

# NATIONAL TAX AGENCY REPORT 2022



# From the Commissioner

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People's life and economic activities of Japan have been much affected by the Covid-19 pandemic. Even under such unprecedented situation, the NTA needs to fulfill the mission of “to help taxpayers properly and smoothly fulfill their tax duties.”

To that end, too, we will strive to realize appropriate and fair taxation and tax collection, while continuing to improve the convenience for taxpayers and making the taxation and tax collection more sophisticated and efficient.

Against the rapid progress of digitalization in economy and society, in order to promote the above initiatives, it is important to effectively use data and digital technology. Given this viewpoint as well, a new policy to “ensure a fundamental review of the aspired state of the procedures and operations relating to national taxes using digital technologies” was clarified, and a vision to realize “a society where all tax procedures can be completed without going to a Tax Office” was indicated in the “Digital Transformation of Tax Administration —Future Vision of Tax Administration 2.0—,” released in June 2021. In addition, in December 2021, we released “DX for tax administration: Roadmap towards realization of the plan” and we are steadily pursuing necessary measures for enhancing taxpayer convenience and sophisticating taxation and collection/improving efficiency therein.

More specifically, for example, effective in January 2022, it became allowable to read the tax withholding slip for salary income by using smartphone camera, for the purpose of tax return filing of income tax. Also, we are endeavoring to expand the scope of data for which the Mynportal linkage function (this function enables data acquisition via the Mynportal and automatic entry thereof to tax return) can be used.

We will continue to improve the taxpayer convenience, aiming to realize a “society where all tax procedures can be completed without going to a Tax Office.” When you need to file a tax return or pay any taxes, please consider to use e-Tax or cashless payment, as such alternative methods are getting increasingly more convenient to use.

In addition, we understand that it is quite important to provide taxpayers with necessary information timely to enable them to understand the taxation system well.

In relation to the Invoice System which will take effect in October 2023, we began accepting applications to register as an eligible invoice issuer in October 2021.

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For the smooth introduction of the invoice system, each business operators need to fully understand the system well so that they deal with and prepare for the system in accordance with each business operation. To help such endeavors, relevant video about the system, various pamphlets and Q&A are uploaded to the “Special site for the Invoice System” on the NTA website; additionally, online explanatory sessions are available occasionally and we dispatch instructors to explanatory sessions for business operators.

Regarding the efforts to realize appropriate and fair taxation and tax collection, we strive to protect the rights and interests of taxpayers as well as to take rigorous measures across the organization against malicious taxpayers not to make the taxpayers who have filed tax returns and paid taxes adequately feel unfair.

In addition, to properly respond to the incessant changes in the environment of economic transactions, in line with the advance of digitalization throughout society, we are endeavoring to improve the efficiency in taxation and tax collection and sophisticating the whole process through analyzing and using various data.

For steadily fulfilling the missions imposed on the NTA from now on, we would like to properly respond to the future economic and social changes, implement the required BPR (Business Process Reengineering) leveraging the advantage points of digitalization, and ensure ongoing evolution as an organization.

I would appreciate if this report, “National Tax Agency Report 2022,” would help you to better understand tax administration.

June 2022

大鹿 行宏

Oshika Yukihiro

Commissioner of the National Tax Agency, Japan

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※The fiscal year ranges from April 1 through March 31 of the following year (i.e. fiscal year 2021: April 1, 2021 to March 31, 2022), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2021: July 1, 2021 to June 30, 2022).

The NTA was organized in 1949 as an external organization of the Ministry of Finance.

The NTA supervises 12 Regional Taxation Bureaus (including the Okinawa Regional Taxation Office, and the same applies hereinafter) and 524 Tax Offices throughout Japan.

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

## 1 Organizational Philosophy of the NTA

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

In order for the NTA to fulfill the mission, our duty to carry out is “Realizing proper and fair taxation and collection of internal taxes,” “Sound development of the liquor business,” and “Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs),” provided by Article 19 of the Act for Establishment of the Ministry of Finance.

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



NTA

## Organizational philosophy of the NTA

### Mission

To help taxpayers properly and smoothly fulfill their tax duties.

### Duty

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

### Future vision as an organization

An organization that supports the nation's finance with trust

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

### Codes of conduct

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

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

## 2 Concepts for management of tax administration

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

### NTA Initiatives

#### (1) Enhancement of services for taxpayers

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

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

- To appropriately perform the NTA's duties under the severe fiscal conditions, work to secure the necessary structure, staff and budgets, appropriately allocate them, and take the taxpayers viewpoint in working to boost efficiency and reduce costs.
- Constantly review to simplify and boost efficiency, for example by computerization of clerical processes. For the income tax return, focus on encouraging use of e-Tax which contributes to enhanced taxpayer convenience.
- Accurately assign personnel corresponding to their experience and abilities, while paying attention to hiring and promoting female staff. To enhance needed specialized knowledge, provide guidance and development measures such as training.
- Thoroughly control administrative documents and information.

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

- Take a strict stance against malicious taxpayers, while protecting taxpayer rights and interests.
- Upon dispositions for taxation and delinquent tax, and then accurately confirm the facts and apply the laws and regulations.
- Systematically work in response to increasingly complex economic transactions, etc. Work to enhance the system to collect information, and accurately prioritize issues such as response to the increasing diversity of asset investments and fraudulent refunds for consumption tax.
- For international transactions, exchange information with foreign tax authorities based on tax treaties, and take strict actions towards tax avoidance etc., in which taxation problems are found.
- Promote the enhancement of corporate governance on tax matters through exchanging opinions with executive officers of large enterprises, etc. At the same time, reallocate the volume of examination duties to corporations with a high necessity of examination from those judged that the necessity of examination is low including the situation of corporate governance.
- Achieve proper and speedy processing of a request for review, as well as develop environment for more user-friendly request for review system.

#### (4) Proper management of liquor administration

- As the competent agency in liquor business to aim at the preservation of liquor tax and the sound development of liquor business, the NTA endeavors to ensure the proper enforcement of laws and strengthens the promotion of liquor business (especially promoting exports) from the comprehensive perspective that covers consumers and the whole liquor industry while coordinating and cooperating with related government offices, organizations, etc.
- Make efforts to cultivate overseas markets through distributing information globally and holding international negotiations, etc., to promote the establishment of brands through spreading the use of Geographical Indications (GI), to provide technical assistance to liquor manufacturers, etc. and to ensure the safety of liquor among others.

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

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

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

### (6) Results evaluation (Evaluation of Policies) 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” as envisioned by the NTA

With “improvement in taxpayer convenience” and “higher efficiency and sophistication of taxation and collection” set as the two pillars, the NTA is undertaking drastic reviews of tax administration processes for taxpayers and the administration (DX [digital transformation] of tax administration). We are pursuing necessary measures based on the “DX for Tax Administration: Roadmap towards realization of the plan” released previously.

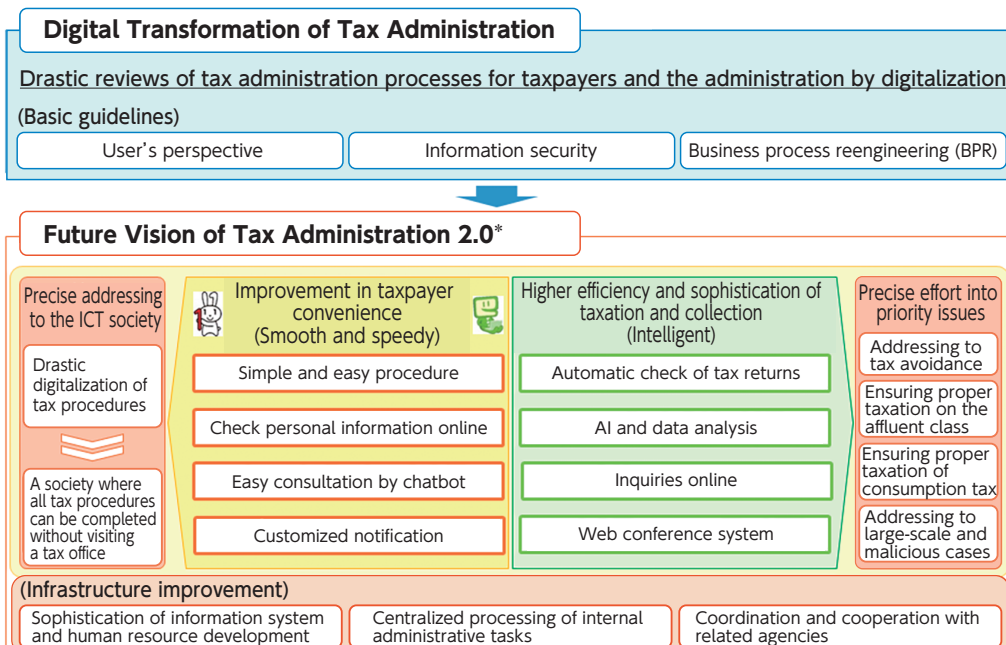
Please refer to the NTA website for more details. (<https://www.nta.go.jp/about/introduction/torikumi/digitaltransformation/index.htm> [in Japanese]).



“Digital Transformation of Tax Administration —Future Vision of Tax Administration 2.0—”

#### “Digital Transformation of Tax Administration”

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



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



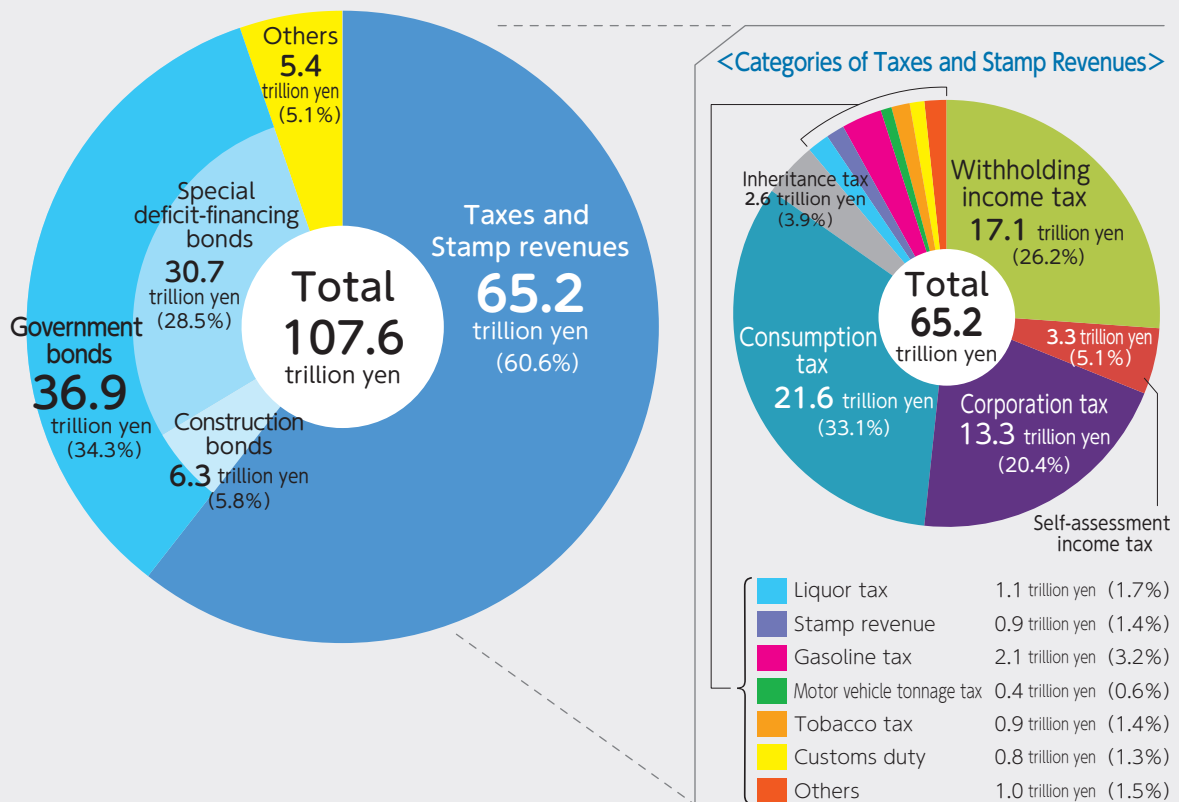
### 3 Overview of the national tax organization

#### (1) National revenue and taxes

National revenue (initial budget for general account revenues) in FY2022 stands at 107,596.4 billion yen, of which 65,235 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 (FY2022 general account revenues (initial budget))



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

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

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

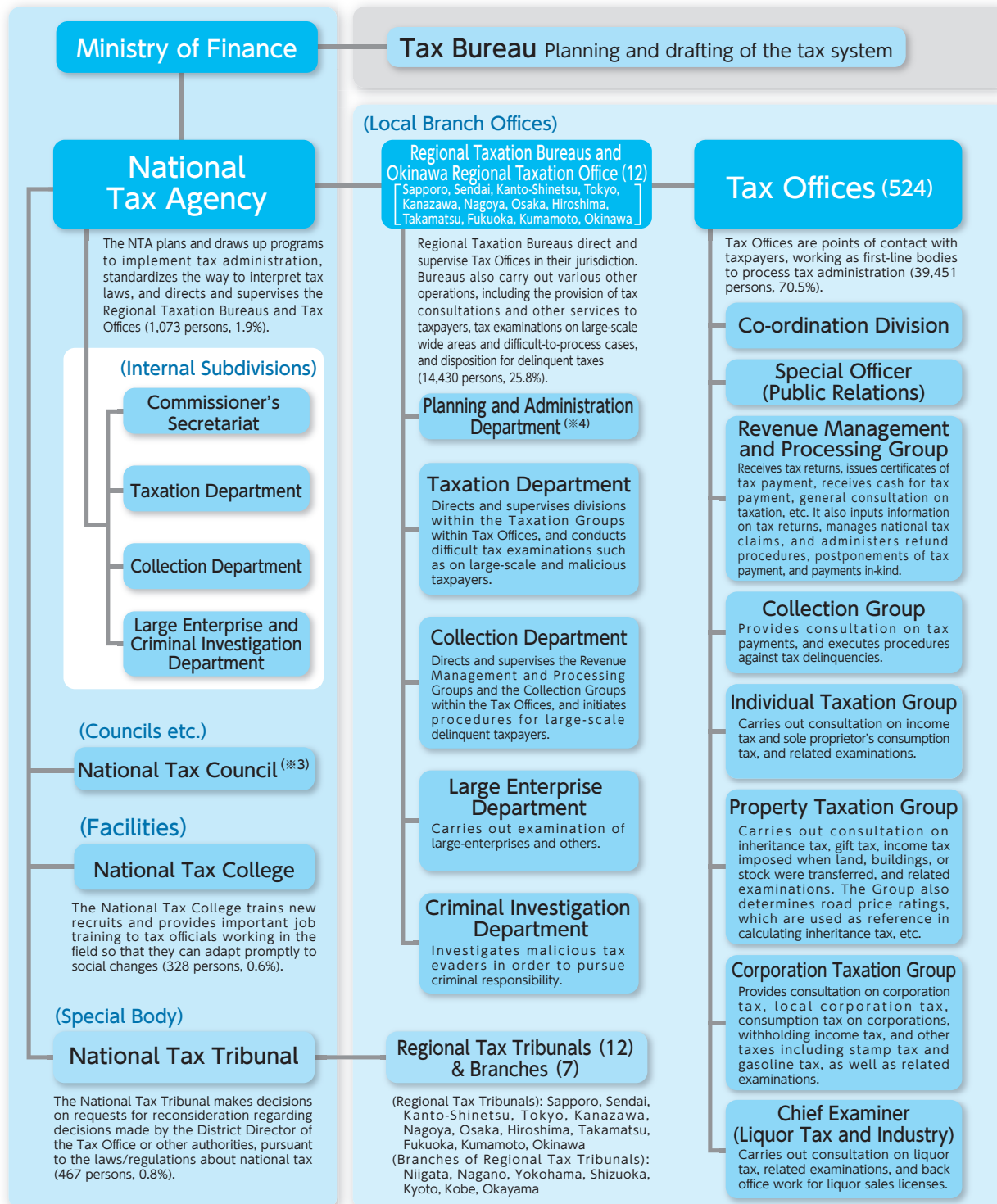
#### (2) NTA budget

The NTA initial budget in FY2022 stands at 625.4 billion yen, with salary costs amounting to 546.6 billion yen and general expenses 78.8 billion yen.



### (3) Organizational structure and number of personnel of the NTA

The NTA supervises 12 Regional Taxation Bureaus and 524 Tax Offices throughout Japan to process national tax administration. Also, the authorized capacity for manpower of the NTA is 55,969 persons for FY2022. <sup>(※1, ※2)</sup>



※ 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 (FY2022).  
 ※ 2 The prescribed number of personnel of 55,969 people in the NTA includes the prescribed number of personnel of 220 people (0.4%) to promote employment of people with disabilities.  
 ※ 3 The National Tax Council addresses the following: ① deliberation of cases in which the NTA Commissioner does not recognize the opinion of the Director-General of the National Tax Tribunal as reasonable, where the Director-General of the National Tax Tribunal determines the case by interpreting laws differently from the notification issued by the NTA Commissioner; ② implementation of CPTAs examination and decision on the disciplinary actions applied to CPTAs; and ③ deliberations on the establishment of labeling standards for liquor, and other matters.  
 ※ 4 Office of Submission Processing Center was established in July 2021. For details, please refer to Column 4 on page 27.

## ~ 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 such as information provision and enhancement of tax education through various public relations activities, improvement of convenience in tax consultation and tax return filing, etc.

## 1 Providing information, etc.

### ~ Various public relations activities ~

The NTA provides various information that could help taxpayers perform tax return filing, tax payment, etc. mainly through the NTA website (<https://www.nta.go.jp/> [in Japanese]), as well as through mass media (TV and newspapers), various public relations mediums and explanatory meetings.

In addition, regarding general interpretation and treatment of tax laws, the NTA provides relevant information on the NTA website as well as through pamphlets available at Tax Offices and municipality offices, etc.; regarding general questions and consultation requests related to taxes, we answer them by telephone, etc., and; when there are questions on tax applications related to an actual transaction, we make it a rule to respond to an advance inquiry.

### Think About Tax Week

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

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

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

### (1) The NTA website

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

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

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

# Overview of NTA Website (top page)

\* The following diagram is as of June 2022.

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 labeled '文字拡大・読み上げ' (Text enlargement / voice reading).
- 3** Global navigation: A horizontal menu with categories like 'ホーム', '税の情報・手続・用紙', '刊行物等', '法令等', 'お知らせ', and '国税庁等について'.
- 4** Urgent notice: A banner for '新型コロナウイルス感染症に関する対応について' (Response to COVID-19).
- 5** New arrivals: A section for '新着情報' (New arrivals) with a list of recent news items.
- 6** Featured topics: A '注目ワード' (Featured topics) section listing current trends like '消費税のインボイス制度' and 'e-Tax'.
- 7** Menu by area of interest: A '分野別メニュー' (Menu by area of interest) section with sub-sections for '税について調べる', '申告手続', '納税手続', and '関連サイト'.
- 8** Search for tax office: A '税務署を検索' (Search for tax office) form with fields for postal code and address.
- 9** SNS etc.: A section for social media links including Twitter, LINE, YouTube, and Web-TAX-TV.
- 10** Banner: A '国税に関するご相談' (Consultation on tax matters) banner.
- 11** Site map: A footer section with '国税庁等について' (About the NTA) and '利用者別情報' (Information by user type).

- 1 Search function within the website**  
Function to search through information on the entire NTA website by referencing a keyword
- 2 Text enlargement / voice reading**  
Support functions for the elderly and those who have visual disorders
- 3 Global navigation**  
Information guide that serves as an entrance to various information sites
- 4 Urgent notice**  
Displays highly urgent information, such as disaster-related messages
- 5 New arrivals**  
Displays new arrival information in a table by content
- 6 Featured topics**  
Displays terms related to information that deserves special attention on the NTA website
- 7 Menu by area of interest**  
Displays page with the most access by area of interest
- 8 Search for tax office**  
Enables the user to search for its jurisdictional tax office by postal code or address
- 9 SNS etc.**  
Collects and displays information from all tools used by the NTA to release information
- 10 Banner**  
Gathers and displays the banners created by the NTA
- 11 Site map**  
Displays the composition of the entire NTA website in a table

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



## (2) Tax education

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

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

Specifically, the Council for Promoting Tax Education among related ministries which was installed at the national level (consisting of the NTA, Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, etc.) meets to discuss effective support measures. Furthermore, we dispatch our staff as teachers to tax education classes on the request of schools, organize tax essay contests, conduct various tax-related events, etc., in cooperation with the Certified Public Tax Accountants' Associations and the relevant private organizations, centered on the councils for promoting tax education established in each prefecture (members: Regional Taxation Bureaus, Tax Offices, local governments, educational leaders, etc.).

