

1 Promotion of proper and fair taxation

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

While analyzing various information (content of tax returns, examination results, etc.) with attention paid to taxpayer burden and with its balanced allocation of limited human resources, the NTA conducts strict examinations for malicious taxpayers who try to illicitly evade their tax burden, by establishing appropriate examination systems; whereas, for other taxpayers, we are promoting proper and fair taxation, through making brief contacts with taxpayers (via in writing or by telephone).

■ Number of field examinations

(Thousand cases)

Tax category \ Operation year	2020	2021	2022
Self-assessment income tax	24	31	46
Corporation tax	25	41	62
Consumption tax	36	57	87
Inheritance tax	5	6	8

■ Additional tax amount of field examinations

(Billion yen)

Tax category \ Operation year	2020	2021	2022
Self-assessment income tax	53.3	80.4	101.5
Corporation tax	120.7	143.8	186.8
Consumption tax	86.2	111.0	169.3
Inheritance tax	48.2	56.0	66.9

~ Strengthening the measures for date utilization ~

The NTA is trying to develop a prediction model to extract such as the taxpayers who are likely to have failed filing proper tax returns, through extracting, processing, and analyzing necessary information from various data, as well as grasping the consistency, correlation, tendencies, etc. between the data. We will endeavor to improve the efficiency of taxation operations and sophisticate them, through combining thus-formulated prediction model and the various materials and information held by the organizations of the NTA.

(1) Priority matters addressed in the tax examinations

~ Conduct sufficient examinations for proper taxation of consumption tax ~

As consumption tax is the largest amount of national tax revenue and attracts the strong attention of the public, proper tax administration is especially necessary.

In particular, 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 closer with customs authorities to strictly address the evasion of consumption tax by those who wrongfully traded consumption tax-free goods abusing the system of tax-free shops.

◎ Cases of examinations of consumption tax

- The NTA uncovered a case in which fictitious purchases were registered pretending that an expensive fixed asset was purchased.
- The NTA uncovered a case in which the entity pretended to be an export sales business operator, recording fictitious tax-exempt sales and taxable purchases.

~ Examination keeping in mind of increasingly diverse and international asset management ~

Regarding increasing outward investment and overseas transactions, the NTA clarifies the actual state and conducts in-depth examinations about them, by effectively using the information obtained from the records of remittances and receipts related to foreign countries, etc. as well as the information obtained as per the exchange of information system under tax treaties, etc. with competent foreign authorities (<https://www.nta.go.jp/taxes/shiraberu/kokusai/eoi/index.htm> [in Japanese]) and as per the Common Reporting Standard (CRS) (<https://www.nta.go.jp/taxes/shiraberu/kokusai/crs/index.htm> [in Japanese]).

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.

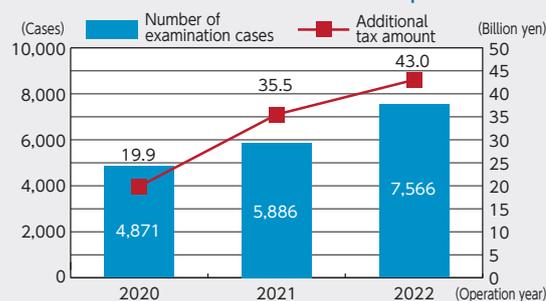
◎ Cases in which the NTA identified overseas assets not reported for Japanese tax purposes or international tax avoidance

- The NTA uncovered a case in which interest income etc. obtained from overseas financial institutions had not been included in the tax return filing, through using the CRS information and implementing a request for exchange of information under tax treaties.
- Triggered by CRS information, we uncovered a fact that the taxpayer had not included an overseas deposit account and an overseas real estate property in the tax return filing for inheritance tax.
- The NTA uncovered a case in which the entity had not included overseas investment profits in the income tax return, based on analysis of records of remittances and receipts related to foreign countries etc.

~ Identify non-filers by utilizing information ~

Since no tax return filing will cause a strong sense of unfairness to voluntary compliant taxpayers, the NTA precisely identifies non-filers by utilizing relevant material information and actively conducts examinations.

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



◎ Cases of examinations of non-filers

- The NTA uncovered a case in which a taxpayer, who had earned large profits from influencer performance, had hidden the profits in tax filing wittingly.
- The NTA uncovered a case in which a taxpayer, who had earned large profits from pet auction etc., had hidden the profits in tax filing wittingly.
- The NTA uncovered a case in which a taxpayer had inherited lots of assets, and had been aware of the necessity of filing inheritance tax return, but had responded “Tax filing is not necessary” to an inquiry letter from the competent Tax Office, and had never filed for that.

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

As for the response to the economic activities in new areas such as sharing economy, we strive to create an environment that enables adequate filing; for instance, calling on the users (taxpayers) via the industrial organizations, intermediate companies, etc., for proper filing. In addition, we endeavor to gather relevant information and enhance the analysis, for precisely grasping the taxpayers that might bear certain problems in taxation, to ensure provision of administrative guidance to them or to conduct tax examinations.

For more details of such efforts, please refer to the “Precise Action Taken Towards New Fields of Economic Activities including the Sharing Economy” (https://www.nta.go.jp/information/release/kokuzeicho/2019/sharingueconomy_taiou/index.htm [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 ~

In addition to utilizing data proactively for operations, 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 and filing tax returns by contacting taxpayers using a document or over the phone, targeting the taxpayers who are supposed to make calculation errors or errors in applying relevant tax laws, as well as targeting the taxpayers who are supposed to have not filed tax returns based on information accumulated by the NTA etc.
- Initiatives 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 companies, checks the status of corporate governance on tax matters (hereinafter "tax CG"), has the officers of the Taxation Bureau exchange opinions with the company executives etc., and presents them effective case examples, for enhancing their tax CG.

We are striving to maintain and improve the filing level, through increasing the number of corporations that can be expected to do adequate filing spontaneously, by encouraging large companies to enhance the quality of tax CG.

With this action, the NTA will be able to add the confirmed tax CG status to the judgment base for tax risk, so we will be able to more effectively utilize the limited human resources. In addition, from the perspective of the company, it is expected that they can reduce the occurrence risk of an inadequate tax processing, the risk of receiving error finding in tax examinations, etc.

For more details, please refer to the "Endeavors to enhance tax matter-related corporate governance (for corporations handled by the Large Enterprise Division)" (<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/cg.htm> [in Japanese]) on the NTA website.

● 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 a 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 in the "Information concerning <Self-inspection of tax returns and self-audit of tax matters> (for corporations handled by the Large Enterprise Division)." (<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/tk.htm> [in Japanese]) of the NTA website.

For example, these sheets can be used for self-audit of a tax return right before its submission, or of failure in grasping account settlement/tax declaration adjustment items before creating a tax return, etc. Through the process, errors in final returns can be prevented, reducing the risk of receiving error findings in tax examinations.

● Establishment of consultation counter concerning transfer pricing taxation on a trial basis.

