

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)

Operation year Tax category	2021	2022	2023
Self-assessment income tax	31	46	48
Corporation tax	41	62	59
Consumption tax	57	87	84
Inheritance tax	6	8	9

■ Additional tax amount of field examinations

(Billion yen)

Operation year Tax category	2021	2022	2023
Self-assessment income tax	80.4	101.5	106.6
Corporation tax	143.8	186.8	210.2
Consumption tax	111.0	169.3	145.4
Inheritance tax	56.0	66.9	73.5

~ 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 pursues publicity activities about the withholding tax system through creating a page for withholding agents on the NTA website and posting thereon various guidebooks, pamphlets, explanatory videos, etc.

~ Strengthening the measures for data 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 have been cases of fraudulent consumption tax refunds claimed through false returns we work to prevent fraudulent refunds by suspending refund payments, and checking underlying facts for claimed refunds through examinations, etc.

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 fictitious tax-free sales and fictitious taxable purchases had been recorded by pretending to make export sales to a non-existent foreign corporation.
- The NTA uncovered a case in which certain domestic sales to foreigners living in Japan had been recorded as tax-free by using forged export declarations.

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

Regarding increasing outward investments and overseas transactions, the NTA clarifies the actual state and conducts in-depth examinations about them, by effectively using relevant documents (statements on outward remittances, etc.) as well as relevant information obtained as per the exchange of information system under tax treaties, etc. with competent foreign authorities and as per the Common Reporting Standard (CRS).

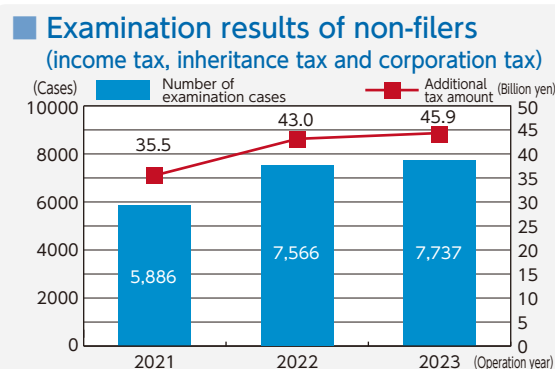
We properly impose taxes on investment profit generated from diversified and globalized asset management conducted in particular by the affluent class. We also actively conduct examinations to accumulate information for the future proper taxation of inheritance tax.

◎ 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 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.
- The NTA uncovered a case in which overseas affiliate income had not been included in the tax return filing, through using records on outward and inward remittances.

～ 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.



◎ Cases of examinations of non-filers

- The NTA uncovered a case in which a taxpayer, who had earned large profits from live streaming had been a non-filer for income tax.
- The NTA uncovered a case in which a taxpayer, who had been aware of large profits from a mobile game development, had been a non-filer for income tax.
- The NTA uncovered a case in which a taxpayer, who had been aware of the necessity of filing inheritance tax about a large amount of cash withdrawn from the decedent's bank account, had been a non-filer for inheritance tax.

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

As for Precise Action Towards New Fields of Economic Activities including the Sharing Economy, to create an environment that enables adequate filing, the NTA provides the information on tax procedures and taxation treatment on the NTA website and calls on the users (taxpayers) via the industrial organizations, intermediate business operators, etc. for proper filing. In addition, we endeavor to gather relevant information and enhance the analysis, accurately detect the taxpayers that might bear certain problems in taxation, provide administrative guidance, and conduct tax examinations.

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 tax returns 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 matter

~ Implementing exchange of opinions between the NTA officials and corporate management people, etc. ~

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 positively communicates with them 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 use the confirmed tax CG status determining the tax risk of each company. Also, from the perspective of the company, it is expected that they can reduce the occurrence risk of an inadequate tax processing.

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 ~

"Check sheet for tax returns" and "Check sheet for tax items that require special attention at large corporations" show the items for which an error tends to occur before and after tax return preparation, in the form of a table. These check sheets are posted on the page of "Information concerning (Self-inspection of tax returns and self-audit of tax matters) (for corporations handled by Large Enterprise Division)" (<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/tk.htm> [in Japanese]) on the NTA website.

These sheets can be used in self-audits to see whether there are any settlement and declaration adjustment items yet to be addressed before preparing a return, or in self-inspections before submitting a return; so that prevention can be expected for errors in filing.

● 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" (<https://www.nta.go.jp/taxes/shiraberu/kokusai/pdf/0021012-113.pdf> [in Japanese]) 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.



Status of Initiatives,
etc. in Each
Operation Year
[in Japanese]



Approach to
enhance the tax CG
[in Japanese]



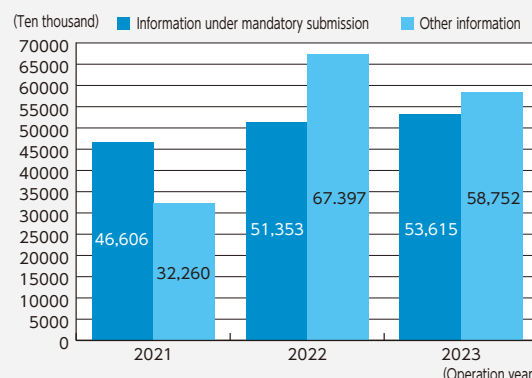
Information
concerning (Self-
inspection of tax
returns and self-
audit of tax matters)
[in Japanese]

(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 FY2024, 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, for instance, the NTA accused malicious tax evaders of as follows:

- A fraudulent refund of consumption tax where fictitious taxable purchases and tax-free export sales were recorded as alleged export sales of luxury watches (In fact, they procured cheap ones online and forged fraudulent receipts for high-priced watch purchases); and
- An avoidance of income tax by retaining consulting fees in an overseas depository account, relating to the online sales business for pharmaceuticals run by an overseas corporation.