Moreover, taking into account changes in the environment surrounding tax education, such as revision of the education guideline and the GIGA School Program, 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.

In addition, to enable the provision of tax education despite the influence of the Covid-19 pandemic, the NTA is actively promoting ICT-used tax education, such as online tax education classes.

Certain contents are uploaded to the "Tax learning corner" of the NTA website(<https://www.nta.go.jp/taxes/kids/> [in Japanese]), for enabling pupils and students to learn about taxes themselves. Also, by using the "Tax☆Space UENO" (facility for tax education, located in the Tokyo Ueno Tax Office), we make such programs as "Tax Office Tour" and "Experiential Learning" available.



Tax education class



Tax-related event (Calligraphy)

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

Fiscal year	2020	2021
Officials	5,359	7,193
Non-officials	17,482	25,534
Total	22,841	32,727

#### ■ Number of essays entered for Tax Essay Contest

Fiscal year	2020	2021
Received from high school students	160,184	178,807
Received from junior high-school students	313,725	450,142

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

## Providing tax knowledge through the Tax Museum

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

In addition, a “Special Exhibition” is held on a certain theme for each year.

This year’s theme is titled “History of Tax Offices as Seen in Government Office Buildings” and it is being held from November 1, 2021 until October 31, 2022.

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 ～

If a taxpayer can correctly understand the roles of taxes, significance of the tax return filing system, and the rights and obligations of taxpayers as well as can think about them proactively, it could cultivate deep sense of acceptance towards tax payment. Thus, the NTA holds lectures, supported by the Regional Taxation Bureaus and Tax Offices, for college students and adults with the objective to improve awareness of tax payment.

#### ■ Frequency of lectures provided to adults

Fiscal year	2020	2021
Frequency held	632 times	758 times

### (4) Briefings for taxpayers

#### ～ Organizing various educational sessions to provide information ～

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

#### ■ Frequency of briefings and number of participants

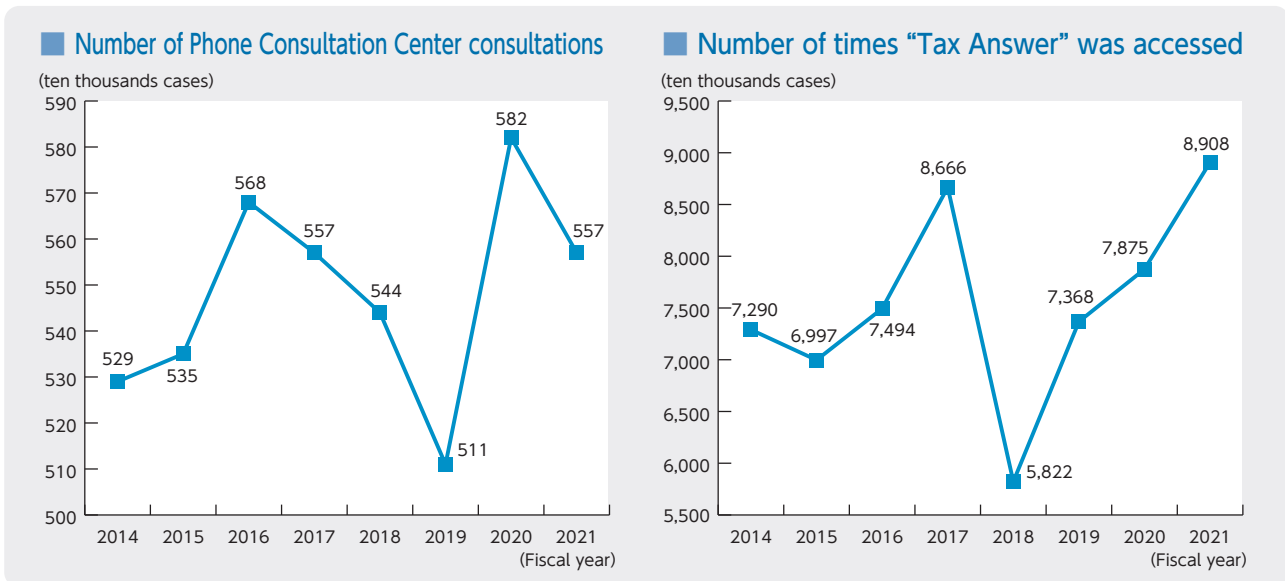
Operation year	2019	2020
Frequency held	31,706 times	7,990 times
Number of participants	1,142 thousand people	224 thousand people

## (5) Tax consultation

## ～ Tax consultations are handled at Phone Consultation Centers ～

Tax officials of Phone Consultation Centers at Regional Taxation Bureaus receive questions and consultation requests from taxpayers regarding the interpretation and application of the national tax-related institutional matters and relevant laws and regulations.

Also, information is provided via “Tax Answer” section on the NTA website (<https://www.nta.go.jp/taxes/shiraberu/taxanswer/index2.htm> [in Japanese]), in which general answers to frequently asked questions are posted.



## ～ Tax consultations covered by a chatbot ～

“Chatbot for tax consultation” (<https://www.nta.go.jp/taxes/shiraberu/chatbot/index.htm> [in Japanese]), that enables consultation 24 hours a day, 365 days a year, is available on the NTA website.

Through the introduction of the chatbot, users can ask questions on taxes easier and reach the related information posted on the NTA website quicker.

We will ensure enhancing the consultation contents and improving the user convenience.

**Number of questions received by the chatbot**

(ten thousand cases)

	2020	2021	2022
Final tax return	40	434	595
Year-end adjustment	25	49	—

※1 For each year, it represents the number of consultations covered between January 4 and December 28. Note that for 2022, the figure is the number up to May 31, 2022.

※2 Regarding year-end adjustment for 2022, the period receiving requests for consultation will start in early October (planned).

Consultation request is received by the chatbot anytime 24 hours a day.



Tax staff FUTABA

～ Tax Offices will provide individual and specific tax consultation services on a prior appointment basis, regarding the matters hard to be covered over the phone ～

When consultation over the telephone is difficult, for example if it is necessary to check specific documents or facts, interviews can be made at the Tax Office with jurisdiction.

In the case of an interview consultation, since it is necessary to set aside ample time for the interview and we need to notify the documents to be brought with, we request that an appointment for the interview is made in advance over the phone.



## (6) Advance inquiries

### ~ Enhanced predictability for taxpayers ~

In case a taxpayer has questions regarding the tax treatment of any transaction conducted or to be conducted, Tax Offices receive advance inquiries before transactions or tax filing deadlines and provide answers.

If requested, a written answer may be provided to the advance inquiries mentioned above under certain conditions and the disclosed as Q&As on the NTA website (<https://www.nta.go.jp/law/bunsho kaito/01.htm> [in Japanese]). (Response examples in writing)

Among the answers to advance inquiries, answers that can serve as reference for other taxpayers are also posted on the NTA website (<https://www.nta.go.jp/law/shitsugi/01.htm> [in Japanese]). (Q&A examples)

#### ■ Number of Advance inquiries received by written reply procedure

Fiscal year	2020	2021
Number of Advance Inquiries Received	115	117

#### ■ Number of Q&A examples posted on website

As of the end of fiscal year	2020	2021
Number of Q&A posted	1,985	1,991

## Column 2

### NTA's response to the Covid-19 pandemic (as of 31 May, 2022)

Since the first infected person of Covid-19 in Japan was confirmed in January 2020, various infection control measures and economic measures have been undertaken by the government in accordance with the degree of expansion of the pandemic.

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

In a tax examination, we ensure that our response match the situation of the taxpayer, etc. and that we pursue it based on the taxpayer's understanding and cooperation.

Concerning the NTA's response and efforts addressing the Covid-19 pandemic, we have managed to do wide and fast information provision using not only our own website (<https://www.nta.go.jp/taxes/shiraberu/kansensho/index.htm> [in Japanese]) but also various media such as press and Twitter as well as the channels of related private organizations and local governments. Also, regarding tax treatment, we have managed to provide easy-to-understand information: for instance, posting of FAQ on our websites; and information provision in the form of video.

We ask citizens of Japan for continuous understanding and cooperation in preventing further spread of the pandemic.

#### 1. Measures for final income tax return filing

Since a significant number of people visit the final income tax return sites at the tax offices, etc. for filing consultations on a daily basis, we encouraged e-Tax more than ever for 2021 filing period for income tax returns so that taxpayers could file their tax returns from home, etc. At the same time, we started accepting filing consultations before the tax return filing period. In these ways, we managed to reduce and disperse the number of visitors during the filing period for income tax returns.

In addition, to ensure prevention of the spread of the Covid-19 infections in the sites, on the extension of the arrangement for 2020 returns, we adopted the sorting ticket system (prior issuance online is also possible) for admitting entry on the nationwide basis. In addition to that, we requested taxpayers for cooperation to wear a face mask when entering the site and to accept temperature measurement. Through such setting, we were able to prepare an environment where taxpayer can spend time inside for preparing and submitting tax returns.

In light on the rapid spread of Omicron infections, regarding the tax return filing for 2021, we decided to give a special allowance to those who were had to do the filing during the legal period due to the impact of the pandemic, in that they could ask for extension of the filing period and payment period by a simple method by April 15, 2022.

\*Regarding the procedures becoming legally due for filing on April 1 or after in 2022 in relation to corporation tax, consumption tax of corporations, withholding income tax, inheritance tax, liquor tax, etc., we gave a special allowance to those who were hard to do the filing during the legal period due to the impact of the pandemic, in that they could ask for extension of the filing period and payment period by a simple method by April 15, 2022.

## 2. Measures for those experiencing difficulties in paying their taxes

Regarding those who were difficult to pay taxes due to deteriorated cash flow resulting from the impact of the Covid-19 pandemic, we have endeavored to apply grace system for national tax payment to them promptly and flexibly considering the situation and mental conditions of such taxpayers.

Regarding the grace system, we have made efforts to make it applicable to those who need it early, by approaching the taxpayers through various channels as follows: system briefing provided at the designated corner or the tax return filing site of Tax offices; and provision of information and publicity through the NTA website, CPTAs, related private organizations and industrial associations.

In addition, Tax Offices accept questions and inquiries about the grace system, and for each application for extension, it is recommended to use digital application via e-Tax or postal mail.

## 3. Measures for liquor business operators

To support the liquor industry which has faced deteriorated consumption due to the Covid-19 pandemic, we have deployed public-private promotional events to recover and expand the domestic demand for liquor products (events for consumers in the relevant regions). Also, it is our current mission to help the liquor business operators pursue managerial reforms and help the industry promote the structural transformation, to realize the conversion of economic structure as well as the virtuous cycle in the post-pandemic.

Regarding such initiatives and the specific support measures of the government for the operators, we are striving to provide necessary information.

For further details, please refer to information available on the NTA website (<https://www.nta.go.jp/taxes/sake/kansensho/index.htm> [in Japanese]).

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

~ Strongly promote various measures in order to expand the uses of e-Tax ~

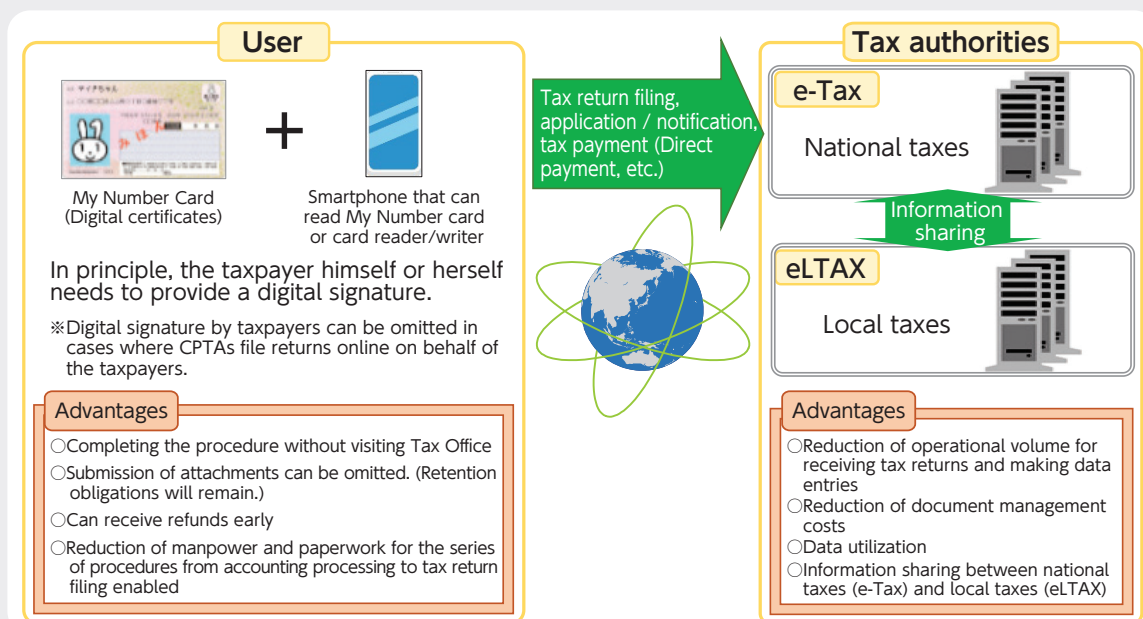
e-Tax enables users to perform procedures for tax return filing, application / notification, and tax payment regarding national taxes over the Internet.

We are strongly promoting various measures to improve the convenience of e-Tax for expanding the uses of e-Tax (see Column 3), so the online use rate has been steadily increasing.

Despite such favorable trend, there occurred connection troubles intermittently for e-Tax on March 14 (Monday), 2022 and on the following day. We apologize for any inconvenience you faced.

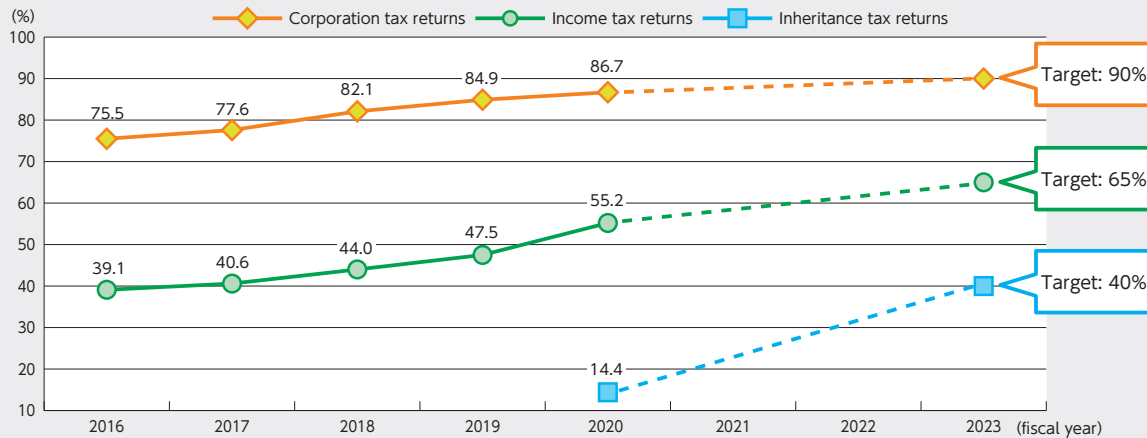
The NTA will make all efforts to ensure stable operations so that any user can rely on e-Tax securely.

### Outline of e-Tax



## Rates of online filing

We will aim to further raise the rates of online filing through setting the target as of the end of FY2023.



※ For income tax, the data include tax returns prepared at the consultation sites and submitted via e-Tax.

※ The graph shows rates for major tax procedures. Please refer to the e-Tax website (<https://www.e-tax.nta.go.jp/hojin/gimuka/sesaku.htm> [in Japanese]) for other procedures.

## Column



## Measures for improving the convenience of e-Tax

### 1. It can be used without IC card reader/writer [available since January 2022]

When using the “tax return preparation corner” or confirming the message box by PC, IC card reader/writer became unnecessary for login by My Number card.

※ It requires “Mynportal application” installed in a smartphone.

※ It became unnecessary since January 2020, when using the “tax return preparation corner” by smartphone.

※ For details, see the e-Tax website

[https://www.e-tax.nta.go.jp/systemriyo/qrcode\\_login.htm](https://www.e-tax.nta.go.jp/systemriyo/qrcode_login.htm) [in Japanese]



e-Tax website

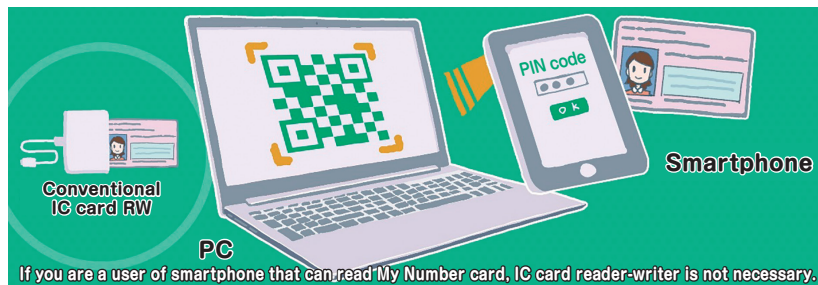


Image of QR code authentication

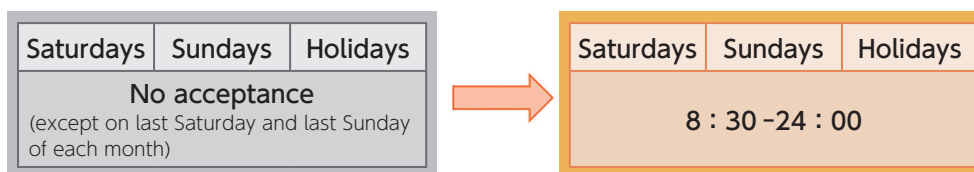
### 2. Issuance of digital tax payment certificates (PDF file) [available since July 2021]

Issuance of digital tax payment certificates (PDF file) can be requested from home etc. It covers from preparation to transmission of an application and from requesting to receiving in a non-face-to-face manner. Such digital tax payment certificate (PDF file) can be downloaded and printed at home etc.

※ For details, please refer to the “Issuance request procedures for tax payment certificates” (<https://www.nta.go.jp/taxes/nozei/nozei-shomei/01.htm> [in Japanese]) on the NTA website.

### 3. Additional dates for acceptance [available since April 2022]

e-Tax became available even on Saturdays, Sundays and holidays other than the tax return filing period as well.



※ For details, please refer to the “available time for e-Tax” ([https://www.e-tax.nta.go.jp/info\\_center/index.htm](https://www.e-tax.nta.go.jp/info_center/index.htm) [in Japanese]) on the NTA website.

(Note) “QR code” is a registered trademark of DENSO WAVE Incorporated.

### 3 Filing for tax return

~ The number of taxpayers who filed income tax returns totaled 22.85 million.  
More than half filed for tax refunds ~

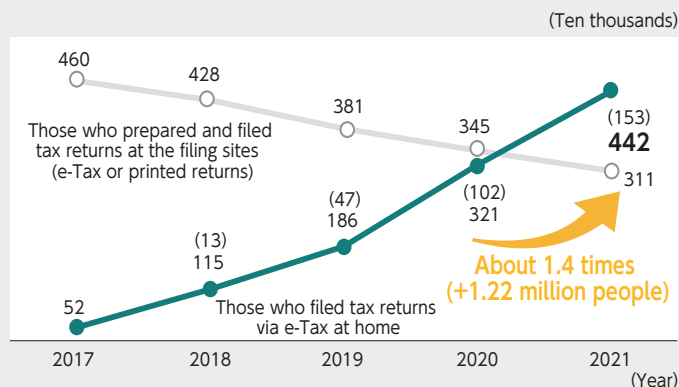
Tax filing is a procedure, in which the taxpayer calculates income and tax amount for a one-year period, files and pays taxes. Not only persons obligated to file, but also those who obtain tax refunds file tax returns, for example, because they paid a certain amount of medical expenses. 22.85 million people filed their income tax and special income tax for reconstruction for 2021; thus, one out of five residents filed tax returns. Of these, over 13.29 million people filed for refunds, comprising over half of the people filing tax returns.

