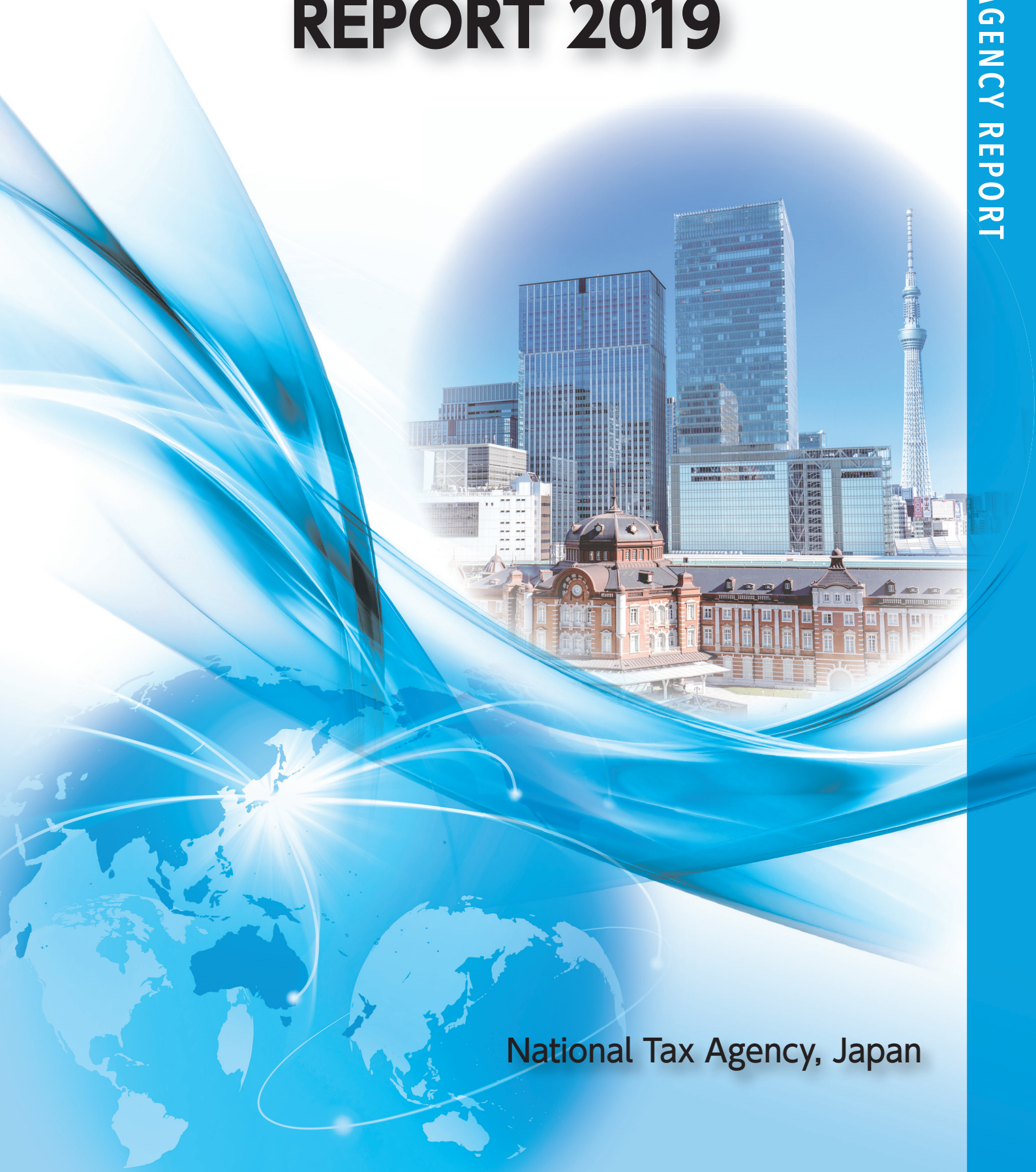


NATIONAL TAX AGENCY REPORT 2019

NATIONAL TAX AGENCY REPORT



National Tax Agency, Japan

From the Commissioner

The mission of the National Tax Agency (NTA) is “to help taxpayers meet their tax responsibilities properly and without difficulty”.

To succeed in this mission, the NTA endeavors to provide enhanced service to taxpayers as well as to conduct proper and fair taxation and collection.

The NTA was organized in 1949, and this year marks the 70th anniversary of founding. During that period, the environment surrounding tax administration has changed drastically. Especially, in recent years, the computerization and globalization of the economic society is remarkable.

In order to continue fulfilling its mission in this rapidly changing age, the NTA, in June 2017, publicized “Future Vision of Tax Administration” as guidelines that conceptualize the NTA’s image of around 10 years later.

Toward the realization of the vision, the NTA is pushing forward with a variety of efforts, such as embarking on business process reengineering and improving infrastructure on a full scale.

In terms of enhancing taxpayer service, the NTA provides helpful information to taxpayers about tax filing and payment via the NTA website and other sources in an easy-to-understand manner, and the NTA has also taken a number of steps to make the filing and payment procedures more accessible to taxpayers utilizing ICT.

From January 2019, individual taxpayers can use e-Tax to file income tax returns through its special screen on smartphones and other devices. Planning to expand procedures that can be performed through this system after January 2020, the NTA continues striving to enhance convenience for taxpayers.

In October this year, the consumption tax rate is scheduled to be increased and an accompanying reduced tax rate system will be introduced. The NTA will make it certain to increase publicity of the new system and give consultation and others in an effort to facilitate business operators to make preparations smoothly and to ensure that the new system takes root soon after.

Regarding the Social Security and Tax Number System (the so-called My Number System), the government as a whole is considering promotional measures to popularize My Number Card and facilitate the utilization of My Number and Corporate Numbers.

Considering such circumstances, the NTA is enhancing efficiency in administrative work by using My Number System and in parallel, for example, is building a mechanism that enables taxpayers to collect all information necessary for filing year-end tax adjustment and final tax returns in a lump through the Mynportal and make automatic entries into applicable return forms.

The NTA will, in sequence, prepare the infrastructure that allows taxpayers to access useful services with My Number Card. Please make better use of My Number Card and Corporate Numbers.

The NTA takes systematic and strict action against large-scale and malicious conduct while attempting to protect the rights and profits of taxpayers toward realizing proper and fair taxation and collection.

In addition, as an effort to promote compliance with the obligation to pay taxes, the NTA has started publicity activities, for example, to inform those who start new financial transactions including assets in crypto assets (virtual currency) of methods to calculate their income and key points in filing returns. For large corporations, the NTA is pushing forward with efforts to enhance corporate governance related to tax affairs in order to maintain and improve the level of tax returns filed by them.

Taxation on multinational corporations and taxation and collection of tax on cross-border transfer of assets, etc. have become globally important issues.

To this end, while strengthening collection and utilization of information and engaging in cooperation with foreign tax authorities, the NTA is endeavoring to improve, expand and reinforce the execution system and proactively conducts examinations, etc.

The NTA is determined to work harder than before to appropriately respond to illicit acts, such as hiding assets overseas and international tax avoidance performed by the affluent taxpayers and corporations that conduct cross-border transactions.

Every member of the staff at the NTA is dedicated to help taxpayers file tax returns and pay tax due properly and without difficulty, through various measures as stated above.

To expedite implementation of such measures, taxpayers' understanding and trust in tax administration are essential.

This NTA Report informs taxpayers in an easy-to-understand manner of the NTA's activities and topics during the past year with charts and photos in addition to statistical data.

I would appreciate if this "National Tax Agency Report 2019" would help you to better understand us and the NTA.

June 2019

藤井健志

Fujii Takeshi

Commissioner
National Tax Agency, Japan

CONTENTS

From the Commissioner 1

I About the NTA 5

1 Assignment and missions of the NTA	5	(6) Policy evaluation and improvement of tax administration	8
2 Concepts for management of tax administration ...	7	Column 1 Future Vision of Tax Administration ~Achieving a Smart Tax System~	8
(1) Enhancement of services for taxpayers	7	3 Overview of the national tax organization	9
(2) Promotion of administrative work efficiency and enhancement of organizational foundations	7	(1) National revenue and taxes	9
(3) Proper and fair taxation and collection and remedy for taxpayer rights	7	(2) NTA budget and number of personnel	9
(4) Proper management of liquor administration	7	(3) Organizational structure of administrative authorities for national tax	10
(5) Proper administration of services by Certified Public Tax Accountants (CPTAs)	8		

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration 11

1 Providing information, etc.	11	5 Efforts toward the Social Security and Tax Number System (My Number System)	23
(1) Information provided on the NTA website	11	(1) Outline of My Number System	23
(2) Tax education	13	(2) Actions as an entity utilizing My Numbers and Corporate Numbers	23
(3) Lectures	14	(3) Actions as an entity assigning Corporate Number	25
(4) Briefings for taxpayers	14	6 Promotion of adoption of procedures online and Business Process Reengineering (BPR)	26
(5) Advance inquiries	15	7 Proper withholding tax system operation	28
(6) Tax consultation	15	8 Actions taken for the amended Consumption Tax Act	28
2 e-Tax (online national tax return filing and tax payment system)	17	(1) The reduced tax rate system	28
Column 2 The NTA will endeavor to increase the convenience of e-Tax	18	(2) Measures for smooth and appropriate shifting of consumption taxes	30
Column 3 Large enterprises will be required to file returns via e-Tax	19	Column 4 Corresponding to the New Tax Measure for the Succession to Businesses	31
3 Filing for tax return	20	Column 5 International Tourist Tax	32
(1) Promotion of filing using ICT	20	9 Cooperation with private organizations	33
(2) Response to diverse taxpayer needs	21		
4 Diversification of payment methods	22		

III Proper and Fair Taxation and Collection 34

1 Promotion of proper and fair taxation	34	3 Addressing international transactions	43
(1) Priority matters addressed in the tax examinations	34	(1) Background	43
Column 6 Precise Action Taken Towards New Fields of Economic Activities, such as the Sharing Economy	36	Column 8 The policy initiatives based on "International Strategic Total Plan"	44
(2) Utilizing other approaches than field examinations	36	(2) Enhancement of information resources	45
(3) Data and Information	37	(3) Enhancement of human resources for examination	49
(4) Criminal investigation	38	(4) Reinforcement of global networks	49
Column 7 The 70 years' history of the tax criminal investigation system	39	(5) Actions against the affluent class and corporations that conduct cross-border transactions	52
2 Reliable tax payment	40	4 Cooperation with foreign tax authorities	53
(1) Establishment of voluntary tax payment	40	(1) Technical cooperation for developing countries	53
(2) Efforts to promote reduction of delinquent taxes	40	Column 9 Commencement of OECD Asia-Pacific Academy for Tax and Financial Crime Investigation	55
(3) Office of Tax Collections Call Center	42	(2) Participation in international conferences	55
(4) Public Auction by Internet	42		
(5) Accurate and efficient management of claims and liabilities	42		

IV Remedy for Taxpayer Rights

56

- (1) Request for re-examination 57
- (2) Request for reconsideration 57
- (3) Litigation 57
- (4) Trend in remedies for taxpayer rights 58
- Column10 The National Tax Tribunal welcomes its 50th anniversary 59

V Liquor Administration

60

- 1 Situation of Liquor Industry 60
 - (1) Situation of domestic market 60
 - (2) Situation of the export of liquor made in Japan ... 61
- 2 Efforts of the NTA 61
 - (1) Cultivation of overseas demand 61
 - (2) Promotion of establishment of brands 63
- Column11 Promotion of the use of the Geographical Indication System 63
- Column12 Labeling Rules for Wines 64
- (3) Technological assistance 64
- (4) Measures for small and medium enterprises 65
- (5) Promotion of Okinawa 65
- (6) Establishment of a fair trading environment of liquor 65
- (7) Response to social demands 65

VI Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

67

- 1 Services and roles of CPTAs 67
- 2 Coordination and cooperation with Certified Public Tax Accountants' Associations, etc. 67
 - (1) Promotion of the document attached by CPTAs etc. 67
 - (2) Promotion of e-Tax usage 68
- 3 Appropriate guidance for and supervision of CPTAs etc. 68

VII Evaluation of Policies

69

VIII Statistics

71

- Tax revenues and budget 71
- Tax returns and taxation 71
- Tax examinations 72
- International taxation 73
- Delinquency 73
- Criminal investigation 73
- Remedy for taxpayer rights 74
- Tax consultations 74

※The fiscal year ranges from April 1 through March 31 of the following year (i.e. fiscal year 2018: April 1, 2018 to March 31, 2019), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2018: July 1, 2018 to June 30, 2019).

The NTA was organized in 1949 as an external organization of the Ministry of Finance. The NTA supervises 12 Regional Taxation Bureaus (including the Okinawa Regional Taxation Office, and the same applies hereinafter) and 524 Tax Offices throughout Japan.

There is also the National Tax College which trains tax officials, while the National Tax Tribunal serves as a special body engaged in examining requests for review from taxpayers.

1 Assignment and missions of the NTA

Article 19 of the Act for Establishment of the Ministry of Finance provides that the NTA achieves its duties of “Realizing proper and fair taxation and collection of internal taxes,” “Sound development of the liquor business,” and “Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs).”

When the NTA carries out these duties, we believe that the most important point should be to gain the understanding and trust of the Japanese people as the taxpayers.

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



NTA

Missions of the NTA

Mission: Help taxpayers properly and smoothly fulfill their tax duties

Assignment

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

1 Realizing proper and fair taxation and collection of internal taxes

(1) Development of tax payment environment

- ① Provide and publicize easily understood accurate information on legal and regulatory interpretations and procedures concerning tax filing and payment.
- ② Respond quickly and accurately to inquiries or consultations from taxpayers.
- ③ Make efforts to obtain broad cooperation and participation of the related ministries, agencies, and citizens in order to build cooperation with tax administration and understanding of the roles of taxes.

(2) Promotion of proper and fair tax administration

- ① To achieve proper and fair taxation,
 - (i) Properly apply the relevant laws and regulations.
 - (ii) Work to achieve proper tax filing, and reliably correct errors by conducting examinations and guidance for people who filed improper returns.
 - (iii) Work to help taxpayers pay taxes by the due date, and implement procedures to collect taxes from delinquent taxpayers.
- ② Respond properly and promptly to taxpayers' requests for review, to address infringements of taxpayers' legitimate rights and interests.

2 Sound development of the liquor business

- ① Stabilize the business foundations of the liquor industry, and ensure brewing technology research and development and the quality and safety of liquor.
- ② Work for effective use of resources related to liquor.

3 Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs)

Work for proper administration of CPTA services, to ensure that CPTAs play important roles in the proper and smooth administration of the self-assessment system, based on the missions assigned.

Code of Conduct

- The above duties shall be carried in accordance with the following Code of Conduct.

(1) Code of Conduct for performing duties

- ① Maintain tax administration transparency, so that taxpayers are knowledgeable of the legal and regulatory interpretations and administrative procedures.
- ② Work to improve taxpayer convenience in filing and payment.
- ③ Work to improve the administrative processes in order to improve efficiency in tax administration.
- ④ Work to actively collect and use information and data, to accurately implement tax examinations and procedures against tax delinquencies.
- ⑤ Take strict action against taxpayers who engage in malicious tax evasion and tax delinquency.

(2) Code of Conduct for officials

- ① Respond to taxpayers in good faith.
- ② Maintain confidentiality about information acquired on the job, and maintain official discipline.
- ③ Work to gain the specialized knowledge required to accomplish assigned tasks

Challenges

- The NTA correctly and flexibly copes with changes in an economic society faced with sophisticated information and the globalization while continuously reviewing and improving the organization and tax administration operation in order to meet taxpayer needs.

2 Concepts for management of tax administration

The NTA carries out the following initiatives in order to perform the aforementioned duties and mission, and to gain the understanding and trust of taxpayers.

NTA Initiatives

(1) Enhancement of services for taxpayers

- Provide the necessary information needed for filing via NTA websites, etc. so that taxpayers can correctly file and pay their taxes themselves.
- Work to provide an excellent means for filing and payment using ICT (Information and Communication Technology), such as e-Tax and filing assistance on the NTA website.
- Respond to advance inquiries and advance pricing arrangement of transfer pricing taxation, so the taxpayer can predict in advance the tax treatment of its own economic activities.
- Work to improve an environment and provide support to enhance tax education, in cooperation with the relevant ministries, agencies, educators and private organizations.

(2) Promotion of administrative work efficiency and enhancement of organizational foundations

- To appropriately perform the NTA's duties under harsh fiscal conditions, work to secure the necessary structure, staff and budgets, appropriately allocate them, and take the taxpayers viewpoint in working to boost efficiency and reduce costs.
- Constantly review to simplify and boost efficiency, for example by computerization of clerical processes. Especially for the income tax return filing period when filings are concentrated in a short period of time, focus to encourage use of e-Tax which contributes to enhanced taxpayer convenience.
- Accurately assign personnel corresponding to their experience and abilities, while paying attention to hiring and promoting female staff. To enhance needed specialized knowledge, provide excellent guided development policies such as training.
- Thoroughly control administrative documents and information.

(3) Proper and fair taxation and collection and remedy for taxpayer rights

- Take a strict stance against malicious taxpayers, while protecting taxpayer rights and interests.
- Upon dispositions for taxation and delinquent tax, correctly understand what the taxpayer asserts and objectively scrutinize them at the examination stage, and then accurately confirm the facts and apply the laws and regulations.
- Systematically work in response to increasingly complex economic transactions, etc. Work to enhance the system to collect information, and accurately prioritize issues such as response to the increasing diversity of asset investments and fraudulent refunds for consumption tax.
- For international transactions, exchange information with foreign tax authorities based on tax treaties, and take a strict stance towards tax avoidance etc., in which taxation problems are found.
- Promote the enhancement of corporate governance on tax matters through exchanging opinions with executive officers of large enterprises, etc. At the same time, prolong intervals until the next examination for those corporations recognized as having enhanced corporate governance and meeting certain conditions. Then we allocate more examination work to those corporations in need of improvements.
- Achieve proper and speedy processing of a request for review, as well as develop environment for more user-friendly request for review system.

(4) Proper management of liquor administration

- As the competent authority over liquor business, try to grasp issues, needs, etc. in the liquor industry, coordinate and cooperate with related government agencies, organizations, etc. and strengthen efforts to promote liquor business.
- Make efforts to cultivate overseas markets through distributing information globally and holding international negotiations, etc., to promote the establishment of brands through spreading the use of Geographical Indications

(GI), to provide technical assistance to liquor manufacturers, etc. and to ensure the safety of liquor among others.

- To ensure fair trade of liquor, conduct a survey of liquor business operators to check the actual state of trading of liquor, etc. If a transaction that does not comply with “the Standards for the Fair Trade of Liquor” is detected, take strict actions including issuing instructions.
- Respond to social requirements, such as counter-measures against health problems caused by alcohol intake and promotion of recycling resources, increase the publicity of the ban on selling liquor to people younger than the age of 20 and 3R (reduce, reuse and recycle) of liquor containers.

(5) Proper administration of services by Certified Public Tax Accountants (CPTAs)

- Endeavor to Coordinate and cooperate with Certified Public Tax Accountants’ Associations as organizations for improving the work of CPTAs, because CPTAs play important roles in the proper and smooth realization of the self-assessment system.
- Work to prevent violations of the Certified Public Tax Accountant Act by CPTAs etc. At the same time, take strict action against CPTAs etc. who violate the Certified Public Tax Accountant Act and so-called “fake CPTAs” by applying disciplinary actions and filing accusations seeking prosecution.

(6) Policy evaluation and improvement of tax administration

- Provide easily understood information on issues the NTA should work on, on its policy initiatives and its various measures, and on its evaluations and verifications of the results of their implementation. In addition, work to improve tax administration, based on the evaluations and verifications of the results of its implementation.

Column 1 “Future Vision of Tax Administration ~Achieving a Smart Tax System~”

In order to ensure future filing and payment of taxes by taxpayers based on understanding and trust, in June of 2017, the NTA released the “Future Vision of Tax Administration ~Achieving a Smart Tax System~,” recognizing the importance of making an effort to highlight the future state and making solid progress towards its realization.

Given that about a year has passed since the announcement of “Future Vision,” the NTA, in June 2018, publicized efforts that were concretely realized up to that moment as the “Recent Status of Ongoing Efforts for ‘Future Vision of Tax Administration.’”

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

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

Changes in the surrounding environment

- Promotion of ICT and AI
- Implementation of the My Number System
- Globalization of economic transactions
- Staffing reduction and increase in filing
- Increasing complexity and difficulties of examination and collection

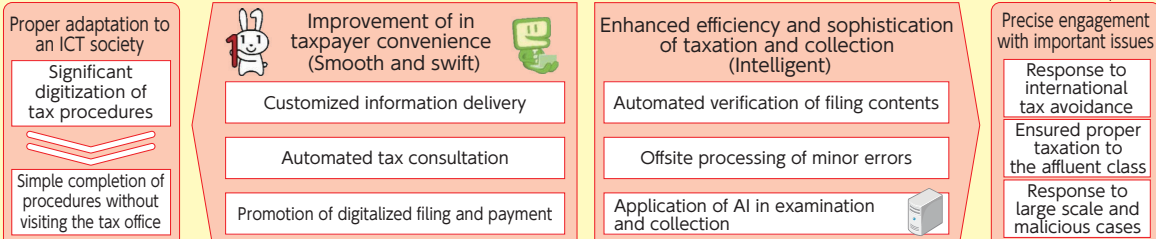
Objective of the study

It is important to highlight the future vision that is sought from perspective of transparency of tax administration, and to make solid progress towards its realization.

Future vision

Smart tax administration

(Gain taxpayers’ trust through heightened taxpayer convenience and optimization of administrative operations through promotion of ICT)



- Advancement of information systems
- Centralized processing of internal administrative tasks
- Coordination and collaboration with local governments

※This future vision describes what can presently be imagined of the tax administration, approximately 10 years from now, on the premise that advancement in information system and cooperation with external organizations are obtained. The NTA will be working towards its realization in stages, enhancing taxpayer convenience by promoting digitalization of filing and payment, through improvements in user friendliness of e-Tax, while at the same time, enhancing data platform and applying AI technology and so on. The NTA will also continue to pay attention to the important needs of the taxpayers, who are the users of the information system.

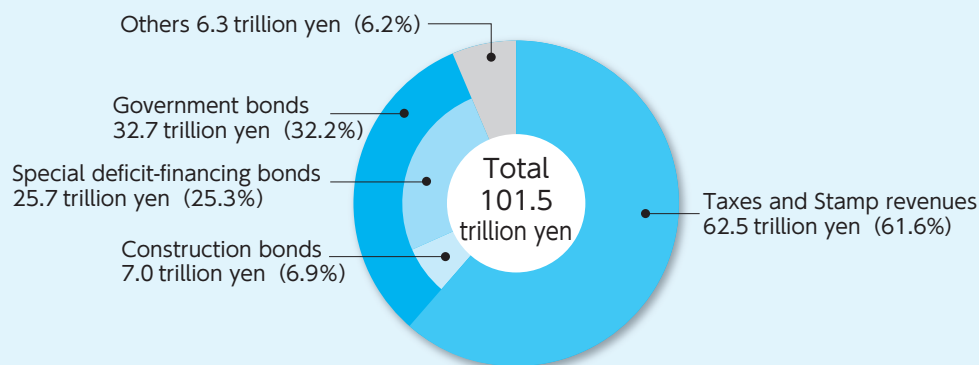
3 Overview of the national tax organization

(1) National revenue and taxes

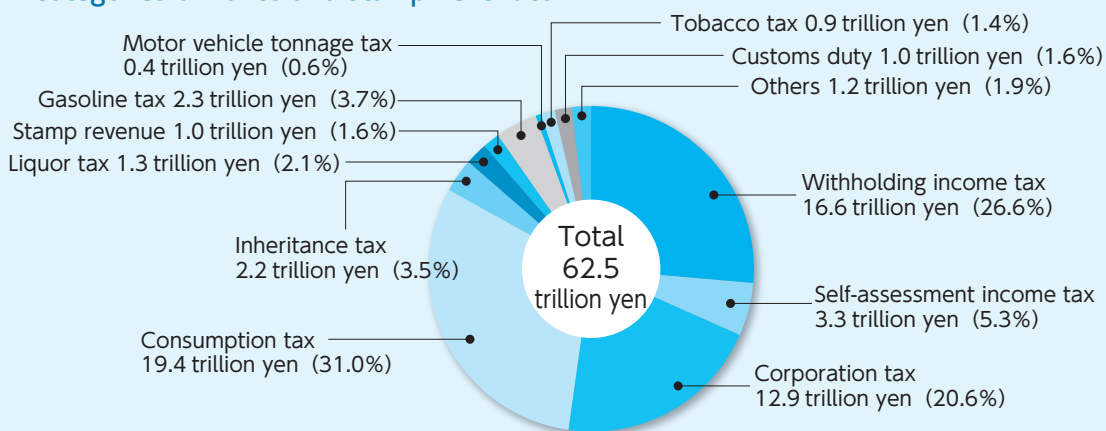
National revenue (initial budget for general account revenues) in FY2019 stands at 101,457.1 billion yen, of which 62,495 billion yen is from taxes and stamp revenues.

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

■ National revenue (FY2019 general account revenues (initial budget))



<Categories of Taxes and Stamp Revenues>



※1 General account revenues for FY 2019 include extraordinary and special measures.

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

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

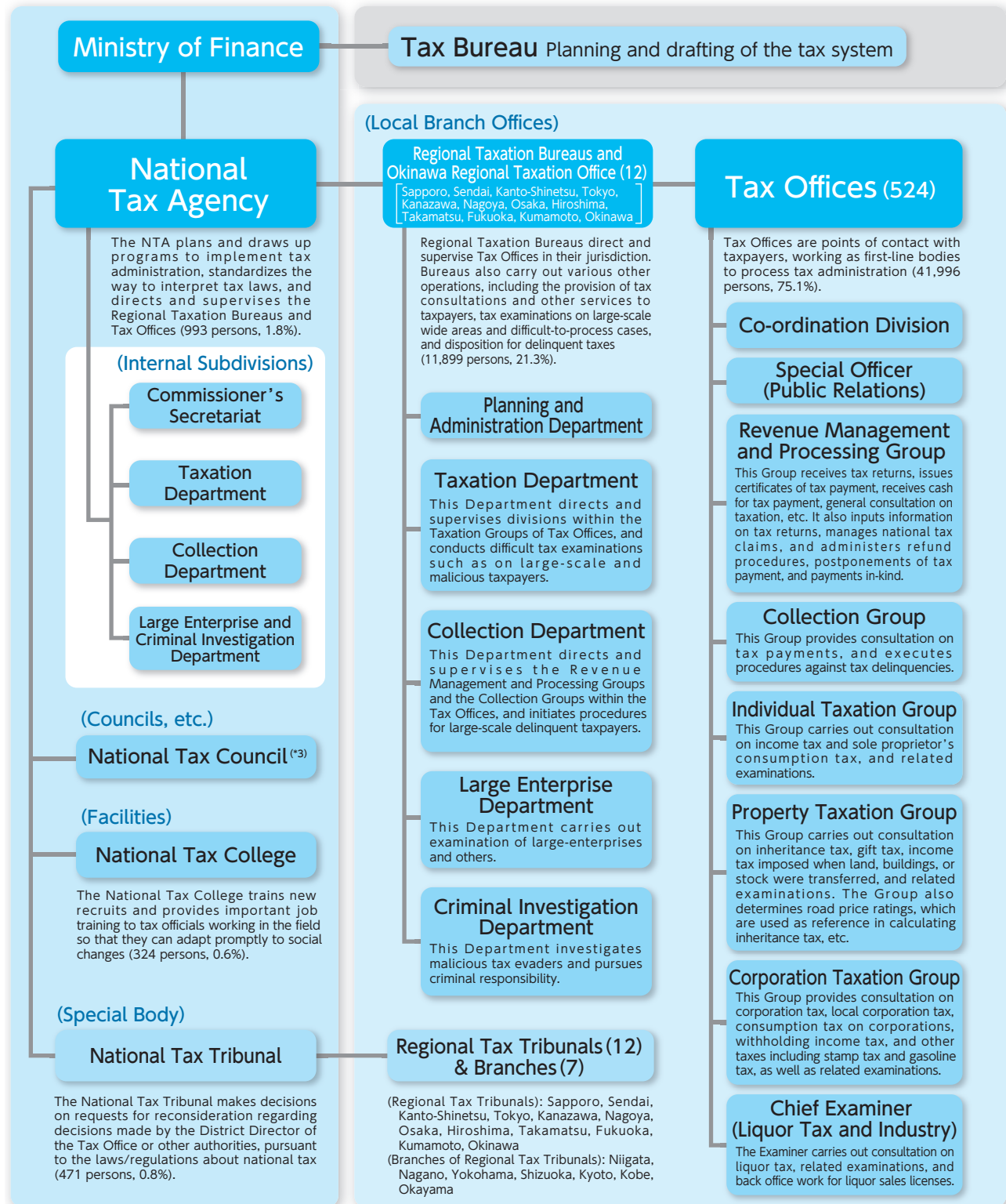
(2) NTA budget and number of personnel

The NTA initial budget in FY2019 stands at 705.9 billion yen, with salary costs amounting to 556.8 billion yen and general expenses 149.1 billion yen.