For the purpose of maintaining and improving tax compliance concerning the transfer pricing taxation for large enterprises, we established a "consultation counter concerning the transfer pricing taxation" at each Regional Taxation Bureau on a trial basis. Each counter provides information on general questions regarding the transfer pricing taxation; it also briefs on the thoughts of the tax authority and attention points in relation to application of the transfer pricing taxation, concerning specific consultation on each foreign-related transaction etc. that are subject to the requirement of the transfer pricing documentation.

(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 through the information inquiry procedures and 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 guidance as well as tax examinations

Number of information items collected



(4) Criminal investigation

~ Pursuing criminal responsibility of malicious tax evaders ~

Tax criminal investigation aims to pursue criminal responsibility of malicious tax evaders and to contribute both to realizing proper and fair taxation and to maintaining the self-filling system by taxpayers through the effect of "punishing one serves as a warning to all."

~ Proactive engagement with cases of high social impacts ~

In FY2023, in view of the purpose of the tax criminal investigation, the NTA focused on and actively engaged with the cases of high social impacts, such as consumption tax cases, non-filing cases, international cases, and cases concerning other social trends.

As a result, the NTA accused criminals in some cases as follows: a fraudulent refund of consumption tax case where fictitious taxable purchases and tax-free export sales had been recorded by forging documents using serial numbers of the same luxurious watch or passport copies of those wrongfully obtained; a non-filing case where incomes were hidden by creating false consulting contracts, although profits had been received from affiliate businesses.

PR leaflet of the NTA Criminal Investigations



The NTA proactively engages in PR on taxation and tax collection, through lectures and tax education.

◎ An example of accusation to the prosecutors in FY2023

The NTA accused a case where multiple taxpayers had evaded corporation and consumption tax, using a scheme devised by a tax evasion undertaker who had asserted that it is a scheme of tax-saving despite that it suggested recording false expenses for tax evasion and had secured membership from many taxpayers.

Status of criminal investigations

Fiscal year	Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Total amount of tax evasion cases (accusation filed to the prosecutor)	Amount of tax evasion per case (accusation filed to the prosecutor)
	Cases	Cases	Cases	Million yen	Million yen
2021	116	103	75	10,212 (6,074)	99 (81)
2022	145	139	103	12,760 (10,019)	92 (97)
2023	154	151	101	11,980 (8,931)	79 (88)

* Figures of tax evasion include additional taxes.

Rulings in the first trials of criminal investigation cases

Fiscal year	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 (5)	Cases (5)	%	Persons (3)	Million yen (4)	Months (5)	Million yen (6)
2021	117	117	100.0	5	64	15.7	15
2022	61	61	100.0	3	47	13.6	12
2023	83	83	100.0	9	58	15.6	15

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

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

◎ Examples in FY2023 resulted in conviction

A drugstore, authorized as an export goods store, received or attempted to receive fraudulent refunds of consumption tax, through recording fictitious tax-free export sales, by disassembling cosmetic goods etc. had been sold to foreign travelers. In this case, a sentence of 4 years' imprisonment was given to the chief representative of the corporation and a sentence of 3 years' imprisonment was given to the accomplice (without probation in either case). Additionally, a sentence of 2 years' imprisonment (without probation) was given to the chief representative of another corporation in which the above accomplice was involved, quoting that the person as well had received fraudulent refunds of consumption tax and illegally avoided consumption tax payment using the same method.

An example of hidden properties found during criminal investigations

Cash was found from an attic.



■ Web-TAX-TV: We never miss tax evasions! ~Missions of national tax investigators~



In the program of "Web-TAX-TV" (Internet program released by the NTA), work of national tax investigators, eager to smoke out tax evaders daily, is introduced in the form of a TV drama.

Please watch it for your reference.



[The video is here]

2 Ensuring tax payment

(1) Establishment of voluntary tax payment

~ Approximately 79.8 trillion yen of taxes were paid within the fiscal year (98.9% were paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2022, about 80.6 trillion yen of taxes (amount determined for collection) were self-assessed to Tax Offices. Of this, about 79.8 trillion yen of taxes were paid into the national treasury (collected amount) within the fiscal year, for a 98.9% collection ratio.

~ Measures to prevent delinquencies ~

To prevent delinquencies, the NTA is providing a variety of payment methods such as tax payment by account transfer, direct tax payment (account transfer via e-Tax) etc.; given that, we are proactively conducting dissemination and PR on payment deadlines and saving funds for tax payment, through the following: posting various tax payment-related information (the above-mentioned payment methods, how to pay taxes following a plan etc.) at the corner of “General guidance on tax payment” on the NTA website; receiving cooperation from related private associations, CPTAs associations etc.



General guidance
for tax payment
[in Japanese]

To ensure payments in a planned manner, the NTA has introduced various payment options, such as transfer tax payments and advance payment utilizing direct payment, while promoting active adoption of these options.

In addition, a written notice on payment due date is sent or a phone call is made on that in advance to taxpayers who have paid after due date previously. In case payment due date has passed, we encourage them to ensure payment before the payment demand letter is sent.

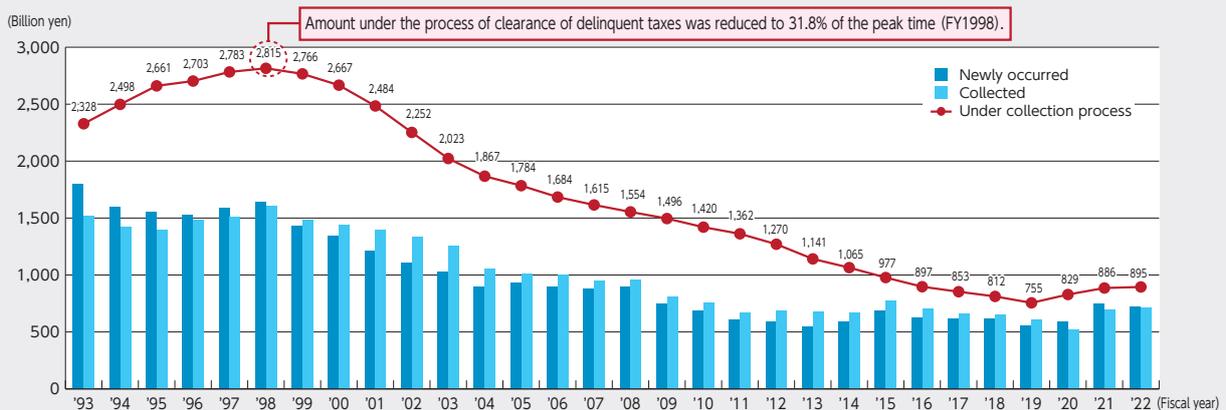
※ Delinquency signifies that the national tax was not paid by due date and a payment demand letter was sent.

(2) Efforts to promote reduction of tax delinquency

~ Amount under the process of clearance of delinquent taxes reduced to 31.8% of the peak time ~

At the end of FY2022, the total amount of delinquent taxes was 894.9 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 900 billion 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, we encourage a voluntary payment and confirm the taxpayer's intention to pay while we will determine the resolution policy after fully understanding 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, we will consider applying measures to ease conditions of the tax payment, such as grace of tax payment or asset conversion, after listening carefully 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 repeated defaults of payment commitments are made, 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.

