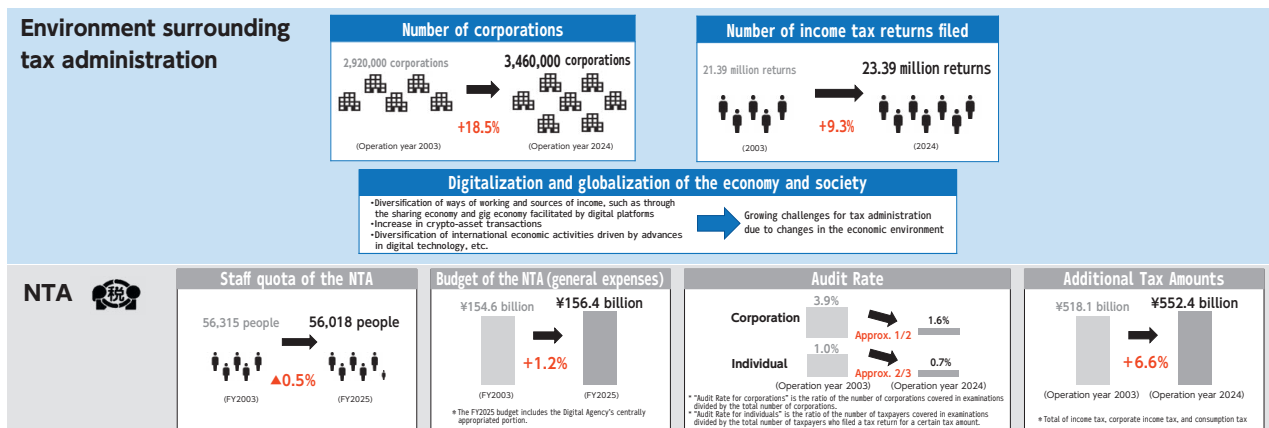


~ Changes in the environment surrounding tax administration and promotion of Digital Transformation for tax administration ~

Amid rapidly changing conditions surrounding tax administration—such as an increase in the number of corporations and income tax returns, as well as the digitalization and globalization of the economy and society—the challenges facing tax administration are growing, while the number of the NTA staff and the NTA's budget have remained largely flat.

That is why the NTA is striving to enhance services for taxpayers for enabling them to file returns and make payment simply and conveniently, by using data and digital technology, as well as to improve the efficiency in and enhance the taxation and tax collection operations.

In addition, we are promoting the digitalization for business operators, from the viewpoint of promoting digital transformation for whole society starting from the tax administration.



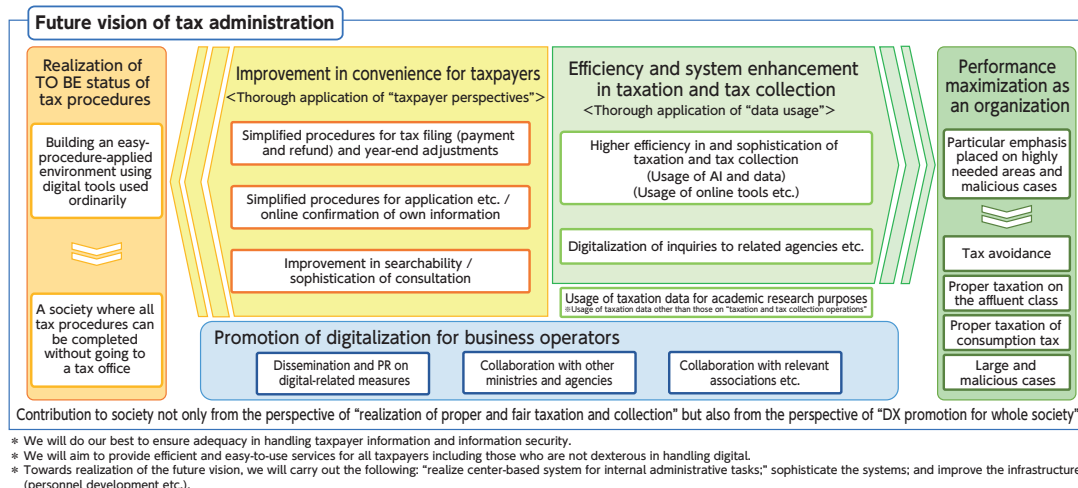
More specifically, the NTA released “Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023” in June 2023, to further promote the DX for tax administration. The vision is built around three key pillars: “Improvement in convenience for taxpayers,” “Efficiency and system enhancement in taxation and tax collection,” and “Promotion of digitalization for business operators”.



Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023 (in Japanese)

Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023

- ◆ We will promote digital transformation for tax administration (that is, fundamental reviews of national tax-related procedures and TO BE status of operations) such as digitalization of tax procedures and data usage in operations.
- ◆ We will promote DX for whole society starting from taxation, through facilitating digitalization for operations of business operators.
 - ➔ We will contribute to society from the perspective of “DX promotion for whole society” as well, in addition to the perspective of “realization of proper and fair taxation and tax collection”



1 Improvement in convenience for taxpayers

We will aim to build an environment that enables even those who are not familiar with tax to carry out procedures easily and conveniently using a digital tool used ordinarily (smartphone, tablet, PC, etc.). As such, we will pursue various measures, more treasuring the “taxpayer perspectives” than ever.

As concrete measures, we are endeavoring to improve the “Japanese version of pre-filled tax return” for the purpose of aiming for an ideal society where all tax office procedures can be completed without going to a tax office. Specifically, we are promoting the following: simplification of tax return and application procedures (expansion of the range of items that can be entered automatically, etc.), improvement of search and consultation processes by using digital tools, etc.