The headcount at the NTA stayed at around 52,000 from the late 1970s through the 1980s. Thereafter, the number increased, as consumption tax was introduced in 1989. The number hit a peak, 57,202 in FY1997, and the agency has a headcount of 55,903 in FY2019.

(3) Organizational structure of administrative authorities for national tax

The NTA supervises 12 Regional Taxation Bureaus and 524 Tax Offices throughout Japan to process tax administration^(*1, 2).



*1 The headcount and percentage indicated in each department represents the prescribed number of personnel, and its percentage of the overall number of personnel in the NTA (FY2019).

*2 The prescribed number of personnel of 55,903 people in the NTA includes the prescribed number of personnel of 220 people (0.4%) to promote employment of people with disabilities.

*3 The National Tax Council addresses the following: ① deliberation of cases in which the NTA Commissioner does not recognize the opinion of the Director-General of the National Tax Tribunal as reasonable, where the Director-General of the National Tax Tribunal determines the case by interpreting laws differently from the notification issued by the NTA Commissioner; ② implementation of CPTAs examination and decision on the disciplinary actions applied to CPTAs; and ③ deliberations on the establishment of labeling standards for liquor, and other matters.

About the NTA

Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Liquor Administration

Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

Evaluation of Policies

Statistics

~ Enhanced taxpayer services achieved by public relations activities, tax education, tax consultation, etc. ~

Japan adopts a self-assessment system for most of its national taxes. Under this system, taxpayers themselves calculate their income and tax amount, based on which they file and make a payment. In order for the self-assessment system to function properly, at the NTA, we do our best to ensure taxpayers have a high level of awareness regarding tax payment and proactively and properly fulfill the obligation of tax responsibilities as provided by the law.

To this end, the NTA is working to enhance a variety of services for taxpayers while cooperating and coordinating with Certified Public Tax Accountants (CPTAs) and relevant private organizations. These include (1) public relations activities and tax education relating to the significance and function of taxes and knowledge about the tax law, (2) clarification of legal interpretation and of practices, procedures, etc., (3) centralization of taxpayer contact points, and (4) efforts to improve taxpayer convenience in tax consultation and filing returns.

1 Providing information, etc.

~ Various public relations activities ~

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

More specifically, focused on the NTA website (<https://www.nta.go.jp>), the NTA provides a variety of information on the significance and roles played by taxes and on the tax system. The information is also provided through the mass media, such as TV and newspapers, and public relations mediums such as pamphlets made available at the Tax Offices as well as municipal offices, and various explanatory meetings (accessed 332.83million times in FY2018).

The NTA also answers to general inquiries and consultations related to taxes by telephone and other means, while providing information on the interpretation and handling of general tax law through the NTA website, etc. Furthermore, it responds to advance inquiries where there are questions on tax applications related to actual transactions.

“Think About Tax” Week

The NTA has been regularly taking measures for the improvement in the awareness regarding tax payment to assist citizens to deeply understand the significance and functions of taxes and the current state of tax administration, and to proactively and properly fulfill the obligation of tax responsibilities.

The week from November 11 to 17 is annually set in particular as the “Think About Tax” Week. The NTA conducts various PR activities mainly during this period and also considers this period as an opportunity to receive opinions and requests for tax administration.

The NTA recognizes that understanding the relationship between the lives of the people and taxes through this effort is essential to maintain and develop self-assessment system.

(1) Information provided on the NTA website

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

To enable anyone to easily use its website, the NTA is making efforts to deliver information in an easy-to-understand format, such as simplified layout of the website with menu selection consolidated, and pays attention to convenience for the visually disabled and the elderly by providing text enlargement, voice reading functions, etc.

In addition, optimized display on a smartphone or tablet screen is delivered through a function which automatically adjusts the display in accordance with the size of the display (responsive web design).

The NTA also has a website for cellular phones, etc. (<https://www.nta.go.jp/m> (in Japanese))

Overview of NTA Website (top page)

* The following diagram is as of May 2019.

The screenshot shows the NTA website homepage with the following features highlighted by numbered callouts:

- 1** Search function within the website: A search bar at the top right.
- 2** Text enlargement / voice reading: A button for accessibility features.
- 3** Global navigation: A horizontal menu with categories like Home, Tax Information, Publications, etc.
- 4** Urgent notice: A red banner for emergency information.
- 5** New arrivals: A section for recent news and updates.
- 6** Monthly access ranking: A list of the most accessed pages.
- 7** Menu by area of interest: A grid of icons for different tax topics.
- 8** Search for tax office: A form to search for a tax office by postal code.
- 9** SNS, etc.: Social media links for Twitter, YouTube, and others.
- 10** Banner: A promotional banner for the My Number system.
- 11** Site map: A detailed table of website categories and sub-pages.

- Search function within the website**
Function to search through information on the entire NTA website by referencing a keyword
- Text enlargement / voice reading**
Support functions for the elderly and those who have visual disorders
- Global navigation**
Information guide that serves as an entrance to various information sites
- Urgent notice**
Displays highly urgent information, such as disaster-related messages
- New arrivals**
Displays new arrival information in a table by content
- Monthly access ranking**
Displays pages with the most access in a ranking format
- Menu by area of interest**
Displays page with the most access by area of interest
- Search for tax office**
Enables the user to search for its jurisdictional tax office by postal code or address
- SNS, etc.**
Collects and displays information from all tools used by the NTA to release information
- Banner**
Displays the contents to be distributed in the form of banner depending on various situations
- Site map**
Displays the composition of the entire NTA website in a table

About the NTA
 Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration
 Proper and Fair Taxation and Collection
 Remedy for Taxpayer Rights
 Liquor Administration
 Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)
 Evaluation of Policies
 Statistics

* The NTA submits information including new information regarding the NTA and a press release through the official NTA Twitter account (@NTA_Japan) other than the NTA website. The free video sharing site "YouTube" also delivers videos with information on the NTA activities (including the publicity activities of each Regional Taxation Bureau and Tax Office) and support for self-assessment procedures.

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

(2) Tax education

~ Developing the environment for, and providing support for enhanced tax education ~

The NTA works on developing the environment for and providing support for a solid tax education in school education, so that the significance and roles of taxation that forms the country's foundations will be correctly understood.

Specifically, the Council for Promoting Tax Education among related ministries, etc. (consisting of the NTA, Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, etc.) meets to discuss effective support measures. Furthermore, we dispatch our staff as teachers to tax education classes on the request of schools as well as organize tax essay contests, via cooperation from the Certified Public Tax Accountants' Associations and the relevant private organizations, mainly by councils for promoting tax education established in each prefecture (members comprised of Regional Taxation Bureaus, Tax Offices, local authorities, educational leaders, etc.).

Moreover, Taking into account changes in the environment surrounding tax education, such as revision of the education guideline and increasing importance of citizenship education, the NTA is making efforts to develop courses and teaching materials that deliver a profound learning experience by accurately ascertaining the needs of the educators and collaborating with related agencies, enabling children and students to make observations in a subjective and interactive manner. A

"Tax learning section" is provided on the NTA website (<https://www.nta.go.jp/taxes/kids/> (in Japanese)) as a page for site visitors, like school children, students, etc. to study the significance and roles of taxation.

"Tax☆Space UENO," a facility for tax education in the Tokyo-Ueno Tax Office, holds "Tax Office Tour" and "Experiential Learning" events as well. For further information, please see the NTA website (<https://www.nta.go.jp/about/organization/tokyo/education/taiken/01.htm> (in Japanese)).



Tax☆Space UENO



Tax learning section (top page) (as of May 2019)

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

Fiscal year	2017	2018
Officials	9,075	9,203
Non-officials	31,788	34,133
Total	40,863	43,336

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

■ Number of essays entered for Tax Essay Contest

Fiscal year	2017	2018
Received from high school students	218,208	219,163
Received from junior high-school students	616,072	593,795

Providing tax knowledge through the Tax Museum

The Tax Museum in the National Tax College has valuable collections of historical documents and materials regarding national taxes. The Museum displays its large number of collections throughout the year and is open to a wide variety of visitors such as primary school children and other people as well as specialists on tax history.

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



Tax Museum

(3) Lectures

~ Tax Enlightenment Activities to Improve Awareness Towards Tax Payment ~

The NTA holds lectures, supported by the Regional Taxation Bureaus and Tax Offices, for college students and adults with the objective to improve awareness towards tax payment, aiming towards development of understanding towards tax payment through accurate knowledge and proactive thoughts on the role of taxes, significance of the self-assessment system and the rights and obligations of taxpayers.

Frequency of lectures

Fiscal year	2016	2017
Frequency held	1,690 times	1,993 times

(4) Briefings for taxpayers

~ Organizing various educational sessions to provide information ~

To help taxpayers better understand the tax procedures and tax system revisions, the NTA holds a variety of briefings, including: (1) various briefings on tax returns, (2) year-end adjustment briefings, (3) briefings on revisions to the tax laws, and (4) briefings for newly established corporations.

Frequency of briefings and number of participants

Operation year	2016	2017
Frequency held	23,058 times	25,939 times
Number of participants	1,062 thousand people	1,105 thousand people

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

(5) Advance inquiries

~ Enhanced predictability for taxpayers ~

In case taxpayers have some doubts regarding the tax treatment of any transaction conducted or to be conducted, Tax Offices receive advance inquiries before taxpayers start a trade or file a tax return and provide answers. If requested, a written answer may be provided under certain conditions and disclosed as Q&As on the NTA website (<https://www.nta.go.jp/law/bunshokaito/01.htm> (in Japanese)).

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

■ Number of Advance Inquiries received by written reply procedure

Fiscal year	2017	2018
Number of Advance Inquiries Received	133	133

■ Number of Q&A examples posted on website

Fiscal year	2017	2018
Number of Q&A posted	1,928	1,953

(6) Tax consultation

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

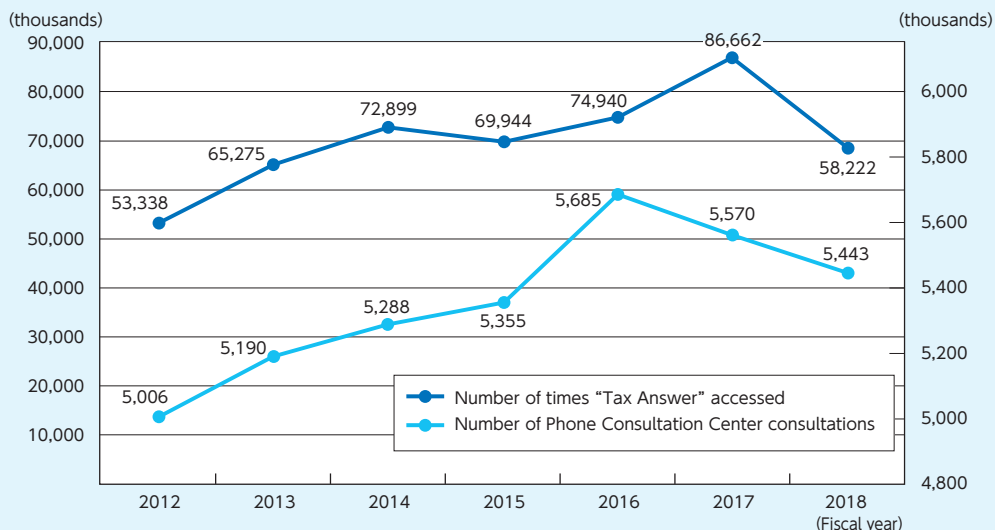
Phone Consultation Centers at Regional Taxation Bureaus provide centralized handling of general national tax questions and consultations from taxpayers. Phone Consultation Centers at Regional Taxation Bureaus in Tokyo, Nagoya and Osaka also provide tax consultation in English.

Also, the NTA website provides information in its "Tax Answer" section (<https://www.nta.go.jp/taxes/shiraberu/taxanswer/index2.htm> (in Japanese)), in which general answers to frequently asked questions are posted (it also provides a mobile phone site.).



Phone Consultation Center

■ Phone Consultation Center; Number of consultations and number of times "Tax Answer" was accessed



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

When consultation by interview is required, for example if it is necessary to check specific documents or facts, appointments can be made in advance at the Tax Office with jurisdiction. This serves to eliminate wait time at the Tax Office, as part of our efforts for effective and efficient operation which matches the content of consultations.

Response to affected taxpayers and other parties

The NTA took a measure to extend the national tax filing and payment deadlines for the regions which were affected by The Heavy Rain Event of July 2018 and the 2018 Hokkaido Eastern Iburu Earthquake and which were designated by the NTA.

Afterwards, while the measure to extend the deadline was terminated area by area, based on the post-disaster situation of the affected areas, further extensions were offered to people who had difficulty in filing or payment, in response to their application. The NTA strives to respond carefully, considering the individual circumstances of the affected people.

Moreover, to assist those who have suffered from the Great East Japan Earthquake, the NTA has developed a system for providing appropriate consultations to those who are taking refuge at their nearest Tax Offices. The NTA continuously endeavors to disseminate systems, answer inquiries from taxpayers, and so on as well as provide consultations while giving adequate consideration to their circumstances and emotions.

Principal tax treatments applicable to those who suffered damage from these disasters

- The taxpayer may extend the deadline for filing or payment, and postpone tax payment for a certain period.
- The taxpayer may benefit from reduced taxes or postponement of payment, even during the stages of an estimated income tax prepayment or income tax withholding.
- Should the taxpayer suffer damage to its home or belongings, the taxpayer may reduce its income tax through casualty loss deduction methods determined in the Income Tax Act or methods of tax reduction or release determined in the Act on Reduction or Release, Deferment of Collection and Other Measures Related to Tax Imposed on Disaster Victims.

Publicity about taxation measures relating to disasters

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

For other measures and details, see the NTA website "The Disaster related information" (<https://www.nta.go.jp/taxes/shiraberu/saigai/index.htm> (in Japanese)).

The screenshot shows the National Tax Agency (NTA) website interface. At the top, there is a search bar and navigation links for 'English', 'Text Size', 'User-specific', and 'Site Map'. Below the navigation bar, there are tabs for 'Home', 'Tax Information, Procedures, and Forms', 'Publications', 'Laws', 'News', and 'About the NTA'. The main content area is titled 'Disaster Related Information' (災害関連情報) and includes a message to affected taxpayers, a list of recent news items, and a sidebar menu with categories like 'Tax Information, Procedures, and Forms', 'Tax Procedures and Forms', 'Taxation Procedures', 'Taxation Information', 'Taxation Procedures', 'Taxation Information', and 'Taxation Procedures'. The news items listed are: '平成30年北海道胆振東部地震に関するお知らせ(平成30年12月12日)', '平成30年7月豪雨に関するお知らせ(平成30年10月26日)', and '平成30年台風第21号により被害を受けた皆様方へ(平成30年9月6日)'.

The Disaster related information (as of May 2019)

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

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

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

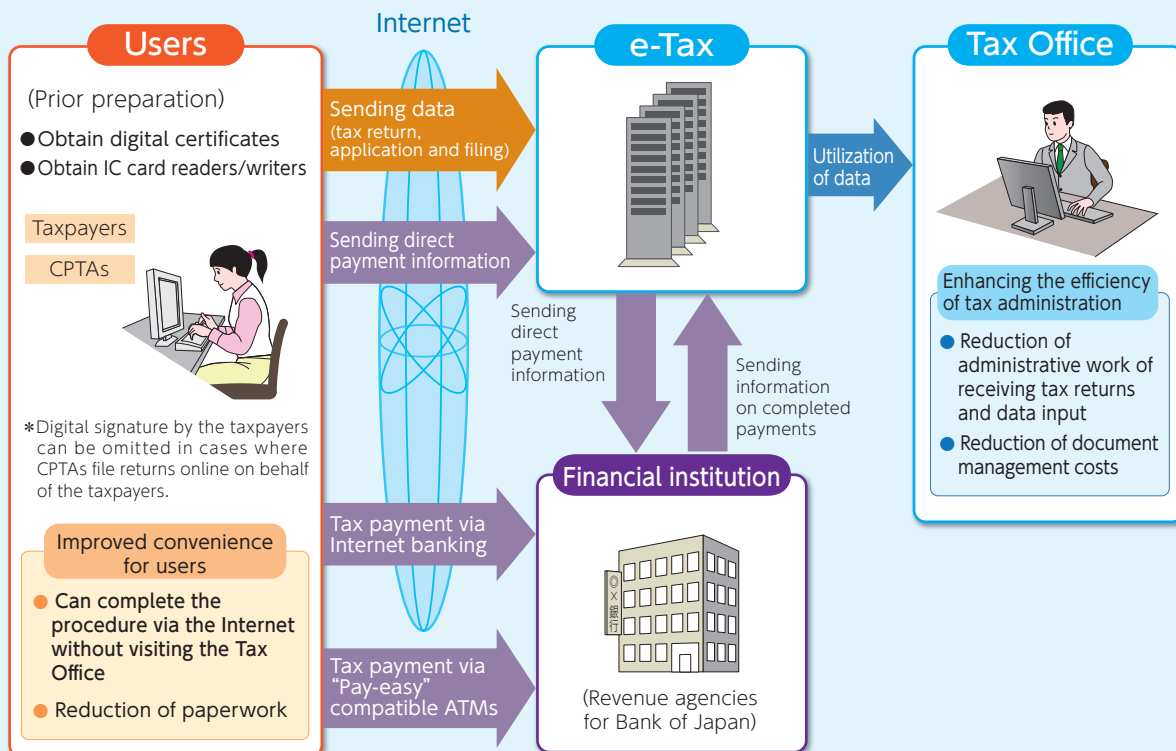
e-Tax enables users to perform procedures for filing income tax, corporation tax, consumption tax, gift tax, stamp tax and liquor tax returns, as well as submitting statutory records and applying for blue return filing, etc. via the Internet without visiting the Tax Office. Tax payment can be made via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

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

The NTA thinks e-Tax also reduces administration work, such as receiving tax returns at the counter or by postal mail and data input, as well as reduces document management costs for tax authorities, thereby promoting the efficiency of tax administration.

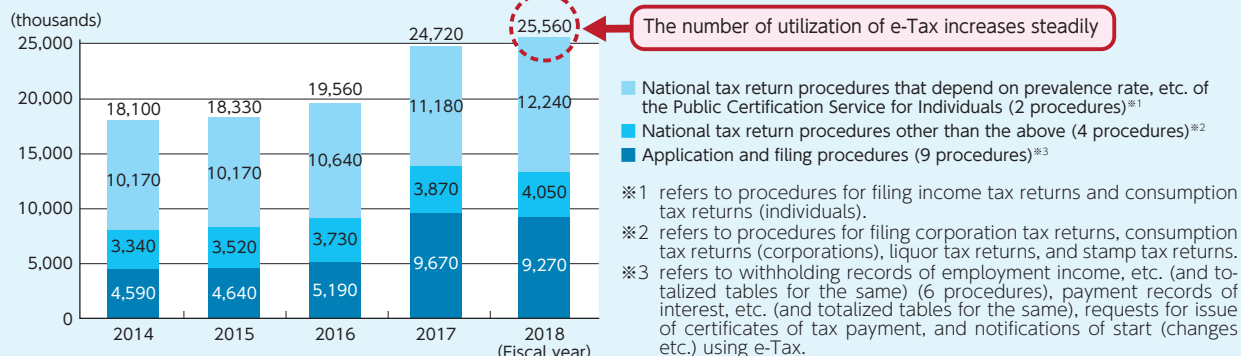
To this end, amid the computerization of the economic society further progressing, the NTA will enhance the convenience so as to enable taxpayers to perform procedures easily and accurately. At the same time, from the perspective of promoting cost reduction in the whole society and productivity improvement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

■ Outline of e-Tax



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

The number of utilizations of e-Tax



Column 2 The NTA will endeavor to increase the convenience of e-Tax

At the NTA, introduction and preparation of the following policies are underway in order to further increase the convenience of e-Tax.

1 The simplification of the authentication procedure for the use of e-Tax by individual taxpayers [implemented in January 2019]

(1) The use of e-Tax with My Number Card (My Number Card method)

By logging into e-Tax through Mynportal or from the e-Tax website with My Number Cards, taxpayers may be able to start using e-Tax more easily.

(2) The use of e-Tax with IDs and passwords (ID and password method)

In terms of those who do not possess a My Number Card or IC card readers/writers, the taxpayer can transmit its filing data through e-Tax from the filing assistance on the NTA website, using only an ID and password dedicated to e-Tax, issued after in-person identity verification by a staff at the Tax Office.

(3) Compatibility with smartphones

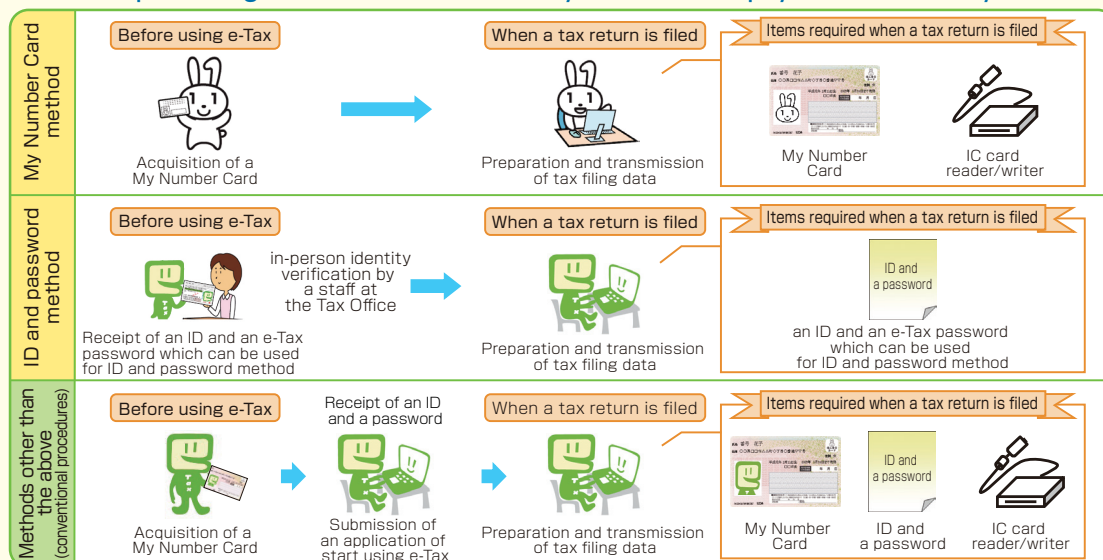
Wage earners who filed year-end adjustment and will apply for tax deduction for medical expenses or donations can prepare final income tax returns by visiting the filing assistance on the NTA website and using the special screen optimized for smartphones, etc.

A prepared return form can be transmitted through e-Tax with an ID and password method. In addition to the ID and password method, e-Tax transmission by the My Number Card method will become possible after January 2020*.

* Available only to smartphones compatible with My Number Card. For the model names of smartphones compatible with My Number Card, please check the website for "Public Certification Service for Individuals" by Japan Agency for Local Authority Information Systems (<https://www.jpki.go.jp> (in Japanese)).

The NTA plans to expand the scope of people who can use the special screen for smartphones into taxpayers who earn employment incomes from multiple sources or miscellaneous incomes, such as public pensions.

~ Conceptual diagram of the use of e-Tax by individual taxpayers after January 2019 ~



1 "Mynportal" refers to a portal site, newly created when the My Number System was adopted, which each and every citizen may have access to.

2 Increase the convenience for e-Tax use by corporate taxpayers

In tandem with the mandatory requirement for large enterprises to file tax return online (refer to Column 3), the NTA has advancing preparations of an environment that for corporate taxpayers enables smooth online submission of filing data pertaining to corporate taxes.

(1) Reduction in the amount of information requiring submission [implemented in April 2018]

Regarding documents prepared by third parties, such as the certificate related to expropriation of land, which are required to be attached to a final tax return, the NTA accepts the application of the system if such documents are retained instead of being attached to the return form.

(2) Acceptance of various data formats [planned for implementation after May 2019]

Out of attached forms, portions that require detailed descriptions, account heading breakdown statements and financial statements can be submitted in the CSV form.

(3) Increase in number of options for submission [planned for implementation by April 2020]

Submission of attached documents in the form of optical disk will be accepted.

(4) Centralized destination for submission ('once only policy') [planned for implementation by April 2020]

When financial statements are submitted through e-Tax in filing a corporation tax return, the submission of financial statements in filing a corporation enterprise tax return can be omitted due to coordination in information between national and local tax offices.

(5) The simplification of the authentication procedure for the use of e-Tax [implemented in April 2018]

When the corporate taxpayer files using e-Tax, transmission of the representative's digital signature is no longer necessary, as long as the digital signature and digital certificate of the individual (restricted to a director or employee of the corporate taxpayer) who has been appointed by the representative of the corporate taxpayer is sent.

* For details of each item, see the e-Tax website (<http://www.e-tax.nta.go.jp/hojin/gimuka/index.htm> (in Japanese)).

3 Further expansion of e-Tax reception hours [Implemented in January 2019]

The e-Tax reception hours have been expanded to be 24 hours every day during the period for filing tax returns and 24 hours on weekdays outside the period for filing tax returns including the final Saturday and the following Sunday each month.

4 Enlargement of the transmission capacity of e-Tax [Implemented in January 2019]

The transmission capacity of e-Tax per transmission has been increased twice as much as the current one (20MB) for return forms and about five times as much as the current one (8MB) for attached documents.

5 e-Tax adaptation to inheritance tax filing [planned for implementation after October 2019]

Inheritance tax will be eligible for filing through e-Tax.

6 Simplification of filing procedures utilizing electrical reduction certification, etc [implemented after January 2018]

Through improvement of filing assistance on the NTA website, when applying for deduction for insurance premiums, deduction for earthquake insurance premiums, deduction for the donation and deduction for medical expenses for income tax, the electronic data such as deduction certification, provided by the insurance company, may be sent as attachment to the final tax return data when submitting the final tax return through e-Tax.

Column 3 Large enterprises will be required to file returns via e-Tax

With increasing degree of ICT in the economic society, submission of final tax returns and such by large enterprises (for domestic corporation only) which fulfill certain conditions, such as capital or contribution exceeding 100 million yen, will be required to submit online, including attachments such as account heading breakdown statements, beginning April 1, 2020, from the perspective of reduction of cost to overall society and promotion of efficiency enhancement. The NTA is committed to preparing adequate conditions to enable smooth online submission of filing data pertaining to corporate taxes (Taxpayers other than large corporation can also use this).