◎ Case examples of accusation filed to the prosecutors in FY2023

The NTA accused a case in which estate was hidden by the entity through having the transaction partners wire the funds for account receivables to a deposit account in the name of a new company, after setting the new company using the katakana representation of the taxpayer's name as its corporate name for the purpose of avoiding execution of a coercive collection for the delinquent taxes.

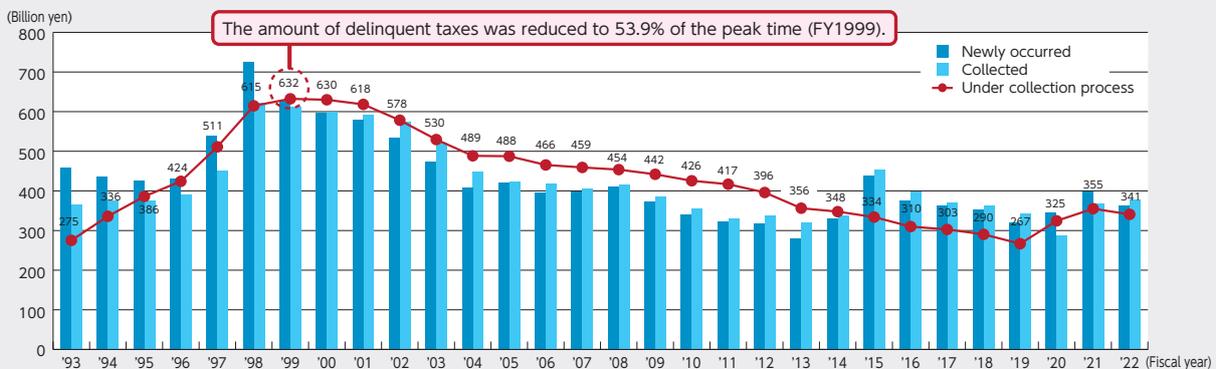
~ Organizational response to difficult-to-handle cases ~

For delinquency processing of difficult-to-handle cases including complicated transactions and disguised transfer of assets, the NTA is proceeding with delinquency clearance proactively using legal methods: for instance, ① securing sufficient workforce to clarify the case and take a systematic action, to enable support based on a wide-area operation, or to form a timely project team to execute coercive collection for delinquent taxes etc.; ② filing a lawsuit with the government playing the plaintiff, such as a lawsuit requiring cancellation of a detrimental act² etc.

~ 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 assets are done to evade seizure or other disposition for collecting delinquent taxes, up to 3 years in prison or up to a 2.5 million yen fine, or both of them 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.

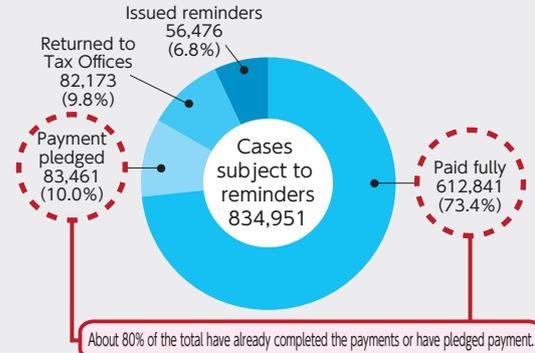
(3) The Office of Tax Collections Call Center

~ Conduct effective and efficient phone notices ~

The Office of Tax Collections Call Center is broadly in charge of new delinquency cases. This office makes system-assisted phone calls as reminders for payment, to ensure effective and efficient collection of delinquent taxes.

Over the year from July 2022 to end of June 30, 2023, The NTA sent demand letters to about 830,000 people, as part of the efforts, of which about 610,000 people (73.4%) have already fully paid and about 80,000 people (10.0%) have pledged payment.

Collection of delinquent taxes by the Office of Tax Collections Call Center



※“Returned to Tax Offices” figure represents the number of taxpayers for whom jurisdiction was changed from the Office of Tax Collections Call Center to each competent Tax Office.

(4) Public auctions

~ Sold about 2,030 items through public auctions ~

Regarding the properties seized as a means of disposition for collecting delinquent tax, the NTA sells them through a bid or in a public auction and the proceeds are appropriated as the collection of delinquent taxes.

During a year between July 2022 and June 2023, 242 public auctions in total were conducted nationwide. As a result, about 2,030 items (real estate properties, cars, jewelry items, etc.) were sold and the total amount of the proceeds was about 5.4 billion yen.

Regarding the list of items to be put subject to a public auction by the Regional Taxation Bureaus throughout Japan and each auction schedule, you can confirm the details in the section of “Public auction information” on the NTA website.

※ 1 Bidding procedures can also be carried out online from the above website.

※ 2 Auction process is also covered at private auction sites as well.



Public auction information
[in Japanese]

Examples of properties that were sold through public auction between July 2022 and June 2023



(5) Accurate and efficient management of claims and liabilities

~ Prompt process realized by advanced use of systems ~

Tax Offices use systems so that the management operation for the national tax claims and liabilities, that arise from tax return filings and refund filings in huge volume, can be processed accurately and efficiently.

There are about 43.24 million tax payment cases each year. To efficiently process this amount of payments, the NTA is using optical character recognition (OCR)¹ for processing tax payment slips at the Bank of Japan, and adopted online tax payment, direct payment, and others in addition to transfer tax payment for income tax and sole proprietors' consumption tax. The NTA is also pursuing efficient and speedy refunds by adopting online transfer procedures.

3 Response to fraudulent refunds of consumption tax

~ To protect the trust in the consumption tax system ~

Among the national tax categories, consumption tax is the largest tax category in the amount of revenues.

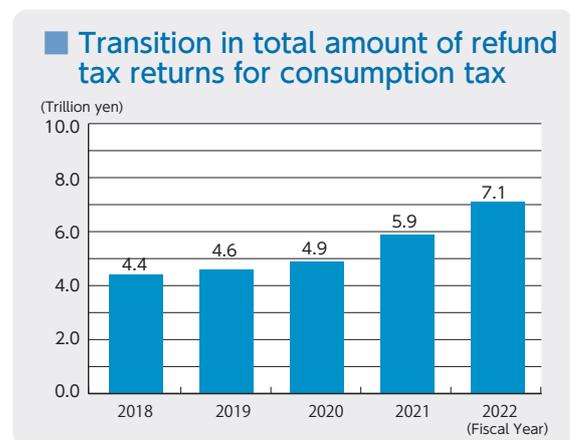
Many taxpayers are filing tax returns and paying taxes correctly. On the other hand, there arise fraudulent cases to receive refunds of consumption tax one after another, through abusing the consumption tax system in that false contents are filed for fictitious transactions. Such fraudulent refund cases of consumption tax may severely damage the trust by taxpayers in the consumption tax system, so we are responding to them as one of the priority issues.