■ PR leaflet of the NTA Criminal Investigations



The NTA proactively raises awareness about taxation and tax collection, through lectures and tax education.

◎ Accusation cases in FY2024

- The NTA accused a professional enabler of inducing multiple taxpayers to introduce a fraudulent scheme to offset fictitious business loss against the employment income so that they would fraudulently receive tax refunds and evade their income tax.
- The NTA accused a willful non-filer of avoiding the income tax obligation. The taxpayer wriggled out of filing income tax returns by the statutory due dates in spite of earning income such as royalty fees for video distribution that were paid by the platform operator and online goods sales.

■ 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
2022	145	139	103	12,760 (10,019)	92 (97)
2023	154	151	101	11,980 (8,931)	79 (88)
2024	151	150	98	11,270 (8,230)	75 (84)

※ 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	Cases	%	Persons	Million yen	Months	Million yen
2022	(2) 61	(2) 61	100.0	(1) 3	47	13.6	12
2023	(5) 83	(5) 83	100.0	(2) 9	58	15.6	15
2024	(13) 99	(13) 99	100.0	(7) 13	59	15.7	15

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

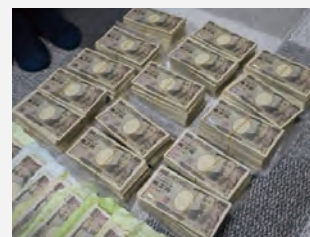
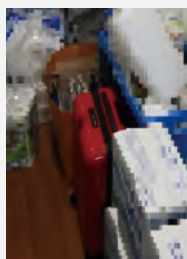
※ 2 ④ to ⑥ exclude those combined with non-tax crimes.

◎ Case of a guilty sentence given in FY2024

In this case, a tax evader that did not actually conducted export business, recorded fictitious tax-free export sales and fictitious taxable purchases, abusing the tax-free export system. As a result, the tax evader illegally received consumption tax refunds. The tax evader was sentenced to two and a half years' imprisonment.

An example of hidden properties found during criminal investigations

Cash was uncovered in a suitcase located in a room.



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



The working scene of how the NTA's tax crime investigators are daily striving to combat tax evaders are being introduced in a TV drama style.

Check it out!



The video is here

2 Ensuring tax payment

(1) Establishment of voluntary tax payment

~ Approximately 85.1 trillion yen of taxes were paid within the fiscal year (98.8% were paid within the fiscal year) ~

Self-assessed national tax becomes revenue upon payment into the national treasury. In FY2023, about 86.1 trillion yen of taxes (amount determined for collection) were self-assessed to Tax Offices. Of this, about 85.1 trillion yen of taxes were paid into the national treasury (collected amount) within the fiscal year, for a 98.8% 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(<https://www.nta.go.jp/taxes/nozei/annai/index.htm>); receiving cooperation from related private associations, CPTAs associations etc.

To ensure payments in a planned manner, the NTA is encouraging active use of advance payment using direct payment (direct advance payment).

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.



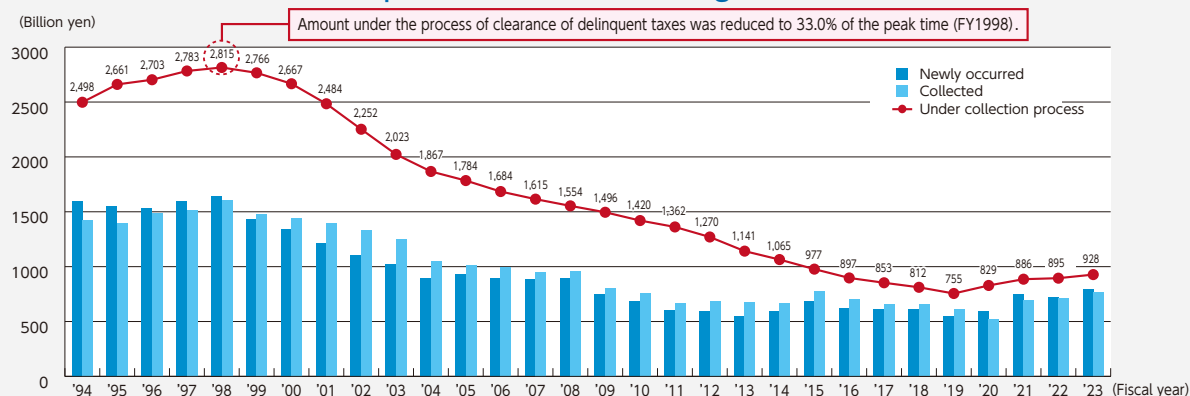
General guidance for
tax payment
[in Japanese]

(2) Efforts to promote reduction of tax delinquency

~ Amount under the process of clearance of delinquent taxes reduced to 33.0% of the peak time ~

At the end of FY2023, the total amount of delinquent taxes was 927.6 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 repeated defaults despite that payment commitments were made, the NTA will take disposition for collecting delinquent taxes, such as seizure and public auction, in a timely and appropriate manner.