■ Overview of the system

1 Subject tax category and procedure

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

2 Large enterprises

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

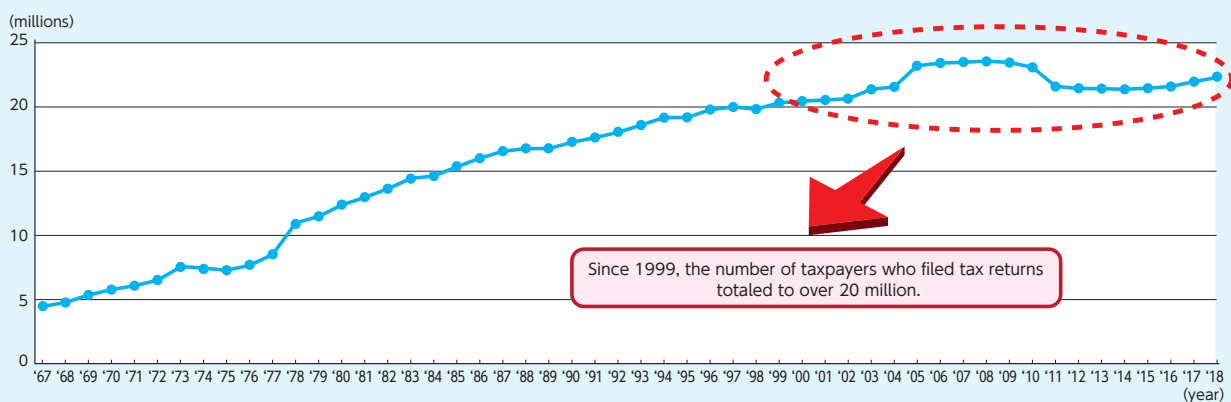
* For concrete details, see the e-Tax website (<http://www.e-tax.nta.go.jp/hojin/gimuka/index.htm> (in Japanese)).

3 Filing for tax return

~ The number of taxpayers who filed income tax returns totaled 22.22 million. More than half filed for tax refunds ~

Tax filing is a procedure, in which the taxpayer calculates income and tax amount for a one year period, and files and pays taxes. Not only persons obligated to file, but also those who obtain tax refunds file tax returns, for example, because they paid large medical expenses. 22.22 million people filed their income tax and special income tax for reconstruction (hereinafter referred to as "income taxes, etc") for 2018; thus, one out of six residents filed tax returns. Of these, over 13.06 million people filed for refunds, comprising over half of the people filing tax returns.

■ Trend of the number of income tax return filers



Various services are provided to meet with various needs of taxpayers
 → Implemented systems to enable easy and convenient filing process

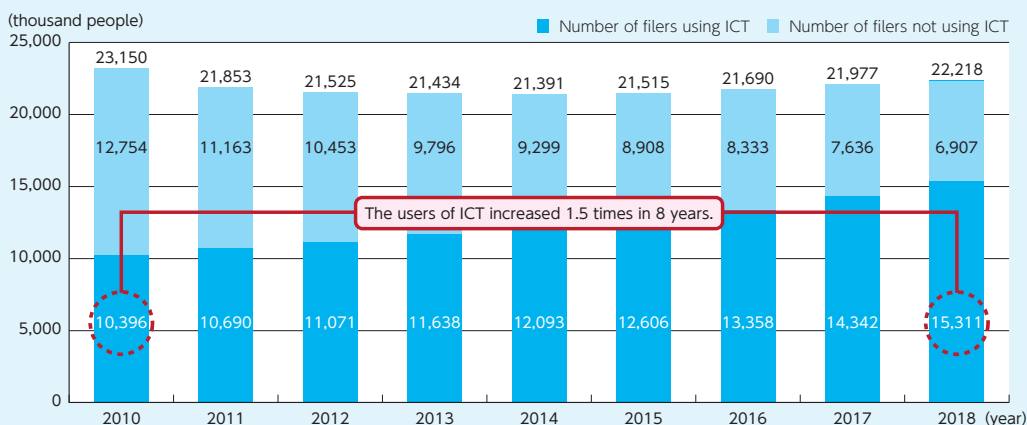
(1) Promotion of filing using ICT

~ Filing assistance on the website and e-Tax ~

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

* Taxpayers visiting consultation sites of Tax Offices can use the PCs for filing assistance on the NTA website to prepare tax returns and to transmit them using e-Tax, experiencing the convenience of filing using ICT.

■ Filers who used ICT to file an income tax return



II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

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

With the filing assistance on the NTA website, if a taxpayer enters the amounts and other necessary information according to the guidance on the PC screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns accurately for income tax, etc. consumption tax and local consumption tax for sole proprietors, and gift tax, as well as financial statements for blue returns.

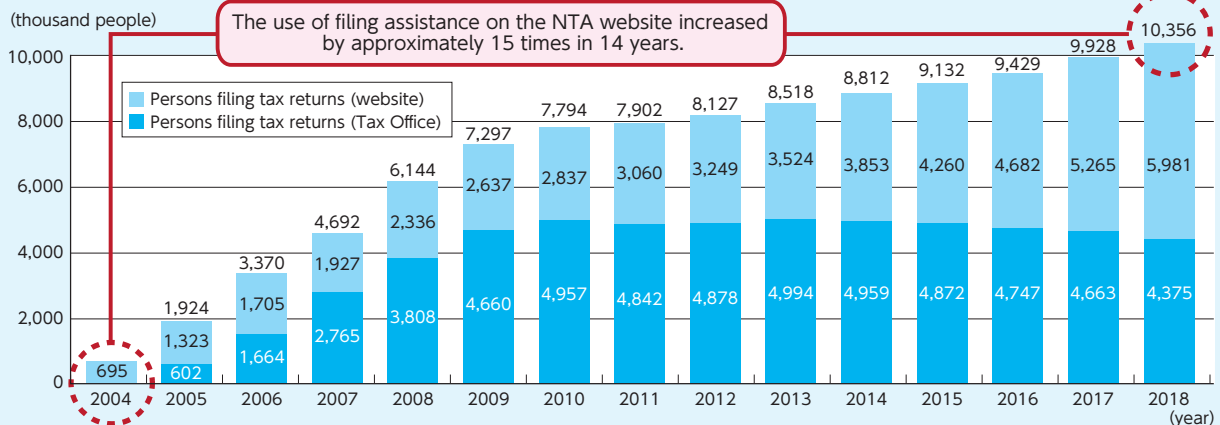
e-Tax can be used to file the prepared data directly or it can be printed and submitted to the Tax Office by post, etc.

In the filing period for 2018, the number of people who submitted tax returns for income tax etc. prepared with filing assistance on the NTA website reached 10.36 million cases including those prepared via PCs set up at consultation sites. This comprised about 47% of all people who submitted returns.

Of the 10.36 million cases which were prepared using the filing assistance on the NTA website, approximately 370,000 were prepared through smartphones.

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

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



* Figures represent those submitted by the end of March of the following year.
 The use of filing assistance on the NTA website at PCs installed in the Tax Office started from tax returns for 2004. However, the number of taxpayers who submitted returns using this method remains unaccounted for.
 The number of taxpayers who submitted tax returns for years before 2003 remains unaccounted for.
 The number of taxpayers who submitted tax returns for years since 2007 includes cases using e-Tax.

(2) Response to diverse taxpayer needs

~ Opening tax office on Sunday during filing period ~

Taxpayers said that “It’s a problem that filing consultations can only be handled on weekdays; I would like it if they were also provided on days when the Tax Offices are closed.” In response, the NTA receives tax returns and provides filing consultations on two Sundays during the tax return filing period at some Tax Offices, and at joint meeting sites outside the Tax Offices.

For the 2018 tax return filing period, the offices were open on February 24 and March 3, 2019, during which 290,000 final income tax returns were filed.

Cooperation with the local government

In an effort to simplify taxpayer filing procedures, the NTA is working on achieving close cooperation between the NTA and the local government. On the system aspects, for example, in the case of income tax filings, there is no need to file for individual enterprise tax and individual inhabitant tax, which are local taxes.

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

4 Diversification of payment methods

~ Enhanced taxpayer services by offering various payment methods ~

To enhance taxpayer services, diverse payment have been introduced; such as Cashless payment such as online payment using Direct payment and Internet banking, Credit card payment and payment at convenience stores, instead of paying at the counters of financial institutions and Tax offices in cash with tax payment slips. Additionally, beginning January 2019, taxpayers are able to pay at convenience store using a QR code.

Taxpayers can also use transfer tax payments from a deposit account for income tax and sole proprietors' consumption tax.

Direct payment (direct type online payment of national tax)

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

Direct payment can only be used at bank accounts held at financial institution which is compatible with direct payment. This is why the NTA is working to expand the number of financial institutions in which direct payment can be used, for example by requesting that non-compatible financial institutions become compatible. As of the end of March 2019, it was usable in 425 financial institutions.

Online tax payment using Internet banking

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

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

Payment with credit card

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

The tax amount that can be paid with a credit card is less than 10 million yen and should be within the payment limit of the credit card to be used.

Taxpayers must pay for handling charges for credit card payment in accordance with the tax payment amount (handling charges are not national revenue).

Payment at convenience stores

By printing at home a QR Code that embodies information required to complete payment of taxes, taxpayers are able to pay taxes at the cash register of convenience stores after scanning the QR Code at kiosk terminals (i.e., "Loppi" and "FamiPort") located within the stores. Taxpayers may also complete the payment at convenience stores using the bar coded payment slips issued by the jurisdictional Regional Taxation Bureau or Tax Office which are used to inform the taxpayer of scheduled income tax payments and finalized tax payment amounts prior to the payment deadline.

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

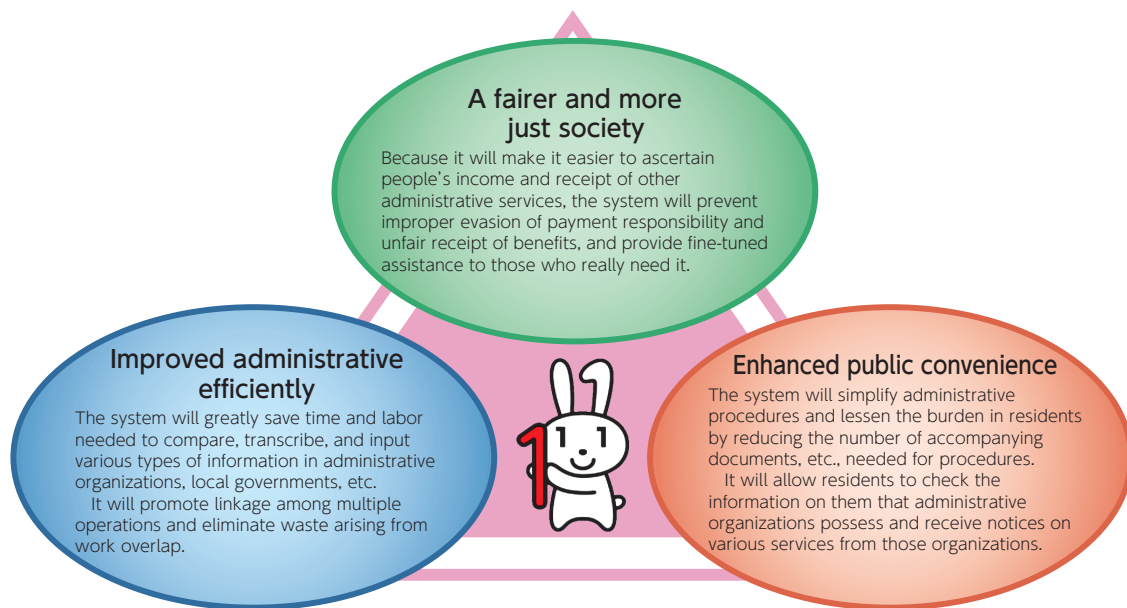
(Note) "QR Code" is a registered trademark of DENSO WAVE INCORPORATED.

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

(1) Outline of My Number System

My Number System is the social infrastructure to improve administrative efficiency, enhance public convenience, and realize a fairer and more just society.

Upon the introduction of My Number System, the NTA acts as an entity assigning Corporate Numbers and also as an entity utilizing My Numbers (Individual number) and Corporate Numbers.



(Source: Cabinet Office, Government of Japan website (<https://www.cao.go.jp/bangouseido/foreigners/english.html>))

① My Number (Individual number)

My Number is a 12-digit number which has been designated to anyone holding residential registration. The use of My Number is limited to the procedures prescribed by law or municipal regulations, such as procedures in the fields of social security, taxation, and disaster response.

② Corporate Number

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

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

~ Utilization in the national tax field ~

An individual or corporation has to fill in the Number (My Number or Corporate Number) on the filing form and statutory statements each time they submit to the tax authority.

When My Number is provided, it is necessary to confirm the identity of individuals based on Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure to prevent identity fraud. Therefore, the NTA enact a notice that establishes specific procedures to confirm the identity of individuals in the national tax field.

~ Improving convenience for taxpayers ~

Taking the opportunity of the introduction of My Number System, attaching a copy of a certificate of residence can be omitted in a filing procedure to claim for housing loan tax credit from 2016, and storing information from e-Tax's message box in the "Notice" section of the Mynportal¹, which allows centralized access to information from all administrative organizations from 2019, for those transmitted filing data of income tax, consumption tax or gift tax.

The NTA is examining ways in which to collaborate with related organizations to construct a scheme that enables simple filing by automatically transferring data, such as deduction certificates, which were collectively obtained through the Mynportal into the filing assistance on the NTA website and automatically completing the form.*

* The NTA is looking into introducing a similar system with the "Year-End Adjustment Deduction Declaration Preparation Software" (software that will support simple and accurate preparation of deduction declaration form through the use of deduction certificates electronically issued to employees by insurance firms, etc., and electronic submission to the employers during the year-end adjustment process) that is being developed by the NTA.

~ Recognizing income more properly and efficiently ~

In the field of national taxes, as numbers will be required on documents such as declaration form and statutory statements, the NTA expects that name-based aggregation of statutory statements and matching with declaration form will become more accurate and efficient, and, in turn, income will be recognized more accurately. Therefore, we believe that the number will lead to more proper and fair taxation.

~ Conducting public relations activities ~

To facilitate the establishment of My Number System, the NTA is actively conducting public relations by various tools; such as publishing FAQ through a special site regarding My Number System on its website, a briefing session held for the relevant private sectors, industrial associations, etc., and newspapers and Internet advertising in cooperation with the relevant ministries and agencies.

Latest information and inquiries on the Social Security and Tax Number System

- The Cabinet Office website for the Social Security and Tax Number System
<https://www.cao.go.jp/bangouseido/foreigners/english.html>
- Call Center for the Social Security and Tax Number System (Multilingual Service)

0120-0178-26 (Toll Free)

Available from 9:30 am until 8 pm on weekdays and until 5:30 pm on weekends and holidays
(Excluding December 29 to January 3)

* Response to request for temporary suspension of My Number Card due to loss or theft will be available 24 hours, 365 days.

Latest information on the Social Security and Tax Number System pertaining to national taxes

- The NTA website "Social Security and Tax Number System".
<https://www.nta.go.jp/taxes/tetsuzuki/mynumberinfo/index.htm> (in Japanese)
- The NTA website "the NTA Corporate Number Publication Site"
<https://www.houjin-bangou.nta.go.jp/en>
- Inquiries about designating Corporate Number, sending a written notice, and how to use "the NTA Corporate Number Publication Site".
the Office of Corporate Number Management at the NTA **0120-053-161 (Toll-Free)**
Available from 8:45 am until 6 pm on weekdays (not available on weekends, holidays, and December 29 to January 3)

¹ Mynportal refers to a portal site that was newly set up when the My Number System was introduced, which is accessible by each and every national citizen.

(3) Actions as an entity assigning Corporate Number

~ Assigning Corporate Numbers ~

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

The NTA publishes the three types of basic information ((i) trade name or name, (ii) address of head office or principal place of business, and (iii) Corporate Number) on the corporation which designated Corporate Numbers on the Internet (the NTA Corporate Number Publication Site (<https://www.houjin-bangou.nta.go.jp>)).

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

~ Promoting the utilization of Corporate Number ~

The Corporate Number has no limit on their range of use, and it is important to utilize them in broad fields as a part of the social infrastructure. Cooperating with relevant ministries and agencies, the NTA is striving to explain the system and to encourage the utilization of the system by national and local administrative agencies and private organizations.

~ Initiatives to enhance convenience of the NTA Corporate Number Publication Site ~

The three types of basic information on the corporations may be searched for on the NTA Corporate Number Publication Site, referencing the “Corporate Number,” “trade name or name” or “address”. Also, the site offers Data Download function and Web-API function¹ in order to enable users’ ease-of-use of information, such as the Corporate Number.

In April 2018, the NTA started to publish furigana (Japanese pronunciation) of trade names or names in order to make it easier for corporations to utilize these information as digitization and networks continue to expand.

In addition, during FY2018, functions were added with the aim to enhance reliability of data provided, such as those to remove corporations whose registered addresses of head offices are indicated in a form that no longer exists due to abolishment of addresses for reason of city-lot readjustment, etc.

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

① The registration as an issuing agency based on international standards

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

② Opening of the NTA Corporate Number Publication Site (English Version)

While economic transactions are being internationalized, there are increasing opportunities to use corporation names and addresses in English. In order for Corporate Numbers to be used more widely, the English version of the NTA Corporate Number Publication Site (<https://www.houjin-bangou.nta.go.jp/en/>) was established in April 2017, and trade names or names and the addresses of head offices or principle places of business in English are published upon requests from corporations.

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

6 Promotion of adoption of procedures online and Business Process Reengineering (BPR)¹

~ Working towards realization of a Digital Government ~

The environment surrounding tax administration has been going to dramatic changes, such as complication and integration business, as economic transaction is complicated and integrated and economic society is internationalized and highly informed.

Under such circumstances, with the “Declaration to be the World’s Most Advanced IT Nation: Basic Plan for the Advancement of Public and Private Sector Data Utilization” (Cabinet decision in June 2018) which aims to realize a society in which citizens may live with security and reassurance, and experience prosperity by establishing a simple and efficient social system that utilizes IT to their fullest extent, the NTA will take firm steps to further initiatives towards 30% reduction of operating cost by FY2021 concerning information systems, such as the KSK (Kokuzei Sogo Kanri) system and e-Tax.

Furthermore, the NTA will conduct a deep dive into the area of electronic administration, which is one of the priority areas of the said plan, and with respect to various plans, such as the detailed “Digital Government Action Plan” (decision by the Digital Government Cabinet meeting in July 2018), it will enforce strict implementation of Business Process Reengineering (BPR), including online processing of various tax related procedures including attachments, and the total abolition of attachments, while promoting concrete examination of the realization of online and one stop completion of “Social Insurance and Tax Related Process Executed by Corporations for Its Employees” and “Process to Establish Corporations” in accordance with the process guideline of the overall government as a member of related government agencies.²

Ensuring stability and reliability of ICT system and information security

Since the national tax-related operations are closely connected to public rights and obligations, failure in its ICT system is likely to have a large impact on citizens and impair the credibility of tax administration. Therefore, the NTA is working to maintain stable operation of ICT systems by regularly updating ICT equipment.

Also, since the NTA holds and accumulates large amounts of taxpayer information, it takes great care for the prevention of its improper use and leakage. For instance, the NTA allows its officials to use only the necessary information for their work, and the NTA physically disconnects officials’ PCs that access taxpayer information from the Internet. The NTA also conducts security audits regularly.

At the computer center which stores data for e-Tax and the KSK System, the NTA built an information security management system (ISMS)³ which complies with international standards, and in 2007, obtained certification based on the ISMS compliance evaluation system (certification based on ISO/IEC27001: 2005 and JISQ27001: 2006)⁴, and regularly renews the certification afterward.

1 “Business Process Reengineering (BPR)” means a fundamental reform of existing organizations and business rules, and a redesign of duties, work flow, administrative mechanisms, and information systems from a process viewpoint.

2 The online and one-stop completion of “Social Insurance and Tax Related Process Executed by Corporations for Its Employees” refers to the initiative to bring social insurance and tax related procedures carried out by corporations (employers) that accompany life determining events, such as hiring and retirement of employees that used to require submission of documents to each administrative organizations, in an online and one-stop manner through the use of Mynportal. The initiative aims to construct a scheme in the future which will enable corporations to complete submission of various information to administrative organizations using a cloud service. The online and one-stop completion of “Process to Establish Corporations” refers to the initiative to realize a service which enables a user to complete various procedures through the Mynportal online in a one-stop manner, which would otherwise require submission of documents to each administrative organization when setting up a corporation.

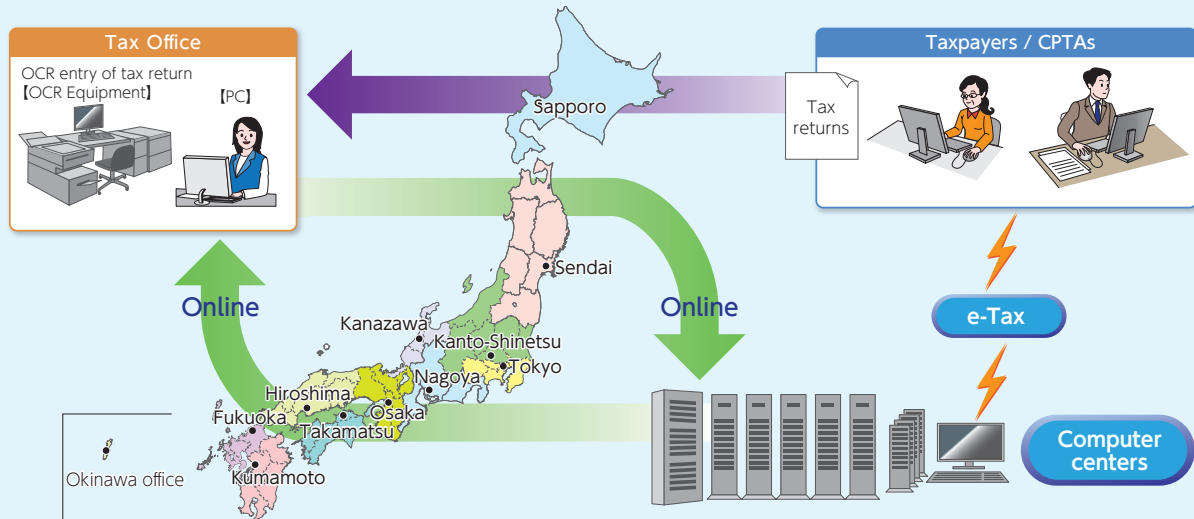
3 An Information Security Management System (ISMS) is an organizational initiative to implement the planning, operation, review and improvement which are required in order to maintain a situation of appropriate management for confidentiality and completeness and usability of information assets which should be protected.

4 ISO/IEC27001: 2005 is one of the standards created by the International Organization for Standardization. This became a global standard for information security management systems in October 2005. JISQ 27001:2006 is a Japanese domestic standard published in May 2006, corresponding to ISO/IEC27001.

II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

Kokuzei Sogo Kanri (KSK) System

The KSK System, which links all Regional Taxation Bureaus and Tax Offices, is a computer system to facilitate sophisticated and efficient administration by centrally managing information across the area and the type of tax.



Strict Management of Information

The NTA retains various information, such as income data of individuals, and strict management of information of personal information and taxpayer information is required, since should these information leak out without challenge, cooperation from taxpayers cannot be expected, disrupting smooth execution of examinations and collection of taxes.

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

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

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

7 Proper withholding tax system operation

~ Providing information and publicity to withholding agents ~

In the withholding tax system, withholding agents finalize the taxation process by doing year-end adjustments, which eliminate the procedures for tax returns for a large portion of the over 50 million wage earners. The withholding tax system is as important in tax administration as the self-assessment system.

To have withholding agents properly process withholding tax procedures and pay taxes, the NTA provides information and publicity about the withholding tax system by holding briefings about year-end adjustment, distributing guidebooks and pamphlets, etc.

8 Actions taken for the amended Consumption Tax Act

(1) The reduced tax rate system

~ Provision of information and publicity about the reduced tax rate system for consumption tax ~

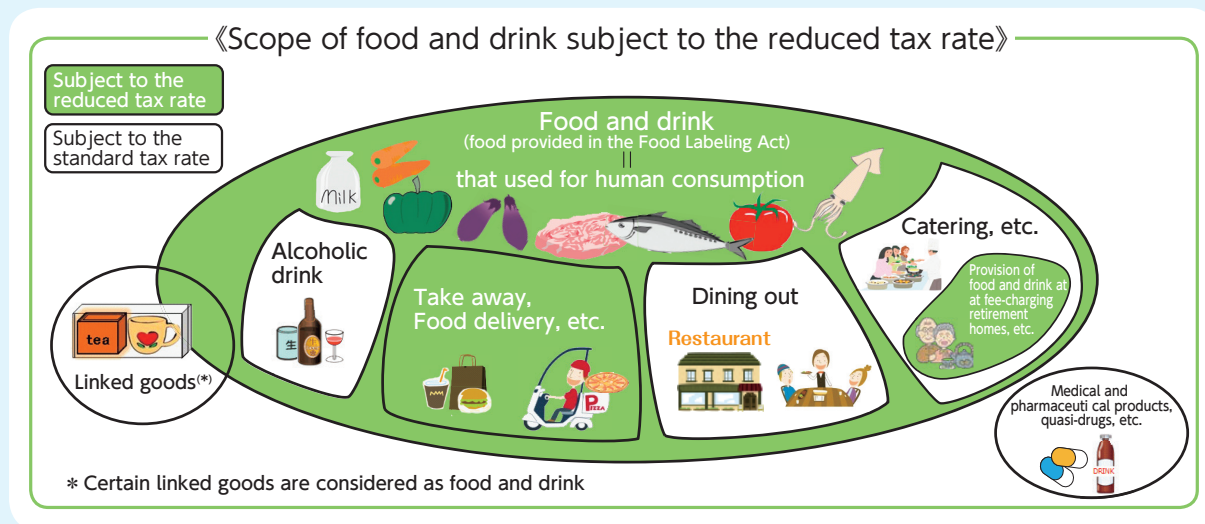
① Outline of the reduced tax rate system

From the perspective of paying consideration to the low income bracket, the “reduced tax rate system” for consumption tax is to be implemented along with the raising of consumption tax rate scheduled on October 1, 2019.

■ Consumption tax rates and items subject to the reduced tax rate

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

■ Scope of food and drink subject to the reduced tax rate

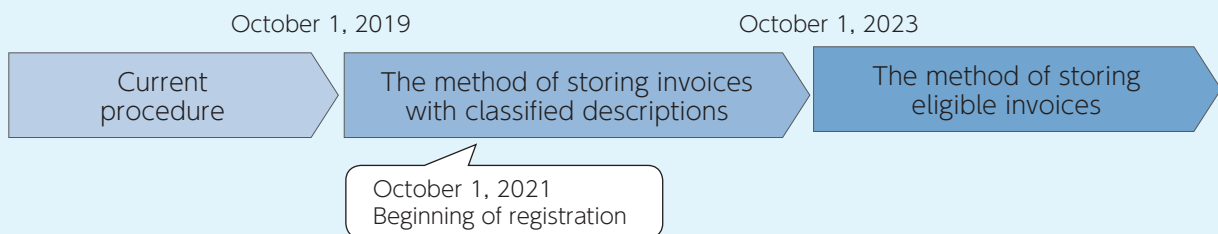


II Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

② Entry in ledgers, description on invoices and the storing of these documents

- (1) A business operator generating sales of, or purchasing, any items subject to the reduced tax rate is to issue an invoice, etc. and perform accounting such as book entries (separate accounting) adding tax rate-based separations to existing statement items.
- (2) A requirement for purchase tax credit is currently “storing ledgers, invoices, etc.” After the reduced tax rate system is implemented, business operators will be required to store ledgers, invoices, etc. in accordance with the separate accounting (the method of storing invoices with classified descriptions).
- (3) Starting October of 2023, the method of storing eligible invoices (so-called invoice system) will be introduced. Preservation of invoice such as “eligible invoices¹,” will become the requirement for purchase tax credit, instead of “storage of separate statement invoices, etc.” (the method of storing eligible invoices).