#### (1) Promotion of filing by e-Tax at home

The NTA promotes that taxpayers themselves file at home by e-Tax (including the filing assistance on the NTA website), so that they can file returns without visiting the filing sites while preventing infectious diseases.

It is noteworthy that, in 2022 filing period, more taxpayers themselves used e-Tax at home to file 2021 tax returns than those who visited the filing sites, and it was the first time ever that such phenomenon happened.

#### ■ Trend in the number of taxpayers who filed tax returns via e-Tax at home



The number of people who filed 2021 tax returns	ten thousands
<b>2,285</b>	
Via e-Tax at home	923
Transmissions by taxpayers themselves	442
Via smartphone, etc.	153
Proxy transmissions by CPTAs	481
At the filing sites	311
Via e-Tax at the designated sites by local governments	140

※ Figures in parentheses represent the number of taxpayers who used smartphones, etc. for filing. (Using a smartphone, etc. became allowable for the first time for 2018 tax return.)

~ The filing assistance is available on the NTA website ~

With the filing assistance on the NTA website (<https://www.keisan.nta.go.jp/kyoutu/ky/sm/top#bsctrl> [in Japanese]), if a taxpayer enters the amounts and other necessary information according to the guidance on the screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns accurately for income tax, consumption tax for sole proprietors, gift tax, etc. as well as financial statements for blue returns; and the filing data thus produced can be transmitted as is via e-Tax.

Note that, by linking with Mynportal, information on deduction certificates such as for life insurance premiums and tax reduction through contributions to local governments can be collectively obtained, and amounts, etc. thereof are automatically entered in corresponding fields.

Regarding the filing assistance on the NTA website, we make efforts for better design to enable easy use so that much more taxpayers are going to file at home; for instance, we have provided dedicated pages for smartphone users.



## Filing an income tax return using a smartphone



Image of the smartphone-dedicated site

### The smartphone-friendly dedicated site

Taxpayers falling under the following scope may prepare income tax returns using the site designed and optimized for smartphone and tablet touchscreens (the dedicated site for smartphones).

In addition, starting with 2021 income tax returns, the new function was introduced to the filing assistance on the NTA website that enables automatic entry for the "tax withholding slip for salary income" captured by smartphone camera.

Mynaportal linkage is also supported, so by using the information on the deduction certificates, etc. obtained from the Mynaportal, amount data can be entered automatically.

#### Target scope covered by smartphone-dedicated screen

(NEW means that the target scope has been available from 2021 tax return.)

- |   |  |
|---|--|
| <p>[Target types of income]</p> <ul style="list-style-type: none"> <li>➤ Employment income</li> <li>➤ Miscellaneous income</li> <li>➤ Occasional income</li> <li>➤ Annual transaction statement for specified accounts (NEW)</li> <li>➤ Amount of losses on transfer of listed shares, etc. carried forward from the previous year (NEW)</li> </ul> | <p>[Various deductions, etc.]</p> <ul style="list-style-type: none"> <li>➤ Income deduction of all types</li> <li>➤ Special credit for contributions to political parties, etc.</li> <li>➤ Reduction or exemption of income tax due to disasters</li> <li>➤ Foreign tax credit (NEW)</li> <li>➤ Amount of estimated income tax prepayment that has been already paid</li> <li>➤ Losses carried forward to be deducted this year</li> </ul> |
|---|--|



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

## ~ The number of users of "filing assistance on the website" is increasing each year ~

In the filing period for 2021, the number of people who filed tax returns for income tax prepared with filing assistance on the NTA website reached 11.71 million cases including those prepared via PCs set up at consultation sites. This accounted for about 51% of all people who filed returns, and the user number increased about 17 times as compared with the filings for 2004 when the filing assistance on the website was started; which proves the number of users has been increasing steadily. In addition, of the 11.71 million cases which were prepared using the filing assistance on the NTA website, about 2.56 million cases were prepared through smartphones.

## (2) Response to diverse taxpayer needs

### ~ Easing congestion at the filing sites by using numbered tickets ~

In order to ease congestion at the filing sites, the numbered tickets, denoting when to enter the sites, were distributed to the taxpayers wishing to visit the sites.

The tickets were distributed at each site on the day, or online by the day before.

### ~ Opening Tax Office on Sundays during the filing period ~

We heard voices from taxpayers that they want filing consultations on the days other than weekdays as well. In response to that, we receive tax returns and provides filing consultations on two Sundays during the tax return filing period at some Tax Offices.

For the 2021 tax return filing period, the offices were open on February 20 (Sunday) and February 27 (Sunday), 2022, during which about 150,000 returns of income tax and special income tax for reconstruction were filed.

## Cooperation with local governments

In an effort to simplify taxpayer filing procedures and improve administrative efficiency, the NTA is working on achieving close cooperation with local governments: for instance, mutual provision of data on tax returns of income tax.

## 4 Promotion of cashless payment

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

At present, about 70 percent of total national tax payments are made at financial institutions, convenience stores or counters of Tax Offices.

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

#### ■ Proportions of national tax payments by payment method: FY2020 results (based on the number of cases)



### ～ Enhanced taxpayer services by offering various payment methods ～

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

In addition, as a new payment method, we are planning to introduce a smartphone-used payment service (payment by smartphone application) in December 2022.

#### Transfer tax payment

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

Transfer tax payment is a tax payment procedure by debiting tax amounts from a deposit account or a savings account designated by each taxpayer by using a request form for payment by transfer in advance.

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

#### Direct payment (direct type online payment of national tax)

**\*Available for all tax categories**

Direct payment is a procedure that enables taxpayers to pay tax immediately or on a designated payment date, based on an application for use submitted in advance, by simple operation (by way of transfer from a deposit account or a savings account) after filing tax returns digitally by e-Tax. Individual taxpayer can submit the said application for use via e-Tax as well.

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



## Online tax payment using Internet banking etc. \*Available for all tax categories

National taxes can be paid online through Internet banking and ATMs of financial institutions that accept payment with Pay-easy, by submitting application to start using e-Tax in advance.

## Payment with credit card \*Available for all tax categories

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

When paying taxes this way, settlement charges dependent on the tax amount need to be paid separately. (Such settlement charges are not the funds to be counted as part of the revenues for the government.)

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

## Payment at convenience stores

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

By creating a QR Code on a smartphone or PC at home, taxpayers can pay taxes by having the QR Code scanned by a kiosk terminal installed at convenience stores (such as “Loppi” and “FamiPort”).

Taxpayers may also complete the payment at convenience stores using the barcoded payment slips issued by the jurisdictional Regional Taxation Bureau or Tax Office which are used to inform the taxpayer of scheduled income tax payments and finalized tax payment amounts prior to the payment deadline such as estimated tax prepayment.

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

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

# 5 Efforts towards My Number System

## (1) Outline of My Number System

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

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

For the overview of My Number system, please refer to the Digital Agency website (<https://www.digital.go.jp/> [in Japanese]).



The Digital Agency website

Myna chan



### a. My Number (Individual Number)

My Number is a 12-digit number which has been designated to anyone holding residential registration.

The use of My Number is limited to the procedures prescribed by law or municipal regulations in the fields of social security, taxation, and disaster response.

### b. Corporate Number

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

## (2) Actions as the entity utilizing My Numbers and Corporate Numbers

### ~ Utilization and publicity in the national tax field ~

An individual or a corporation needs to fill in the Number (My Number or Corporate Number) on the tax return or the legal payment record every a submission to the Tax Office. When My Number is provided, strict identity verification of the individual is required to prevent identity theft. Regarding the Know Your Customer process in the national tax field, specific procedures are prescribed in the relevant notice from the NTA.

For popularizing the My Number system, we created a special corner for the My Number system on the NTA website (<https://www.nta.go.jp/taxes/tetsuzuki/mynumberinfo/index.htm> [in Japanese]) which contains FAQ, etc. Additionally, the NTA is actively promoting various publicity and public relations activities.



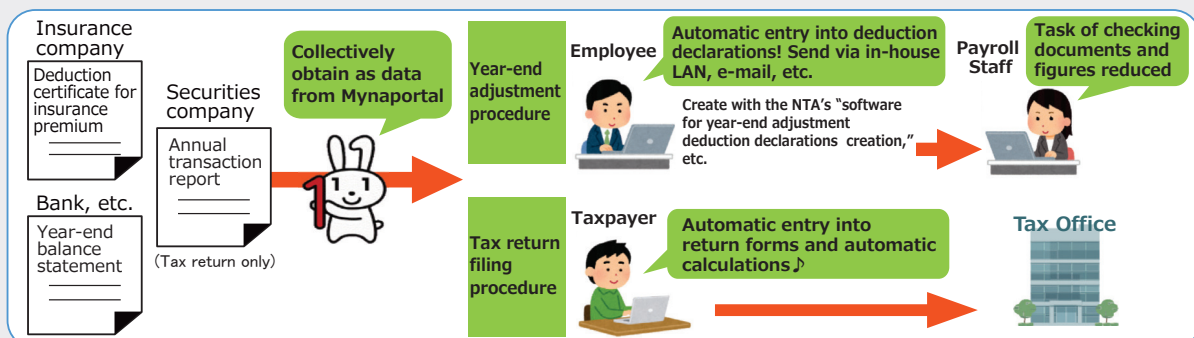
The special corner for the My Number system on the NTA website

### ~ Improving convenience for taxpayers ~

Taking the opportunity of the introduction of the My Number system, attaching a copy of a certificate of residence became unnecessary in a filing procedure such as for housing loan tax credit. In addition, when having transmitted a tax return of income tax, consumption tax, gift tax or inheritance tax via e-Tax, such a taxpayer can access information on income tax return, processing status of filing for refund, etc., saved in the e-Tax's message box via the "Notice" function of Mynportal.<sup>1</sup>

In addition, to further simplify the procedures for year-end adjustment and tax return filing starting with the applications for calendar year 2020, the NTA realized a new function (linkage with Mynportal) whereby the data on deduction certificates for life insurance premiums, etc. can be obtained as a batch from the Mynportal for automated entries to various application forms. We plan to increase document types such as deduction certificates available in Mynportal going forward.

#### ■ Image of linkage with Mynportal



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

## ■ Data obtainable through Mynportal for each year of tax return filing

Year	Data obtainable through Mynportal			
2020	Deduction certificate issued by a life insurance company	Special credit certificate for housing loan, etc.	Certificate of year-end balance of the borrowing for home purchase	Annual transaction statement for specified accounts
2021	Deduction certificate for earthquake insurance premiums	Receipt certificate for donation, etc. (Tax deduction through donation to local municipalities)	Notice on medical expenses (from September to December for 2021)**	

\*\*For 2022 onward, it is planned to be enabled to obtain a notice on medical expenses for a full year (only for the expenses covered by insurance, in principle).

### (3) Promotion of popularization of My Number Card

Based on “Policy Concerning Popularization of My Number Card and Promoting the Use of My Number” (decision by the Digital Government Cabinet meeting held on June 4, 2019) which is the policy of the government as a whole, the NTA is proactively engaging in activities to promote My Number Card, for example by installing a “My Number Card Application Corner” through cooperation with local governments, not only at final tax return filing sites, but also through various occasions, such as the “Think About Tax week”.

### (4) Actions as the entity assigning Corporate Numbers

#### ～ Assigning Corporate Numbers ～

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

The NTA publishes the three types of basic information ((i) trade name or name, (ii) address of head office or principal place of business, and (iii) Corporate Number) of the corporation which is designated a Corporate Number on the NTA Corporate Number Publication Site.

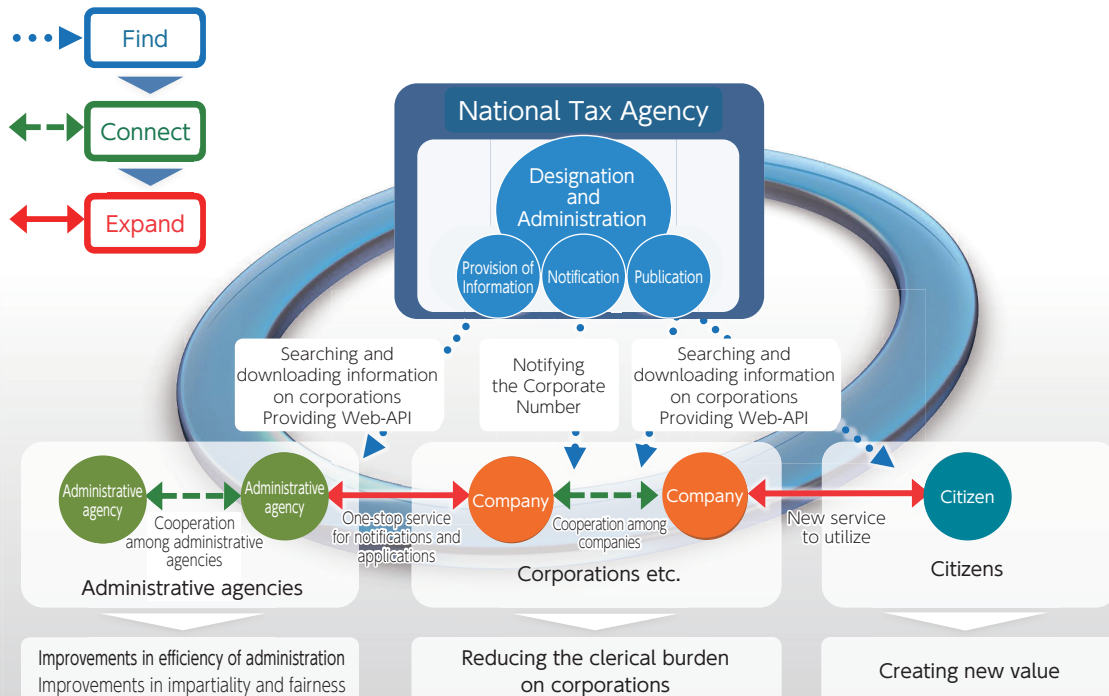
The three types of basic corporate information may be searched for on the NTA Corporate Number Publication Site. Also, the site offers Data Download and Web-API<sup>1</sup> function in order to enable users’ ease-of-use of information such as the Corporate Number.

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

<sup>1</sup> 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.

### Outline of the Corporate Number System

#### Find, Connect, and Expand with the Corporate Number



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

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

As an example, considering that there are increasingly more occasions to use corporation's names and its addresses in English, which are publicized upon their requests on the NTA Corporate Number Publication Site and its English site.

## 6 Promoting digitalization of administrative services

#### ~ Towards the realization of a Digital Government<sup>1</sup> ~

In accordance with the "Priority Policy Program for Realizing Digital Society" (approved in a Cabinet meeting in December 2021; revised in June 2022), the NTA as well is endeavoring to digitalize the national tax-related procedures. More specifically, the following measures are being promoted: improvement of UI/UX from the viewpoints of taxpayers; social insurance and tax procedures to be made available at one stop and once only<sup>2</sup>; registration and uses of the accounts to receive public funds, etc.

<sup>1</sup> "Digital Government" refers to the initiative of the entire government to review the state of the administration on the premise of digitization, while placing priority on enhancing convenience for citizens and businesses.

<sup>2</sup> Regarding the "social insurance and tax procedures to be made available at one stop and once only," previously, each employer was required to pursue social insurance and tax procedures at each of the relevant administrative agencies, at the time of each life event (being hired, retirement, etc.) of employees; however, a new service was enabled via Mynportal, whereby all referenced procedures can be completed at one time, starting in November 2021. In addition, effective in January 2022, it became possible for any entity obligated to submit statutory statements to submit such statements via any certified cloud service, etc., used in the ordinary operations.

Furthermore, drastic reviews of the requirements in administrative procedures (paper documents; use of seals; restriction of face-to-face interaction, etc.) were required in the “Regulatory Reform Implementation Plan” approved by the Cabinet in July 2020, etc. Pursuant to that, seal impression became no longer required for most tax documents<sup>1</sup> since April 2021, and online submission via e-Tax became possible for all national tax-related procedural documents in January 2022 onward.

## Ensuring stable and reliable ICT system and information security

Since the national tax-related operations are closely connected to public rights and obligations and responsible for managing taxpayer information of a large volume, 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.

We take great care for the prevention of improper use and leakage of information. For instance, we allow our officials to use only the necessary information for their works, and we also conduct security audits regularly.

For the core systems (e-Tax system and KSK system that keep the key data), the NTA obtained the certifications based on the ISMS<sup>2</sup> compliance evaluation system (certifications based on ISO/IEC27001 and JISQ27001<sup>3</sup>) which are in conformity with international standards, in 2007. They have been regularly updated since then.

Furthermore, in 2020, the system that designates the Corporate Number also acquired the same certification.

## Kokuzei Sogo Kanri (KSK) System (Comprehensive management system for national taxes)

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.

## Systems upgrade (Development of new system)

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

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

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

1 Excluding the documents requiring an impression of the registered seal and a certificate for the registered seal, from among the depositing of security-related documents and in-kind payment procedure-related documents, as well as excluding the documents concerning asset division, from among the attached documents in the special cases of inheritance tax and gift tax

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

3 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.



## Strict Management of Information

The NTA retains various information, such as income data of individuals, and strict management of information is required, since should these information leak out, cooperation from taxpayers cannot be expected, disrupting smooth execution of examinations and collection of taxes, etc.

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

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

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

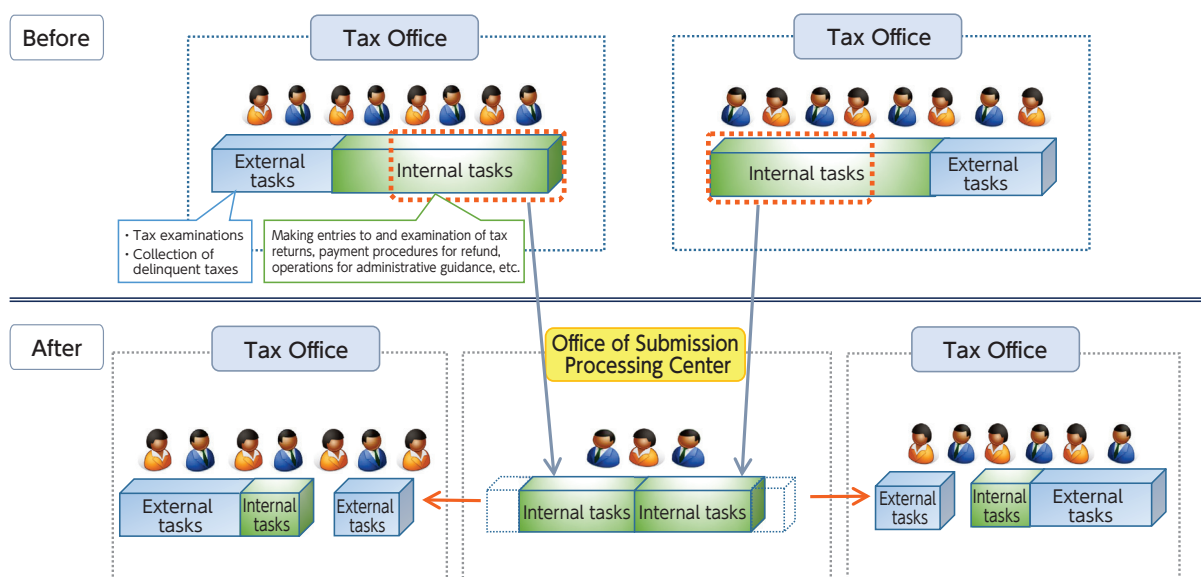
### Column 4

## “Center-based system for internal administrative tasks”

Internal operations at a Tax Office, such as making entries to and examination of tax returns, payment procedures for refund, operations relating to administrative guidance, etc., are called “internal administrative tasks.” If such internal administrative tasks can be carried out more efficiently and certain manpower can be created, that could lead to enhancement of taxpayer services as well as to enhancement and sophistication of external administrative tasks (tax examinations, clearance of delinquent taxes, etc.).