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

When collecting delinquent taxes in a large-amount and notably malicious case, we will take strict and resolute actions, such as investigation, property, seizure, public auction, etc. 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 FY2024

- The NTA accused an asset hiding case in which the entity had transaction partners wire the funds to a deposit account in the name of the wife of the chief representative of the delinquent company.
- The NTA accused a case in which company property had been disposed of resulting in an adverse status for the government: more specifically, the delinquent company had sold the automobiles, etc. held by it to another corporation for an unreasonably low price.

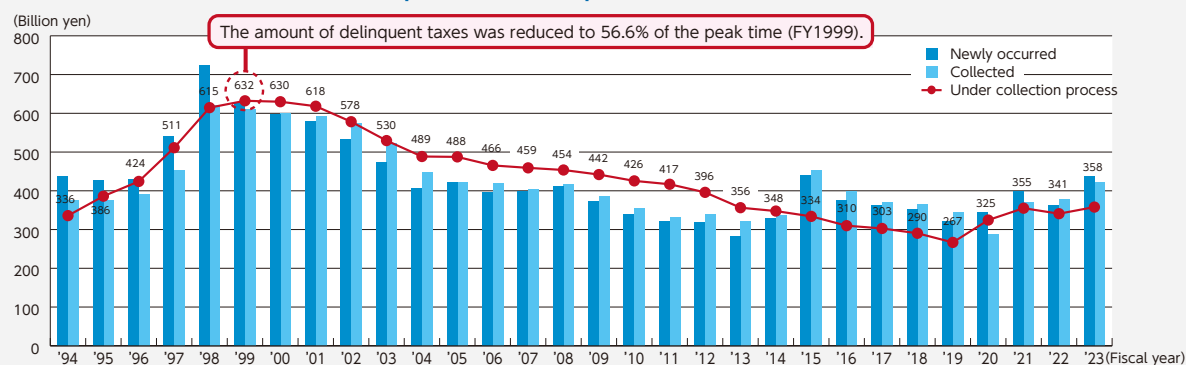
~ Organizational response to difficult-to-handle cases ~

For delinquency processing of difficult-to-handle cases such as complicated transactions and cases involving disguised asset transfer, the NTA is proceeding with delinquency clearance proactively: for instance, ① securing sufficient workforce to clarify each case and take a systematic action (collaborating with wide-area coverage staff, forming a timely project team to execute coercive collection for delinquent taxes etc.); and ② using legal means for collection (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 cases including those for consumption tax, the NTA is striving to reduce the balance of delinquent taxes in a decisive manner, for example, by ensuring quick start of responses when a new case arises.

■ 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 taken 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.

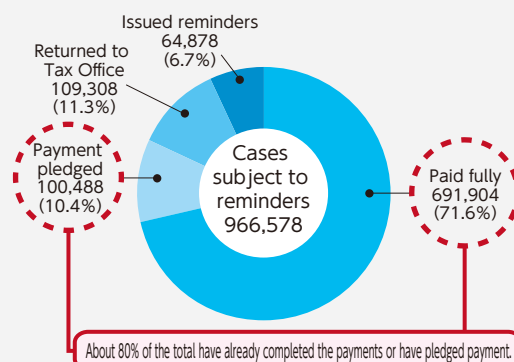
(3) The Office of Tax Collections Call Center

~ 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 2023 to end of June 30, 2024, the NTA sent demand letters to about 970,000 people, as part of the efforts, of which about 690,000 people (71.6%) have already fully paid and about 100,000 people (10.4%) 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 14,900 properties 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 2023 and June 2024, 214 public auctions in total were conducted nationwide. As a result, about 14,900 items (real estate properties, cars, jewelry items, etc.) were sold and the total amount of the proceeds was about 4.1 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 (<https://www.koubai.nta.go.jp/> [in Japanese]).

※ 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 2023 and June 2024



(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 49.44 million tax payment cases a 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

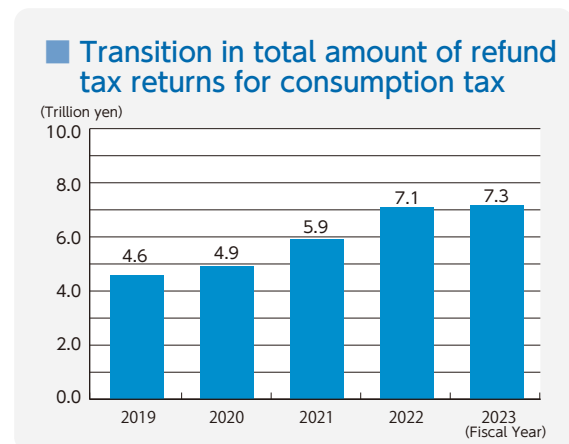
~ To protect the trust in the consumption tax system ~

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 refund amounts of consumption tax

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 FY2023.



(2) Our initiatives against fraudulent refunds of consumption tax

~ Never miss fraudulent return filing 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 return to administrative guidance and from investigations to collection, we are striving to take the following measures through collaboration among 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 utilization); ③ enhance the organizational structure (install a dedicated department, expand existing departments); ④ pursue prevention measures through PR activities, etc.