(1) Status quo of fraudulent refunds of consumption tax

① Transition in amount of tax returns

~ Total amount of refund tax returns for consumption tax shows an increasing trend year after year ~

Amount of refund tax returns for consumption tax has kept showing an increasing trend in recent years. Total amount of refund tax returns for consumption tax filed by individuals and corporations exceeded 7 trillion yen in 2022.



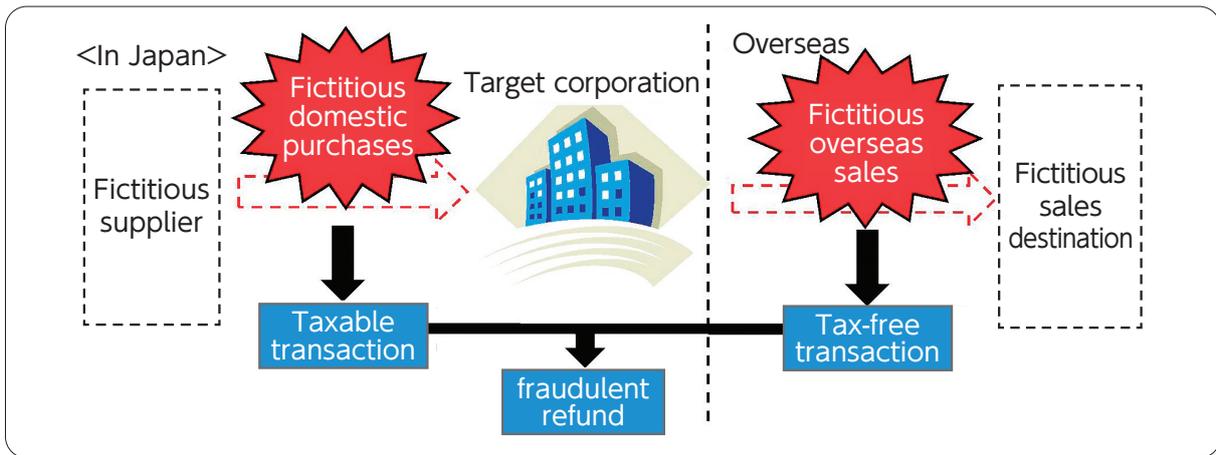
② Representative methods of fraudulent refunds of consumption tax

~ There are various fraud methods ~

a. Cases where fictitious domestic purchases and fictitious export sales are recorded

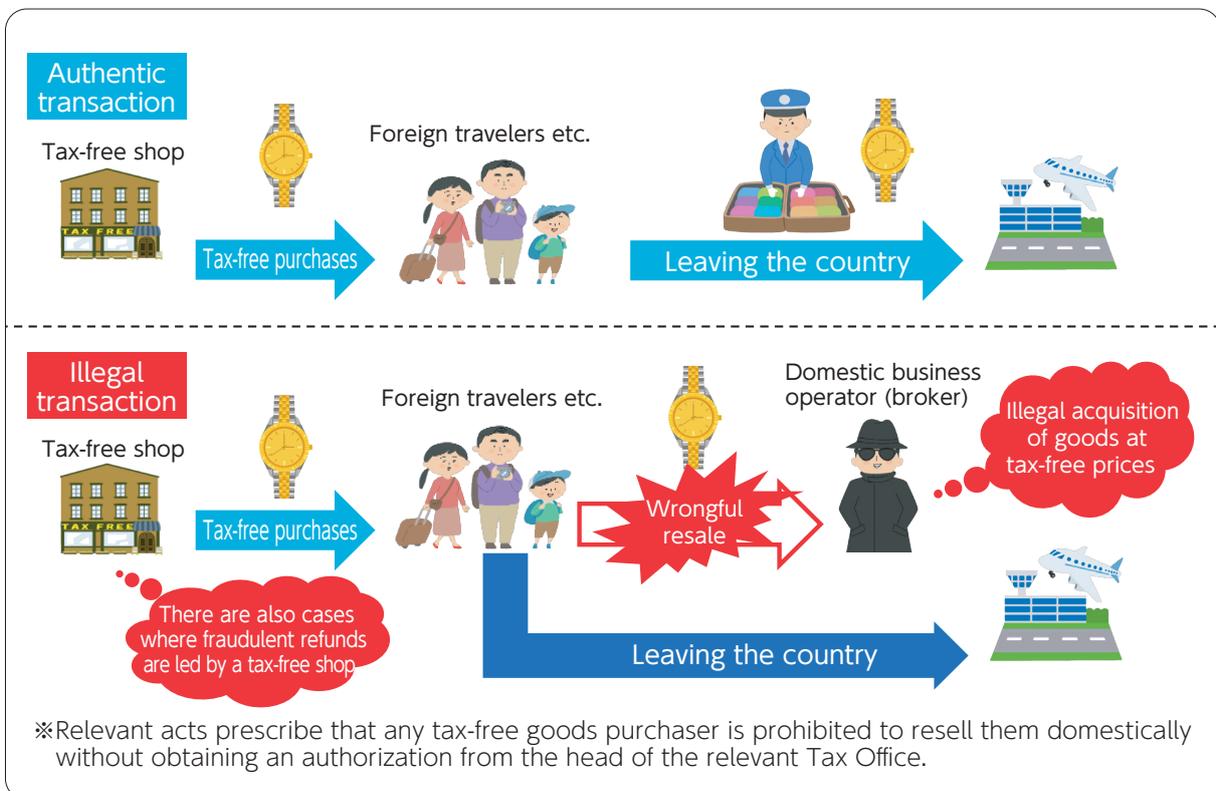
When a business operator trades goods in Japan, consumption taxes are imposed on them (taxable transactions); whereas when goods are sold to overseas buyers (exported), consumption taxes are waived (tax-free transactions). A business operator deducts the amount of consumption taxes on purchases from that on sales when filing a final return; if the calculation result is a negative amount, the amount can be refunded. From time to time, we capture cases where abusing this system, the refund is fraudulently applied through a disguise of purchasing goods in Japan and exporting them overseas.

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.



b. Cases where goods purchased at tax-free shops were resold in Japan

Tax-free shops may sell goods waiving consumption taxes to certain foreign travelers etc. (eligible tax-free goods purchasers) by applying certain procedures, just like the cases of goods exports (Export Goods Store System). To apply the system correctly, the foreign travelers etc. must bring the goods purchased at tax-free prices outside the country. However, in recent years, from time to time, following malicious cases have been captured: fraudulent profits-earning cases where massive tax-free goods are purchased for a large amount, and they are resold domestically instead of being brought outside the country, under the instruction of a domestic business operator (broker) etc.; similar-structure cases but under the lead by a tax-free shop etc.



Reviews of the Export Goods Store System

There occur many fraudulent incidents where it is suspected that tax-free purchased goods of a large amount and of a large volume are not brought out overseas and instead are resold domestically. Even if the customs capture foreign travelers not holding tax-free purchased goods at the time of their departure and try to execute an immediate collection, many of such cases only lead to delinquency. In this sense, malicious utilization of the export goods store system has reached a status that can be no longer overlooked.