■ Schedule of changing the method of purchase tax credit



■ Entry in ledgers and descriptions on invoices

Entry		Effective period		
		~September 30, 2019	October 1, 2019~	October 1, 2023~
Invoices	<ul style="list-style-type: none"> • Name of invoice issuer • Date, month and year • Transaction description • Price • Name of the invoice recipient 	The method of storing invoices (Current procedure)	The method of storing invoices with classified descriptions	The method of storing eligible invoices
	<ul style="list-style-type: none"> • The product is an items subject to the reduced tax rate • Tax-inclusive prices totaled according to different tax rates 			
	<ul style="list-style-type: none"> • Registration number • Consumption tax amounts and applicable tax rate according to different tax rates 			
Ledgers	<ul style="list-style-type: none"> • Name of the taxable purchase supplier • Date, month and year • Transaction description • Price 	The method of storing invoices (Current procedure)	The method of storing invoices with classified descriptions	The method of storing eligible invoices
	<ul style="list-style-type: none"> • The product is an items subject to the reduced tax rate 			

¹ Businesses that are allowed to issue “eligible invoices” are limited to taxable businesses that have been registered after applying with the District Director of the tax office (businesses allowed to issue eligible invoice). Registration will begin on October 1, 2021.

③ Information and public relations about the reduced tax rate system for consumption tax

Under the reduced tax rate system, in addition to the need to make entries of sales and purchases classified according to different tax rate, issuance and storage of invoices corresponding to multiple tax rates will be required, these paperwork will impact many businesses, needless to say those businesses that handle items that are subject to the reduced tax rate, but also those that do not sell items subject to the reduced tax rate and tax exempt businesses that have no obligation to pay consumption tax.

The NTA is taking measures for providing information and consultation on the content of revision in close contact and cooperation with relevant ministries and private organizations so that business operators can fully understand the reduced tax rate system for consumption tax.

- Publication and revision of Q&As with explanations based on specific cases about items subject to the reduced tax rate
- Meetings held in locations across the country for business operators to ensure full understanding of the reduced tax rate system
- Setting up a reduced consumption tax rate telephone counseling center (reduced tax call center)
0120-205-553
Available from 9 am until 5 pm on weekdays (not available on weekends, holidays, and New Year holidays (December 29 to January 3))
- Setting up a guidance exclusively for the reduced tax rate at an existing telephone counseling center
- Provide consultations on the reduced tax rate system at the “revised consumption tax system consultation desk” at each Tax Office
- Opening of a special site of the reduced tax rate system on the NTA website
* Please visit the special site on the NTA website “About the Reduced Tax Rate System for Consumption Tax” (<https://www.nta.go.jp/taxes/shiraberu/zeimokubetsu/shohi/keigenzeiritsu/index.htm> (in Japanese)).
- Release of video via the official NTA website which provides an overview of the reduced tax rate system (Web-TAX-TV)

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

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

With the aim of ensuring the smooth and appropriate shifting of consumption taxes, the Act on Special Measures for Shifting Consumption Taxes (hereinafter referred to as the “Special Measures Act”) prohibits refusal to shift consumption taxes and price indication that interferes with said shifting. The Act also provides exceptions for the obligation to indicate the total price with tax.

Thus, the NTA endeavors to secure smooth and appropriate shifting of consumption taxes through the following measures:

- Publication of the detailed examples of misrecognition prevention measures, which are required for the application of exceptions for the obligation to indicate the total price with tax
- Consultation on price indication (exceptions from the obligation to indicate the total price with tax), as well as on the shifting of consumption taxes at the “revised consumption tax systems’ consultation desk” at Tax Offices
- As the government agency with jurisdiction over the liquor industry, the NTA provides liquor business operators with the necessary guidance and advice to prevent and correct any acts that violate the provisions of the Act on Special Measures for Shifting Consumption Taxes, and if any liquor business operator performs an act that refuses the shifting of consumption taxes or makes an indication that consumption taxes are not shifted, the NTA conducts an on-site inspection promptly.

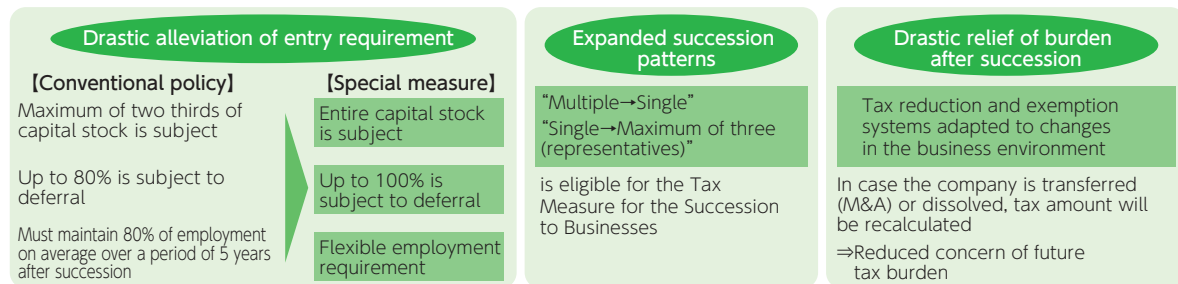
Column 4 Corresponding to the New Tax Measure for the Succession to Businesses

1 Outline of the revision

The Tax Measure for the Succession to Businesses is a system in which payment of gift tax or inheritance tax is deferred under a certain set of conditions in case the successor to a business was gifted with shares or inherited shares from the previous business owner of an unlisted company that has been certified by a prefectural governor.

Under the FY2018 tax reform, in order to promote intensive subrogation as the aging of small and medium enterprise proprietors progresses (see “Reference”), a special measure valid for duration of 10 years, was established, including removal of restriction of shares of unlisted companies that are eligible for the tax deferral (maximum two thirds of capital stock) and increase of ratio of deferrable tax (80% to 100%).

[Outline of the FY2018 tax reform]



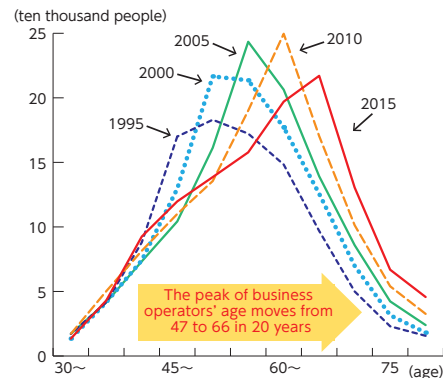
(Source) Prepared by editing “FY2018 Tax Reform” pamphlet published by Ministry of Finance

(Reference) Aging Population of Small and Medium Enterprise Proprietors

According to the 2018 White Paper on Small and Medium Enterprises in Japan, the aging of proprietors is progressing (refer to graph on right), the number of those exceeding the average retirement age of 70 in the next 10 years is expected to reach 2.45 million, and a half of these (1.27 million) are believed to have no successors in plan.

Among these aging small and medium enterprises and small scale enterprise proprietors are many who possess outstanding management resources, and promotion of succession of these enterprises does not simply address the succession challenges of enterprises, but a serious issue to our nation’s economy that cannot afford any more time before it is addressed.

Age distribution of business operators of small and medium enterprises



Source: “2018 White Paper on Small and Medium Enterprises in Japan” (Small and Medium Enterprise Agency)

2 Main priorities

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

(1) Enhancing the content of NTA website

The NTA has opened on its website a section titled, “Special Feature on Tax Measure for the Succession to Businesses,” which compiles information related to the Tax Measure for the Succession to Businesses.

Specifically speaking, it contains reference for taxpayers, such as a pamphlet which illustrates the Tax Measure for the Succession to Businesses in an easy-to-understand manner and examples of common Q&A’s.

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

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

Instructors have been dispatched to over 400 occasions from Regional Taxation Bureaus and Tax Offices between April 2018, when the Tax Measure for the Succession to Businesses came into effect, and December of the same year.

Column 5 International Tourist Tax

1 Outline of the system

The International Tourist Tax Act was created as part of the FY2018 tax reform and went into effect on January 7, 2019.

With the purpose to secure funding to enhance and reinforce our foundation for tourism as one of the measures towards becoming an advanced sightseeing nation, travelers will be imposed 1,000 yen per departure, and income generated from this tax will be applied towards: 1. Preparation of an environment that enables travel in a stress-free and convenient manner, 2. Enabling easy access to information concerning our nation's various attractions, 3. Enhancing travelers' level of satisfaction from stays at local regions through preparation of tourist resources that highlight the culture and nature that are unique to the region.

Those obligated to pay this tax are travelers that are departing Japan by aircraft or ocean vessel, and as a basic rule, it will be collected and paid through the special collection method by airline and ocean vessel operators who operate an international traveler transport service. However, in case the traveler is departing the country on a private jet, the traveler must pay the tax on its own.

2 Main priorities

(1) Information and public relations

In order to ensure accurate understanding of the scheme and procedures of the system by travelers and travel operators who are obligated to collect the tax, the NTA has uploaded legal interpretation, leaflets and common Q&A examples concerning the International Tourist Tax on its website in addition to efforts in information and public relations, such as hosting seminars towards business operators in cooperation with related ministries, agencies and trade associations.

(2) Preparation of consultation services

Questions from the general public will be addressed through the Phone Consultation Centers, but individual requests from business operators who are obligated to collect this tax will be collectively addressed through the Consumption Tax Division located at the Tokyo and Osaka Regional Tax Bureaus.

9 Cooperation with private organizations

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

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

The NTA is working to strengthen coordination and cooperation between these relevant private organizations, for example by promoting measures for the wider use and establishment of e-Tax, by dissemination and publicity work to smoothly establish and implement the Social Security and Tax Number System ("My Number System"), and by holding various joint events in the "Think About Tax" week.

These relevant private organizations are playing a large role in achieving a proper self-assessment system and in spreading knowledge about taxes.

Blue return taxpayers' associations

Blue return taxpayers' associations are organized for the purpose of "contributing to establishing the self-assessment system and promoting small enterprises," mainly by sole proprietors who use the blue return system. They are formed mainly by sole business proprietors who use the system. There are about 1,800 associations nationwide, and the total number of members is about 590,000 (as of April 2019). Each blue return taxpayers' association performs a wide range of activities including the guidance on bookkeeping, holding seminars, and encouraging filing of blue returns. For further details, please visit the website of the National General Federation of Blue Return Taxpayers' Associations at <http://www.zenaoiobr.jp> (in Japanese), or contact the nearest blue return taxpayers' association.

Corporations associations

Corporations associations are organized for the purpose of "contributing to spreading knowledge of tax, maintaining and developing a proper and fair self-assessment system, as well as achieving smooth tax administration". There are 481 corporations associations as incorporated associations, and membership stands at about 770,000 corporations (as of December 2018). Corporations associations organize tax education, tax awareness campaign, seminars on tax and management, etc. With the NTA's support, corporations associations hold "contests for the best picture postcards related to taxes" and promote "enhancement of corporations' tax compliance". For further details, please visit the website of the National General Federation of Corporations Associations at <http://www.zenkokuhojinkai.or.jp> (in Japanese).

Indirect tax associations

Indirect tax associations are organized for the purpose of "cooperating in achieving smooth tax administration through acquiring knowledge about indirect taxes and establishing a voluntary self-assessment system." There are 516 associations nationwide with about 92,000 members (as of April 2018). Indirect tax associations make suggestions to the government on ways to enhance the tax system and to improve tax implementation. They also perform activities to spread knowledge about consumption tax and to prevent tax delinquency. In addition, they are also coordinating "tax slogan" (supported by the NTA). For further details, please visit the website of the National Federation of Indirect Tax Associations at <http://www.kanzeikai.jp> (in Japanese).

Savings-for-tax associations

Savings-for-tax associations are organized for the purpose of "smooth payment of various taxes by means of saving funds for tax payment." The associations are established pursuant to the Tax Fund Saving Partnership Act, and there are now about 23,600 associations (as of March 2017). Savings-for-tax associations conduct activities to promote payment of tax by the due date and coordinating tax essay contests for junior high school students (co-hosted by Savings-for-tax associations and the NTA). For further details, please visit the website of the National Federation of Savings-for-Tax Associations at <http://www.zennoren.jp> (in Japanese).

Tax Payment Associations

Tax Payment Associations are organized under the jurisdiction of the Tax Offices of the Osaka Regional Taxation Bureau, for the purpose of "spreading knowledge about taxes, promoting proper filing of returns, uplifting tax payment morality, and thereby contributing to the development of enterprises and regional societies." There are 83 Tax Payment Associations, and about 140,000 members belong to these associations (as of March 2019). The associations carry out activities which have large public benefits, such as holding various briefings, conducting publicity activities, working on tax education, etc. For further details, please visit the website of the Federation of Tax Payment Associations at <http://www.nouzeikyokai.or.jp> (in Japanese).

1 Promotion of proper and fair taxation

~ While conducting strict examination on malicious taxpayers, the NTA makes brief contact for simple mistakes ~

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

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

■ The number of field examinations

(thousands cases)

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

■ The penalty tax amount of field examinations

(billion yen)

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

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

The NTA utilizes the system to select the subjects of tax examinations by analyzing the data related to income tax returns, corporation tax returns, and a variety of other data and information including payment records submitted by the business proprietors based on laws.

In order to collect highly effective data and information efficiently, we are working to develop systems, such as establishing a division that specializes in collecting data and information.

(1) Priority matters addressed in the tax examinations

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

The NTA clarifies the actual state of increasing overseas investment and cross-border transactions and conducts in-depth examinations by utilizing information from the record of remittance and receipt relating to foreign countries and other materials, and the exchange of information based on the tax treaty, etc. with competent foreign authorities.

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

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

- The NTA utilized information obtained through the Automatic Exchange of Information program based on tax treaties in place and identified undeclared income, such as interest generated from savings kept in overseas accounts.
- The NTA has uncovered a reduction in tax burden by conducting transactions through a shell company established in a so-called tax haven.

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

III Proper and Fair Taxation and Collection

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

Consumption tax is one of the main taxes for tax revenue, which is why it attracts the strong attention of the public. Therefore, proper tax administration is especially necessary.

Especially, as there are cases where fraudulent consumption tax refunds were claimed through the filing of false returns, we work to prevent the filing of fraudulent refunds by instituting sufficient examinations of the facts.

Also, the NTA is working increasingly close with customs authorities in order to address evasion of consumption tax on import products related to contraband import of gold which has become a social issue.

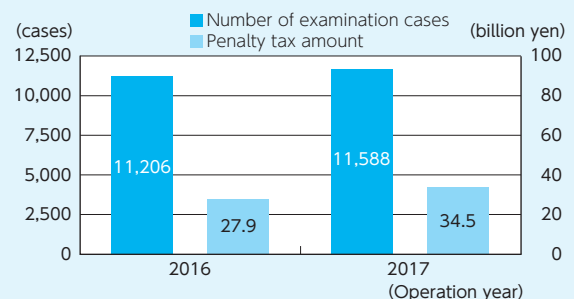
◎ Cases of examinations of consumption tax

- The NTA uncovered a case in which a bogus contract was prepared with the aim to illegally receive tax refunds on consumption tax by registering fictitious purchases.
- The NTA uncovered a case in which an overseas business operator who distributes gaming applications was not filing consumption tax

~ Identify taxpayers failing to file by utilizing information ~

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

■ Examination results of failure to file (income tax, inheritance tax, and corporation tax)



◎ Cases of examinations of failure to file

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

~ Accurate understanding of claims made by taxpayers and proper tax administration ~

When conducting tax examinations, the NTA always tries to properly process taxation after correctly interpreting the assertions made by taxpayers and studying the laws and regulations based on accurate fact finding. On this occasion, we are thoroughly adhering to the procedures and processes defined as legal requirements.

Column 6 Precise Action Taken Towards New Fields of Economic Activities, such as the Sharing Economy

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

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

Recently, as the NTA advances these initiatives as one of its most important matters, it has decided to reveal details of its initiatives.

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

(2) Utilizing approaches other than field examinations

~ Promote various contact methods in addition to field examinations ~

To ensure proper and fair taxation within the limited human resources and other resources, the NTA has been making effort to operate its work effectively and efficiently by employing various measures other than field examinations to ensure that taxpayers voluntarily fulfill their tax duties.

◎ Efforts to ensure voluntary fulfillment of tax obligations by taxpayers

- The NTA encourages voluntary review by contacting by documents or telephone, to the person who seemingly has made some calculation error or has applied incorrect tax laws, and who seemingly has failed to file a return based on accumulated information by the NTA.
- Initiative to promote proper declaration by publication through the NTA website on points to pay extra attention to when filing one's tax return.

Cooperative approaches

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

● Approach to enhance the corporate governance on tax matters

The NTA, taking the opportunities of examination of large corporations, checks the status of corporate governance on tax matters, exchanges opinions with executive officers, and presents them effective examples of approaches to promote their spontaneous efforts for the enhancement of corporate governance.

The NTA will establish the mutual trustful relationship with those corporations under favorable corporate governance on tax matters, and will prolong intervals until the next examinations for them. Then we will focus its examination work on other corporations in need of improvement.

With this action, the NTA will be able to effectively utilize the limited number of personnel. From a corporate perspective, benefits will arise, such as a reduction in risks that tax affairs are inappropriately processed, and a reduction of burdens due to tax examinations.

The results of evaluation about details of measurement indices on this activity are available at the NTA website “Approaches to enhance the corporate governance on tax matters (for corporations handled by the Large Enterprise Division”

(<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/cg.htm> (in Japanese)).

III Proper and Fair Taxation and Collection

- **Promotion of the “self inspection of tax returns and self audit of tax items” at large enterprises**

- ～ **Publication of check sheets for the “voluntary inspection of tax returns and voluntary audit of tax items” by Large Enterprise Department of Regional Taxation Bureau** ～

The site provides two types of check sheets: “Check sheet for tax returns,” which can be used for the voluntary inspection of tax returns before submission, and “Check sheet for tax items that require special attention at large enterprises.” Details of this activity are available at the NTA website “Voluntary inspection of tax returns and voluntary audit of tax items (for corporations handled by the Large Enterprise Division)”

(<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/tk.htm> (in Japanese)).

These sheets can be used for the voluntary audit of, for example, omissions in entering adjustments in settling accounts and adjustments for taxable income before tax return preparation. Please make use of these check sheets based on your intended use.

We expect a reduction in risks that processing errors are identified during examination by utilizing these to prevent errors in tax returns.

- **Efforts through cooperative approach concerning transfer price taxation**

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

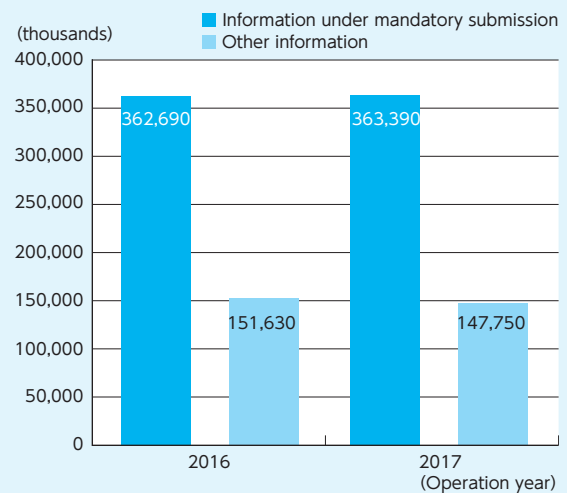
(3) Data and Information

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

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

Especially, the NTA constantly focuses on changes in illicit forms and the increasing globalization and ICT in business transactions in recent years. We actively collect information on overseas investments, information on transactions with overseas companies, etc. to get the information on new asset investment techniques and transaction forms. The NTA is also paying attention to transactions related to the sharing economy.

■ Number of information items collected



(4) Criminal investigation

~ Pursues criminal responsibility of malicious tax evaders ~

The tax criminal investigation system pursues criminal responsibility of malicious tax evaders and aims to contribute both to realizing proper and fair taxation and to maintaining the self-assessment system through the effect of “punishing one to serve as a warning to all.”

~ Positive action toward cases with socially strong ripple effects ~

During FY2018, with respect to the current economic society situation, the NTA actively engaged cases with socially strong ripple effects, such as illicit receipt of consumption tax refunds, failure to file tax returns, international cases and cases in areas of expanding markets, and charged numerous cases.

In particular, 16 cases of illicit receipt of consumption tax refunds, the highest number of cases in the past five years were charged.

◎ Cases of accusations filed to the prosecutor in FY2018

Accusation of a case of illicit receipt of consumption tax refunds exploiting the tax-free retail (sales outlet of export items) system

An entity was plotting to illicitly receive consumption tax refunds by registering fictitious tax-free sales by pretending to have sold expensive wrist watches to foreign tourists at a tax-free shop, which was approved as a sales outlet of export items, while accounting for fictitious purchase (taxable transaction) of these items.

■ Status of criminal investigations

	Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Total amount of tax evasion cases (portion with accusation filed to the prosecutor)	Amount of tax evasion per case (portion with accusation filed to the prosecutor)
	cases	cases	cases	million yen	million yen
FY2017	174	163	113	13,509 (10,001)	83 (89)
FY2018	166	182	121	13,999 (11,176)	77 (92)

* Figures of tax evasion include additional tax.

■ Ruling Status in the first trial of criminal investigation cases

	Number of rulings ①	Number of convictions ②	Percentage of cases convicted ②/①	Number of convictions with prison sentences without probation ③	Amount of tax evaded per case ④	Term of prison sentence per person ⑤	Amount of fines per person (company) ⑥
	cases	cases	%	persons	million yen	months	million yen
FY2017	143 (5)	143 (5)	100.0	8 (4)	62	14.7	15
FY2018	122 (5)	122 (5)	100.0	7 (2)	61	14.3	14

* 1 Figures in the parenthesis indicate cases combined with non-tax crimes.

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

◎ Cases in FY2018 resulted in actual prison sentences

The most serious prison sentence was an isolated criminal investigation case which was served a sentence of 4 years and 6 months

In a criminal investigation case, a company in the business of exporting beauty-related products booked fictitious domestic purchase (taxable transaction) and fictitious export sales (tax-exempt transaction), and illegally benefitted from significant amount of consumption tax refunds. The representative of the company was sentenced to prison for a term of 4 years and 6 months.

III Proper and Fair Taxation and Collection

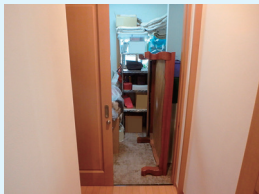
~ Retained funds which obtained from tax evasion ~

A majority of the illegal funds generated through tax evasion was retained in the form of cash or savings, but in other cases, they were detected in the forms of securities, housing, assets in crypto assets (virtual currency), gold bullions, luxury brand goods, financial assistance towards relatives and individuals in special relationships and entertainment fund for gambling, etc.

Furthermore there were instances in which a portion of the illegal funds was allocated to an overseas account, investment, purchase of condominium, funding for entertainment (casino), etc. in overseas.

Past cases where hidden properties were found in criminal investigations

Cash was discovered inside a safe hidden beneath the carpet in a residential closet



Column 7 The 70 years' history of the criminal investigation system

The criminal investigation system started when a Criminal Investigation Department was founded within the Tax Bureau and each Regional Finance Bureau of the Ministry of Finance in July of 1948, and it saw its 70th anniversary in July of 2018.

When the department was first founded, its priority was given to capturing the income of those who had made profits from inflation right after the world war, but following various ensuing debates concerning the stability of the economy and society, and the system itself, the current principle of "exposing malicious tax evaders" was established, and the department served an important role in establishing the self-assessment system of our country as its "last bastion."

The Criminal Investigation Department has adapted to increasingly technical and international economic transactions of today, and is relentlessly focused on exposing malicious tax evaders by actively promoting the use of data analysis, which utilizes digital forensics techniques, and the exchange of information with foreign tax authorities based on the tax treaty, etc.

Date	Milestones	Date	Milestones
July 1948	The Criminal Investigation Department is founded within the Tax Bureau of the Ministry of Finance	April 1989	The Consumption Tax Law comes into effect.
	Revision of the National Tax Violations Control Law	July 1989	The number of investigators exceeds 1,000
	Initiated with 500 investigators	June 2010	Penalty for tax evasion is increased (maximum prison term increased from 5 to 10 years)
July 1949	The National Tax Agency is inaugurated (the Criminal Investigation Division is founded)	August 2011	Creation of crimes for intentional failure to submit tax returns and attempted offense of illicit consumption tax refunds receipt
May 1981	Penalty for tax evasion is increased (maximum prison term increased from 3 to 5 years)	April 2018	Organization of examination procedure related to electromagnetic records (National Tax Violations Control Law is incorporated into Act on General rules of National Taxes)
July 1984	A female investigator is appointed		
February 1987	"Marusa No Onna (A Taxing Woman)" is released in movie theaters		

2 Reliable tax payment

(1) Establishment of voluntary tax payment

~ Approximately 64.8 trillion yen of taxes paid into the national treasury within the fiscal year (98.9% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2017, about 65.5 trillion yen of taxation (amount determined for collection) was self-assessed in Tax Offices. Of this, about 64.8 trillion yen of tax (collected amount) was paid into the national treasury within the fiscal year, for a 98.9% collection ratio.

~ Measures to prevent delinquencies ~

The NTA is taking the following measures to prevent delinquencies. A written notice is sent in advance to taxpayers who paid after the due date the previous time. After the due date has passed, a phone call is placed to taxpayers before the payment demand letter is sent.

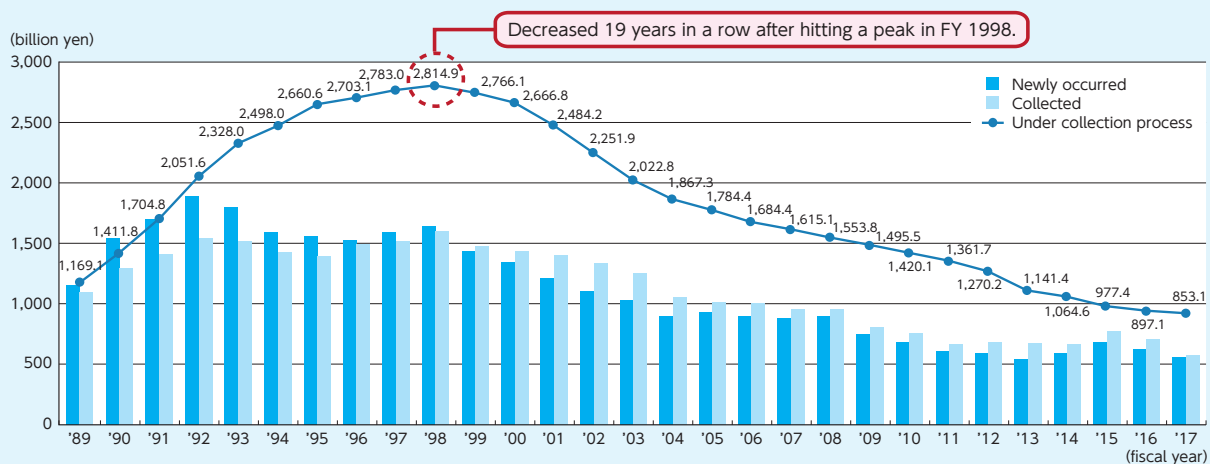
* Delinquency signifies that the national tax was not paid by due date and a payment demand letter was sent.

(2) Efforts to promote reduction of delinquent taxes

~ Amounts under collection process reduced to 30.3% of that of the peak time ~

At the end of FY2017, the tax delinquency amount was about 853.1 billion yen.

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



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

* 2 Figures for local consumption tax are not included.

Amounts under collection process remains high at approximately 0.9 trillion yen

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

For delinquent national taxes, from the viewpoint of fairness with the great majority of taxpayers who pay within the due date, the NTA is working for early and thoroughly completion, and works to resolve delinquencies under the following basic policy, taking into consideration that executing disposition for delinquent tax greatly impacts taxpayers' rights and interests.