The NTA established Office of Submission Processing Center as an organization in Regional Taxation Bureaus in July 2021 and is pursuing the processes to realize a “center-based system for internal administrative tasks” for concentrating such tasks of multiple Tax Offices.

Further, we plan for target all Tax Offices by 2026, through expanding the scope of target Tax Offices.





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

## 8 Actions for the amended Consumption Tax Act

### (1) Storing eligible invoices is required for consumption tax (Invoice System)

Starting in October 2023, the requirement of storing eligible invoices will take effect (Invoice System). Under the Invoice System, tax credit on purchases requires the storage of accounting books and invoices such as the eligible invoices issued by taxable business operators who applied and have been registered as "eligible invoice issuers" by the director of each Tax Office.

The NTA is working to provide information and consultation, while maintaining close communication and cooperation with relevant ministries and private organizations, so that business operators are able to fully understand the Invoice System.

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

Consumption tax is a tax which is supposed to be eventually incurred by consumers through pass-through onto the price of a product. Therefore, it is important that business operators are able to pass the consumption taxes onto the product prices in a smooth and appropriate manner.

The NTA is ensuring response to the inquiries, etc. on the pass-through of consumption tax at a corner of each Tax Office (consultation corner about the revised regulations on consumption tax) in collaboration with related ministries and agencies.

## 9 Cooperation with private organizations

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

The NTA is making public announcement and public relation actively, through various explanatory meetings etc., cooperating with relevant private organizations.

Relevant private organizations are instrumental in promoting measures for the wider uses of e-Tax, popularizing the My Number system, and holding various joint events in the “Think About Tax Week”. As such, they play significant roles for realizing an adequate self-assessment system, spreading the tax knowledge, etc. through the strengthened collaboration and cooperation between the organizations.

### Blue Return Taxpayers’ Associations

Blue Return Taxpayers’ Associations are organized for the purpose of “contributing to establishment of self-assessment system and promoting of small enterprises,” mainly by sole proprietors who use the blue return system. They perform a wide range of activities: for instance, guidance on bookkeeping for sole proprietors; consultation on account settlement and tax return filing; holding various briefing sessions; provision of management support; and encouraging filing of blue return.



The website of the National General Federation of Blue Return Taxpayers’ Associations

### Corporations Associations

Corporations Associations are organized for the purpose of “contributing to spreading the tax knowledge, maintaining and developing a proper and fair self-assessment system, as well as achieving smooth tax administration.” They pursue various activities such as tax education, tax awareness campaign, conducting seminars on tax and corporate management. With the NTA’s support, they promote “enhancement of corporations tax compliance with a self-check list” and hold “contests for the best picture postcards related to taxes.”



The website of the National General Federation of Corporations Associations

### 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.” They pursue various activities such as spreading the tax knowledge on consumption tax, promotion of the program to ensure complete payment of consumption taxes, recruitment of “tax slogans” (supported by the NTA), and making recommendations for improving the tax system and execution.



The website of the National Federation of Indirect Tax Associations

### Savings-for-Tax Associations

Savings-for-Tax Associations are organized for the purpose of “ensuring smooth payment of various taxes by means of saving funds for tax payment.” They pursue various activities such as promotion of the program to ensure complete payment by due date, recruitment of “essays on tax” from junior high school students (supported by the NTA), etc.



The website of the National Federation of Savings-for-Tax Associations

### 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 the tax knowledge, promoting proper filing of returns, uplifting tax payment morality, and thereby contributing to the development of enterprises and regional societies.” They pursue various highly public activities such as provision of various briefing sessions, promotion of PR activities, and provision of educational opportunities on tax.



The website of the Federation of Tax Payment Associations

## 1 Promotion of proper and fair taxation

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

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

In addition, for other taxpayers, the NTA takes care of its administration processes in an effective and efficient manner, such as making brief contact via in writing or by telephone, and balances its allocation of limited human resources.

#### ■ The number of field examinations

(thousand cases)

Tax category \ Operation year	2018	2019	2020
Self-assessment income tax	74	60	24
Corporation tax	99	76	25
Consumption tax	133	105	36
Inheritance tax	12	11	5

#### ■ The additional tax amount of field examinations

(billion yen)

Tax category \ Operation year	2018	2019	2020
Self-assessment income tax	96.1	99.2	53.3
Corporation tax	194.3	164.4	120.7
Consumption tax	109.9	100.4	86.2
Inheritance tax	70.8	68.1	48.2

### ~ Strengthening the measures for date utilization ~

The NTA is trying to develop a prediction model to extract potentially high-risk taxpayers by extracting, processing and analyzing necessary information from various data, as well as grasping the consistency, correlation, and tendencies, etc. between the data.

Looking forward, we will endeavor to improve the efficiency of taxation operations and sophisticate them, through combining thus-formulated prediction model and the various materials and information held by the organizations of the NTA.

#### (1) Priority matters addressed in the tax examinations

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

As consumption tax is one of the main taxes for tax revenue and attracts the strong attention of the public, proper tax administration is especially necessary.

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

Also, the NTA is working increasingly closer with customs authorities to strictly address the evasion of consumption tax by those who wrongfully traded consumption tax-free goods abusing the system of tax-free shops.

#### ◎ Cases of examinations of consumption tax

- The NTA uncovered a case in which fictitious purchases were registered pretending that an expensive fixed asset was purchased.
- The NTA found that the person had purchased a large volume of consumption tax-free goods in certain tax-free shops, but that the person had not exported the goods thus purchased enjoying wrongful benefits from the exemption of consumption taxes.

### ～ 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 about them by using the information obtained from the records of outward remittances, etc. as well as the information obtained as per the information exchange system based on the tax treaties, etc. with competent foreign authorities (<https://www.nta.go.jp/taxes/shiraberu/kokusai/eoi/index.htm> [in Japanese]) and as per the Common Reporting Standard (CRS) (<https://www.nta.go.jp/taxes/shiraberu/kokusai/crs/index.htm> [in Japanese]).

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

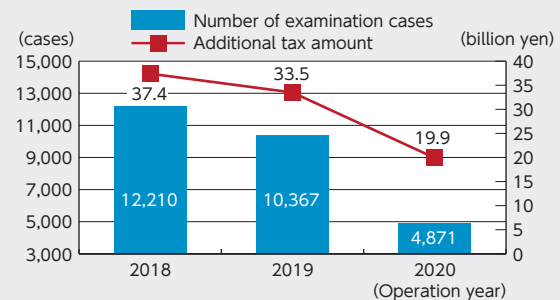
#### ◎ Cases in which the NTA identified overseas assets not reported for Japanese tax purposes or international tax avoidance

- The NTA used the exchange of information based on the tax treaties, etc. and uncovered a case in which a representative had sales proceeds deposited in his/her personal account at an overseas bank and did not properly report sales.
- Triggered by CRS information, we uncovered a fact that the taxpayer had not included the cash withdrawn from an overseas deposit account in the tax return filing for inheritance tax.

### ～ Identify non-filers by utilizing information ～

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

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



#### ◎ Cases of examinations of non-filers

- We uncovered a fact that the taxpayer had gained profits of a large amount through cryptoasset transactions but that the profits had not been included in the tax return of the taxpayer through the following: the cryptoassets had been remitted to a related person; and the related person had converted the cryptoassets to JPY.
- We uncovered a fact that the subject heir had withdrawn certain cash from the deceased's bank account before the death of the deceased and had stored the money at home, but that tax return filing for the money had not been done despite that filing for inheritance tax had been required.

### ～ Precise Action Towards New Fields of Economic Activities including the Sharing Economy<sup>1</sup> ～

As for the response to the economic activities in new areas such as sharing economy, we strive to create an environment that enables adequate filing: for instance, calling on the users (taxpayers) via the industrial organizations, intermediate companies, etc., for proper filing.

In addition, we endeavor to gather relevant information and enhance the analysis, for precisely grasping the taxpayers that might bear certain problems in taxation, to ensure provision of administrative guidance to them or to conduct tax examinations.

For more details of such efforts, please refer to the “Precise Action Taken Towards New Fields of Economic Activities including the Sharing Economy” ([https://www.nta.go.jp/information/release/kokuzeicho/2019/sharingeconomy\\_taio/index.htm](https://www.nta.go.jp/information/release/kokuzeicho/2019/sharingeconomy_taio/index.htm) [in Japanese]) uploaded on the NTA website.

<sup>1</sup> “New fields of economic activities including the sharing economy” is used as a collective term for sharing business and service, transactions of cryptoassets (virtual currency), online advertising (affiliate etc.), digital contents, online shopping and auctions and new other economic transactions.

## ~ Accurately understanding claims made by taxpayers and executing proper tax administration ~

When conducting tax examinations, the NTA consistently strives to accurately interpret assertions made by the taxpayer and study the laws and regulations based on accurate fact finding to exercise proper taxation. Towards this end, we are thoroughly adhering to the procedures and processes as defined in legal requirements.

## (2) Utilizing approaches other than field examinations

### ~ Promote various contact methods in addition to field examinations ~

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

#### ◎ Efforts to ensure voluntary fulfillment of tax obligations by taxpayers

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

## Cooperative approaches

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

### ● Approach to enhance the corporate governance on tax matters

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

We are striving to maintain and improve the filing level, through increasing the number of corporations that can be expected to do adequate filing voluntarily, by encouraging large companies to enhance the quality of tax matter-related corporate governance.

With this action, the NTA will be able to effectively utilize the limited human resource. From a corporate perspective, we expect the effects of a reduction in risks that tax affairs are inappropriately processed, and a reduction of burdens due to tax examinations.

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

### ● Promotion of the "self-inspection of tax returns and self-audit of tax items" at large enterprises

#### ~ Publication of check sheets by Large Enterprise Department of Regional Taxation Bureau ~

The site provides two types of check sheets: "Check sheet for tax returns," which can be used for a voluntary inspection of tax returns before submission, and "Check sheet for tax items that require special attention at large enterprises." Details of this activity are available in the "Information concerning <Self-inspection of tax returns and self-audit of tax matters> (for corporations handled by the Large Enterprise Division)." (<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/tk.htm> [in Japanese]) of the NTA website.

These sheets can be used for self-audit of, for example, omissions in entering adjustments in settling accounts and in adjustments for taxable income before tax return preparation. We expect the effect of a reduction in risks that processing errors are identified during examination by utilizing these to prevent errors in tax returns.



### ● Efforts through cooperative approach concerning transfer pricing taxation

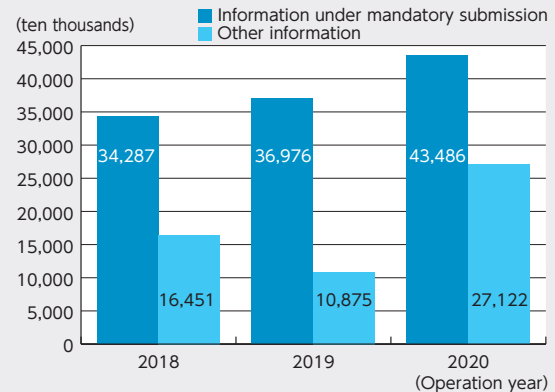
We published the “Transfer Pricing Guidebook-Towards Maintenance and Enhancement of Voluntary Tax Compliance” (June 2017) on the NTA website (<https://www.nta.go.jp/taxes/shiraberu/kokusai/itenkakakuzei/sei/index.htm>[in Japanese]) with the aim to increase the predictability of taxpayers and transparency of public administration concerning transfer pricing 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 through the information inquiry procedures and found in the course of tax examinations, in addition to the withholding records of employment income, payment records of dividend, etc. The NTA uses such information for guidance as well as tax examinations.

### ■ Number of information items collected



## (4) Criminal investigation

~ Pursues criminal responsibility of malicious tax evaders ~

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

~ Positive action towards cases with socially strong ripple effects ~

In FY2021, in view of the purpose of the tax criminal investigation system, the NTA focused on and actively engaged in cases with strong social ripple effects, such as consumption tax cases, non-filing cases, international cases and up-to-date and distinctive cases.

As a result, we accused cases such as international fraudulent scheme using overseas corporations, a fraudulent refund case committed by a corporation holding pet animal events by abusing the tax credit system for consumption tax; and a case committed by a former employee of a construction company who received reward money from a subcontractor.

### ◎ An example of accusations to the prosecutor in FY2021

#### We accused a case of international fraudulent scheme using overseas corporations.

We accused a case of international fraudulent scheme for corporation tax evasion to the prosecutor. In the case, fictitious expenses to an overseas corporation were booked and payment of the same amount was remitted to a deposit account in the name of an overseas corporation presided over by a related person. Via the deposit account the money was flown back to the deposit account in the name of an overseas corporation managed by the representative.

## ■ 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)
FY2020	111 cases	113 cases	83 cases	9,050 million yen (6,926)	80 million yen (83)
FY2021	116	103	75	10,212 (6,074)	99 (81)

\* Figures of tax evasion include additional tax.

## ■ Ruling Status in the first trial of criminal investigation cases

	Number of judgements ①	Number of convictions ②	Percentage of cases convicted ②/①	Number of convictions with prison sentences without probation ③	Amount of tax evaded per case ④	Term of prison sentence per person ⑤	Amount of fines per person (company) ⑥
FY2020	87 (3) cases	86 (3) cases	98.9 %	6 (2) persons	57 million yen	14.1 months	13 million yen
FY2021	117 (5)	117 (5)	100.0	5 (3)	64	15.7	15

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

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

### ◎ An example in FY2021 resulted in conviction

Prison sentence given to representative of a corporation that did a disguised export trade of gold bullion

Prison sentence (1 year and 8 months) was given to the representative of a corporation that had wrongfully received refund of consumption taxes by abusing the system of consumption tax exemption in exports.

## Case where hidden properties were found in criminal investigations

The NTA found cash in safety cashboxes placed under the movable floor of a closet in the house.



## 2 Ensuring tax payment

### (1) Establishment of voluntary tax payment

~ Approximately 70.5 trillion yen of taxes paid within the fiscal year (97.9% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2020, about 72 trillion yen of taxes (amount determined for collection) were self-assessed in Tax Offices. Of this, about 70.5 trillion yen of taxes (collected amount) were paid into the national treasury within the fiscal year, for a 97.9% collection ratio.

~ Measures to prevent delinquencies ~

To prevent delinquencies, the NTA is proactively conducting publicity on payment deadlines and saving funds for tax payment with the cooperation of relevant private organizations and Certified Public Tax Accountants' Associations.

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

A written notice on payment due date is sent in advance to taxpayers who has paid after the due date previously. After the due date has passed, we encourage a payment before the payment demand letter is sent.

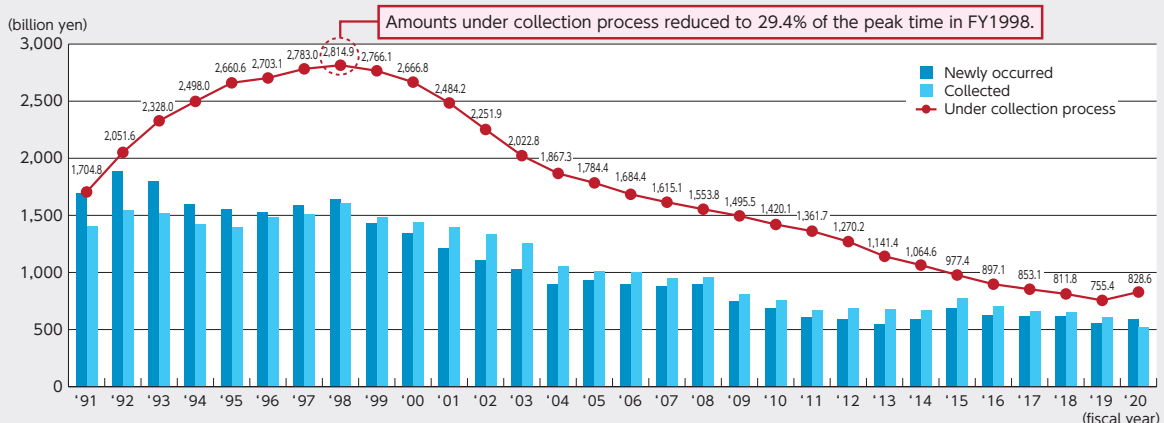
※ Delinquency signifies that the national tax was not paid by due date and a payment demand letter was sent.

### (2) Efforts to promote reduction of tax delinquency

~ Amounts under collection process reduced to 29.4% of the peak time ~

At the end of FY2020, the total amount of delinquent taxes was 828.6 billion yen.

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



※ 1 Figures are current cases under the collection process of delinquent taxes.

※ 2 Figures for local consumption tax are not included.

Amounts under collection process remains high at approximately 0.8 trillion yen

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

For delinquent national taxes, from the viewpoint of fairness with the great majority of taxpayers who pay within the due date, the NTA is working for early completion, and works to resolve delinquencies under the following basic policy.

## ~ Appropriate action in collection while considering each delinquent taxpayer's situation ~

In the collection of delinquent taxes, we encourage a voluntary payment and confirm the taxpayer's intention to pay while we will determine the resolution policy after fully understanding the situation of each delinquent taxpayer, such as the condition of its business, assets and balance of income and expenditure.

In particular, should the taxpayer consult with the NTA concerning difficulties it may have in paying in a lump sum, we will consider applying measures to ease conditions of the tax payment, such as grace of tax payment or asset conversion, after listening carefully to the taxpayer's circumstances, and permit payment in installments provided it satisfies the requirements of laws and regulations.

On the other hand, should sincere intentions towards payment of taxes not be recognized, including where repeated defaults of payment commitments are made, the NTA will take disposition for collecting delinquent tax, such as seizure and auctioning off of assets in a timely and appropriate manner.

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

When collecting delinquent tax in a large and notably malicious delinquency case, strict and resolute action is taken, such as search and seizure or collection of delinquent tax through public auctions, exercised in a timely and appropriate manner.

In addition, stricter actions are taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax<sup>1</sup>. This crime of evading disposition for collecting delinquent tax is referred to the prosecutor.

### ◎ Cases of accusations filed to the prosecutor in FY2021

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

The NTA accused the case in which the suspect concealed part of the assets for evading disposition for collecting delinquent tax by having certain trade receivables wired to a deposit account in the name of a different company through a disguise that the delinquent company had changed its name.

## ~ Organizational response to difficult-to-handle cases ~

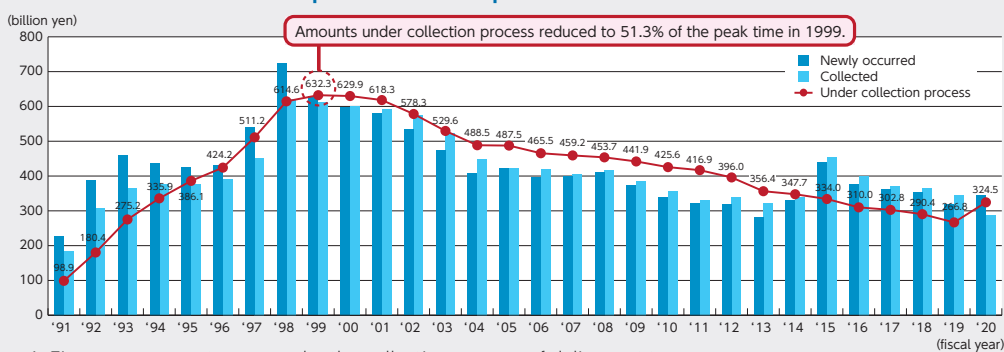
For delinquency processing of difficult-to-handle cases including complicated transactions and disguise of transfer of asset, the NTA secures sufficient resources necessary to solve the case and takes organizational actions such as disposition for delinquent tax by management over a wide geographic area, with timely project team formation.

The NTA also takes legal action, such as a lawsuit to demand the rescission of a fraudulent act<sup>2</sup> and actively uses legal means to collect delinquent taxes.

## ~ Certain handling of consumption tax delinquency cases ~

With respect to delinquency of consumption taxes, the NTA is striving to reduce the balance of delinquent consumption tax in a decisive manner such as by making sure that new cases are dealt with swiftly.

### ■ Trend of collection of delinquent consumption tax



※1 Figures are current cases under the collection process of delinquent taxes.

※2 Figures for local consumption tax are not included.

