■ Ensure product quality for overseas ■ Consider the quality of transportation and the way of less increased transportation costs ■ Verify the possibility of using EC, etc. 	<ul style="list-style-type: none"> ■ A quality control system from production to distribution ■ Secure EC and couriers handling small delivery and reduce an increase in costs
(4) Branding	Develop → Produce → Distribute → Consume	<ul style="list-style-type: none"> ■ Select a promotion method upon the situation ■ The way of corporate communication such as production method, raw materials, breweries, etc. ■ The way of marketing activities 	<ul style="list-style-type: none"> ■ Marketing plans in the phases of recognition, bringing demand and sales expansion ■ Realize and carry out local partnerships for edged brands
(5) Ways of display rules	Develop → Legal system → Distribute	<ul style="list-style-type: none"> ■ The ways of appropriate display and scale for consumers (both general and professional) ■ Overseas specifications of display rules such as labels 	<ul style="list-style-type: none"> ■ Develop and unify the label and display system through the industrial groups, etc. ■ Give authority by co-working with overseas experts

■ Promotion project for sake brewery tourism

In this project, we examined initiatives undertaken with 16 themes for the future development, while organizing requirements for the established “sake brewery tourism” and viewpoints towards success by theme.

[Initiatives required at each stage towards the development of sake brewery tourism]

Individual action: [sake brewery] Brush up local resources

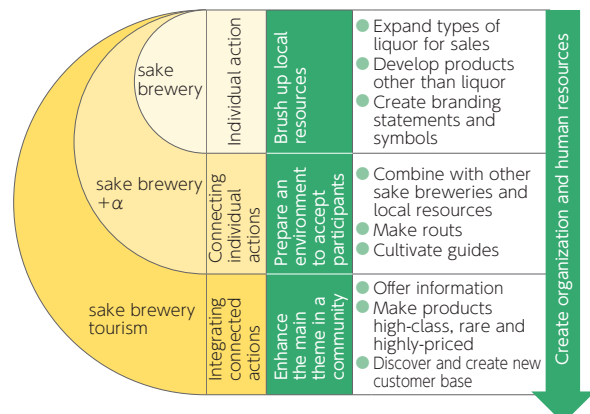
The first action to take is to brush up a brewery itself, which is the most important local resource in sake brewery tourism. This includes expanding types of liquor sold at a brewery, developing products other than liquor and creating a brand statement that tells the brewery's story and a common symbol posted on all products.

Connecting individual actions: [more than sake brewery] Prepare an environment to accept participants

The next action is to connect a brewery with other breweries and local resources and make a route, which proceeds the preparation of an environment to accept participants. In doing so, it is required to cultivate a guide who conveys a unique “story” of each environment.

Integrating connected actions: [sake brewery tourism] Enhance the main theme in a community

Lastly, integrating connected actions and enhancing the environment's main theme will create a “story,” which requires to be differentiated from other sake brewery tourism and to improve the attractiveness through cooperation and competition within a community. In particular, paying careful attention to participants' moves and reactions may help to discover the community's new attractiveness that was overlooked or lead to find themes to enhance.