III Proper and Fair Taxation and Collection

~ Appropriate action is taken in collection of delinquent tax while considering the situation of each delinquent taxpayer ~

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

In particular, should the taxpayer consult with the NTA concerning difficulties it may have in settling in a lump sum payment, the NTA will consider applying measures to relax conditions of the tax settlement, such as deferred payment or conversion of assets into cash, with consideration to the taxpayer's situation, 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, such as repeat default of commitments to pay the tax, the NTA will take disposition for delinquent tax, such as seizure and auctioning off of assets in a timely and appropriate manner.

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

When collecting delinquent tax in a large and malicious delinquency case, from the viewpoint of fulfilling tax responsibilities properly, strict and resolute action is taken.

Particularly strict action is taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax¹. This crime of evading disposition for delinquent tax is aggressively referred to the prosecutor.

~ Organizational response of difficult-to-handle cases ~

A considerable amount of office work and use of sophisticated collection techniques are required for delinquency processing of difficult-to-handle cases, such as complicated transactions and transfer of asset is being disguised.

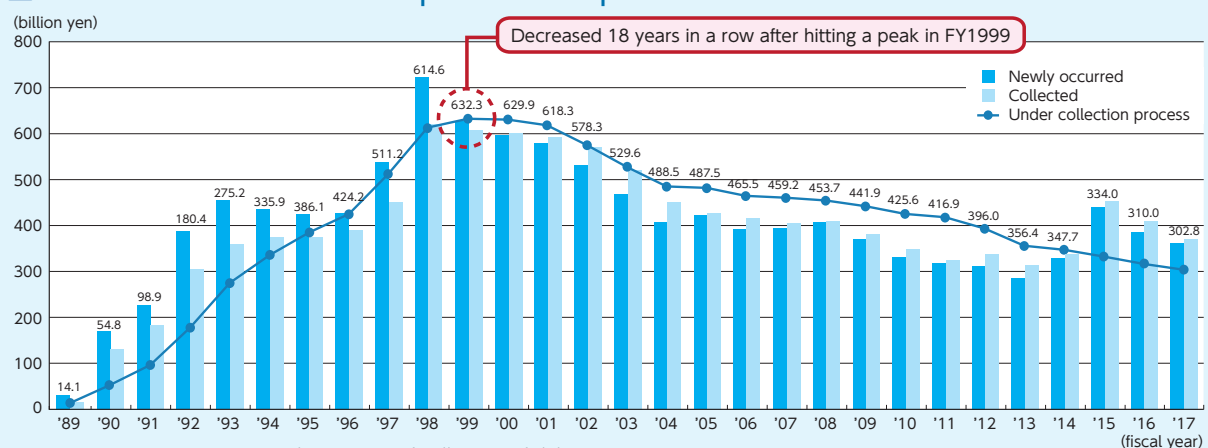
For that reason, the NTA takes organizational actions such as disposition for delinquent tax by management over a wide geographic area, with timely project team formation.

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

~ Certain handling of consumption tax delinquency cases ~

The NTA is striving to reduce the balance of delinquent consumption tax, which we start to collect early and thoroughly when newly occurred including delinquent consumption taxes, for steadily collecting all delinquencies.

■ Trend of collection of delinquent consumption tax



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

*2 Figures for local consumption tax are not included.

1 If actions such as hiding of assets are done to evade seizure or other disposition for delinquent tax, up to 3 years in prison or up to a 2.5 million yen fine can be imposed.

2 A lawsuit to demand the rescission of fraudulent act is a lawsuit to negate the validity of a legal act (fraudulent act) between the delinquent person and third party, where such act harms the claimant (country). The lawsuit aims to take back from the third party that asset separated from the delinquent taxpayer, and return it to the delinquent taxpayer (refer to Act on General Rules for National Taxes, Article 42, and the Civil Code, Article 424).

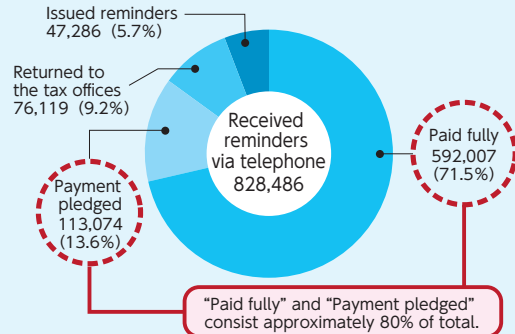
(3) Office of Tax Collections Call Center ~ Conduct effective and efficient phone notices ~

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

Over the year from July 2017 to the end of June 2018, this office provided notifications to about 830,000 people, of which about 590,000 people (71.5%) fully paid, and about 110,000 people (13.6%) pledged payment.

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

Of 828,486 taxpayers issued reminders for payment by telephone between July 2017 and the end of June 2018, 592,007 have fully paid their taxes.



(4) Public auction by Internet

~ Sold approximately 800 items by internet auctions ~

The NTA has conducted internet auctions using a private-sector auction website to sell properties which were seized. Internet auctions are very convenient in such ways as the participants do not need to visit a real auction places and can apply for the purchase 24 hours during the auction period on the internet, and can attract more auction participants. It is the effective means to sell the assets or goods of high value that have been seized.

Six internet auctions were held in FY2018. As a result, a total of about 4,000 people participated, and about 800 items such as automobiles, jewelry goods, real estate, etc. were sold, for a total sales value of about 400 million yen.

Examples of properties that have been sold by internet auctions



(5) Accurate and efficient management of claims and liabilities

~ Proper and prompt process realized by full use of systems ~

Tax filings and refund filings create a huge volume of work to manage national tax claims and liabilities. Tax Offices use the System so that these claims and liabilities are managed accurately and efficiently.

There are about 43.09 million tax payment cases each year. To efficiently process this huge amount of payments, the NTA is working on more efficient processing operations. There is optical character recognition (OCR) processing¹ for tax payment slips at the Bank of Japan, income tax and sole proprietors' consumption tax payments by transfer account², online tax payment and Direct payment. The NTA centralized transfer processing then adopted online transfer procedures. In these ways, the NTA is pursuing efficient and speedy payment processing.

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

² Tax payment by transfer account is a method of tax payment whereby the Tax Offices send tax payment slips to financial institutions designated in advance by taxpayers, and debit the amount of tax payment from their deposits and savings accounts. If it is necessary to send tax payment slips to financial institutions in large quantities, the Tax Offices send data for an account transfer to the financial institutions in order to perform the work of account transfer efficiently. After the financial institutions process the data, they return the data of the processing results to the Tax Offices.

3 Addressing international transactions

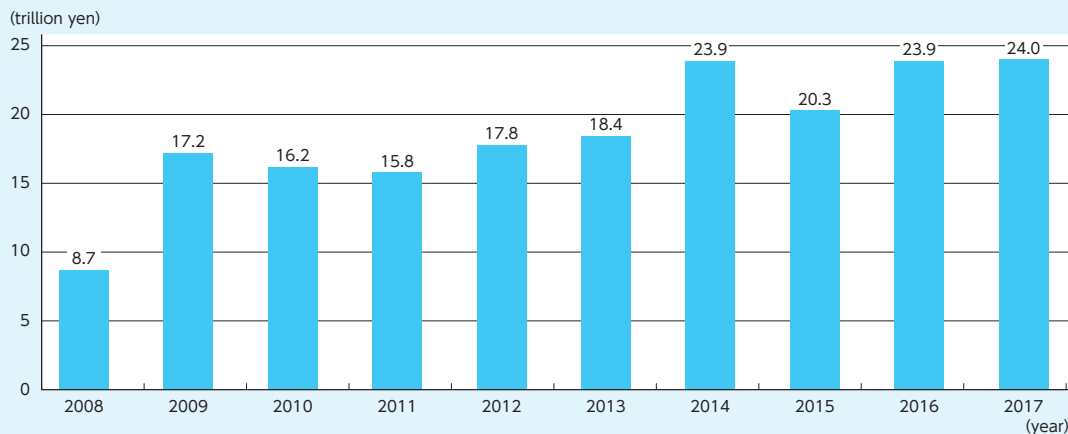
(1) Background

~ Public interest increase in international tax avoidance cases ~

In recent years, the economy has been increasingly globalized with an increase in overseas investment by individual investors and cross-border transactions conducted by corporations. Under such circumstances, due to the disclosure of the so-called “Panama Papers,” progress in the Base Erosion and Profit Shifting (BEPS) Project and Automatic Exchange of Financial Account Information of non-residents based on the Common Reporting Standard (CRS) developed by the OECD, public interest has been significantly increasing on international tax avoidance cases. Those include hiding assets overseas by the affluent class and corporations that conduct cross-border transactions and reducing tax burden using the mismatch in the tax systems and/or treaties among jurisdictions.

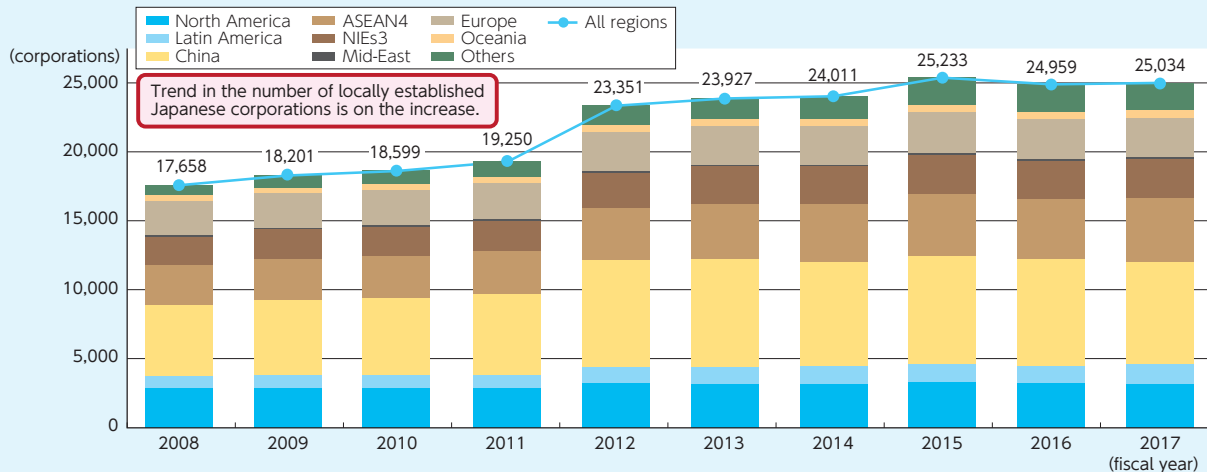
The NTA considers that achieving proper and fair taxation in view of both global and domestic trends will lead to securing trust from every taxpayer.

■ Amount of overseas investment from the household sector (portfolio investment assets)



* Figures are data from June 2018, post retrospective revisions
(Source: “Japan’s Flow of Funds Accounts” by Bank of Japan)

■ Trend in the number of locally established Japanese corporations by region



※1 “ASEAN4” includes Malaysia, Thailand, Indonesia and Philippines.

※2 “NIEs3” includes Singapore, Taiwan and South-Korea.

(Source: “Basic Survey on Overseas Business Activities,” by Ministry of Economy, Trade and Industry)

Column 8 The policy initiatives based on “International Strategic Total Plan”

The NTA has set international taxation as an important task, and it publicized the “International Strategic Total Plan” in October 2016. It summarizes the current situation and future directions in international taxation.

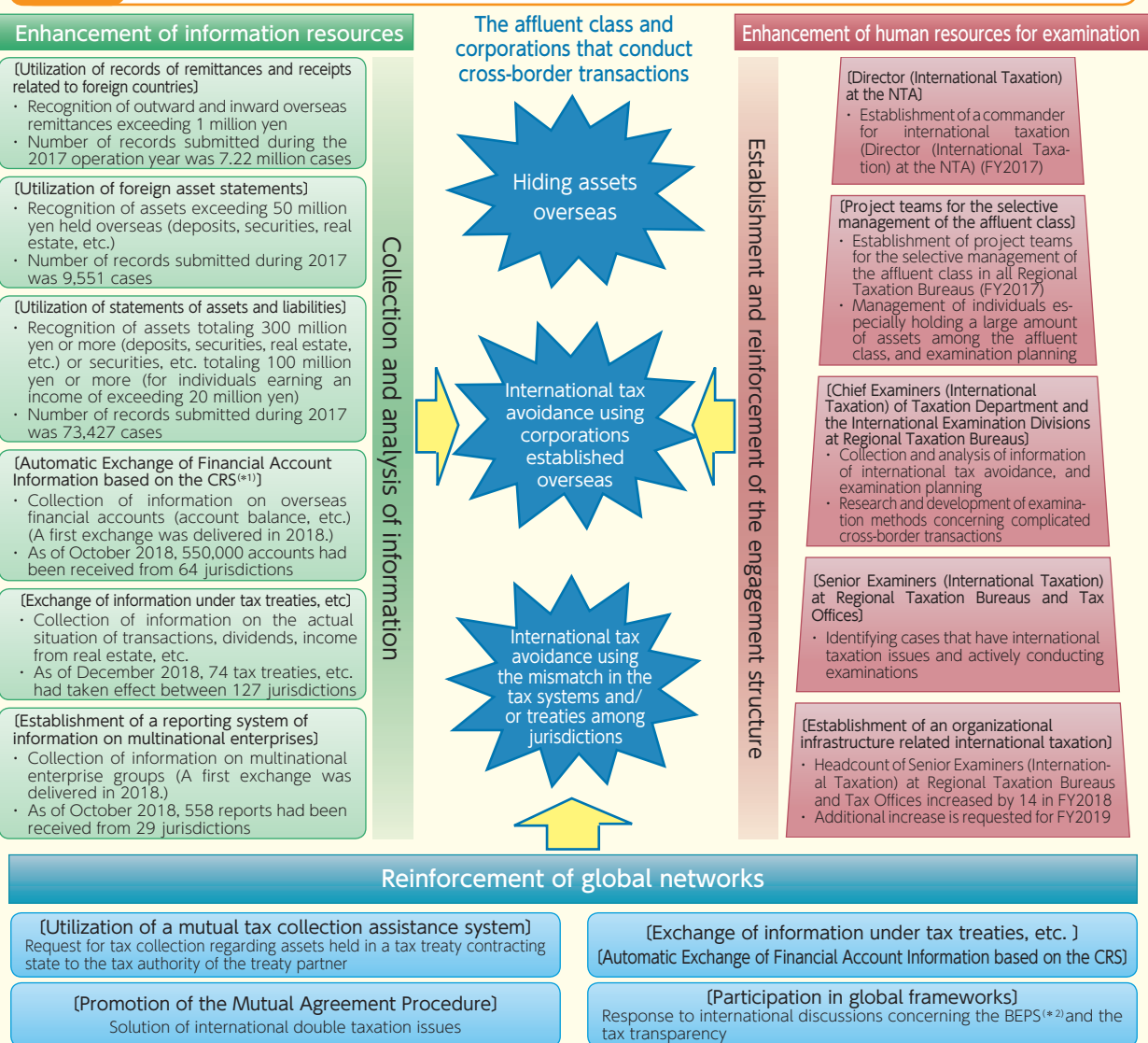
The NTA has continued proactively work on international taxation after the publication of this plan. With the start of Automatic Exchange of Financial Account Information of non-residents based on the CRS by the OECD from September 2018 in Japan, public interest on this field has been growing as ever.

Under these circumstances, following the release of NTA’s approaches and audit case examples regarding the plan for the 2017 operation year, the NTA released “The policy initiatives based on ‘International Strategic Total Plan’” in January 2019, by which it disclosed its updates on international taxation.

■ The policy initiatives based on “International Strategic Total Plan” (January 2019 edition)(extracts)

The policy initiatives based on “International Strategic Total Plan (2016)” (January 2019 edition)

Policy of the National Tax Agency ©In recent years, the economy has been increasingly globalized. Under such circumstances, due to the disclosure of the so-called “Panama Papers”, progress in the Base Erosion and Profit Shifting (BEPS) Project and the start of Automatic Exchange of Financial Account Information of non-residents based on the CRS, public interest has been significantly increasing on international tax avoidance cases.
⇒The NTA will advance each of the initiatives outlined in the “International Strategic Total Plan,” and should there be any taxation issues detected, the NTA will properly take actions including thorough examinations.



*1 CRS: The abbreviation of Common Reporting Standard
*2 BEPS: The abbreviation of Base Erosion and Profit Shifting

About the NTA
Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration
Proper and Fair Taxation and Collection
Remedy for Taxpayer Rights
Liquor Administration
Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)
Evaluation of Policies
Statistics

III Proper and Fair Taxation and Collection

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

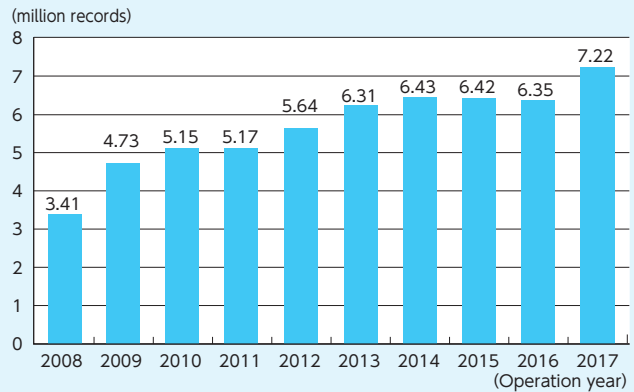
~ Detect precisely cross-border transactions and assets held overseas ~

The NTA exercises the following systems in order to identify income generated through economic activities that transcend borders and to exercise proper taxation.

① Records of remittances and receipts related to foreign countries

Records of remittances and receipts related to foreign countries is a report to be submitted to Tax Offices by financial institutions that conduct outward and inward overseas remittances exceeding 1 million yen. The record states the name and address of the sender and receiver of funds, remittance amount, and My Number or Corporate Number (enforced in April 1998).

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

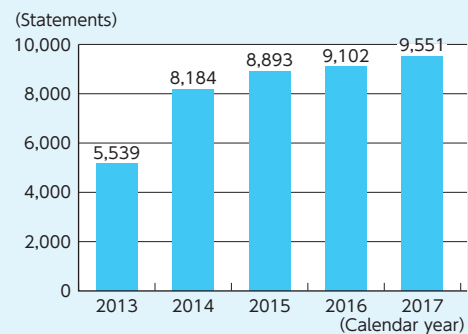


* From April 2009, the threshold amount for submission was decreased from more than 2 million yen to more than 1 million yen.

② Foreign asset statements

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

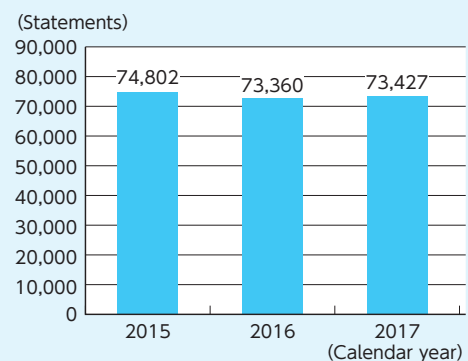
■ The number of foreign asset statements submitted



③ Statements of assets and liabilities

Those who earn an income of over 20 million yen in the year, and hold assets totaling 300 million yen or more or securities, etc. totaling 100 million yen or more (assets subject to exit taxation) as of December 31 in the year are to submit a statement describing the type, quantity and value of the assets, the amount of debt, My Number, etc. by March 15 of the following year to Tax Offices (enforced in January 2016).

■ The number of statements of assets and liabilities submitted



④ Exchange of information under tax treaties, etc.

There are cases in which the NTA cannot sufficiently clarify the cross-border transactions only with the information obtained in Japan. In such cases, the NTA can exchange information with foreign tax authorities under bilateral tax treaties or provisions of the multilateral Convention on Mutual Administrative Assistance in Tax Matters, which makes it possible to acquire the necessary information for proper and fair taxation from other countries. In recent years in particular, the network of exchange of information has been expanding and strengthening. As of April 2019 Japan has 74 tax treaties¹ in force, which cover 129 jurisdictions, and the number of information exchange amounts to some hundred thousand cases per year.

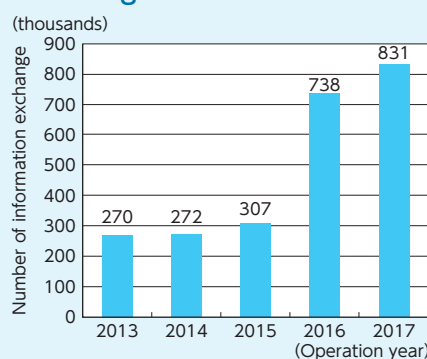
⑤ Automatic Exchange of Financial Account Information of non-residents based on the Common Reporting Standard (CRS)

To address international tax evasion and avoidance performed through overseas financial institutions, in 2014, the OECD developed the Common Reporting Standard (CRS) which is the international standard for Automatic Exchange of Financial Account Information of non-residents among tax authorities.

Based on this standard, tax authorities of each jurisdiction will: (1) receive information (name, address, account balance, etc.) concerning accounts, which is attributable to a non-resident, from a financial institution located in its jurisdiction, and (2) provide that information for the tax authority of the jurisdiction where the non-resident resides, based on the tax treaty, etc. Currently, over 100 jurisdictions have already committed to commence Automatic Exchange of Financial Account Information attributable to non-resident(s) in accordance with the CRS.

The NTA has begun exchanging information with other foreign tax authorities starting in 2018, and as of the end of October 2018, the NTA has provided approximately 90,000 financial accounts for 58 jurisdictions, while receiving 550,000 accounts from 64 jurisdictions. The NTA will make use of information from foreign tax authorities to identify financial assets that are located overseas and earnings generated through these assets, and to detect and analyze overseas transactions that may have taxation issues.

Trend in number of information exchange



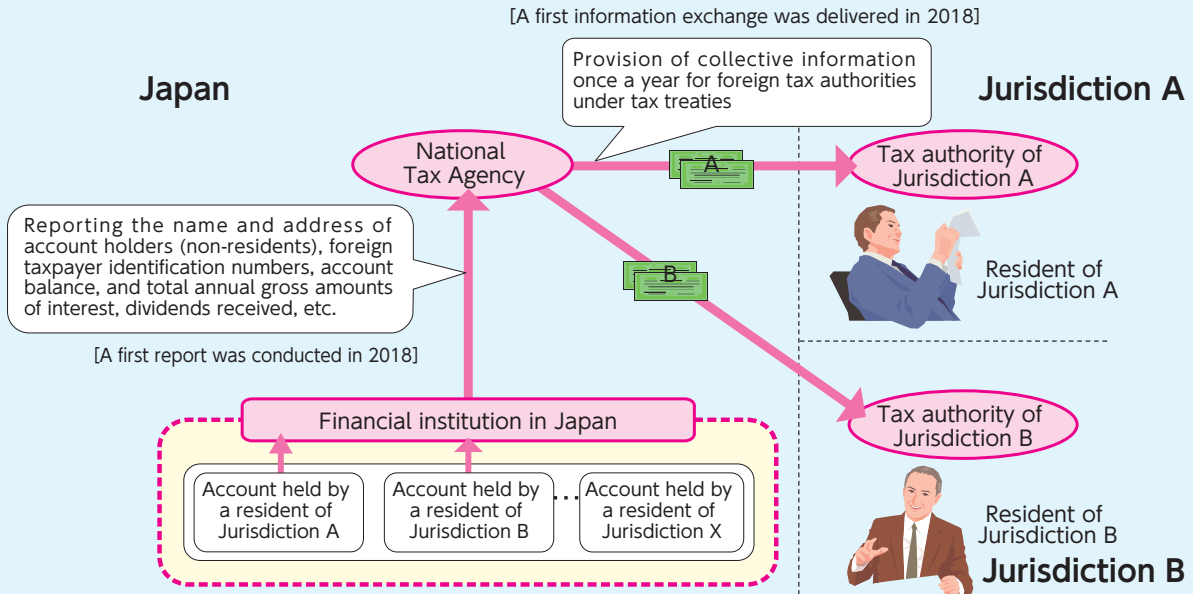
* Number of information exchange is the total number of cases in which information request was received and cases sent for requesting information each operation year.

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

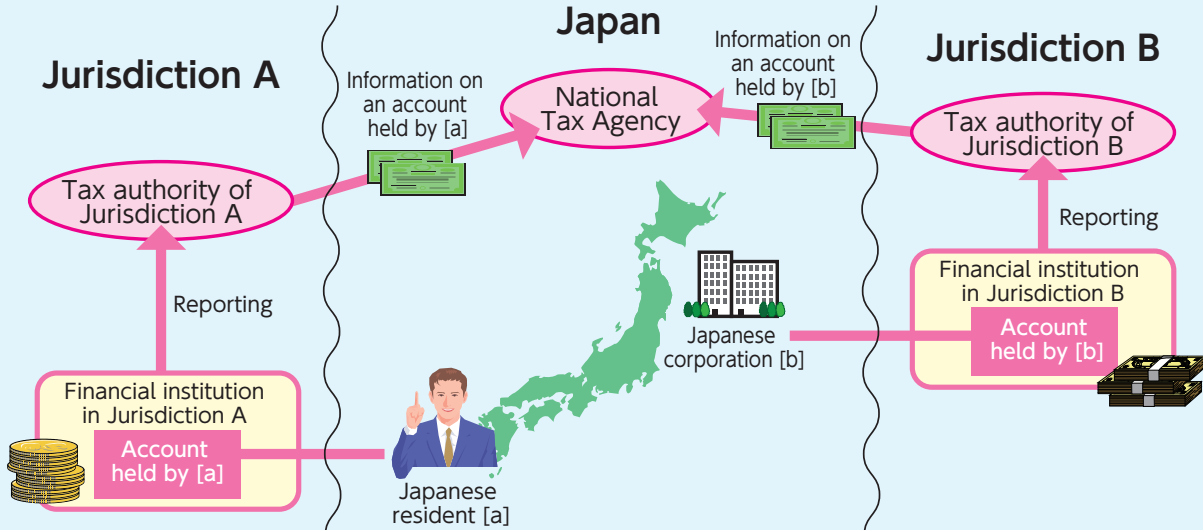
III Proper and Fair Taxation and Collection

■ Conceptual diagram of the Automatic Exchange of Financial Account Information based on the CRS

Provision of information from Japan to other jurisdictions



Provision of information from other jurisdictions to Japan



From foreign tax authorities, the NTA receives information (name, address, My Number, Corporate Number, account balance, and total annual gross amounts of interest, dividends received, etc.) concerning Japanese residents (individuals, corporations, etc.) who hold accounts at financial institutions outside Japan.