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

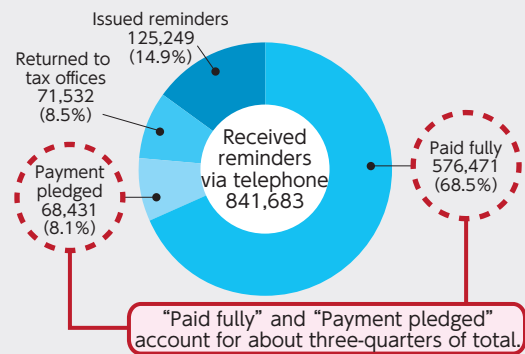
2 A lawsuit to demand the rescission of fraudulent act is a lawsuit to negate the validity of a legal act (fraudulent act) regarding assets between the delinquent taxpayer and third party, where such act harms the claimant (country). The lawsuit aims to take back from the third party that asset separated from the delinquent taxpayer, and return it to the delinquent taxpayer.

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

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

Over the year from July 2020 to end of June 2021, the office placed notifications to about 840,000 people, of which about 580,000 people (68.5%) have already fully paid and about 70,000 people (8.1%) pledged payment.

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



### (4) Public auctions

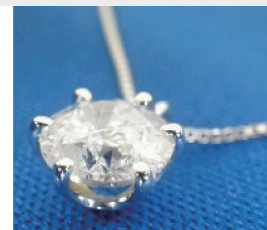
#### ~ Sold approximately 850 items ~

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

During a year between July 2020 and June 2021, 138 public auctions were conducted nationwide. As a result, about 850 items (real estate properties, cars, jewelry, etc.) were sold and the total amount of the proceeds was about 3 billion yen.

Regarding the list of items to be put subject to a public auction by the Regional Taxation Bureaus throughout Japan and each auction schedule, you can confirm the details in the section of "Public auction notices" (<https://www.koubai.nta.go.jp/> [in Japanese]) on the NTA website.

#### Examples of properties that were sold through public auctions between July 2020 and June 2021





## (5) Accurate and efficient management of claims and liabilities

### ~ Prompt process realized by advanced use of systems ~

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

There are about 40.25 million tax payment cases each year. To efficiently process this amount of payments, the NTA is using optical character recognition (OCR)<sup>1</sup> for processing tax payment slips at the Bank of Japan, and adopted online tax payment, direct payment and others in addition to transfer tax payment for income tax and sole proprietors' consumption tax. The NTA is also pursuing efficient and speedy refunds by adopting online transfer procedures.

## 3 Addressing international transactions

### (1) Background

#### ~ Increase of public interest in international tax avoidance cases ~

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

In consideration of this situation, the NTA considers that achieving proper and fair taxation in view of both global and domestic trends will lead to securing trust from taxpayers.

### (2) Actions against the affluent class and corporations conducting cross-border transactions

#### ~ Active engagement with international tax avoidance cases ~

The NTA places undertakings in international taxation high on its list of priorities, and actively carries out examinations of international tax avoidance cases, while at the same time: (1) enhancement of information resources (reinforcement of information collection and utilization), (2) enhancement of human resources for examination (establishment and expansion of a system for enforcement areas), and (3) reinforcement of global networks (including cooperation with foreign tax authorities).

#### ① Enhancement of information resources (reinforcement of information collection and utilization)

##### ~ Detect precisely cross-border transactions and domestic and foreign assets ~

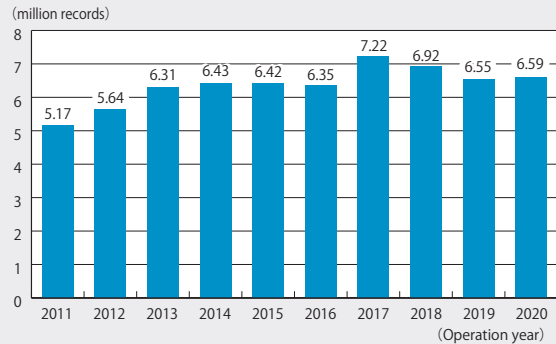
The NTA adopts the following systems to precisely detect overseas transactions and assets within and outside of Japan, while comprehensively analyzing collected or given information and others to deal with cases of international tax avoidance adequately, for the purpose of detecting the income flows from cross-border economic activities and realizing appropriate and fair taxation.

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

## a. Records of remittances and receipts related to foreign countries

Records of remittances and receipts related to foreign countries are reports to be submitted to Tax Offices by financial institutions that conduct outward and inward overseas remittances over 1 million yen. The record states the name and address of the sender and receiver of funds, remittance amount, etc.

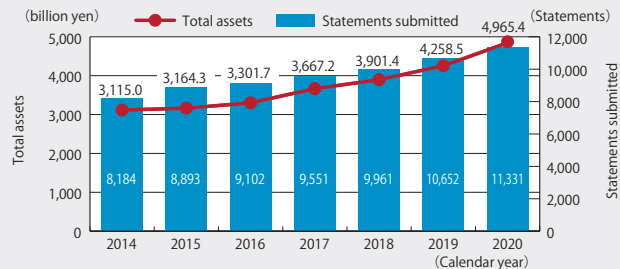
■ The number of Records of remittances and receipts related to foreign countries submitted



## b. Foreign asset statements

Those who have foreign assets totaling over 50 million yen as of December 31 in the year are to submit a statement describing the type, value of the assets overseas, etc. by March 15 of the following year to Tax Offices.

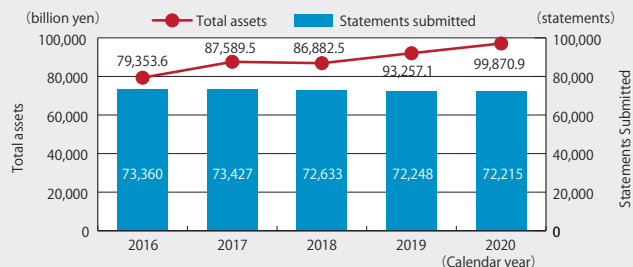
■ The number of foreign asset statements submitted and total amount of assets reported



## c. Statements of assets and liabilities

Those who earn an income of over 20 million yen in the year, and hold assets totaling 300 million yen or more or securities, and others totaling 100 million yen or more as of December 31 in the year are to submit a statement describing the type, value of the assets, the amount of debt, etc. by March 15 of the following year to Tax Offices.

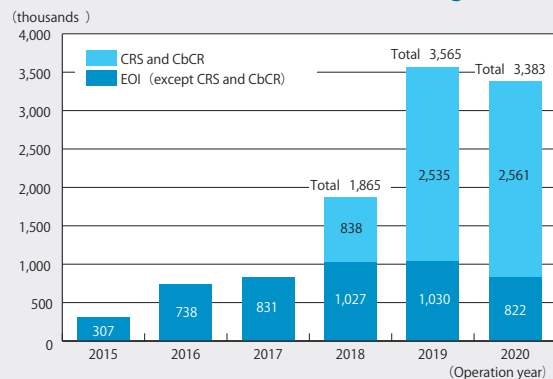
■ The number of statements of assets and liabilities submitted and total amount of assets reported



## d. Exchange of information under tax treaties, etc.

Regarding the cross-border transactions, the NTA acquires the necessary information for proper and fair taxation and collection from other jurisdictions by utilizing exchange of information with foreign tax authorities under Tax treaties, etc. (As of May 2022, Japan has 83 Tax treaties, etc.<sup>1</sup> in force, which cover 149 jurisdictions).

■ Trend in number of information exchange



※1 Number of information exchange represents the total of provisions and receipts in each operation year.  
 ※2 Figures for operation year 2018 and onwards include financial account information of non-residents under the CRS and CbCR.

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

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

To address international tax evasion and avoidance performed through foreign financial institutions, the OECD formulated the Common Reporting Standard (CRS) which is the international standard for regularly exchanging financial account information of non-residents (name, address, account balance, etc.) with the tax authorities of other jurisdictions.

Japan also exchanges relevant information with other foreign tax authorities based on this framework. The NTA uses the information received to detect and identify financial assets located overseas and income generated through those assets, and cross-border transactions with taxation issues after paying attention to changes in asset balances and analyzing the information together with other documents and information, such as records of remittances and receipts related to foreign countries and foreign asset reports.

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

	Receipt				Provision			
	July 2019~June 2020		July 2020~June 2021		July 2019~June 2020		July 2020~June 2021	
	Number of countries and regions	Number of accounts	Number of countries and regions	Number of accounts	Number of countries and regions	Number of accounts	Number of countries and regions	Number of accounts
Asia and Pacific	15	1,630,421	16	1,473,200	11	373,870	12	529,864
North America and Central & South America	19	96,288	19	117,291	11	33,526	13	43,354
EU and NIS Countries	41	299,313	40	313,587	38	64,129	39	73,074
Middle East and Africa	11	32,755	12	2,818	5	2,174	6	4,266
Total	86	2,058,777	87	1,906,896	65	473,699	70	650,558

### ◎ Effective use cases of the CRS information

- Based on CRS information, the NTA detected the fact of failure in including officer compensation received from a foreign corporation as well as dividend income earned from asset management using the said officer compensation as the base fund in the tax return of the subject taxpayer.
- Based on CRS information, the NTA detected the existence of an overseas deposit account in the name of the ancestor as well as the fact of failure in including the balance of the deposit account and overseas real estate properties newly found in our examination in the tax return of the subject taxpayer.
- Based on CRS information, the NTA detected the fact that a significant amount of balance remained in a deposit account located overseas under the name of the corporate representative and revealed the fact that earned commission was being excluded from the corporate income deliberately by collecting that commission through the representative's individual account.

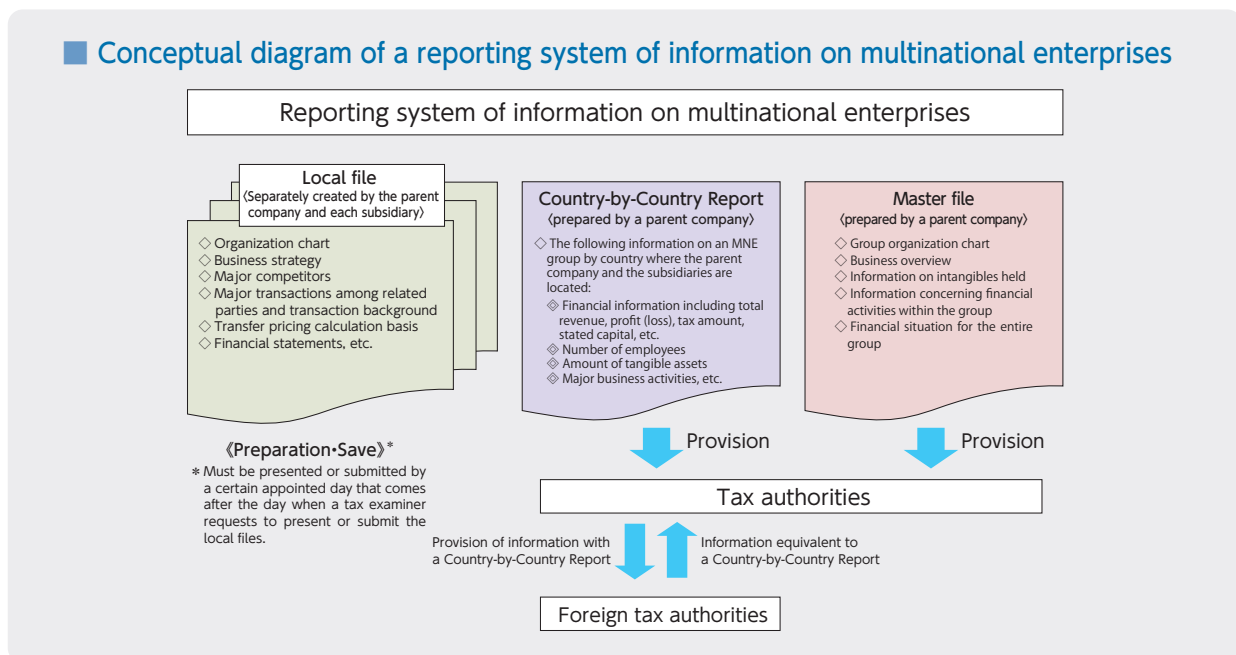
## f. Reporting system of information on multinational enterprises

For the purpose of understanding the global activities and the actual situation of tax payment by multinational enterprises (MNEs), certain corporations are obligated to provide (or prepare and store) the following information to Tax Offices: (1) reporting items by country (“Country-by-Country Report [CbCR]”), (2) Master Files, and (3) local files<sup>1</sup>.

Regarding CbCR, the ultimate parent company of MNE group over a certain size is obligated to provide CbCR to the tax authority of residence Jurisdiction. In operation year 2020, NTA received 2,186 CbCRs from the tax authority of 53 jurisdictions and provided 898 CbCRs to 57 jurisdictions.

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

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



## ② Enhancement of human resources for examination (establishment and expansion of a system for implementation areas)

### ~ Establishment of dedicated divisions and project teams ~

To deal with international tax avoidance, the NTA ensures that a dedicated section be established within Regional Taxation Bureau or Tax Office.

In addition, the project team for the selective management of the affluent class, established in each Regional Taxation Bureau across the country, collects and analyzes various kinds of information through an integrated management of taxpayers who in particular hold a large amount of assets among the affluent class, by managing its relevant parties, the companies controlled by them, etc. as an integrated group.

<sup>1</sup> 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 CbCR 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).

### ③ Reinforcement of global networks (cooperation with foreign tax authorities)

#### ~ Enhance cooperation with the foreign tax authorities ~

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

#### a. Participation in global frameworks

##### (a) Development and implementation of international agreements

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

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

##### (b) Participation in the OECD activities

The Actions in the final BEPS report need to be implemented not only in the OECD member countries but also in many other countries and regions including emerging and developing countries. Thus, "Inclusive Framework on BEPS" has been established. As of May 2022, 141 jurisdictions including Japan participate in this framework, and we are doing peer review of the implementation status of the Actions, discussion for reviewing the Actions and, in these days, discussion about solutions to address the tax challenges arising from digitalization of the economy.

Regarding exchange of information under tax treaties, the legal framework and the implementation in each jurisdiction are mutually assessed at the "Global Forum on Tax Transparency and Information Exchange" in which 164 jurisdictions participate as of May 2022.

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

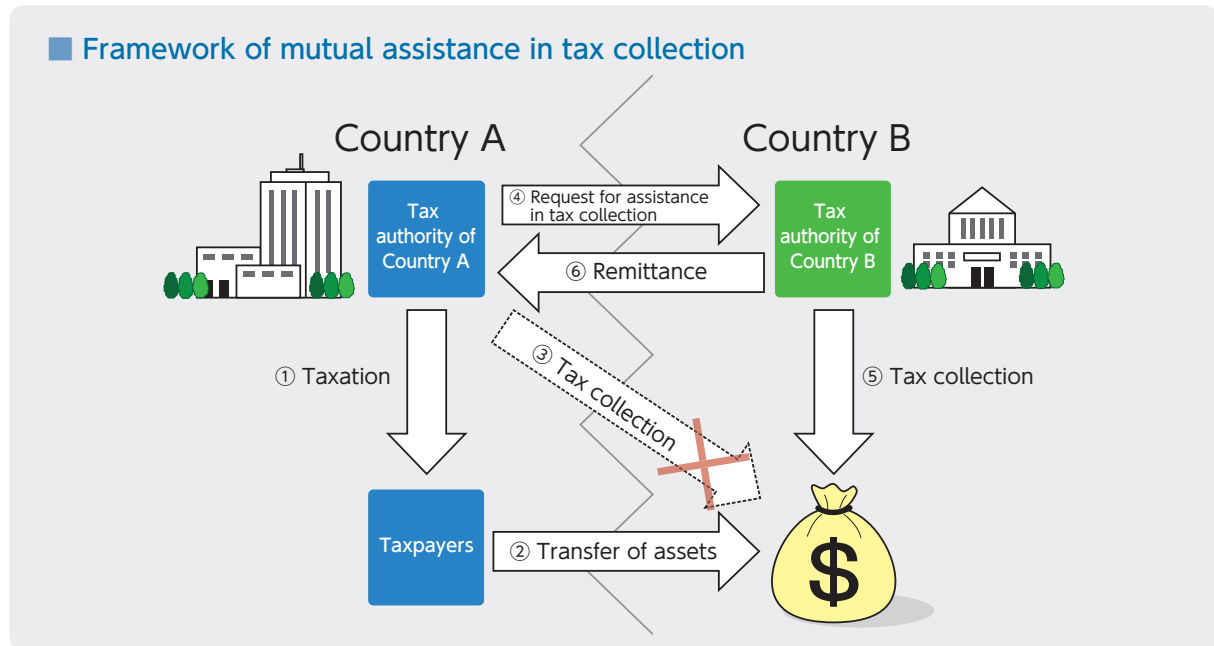
The NTA is actively participating in these activities and discussions.



## b. Utilization of a mutual tax collection assistance system

A country's tax authority cannot exercise its public authorities outside the country's territory for the purpose of tax collection. For this reason, in order to deal properly with international tax collection evasion through transfer of assets overseas, a framework of "mutual assistance in tax collection" which enables each country's tax authority to mutually collect tax claims of treaty partners is adopted in tax treaties.

The NTA promotes international tax collection by actively utilizing the mutual assistance system for tax collection under treaties such as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters<sup>1</sup>.



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



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

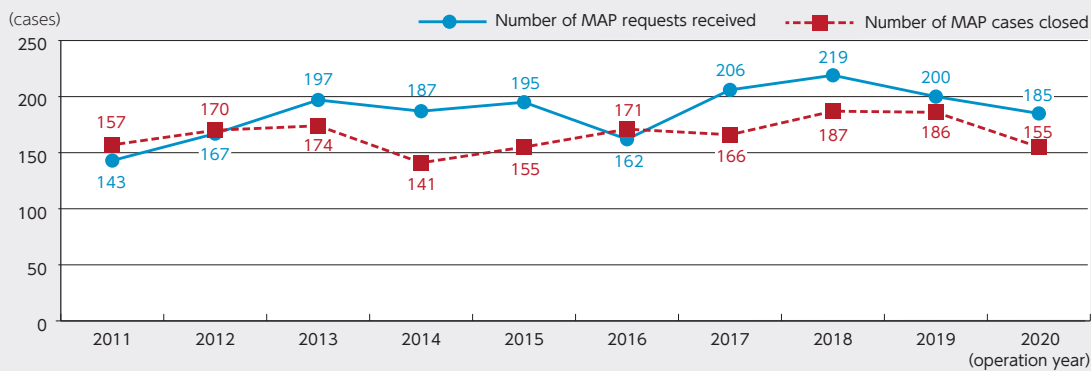
<sup>1</sup> It is a multilateral convention on mutual assistance for the exchange of tax-related information, tax collection and service of documents and has become effective in 137 jurisdictions including Japan (as of June 1, 2022).

### c. Mutual Agreement Procedure (MAP)

When a taxpayer makes a request regarding international double taxation arises from transfer pricing adjustments or others, the NTA enters into Mutual Agreement Procedure (MAP)<sup>1</sup> with relevant foreign tax authorities based on the provisions of applicable tax treaties to resolve such double taxation. In addition, the NTA enters into MAP for Advance Pricing Arrangement (APA)<sup>2</sup> in view of the predictability for taxpayers and the proper and smooth administration of the transfer pricing taxation<sup>3</sup>.

The NTA makes every effort to resolve the MAP cases appropriately and promptly. Specifically, we have been ensuring adequate number of staff and establishing cooperative relationships with relevant foreign tax authorities for swift and smooth MAP negotiations<sup>4</sup>.

■ Number of MAP requests received and MAP cases closed

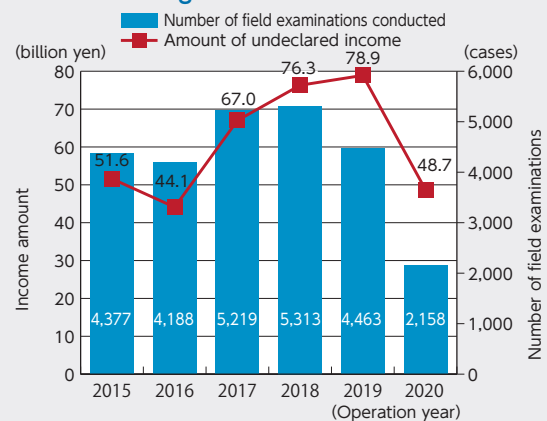


### (3) Actions against the affluent class and corporations that conduct cross-border transactions

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

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

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



#### ◎ Example cases of examinations on the affluent class and enterprises engaged in cross-border transactions

- Through requesting for necessary information based on the relevant tax treaty, etc., the NTA uncovered a case of wrongful tax return that the taxpayer had hidden certain dividend income from an overseas corporation controlled by the person by preparing a false tax return.
- The NTA ascertained the fact that an overseas account was being used to receive consulting fees from a foreign corporation, and the subject fee was not being declared as income.