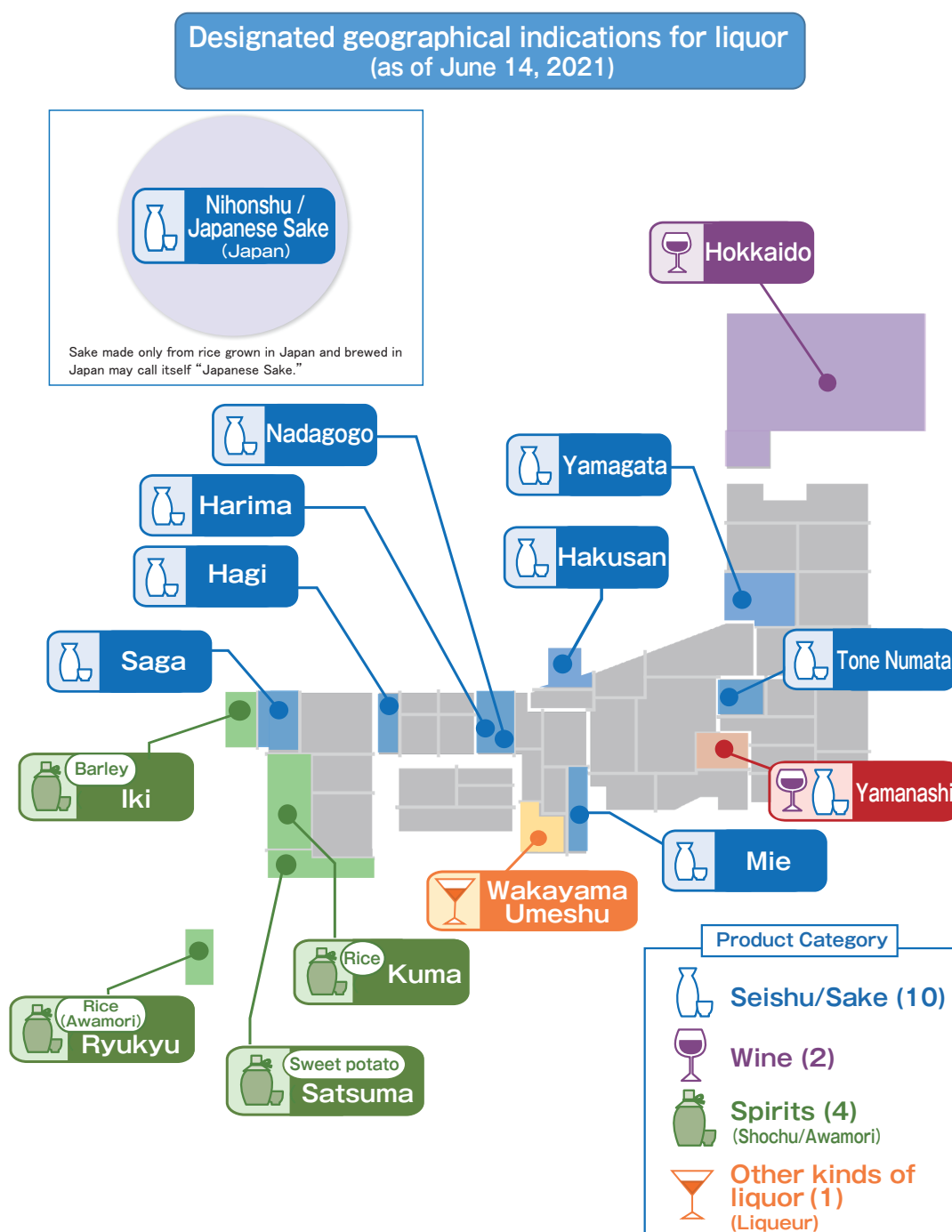


b. Expansion of the use of Geographical Indications (GI)

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. We also provide support to the regions who seek consultations on being designated GI by hosting information sessions and seminars, and preparing publicity materials such as pamphlets.

As of June 14, 2021, the NTA has designated 17 Geographical Indications and hosted a symposium with the objective of increasing awareness among consumers.



(Note) Locations colored in the map are indicated by prefectures and do not necessarily correspond to the areas of production.

c. 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 rule including the definition 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 industry associations and research institutes together.

By establishing such labeling rules, we will strive to elevate the brand power of Japan Wine.

Column 9

Establishment of voluntary standards regarding the display of Japanese whisky

The Japan Spirits & Liqueurs Maker Association participated by whisky makers established the “voluntary standards for the display of Japanese whisky” and launched them on April 1, 2021 to protect consumers’ interests, secure fair competitions among business operators and improve liquor quality by contributing to proper product, selection by domestic and overseas consumers.

The voluntary standards allow to display “Japanese whisky” if whisky fulfills the following definitions:

■ Definitions of Japanese whisky*

Raw materials		Malt (essential), grains and water collected in Japan
Production method	Production	Saccharified, fermented and distilled at distillers in Japan
	Storage	Filled in a wooden barrel of 700 l or less and stored for three years or more in Japan starting on the next day of a filling date.
	Bottling	Filled in a container in Japan with an alcohol content of 40 degrees or more when filled.
	Others	The use of caramel is allowed for slight adjustment of color tones

*A transition measure, which allows the previous display until March 31, 2024 has been established for whisky sold by business operators on or before March 31, 2021.

With the voluntary standards recently enforced being properly applied, the credibility of Japanese whisky is expected to rise further, which will lead to expand demand even more going forward.

While attentively watching the industry’s voluntary initiative as above, the NTA will provide indirect support for public awareness towards business operators and consumers so that the standards will become established.