Given such real situation, the Outline of FY2024 Tax Reform Proposals (decided in the Cabinet meeting held on December 22, 2023) “required retention of the information confirmed at the customs as obtained through the tax-free sales management system of the government [tentative naming], as a new requirement for tax-free sales.” This way, the direction of the system revision was clearly indicated in that tax-free sales will be authorized when taking-out of tax-free purchased goods are confirmed by the customs at the time of departure.

Note that it was decided that they will reach a conclusion on the details of the system revision in FY2025 Tax Reform.

(2) Our initiatives against fraudulent refunds of consumption tax ~ Never miss fraudulent filing returns for refund ~

To curb fraudulent refunds of consumption tax, it is important not to miss any suspicious application and not to leave any malicious taxpayer intact.

To enable proper responses to any case of abusing the consumption tax system, for each of the stages from tax declaration to administrative guidance and investigations to collection, we are striving to take the following measures in collaboration with relevant departments throughout the organization:

① implement stricter assessment for refund returns; ② proactively conduct examinations with an eye on malicious methods etc. (case analysis, data usage); ③ enhance the organizational structure (install a dedicated dept, expand existing dept); ④ pursue prevention measures through PR activities etc.

a. Enhancing the assessment for refund returns

Refund returns for consumption tax include not only fraudulent refunds, as specified above, but also those resulting from erroneous application of relevant acts. Therefore, when a confirmation step is necessary referencing various information, we endeavor to confirm the causes of each refund return or the tax amount for return through asking for submission of needed documents or conducting field examinations, while once suspending the payment of refund. As a result, we will ensure a proper remedy if there was an error in refund amount. On the contrary, if judged that there is no error in the application contents, we will make a refund promptly.

b. Enhancing the field examinations

Methods of fraudulent refund have always evolved over time. We firstly secure necessary human resources, for gathering various documents (purchase record information etc.) and analyzing them, and clearly view the target scope, to ensure the implementation of strict examinations. As a result, we conducted 6,392 field examinations targeting the individuals and corporations that had applied for refunds of consumption tax, in the period between July 2022 and June 2023; and we secured additional tax collection of about 57.7 billion yen.

Also, regarding particularly malicious criminals of fraudulent refund, the NTA conduct criminal investigations against them and accuse them to the prosecutors for severely pursuing their criminal responsibilities. During the period between April 2023 and March 2024, the NTA accused criminals in 16 fraud request cases for refund, with the amount received as refund or to be received as refund totaling 454 million yen: for example, a case where fictitious taxable purchases and fictitious tax-free export sales were recorded, through forging documents by using serial numbers for a single luxurious watch and copies of passports wrongfully obtained; a case where fictitious tax-free export sales were recorded through using forged passport information concerning the tax-free goods that were sold to convenience stores in fact etc.

It is notable that the criminal cases of fraudulent refund, to which the first-trial sentence was given between April 2023 and March 2024, were all guilty. The severest penalty among them was a prison sentence of 4 years (no probation).

■ Fraudulent refund cases of consumption tax: Number of cases accused and the total amount received fraudulently

Fiscal year	2019	2020	2021	2022	2023
Number of cases accused	11	9	9	16	16
Amount of fraudulent refund received (Million yen)	323	384	434	1,347	454

※ 1 The number of cases accused includes the cases where tax evasion was also committed.

※ 2 The total amount received fraudulently excludes additional taxes and includes refund cases where the refund is yet to be received.

c. Enhancing the organizational structure

To properly respond to fraudulent refund cases of consumption tax, we are proactively implementing examinations while newly installing functions and increasing headcount dedicated to consumption tax examinations, such as Chief Examiners for Regional Taxation Bureaus, consumption tax specialists for Tax Offices etc. Also, we are endeavoring to strengthen the examination capabilities of the whole the NTA organization through conducting refund assessments and consumption tax examinations, with the officers of Regional Taxation Bureaus holding specialty knowledge and know-how, consumption tax specialists of Tax Offices, and general staff of Tax Offices collaborating for them.

In addition, we are making efforts to foster personnel for both national taxes and the customs operation, through pursuing personnel exchange with the customs offices.

d. Prevention of misdeeds through PR activities

While carrying out strict assessment for refund requests and examinations and making efforts for collection, we are earnestly performing PR and enlightenment activities, like the message “Never forgive fraudulent refunds of consumption tax!” posted to “Web-TAX-TV” an Internet program available on the NTA website. As such, we are striving to prevent fraudulent refunds.

■ Web-TAX-TV: Never forgive fraudulent refunds of consumption tax!



National tax examiners, who felt suspicious about the contents of one fraudulent refund of consumption tax, started an examination and it ended up with clarification of the fraud structure; the whole course is dramatized and aired in an easy-to-understand manner.

Please look at it.



【The video is here】

4 Addressing international transactions

～ Increase of public interest in international tax avoidance cases ～

Year after year, the economy has been getting more globalized with an increase in overseas investment by individual investors and overseas transactions conducted by corporations. Under such circumstances, public interest has been significantly increasing on international tax avoidance cases. Those include hiding assets overseas by the affluent class and corporations that conduct overseas transactions and reducing tax burden using the differences in tax systems between jurisdictions.

(1) Actions against international tax avoidance

To appropriately respond to international tax avoidance by the individual investors conducting overseas investments and the companies conducting overseas transactions, the NTA is proactively conducting examinations etc., while promoting the following: (1) enhancement of information resources (strengthening of information collection and utilization); (2) enhancement of human resources for examinations (improvement and expansion of the execution system); and (3) strengthening of global networks (including collaboration 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 to precisely detect overseas transactions and assets within and outside of Japan, while comprehensively analyzing collected or given information and others to deal with cases of international tax avoidance adequately, for the purpose of detecting the income flows from cross-border economic activities and realizing appropriate and fair taxation.

a. Records of remittances and receipts related to foreign countries

Records of remittances and receipts related to foreign countries are reports 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.

Number of records of remittances and receipts related to foreign countries submitted

Operation year	2016	2017	2018	2019	2020	2021	2022
Records submitted (Million)	6.35	7.22	6.92	6.55	6.59	7.26	7.90

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 types and values of the foreign assets, etc. by June 30 of the following year to Tax Office.

Number of foreign asset statements submitted and total amount of assets reported

Calendar year	2016	2017	2018	2019	2020	2021	2022
Statements submitted	9,102	9,551	9,961	10,652	11,331	12,109	12,494
Total assets (Billion yen)	3,301.7	3,667.2	3,901.4	4,258.5	4,965.4	5,636.4	5,722.2

c. Statements of assets and liabilities

(1) Those who earn an income of over 20 million yen in the year, and have assets totaling 300 million yen or more or securities etc. totaling 100 million yen or more as of December 31 in the year, or (2) those who have assets totaling 1 billion yen or more are to submit a statement describing the types and values of the assets, the amount of debt, etc. by June 30 of the following year to Tax Office.