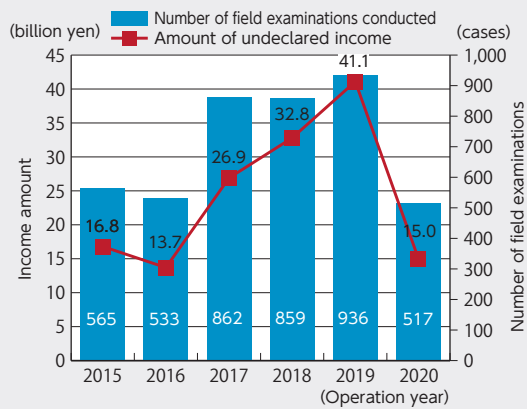
1 "Mutual Agreement Procedure (MAP)" is a formalized set of procedure between tax authorities of treaty partners which are provided in tax treaties. The NTA enters into MAP upon the taxpayers request where taxpayers consider that international double taxation arise or will arise from transfer pricing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

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

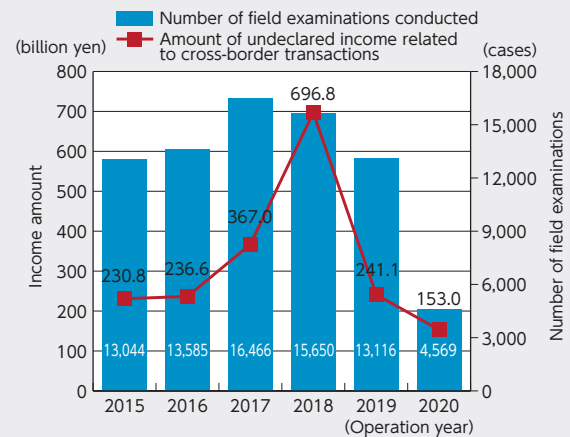
3 An adjustment of an enterprise's the income based on the transaction price between third parties (referred to as "arm's length price") when such enterprise engages in a transaction with a related enterprise abroad, and the income of such enterprise is diminished due to the fact that the transaction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

4 During operation year 2020, the NTA had 57 MAP meetings totaling 153 days.

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



### Actual examination of corporation tax related to cross-border transactions



## ~ Defining conditions for application of transfer pricing taxation ~

As company activities become increasingly globalized, more transactions are becoming subject to the transfer pricing taxation, and the details of the transactions are becoming more complex. To increase predictability for taxpayers, the NTA has announced its administration policy on the operations and its application requirements, by updating directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation. In case of the Advance Pricing Arrangement (APA), the NTA has been providing an environment where taxpayers can smoothly apply for this APA, such as engaging in consultations prior to accepting requests for APA.

## 4 Cooperation with foreign tax authorities

### (1) Technical cooperation for developing countries

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

Under the framework of technical cooperation by the Official Development Assistance (ODA), the NTA is actively providing technical cooperation to developing countries, focusing on Asian countries. The aims are to improve tax administration of developing countries and foster understanding Japan's tax administration. In FY2021, since it was difficult to invite trainees from foreign countries and to dispatch lecturers to overseas due to the Covid-19 pandemic just like in the previous fiscal year, we made efforts to hold as many trainings as possible, using online systems, etc.

## Overview of technical cooperation

### 1. Dispatch of officials to developing countries

Based on the requests received from developing countries' tax authorities, the NTA dispatches its officials for trainings held in those countries. In FY2021, we gave lectures to the tax authorities of Vietnam, etc. using online systems.

Moreover, with a view to giving continuous advice on tax administration to developing countries, the NTA also dispatches its officials as long-term experts of Japan International Cooperation Agency (JICA). In FY2021, they worked in Indonesia, Lao PDR, Philippines, and Vietnam.

### 2. Trainings conducted in Japan

#### (1) International Seminar on Taxation (ISTAX)

This is the seminar for tax officials from several developing countries, and gives lectures on Japan's tax system and tax administration. It has two courses: "General" for mid-career officials, and "Advanced" for upper management-level officials.

#### (2) Country-Focused Training Courses

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

#### (3) International Taxation for Asian Countries

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

#### (4) Practicum at the NTA

This course targets tax officials from developing countries who are studying at Japanese graduate schools (master's courses) on a scholarship from the World Bank, etc., and gives lectures on Japan's tax system and tax administration. In FY2021, nine students in total, enrolling in graduate schools of Keio University and National Graduate Institute of Policy Studies, participated in this course.

### ■ Status of trainings conducted in Japan

(number of countries, people)

		2017	2018	2019	2020	2021
International Seminar on Taxation (ISTAX) (General)	Countries	15	14	16	–	14
	Participants	15	14	16	–	14
International Seminar on Taxation (ISTAX) (Advanced)	Countries	9	9	11	–	10
	Participants	9	9	11	–	10
Country-Focused Training Courses in Tax Administration	Countries	4	6	3	1	2
	Participants	79	86	32	15	136
International Taxation for Asian Countries	Countries	6	5	7	–	6
	Participants	12	7	7	–	11
Practicum at the NTA	Countries	11	11	12	7	8
	Participants	15	17	15	9	9



## (2) Other technical assistance

### ~ OECD Asia-Pacific Academy for Tax and Financial Crime Investigation ~

OECD Asia-Pacific Academy for Tax and Financial Crime Investigation, which the NTA holds in collaboration with OECD, is the training program regarding investigation techniques on tax crimes, money laundering, and international cooperation, etc.

Since the first program at Wako Campus of the National Tax College in May 2019, we held nine programs in total including those held online as of the end of FY2021.

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

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

### a. The OECD Forum on Tax Administration (FTA)

The FTA is a forum for Commissioners from 38 OECD and 14 non-OECD countries (as of May 2022) to share their knowledges and experiences in a wide range of fields in tax administrations. The 14th Plenary Meeting took place virtually in December 2021, where the commissioners discussed the issues in implementation of the new international taxation agreement and the responses taken by each tax authority to the Covid-19 pandemic, etc.

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

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

In November 2021, the NTA hosted the 50th SGATAR Annual Meeting which is held online, with the discussions about the efforts towards digitalization of tax administration and mutual assistance in tax collection.



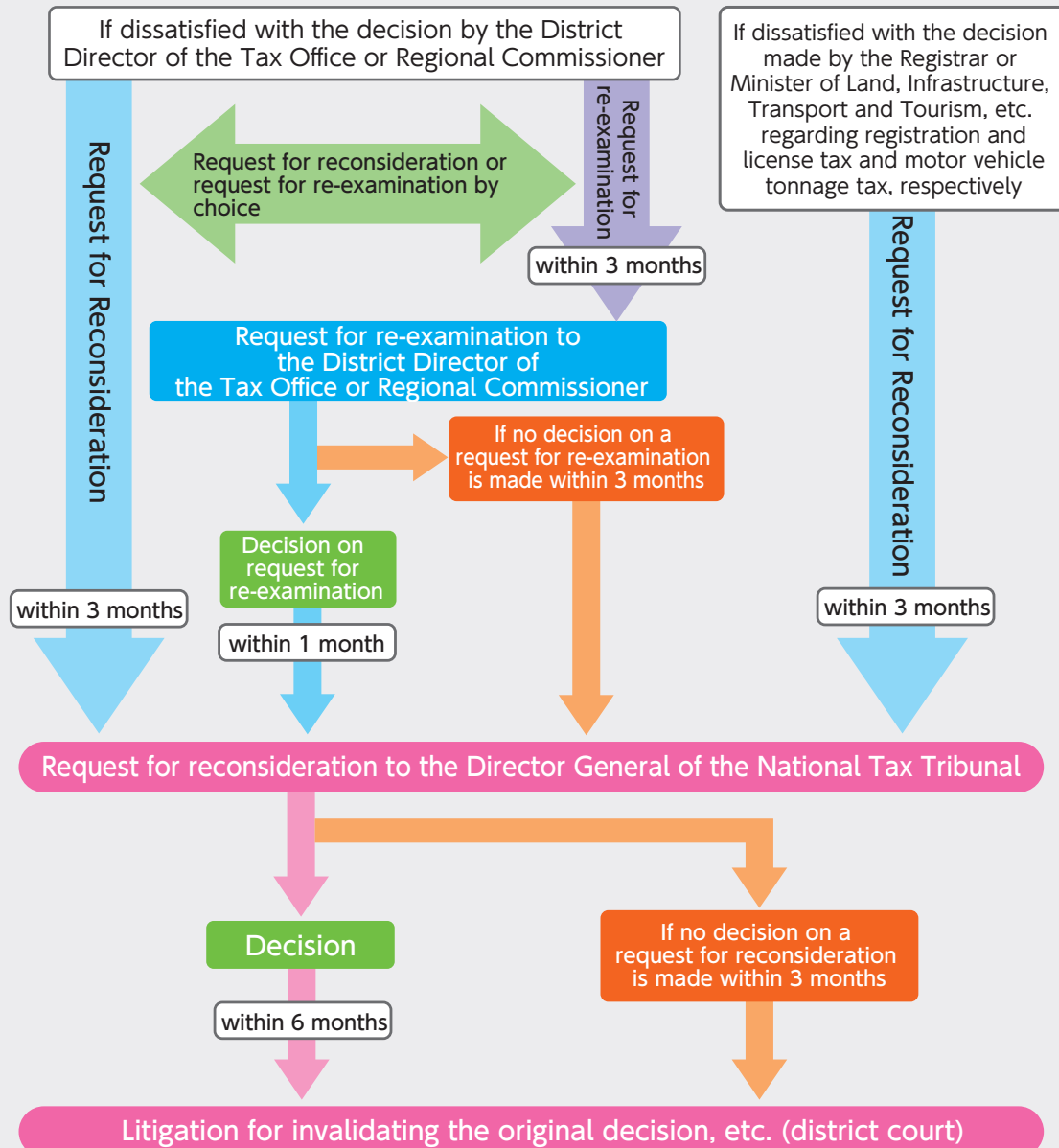


## ~ The request for review system for national tax ~

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.

### Overview of the request for review system for national tax



### (1) Request for re-examination

#### ~ Simplified, prompt and fair remedies for taxpayer rights ~

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

### (2) Request for reconsideration

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

Request for Reconsideration is a system whereby when a taxpayer is dissatisfied with a disposition decision by the District Director of the Tax Office, the taxpayer can file an objection with the Director-General of the National Tax Tribunal. Missions of the National Tax Tribunal are as follows: pursue remedy of the legitimate rights and interests of taxpayers from the standpoint of a fair third party; and contribute to ensuring the proper operation of tax administration. Thus, for such request, it undertakes an examination, discusses it, and renders a verdict on it.

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

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

### (3) Litigation

#### ~ Remedy by law ~

Even after the decision by the Director-General of the National Tax Tribunal, taxpayers who remain dissatisfied are entitled to file litigation.

## Response to complaints from taxpayers

The NTA receives from taxpayers such voices as complaints, dissatisfactions, or inquiries on problems they have regarding other operations of Tax Offices, Regional Taxation Bureaus, and the NTA or the tax matters in general, in addition to request for review of disposition decisions made by the NTA. Concerning such complaints, etc. received from taxpayers, the NTA strives to respond promptly and adequately from the viewpoint of each taxpayer as well as to ensure that taxpayers properly understand and rely on the tax administration.

The NTA appoints Taxpayer Support Officers to properly respond to taxpayer complaints on disposition decisions that might affect taxpayers' rights and interests, for example by explaining the procedures to remedy taxpayer rights.

#### (4) Trend in remedies for taxpayer rights

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

##### a. Request for re-examination

- **Target** The NTA has set the standard length of deliberations for a request for re-examination to 3 months and is striving to finish processing requests for re-examination within 3 months in principle.
- **Result** In FY2021, 100% of requests for re-examination were closed within 3 months. 1,198 re-examinations were requested in FY2021 (1,152 on taxation and 46 on tax collection). Of these, 6.9% of taxpayer claims were approved in whole or in part by recognizing new facts, etc.

##### b. Request for reconsideration

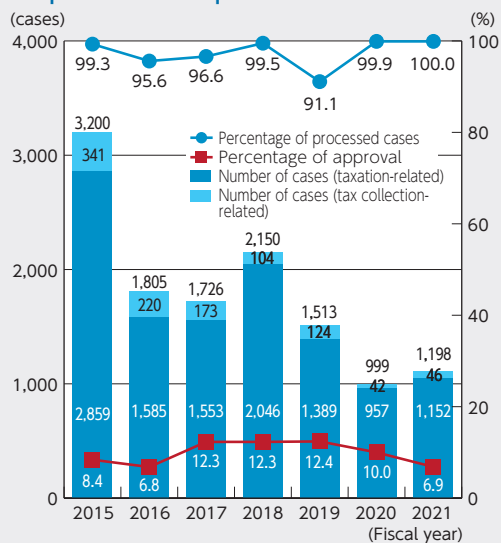
- **Target** The NTA and the National Tax Tribunal have set the standard length of deliberations for a request for reconsideration to 1 year and are striving to finish processing requests for reconsideration within 1 year in principle.
- **Result** In FY2021, 92.6% of requests for reconsideration were closed within 1 year. There were 2,282 requests for reconsideration in FY2021 (2,202 on taxation and 80 on tax collection). Of these, 13.0% of taxpayer claims were approved in whole or in part by recognizing new facts, etc.

##### c. Litigation

For litigation, 199 cases were closed in FY2021 (164 on taxation, 33 on tax collection, and 2 on the National Tax Tribunal). Of these, 6.5% of taxpayer claims were approved in whole or in part.

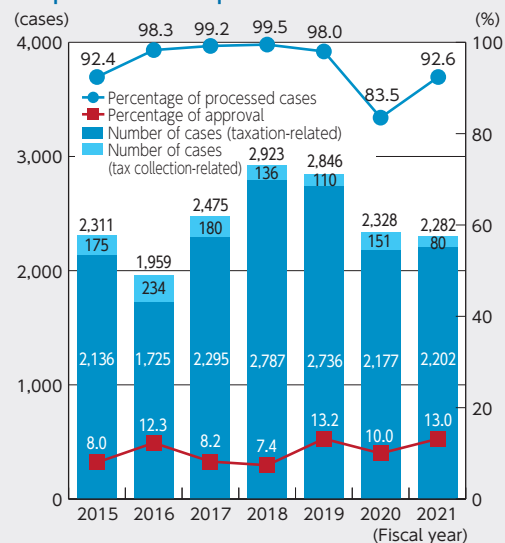
※ The NTA and the National Tax Tribunal provide information such as the leaflet of revision of the request for review system for national tax, overviews of the requests for re-examination, the requests for reconsideration and litigation and cases of decisions on requests for reconsideration. These are on the NTA website and on the National Tax Tribunal website (<https://www.kfs.go.jp> [in Japanese]).

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



- ※1 These figures are provisional numbers as of the end of April 2022.
- ※2 Percentage figures of processed cases were calculated excluding MAP (Mutual Agreement Procedure) cases, public prosecution-related cases and international taxation cases, as well as, in FY2020 and ensuing years, cases in which re-examination requests could not be processed within three months due to interruptions by natural disasters, etc. or taxpayers' conditions.
- ※3 Figures for FY2015 indicate the number and percentage of processed requests for reinvestigation before the revision.

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



- ※1 These figures are provisional numbers as of the end of April 2022.
- ※2 Percentage figures of processed requests in FY2017 onward were calculated by excluding the case suspension period for such cases as MAP cases and public prosecution-related cases. Also, for FY 2021, calculation was done excluding not only the above period but also the period when examination and/or discussion were interrupted due to natural disasters, etc. or the conditions of those who requested for reconsideration.

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

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

In order to revitalize the liquor industry and promote the exports, the measures for the domestic market and the measures for export promotion are used as the two pillars for the objectives. More specifically, we look to the improvement in domestic and overseas visibility as well as provide support for cultivating overseas sales channels. (Hereunder, please also reference the “Sake Report” (<https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/2022/pdf/001.pdf> [in Japanese]) (released in March 2022) uploaded to the NTA website.)



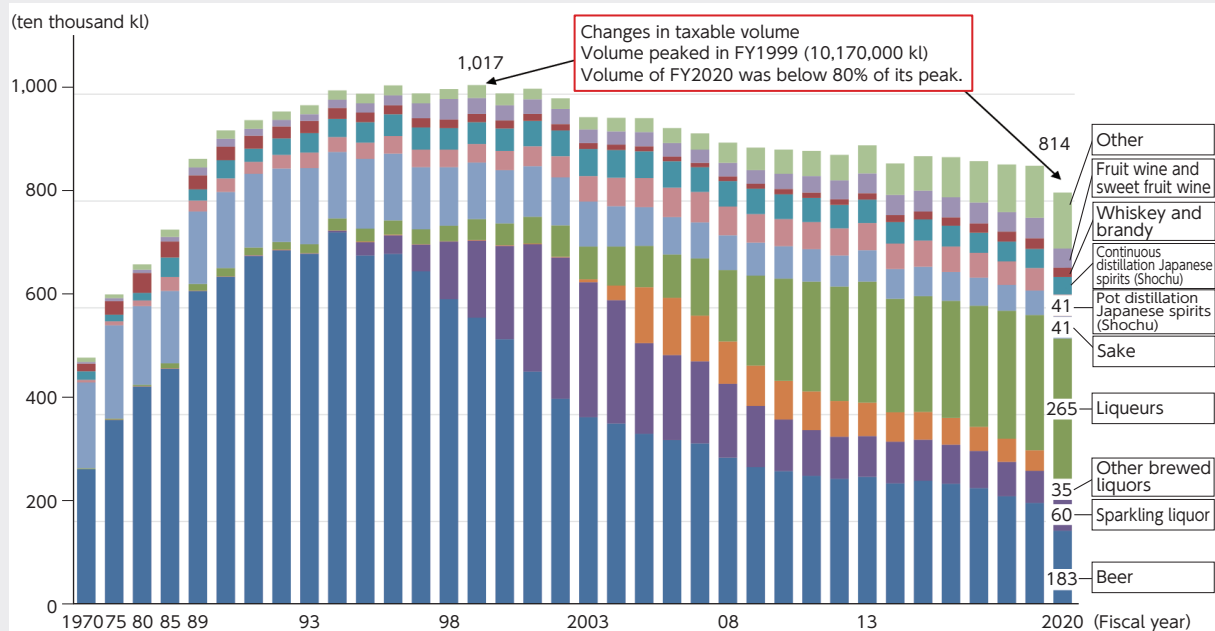
Sake Report

## 1 Situation of Liquor Industry

### (1) Situation of domestic market

The taxable volume of liquor has declined since it peaked in FY1999, due to decreasing birthrate, accelerated aging, decreasing population, etc. Beer, in particular, has declined considerably, because of the shift of consumption from beer to low-priced liquors such as sparkling liquor, chuhai, beer-like products(so-called “new genre drinks”), etc. (Sake Report 1 (1))

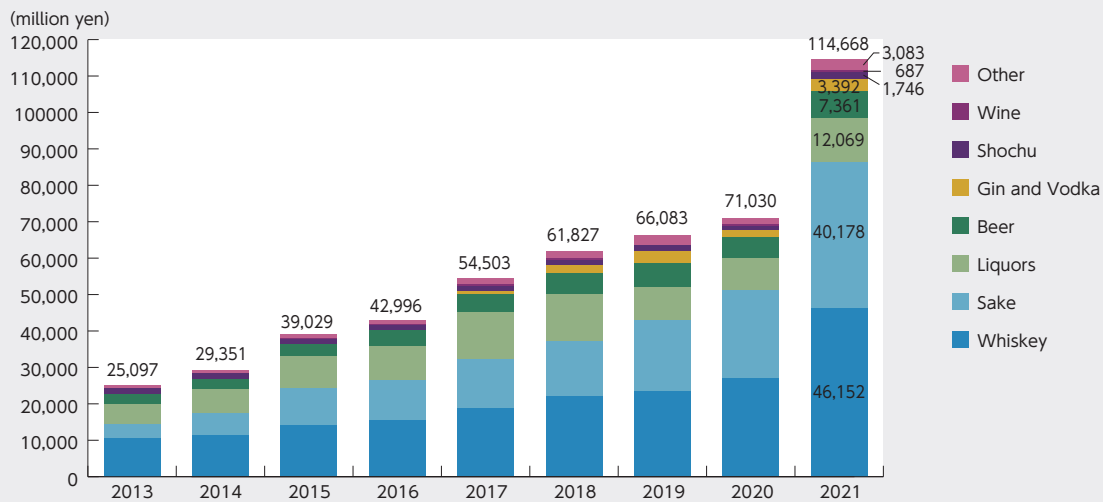
#### Changes in taxable volume



## (2) Situation of the Japan-made liquor exports

In 2021, Japan-produced liquor exports amounted to about 114.7 billion yen (61.4% increase over prior year), breaking the line of 100 billion yen for the first time in history. This was the 10th consecutive year in reporting the record high (Sake Report 1 (2)).