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. Enhancing the assessment for refund returns

Refund returns for consumption tax include not only fraudulent refunds 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. Conversely, if it is determined that the application contains no errors, the refund will be issued without delay.

b. Enhancing the field examinations

Methods of fraudulent refund have become more complicated and sophisticated over time. We firstly secure necessary human resources, for gathering various documents and analyzing them, and clearly identify the target scope, for ensuring the implementation of strict examinations. As a result, we conducted 6,335 field examinations targeting the individuals and corporations that had applied for refunds of consumption tax, in the period between July 2023 and June 2024; and we secured additional tax collection of about 40.5 billion yen.

Also, regarding particularly malicious cases of fraudulent refund, we conduct criminal investigations against them and accuse them to the prosecutors for severely pursuing their criminal responsibilities.

During the period between April 2024 and March 2025, the NTA accused 17 fraud request cases for refund (with the amount of refunds illegally received or to be received through such attempts totaling 304 million yen), including the following:

a case where fictitious taxable purchases and fictitious tax-free export sales were recorded, through purchasing cheap watches online and forging receipts, etc. for fictitious purchases of luxury watches pretending to do export sales of luxury watches; and a case of fraudulent request for consumption tax refund where taxable purchases for an amount larger than the actual cost were recorded, through asking a fraud accomplice to create/issue a construction contract and an invoice of false content (showing a construction cost larger than the actual cost).

The cases of fraudulent refund we accused through criminal investigations, to which the first-trial sentence was given between April 2024 and March 2025, were all guilty. The severest penalty among them was a prison sentence of 2 years and 6 months (excluding combined cases of multiple crimes).

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

Fiscal year	2022	2023	2024
Number of cases accused	16	16	17
Amount of fraudulent refund received (Million yen)	1,347	454	304

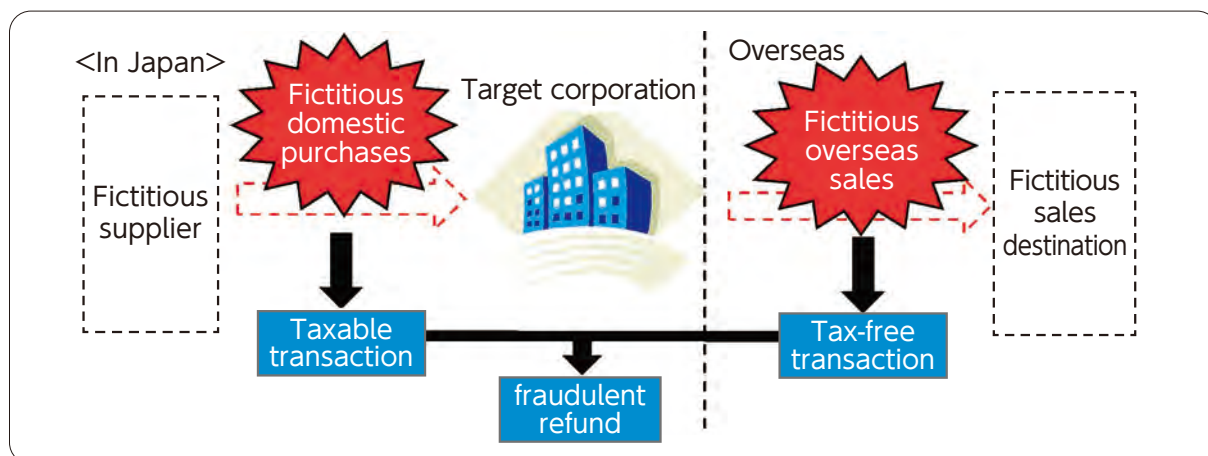
※ 1 The number of cases accused includes the cases where tax evasion was also committed.

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

[Reference] Representative methods of fraudulent refunds of consumption tax ～ There are various fraud methods ～

