

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

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

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

## 1 Assignment and missions of the NTA

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

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

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



NTA

## Missions of the NTA

### Mission: Help taxpayers properly and smoothly fulfill their tax duties

#### Assignment

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

#### 1 Realizing proper and fair taxation and collection of internal taxes

##### (1) Development of tax payment environment

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

##### (2) Promotion of proper and fair tax administration

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

#### 2 Sound development of the liquor business

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

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

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

#### Code of Conduct

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

##### (1) Code of Conduct for performing duties

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

##### (2) Code of Conduct for officials

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

#### Challenges

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

## 2 Concepts for management of tax administration

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

### NTA Initiatives

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

- Provide the necessary information needed for filing via NTA websites, etc. so that taxpayers can correctly file and pay their taxes themselves.
- Work to provide an excellent means for filing and payment using ICT (Information and Communication Technology), such as e-Tax (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. Especially for the income tax return filing period when filings are concentrated in a short period of time, focus to encourage use of e-Tax which contributes to enhanced taxpayer convenience.
- Accurately assign personnel corresponding to their experience and abilities, while paying attention to hiring and promoting female staff. To enhance needed specialized knowledge, provide 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, correctly understand what the taxpayer asserts and objectively scrutinize them at the examination stage, and then accurately confirm the facts and apply the laws and regulations.
- Systematically work in response to increasingly complex economic transactions, etc. Work to enhance the system to collect information, and accurately prioritize issues such as response to the increasing diversity of asset investments and fraudulent refunds for consumption tax.
- For international transactions, exchange information with foreign tax authorities based on tax treaties, and take a strict 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, prolong intervals until the next examination for those corporations recognized as having enhanced corporate governance and meeting certain conditions. Then we allocate more examination work to those corporations in need of improvements.
- Achieve proper and speedy processing of a request for review, as well as develop environment for more user-friendly request for review system.

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

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

- Make efforts to cultivate overseas markets through distributing information globally and holding international negotiations, etc., to promote the establishment of brands through spreading the use of Geographical Indications (GI), to provide technical assistance to liquor manufacturers, etc. and to ensure the safety of liquor among others.
- To ensure fair trade of liquor, conduct a survey of liquor business operators to check the actual state of trading of liquor, etc. If a transaction that does not comply with “the Standards for the Fair Trade of Liquor” is detected, take strict actions including issuing instructions.
- Respond to social requirements, such as counter-measures against health problems caused by alcohol intake and promotion of recycling resources, increase the publicity of the ban on selling liquor to people younger than the age of 20 and 3R (reduce, reuse and recycle) of liquor containers.

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

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

## (6) Policy evaluation and improvement of tax administration

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

### Column 1

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

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

Given that approximately two years have passed since the announcement of the “Future Vision,” the NTA, in June 2019, in addition to efforts that have been completed so far, publicized the image of the policy that had taken shape in “Recent Status of Ongoing Efforts for ‘Future Vision of Tax Administration’ ~Achieving a Smart Tax System~.”

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

June 2019

### “Achieving a Smart Tax System”

The NTA will strive to realize a smart tax administration by organizing initiatives that have been accomplished or realized since the announcement of “Future Vision of Tax Administration (June 2017)” until June 2019 and remaining issues for the future, and continue to make progress towards its realization in a systematic and concrete manner.

#### Improvement of taxpayer convenience

##### Digitization of tax procedures

- Promotion of e-Tax
  - Further enhancement in ease of use of e-Tax
  - Digitization of final tax return filing process through utilization of the Mynaportal
- Digitization of year-end tax adjustment procedure

##### Enhanced efficiency and sophistication of tax consultation

- Installation of telephone consultation and self-serve booths at the counter through ICT
- Introduction of a chatbot
- Enhancement of information published on the NTA website

##### Smart counter service

- Diversifying tax payment methods and promotion of cashless transactions
- Digitization and simplification of issuance of tax payment certificate
- Telephone consultation and self-serve booths at the counter through ICT (redisplay)