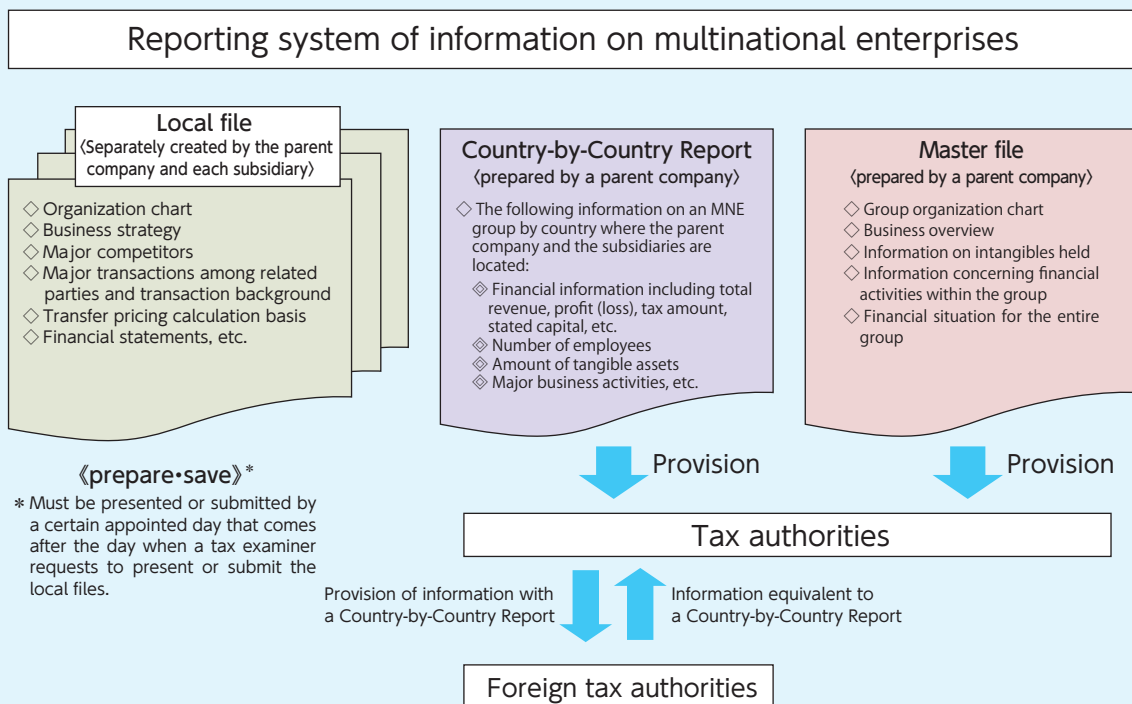
⑥ Establishment of a reporting system of information on multinational enterprises

For the purpose of understanding the global activities and the actual situation of tax payment conducted by multinational enterprises (MNEs), some corporations became obligated to provide (or prepare and store) the following information to Tax Offices after the FY2016 tax reform: (1) information concerning business activities of each countries conducted by MNE groups (“Country-by-Country (CbC) Report”), (2) information concerning the overall global business activities conducted by MNE groups (“master file”), and (3) detailed information for calculating arm’s length price (transaction price between third parties) for transactions with foreign related parties (“local file”)¹.

Of this information, the “Country-by-Country (CbC) Report” is agreed to be provided for the tax authority of the jurisdiction where a foreign related party of the MNE group is located, by each jurisdiction, based on the automatic exchange of information stipulated in the tax treaty. As of end of October 2018, the NTA received approximately 550 reports from tax authorities of 29 jurisdictions, while the NTA provided approximately 600 reports for tax authorities in 39 jurisdictions.

In addition, when the amount of the transactions with a foreign related party becomes more than a certain amount, corporations are required to prepare or obtain and store local files by the deadline for the submission of final tax returns. Local files must be presented or submitted by a certain appointed day that comes after the day when a tax examiner requests to present or submit local files (this applies to the business year that begins on or after April 1, 2017).

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



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

III Proper and Fair Taxation and Collection

(3) Enhancement of human resources for examination (establishment and expansion of a system for implementation areas)

~ Establishment of dedicated divisions and project teams ~

To deal with the more complicated and diversified cross-border transactions and international tax avoidance, the NTA has established a division dedicated to examinations relating to international taxation.

Moreover, from the perspective of further enhancing information collection regarding the affluent class, the NTA has established a project team for the selective management of the affluent class in the Tokyo, Osaka, and Nagoya Regional Taxation Bureaus in the 2014 operation year. The project team collects and analyzes information through an integrated management of taxpayers who in particular hold a large amount of assets among the affluent class, relevant parties, the presiding company, and companies involved as a group subject to management.

The project teams are established in all Regional Taxation Bureaus from July, 2017 and similar initiatives are implemented nationwide.

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

~ Enhance cooperation with the foreign competent authorities ~

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

① Participation in global framework

(1) Formation and implementation of international agreements

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

The final report presents various recommendations, by means of reviewing the overall international tax rules, to address international tax avoidance by MNEs and to increase the transparency of each jurisdiction's tax system and MNEs' business activities. The NTA has been proactively engaged in implementing those recommendations appropriately.

■ The 15 actions discussed in the BEPS Project:

Action 1: Addressing the Tax Challenges of the Digital Economy	Action 2: Neutralizing the Effects of Hybrid Mismatch Arrangements
Action 3: Designing Effective Controlled Foreign Company (CFC) Rules	Action 4: Limiting Base Erosion Involving Interest Deductions and Other Financial Payments
Action 5: Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance	Action 6: Preventing the Granting of Treaty Benefits in Inappropriate Circumstances
Action 7: Preventing the Artificial Avoidance of Permanent Establishment Status	Action 8: Aligning Transfer Pricing Outcomes with Value Creation Related to Intangibles
Action 9: Aligning Transfer Pricing Outcomes with Value Creation Related to Risks and Capital	Action 10: Aligning Transfer Pricing Outcomes with Value Creation Related to Other High-risk Transactions
Action 11: Measuring and Monitoring BEPS	Action 12: Mandatory Disclosure Rules
Action 13: Transfer Pricing Documentation and Country-by-Country Reporting	Action 14: Making Dispute Resolution Mechanisms More Effective
Action 15: Developing a Multilateral Instrument to Modify Bilateral Tax Treaties	

(2) Participation in the activities at the OECD

For the purpose of ensuring implementations of the recommendations in the final report of the BEPS Project to the broader economies including emerging and developing countries, the “Inclusive Framework on BEPS” has been established in 2016. As of April 2019, 129 jurisdictions including Japan are participating in the “Inclusive Framework on BEPS,” and monitoring the implementation of the recommendations through the peer review process, etc.

In addition, discussions concerning review of the recommendations, slated for 2020, are ongoing.

Regarding exchange of information under tax treaties, the legal and regulatory framework and the practical implementation in each country and region are mutually examined at the “Global Forum on Transparency and Exchange of Information for Tax Purposes,” in which 154 jurisdictions participate.

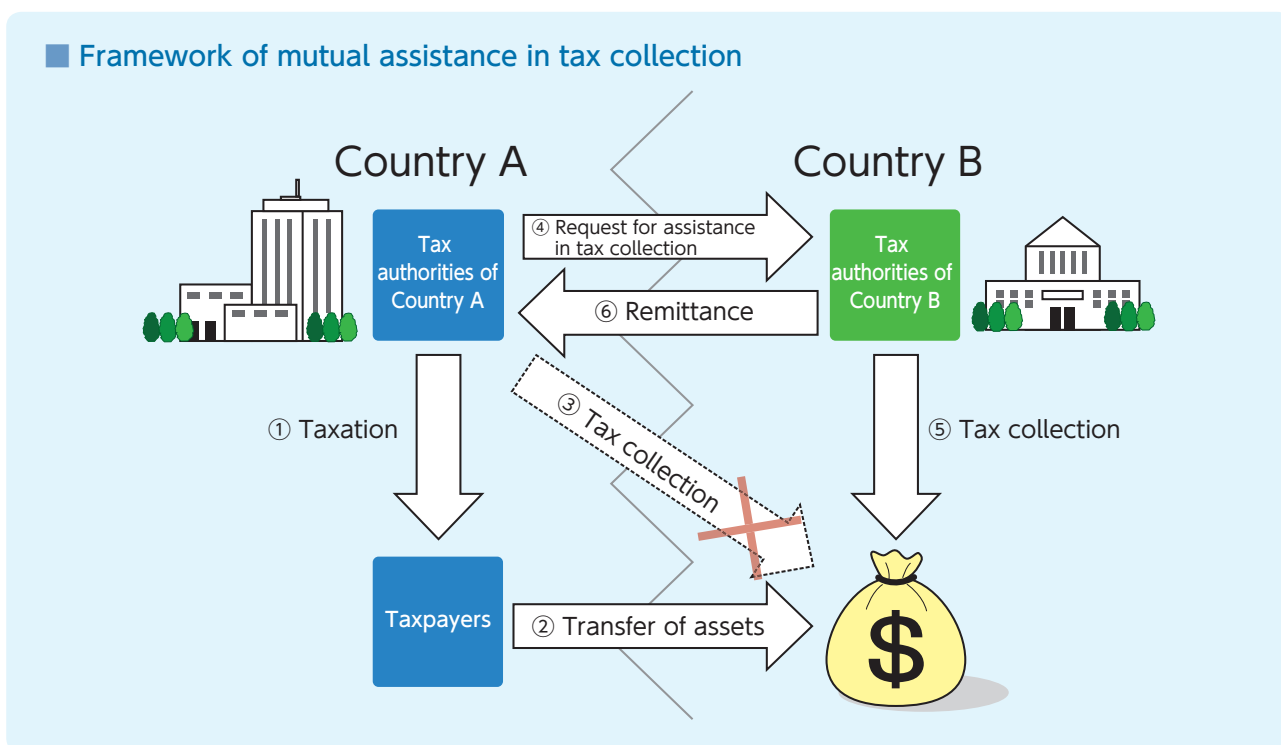
Moreover, at the “Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)” of the “OECD Forum on Tax Administration,” participants are taking part in activities with the objective to share information among participating countries, and to work together on common challenges, such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

The NTA is actively participating in these activities and discussions.

② Utilization of a mutual tax collection assistance system

While the collection of tax claims is subject to the restrictions of executive jurisdiction (which means that a country’s tax authorities cannot exercise its public authorities outside the country’s territory), the avoidance of tax collection by means of transfer of assets to overseas can be coped with the framework of “mutual assistance in tax collection”, which enables each country’s tax authorities to mutually enforce tax claims of treaty partners in cooperation under tax treaties.

In Japan, international tax collection is promoted by actively utilizing the mutual assistance system for tax collection under treaties such as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters¹ which became effective in October 2013.



¹ It is a multilateral convention on mutual assistance for the exchange of tax-related information, tax collection and service of documents and has become effective by 96 jurisdictions including Japan (as of May 1, 2019).

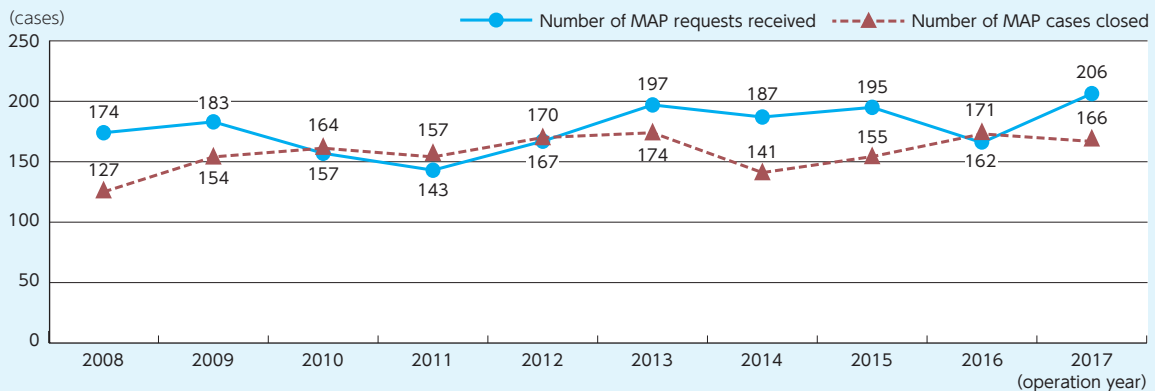
③ Promotion of the Mutual Agreement Procedure (MAP)

When international double taxation arises from transfer pricing adjustments or others, the NTA enters into Mutual Agreement Procedure (MAP)¹ with relevant foreign tax authorities under the provisions of applicable tax treaties to resolve such double taxation upon request from taxpayers. Also, the NTA enters into MAP related to Advance Pricing Arrangement (APA)² in order to ensure the predictability of taxpayers and promote the proper and smooth administration of the transfer pricing taxation.

In the 2017 operation year, the number of MAP cases requested was 206, and the number of MAP cases closed was 166, and the number year-end inventories were 496.³ Of the MAP cases requested, approximately 80% were related to APA, and about 20% were related to transfer pricing adjustments, etc.

The NTA has been making every effort to resolve the MAP cases appropriately and promptly. Specifically, we have been enhancing the environment conducting MAP by ensuring staffing and have been striving to conduct swift and smooth negotiations through promoting cooperative relationship with relevant foreign tax authorities⁴. In addition, through active provision of technical assistance towards emerging countries, the NTA strives to promote penetration of international taxation rules, and at the same time, shares knowledge and best practices on process and procedure of MAP, in order to promote resolution of MAP cases.

■ The number of MAP cases requested, closed and year-end inventories



* The number of MAP requests consists of both cases where the NTA received such requests from taxpayers and cases where the NTA received such requests from foreign tax authorities.

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 when taxpayers consider that international double taxation arise or will arise from transfer pricing adjustments or others, or when taxpayers request bilateral APA.

2 In an APA on transfer pricing taxation, based on the Japanese taxpayer's request, the tax authorities give advance confirmation of the method for calculating the arm's length price in transactions with foreign related parties.

3 In Japan, 63 tax treaties (applicable to 74 jurisdictions) contain provisions regarding MAP, and MAP is held with 26 of those jurisdictions (as of June 2018).

4 The number of persons in charge of MAP was 23 in the 2008 operation year, but it has increased to 44 as of the 2018 operation year. In addition, the number of occurrences and cumulative number of days spent on MAP during the 2017 operation year were 39 and 144, respectively.

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

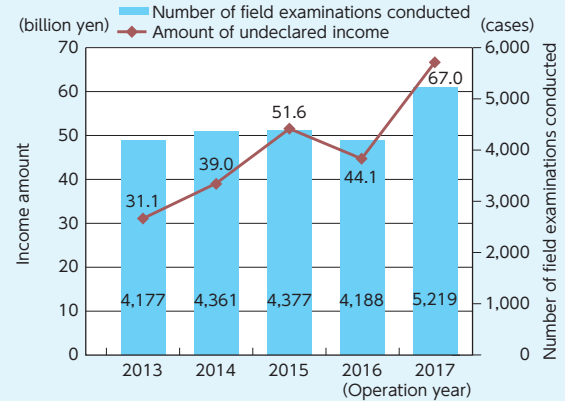
~ Actively conducting examinations the affluent class and corporations that conduct cross-border transactions ~

A peculiarity of corporations conducting cross-border transactions is that we cannot easily confirm transaction details as the business partner companies in these transactions are located overseas. We have detected corporations that use this peculiarity and illegally decrease the income amount by manipulating transaction amounts and corporations that avoid taxation through applying Controlled Foreign Company (CFC) Rules by misrepresenting investors at overseas subsidiaries.

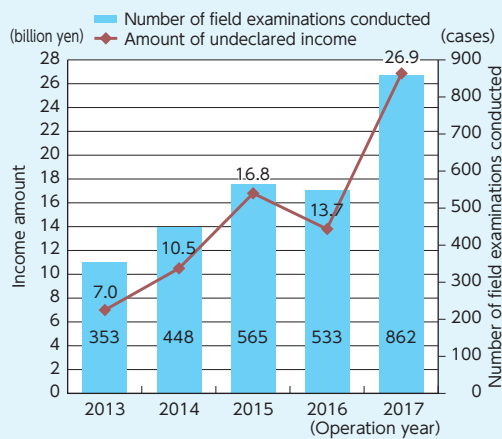
Moreover, there is an international tax avoidance scheme for reducing the tax burden for the overall corporate group by utilizing the difference among taxation systems in each country. We need to strictly address these issues that are peculiar to corporations conducting cross-border transactions.

For this reason, the NTA has set actions against affluent class and corporations conducting cross-border transactions as a priority issue and has been actively conducting examinations.

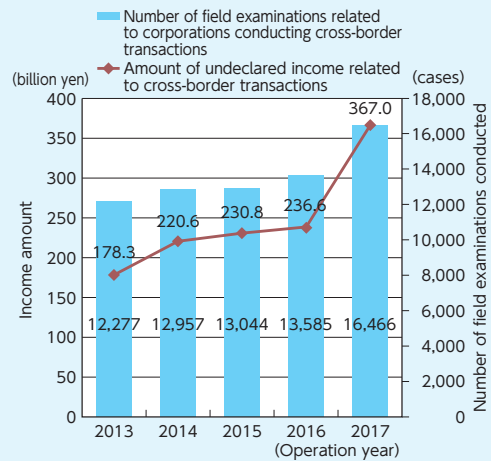
Actual examination of the affluent class



Actual examination of the affluent class related to cross-border transactions



Actual examination of corporation tax related to cross-border transactions



~ Providing an environment for proper and smooth operation of transfer pricing taxation ~

As company activities become increasingly global, more transactions are becoming subject to the transfer pricing taxation¹, and transactions are becoming more complex, with growing importance of transactions. To increase predictability for taxpayers, the NTA has announced its administration policy on the operations and its application criteria, by revising directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation. The Advance Pricing Arrangement (APA) for transfer pricing taxation ensure predictability and legal stability for taxpayers, and contribute to the proper and smooth operation of transfer pricing taxation. Based on these situations, the NTA has been providing an environment where taxpayers can smoothly use this APA.

¹ If Japanese corporations conduct transactions with foreign related parties, and that transaction price differs from the transaction price between third parties (this is called the "arm's length price"), resulting in lower taxable income for the Japanese corporations, then that transaction is deemed to have been done at the arm's length price, and its income is recalculated under this system.

4 Cooperation with foreign tax authorities

(1) Technical cooperation for developing countries

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

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



International Seminar on Taxation

Overview of technical cooperation

1 Dispatch of NTA officials to developing countries

Based on the requests of the foreign tax authorities, the NTA has dispatched its officials to give lectures in fields such as international taxation, tax collection and taxpayer services. In FY2018, the NTA dispatched its officials to Cambodia, Indonesia, Lao PDR, Myanmar and Vietnam, and gave lectures to those countries' tax officials.

Moreover, with a view to giving continuous advice on tax administration to developing countries, the NTA has also dispatched its officials as long-term experts of JICA. In FY2018, they stayed in Cambodia, Indonesia, Lao PDR, Myanmar and Vietnam.

2 Training conducted in Japan

(1) International Seminar on Taxation (ISTAX)

ISTAX is a seminar for tax officials in developing countries, and gives lectures on Japan's tax system and tax administration. It has 2 courses: "General" for mid-career officials, and "Advanced" for upper management-level officials. In FY2018, 23 tax officials from 17 countries participated in both courses in total.

(2) Country-Focused Training Courses in Tax Administration

The courses target tax officials from specified developing countries, and give lectures based on their requests. In FY2018, 86 tax officials from Cambodia, China, Lao PDR, Mongolia, Myanmar and Vietnam participated in the courses.

(3) International Taxation for Asian Countries

This course targets tax officials from Asian developing countries and gives lectures on "international taxation". In FY2018, 7 tax officials from 5 countries (Cambodia, Lao PDR, Mongolia, Sri Lanka and Vietnam) participated in the course.

(4) Practicum at the NTA

This course targets tax officials from developing countries who are studying at Japanese graduate schools (master's courses) on a scholarship from the World Bank etc., and gives lectures on Japan's tax system and tax administration. In FY2018, 17 students studying at graduate schools of Keio University, Yokohama National University, National Graduate Institute of Policy Studies, and Hitotsubashi University participated in total.

■ Status of training conducted in Japan

(number of countries, people)

		FY2014	FY2015	FY2016	FY2017	FY2018
International Seminar on Taxation (ISTAX) (General)	Countries	17	16	15	15	14
	People	17	16	15	15	14
International Seminar on Taxation (ISTAX) (Advanced)	Countries	13	9	8	9	9
	People	13	9	10	9	9
Country-Focused Training Courses in Tax Administration	Countries	6	3	4	4	6
	People	111	56	96	79	86
International Taxation for Asian Countries	Countries	6	6	7	6	5
	People	12	8	11	12	7
Practicum at the NTA	Countries	13	14	9	11	11
	People	17	18	15	15	17

Column 9 Commencement of OECD Asia-Pacific Academy for Tax and Financial Crime Investigation

In recent years, international tax and financial crimes are becoming an issue in every country, and the necessity for nations to counteract against these crimes based on the cooperation of the countries is increasing. In response, it was agreed that, with the OECD taking a leading role, the “OECD Academy for Tax and Financial Crime Investigation” (hereinafter, referred to as the “Academy”) for tax crime investigators etc. shall be held in each region. The Academy was launched in Europe (Italy) in 2013, Africa (Kenya) in 2017, and South America (Argentina) in 2018, and the programs on investigative methods on tax crimes, bribery and money laundering and international cooperation among countries started.

In consideration of this situation, the NTA, in collaboration with the OECD, commenced the Academy mainly for countries in Asia-Pacific region in May 2019. The NTA will continue to hold the Academy periodically in cooperation with the OECD, and contribute to enhancing investigative techniques and to promoting the development of an international collaborative relationship.



OECD Asia-Pacific Academy for Tax and Financial Crime Investigation

(2) Participation in international conferences

~ Cooperation among countries for resolution of problems on international taxation ~

In order to cooperate and share experiences with foreign tax authorities, the NTA actively participates in international conferences including the OECD Forum on Tax Administration and the Study Group on Asian Tax Administration and Research.

① OECD Forum on Tax Administration (FTA)

The FTA is a forum for Commissioners from 36 OECD and 17 non-OECD jurisdictions to share each authority’s knowledge and experience on a wide range of fields in tax administrations. In March 2019, the 12th Plenary Meeting was held in Santiago, Chile with discussions about measures to improve tax compliance, etc.

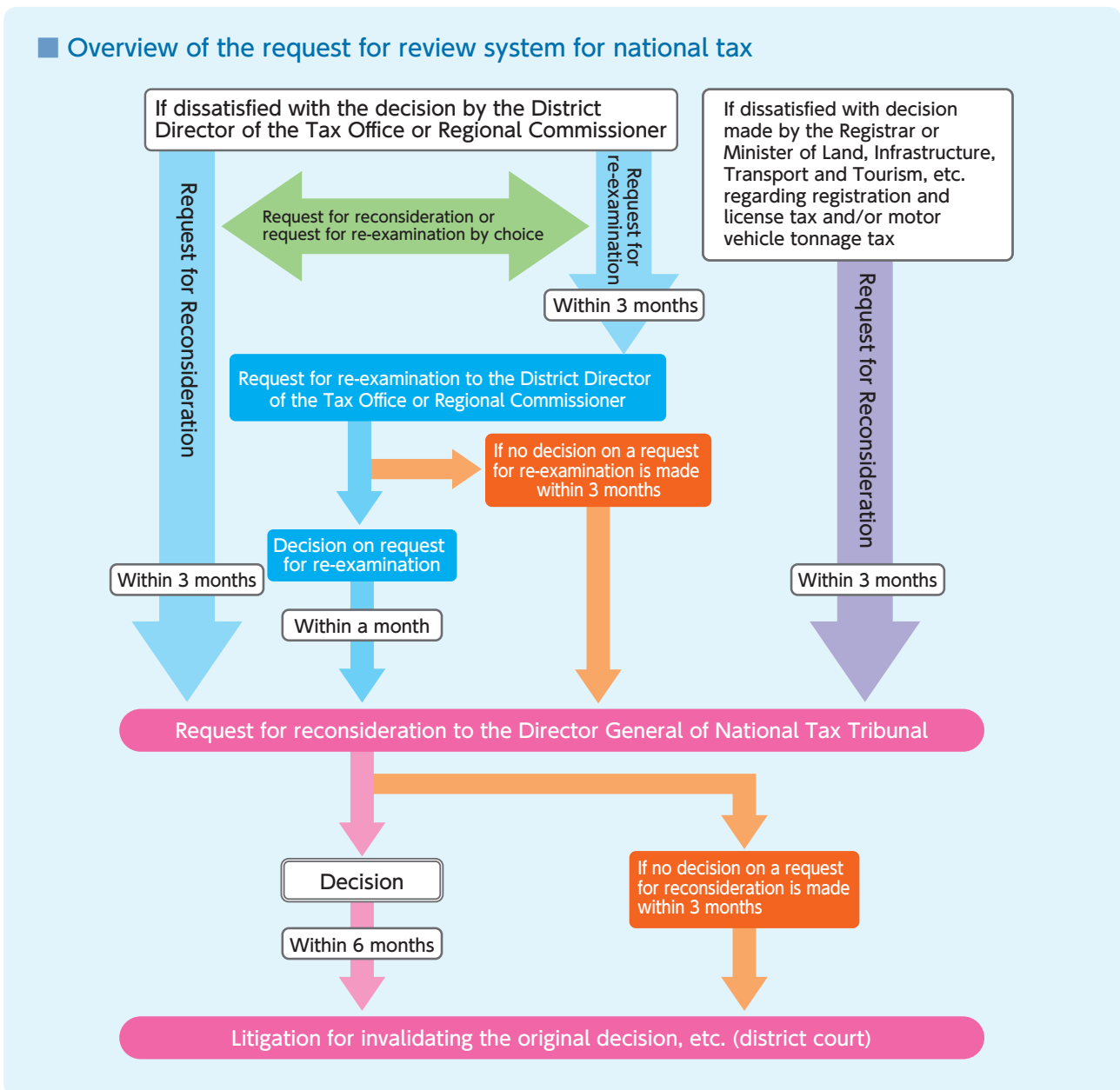
② Study Group on Asian Tax Administration and Research (SGATAR)

SGATAR is comprised of tax authorities of 17 countries and regions in Asia-Pacific. This is a forum for discussions on cooperation and sharing of knowledge in the region. In November 2018, the 48th meeting was held in Hangzhou, China with discussions about improvement of tax payment environment and measure of enhancing tax officials’ ability.

~ the request for review system for national tax ~

When a taxpayer is dissatisfied with the action taken by the District Director of the Tax Office for taxation and delinquent tax, the said taxpayer may file a request for a review, for example to cancel that disposition. This system of request for review is a procedure to simply and quickly protect taxpayer rights and interests. In principle, a taxpayer who objects to a disposition shall first file a request for review before bringing a lawsuit in court (“The principle of petition after administrative protest”).

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



IV Remedy for Taxpayer Rights

(1) Request for re-examination

~ Simplified, prompt and fair remedies for taxpayer rights ~

A request for re-examination is the system for a request for review made by taxpayers who are dissatisfied with the decision made by the District Director of the Tax Office, etc., such as a correction, determination, or seizure, in pursuit of cancellations or changes in disposition. A request for review is selectively filed against the District Director of the Tax Office, etc., who executed said disposition, before the taxpayer files a request for reconsideration to the Director-General of the National Tax Tribunal.

This system is intended for review by the District Director of the Tax Office of its own disposition. And it aims to pursue the remedy of the rights and interests of citizens and to ensure the appropriate operation of public administration with simplified, prompt and fair procedures. Thus, when a request for re-examination is filed, we endeavor to listen intently to taxpayers' claims, conduct fair examinations and consideration, and process requests appropriately and expeditiously.

(2) Request for reconsideration

~ Remedy for taxpayer rights by a fair third-party institution ~

A request for reconsideration is the system for a request for review, to the Director-General of the National Tax Tribunal, made by taxpayers who are dissatisfied with the decision made by the District Director of the Tax Office, etc., such as a correction, determination, or seizure, in pursuit of cancellations or changes in disposition. A request for reconsideration can be directly filed without undergoing a request for re-examination. A request for consideration can also be filed when a taxpayer files a request for re-examination but is still dissatisfied with the disposition determined for the request for re-examination.

The National Tax Tribunal is an organization whose mission is to pursue remedy of the legitimate rights and interests of taxpayers and to contribute to ensuring the proper operation of tax administration. It makes decisions on requests for reconsideration from the position of a fair third party. Important posts such as the Director-General of the National Tax Tribunal, as well as the Directors of the Tokyo and Osaka Regional Tax Tribunals, are appointed from among those people who have held the position of judge or public prosecutor. For the position of appeal judges of the National Tax Tribunal, specialists in the private sector such as Certified Public Tax Accountants and lawyers are employed as officials with fixed terms.

In handling a request for reconsideration, the National Tax Tribunal organizes and clarifies the points under dispute. It then fully examines the contents of the documentary evidence, etc., presented by the person requesting reconsideration and the District Director of the Tax Office, conducts its own tax examination and strives to properly and quickly handle the request for reconsideration.