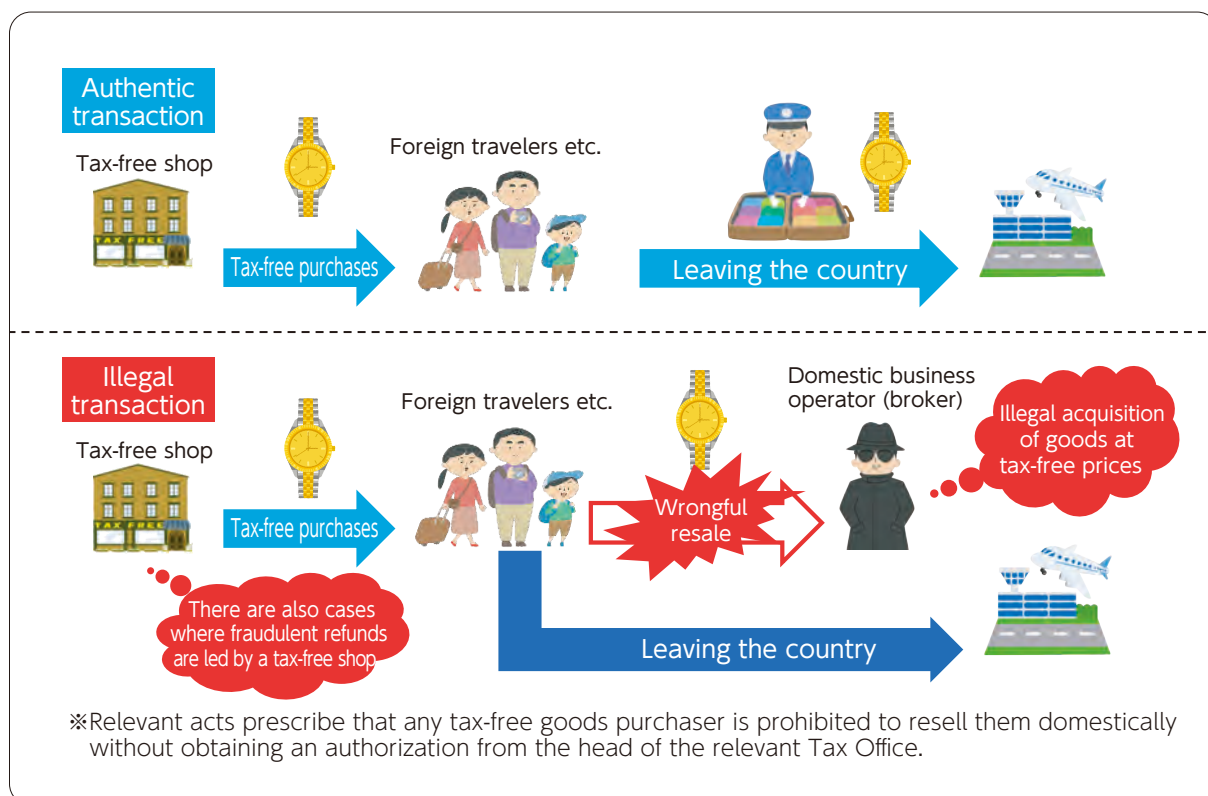
a. Cases where fictitious domestic purchases and fictitious export sales are recorded

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.



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 (Tax-Free Shopping 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.



Column

4

Review of the Tax-Free Shopping System (revision to Refund Method)

There occur many fraudulent cases 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 tourists 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 Tax-Free Shopping System has reached a status that can be no longer overlooked.

Given such real situation, a new Tax-Free Shopping system (Refund Method) will be introduced, for excluding fraudulent uses of the Tax-Free Shopping System while not imposing burden on tax-free shops to ensure fraud exclusion. In the new system taking effect on November 1, 2026, tax-free sales become effective for the sales of goods subject to tax exemption handled by tax-free shops at a price that includes tax (taxation), when it is confirmed by the customs that the purchased goods subject to tax exemption are to be brought out overseas at the departure procedure checking counter within 90 days from the date of purchase by the foreign tourists; after this confirmation, the business operator of the tax-free shop will refund the equivalent of the consumption tax to the foreign tourists (Refund Method).

For more details, see the leaflet and Q&A posted at the "Special site on the Refund Method" of the NTA website.



"Special site on the Refund Method (in Japanese)"

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 video "Never forgive fraudulent refunds of consumption tax!" (with subtitles in Japanese, English, or Chinese) 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 watch it.

【The video is here】



【Japanese version】

【With English subtitles】

【With Chinese subtitles】

4

Addressing international transactions

～ Increase of public interest in international tax avoidance cases ～

Year after year, the economy has been getting more globalized with increasing overseas investment by individual investors and increasing overseas transactions implemented by companies. Under such circumstances, there is rising public interest about international tax avoidance cases: for instance, hiding assets overseas by the affluent class and companies that conduct overseas transactions; and reducing

tax burden using the differences in tax systems between jurisdictions.

(1) Actions against international tax avoidance etc.

To appropriately respond to international tax avoidance, the NTA is proactively conducting examinations, etc., while promoting the following: ① enhancement of information resources (strengthening information collection and utilization); ② enhancement of human resources for examinations (improvement and expansion of the execution system); and ③ strengthening 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, etc. adequately, for the purpose of detecting the income flows from cross-border economic activities and realizing proper 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	2017	2018	2019	2020	2021	2022	2023
Records submitted (Million)	7.22	6.92	6.55	6.59	7.26	7.90	8.32

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	2017	2018	2019	2020	2021	2022	2023
Statements submitted	9,551	9,961	10,652	11,331	12,109	12,494	13,243
Total assets (Billion yen)	3,667.2	3,901.4	4,258.5	4,965.4	5,636.4	5,722.2	6,489.7