For the details of the voluntary standards, see the Japan Spirits & Liqueurs Maker Association website (<http://www.yoshu.or.jp> [in Japanese]).

(4) Technological assistance

a. Promotion of the spread of brewing technology, etc.

Each Regional Taxation Bureau has the Office of Analysis and Brewing Technology (including Chief Analyst of the Okinawa Regional Taxation Office, and the same hereinafter) as its technological function to promote the spread of advanced technologies, etc., 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-making associations, etc.

b. Efforts to register Japanese sake, Shochu and Awamori, etc. as UNESCO Intangible Cultural Heritage

A statement that “research will be started in FY2020 with a view to register Japanese sake, etc. as UNESCO

Intangible Cultural Heritage” was included in the “Growth Strategy Follow-up” (approved by the Cabinet on July 17, 2020). In addition, Prime Minister Suga made a remark in his administrative policy speech at the 204th session of the Diet that “we will aim to register cultural resources such as Japanese sake and shochu as UNESCO Intangible Cultural Heritage.” The NTA will continue to cooperate in research conducted by the Agency for Cultural Affairs on the cultural value of Japanese sake, shochu, etc. and particularly the brewing technologies, and implement the initiative towards the UNESCO Intangible Cultural Heritage registration by preparing the conservation and utilization structure in coordination with breweries, etc.

Further, aiming for UNESCO registration, we will conduct literature research on the history and philosophy (artistry, etc.) of Japanese koji-based sake making craftsmanship, interviews of chief brewers, create posters, leaflets, etc. in order to foster the momentum towards the registration as UNESCO Intangible Cultural Heritage. We will also carry out effective projects in coordination with the “Preservation Society of Japanese Koji-based Sake Making Craftmanship” established in April 2021, etc.

c. 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, we give technological assistance concerning improvement, etc. in the production process of liquor and confirm safety through actions including research and provision of information on the radioactive substances of liquor.

d. Efforts by National Research Institute of Brewing (NRIB)

Serving as the technological base for the development of the liquor industry, NRIB actively conducts research to increase the brand value of Japanese liquor including research that contributes to create new value, as well as research to understand the characteristics of each brewing microorganism and raw material, aiming to enhance the liquor making technology base.¹

In addition, they co-sponsor liquor brewing courses and appraising fairs with the industrial groups and strive to cultivate human resources in the liquor industry.

Further, they promote outreach activities and open science, and conduct initiatives in coordination with industry, universities, research institutions for public examinations, etc., and they make efforts to spread brewing technologies, etc. while closely collaborating with the Offices of Analysis and Brewing Technology in each Regional Tax Bureau that understands the current situation of each region.

(5) Measures for small and medium enterprises (SMEs)

In order for the liquor industry, of which SMEs 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 SME Management Consultants (SMECs), 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 and organizations, local governments and others, the NTA provides business operators and industrial associations with information on governmental measures for SMEs (consultation desks, subsidies, the tax system, financing, etc.) to promote the use of these measures.

(6) Establishment of a fair trading environment of liquor

In establishing a fair trading environment of liquor, the NTA is making liquor business operators aware of the “standards for fair trading of liquor,” etc., prompting liquor business operators to take voluntary initiatives and effectively conducting factual surveys on the liquor trading situation. In addition, based on the provision of the partial amendment of liquor tax laws promulgated in June 2016, we will consider the review of the standards.

¹ The NRIB’s missions during the “the fifth term of the medium-term objective period” from FY2021 to FY2025 is (1) to strive to develop the liquor industry, (2) to strive for the appropriate application of liquor tax laws, and (3) to make efforts as the national center for liquor, and they conduct various duties based on these missions.

(7) Response to social demands

a. 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, the NTA carries out PR and enlightenment activities through associations in the liquor industry to ensure that efforts, including the one to recycle liquor containers, are further promoted, while designating October of every year as “3R¹ Promotion Month” and carrying out enlightenment activities with relevant ministries and agencies.

Based on the “Plan for Global Warming Countermeasures” determined by the Cabinet in 2006, we conduct appraisal and evaluation of 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.

b. Measures to prevent those under the age of 20 from consuming alcohol

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

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

c. Measures against Health Problems Caused by Alcohol

Considering “The Basic Act on Measures against Health Problems Caused by Alcohol” (the second plan, from April 2021 to March 2026) formulated based on “The Basic Law on Measures to Prevent Damage to Health due to Alcohol” enforced in June 2014, etc., the NTA implements initiatives for preventing from consuming alcohol under the age of 20 and health problems due to alcohol in cooperation and coordination with relevant ministries and agencies as well as associations in the liquor industry.