#### More efficient and sophisticated taxation and collection

##### Sophistication of tax examination

- Broadening collection of information
  - Active utilization of CRS information, accurate collection of information through information query procedure, etc.
- Sophistication of data analysis
  - Considering sophistication of selection through machine learning technique, mass data matching analysis, etc.
- Addressing complex and difficult cases
  - Addressing international tax avoidances
  - Ensuring proper taxation of the affluent class
  - Ensuring proper taxation of consumption tax
  - Addressing large-scale and malicious cases
  - Addressing new forms of economic transaction

##### Enhancement and sophistication of collection

#### Infrastructure improvement and BPR

##### Sophistication of information system (in conjunction with BPR)

##### Centralized processing of internal administrative tasks

Strengthening coordination with external organs (local governments, CPTAs’ Associations and relevant private organizations, foreign tax authorities)

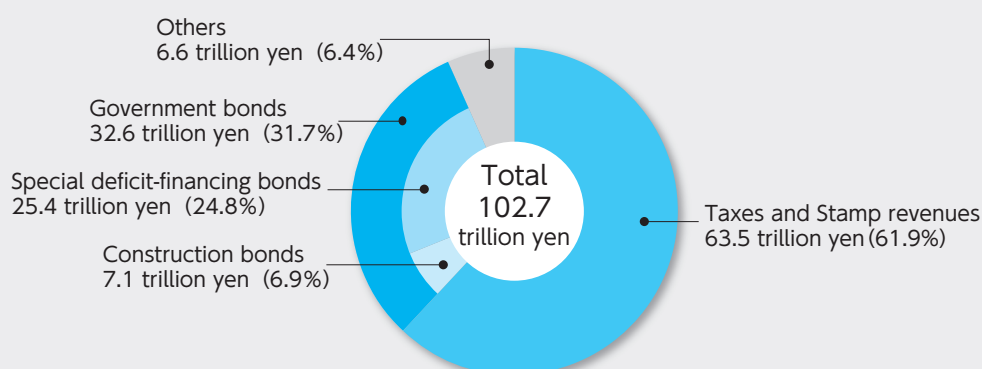
### 3 Overview of the national tax organization

#### (1) National revenue and taxes

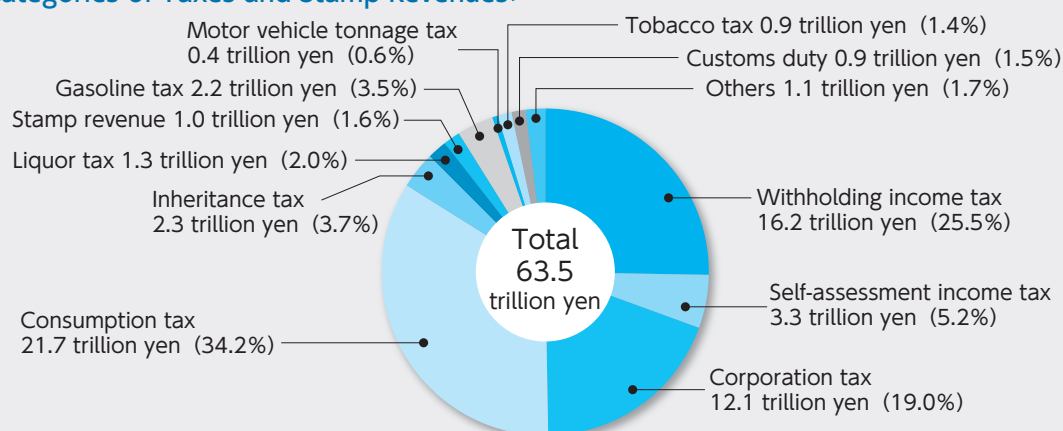
National revenue (initial budget for general account revenues) in FY2020 stands at 102,658 billion yen, of which 63,513 billion yen is from taxes and stamp revenues.

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

#### ■ National revenue (FY2020 general account revenues (initial budget))



#### <Categories of Taxes and Stamp Revenues>



※ 1 General account revenues for FY2020 include extraordinary and special measures.