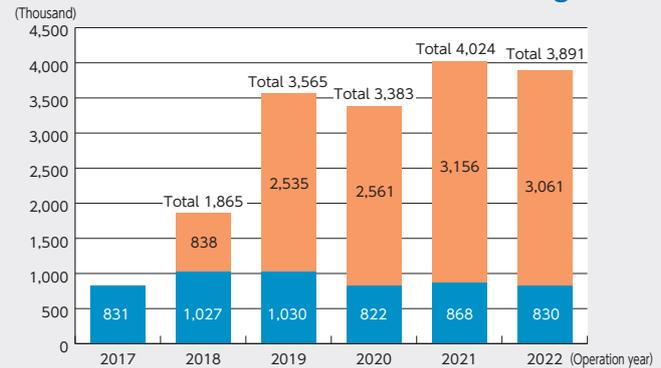
Number of statements of assets and liabilities submitted and total amount of assets reported

Calendar year	2016	2017	2018	2019	2020	2021	2022
Statements submitted	73,360	73,427	72,633	72,248	72,215	75,005	74,772
Total assets (Billion yen)	79,353.6	87,589.5	86,882.5	93,257.1	99,870.9	105,123.8	108,125.4

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 tax collection from other jurisdictions through implementing information exchange with foreign tax authorities under bilateral tax treaties, the Convention on Mutual Administrative Assistance in Tax Matters, etc. (as of May 2024, Japan has 86 tax treaties etc.¹ in force, which cover 155 jurisdictions).

■ Trend in number of information exchange



※ The number of information exchange represents the total of provisions and receipts in each operation year.

Orange color portion: The number of information exchange cases on financial account information of non-residents by CRS and on CbC report.
Blue color portion: The number of information exchange on request, spontaneous and automatic (for statutory records)

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, the OECD formulated the Common Reporting Standard (CRS) which is the international standard for regularly exchanging financial account information of non-residents (name, address, account balance, etc.) with the tax authorities of other jurisdictions. Japan also exchanges relevant information with other foreign tax authorities based on this framework. 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 analyzing the information together with other documents and information, such as records of remittances and receipts related to foreign countries and foreign asset statements.

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

	Receipt				Provision			
	July 2021~June 2022		July 2022~June 2023		July 2021~June 2022		July 2022~June 2023	
	Number of jurisdictions	Number of accounts						
Asia and Pacific	17	1,644,896	18	1,794,550	12	536,650	13	402,294
North America and Central & South America	20	216,480	22	156,707	16	40,744	17	44,481
EU and NIS Countries	43	325,978	42	294,474	42	67,976	40	78,060
Middle East and Africa	14	313,310	13	280,450	7	6,424	8	7,202
Total	94	2,500,664	95	2,526,181	77	651,794	78	532,037

◎ Effective use cases of the CRS information

- Based on CRS information, the NTA detected a fact that an officer of a domestic corporation holds funds of a large amount in a financial account located overseas, so we investigated the source of funds. As a result, we grasped that the officer had not included investment income of a large amount in tax returns including the interests and dividends paid to the person.
- Based on CRS information, the NTA detected a fact that the chief representative of a domestic corporation holds an overseas deposit account and that the person had excluded some commission income from the company's sales revenue by having the account in the personal name of the chief representative collect the said commission income.
- Based on CRS information, the NTA detected an overseas deposit account in the name of a foreign corporation of which an officer of a domestic corporation is assumed to be the beneficial owner; as a result of analysis of its transactional relationships, we found as fact that the income of the foreign corporation should have been included in the income of the said officer, because the Controlled Foreign Corporation rules are applicable to the case.

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

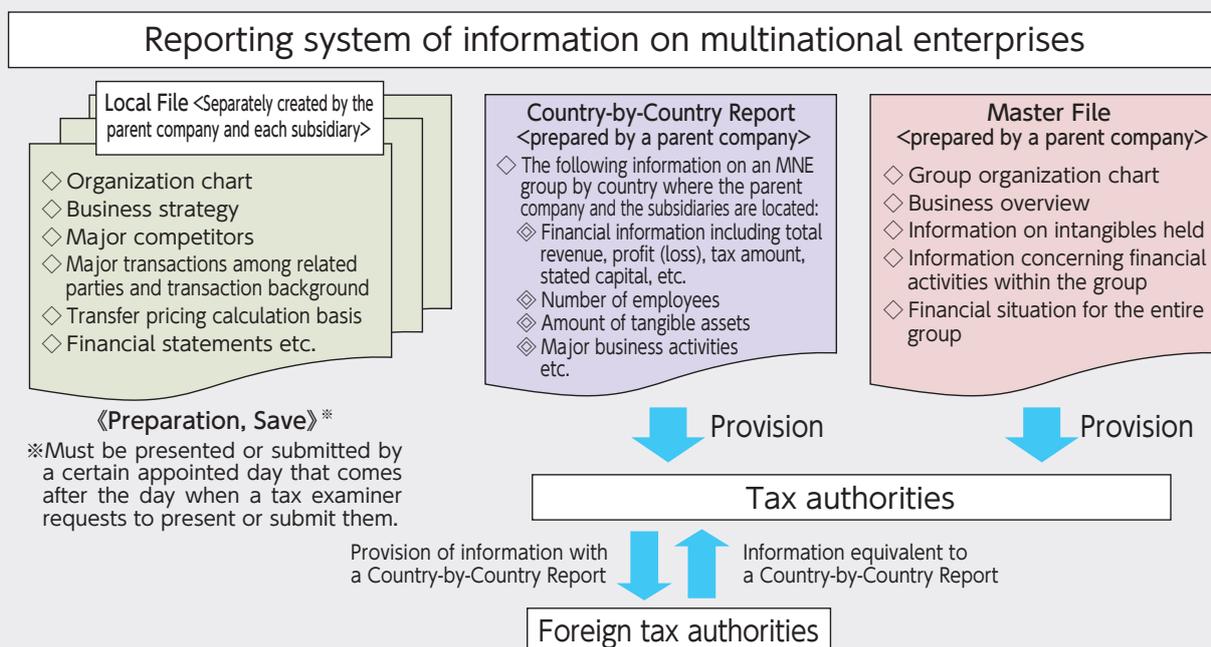
f. Reporting system for information on multinational enterprises

For the purpose of understanding the global activities and the actual situation of tax payment by multinational enterprises (MNEs), certain corporations are obligated to provide (or prepare and save) the following information to the relevant Tax Office: (1) Country-by-Country Report [CbCR], (2) Master File, and (3) Local File¹.

The ultimate parent entity of any MNE group over a certain size is obligated to provide CbCR to the tax authority of its resident jurisdiction in Japan. In operation year 2022, the NTA received information on 2,237 groups from the tax authorities of 53 jurisdictions and provided information on 866 groups to the tax authorities of 61 jurisdictions.

The NTA is effectively using such information in the process of assessing the transfer pricing risk and tax avoidance risk among MNEs.