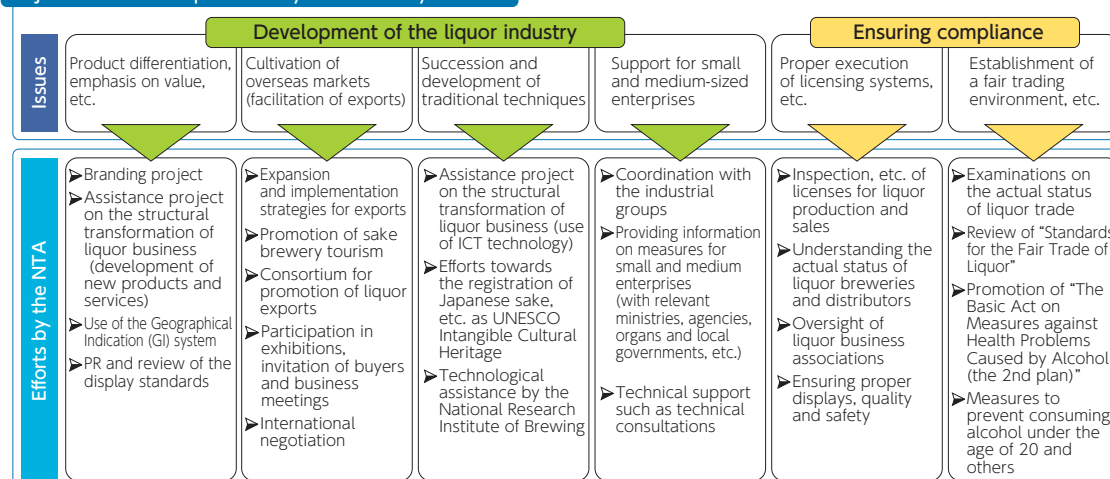
Basic Direction of Liquor Administration — Mainly from the perspective of industrial development —

“Proper and fair taxation and collection of liquor tax” “Sound development of the liquor business”

Current status of the liquor industry

Domestic market	The domestic market has been shrinking over the medium to long term. On the other hand, a move of emphasizing value is seen such as the unit price of sake is rising on a shipment value basis.
Liquor exports	Exports have marked a record high for nine consecutive years since 2012. Exports of sake and whisky to the U.S. and China have been leading the overall exports.

Major issues in the liquor industry and efforts by the NTA



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]).

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

～ 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 2021, 79,404 persons are registered as CPTAs, and 4,356 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.

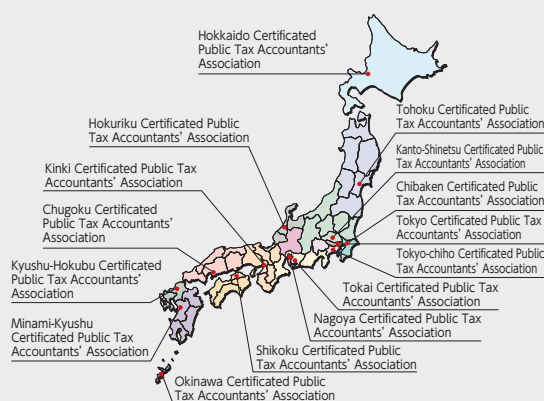
(case)

fiscal year	2016	2017	2018	2019	2020
cases	39	38	51	43	22

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/>.