The Director-General of the National Tax Tribunal may make a decision without being bound to the legal interpretation indicated in the NTA Commissioner's notice, and the decisions will not be more disadvantageous to taxpayers than those made by the District Director of the Tax Office. The decision is a final ruling given within the NTA, against which the District Director of the Tax Office etc. are not entitled to file litigation, even if dissatisfied.

* When a taxpayer is dissatisfied with the action taken by the NTA Commissioner, the taxpayer may file a request for reconsideration against the NTA Commissioner.

(3) Litigation

~ Remedy by law ~

Even after the decision by the Director-General of the National Tax Tribunal, taxpayers who remain dissatisfied are entitled to file litigation with the judiciary seeking a legal remedy.

Response to complaints from taxpayers

The NTA receives from taxpayers such reactions as complaints, requests, criticism, or consultation on problems they have, not only with regard to requests for review of decisions by the NTA, but also about tax administration in general including the attitude of officials, the methods of tax examinations, etc. The NTA believes it essential to respond sincerely to a variety of opinions from taxpayers in order to obtain their understanding and confidence and to make use of tax administration. We also endeavor to give a prompt and accurate response from the perspective of taxpayers. In July 2001, the NTA appointed Taxpayer Support Officers to properly respond to taxpayer complaints on decisions made in relation to taxpayers' rights and interests, for example by explaining the procedures to remedy taxpayer rights.

(4) Trend in remedies for taxpayer rights

~ The NTA is working to finish processing requests for re-examination within 3 months and requests for reconsideration within 1 year in principle ~

① Request for re-examination

- **Target** The NTA has set the standard length of deliberations for a request for re-examination to 3 months and is striving to finish processing requests for re-examination within 3 months in principle.
- **Result** In FY2018, 99.5% of requests for re-examination were closed within 3 months. 2,150 re-examination were requested in the fiscal year (2,046 in taxation and 104 in tax collection). Of these, 12.3% of taxpayer claims were approved in whole or in part due to new facts, etc.

② Request for reconsideration

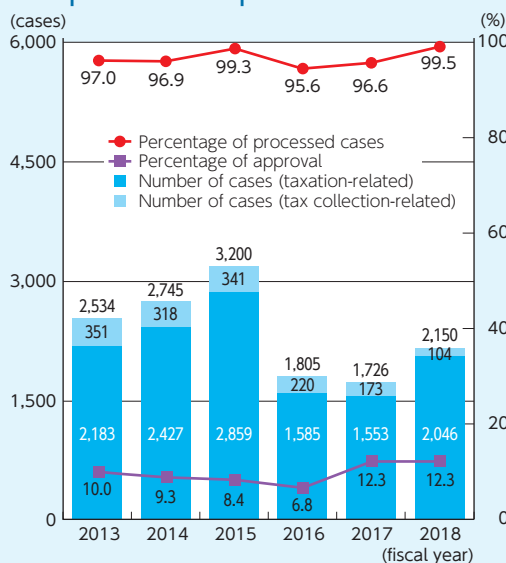
- **Target** The NTA and the National Tax Tribunal have set the standard length of deliberations for a request for reconsideration to 1 year and are striving to finish processing requests for reconsideration within 1 year in principle.
- **Result** In FY2018, 99.5% of requests for reconsideration were closed within 1 year. There were 2,923 requests for reconsideration in the fiscal year (2,787 in taxation and 136 in tax collection). Of these, 7.4% of taxpayer claims were approved in whole or in part by recognizing new fact.

③ Litigation

For litigation, 177 cases were closed in FY2018 (140 in taxation, 36 in tax collection and 1 in the National Tax Tribunal). Of these, 3.4% of taxpayer claims were approved in whole or in part.

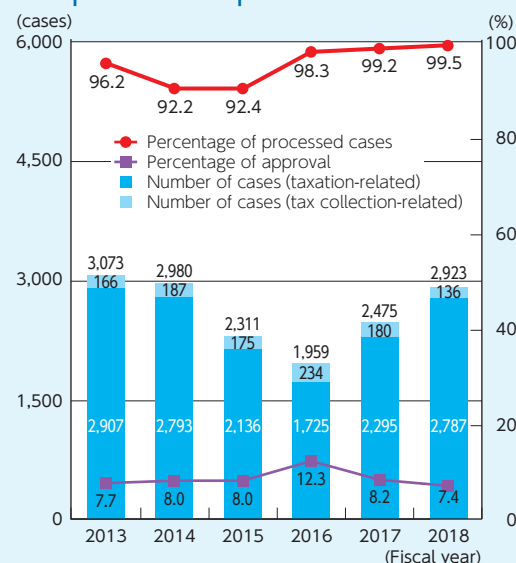
* The NTA and the National Tax Tribunal provide information such as the leaflet of revision of the request for review system for national tax, overviews of the requests for re-examination, the requests for reconsideration and litigation and cases of decisions on requests for reconsideration, to deepen understanding about remedy for taxpayer rights. These are on the NTA website and on the National Tax Tribunal website (<http://www.kfs.go.jp> (in Japanese)).

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



- *1 These figures are provisional numbers as of the end of April 2019. Percentage of processed cases is calculated excluding MAP cases, public prosecution-related cases and international taxation cases.
- *2 Figures for FY2015 and earlier indicate the number and percentage of processed requests for reinvestigation before the revision.

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



- *1 These figures are provisional numbers as of the end of April 2019.
- *2 Percentage of processed requests in FY2017 and ensuing years are calculated by excluding the retention period of cases in which reasons to suspend the inquiry occurred, such as MAP cases and public prosecution-related cases.

Column 10 The National Tax Tribunal welcomes its 50th anniversary

On May 1, 1970, the National Tax Tribunal (hereinafter, referred to as the “Tribunal”) was established as an affiliate organization (currently a special organization) to the NTA to achieve decisions on requests for reconsideration concerning dispositions based on laws on national tax, and it will welcome its 50th anniversary on May 1, 2020.

The following initiatives have been mainly undertaken by the Tribunal, so far, with respect to changes in the surrounding social situation and the environment.

1 Publication of cases and summary of decisions on its website

The decision of the Tribunal is not available to the public in general, but with sufficient consideration to protection of the confidentiality of the person requesting reconsideration, the entire content of the decision is published and made available to the public on the Tribunal’s website for those cases which recognition of fact may serve as a reference in the processing of other cases, or that in which the taxpayer’s claims were recognized and has no prior similar precedents. In addition, even for those cases which decisions are not made public, their summaries are published on the website to accommodate request for disclosure based on Act on Access to Information Held by Administrative Organs.

2 External hiring of appeal judges

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

3 Ensuring transparency of judgments

In order to enhance transparency of judgments and to deliver judgments that may gain the people’s support, beneficial information, such as procedures necessary in requesting reconsideration and the status and schedule of inquiries is provided in a simple and appropriate manner through measures, such as issuing leaflets concerning the necessary procedures in requesting reconsideration, and providing “Status and Schedule of Inquiry” and “Checklist of Dispute” to any individual requesting a reconsideration.

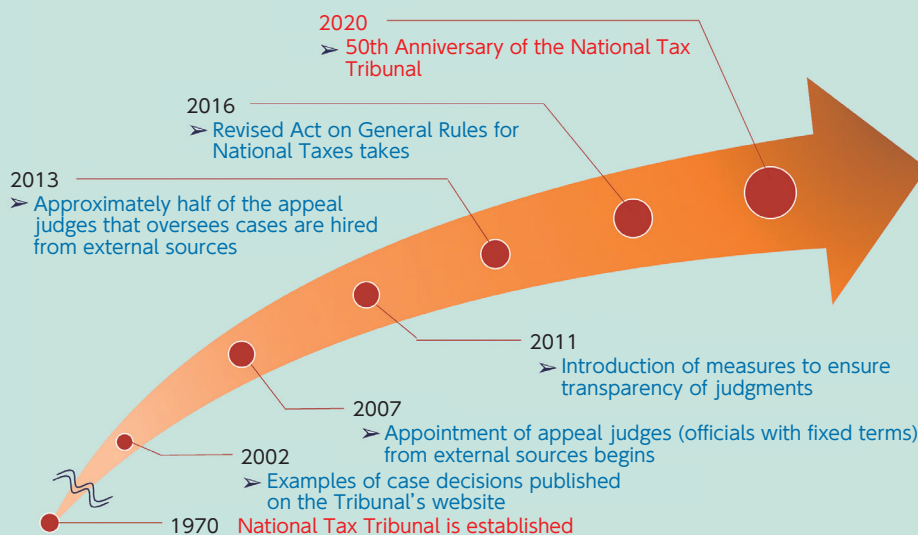
4 Establishing a new system of request for review

Concerning the system of request for review, the revision of June 2014 proposed the revision of the principle of petition after a request for review, the extension of the period for a request for review, setting the standard length of deliberations, the expansion of the rights of the applicant of a request for reconsideration in the procedure for a request for reconsideration, and it was brought into effect in April 2016. The Tribunal is striving for further establishment and continuous exercise of the new system through considerate and respectful activities to enhance public awareness.

The Tribunal will continue with its effort and actions to further improve the convenience to taxpayers and to realize proper and swift achievement of decisions, with the aim to gain further trust and approval of the citizens.

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

[Main Initiatives of the National Tax Tribunal]



~ Taking various measures for the development of liquor business successfully ~

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

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

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

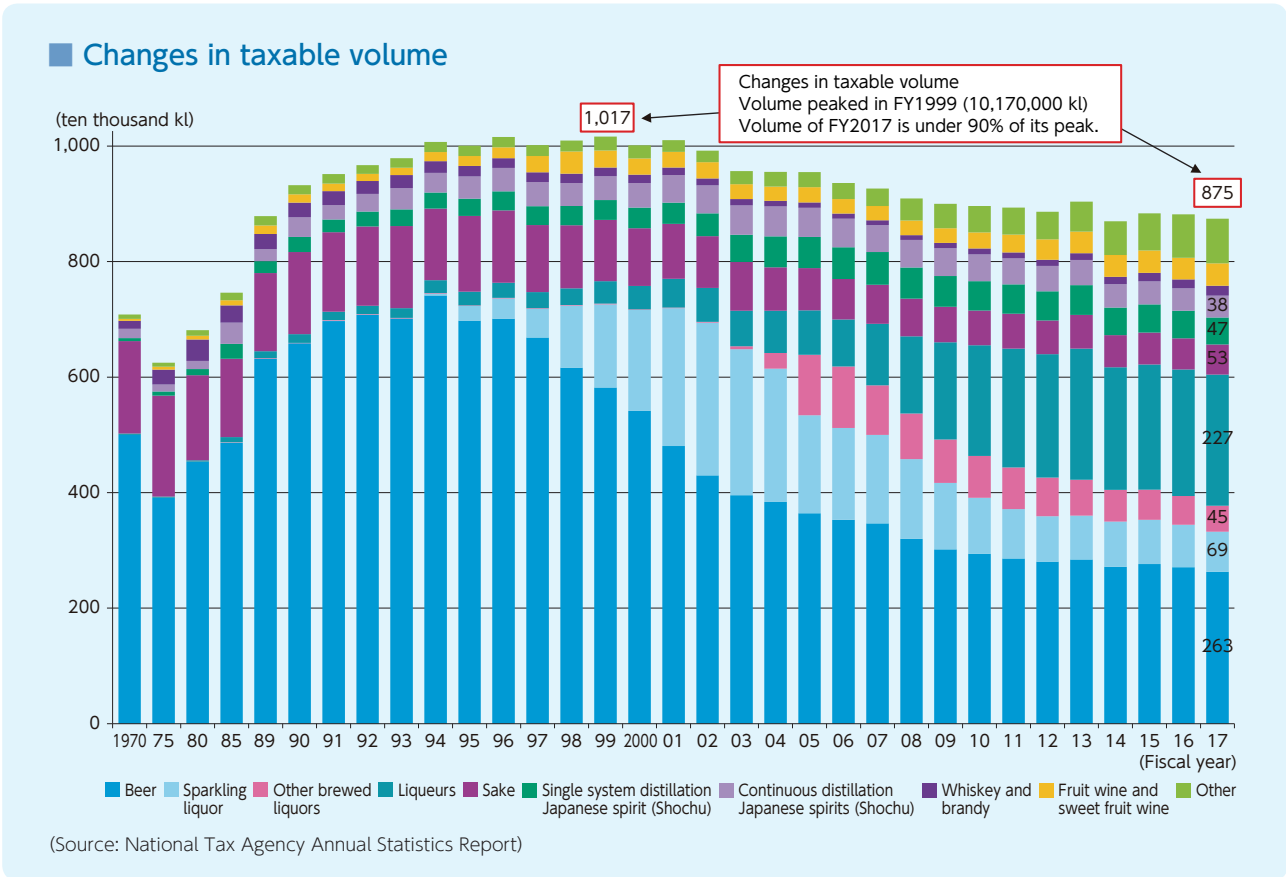
On the other hand, liquor is a product that needs social considerations since it makes people drunk or addicted to it. Therefore, the NTA also responds to efforts to accommodate social requirements appropriately.

1 Situation of Liquor Industry

(1) Situation of domestic market

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

The taxable volume of sake decreased to approximately a third of its peak of FY1973 in FY2017. However, the taxable volume of junmai-shu (sake in which the only ingredients are rice and malted rice) and junmai ginjo-shu (high quality sake brewed from rice grains milled to 60 percent of its weight or less)



About the NTA

Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Liquor Administration

Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

Evaluation of Policies

Statistics

and the ratio of these kinds of sake to the total of sake have increased.

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

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

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

Against that backdrop, the export value of liquor made in Japan reached about 61.8 billion yen (113.4% of the previous year) in 2018, renewing its record high for seven consecutive years.



2 Efforts of the NTA

~ Promotion of liquor business ~

In promoting liquor business, the NTA endeavors to provide support and improve the environment in a way that allows business operators, industrial associations and others to come up with ingenious ideas and make ambitious efforts under the appropriate division of roles between the private and public sectors. In addition, the NTA, as administration, properly becomes involved in issues that the private sector cannot handle, such as improvement of the system and negotiations with foreign governments.

Furthermore, the NTA assists liquor manufacturing in strengthening its technical capabilities in addition to paying attention to stabilizing the business foundation of small and medium enterprises.

(1) Cultivation of overseas demand

① Global distribution of information

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



② Support in business matching (to help sellers to find buyers)

The NTA supports liquor business operators, etc. in participating in overseas liquor expositions and in inviting overseas buyers to Japan among others, so that business operators, etc. can be offered the opportunity to find overseas importers and distributors.



③ Promotion of sake brewery tourism

The “liquor tax exemption system for the sake brewery tourism” came into effect in October 2017, under which when liquor manufacturers sell foreign tourists, etc. to Japan the liquor that they make themselves, the consumption tax and the liquor tax are exempted. With 149 breweries having the license for tax-exemption sales as of April 2019, the NTA will continue to promote the utilization of the system.

④ Increasing publicity of government-wide efforts (JETRO, JFOODO, etc.) and promotion of their utilization

The NTA provides business operators and industrial associations with information on government-wide efforts, such as a set of support measures by JETRO, the New Export Nation Consortium, the Global Farmers / Fishermen / Foresters / Food Manufacturers Project (GFP), and the Japan Food Product Overseas Promotion Center (JFOODO), and promotes the utilization of the above efforts.

⑤ International negotiations for elimination of customs duties and import restrictions, etc.

The government is seeking elimination of customs duties and import restrictions, protection of Geographical Indications (GI), etc. in international negotiations on EPA and others¹.

Regarding the export of liquor made in Japan to the EU region, the EPA² between Japan and the EU, which entered into force on February 2019, realized ① immediate elimination of customs duties on all kinds of liquor, ② relaxation of import restrictions on “Japan Wine,” ③ relaxation of restrictions on the container and capacity constraint on single system distillation Japanese spirit (shochu) and ④ protection of Geographical Indications (GI) for liquor inside the EU.

■ Overview of EPA between Japan and the EU

Sake and Shochu

Tariffs

The EU eliminated customs duties on sake immediately. (No tariff on shochu before this treaty)
Japan will eliminate customs duties on sake and shochu in the 11th year. (11 equal annual installments)

Geographical Indication (GI)

Mutual protection is ensured.
*Japanese Geographical Indications (GI) was not protected in the EU previously.

Non-tariff measure

Relaxation of restrictions on the container and capacity constraint on single system distillation Japanese spirit (shochu) has made it possible to export the product in 720 ml (*yongo-bin*) bottles and 1.8 liter (*issho-bin*) bottles.
*No containers other than specified ones, such as 700 ml bottles, could be exported before the treaty.

Wine

Tariffs

Both the EU and Japan will eliminate customs duties immediately.

Geographical Indication (GI)

Mutual protection was ensured.
*Japanese Geographical Indications (GI) was not protected in the EU previously.

Non-tariff measure

Import restrictions on Japan Wine were relaxed.
*Any Japan Wine can be exported, free from restrictions on chaptalization volumes and grape varieties, specified in the EU’s regulation regarding to winemaking.
*It was required to attach a certificate, issued by the competent authority, which certifies that the wine complies with the EU regulation. However, wine may be exported with self-certification, that declares that the wine is “Japan Wine.”

1 After the accident at Fukushima No. 1 Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions. The NTA has been urging these countries to lift or to relax the restrictions in cooperation with the Ministry of Foreign Affairs and the National Research Institute of Brewing. As the result, restrictions on Japanese liquors have been lifted or relaxed in the EU, Brazil, Malaysia, Russia, Thailand, Egypt, French Polynesia, Dubai and Abu Dhabi.
2 This is the Economic Partnership Agreement (EPA)—concluded between Japan and the EU with the aim of strengthening the economic relationship in international trade, investment and others—and is a comprehensive treaty that comprises of 23 chapters, including not only the international trade of goods but also services and intellectual proprietary rights.

(2) Promotion of establishment of brands

① Expansion of the use of Geographical Indications (GI)

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

② Wine labeling rules

The NTA formulated the wine labelling rule that sets the definition, etc. of Japan Wine (Standard for Wine Production Process and Quality Indication). The rule came into effect in October 2018.

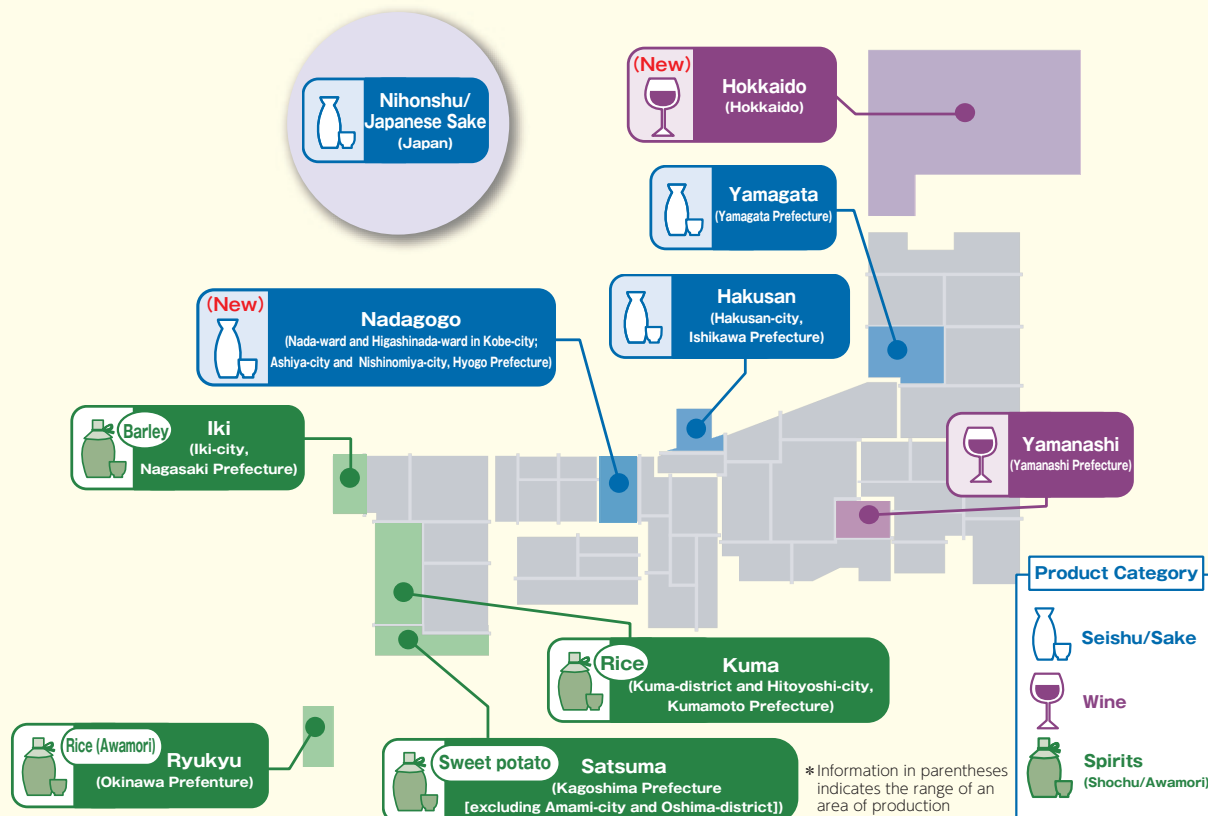
The labeling rule divides wines distributed in Japan, into wines made in Japan and imported wines, and among wines made in Japan, ones made exclusively from domestic grapes are labeled “Japan Wine.”

Column 11 Promotion of the use of the Geographical Indication system

The use of Geographical Indications may be effective in improving the brand value of Japanese liquor and promoting exports. Therefore, the NTA has been promoting the use of the system through publicity and raising awareness by means of creating pamphlets and holding explanatory meetings.

The total number of the Geographical Indications for Japanese liquor has become ten at present as shown in the below “Designated Geographical Indications for liquor.” We will make Japanese Geographical Indications well-known such as “Nihonshu / Japanese sake,” a Geographical Indication at a country level, and other Geographical Indications in Japan, for example, by sending messages overseas with the government and the private sector acting together. We will also urge the protection of these Geographical Indications through international negotiations.

Designated Geographical Indications for liquor



Column 12 Labeling Rules for Wines

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

In such backdrop, an official labeling rule for wines, “Wine Labeling Rule” (“Standard for Wine Production Process and Quality Indication”) was established, with the objective to make the contents of label easily understandable so that consumers could make proper selections.

- Only fruit wine made exclusively from domestic grapes and manufactured within Japan shall label as “Japan Wine”.
- Moreover, only “Japan Wine” may display: ① geographic location, ② grape variety, and ③ vintage
(Note) There are requirements for each label. For instance, if a geographic location is displayed as the name of a wine production area, the area that harvested the grape (their grape should account for 85% or more of the content) and the brewery must be situated in the scope that the geographic location indicates.
- Wines made from overseas ingredients are required to have indications, such as “Concentrated juice contained” and “Imported wine contained” on their front labels. Neither geographic location nor grape variety nor vintage can be indicated.

(3) Technological assistance

① Promotion of the spread of brewing technology, etc.

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

② Support in the quality and safety of liquor

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

③ Efforts by National Research Institute of Brewing (NRIB)

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

National Research Institute of Brewing

National Research Institute of Brewing (NRIB) is, for the mission of NTA, namely, proper and fair taxation of liquor tax and the sound development of the liquor business, performing advanced analyses and appraisals of liquor and conducting studies and researches that may theoretically support its analyses and appraisals. The NRIB is also providing human resources development courses that combine advanced skills and practical management, and, for maintaining and strengthening the manufactures’ technical level, holding Annual Japan Sake Awards. In addition, the NRIB has recently been addressing measures on the basis of government’s important policies including the promotion of Cool Japan Strategy, and enhancing cooperation with related Japanese and foreign organizations as a national center for liquor.

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



Analysis on liquor for export

(4) Measures for small and medium enterprises

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

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

(5) Promotion of Okinawa

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

(6) Establishment of a fair trading environment of liquor

As it is important to establish a fair trading environment to realize the sound development of liquor business, the NTA propagates the “Guideline for the Fair Trade of Liquor,” formulated and publicized in August 2006, and the “Standards for the Fair Trade of Liquor,” formulated and publicized in March 2017, (hereinafter referred to as “the Standards”) to liquor business operators and enlightens them, thus making efforts that promote the proactive actions by liquor business operators to ensure fair trade.

In addition, to check the situation of compliance with the Standards, etc., the NTA conducts examinations on the actual status of liquor trade, etc. If examinations detect a transaction that does not comply with the Standards, etc., the NTA takes actions including giving instructions.

Furthermore, regarding the examinations, the NTA publicizes examples of instructions and instances that were regarded as feared to violate the Standards and received guidance to improve their situation along with the outline of the examination outcome.

(7) Response to social demands

① Measures against Health Problems Caused by Alcohol

Social demand for prevention of alcohol consumption those under the age of 20 and for moderate drinking has become strong. In June 2014, “The Basic Act on Measures against Health Problems Caused by Alcohol” was entry into force.

Based on the law, the government established the “Basic Plan on Promotion of Measures against Health Problems Caused by Alcohol” through a cabinet decision in May 2016, which includes “prevention of inducement to improperly drink of liquors,” and is engaged in advancing measures declared in the plan, with relevant government offices and associations acting as one.

The NTA is making announcements and communicating with liquor retailers about observation of display requirement in the alcohol sales sections, and on prohibition of liquor sales to those under the age of 20.

In addition, for the purpose of assuring proper sales management of liquor, it became mandatory in June 2017 for liquor sales managers, who shall be designated for each sales area, to participate in a liquor sale management training.

The NTA will continue to promote actions to respond to the demands of the society, such as by increasing the opportunity for training and enhancing the training content concerning prevention of inducement to improperly drink liquors.

② Promotion of resource recycling

From the perspective of building a recycling-based society through activities, such as recycling liquor containers and reducing food waste, as a member of the food industry, the NTA carries out PR and enlightenment activities through associations, etc. in the liquor industry to ensure that efforts, including the one to recycle liquor containers, are further promoted.

~ Basic Direction of Liquor Administration ~

1. Mission of the NTA

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

2. Outline of the liquor industry

- The domestic liquor market has saturated in terms of volume and is contracting, as a whole.
- If pricing competition becomes excessive, that will weaken the power of business operators.
- In recent years, along with low-alcohol drinks, *junmai-shu*, whisky, wine, craft beers, etc. are expanding.
- With the recognition of liquor made in Japan growing overseas, exports are increasing. The global food market is expected to continue growing in the future.
- Many business operators are growing through measures including differentiation and overseas expansion.
- Companies in different industries, start-ups and also foreign companies are entering the market.