c. Statements of assets and liabilities

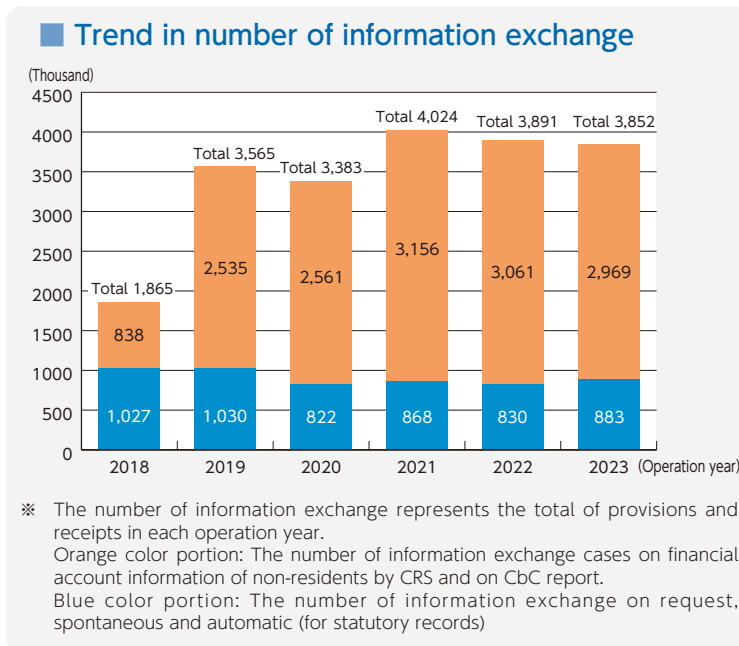
① Those who earn an income of over 20 million yen in the year, and have assets totaling 300 million yen or more or securities, etc. totaling 100 million yen or more as of December 31 in the year, or ② those who have assets totaling 1 billion yen or more as of December 31 in the year are to submit a statement describing the types and values of the assets, the amounts of liabilities, 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	2017	2018	2019	2020	2021	2022	2023
Statements submitted	73,427	72,633	72,248	72,215	75,005	74,772	78,801
Total assets (Billion yen)	87,589.5	86,882.5	93,257.1	99,870.9	105,123.8	108,125.4	125,180.5

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 2025, Japan has 87 tax treaties, etc.¹ in force, which cover 156 jurisdictions).



e. Automatic exchange of information under international frameworks

To address international tax evasion and avoidance performed through foreign financial institutions, we are exchanging financial account information of non-residents with the tax authorities of other jurisdictions, in accordance with the OECD-formulated Common Reporting Standard (CRS). 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.



CRS corner

Given the risk of tax evasion using crypto-assets, etc. having become apparent, in July 2022, OECD formulated CARF (Crypto-Asset Reporting Framework) which is an international standard for periodically exchanging the information on crypto-asset transactions by non-residents between tax authorities.

At present, over 60 jurisdictions have expressed their intention to start CARF-based information exchange by 2027 or by 2028. In Japan as well, regarding the transaction information of January through December of 2026, we plan to receive reports from Reporting Crypto-Asset Service Providers, etc. located inside Japan by April 30, 2027, and implement the first relevant information exchange by September 30, 2027.

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

	Receipt				Provision			
	July 2022~June 2023		July 2023~June 2024		July 2022~June 2023		July 2023~June 2024	
	Number of jurisdictions	Number of accounts	Number of jurisdictions	Number of accounts	Number of jurisdictions	Number of accounts	Number of jurisdictions	Number of accounts
Asia and Pacific	18	1,794,550	19	1,934,804	13	402,294	14	403,696
North America and Central & South America	22	156,707	21	153,308	17	44,481	18	36,445
EU and NIS Countries	42	294,474	42	308,300	40	78,060	40	66,389
Middle East and Africa	13	280,450	11	58,876	8	7,202	8	4,252
Total	95	2,526,181	93	2,455,288	78	532,037	80	510,782

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.

◎ 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 bank account located overseas, so we investigated the fund management status. As a result, we grasped that the person's income tax returns had not included investment income of a large amount, and a gift tax return had not been filed for a part of the deposit account donated to relatives.
- Based on CRS information, the NTA detected a fact that an officer of a domestic corporation holds assets of a large amount in a bank account located overseas, so we investigated the fund management status. As a result, we grasped that the officer had inherited assets from a relative and had earned a lot of gains from management of the assets, but that the person's income tax returns had not included the gains.
- Based on CRS information, the NTA detected a fact that a person with a balance of delinquent taxes (coercive collection from the entity's domestic assets was not enough to fully cover the delinquent balance) holds an account with a foreign bank. Therefore, we requested the relevant foreign tax authority for assistance in tax collection in accordance with the tax treaty. As a result, the tax authority seized the person's bank deposit account. Since the proceeds were successfully remitted to us, the delinquent taxes were fully collected.

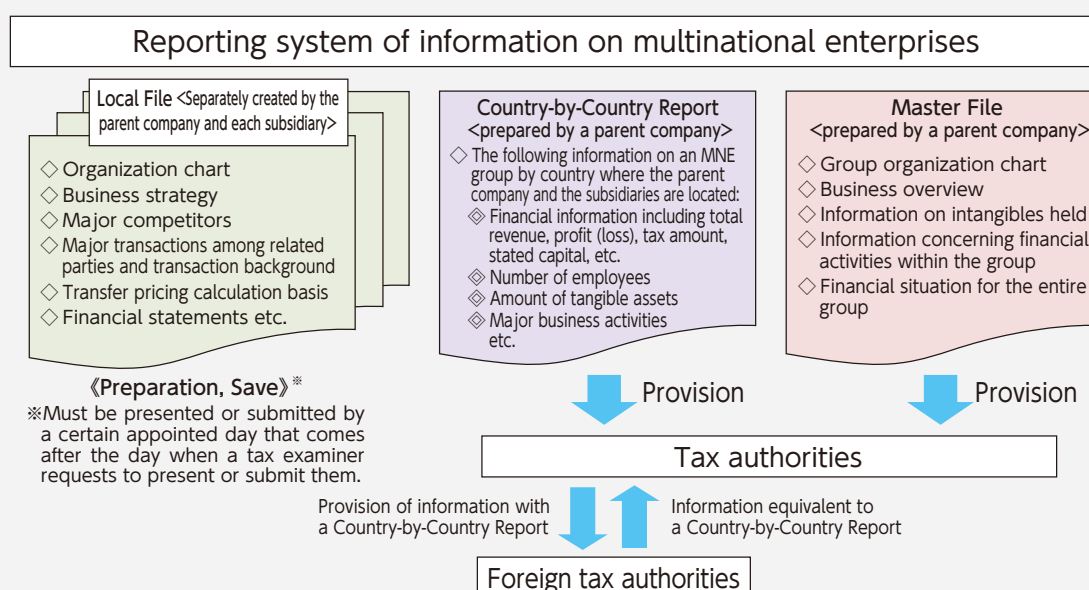
f. Reporting system for information on multinational enterprises