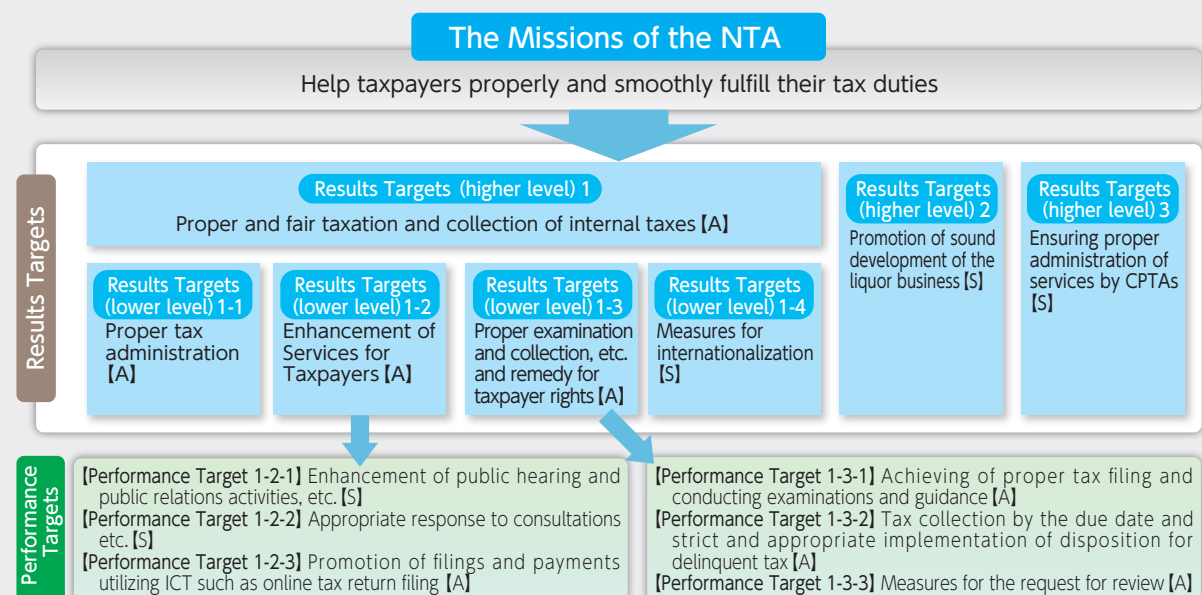
~ The purpose of policy evaluation is to fulfill accountability, realize high-quality administration and revitalize the organization ~

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 tax 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 2019)



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

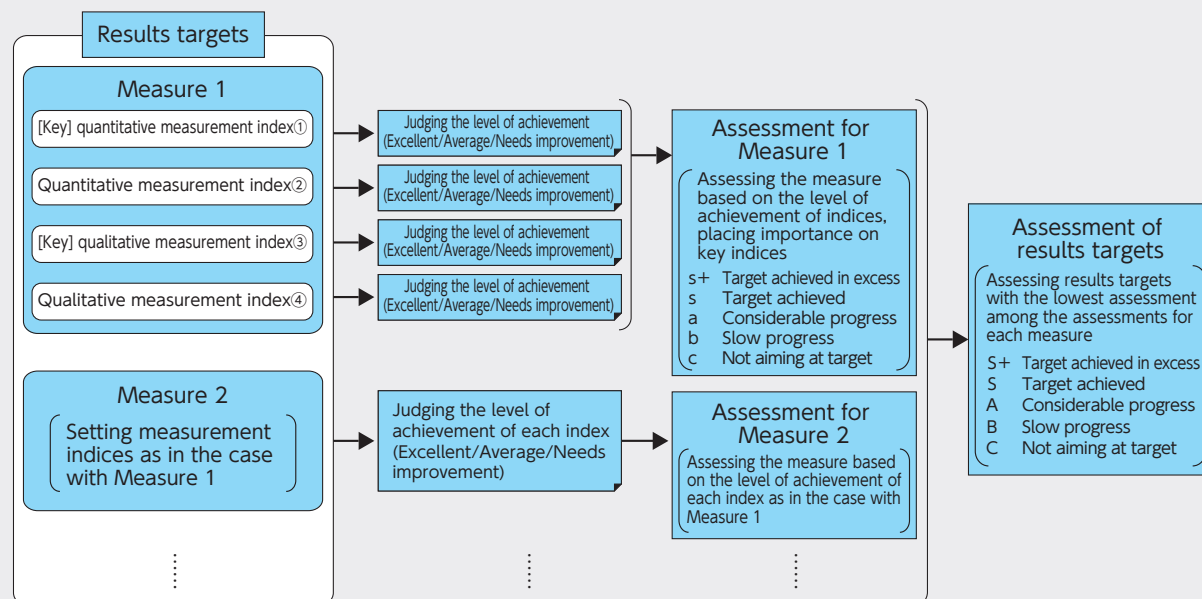
[S+] Target achieved in excess [S] Target achieved [A] Considerable progress [B] Slow progress [C] Not aiming at target

~ Evaluation method and evaluation result of results targets, etc. ~

For results targets, etc., means for achieving the target are set as “measures,” and “measurement indices” to evaluate the status of implementations are set for each measure. We set measurement indices combining quantitative measurement indices (38) and qualitative measurement indices (32), depending on the details of measures, and strive for appropriate assessment and particularly for judgement of achievements. Results targets, etc. are assessed by integrating assessment on measures pertaining to the results targets, etc.