3. Main issues in the liquor industry

- | | | | |
|---|---|---|---|
| <p>(1) Product differentiation and a shift to high value-added products.</p> <ul style="list-style-type: none"> • Appeal to consumers about an easy-to-understand value • Establishment of brands for products (individual companies, regions and Japan) • Collaboration between agriculture, commerce and industry, and cooperation among different industries • Expansion and appeal of a new value axis that comes from thinking outside the box | <p>(2) Cultivation of overseas demand (including inbound)</p> <ul style="list-style-type: none"> • Enhancement of international recognition and understanding • Expansion into non-Japanese food markets. • Exploration of local importers, distributors, etc. • Displays and propositions that are easy to understand to overseas business operators and consumers. • For the wealthy | <p>(3) Utilization of technologies and securing human resources etc.</p> <ul style="list-style-type: none"> • Succession and development of traditional techniques • Utilization of digital tools • Business succession • Further involvement and contribution of women • Securing raw materials | <p>(4) Ensuring fair trade</p> <ul style="list-style-type: none"> • Ensuring fair trade through compliance with “Standards for the Fair Trade of Liquor” and “Guideline for the Fair Trade of Liquor.” • Securing proper sales management |
|---|---|---|---|

4. Basic direction of liquor administration

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

(1) Proper enforcement of laws	(2) Promotion of liquor business		
<ul style="list-style-type: none"> ● License ● Oversight of liquor business associations ● Ensuring fair trade <ul style="list-style-type: none"> • Implementation of in-depth surveys of the actual state of trade, etc. • Strong treatment of problematic business operators ● Ensuring proper displays ● Ensuring quality and safety ● Promotion of resource recycling ● Measures for preventing those under the age of 20 from drinking alcohol ● Measures against health problems caused by alcohol 	Main concrete efforts		
	Cultivation in orders overseas	Measures for small and medium enterprises	Technological support
	<ul style="list-style-type: none"> ● Global distribution of information ● Support in business matching ● Promotion of sake brewery tourism ● Publicity of government-wide efforts (JETRO, JFOODO, etc.) and promotion of their utilization ● International negotiations for removal of tariffs and import restrictions, etc. 	<ul style="list-style-type: none"> ● Support for efforts by industrial associations (modernization project, etc.) ● Propagation of government-wide measures for small and medium enterprises and promotion of their utilization ● Assistance in improving business management and others 	<ul style="list-style-type: none"> ● Promotion of spread of advanced technologies, etc. <ul style="list-style-type: none"> • Guidance for business operators and provision of consultation • Holding of competitions, research workshops, etc. ● Confirmation of safety concerning radioactive substances ● Support in responding to the mandatory adoption of HACCP ● Efforts by National Research Institute of Brewing <ul style="list-style-type: none"> • Research and development of advanced technologies, etc. • Development of brewing engineers • Dispatching lecturers and judges
	Promotion of establishment of brands	Promotion of Okinawa	
	<ul style="list-style-type: none"> ● Expansion of the use of Geographical Indications ● Making wine labeling rules take root 	<ul style="list-style-type: none"> ● Promotion of liquor made in Okinawa in response to “Ryukyu Awamori Overseas Export Project” 	

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

~ Missions of Certified Public Tax Accountants (CPTAs) ~

Certified Public Tax Accountants (CPTAs) and CPTAs Corporations (hereinafter referred to as “CPTAs etc.”) are professional specialists on taxes. Their public mission is to respond to the trust of a person with a tax obligation in line with the principles of the self-assessment system, and achieve proper tax compliance as provided for in the tax laws and regulations, based on their independent and fair standpoint.

As of the end of March 2019, 78,028 persons are registered as CPTAs, and 3,963 CPTAs corporations are established.

1 Services and roles of CPTAs

~ Support taxpayers and boost self-assessment system ~

CPTA services are ①tax proxy, ②preparation of tax documents and ③tax consultation service. These operations must not be performed by persons other than CPTAs etc.¹, even at no charge. At the same time, CPTAs etc. are required to fulfill various obligations and responsibilities. For example, they are prohibited from providing tax evasion consultation and engaging in conduct which harms the credibility or dignity of CPTAs etc.

Taxpayers are able to use CPTAs etc. services to properly file returns and pay taxes. In addition, because corporations and sole proprietors often ask CPTAs etc. to process accounting books or seek advice on accounting, they also play important roles in promoting correct bookkeeping that constitutes the basis for filing tax returns.

2 Coordination and cooperation with Certified Public Tax Accountants' Associations etc.

~ Conduct consultations and exchange opinions about a wide range of issues ~

To achieve the proper and smooth administration of the self-assessment system, CPTAs etc. undertaking the public mission play extremely important roles. Therefore, we are endeavoring to coordinate and cooperate with the Certified Public Tax Accountants' Associations and Japan Federation of Certified Public Tax Accountants' Associations (hereinafter referred to as “CPTAs' Associations etc.”), for example, by conducting consultations and exchanging opinions with CPTAs' Associations etc. about a wide range of issues.

Specific activities are (1) and (2) below.

(1) Promotion of the document attached by CPTAs etc.

~ Further promoting and establishing the attached document regarding the calculation and consultation ~

The documents attached by CPTAs etc. to tax returns as provided for in the Certified Public Tax Accountant Act contributes to achieving proper tax compliance by clarifying the specific roles played by CPTAs etc. in preparing tax returns. Also, this system was established, purporting the smooth operation of tax administration with NTA's respect for such roles played by CPTAs etc.

Specifically, this system allows CPTAs etc. to attach to tax returns the documents regarding the calculation, information arrangement, or consultation service that they provided for the preparation of tax returns. If the Tax Office intends to provide notification of the date, time and place it will conduct a tax examination to a taxpayer who filed a tax return along with such documents, then the CPTAs etc. possessing the certificate evidencing the authority of tax proxy must be given the opportunity to state an opinion on the items written in the attached documents, before the taxpayer is notified.

Because this system contributes to the correct preparation and filing of tax returns, facilitation and simplification of tax administration, and eventually establishment of a trusted CPTA system, the NTA is actively consulting with CPTAs' Associations etc. with an aim to enhance the content of attachments and raise the percentage of returns with attachments. The NTA is also respecting this system and is thereby further promoting and establishing it.

¹ In compliance with Article 51 of the Certified Public Tax Accountant Act, CPTA services can also be performed by lawyers and legal professional corporations that have notified their practice of CPTA services to the Regional Commissioner with jurisdiction over the district where CPTA services are to be provided, as well as CPTAs and CPTAs Corporations.

(2) Promotion of e-Tax usage

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

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

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

3 Appropriate guidance and supervision of CPTAs etc.

~ Prevent violation of the Certified Public Tax Accountant Act and take strict action against those who violated ~

In order to ensure proper operation in the CPTA system, the NTA utilizes every opportunity to alert people and prevent violation of the Certified Public Tax Accountant Act by CPTAs etc. Also, the NTA conducts appropriate examinations of CPTAs etc., and take strict action against CPTAs etc. who violate the Certified Public Tax Accountant Act and so called "fake CPTAs" who conducts CPTA services without licenses, by applying disciplinary actions and filing accusations seeking prosecution.

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

■ Number of disciplinary actions against CPTAs etc.

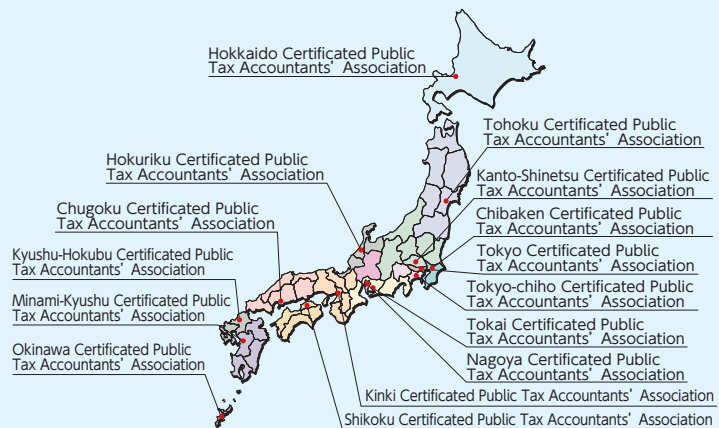
fiscal year	2014	2015	2016	2017	2018
cases	59	41	39	38	51

(case)

CPTAs' Associations and Japan Federation of CPTAs' Associations

In order to improve the work of CPTAs, CPTAs' Associations are designated in the Certified Public Tax Accountant Act as organizations which provide guidance, liaison and supervision to CPTAs etc.. There are now 15 CPTAs' Associations throughout Japan. CPTAs' Associations engage in a wide range of activities, including ① Training to enhance the qualities of CPTAs, ② Dispatch of lecturers for tax workshops in elementary, junior and senior high schools, universities, etc. to fulfill the tax education and ③ Free tax consultation for small taxpayers.

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



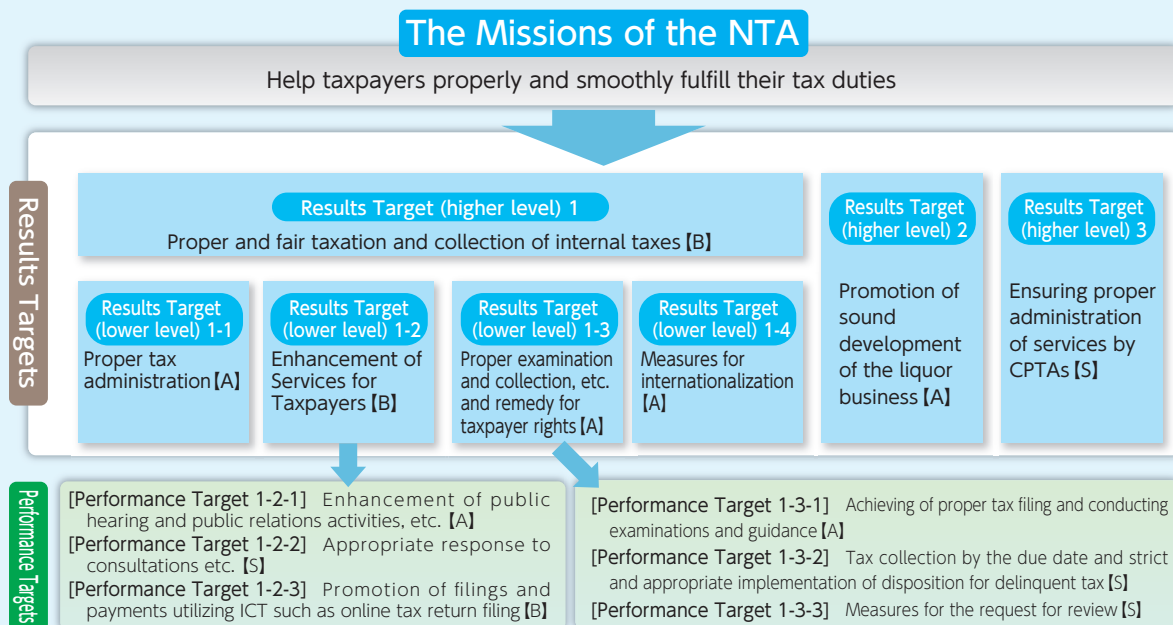
~ The purpose of policy evaluation is to fulfill accountability, realize results-based administration and revitalize the organization ~

The purpose of the “Results Evaluation for the Targets to Be Achieved by the NTA” (policy evaluation) is to ① clarify the NTA’s missions and objectives to be achieved and fulfill accountability to citizens and taxpayers, ② continue promoting more efficient, high-quality and results-based administration that meets the needs of the times and ③ improve operations, enhance the motivation of staff, and revitalize the organization. The Minister of Finance provides and releases the “Results Evaluation Implementation Plan” and the “Results Evaluation Report” every year.

~ The NTA’s missions and assignment and the structure of results evaluation targets and results of evaluation ~

In order to accomplish the NTA’s missions “Help taxpayers properly and smoothly fulfill their tax duties”, the NTA’s three duties provided in Article 19 of the Act for Establishment of the Ministry of Finance were set as the targets to be achieved (Results Target (higher level) 1 through 3). The Results Target (higher level) 1 has 4 sub-results targets (lower level) and 6 performance targets (hereinafter referred to as “results targets, etc.”).

■ Concept of “the NTA’s missions” and “results targets, etc.” (for operation year 2017)



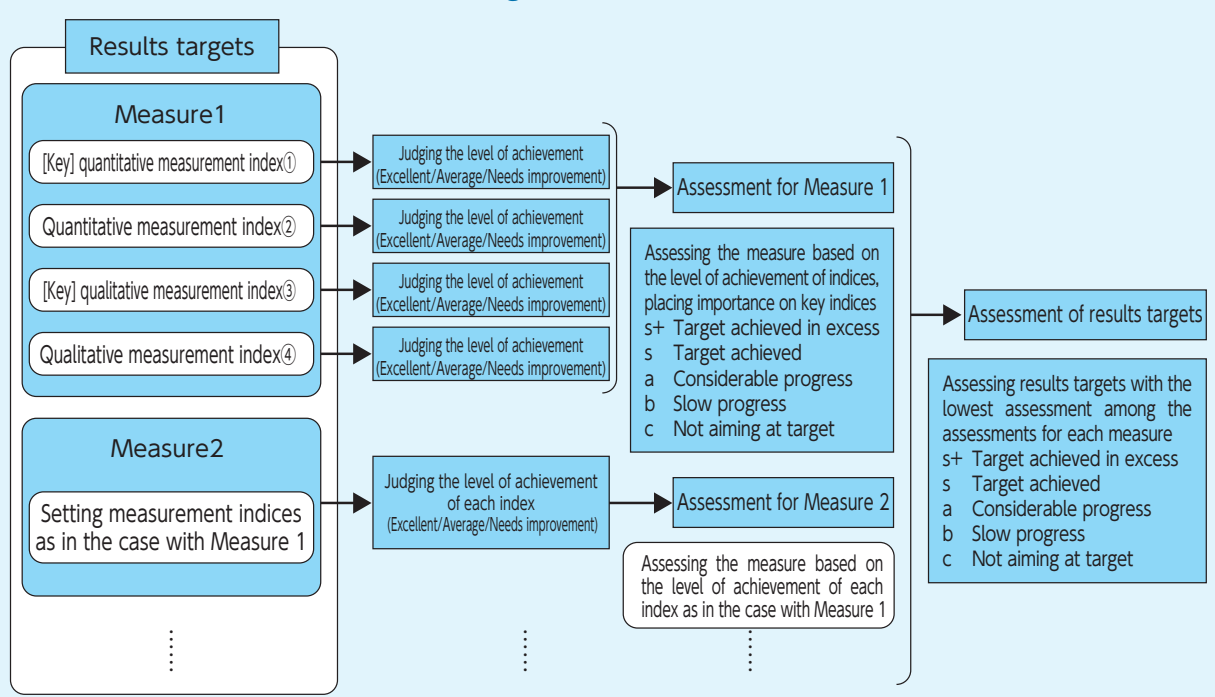
* The NTA estimates by indices of the following 5 stages about the achievement of each target.
[S+]Target achieved in excess [S]Target achieved [A]Considerable progress [B]Slow progress [C]Not aiming at target

~ Evaluation method and evaluation result of results target ~

For results targets, etc., in principle, means for achieving the target are set as “measures,” and measurement indices are set for each measure. Measures are assessed mainly by judging the level of achievement of the measurement indices. We combine quantitative measurement indices (37) and qualitative measurement indices (34), depending on the details of measures, and strive for appropriate assessment. Results targets, etc. are assessed by integrating assessment on measures pertaining to the results targets, etc.

Evaluation results for operation year 2017 can be seen as assessment indicated in the “Concept of the NTA’s missions and results targets, etc.” Based on these evaluations and verification, we are striving to improve tax administration.

■ Assessment method for results targets, etc.



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

* For the results target (lower level) 1-2 "Enhancement of Services for Taxpayers," the level of taxpayers' satisfaction with tax offices is obtained through a questionnaire survey.

■ Key measurement indices obtained through a questionnaire survey (FY2017)

Item	Percentage of favorable evaluation
Evaluation on publicity of national taxes	80.6%
Level of satisfaction with telephone consultation at Phone Consultation Centers	95.3%
Level of satisfaction with consultation by interview at the Tax Offices	91.4%
Favorable impression of officials' reception manner	90.1%
Level of satisfaction in using signposting, and services at reception and window inside tax offices	86.2%

* "Percentage of favorable evaluation" indicates the percentage of favorable evaluation ("Good" and "Rather good") received in a questionnaire survey in the 5-grade evaluation from "Good" to "Bad".

Ministry of Finance Round-table Conference for Policy Evaluation

In order to secure objectivity for the evaluation of results and improve the quality of evaluation, the "Ministry of Finance Round-table Conference for Policy Evaluation," which consists of experts, is held to obtain expert opinions at the phase of implementation planning and evaluation.

Opinions on the evaluation of results for operation year 2017 include the following: "We look towards continued efforts to maintaining reliable examinations and collection work," "We expect sound actions to address the globalization of cases, as identifying the flow of funds in a global context becomes increasingly important," "We look forward to proactive engagements in promoting export of Japanese liquors."

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

Tax revenues and budget

[Budget and final accounts of taxes and stamp revenues for fiscal year 2017]

Tax category	Budget after correction	Actual (Percentage of total)
	Million yen	Million yen
Withholding income tax	14,874,000	15,627,121 (25.1)
Self-assessed income tax	3,074,000	3,254,444 (5.2)
Corporation tax	12,391,000	11,995,303 (19.2)
Inheritance tax	2,115,000	2,291,952 (3.7)
Consumption tax	17,138,000	17,513,862 (28.1)
Liquor tax	1,311,000	1,304,098 (2.1)
Tobacco tax	929,000	864,245 (1.4)
Gasoline tax	2,394,000	2,396,255 (3.8)
Liquefied petroleum tax	8,000	8,228 (0.0)
Aviation fuel Tax	52,000	52,217 (0.1)
Petroleum and coal tax	688,000	690,790 (1.1)
Power resources development promotion tax	313,000	325,672 (0.5)
Motor vehicle tonnage tax	370,000	377,834 (0.6)
Customs duty	953,000	1,024,089 (1.6)
Tonnage due	10,000	9,875 (0.0)
Other*	—	12 (0.0)
Stamp revenue	1,092,000	1,051,520 (1.7)
Subtotal	57,712,000	58,787,489 (94.2)
Local corporation tax	643,900	653,892 (1.0)
Local gasoline tax	256,200	256,386 (0.4)
Liquefied petroleum gas tax (transferred)	8,000	8,228 (0.0)
Aviation fuel tax (transferred)	14,900	14,919 (0.0)
Motor vehicle tonnage tax (transferred)	253,900	259,323 (0.4)
Special tonnage tax	12,500	12,344 (0.0)
Special local corporation tax	2,002,500	1,857,761 (3.0)
Special tobacco tax	143,700	133,712 (0.2)
Special income tax for reconstruction	376,400	393,905 (0.6)
Other	—	2,294 (0.0)
Total	61,424,000	62,380,254

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

[NTA initial budget for fiscal year 2019]

Items	Budget
	Million yen
ICT-related expenses	43,587
Expenses to improve convenience for taxpayers* ¹	11,511
Expenses related to internationalization measures	974
General operating expenses, etc.* ²	59,486
Expenses to improve work environment and ensure safety* ³	6,730
Expenses related to tax reforms	19,251
Expenses for National Tax College	2,181
Expenses for National Tax Tribunal	185
Expenses for National Research Institute of Brewing	963
Common number system related costs	4,258
Subtotal	149,127
Salary costs	556,789
Total NTA budget	705,915

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

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

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

Tax returns and taxation

[Income tax]

(Calendar year 2018)

Total population	Thousand people	126,440
Number of persons engaged		66,640
Number of final returns filed		22,220
Refund		13,060
Tax payment		6,380
Breakdown by income earners	Business income earners	1,680
	Other income earners	4,700
	Real estate income earners	1,100
	Employment income earners	2,540
	Miscellaneous income earners	730
Other		340

[Inheritance tax]

(Calendar year 2017)

Number of deceased	1,340,397 people
Number of deceased subject to taxation	111,728 people
Number of taxpayers (number of heirs)	290,500 people
Taxable amount	15,599.9 Billion yen
Amount of tax	2,014.1 Billion yen

[Gift tax]

(Calendar year 2017)

Number of people subject to taxation	428,650 people
Value of properties acquired	1,978.7 Billion yen
Amount of tax	200.4 Billion yen

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

[Withholding agents and withholding income tax]

(Operation year 2017)

Income etc. category	Number of withholding agents	Amount of tax
	Thousand	Billion yen
Employment income (wages and salaries)	3,536	10,846.0
Retirement income	—	231.0
Interest income, etc.	36	371.1
Dividend income	145	4,262.5
Capital gains on listed shares etc. kept in special account	12	558.0
Income from remuneration, etc.	2,849	1,225.5
Income paid to non-residents and foreign corporations, etc.	35	657.6
Total	—	18,151.7

*1 The figures of withholding agents are figures as of the end of June 2018.

*2 The amount of tax imposed on the income obtained on and after January 1, 2013 includes special income tax for reconstruction.

[Number of corporations and corporation tax]

(Operation year 2017)

Number of corporations	3,106 Thousand corporations
Number of tax returns filed	2,896 Thousands
Percentage of corporations filing	91.2%
Percentage of returns declaring a surplus	34.2%
Amount of self-assessed income	70,767.7 Billion yen
Amount of self-assessed loss	13,710.1 Billion yen
Amount of tax	12,473.0 Billion yen

* The number of corporations is the figure as of the end of June 2018.

[Consumption tax]

(Fiscal year 2017)

Category		Payment	Refund
Number of tax returns	Individuals	1,123 Thousands	38 Thousands
	Corporations	1,862 Thousands	142 Thousands
	Total	2,986 Thousands	180 Thousands
Amount of tax		16,440.5 Billion yen	4,118.9 Billion yen

[Liquor tax and liquor production]

(Fiscal year 2017)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	411	60,173
Sake compounds	29	2,907
Continuous distillation Japanese spirits (Shochu)	352	78,977
Single system distillation Japanese spirit (Shochu)	468	110,958
Mirin (rice cooking wine)	91	2,035
Beer	2,684	570,589
Fruit wine	102	9,472
Sweet fruit wine	4	529
Whisky	128	45,024
Brandy	4	1,570
Sparkling liquor	502	92,638
Alcohol for material & Spirits	638	52,158
Liqueurs	2,065	167,072
Other brewed liquors Powder liquor & miscellaneous liquor	444	35,806
Total	7,922	1,229,907

Tax examinations

[Field examination of self-assessed income tax]

(Operation year 2017)

Number of cases	Number of undeclared cases	Amount of undeclared income		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
73	60	589.4	8,080	94.7	1,300

[Field examination of withholding income tax]

(Operation year 2017)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousands	Thousands	Billion yen
116	36	30.4

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

[Field examination of corporation tax]

(Operation year 2017)

Category	Number of Cases	Number of undeclared cases	Amount of undeclared income		Additional tax revenue collected
			Per case	Per case	
	Thousands	Thousands	Billion yen	Thousand yen	Billion yen
All corporations	98	73	999.6	10,240	194.8
Of which, corporations handled by the Large Enterprise Department	3	2	472.6	186,210	82.2

[Field examination of consumption tax]

(Operation year 2017)

Category	Number of Cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	Per case
	Thousands	Thousands	Billion yen	Thousand yen
Individuals	38	31	27.3	720
Corporations	94	55	74.8	800

[Field examination of inheritance tax]

(Operation year 2017)

Number of cases	Number of undeclared cases	Amount of undeclared inheritance		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
13	11	352.3	28,010	78.3	6,230

[Collected number of statutory information]

(Operation year 2017)

Statutory information	Number collected
	Thousands
Withholding record of employment income	21,362
Payment record of interest	10,557
Payment record of dividends	73,650
Other	257,822
Total	363,391

About the NTA

Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Liquor Administration

Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

Evaluation of Policies

Statistics

International taxation

【Fraudulent income through overseas transactions】

(Operation year 2017)

Number of examinations of corporations conducting overseas transactions	16,466 Cases
Number of undeclared cases related to overseas transactions	4,500 Cases
Of which, cases of overseas fraudulent calculations	696 Cases
Amount of undeclared income related to overseas transactions	367.0 Billion yen
Of which, amount of overseas fraudulently omitted income	20.6 Billion yen

【Transfer pricing taxation】

(Operation year 2017)

Number of taxation cases	178 Cases
Amount of taxable income	43.5 Billion yen

【Cases of advance pricing arrangement related to transfer pricing】

(Operation year 2017)

Number of cases requested	126 Cases
Number of cases processed	114 Cases

Delinquency

【Tax delinquency cases by major tax categories】

(Fiscal year 2017)

	Under collection process at the end of the previous year	Newly occurred	Collected	Under collection process at the end of the year
Income tax	Billion yen 411.1	Billion yen 151.7	Billion yen 178.0	Billion yen 384.8
Withholding income tax	143.7	34.1	47.3	130.5
Self-assessed income tax	267.4	117.6	130.7	254.3
Corporation tax	98.1	65.3	72.1	91.3
Inheritance tax	75.2	31.4	35.7	70.8
Consumption tax	Superscript 78.8 310.0	Superscript 97.8 363.3	Superscript 98.9 370.6	Superscript 77.7 302.8
Other taxes	2.6	3.8	3.0	3.4
Total	Superscript 78.8 897.1	Superscript 97.8 615.5	Superscript 98.9 659.5	Superscript 77.7 853.1

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

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

Criminal investigation

【Criminal investigations】

(Fiscal year 2018)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (filed accusation to the prosecutor)	
			Per case	Per case	Per case	Per case
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
166	182	121	14.0	77	11.2	92

【Filed accusations to the prosecutor, by tax category】

(Fiscal year 2018)

Tax Category	Number of cases	Amount of tax evasion	
		Per case	Per case
Income tax	Cases 14	Million yen 1,268	Million yen 91
Corporation tax	55	4,470	81
Inheritance tax	1	241	241
Consumption tax	41	3,894	95
Withholding income tax	10	1,303	130
Total	121	11,176	92

Remedy for taxpayer rights

[Request for re-examination]

(Fiscal year 2017)

Category	Number of requests for re-examination	Number of new requests for re-examination ①	Number of cases processed ②	Number of requests approved ③			
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 2,124	Cases 1,650	Cases 1,553	205	32	Cases 173	% 13.2
Collection-related	200	164	173	8	8	0	4.6
Total	2,324	1,814	1,726	213	40	173	12.3

*1 In June 2014, the relevant laws relating to this review system were revised, including the change of the Japanese name of a request for re-examination from "Igi Moshitate" to "Saichosa no Seikyu." This revision came into force on April 1, 2016.

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

[Request for reconsideration]

(Fiscal year 2017)

Category	Number of requests for reconsideration	Number of new requests for reconsideration ①	Number of cases processed ②	Number of requests approved ③			
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 4,669	Cases 2,818	Cases 2,295	189	42	Cases 147	% 8.2
Collection-related	220	135	180	13	12	1	7.2
Total	4,889	2,953	2,475	202	54	148	8.2

[Litigation]

(Fiscal year 2017)

Category	Number of litigations	Number of cases filed for first instance ①	Number of cases closed ②	Number of lost cases ③			
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 317	Cases 82	Cases 150	19	11	Cases 8	% 12.7
Collection-related	88	25	57	2	—	2	3.5
National Tax Tribunal-related	4	1	3	—	—	—	—
Total	409	108	210	21	11	10	10.0

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

Tax consultations

[The five items most frequently the subject of consultation]

[Phone Consultation Centers]

(Fiscal year 2018)

Rank	Tax category	Items	Thousand cases
1	Income tax	Obligations & procedures to file tax returns, etc.	583
2	Income tax	Year-end adjustment	308
3	Income tax	Medical expenses deduction	269
4	Income tax	Special credit for loans relating to a dwelling	244
5	Income tax	Exemption for spouse, special exemption for spouse and exemption for dependents	193

[Tax Answer System]

(Fiscal year 2018)

Rank	Tax category	Items	Thousand cases
1	Income tax	When have paid medical expenses (medical expenses deduction)	2,033
2	Income tax	Tax rate of income tax	1,770
3	Income tax	Deduction for employment income	1,107
4	Income tax	When have built a new house or purchased a newly built house (special credit for loans relating to a dwelling)	1,051
5	Stamp duty	Table of Stamp Taxes (1) Type 1 Document to Type 4 Document	998

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

(Fiscal year 2018)

Tax category	Thousand cases
Income tax	2,878
Corporation tax	202
Property tax	954
Consumption tax, etc.	311
Other	1,097
Total	5,443

About the NTA

Efforts to Enhance Services for Taxpayers and to Boost Efficiency of Tax Administration

Proper and Fair Taxation and Collection

Remedy for Taxpayer Rights

Liquor Administration

Ensuring Proper Administration of Services by Certified Public Tax Accountants (CPTAs)

Evaluation of Policies

Statistics

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(Corporate Number 7000012050002)

3-1-1 Kasumigaseki,
Chiyoda-ku, Tokyo, 100-8978
Japan

TEL. 03-3581-4161 (Representative)

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



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

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



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