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 2023, the NTA received information on 2,315 groups from the tax authorities of 58 jurisdictions and provided information on 927 groups to the tax authorities of 68 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



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.

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.

a. Participation in global frameworks

(a) Formulation and implementation of international agreements

The BEPS Project was initiated by the OECD in 2012 in order to address the issue of MNEs artificially manipulating their taxable income to avoid taxation. Final report on the Project was published in October 2015. The NTA is striving to properly implement the 15 Actions recommended in the final report. For detailed content of each Action, see the section titled “BEPS Project”(<https://www.nta.go.jp/taxes/shiraberu/kokusai/beps/index.htm> [in Japanese]) on the NTA website.

(b) Participation in the OECD and other international efforts

The recommendations in the final BEPS project report need to be implemented in many countries and regions including emerging and developing countries. Therefore, “Inclusive Framework on BEPS” has been established by OECD. 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 (IIR) out of the global minimum tax was legislated in the FY2023 tax reform (it took effect in April 2024); and Undertaxed Profits Rule (UTPR) and Qualified Domestic Minimum Top-up Tax (QDMTT) were legislated in the FY2025 tax reform (they will take effect in April 2026).

In addition, regarding exchange of information under tax treaties, etc., legal system and implementation status in each jurisdiction are being mutually assessed at the “Global Forum on Tax Transparency and Information Exchange” in which 171 jurisdictions participated as of May 2025. Also, at the “Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)” of the “OECD Forum on Tax Administration (FTA),” members are taking part in activities with the objective to share intelligence and collaborate among them, regarding common challenges such as international tax avoidance.

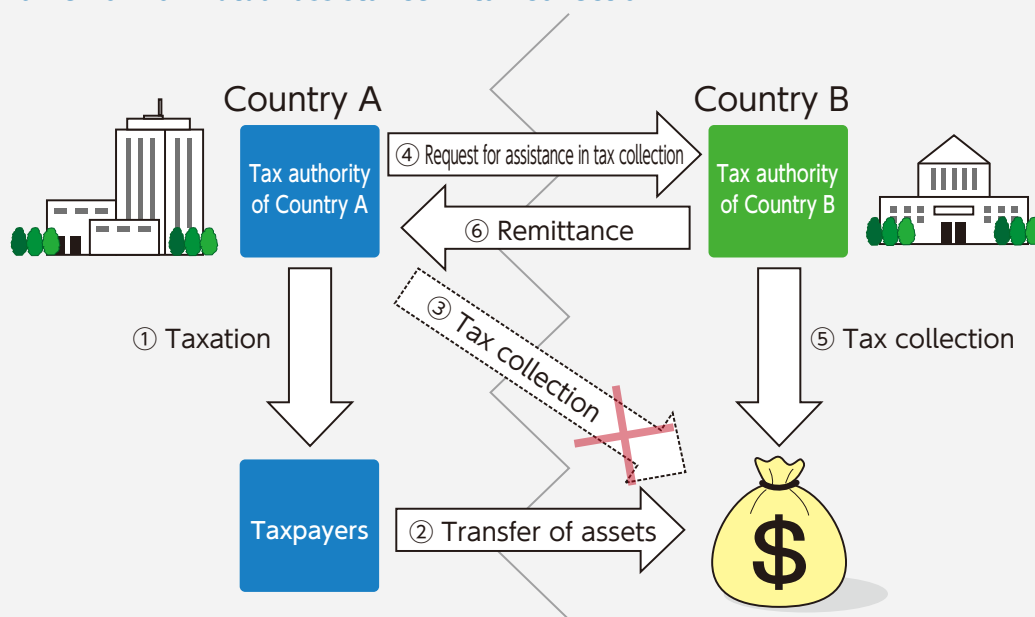
The NTA is actively participating in these activities and discussions.

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"



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 watch it.