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



(Source: "Foreign Trade Statistics" by the Ministry of Finance)

## (3) Impact of the Covid-19 pandemic

Due to the impact of the expansion of the Covid-19 pandemic, domestic liquor consumption has further declined particularly at restaurants since April 2020.

### ■ Trends of domestic liquor consumption in 2021

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

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Consumption at home	+15.6	+2.6	▲0.1	▲5.7	▲4.2	▲3.3	+0.1	▲8.3	▲15.3	+6.3	▲5.2	▲1.2	▲2.3
Consumption at restaurants	▲90.8	▲83.8	▲49.9	+98.2	▲6.2	▲62.2	▲52.7	▲65.5	▲82.6	▲32.9	+1.5	+143.6	▲49.2
Consumption at home and restaurants	▲28.8	▲25.5	▲10.6	▲1.3	▲4.3	▲10.3	▲7.9	▲15.0	▲24.3	▲1.8	▲4.1	+11.3	▲10.2

(Source: Average amount of consumption expenditure per household "with two-or-more-person" [in nominal terms] in the 2021 Family Income and Expenditure Survey by the Statistics Bureau, the Ministry of Internal Affairs and Communications)

## 2 Efforts of the NTA

### ~ Promotion of liquor business ~

Given the current status and challenges, the NTA is making efforts to help the domestic and overseas liquor markets expand and help them further grow and develop in a sound manner (Sake Report 3).



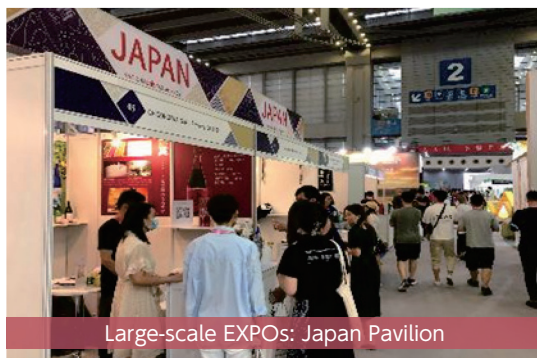
## (1) Efforts for cultivating sales channels and promoting exports

In the “Implementation strategy to expand exports for agricultural, forestry and fishery products and food” (<https://www.nta.go.jp/taxes/sake/yushutsu/01.htm#a01> [in Japanese]) (decided by the Headquarters for Revitalizing Agriculture, Forestry and Fisheries, and Regions in December 2020), sake, whisky, and authentic shochu/awamori were positioned as the three priority export items in the liquor category, where the target countries, targeted export volume, etc. were set for each item. We help them raise the visibility and expand the sales channels towards the achievement of the targets for such three priority items.

### a. Support for cultivating sales channels

To further expand the exports of Japan-produced liquor products, we promote three programs as an integrated package: namely, appointment of liquor export coordinators (<https://www.nta.go.jp/taxes/sake/yushutsu/coordinator/index.htm> [in Japanese]); export promotion consortium for Japan-produced liquor products; and overseas trade EXPOs centered on online events.

We also pursue other supportive measures: for instance, support for participation in overseas large EXPOs; conducting overseas market surveys (<https://www.nta.go.jp/taxes/sake/yushutsu/chosa/r03.htm> [in Japanese]), etc.



Large-scale EXPOs: Japan Pavilion



Overseas trade EXPOs

### b. International promotion

To enhance the visibility of Japan-produced liquor products, we coordinated for a promotion targeting foreign media people in July 2021, coinciding the Tokyo Olympics & Paralympics 2020. Also, in December 2020, we had a promotion booth in the “Japan’s Food and Liquor” event held in Taiwan, commemorating the 10th anniversary of the recovery from the 2011 Mega Quake in East Japan.

In March 2022, we conducted a promotion event for the theme of Japanese sake and sake brewery tourism, in collaboration with Japan House in London of the UK.



PR booth for Japan-produced liquor products at the Tokyo Olympics & Paralympics 2020



Japan House in London

## c. Frontier Subsidies

In FY 2020, we established “Subsidy to Assist the Structural Transformation of Liquor Business (Frontier Subsidy)” (<https://www.nta.go.jp/taxes/sake/boshujoho/hojojigyo.htm#a02> [in Japanese]) for supporting the initiatives of new features and advance nature in relation to effective use of product differentiation and diversification of sales methods. In the current year as well, we are supporting the challenges to respond to the structural issues in liquor industry as well as the challenges to solve the problems that have become apparent due to the Covid-19 impact, using the “Subsidy for the Business to Support New Market Cultivation (Frontier Subsidy).” (<https://www.nta.go.jp/taxes/sake/boshujoho/index.htm#a01> [in Japanese]) (Sake Report 3 (3) ①)

## d. Implementing event promotion project to expand sales channels and stimulate consumption for Japan-produced liquor products (Enjoy SAKE! project)

(<https://www.nta.go.jp/taxes/sake/boshujoho/index.htm> [in Japanese])

Based on the “Economic Measures to Overcome the Covid-19 Pandemic and Cultivate a New Era” (Cabinet decision made in November 2021), we have implemented various model projects and information provision for expanding sales channels of liquor companies and stimulating consumption, and have conducted analyses about the demonstration effects of the foregoing. We also have developed certain model cases concerning effective undertaking methods and forms, to compensate for the large decline in consumption of liquor products due to the slump of eating-out industry resulting from the Covid-19 impact.

### (2) Branding and promotion of sake brewery tourism

#### a. Promotion of sake brewery tourism, etc.

We created the “Subsidies for the Business Budget Supporting Overseas Deployment of Japan-Produced Liquor Products (Subsidies for Branding and Sake Brewery Tourism)” in FY2021, for supporting the proactive efforts by liquor companies. Through this, we are promoting the branding and sake brewery tourism in the whole industry. (Sake Report 3 (2) ①)

#### b. Expansion of the use of Geographical Indications (GI)<sup>1</sup>

The NTA is engaged in the designation and proliferation of GI from the perspective of enhancing brand value of liquor within and outside of Japan (For the latest designation status, see the “List of GIs for liquor products” (<https://www.nta.go.jp/taxes/sake/hyoji/chiriteki.htm> [in Japanese]) on the NTA website). On that, we have held briefing sessions and seminars, produced a guidebook, conducted PR activities at six bookstores nationwide, held conferences, etc.

#### c. Initiatives for popularizing liquor indication rules, etc.

“Voluntary Standards Regarding the Display of Japanese Whisky” were legislated by the Japan Spirits & Liqueurs Makers Association, and they took effect in April 2021 (For the details of the voluntary standards, see the Japan Spirits & Liqueurs Makers Association website (<http://www.yoshu.or.jp> [in Japanese])). The NTA has been providing sideline support for dissemination and enlightenment for the business operators and consumers: for instance, hosting the “Japanese Whisky Symposium” (<https://www.nta.go.jp/taxes/sake/event/21.htm> [in Japanese]) in March 2022.

In addition, the NTA has done the following institutional revisions that contribute to enhancing the brand value of Japan-produced liquor products: institutional revision abolishing the regulation on coloring degree for spirits for diversifying the product scope for spirits; improvement in indication method for production timing and awards received in the “Criteria of Production Method and Quality Indication for Sake”; and revision of the “Act Concerning JAS, etc.” whereby “organic liquor category” was added to the JAS standards.

<sup>1</sup> 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 products that are produced within the production area and fulfill certain production standards can exclusively use the name of its production area (the name of region as a brand).

### (3) International negotiations for abolition of customs duties, import restrictions, etc.

The NTA is seeking elimination of customs duties and import restrictions, protection of GI, etc. in international negotiations of EPA and others.

In the Regional Comprehensive Economic Partnership (RCEP) Agreement took effect in January 2022, Japan acquired gradual elimination of customs duties on sake, etc. from China and South Korea, with whom Japan concludes EPA for the first time.

After the accident at Fukushima Daiichi Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions. The NTA will continue to ask that these restrictions be lifted based on scientific evidence. (Sake Report 3 (2) ③)

### (4) Technological assistance

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

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

#### b. Initiatives to help realize the registration of sake, shochu, awamori, etc. as the UNESCO Intangible Cultural Heritage

We promote the initiatives to protect and inherit the traditional sake making technology and help realize the registration as the UNESCO Intangible Cultural Heritage for it in collaboration with the Agency for Cultural Affairs as well as with the “Preservation Society for Sake Brewing Technology Using Japanese Traditional Koji-Mold.”

The “traditional sake making” was registered as the Intangible Cultural Property in December 2021. In addition, the proposal about it was submitted to the secretariat of UNESCO in March 2022. (Sake Report 3 (3) ②)

## Column 5

### Initiatives to realize the registration of sake, shochu, awamori, etc. as the UNESCO Intangible Cultural Heritage

On December 2, 2021, the “traditional sake making” was registered as the Intangible Cultural Property. The Registered Intangible Cultural Property is the new system enabled by the Act Partially Revising the Act on Protection of Cultural Properties which partially took effect on June 14, 2021. Traditional sake making and calligraphy became the first registered items under this system.

There are three key elements amongst others for registering the traditional sake making as follows: ① steaming raw materials such as rice; ② producing bara-koji manually by using traditional koji mold; and ③ fermenting concurrently and adding nothing other than water.

In addition, the “Preservation Society for Sake Brewing Technology Using Japanese Traditional Koji-Mold (established on April 16, 2021)” was certified as the organization that holds the Registered Intangible Cultural Property.

Moreover, in March 2022, it was decided to propose the “traditional sake making: Japanese traditional sake making technology using koji mold” to UNESCO for Intangible Cultural Heritage, and the proposal was submitted to UNESCO thereafter. The proposal was submitted because it was considered to fall under the 3 domains, prescribed in the Convention for the Safeguarding of the Intangible Cultural Heritage, as such: ① traditional craftsmanship; ② social practices, rituals and festive events; and ③ knowledge and practices concerning nature and the universe.

The NTA promotes various measures in collaboration with the Agency for Cultural Affairs, the “Preservation Society,” mentioned above, etc., for the purpose of protecting and inheriting the traditional sake making technology as well as for realizing the registration of sake, shochu, awamori, etc. as UNESCO Intangible Cultural Heritage.

#### Initiative examples

○Survey on the “traditional sake making,” etc.

- Regarding the “sake making technology using traditional koji mold of Japan,” we compiled the report summarizing the cultural elements relating to sake making technology, the technology having been inherited by sake making experts and its background history, etc. The report was released in December 2021.



- We conducted a survey on three preceding case examples that were registered as the UNESCO Intangible Cultural Heritage, to be used as the reference when considering the measures to enhance the visibility of the “traditional sake making.”

○Symposia on the “traditional sake making”

Conducted symposia on the “traditional sake making” sequentially nationwide, inviting sake making experts and a variety of professionals.



A scene from the panel discussion of the symposium held on February 26

- February 26 (Saturday), 2022, at the National Museum of Nature and Science in Ueno  
Conducted the event of lectures and panel discussion focusing on the koji mold culture.
- March 26 (Saturday), 2022, at the Kyoto National Museum  
Conducted the event of lectures, panel discussion, etc. dedicated to Japanese sake.
- May 28 (Saturday), 2022, at the Okinawa Prefectural Museum and Art Museum  
Conducted the event together with the Awamori Symposium commemorating the 50th anniversary of Okinawa’s reversion to Japan.
- June 11 (Saturday), 2022, at Fukuoka International Congress Center  
Conducted the event of lectures and panel discussion dedicated to genuine shochu.

○PR video

PR video introducing the charm and history of the “traditional sake making” was created and it was released through “NTA Video Channel” on YouTube.

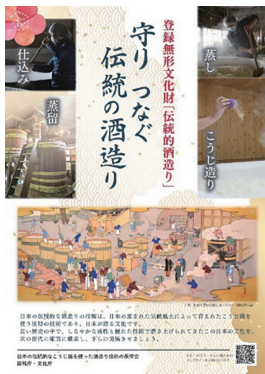


Main version (about 6 minutes) (<https://www.youtube.com/watch?v=tu2bTkko9fY> [in Japanese])



15-second version (<https://www.youtube.com/watch?v=zLJ7c1hByyM> [in Japanese])

○Poster for “traditional sake making”



We created a poster for the “traditional sake making” (Registered Intangible Cultural Property) and asked the nationwide breweries and liquor shops to display it.

○Hanging advertisement



For about one week starting on March 21 (Monday), 2022, a hung poster was deployed in the main JR lines nationwide about the “traditional sake making” (Registered Intangible Cultural Property), to announce that we are aiming to realize the registration of UNESCO Intangible Cultural Heritage for it.

### c. Support in the quality and safety of liquor

With the aim of ensuring the safety of liquor in all stages from liquor production to consumption and enhancing the level of quality, we give technological assistance concerning improvement, etc. in the production process of liquor and confirm safety through actions including research and provision of information on the radioactive substances of liquor.

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

Serving as an entity to cover the technological base for the development of the liquor industry, the NRIB<sup>1</sup> conducts studies for increasing the brand value of Japanese liquor products, strengthening the technological base of liquor production, etc. as well as actively pursues the measures to develop personnel for the liquor industry (lectures on liquor brewing, etc.) and outreach activities. (Sake Report 3 (3) ③ (<https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/2022/pdf/001.pdf> [in Japanese]))

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

In order for the liquor industry, of which SMEs account for the majority, to adjust to change in the social and economic conditions properly, the NTA supports diverse efforts by the industrial associations, such as the modernization project by the Japan Sake & Shochu Makers Association.

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

#### (6) Establishment of a fair trading environment of liquor

The NTA is striving to ensure fair trading through using “The Standards for the Fair Trading of Liquor<sup>2</sup>” (<https://www.nta.go.jp/taxes/sake/koseitorihiki/mokuji.htm> [in Japanese]) for dissemination to and enlightenment for liquor companies as well as through conducting surveys on the actual situation of liquor trading. The standards were revised in March 2022 (took effect in June 2022), referencing the results of a survey conducted after the enforcement of the standards in June 2017. (Sake Report 3 (4) ③ (<https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/2022/pdf/001.pdf> [in Japanese]))

#### (7) Response to social demands

##### a. Promotion of resource recycling

The beer industry promotes the “Action Plan for Achieving a Low-carbon Society” which was formulated based on the “Plan for Global Warming Countermeasures” (determined by the Cabinet in October 2021). The Liquor Subcommittee under the National Tax Council conducts evaluation and verification of such endeavors. (Sake Report 3 (4) ⑥)

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

With the purpose to prevent consuming alcohol under the age of 20, in addition to preparation of educational posters and pamphlets, the NTA designates April of each year as the “Month to emphasize prevention from consuming alcohol under the age of 20,” and carries out enlightenment activities in coordination with relevant ministries and agencies, and industry associations. (Sake Report 3 (4) ⑦)

##### c. Measures against Health Problems Caused by Alcohol

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

Regarding other initiatives of the NTA, please refer to the “Sake no Shiori (the bookmark of liquor)” (<https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/01.htm> [in Japanese]) (March 2022) on the NTA website.



Sake no Shiori (the bookmark of liquor)

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

2 These standards need to be complied with by all liquor companies (production, wholesale, and retail) to ensure fair transactions for liquor products. They require the following: ① it is not allowed to sell liquor products at a price lower than the total costs of sale on a continuous basis without a justifiable reason; and ② it is not allowed to execute a deal that might be significantly detrimental to the own liquor business or to the liquor business of other liquor companies.



## ~ Missions of Certified Public Tax Accountants (CPTAs) ~

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

As of the end of March 2022, 80,163 persons were registered as CPTAs, and there were 4,601 CPTAs Corporations.

## 1 Services and roles of CPTAs

### ~ Support taxpayers and boost self-assessment system ~

CPTA services are tax proxy, preparation of tax documents, and tax consultation service. These operations must not be performed by persons other than CPTAs<sup>1</sup>, even at no charge. At the same time, CPTAs 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.

If using services of CPTAs, taxpayers can properly file returns and pay taxes. In addition, because corporations and sole proprietors often ask CPTAs to process accounting books or to compile financial statement, they also play important roles in promoting tax return filings and correct bookkeeping that constitutes the basis for the filing.

## 2 Coordination and cooperation with CPTAs' Associations, etc.

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

To achieve the proper and smooth administration of the self-assessment system, CPTAs 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 include (1) and (2) below.

#### (1) Promotion of the document attached by CPTAs

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

With the document attachment system as provided for in the Certified Public Tax Accountant Act (<https://www.nta.go.jp/taxes/zeirishi/zeirishiseido/kentoukai/02.htm> [in Japanese], hereinafter referred to as “CPTA Act”) CPTAs may attach certain documents on the items calculated in preparing a tax return and the documents on the consultation subjects covered by the CPTAs (hereinafter the “attached documents.”)

This system requires that if a Tax Office intends to conduct a tax examination for a taxpayer having filed a tax return with the attached documents by notifying the taxpayer of the date, time and place of the examination in advance, the CPTAs of the taxpayer must be given an opportunity to state an opinion on the items described in the attached documents, before the taxpayer is notified.

Regarding the attached documents, the NTA is actively consulting with CPTAs' Associations, etc. with an aim to enhance the content of attached documents and raise the share of the returns with such attachments. Respecting this system, the NTA is striving to disseminate it and have it used by more taxpayers.

<sup>1</sup> 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 filing ~

Concerning promotion of use of e-Tax, the roles played by CPTAs are significant, so the NTA is regularly exchanging opinions with the Japan Federation of Certified Tax Accountants' Associations and requesting it for cooperation to raise the use rate of e-Tax. As such, the NTA is eager to keep the collaboration and cooperation with CPTAs associations, etc., towards the realization of digitalized procedures for tax return filing.

## 3 Appropriate guidance for and supervision of CPTAs

### ~ Prevent violation of the CPTA Act and take strict action against those who violated ~

For ensuring the proper operation by CPTAs, the NTA utilizes every opportunity to alert people and prevent violation of the CPTA Act by CPTAs. Also, the NTA conducts appropriate examinations regarding the breach cases of the CPTA Act. We take strict disciplinary action against the CPTAs who violated the Act and publicly announce the names of such CPTAs. In addition, for the so-called “fake CPTAs” who conducts CPTA services without a license, we strictly deal with them including accusation to the prosecutor.

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

#### ■ Number of disciplinary actions against CPTAs

fiscal year	2017	2018	2019	2020	2021
cases	38	51	43	22	21

(cases)

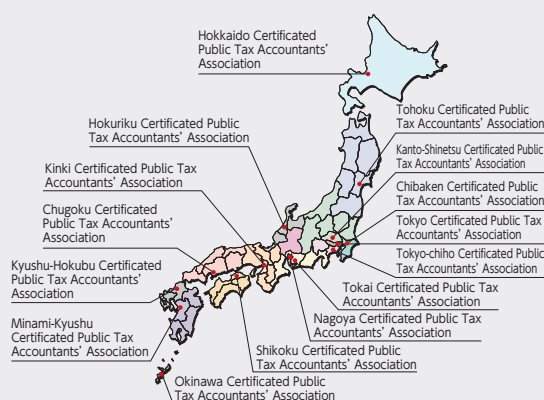
## Revision of the CPTA Act

In the revision of tax laws in FY2022, the CPTA Act was also revised as part of the step to improve the environment for tax payment. With an eye on the society to come after the Covid-19 pandemic, this revision was to ensure reviews of the CPTA system, from the following viewpoints: adequately respond to the changes in the situation surrounding CPTAs (digitization of work environment for CPTAs and environment for tax payment); secure diverse personnel; and improve the trust of people and taxpayers in CPTAs as well as the taxpayer convenience. The revised points started to take effect from April 1, 2022, sequentially.