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



② Enhancement of human resources for examination (establishment and expansion of an execution system)

~ Establishment of dedicated divisions and project teams ~

To deal with international tax avoidance, the NTA ensures that a dedicated section be established within the Regional Taxation Bureaus and the Tax Offices. In addition, particularly regarding the taxpayers who are recognized to hold of assets a large amount among the affluent class people, the NTA sets a project team targeting priority affluent taxpayers in each Regional Taxation Bureau across the country, which collects and analyzes various kind of information by managing the target taxpayers together with the related people and the related companies.

③ Reinforcement of global networks

~ 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. The NTA has been striving to enhance cooperation with foreign tax authorities.

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 Country-by-Country Report and a Master File via e-Tax no later than one year after the last day of the fiscal year of the ultimate parent entity.

a. Participation in global frameworks

(a) Formulation and implementation of international agreements

The BEPS Project was initiated by the OECD to address tax avoidance by MNEs exploiting gaps and mismatches in tax rules. Working together with the G20 members that are non-OECD countries, the final report was publicized in October 2015.

It provides 15 Actions that equip governments with the domestic and international instruments needed to review the overall international tax rules, address international tax avoidance by MNEs and increase the transparency of each jurisdiction's tax system and MNEs' business activities. The NTA has been proactively engaged in implementing those Actions appropriately. For detailed information on each Action, 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 OECD and other international efforts

The recommendations in the final BEPS project report need to be implemented not only in the OECD member countries but also in many other countries and regions including emerging and developing countries. Therefore, "Inclusive Framework on BEPS" has been established. 147 jurisdictions including Japan are participating in this framework as of May 2024, and the member jurisdictions have been conducting mutual assessment about the implementation status of the recommended actions and discussing possible revisions of the recommendations. As one of the latest subjects, the members have been discussing the Two-Pillar Solution to address the tax challenges arising from the digitalization of the economy (that is, establishing a taxing right for market jurisdictions [Amount A] and the simplified and streamlined application of the transfer pricing rules [Amount B] under Pillar One; and the global minimum tax under Pillar Two), and the content from the Amount B report released has been incorporated into the OECD Transfer Pricing Guidelines. Additionally, regarding Pillar Two, model rules and administrative guidance for introducing global minimum tax in each country were agreed and publicized. In Japan, Income Inclusion Rule of the global minimum tax was legislated in the FY2023 tax reform, and it went into effect on April 1, 2024.

In addition, regarding exchange of information under tax treaties etc., the legal framework and the implementation status in each jurisdiction are mutually assessed at the "Global Forum on Transparency and Exchange of information for Tax Purposes" in which 171 jurisdictions participated as of May 2024.

Moreover, at the "Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)" of the "OECD Forum on Tax Administration," members are taking part in activities with the objective to share information among member countries, and to work together on common challenges, such as international tax avoidance. The NTA is actively participating in these activities and discussions.

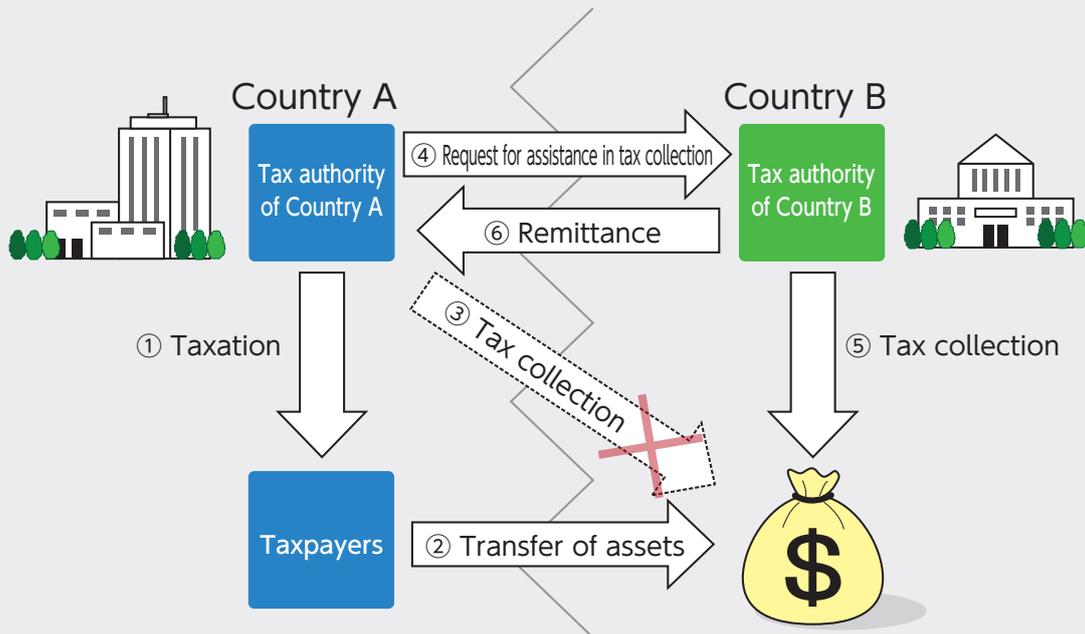
b. Utilization of a mutual tax collection assistance system

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.

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 in 143 jurisdictions including Japan (as of June 1, 2024).

Framework of mutual assistance in tax collection



Web-TAX-TV “Chase overseas assets! Efforts for International Collection”



In the movie, revenue officers conduct tax collection using the mutual assistance system for tax collection based on tax treaties targeting malicious tax delinquency cases where delinquent taxpayers transfer assets to overseas for tax avoidance.

Please look at it.



[Refer to a video here.]

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 the adequate number of staff and establishing cooperative relationships with relevant foreign tax authorities for swift and smooth MAP negotiations⁴.

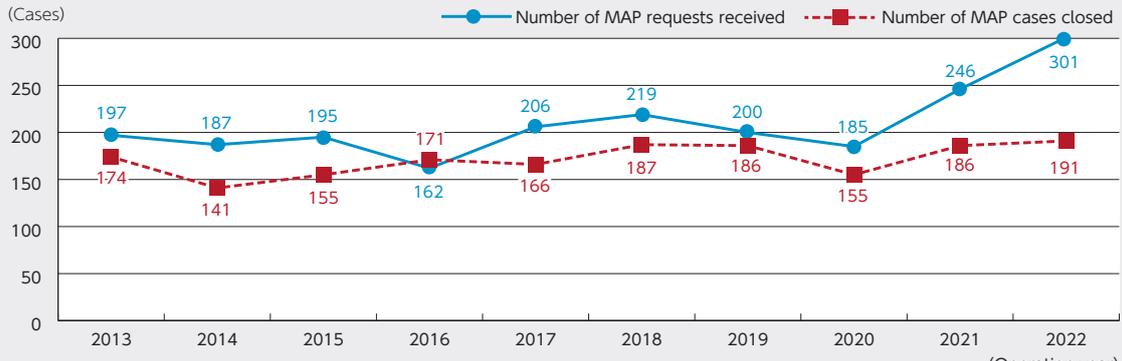
1 “Mutual Agreement Procedure (MAP)” is a formalized set of procedure between tax authorities of treaty partners which are provided in tax treaties. The NTA enters into MAP upon the taxpayers request where taxpayers consider that international double taxation arise or will arise from transfer pricing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

2 “Advance Pricing Arrangement (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 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 During operation year 2022, we had 49 MAP meetings totaling 169 days.