*For the status of specific initiatives, see “III Enhancement of Services for Taxpayers and Efficiency of Tax Administration.”

2 Taxation and tax collection made more efficient and enhanced

Data are the sources of wisdom, value, and competitive edge; they also are positioned as the keys used to solve social challenges in Japan, which is an advanced country in addressing new challenges. In tax administration, too, we think it is important to make operations more efficient and advanced by using data (or on the premise of data usage) as well as to tackle the challenge of BPR.

Therefore, we will not only proactively use data but also actively leverage online tools in carrying out tasks, including the scenes of taxation and tax collection. Also, we will expand data-used information exchange for inquiries to other entities such as local governments and financial institutions, through promoting digitalization.

Also, from the viewpoint of effective use of data, we are considering the ways to use taxation data for academic research purposes as well. From April 2022, the staff of the National Tax College and external researchers jointly started a statistical research project that will contribute to tax and fiscal policies, by using the taxation data held by the NTA. Also, from April 2025, the NTA started to provide sampled tax return data after making them anonymous, to improve convenience for researchers.

*For the status of specific initiatives, see “IV Proper and fair taxation and tax collection.”

3 Promotion of digitalization for business operators

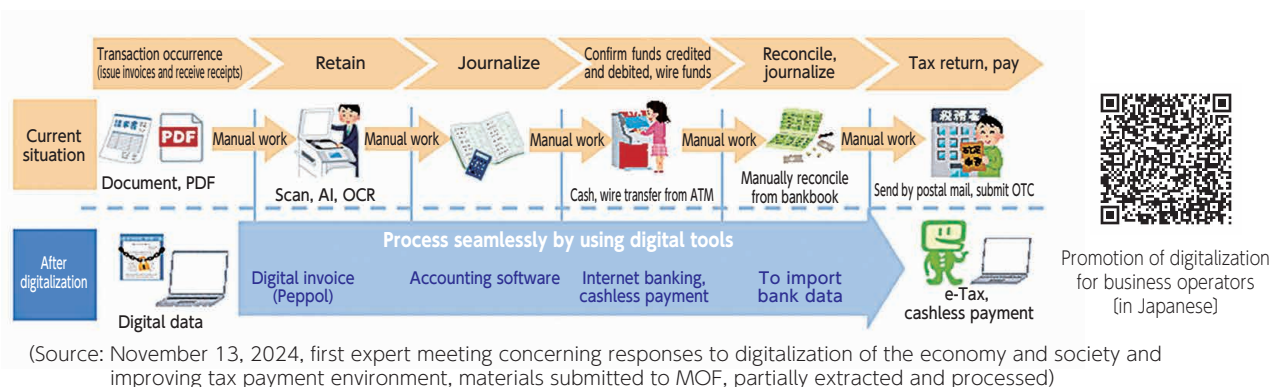
Since promotion of digitalization for the whole society is regarded as one of the important challenges that the whole government should tackle, the NTA is promoting not only the digitalization of tax procedures but also the measures to help business operators promote operational digitalization, such as dissemination and PR concerning cloud accounting software and digital invoice (Peppol¹); in other words, we are promoting the DX for the whole society starting from the tax administration.

If various daily operations of business operators such as accounting can be digitalized consistently, simple errors can be prevented, resulting in improved accuracy and efficiency in operations; and then, productivity improvement can be expected.

In addition, since the special deductions for income tax blue return were revised(*) in the tax reform of FY2026, which could be an incentive for introducing digital invoice, we will proactively promote the spread of digitalization from transaction execution to accounting and tax procedures (realize digitally seamless flow), including the dissemination and PR for the revised content.

*More specifically, targeting the taxpayers that create and retain electronic ledgers that satisfy certain conditions (that is, automatic linkage with invoice data, etc. is realized; history of corrections and deletions is recorded, etc.), ceiling levels for deduction amounts were raised.

1 Peppol (Pan European Public Procurement Online): A standard international protocol for exchanging electronic documents such as invoices online.



■ Web-TAX-TV: A Case Study on Digital Invoice Adoption



On the NTA's online channel, "Web-TAX-TV," viewers can watch an easy-to-understand interview featuring a case study on the adoption of digital invoices, which can improve accounting efficiency for both sellers and buyers.



[Watch the video here]

Column 1

AI utilization at the NTA

As shown in the chart below, the NTA is promoting AI utilization in two broad categories: "use of predictive AI (*1)" and "use of generative AI (*2)."

Regarding predictive AI, we are undertaking necessary development and applying the technology with a view to making taxation and tax collection more efficient and enhanced. For instance, it is used for determining which taxpayers are highly likely to have unrecorded income and for predicting the days of the week and times of day when phone calls made as reminders for payment are more likely to reach delinquent taxpayers.

Regarding generative AI, each staff member is using certain AI tools which are installed in their office PC to realize higher operational efficiency: for instance, it is used for searching and extracting court decisions in tax litigation cases, or for efficiently collecting industrial information available online.

Also, in line with the "AI Basic Plan" (decided by the Cabinet in December 2025), we are systematically considering the AI utilization for raising operational efficiency and improving taxpayer services, while anticipating the right direction for future uses.

In pursuing these initiatives, the NTA takes appropriate measures to address security risk and hallucination risk (it is a risk where generative AI provides responses contradicting the fact in a plausible manner).

*1 "Predictive AI" is the AI that is designed to be good at analyzing past data, etc. and predicting future events.

*2 "Generative AI" is the AI that can generate new contents such as text pages and images.