Evaluation results for operation year 2019 can be seen as assessment indicated in the above. The NTA will precisely apply these evaluations and verification results to administrative processes, and will carry out efficient and high-quality tax administration through so-called the PDCA cycle.

■ Assessment method for results targets, etc.



Note: "Key" is indicated on some measurement indices as one or more indices have to be designated as key indices.

■ Key measurement indices obtained through a questionnaire survey (FY2019)

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	results target	Percentage of favorable evaluation
Evaluation on publicity of national taxes	80%	80.2%
Level of satisfaction with telephone consultation at Phone Consultation Centers	95%	95.7%
Level of satisfaction with consultation by interview at the Tax Offices	90%	92.2%
Favorable impression of officials' reception manner	90%	91.0%
Level of satisfaction in using signposting, and services at reception and window inside Tax Offices	85%	87.6%

* "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 2019 include the following: "I think the evaluations are appropriate," "I appreciate that officials who engage in practicum at the front line like the NTA are making efforts with high motivation despite the situation caused by the Covid-19 pandemic. I hope they will keep good working," "The further implementation of digitalization will be a major theme going forward. I would like the Ministry of Finance and the NTA to take the initiative and carry it out" and "The NTA's evaluation results are extremely valuable from the perspective of fulfilling accountability towards citizens, and I also appraise the superb contents."

"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 2019]

Tax category	Budget after correction	Actual (Percentage of total)
	Million yen	Million yen
Withholding income tax	15,740,000	15,937,487 (25.6)
Self-assessed income tax	3,324,000	3,233,201 (5.2)
Corporation tax	11,715,000	10,797,110 (17.4)
Inheritance tax	2,333,000	2,300,473 (3.7)
Consumption tax	19,062,000	18,352,699 (29.5)
Liquor tax	1,271,000	1,247,287 (2.0)
Tobacco tax	889,000	873,699 (1.4)
Gasoline tax	2,303,000	2,280,815 (3.7)
Liquefied petroleum gas tax	7,000	6,764 (0.0)
Aviation fuel Tax	52,000	50,802 (0.1)
Petroleum and coal tax	707,000	638,327 (1.0)
Power resources development promotion tax	330,000	315,849 (0.5)
Motor vehicle tonnage tax	376,000	388,058 (0.6)
International tourist tax	50,000	44,357 (0.1)
Customs duty	961,000	941,216 (1.5)
Tonnage due	11,000	10,170 (0.0)
Other*	—	6 (0.0)
Stamp revenue	1,049,000	1,023,211 (1.6)
Subtotal	60,180,000	58,441,533 (94.0)
Local corporation tax	657,400	604,190 (1.0)
Local gasoline tax	246,400	244,038 (0.4)
Liquefied petroleum gas tax (transferred)	7,000	6,764 (0.0)
Aviation fuel tax (transferred)	14,900	14,515 (0.0)
Motor vehicle tonnage tax (transferred)	275,000	283,323 (0.5)
Special tonnage tax	13,800	12,713 (0.0)
Special local corporation tax	2,136,000	2,043,581 (3.3)
Special tobacco tax	126,000	123,768 (0.2)
Special income tax for reconstruction	401,200	400,140 (0.6)
Other	—	569 (0.0)
Total	64,057,700	62,175,135

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

[NTA initial budget for fiscal year 2021]

Items	Budget
	Million yen
ICT-related expenses	2,412
Expenses to improve convenience for taxpayers* ¹	1,748
Expenses related to internationalization measures	1,077
General operating expenses* ²	60,025
Expenses to improve work environment and ensure safety* ³	7,263
Expenses related to tax reforms	2,222
Expenses for National Tax College	1,942
Expenses for National Tax Tribunal	166
Expenses for National Research Institute of Brewing	1,043
Expenses for the development of the liquor industry	1,967
Subtotal	79,867
Salary costs	556,596
Total NTA budget	636,463

- *1 "Expenses to improve convenience for taxpayers" includes expenses related to operating expense for the Phone Consultation Center and operating expense for the NTA website.
- *2 "General operating expenses" 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.
- *4 The budget for FY2021 is an amount after collectively recording the government's information system related budget of 76.6 billion yen to the Cabinet Secretariat and the Digital Agency.