Number of MAP requests received and MAP cases closed



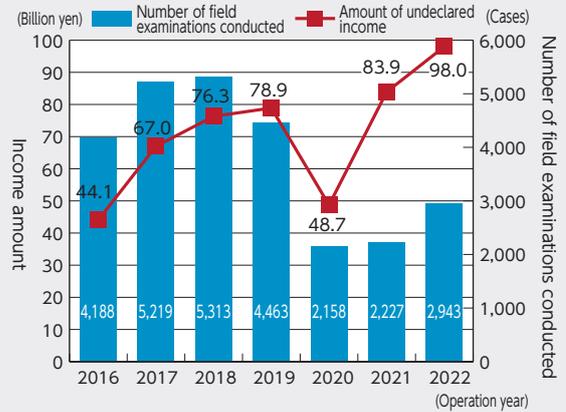
※"Number of MAP requests received" consists of such requests from taxpayers and from foreign tax authorities.

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

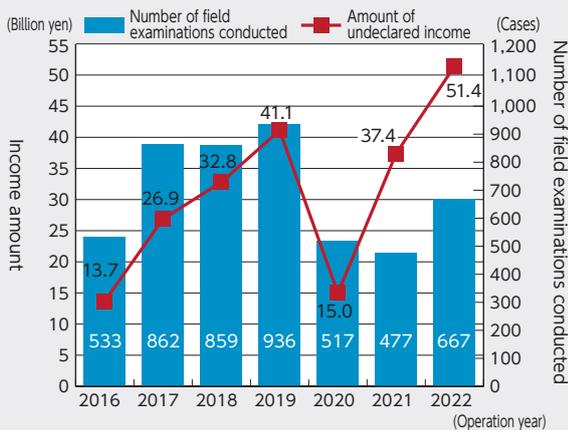
~ Handling of asset-hiding cases and tax avoidance acts ~

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

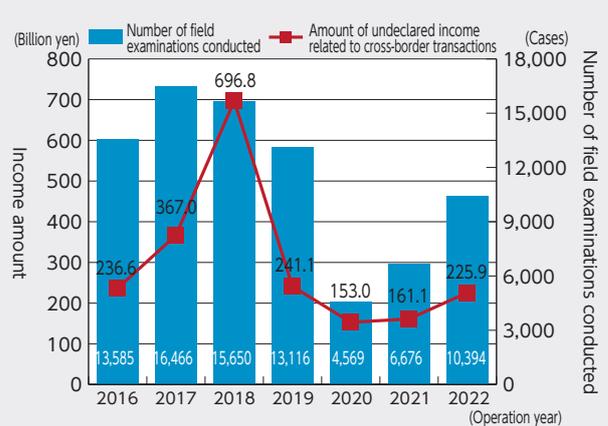
Actual number of income tax examinations carried out against the affluent class



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



Actual examination of corporation tax related to cross-border transactions



Examination examples on the affluent class and the enterprises engaged in cross-border transactions

- A domestic corporation engaged in real estate leasing was subject to the thin capitalization rule because it paid a large amount of interest and reduced its tax burden by borrowing money instead of receiving investments to raise funds from a foreign corporation.
- We detected the following fact: the subject set the transaction price to a related party located overseas lower than the arm's length price, resulting in effective transfer of profits.

～ Defining conditions for application of transfer pricing taxation ～

As company activities become increasingly globalized, more transactions are becoming subject to the transfer pricing taxation, and the details of the transactions are becoming more complex. To increase predictability for taxpayers, the NTA has announced its administration policy on the operations and its application requirements, by updating directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation.

In case of the Advance Pricing Arrangement (APA), the NTA has been providing an environment where taxpayers can smoothly apply for this APA, such as engaging in consultations prior to accepting requests for APA.

5 Cooperation with foreign tax authorities

(1) 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 understanding Japan's tax administration.



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 FY2023, we gave lectures through dispatching our officials to the tax authorities of Malaysia and Vietnam.

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 FY2023, they worked in Lao PDR, the Philippines 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.

(2) Country-Focused Training Courses

The courses target tax officials from a certain developing country, and give lectures based on its requests.

(3) International Taxation

This course targets tax officials from multiple developing countries and gives lectures on "international taxation."

This course was named "International Taxation for Asian Countries" previously, but the target countries became no longer limited to Asian countries from FY2023, so the course was also renamed to "International Taxation."

(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 FY2023, 13 students in total, enrolling in graduate schools of National Graduate Institute for Policy Studies, Keio University, and Hitotsubashi University, participated in this course.

■ Status of trainings conducted in Japan

(Number of countries, people)

Fiscal year		2019	2020	2021	2022	2023
International Seminar on Taxation (ISTAX) (General)	Countries	16	–	14	3	8
	Participants	16	–	14	3	8
International Seminar on Taxation (ISTAX) (Advanced)	Countries	11	–	10	5	8
	Participants	11	–	10	5	8
Country-Focused Training Courses	Countries	3	1	2	4	4
	Participants	32	15	136	355	61
International Taxation	Countries	7	–	6	4	8
	Participants	7	–	11	6	8
Practicum at the NTA	Countries	12	7	8	5	7
	Participants	15	9	9	6	13

※ Includes the number of online courses from FY2020 onward

(2) OECD Asia-Pacific Academy for Tax and Financial Crime Investigation

OECD Asia-Pacific Academy for Tax and Financial Crime Investigation, which the NTA holds in collaboration with OECD, is the training program regarding investigation techniques on tax crimes, money laundering, international cooperation, etc. Since the first program at Wako Campus of the National Tax College in May 2019, we held 14 programs in total including those held online as of the end of FY2023.

(3) Cooperation among countries for tackling the challenges in tax administrations

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 Asia-Pacific Tax Administration and Research.

a. The OECD Forum on Tax Administration (FTA)

The FTA is a forum for tax agency commissioners from 38 OECD and 15 non-OECD countries and regions (as of May 2024) to share their knowledges and experiences in a wide range of fields of tax administration. The 16th Plenary Meeting was held in Singapore between October 11 and October 13, 2023, where the commissioners exchanged their opinions on such issues as DX of tax administration, implementation of the resolution measures for the Two-Pillar Solution, tax certainty, etc.

b. Study Group on Asia-Pacific Tax Administration and Research (SGATAR)

SGATAR is comprised of tax authorities of 18 countries and regions in Asia-Pacific. This is a forum for discussions on cooperation and sharing of knowledge in the region.

Between October 31 and November 2, 2023, the 52nd SGATAR meeting was held in Thailand, where opinions were exchanged on implementation of "Pillar 2", data analytics on tax compliance, etc.