## CPTAs' Associations and Japan Federation of CPTAs' Associations

In order to improve the work of CPTAs, CPTAs' Associations are designated in the CPTA Act as organizations which provide guidance, liaison and supervision to CPTAs. 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 (<https://www.nichizeiren.or.jp/eng/>) is the only organization in Japan as certified by the CPTA Act. The Federation provides guidance for, communicates with, and supervises CPTAs' Associations and CPTAs. It also handles the operation to register members, and conducts institutional surveys on CPTAs.



## (1) The purpose of Results Evaluation

The purpose of the “Results Evaluation for the Targets to Be Achieved by the NTA” is to:

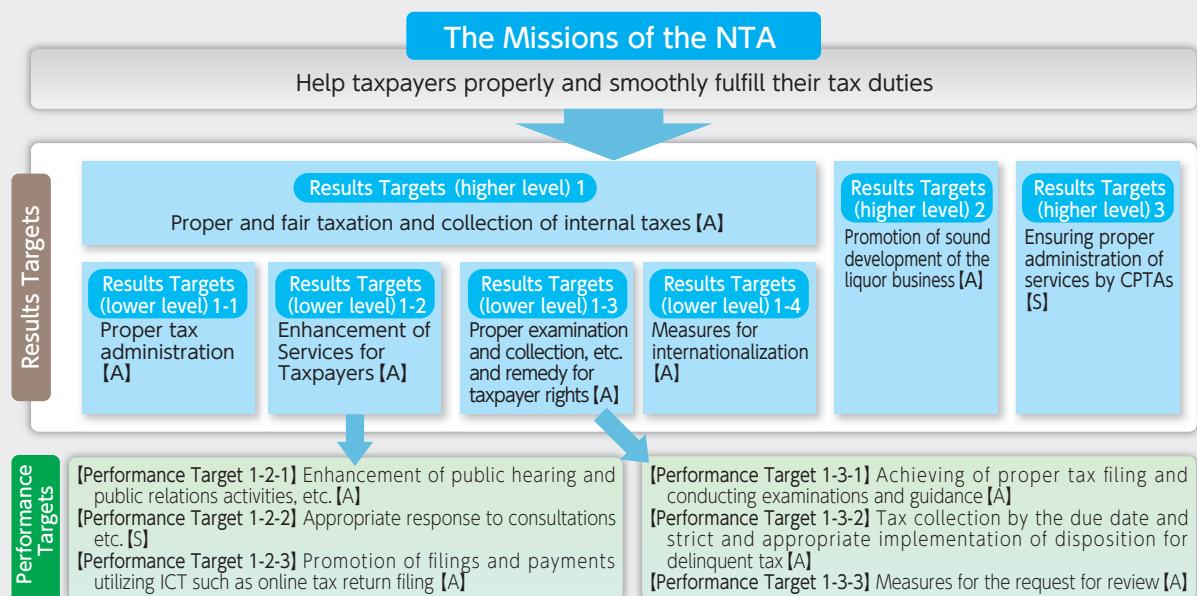
- ① clarify the NTA’s missions and objectives to be achieved and fulfill accountability to citizens and taxpayers,
- ② continue promoting more efficient, high-quality tax administration that meets the needs of the times and
- ③ improve operations, enhance the motivation of staff, and revitalize the organization.

Regarding the results evaluation for the NTA, “Results Evaluation Implementation Plan” ([http://www.mof.go.jp/about\\_mof/policy\\_evaluation/nta/index.html](http://www.mof.go.jp/about_mof/policy_evaluation/nta/index.html) [in Japanese]) (hereinafter the “Implementation Plan”) and “Results Evaluation Report” ([http://www.mof.go.jp/about\\_mof/policy\\_evaluation/nta/index.html](http://www.mof.go.jp/about_mof/policy_evaluation/nta/index.html) [in Japanese]) are created and publicly released every year.

## (2) The NTA’s missions and assignment and the structure of results evaluation targets

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). In the Implementation Plan for operation year 2020, four sub-results targets (lower level) and six performance targets (hereinafter “Results Targets, etc.”) were set for the Results Target (higher level) 1.

### ■ System diagram of “the NTA’s missions” and “Results Targets, etc.” (for operation year 2020)



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

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

Regarding the Implementation Plan for operation year 2021 ([http://www.mof.go.jp/about\\_mof/policy\\_evaluation/nta/fy2021/plan/2021ntakeikakuc.pdf](http://www.mof.go.jp/about_mof/policy_evaluation/nta/fy2021/plan/2021ntakeikakuc.pdf) [in Japanese]), the target structure was revised, based on the “Promotion of digitalization” (policy for the entire government) as well as based on the “DX for Tax Administration: Future Vision of Tax Administration 2.0” which was released in June 2021.

In line with that, “DX for the tax administration” was newly introduced as a Results Target (lower level), resulting in the five Results Targets (lower level). In addition, seven Performance Targets were set such as improvement in taxpayer convenience, efficiency and enhancement of operations, etc.

### (3) Evaluation method for Results Targets, etc. and evaluation results

Regarding the Results Targets, etc., means for achieving them are set as the “Measures.” Each Measure is set by combining some of the quantitative measurement indicators (39) and some of the qualitative measurement indicators (32), to measure the implementation status depending on its content. Then, each “Measure” is evaluated using the level of achievement for each relevant indicator. Evaluation of each of the Results Targets, etc. is done based on the integrated results of the relevant “Measures” for them.

The score code shown in the diagram above indicates the evaluation result for each Target in operation year 2020. Such evaluation results should be accurately reflected in the following operations, to ensure efficient and high-quality tax administration through PDCA cycle.

※ The above figures in parentheses for the measurement indicators represent the data for operation year 2020.

## 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,” ([https://www.mof.go.jp/about\\_mof/councils/policy\\_evaluation/proceedings/index.html](https://www.mof.go.jp/about_mof/councils/policy_evaluation/proceedings/index.html) [in Japanese]) which consists of external experts, is held to obtain their opinions at the phase of implementation planning and evaluation.

Regarding the evaluation of results for operation year 2020 ([https://www.mof.go.jp/about\\_mof/councils/policy\\_evaluation/proceedings/index.html](https://www.mof.go.jp/about_mof/councils/policy_evaluation/proceedings/index.html) [in Japanese]), we obtained following opinions ([https://www.mof.go.jp/about\\_mof/councils/policy\\_evaluation/proceedings/outline/72kongijiyousi.html](https://www.mof.go.jp/about_mof/councils/policy_evaluation/proceedings/outline/72kongijiyousi.html) [in Japanese]):

“This time, one of the focal points was how to treat the impact of the Covid-19 pandemic . It was good in that the initial target levels were met. In addition, it was good in that judgment was made in a comprehensive manner including the implementation of alternative operations and reasons for each judgment were shown clearly as much as possible.”

“It is highly appreciated that, despite the Covid-19 pandemic, the NTA staff did wonderful jobs in the forefronts and maintained a high evaluation. Such low-profile but sincere and steady performance could earn trust from people for taxation, tax collection, and fiscal management.”

“During the Covid-19 pandemic, many new ideas including digitalization were adopted. Some of them are good enough to adopt as new ways of working, instead of merely returning to the ways in the pre-pandemic.”

## Tax revenues and budget

### [Budget and final accounts of taxes and stamp revenues for fiscal year 2020]

Tax category	Budget after correction	Actual (Percentage of total)
	Million yen	Million yen
Withholding income tax	15,591,000	15,997,575 (24.6)
Self-assessment income tax	2,905,000	3,192,215 (4.9)
Corporation tax	8,041,000	11,234,626 (17.3)
Inheritance tax	2,231,000	2,314,539 (3.6)
Consumption tax	19,273,000	20,971,366 (32.3)
Liquor tax	1,143,000	1,133,617 (1.7)
Tobacco tax	862,000	839,819 (1.3)
Gasoline tax	2,047,000	2,058,244 (3.2)
Liquefied petroleum gas tax	6,000	4,625 (0.0)
Aviation fuel tax	11,000	8,522 (0.0)
Petroleum and coal tax	599,000	607,754 (0.9)
Power resources development promotion tax	315,000	311,017 (0.5)
Motor vehicle tonnage tax	393,000	398,517 (0.6)
International tourist tax	3,000	1,041 (0.0)
Customs duty	825,000	819,469 (1.3)
Tonnage tax	10,000	9,190 (0.0)
Other*	—	4 (0.0)
Stamp revenue	870,000	919,463 (1.4)
<b>Subtotal</b>	<b>55,125,000</b>	<b>60,821,604 (93.7)</b>
Local corporation tax	1,034,300	1,418,255 (2.2)
Local gasoline tax	219,000	220,224 (0.3)
Liquefied petroleum gas tax (transferred)	6,000	4,625 (0.0)
Aviation fuel tax (transferred)	3,100	2,435 (0.0)
Motor vehicle tonnage tax (transferred)	286,900	290,958 (0.4)
Special tonnage tax	12,500	11,488 (0.0)
Special local corporation tax	1,016,200	977,686 (1.5)
Special business tax	709,500	671,720 (1.0)
Special tobacco tax	116,200	112,151 (0.2)
Special income tax for reconstruction	388,400	401,621 (0.6)
Other	—	245 (0.0)
<b>Total</b>	<b>58,917,100</b>	<b>64,933,013</b>

\*"Other" the amount collection of delinquent taxes, collected as the commodity tax, land value tax, etc.

### [NTA initial budget for fiscal year 2022]

Items	Budget
	Million yen
ICT-related expenses	927
Expenses to improve convenience for taxpayers* <sup>1</sup>	1,373
Expenses related to internationalization measures	1,057
General operating expenses* <sup>2</sup>	60,464
Expenses to improve work environment and ensure safety* <sup>3</sup>	8,044
Expenses related to tax reforms	1,924
Expenses for National Tax College	1,788
Expenses for National Tax Tribunal	161
Expenses for National Research Institute of Brewing	1,011
Expenses for the development of the liquor industry	2,020
<b>Subtotal</b>	<b>78,769</b>
Salary costs	546,645
<b>Total NTA budget</b>	<b>625,414</b>

- \*1 "Expenses to improve convenience for taxpayers" includes expenses related to operating expense for the Phone Consultation Center.
- \*2 "General operating expenses" include 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 expense to improve facilities and health care.
- \*4 In addition to the NTA budget shown above, 81.9 billion yen is collectively recorded to the Digital Agency's budget as the expense for the government's information system.

## Tax returns and taxation

### [Income tax]

(Calendar year 2021)

	Thousand people
Total population	125,500
Number of persons engaged	66,670
Number of final returns filed	22,850
Refunds	13,300
Tax payments	6,570
Breakdown by income earners	
Business income earners	1,750
Other income earners	4,810
Real estate income earners	1,060
Employment income earners	2,620
Miscellaneous income earners	800
Other	340

### [Inheritance tax]

(Calendar year 2020)

Number of deceased	1,372,755 people
Number of deceased subject to taxation	120,372 people
Number of taxpayers (number of heirs)	307,333 people
Taxable amount	16,410.6 Billion yen
Amount of tax	2,092.8 Billion yen

### [Gift tax]

(Calendar year 2020)

Number of people subject to taxation	402,536 people
Value of properties acquired	2,102.5 Billion yen
Amount of tax	203.1 Billion yen

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



**[Withholding agents and withholding income tax]**

(Operation year 2020)

Category of income etc.	Number of withholding agents	Amount of tax
Employment income (wages and salaries)	Thousand 3,544	Billion yen 11,333.3
Retirement income	—	264.2
Interest income, etc.	34	291.4
Dividend income	148	4,804.3
Capital gains on listed shares etc. kept in special account	11	542.0
Income from remuneration, etc.	2,838	1,128.4
Income paid to non-residents and foreign corporations, etc.	33	698.9
<b>Total</b>	<b>—</b>	<b>19,062.4</b>

\* The number of withholding agents are figures as of the end of June 2021.

\* 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 2020)

Number of corporations	3,220 Thousand corporations
Number of tax returns filed	3,010 Thousands
Percentage of corporations filing	91.4%
Percentage of returns declaring a surplus	35.0%
Amount of self-assessment income	70,130.1 Billion yen
Amount of self-assessment loss	23,721.9 Billion yen
Amount of tax	12,122.0 Billion yen

\* The number of corporations is the figure as of the end of June 2021.

**[Consumption tax]**

(Fiscal year 2020)

Category	Payment	Refund
Number of tax returns	Individuals 1,072 Thousands	67 Thousands
	Corporations 1,855 Thousands	183 Thousands
	<b>Total</b> 2,927 Thousands	<b>250 Thousands</b>
Amount of tax	19,171.9 Billion yen	4,909.8 Billion yen

**[Liquor tax and liquor production]**

(Fiscal year 2020)

Type	Volume of production	Amount of tax
Sake	Thousand kl 312	Million yen 45,093
Sake compounds	20	1,957
Continuous distillation Japanese spirits (Shochu)	308	69,852
Pot distillation Japanese spirits (Shochu)	380	96,903
Mirin (rice cooking wine)	89	1,838
Beer	1,839	375,621
Fruit wine	102	10,512
Sweet fruit wine	8	748
Whisky	135	46,936
Brandy	3	1,312
Sparkling liquor	391	80,777
Alcohol for material & Spirits	952	76,376
Liqueurs	2,568	229,086
Other brewed liquors, powder liquor & miscellaneous liquor	339	31,134
<b>Total</b>	<b>7,446</b>	<b>1,068,148</b>

**Tax examinations****[Field examination of self-assessment income tax]**

(Operation year 2020)

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
24	21	299.2	12,570	53.3	2,240

**[Field examination of consumption tax]**

(Operation year 2020)

Category	Number of Cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	Per case
Individuals	Thousands 11	Thousands 9	Billion yen 13.3	Thousand yen 1,200
Corporations	25	16	72.9	2,970

**[Field examination of withholding income tax]**

(Operation year 2020)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousand yen	Thousands	Billion yen
29	10	14.5

\* 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 inheritance tax]**

(Operation year 2020)

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
5	4	178.5	34,960	48.2	9,430

**[Field examination of corporation tax]**

(Operation year 2020)

Category	Number of Cases	Number of undeclared cases	Amount of undeclared income		Additional tax revenue collected
			Per case	Per case	
All corporations	Thousands 25	Thousands 20	Billion yen 528.6	Thousand yen 21,170	Billion yen 120.7
Corporations handled by the Large Enterprise Department	1	1	274.7	235,550	63.5

**[Collected number of statutory information]**

(Operation year 2020)

Statutory information	Number collected
Withholding record of employment income	Thousands 22,192
Payment record of interest	7,746
Payment record of dividends	61,214
Other	343,712
<b>Total</b>	<b>434,863</b>

## International taxation

### [Field examination of corporations conducting overseas transactions, etc.]

(Operation year 2020)

Number of examinations of corporations conducting overseas transactions	4,569 Cases
Number of undeclared cases related to overseas transactions	1,424 Cases
Cases of overseas fraudulent calculations	185 Cases
Amount of undeclared income related to overseas transactions	153.0 Billion yen
Amount of overseas fraudulently omitted income	9.3 Billion yen

### [Field examination of transfer pricing taxation]

(Operation year 2020)

Number of taxation cases	134 Cases
Amount of taxable income	50.2 Billion yen

### [Cases requested and processed for advance pricing arrangement related to transfer pricing]

(Operation year 2020)

Number of cases requested	135 Cases
Number of cases processed	121 Cases

## Delinquency

### [Tax delinquency cases by major tax categories]

(Fiscal year 2020)

	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 332.8	Billion yen 136.6	Billion yen 135.2	Billion yen 334.2
Withholding income tax	109.0	19.5	23.2	105.4
Self-assessment income tax	223.8	117.1	112.1	228.8
Corporation tax	94.6	80.5	67.0	108.1
Inheritance tax	57.2	23.6	24.7	56.1
Consumption tax	superscript 69.4 266.8	superscript 97.3 345.6	superscript 80.3 287.9	superscript 86.4 324.5
Other taxes	4.1	5.3	3.6	5.7
<b>Total</b>	superscript 69.4 <b>755.4</b>	superscript 97.3 <b>591.6</b>	superscript 80.3 <b>518.4</b>	superscript 86.4 <b>828.6</b>

\*1 Local consumption tax is not included in the figures above because they 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 the time being. That is why the delinquent amounts of local consumption tax are indicated by the superscript amounts in the rows "Consumption tax" and "Total" fields.

## Criminal investigation

### [Criminal investigations]

(Fiscal year 2021)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (accusation filed to the prosecutor)	
			Per case	Per case	Per case	Per case
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
116	103	75	10.2	99	6.1	81

### [Accusations filed to the prosecutor, by tax category]

(Fiscal year 2021)

Tax category	Number of cases	Amount of tax evasion	
		Per case	Per case
Income tax	Cases 9	Million yen 779	Million yen 87
Corporation tax	43	3,519	82
Inheritance tax	0	0	0
Consumption tax	21	1,655	79
Withholding income tax	2	121	61
<b>Total</b>	<b>75</b>	<b>6,074</b>	<b>81</b>

## Remedy for taxpayer rights

## 【Request for re-examination】

(Fiscal year 2020)

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			Percentage ③/②
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 1,290	Cases 968	Cases 957	Cases 100	Cases 4	Cases 96	% 10.4
Collection-related	47	32	42	—	—	—	—
<b>Total</b>	<b>1,337</b>	<b>1,000</b>	<b>999</b>	<b>100</b>	<b>4</b>	<b>96</b>	<b>10.0</b>

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

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

## 【Request for reconsideration】

(Fiscal year 2020)

Category	Number of requests for reconsideration	Number of new requests for reconsideration ①	Number of cases processed ②	Number of requests approved ③			Percentage ③/②
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 4,369	Cases 2,140	Cases 2,177	Cases 227	Cases 60	Cases 167	% 10.4
Collection-related	180	97	151	6	5	1	4.0
<b>Total</b>	<b>4,549</b>	<b>2,237</b>	<b>2,328</b>	<b>233</b>	<b>65</b>	<b>168</b>	<b>10.0</b>

## 【Litigation】

(Fiscal year 2020)

Category	Number of litigations	Number of cases filed for first instance ①	Number of cases closed ②	Number of lost cases ③			Percentage ③/②
				Full	Partial	Percentage ③/②	
Taxation-related	Cases 331	Cases 67	Cases 157	Cases 14	Cases 7	Cases 7	% 8.9
Collection-related	41	12	21	—	—	—	—
National Tax Tribunal-related	3	2	2	—	—	—	—
<b>Total</b>	<b>375</b>	<b>81</b>	<b>180</b>	<b>14</b>	<b>7</b>	<b>7</b>	<b>7.8</b>

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

## Tax consultations

## 【The five items of most frequently consulted】

(Phone Consultation Centers)

(Fiscal year 2021)

Rank	Tax category	Items	cases
1	Income tax	Obligations & procedures to file tax returns, etc.	Thousand 649
2	Income tax	Special credit for loans relating to a dwelling	277
3	Income tax	Year-end adjustment	241
4	Income tax	Medical expenses deduction	227
5	Income tax	Guidance for consultation, location of Tax Office	219

(Tax Answer System)

(Fiscal year 2021)

Rank	Tax category	Items	cases
1	Income tax	Tax rate of income tax	Thousand 2,938
2	Income tax	When having paid medical expenses (medical expenses deduction)	2,517
3	Stamp duty	Table of Stamp Taxes (1) Type 1 Document to Type 4 Document	2,092
4	Income tax	Deduction for employment income	1,918
5	Gift tax	Explanations about the tax exemption when you get fund as the gift from direct lineal ancestry to acquire the dwelling	1,642

## 【Number of consultations at Phone Consultation Centers, by tax category】

(Fiscal year 2021)

Tax category	cases
Income tax	Thousand 2,818
Corporation tax	226
Property tax	1,031
Consumption tax, etc.	278
Other	1,223

# NATIONAL TAX AGENCY REPORT 2022

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