Tax returns and taxation

[Income tax]

(Calendar year 2020)

Total population	Thousand people	125,710
Number of persons engaged		66,760
Number of final returns filed		22,490
Refunds		13,010
Tax payments		6,570
Breakdown by income earners		
Business income earners		1,810
Other income earners		4,760
Real estate income earners		1,060
Employment income earners		2,580
Miscellaneous income earners		810
Other		310

[Inheritance tax]

(Calendar year 2019)

Number of deceased	1,381,093 people
Number of deceased subject to taxation	115,267 people
Number of taxpayers (number of heirs)	295,214 people
Taxable amount	15,802.1 Billion yen
Amount of tax	1,975.9 Billion yen

[Gift tax]

(Calendar year 2019)

Number of people subject to taxation	406,092 people
Value of properties acquired	2,000.7 Billion yen
Amount of tax	210.9 Billion yen

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

【Withholding agents and withholding income tax】

(Operation year 2019)

Category of income etc.	Number of withholding agents	Amount of tax
	Thousand	Billion yen
Employment income (wages and salaries)	3,543	114,133
Retirement income	—	2,552
Interest income, etc.	34	3,027
Dividend income	148	51,268
Capital gains on listed shares etc. kept in special account	12	3,020
Income from remuneration, etc.	2,842	11,784
Income paid to non-residents and foreign corporations, etc.	35	7,150
Total	—	192,933

* The number of withholding agents are figures as of the end of June 2020.

* 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 2019)

Number of corporations	3,165 Thousand corporations
Number of tax returns filed	2,949 Thousands
Percentage of corporations filing	91.1%
Percentage of returns declaring a surplus	35.3%
Amount of self-assessed income	65,005.2 Billion yen
Amount of self-assessed loss	14,814.9 Billion yen
Amount of tax	11,554.6 Billion yen

* The number of corporations is the figure as of the end of June 2020.

【Consumption tax】

(Fiscal year 2019)

Category	Payment	Refund
Number of tax returns	Individuals	1,090 Thousands
	Corporations	1,867 Thousands
	total	2,957 Thousands
Amount of tax	16,969.5 Billion yen	4,608.7 Billion yen

【Liquor tax and liquor production】

(Fiscal year 2019)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	366	52,263
Sake compounds	26	2,459
Continuous distillation Japanese spirits (Shochu)	331	74,909
Pot distillation Japanese spirits (Shochu)	415	101,035
Mirin (rice cooking wine)	93	1,975
Beer	2,418	507,871
Fruit wine	95	9,557
Sweet fruit wine	7	785
Whisky	153	51,262
Brandy	4	1,396
Sparkling liquor	400	79,568
Alcohol for material & Spirits	854	68,534
Liqueurs	2,346	198,125
Other brewed liquors	392	30,727
Powder liquor & miscellaneous liquor		
Total	7,900	1,180,466

Tax examinations

【Field examination of self-assessed income tax】

(Operation year 2019)

Number of cases	Number of undeclared cases	Amount of undeclared income	Additional tax revenue collected
Thousands	Thousands	Billion yen	Per case
60	50	564.0	9,450
		99.2	1,660

【Field examination of withholding income tax】

(Operation year 2019)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousand yen	Thousands	Billion yen
90	29	29.6

* 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 2019)

Category	Number of Cases	Number of undeclared cases	Amount of undeclared income	Additional tax revenue collected
	Thousands	Thousands	Billion yen	Per case
All corporations	76	57	780.2	10,230
Corporations handled by the Large Enterprise Department	2	2	320.2	153,350
				59.8

【Field examination of consumption tax】

(Operation year 2019)

Category	Number of Cases	Number of undeclared cases	Additional tax revenue collected
	Thousands	Thousands	Billion yen
Individuals	31	26	28.1
Corporations	74	44	72.3

【Field examination of inheritance tax】

(Operation year 2019)

Number of cases	Number of undeclared cases	Amount of undeclared inheritance	Additional tax revenue collected
Thousands	Thousands	Billion yen	Per case
11	9	304.8	28,660
			68.1
			6,410

【Collected number of statutory information】

(Operation year 2019)

Statutory information	Number collected
Withholding record of employment income	22,489
Payment record of interest	9,235
Payment record of dividends	62,856
Other	275,175
Total	369,755

International taxation

[Fraudulent income through overseas transactions]