【Refer to a video here.】

c. Mutual Agreement Procedure (MAP)

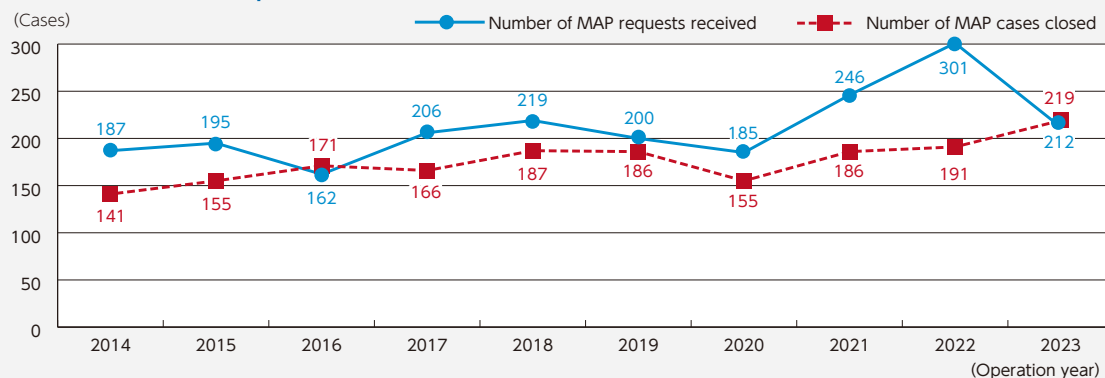
When a taxpayer makes a request regarding international double taxation arising from transfer pricing

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 145 jurisdictions including Japan (as of June 1, 2025).

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.

■ Number of MAP requests received and MAP cases closed



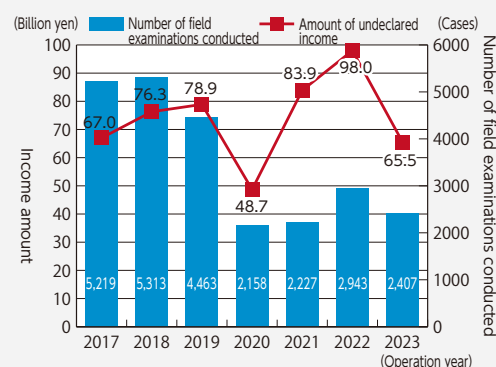
※ "Number of MAP requests received" consists of such requests from taxpayers and /or from foreign tax authorities.

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

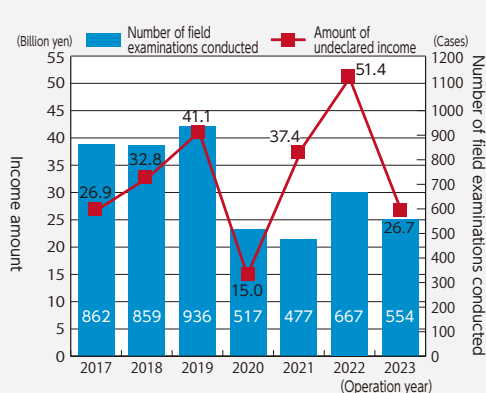
~ Handling of asset-hiding cases and tax avoidance acts ~

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.

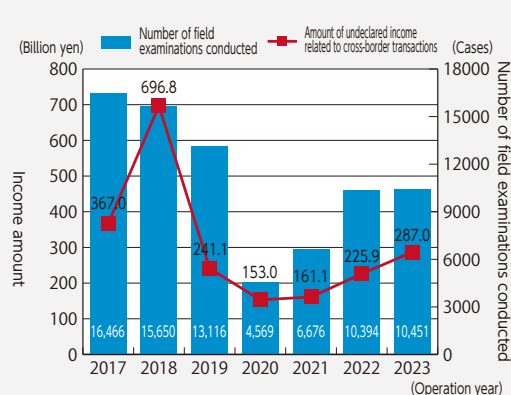
■ Actual number of income tax examinations carried out against the affluent class



■ 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



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 taxpayer 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 2023, we had 52 MAP meetings totaling 162 days.

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

- We detected a fact that the investee foreign corporation is a shell company without activity substance and applied the CFC taxation system to the case.
- As per the earning stripping rule, we applied “exclusion from deductible expenses” to part of the interests paid to related parties.

～ 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 directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation, etc.

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 FY2024, we gave lectures through dispatching our officials to the tax authorities of the Philippines, Vietnam, and Lao PDR.

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 FY2024, they worked in the Philippines, Vietnam, and Lao PDR.

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.”

(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 FY2024, 17 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		2020	2021	2022	2023	2024
International Seminar on Taxation (ISTAX) (General)	Countries	—	14	3	8	11
	Participants	—	14	3	8	12
International Seminar on Taxation (ISTAX) (Advanced)	Countries	—	10	5	8	10
	Participants	—	10	5	8	11
Country-Focused Training Courses	Countries	1	2	4	4	6
	Participants	15	136	355	61	53
International Taxation	Countries	—	6	4	8	8
	Participants	—	11	6	8	8
Practicum at the NTA	Countries	7	8	5	7	9
	Participants	9	9	6	13	17

※ Including online courses from FY2020 to FY2022.

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

The OECD Asia-Pacific Academy for Tax and Financial Crime Investigation, which the NTA holds in collaboration with the 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, this program has been held 17 times in total including those held online by the end of FY2024.

(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 16 non-OECD countries and regions (as of May 2025) to share their knowledges and experiences in a wide range of fields of tax administration. The 17th meeting was held in Greece between November 13 and November 15, 2024, where the commissioners exchanged their opinions on such issues as DX of tax administration, implementation of the global minimum tax, enhancing tax certainty etc.

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

At SGATAR, commissioners or equivalents of tax authorities of 18 countries and regions in Asia-Pacific get together for discussions on cooperation and sharing of knowledge in the region.

Between October 29 and 31, 2024, the 53rd SGATAR meeting was held in Korea, where opinions were exchanged on effective mechanism for dispute prevention and resolution, digital transformation of tax administration, etc.