(Operation year 2019)

Number of examinations of corporations conducting overseas transactions	13,116 Cases
Number of undeclared cases related to overseas transactions	3,636 Cases
Cases of overseas fraudulent calculations	497 Cases
Amount of undeclared income related to overseas transactions	241.1 Billion yen
Amount of overseas fraudulently omitted income	18.3 Billion yen

[Transfer pricing taxation]

(Operation year 2019)

Number of taxation cases	212 Cases
Amount of taxable income	53.4 Billion yen

[Cases of advance pricing arrangement related to transfer pricing]

(Operation year 2019)

Number of cases requested	133 Cases
Number of cases processed	107 Cases

Delinquency

[Tax delinquency cases by major tax categories]

(Fiscal year 2019)

	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	363.1	124.9	155.2	332.8
Withholding income tax	117.6	31.0	39.6	109.0
Self-assessed income tax	245.5	93.9	115.7	223.8
Corporation tax	91.8	76.5	73.8	94.6
Inheritance tax	62.9	27.5	33.2	57.2
Consumption tax	superscript 75.0	superscript 86.6	superscript 92.2	superscript 69.4
	290.4	320.2	343.8	266.8
Other taxes	3.6	3.6	3.1	4.1
Total	superscript 75.0	superscript 86.6	superscript 92.2	superscript 69.4
	811.8	552.8	609.1	755.4

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

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

Criminal investigation

[Criminal investigations]

(Fiscal year 2020)

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 (accusation filed to the prosecutor)	
				Per case		Per case
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
111	113	83	9.1	80	6.9	83

[Accusations filed to the prosecutor, by tax category]

(Fiscal year 2020)

Tax category	Number of cases	Amount of tax evasion	
			Per case
	Cases	Million yen	Million yen
Income tax	8	886	111
Corporation tax	55	3,826	70
Inheritance tax	0	0	0
Consumption tax	18	2,031	113
Withholding income tax	2	183	92
Total	83	6,926	83

Remedy for taxpayer rights

[Request for re-examination]

(Fiscal year 2019)

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 1,711	Cases 1,237	Cases 1,389	Cases 185	Cases 45	Cases 140	% 13.3
Collection-related	139	122	124	2	1	1	1.6
Total	1,850	1,359	1,513	187	46	141	12.4

* 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 in April 2016.

* 2 Figures include the cases of "Igi Moshitate."

[Request for reconsideration]

(Fiscal year 2019)

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 4,965	Cases 2,427	Cases 2,736	Cases 369	Cases 90	Cases 279	% 13.5
Collection-related	193	136	110	6	0	6	5.5
Total	5,158	2,563	2,846	375	90	285	13.2

[Litigation]

(Fiscal year 2019)

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 371	Cases 95	Cases 178	Cases 18	Cases 15	Cases 3	% 10.1
Collection-related	54	21	37	3	1	2	8.1
National Tax Tribunal-related	1	1	1	—	—	—	—
Total	426	117	216	21	16	5	9.7

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

Tax consultations

[The five items of most frequently consulted]

(Phone Consultation Centers)

(Fiscal year 2020)

Rank	Tax category	Items	cases
1	Income tax	Obligations & procedures to file tax returns, etc.	Thousand 700
2	Income tax	Year-end adjustment	295
3	Income tax	Special credit for loans relating to a dwelling	267
4	Income tax	Medical expenses deduction	231
5	Income tax	How to fill in tax returns and financial statements	194

(Tax Answer System)

(Fiscal year 2020)

Rank	Tax category	Items	cases
1	Income tax	When have paid medical expenses (medical expenses deduction)	Thousand 2,327
2	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	2,055
3	Income tax	Tax rate of income tax	2,003
4	Income tax	Deduction for employment income	1,842
5	Stamp duty	Table of Stamp Taxes (1) Type 1 Document to Type 4 Document	1,672
Total			9,899

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

(Fiscal year 2020)

Tax category	cases
Income tax	Thousand 3,039
Corporation tax	206
Property tax	930
Consumption tax, etc.	317
Other	1,333

NATIONAL TAX AGENCY REPORT 2021

Issued in June 2021

(Corporate Number 7000012050002)

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NTA Website (English)
<https://www.nta.go.jp/english/index.htm>



For further details, please visit the website of e-Tax at
www.e-tax.nta.go.jp (in Japanese)

At this page, explain the news about e-Tax and procedure of using, etc.



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