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

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

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

#### (2) NTA budget and number of personnel

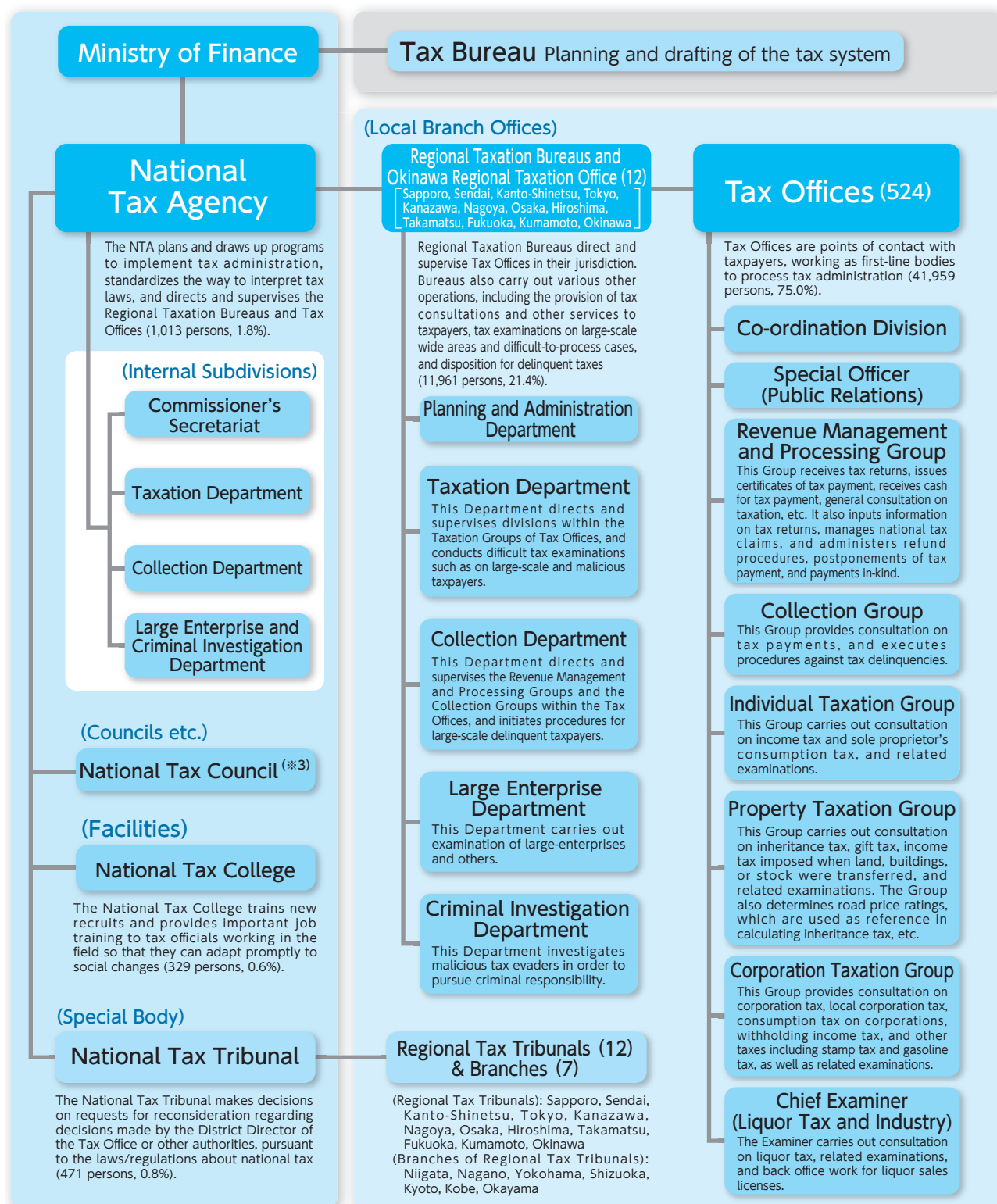
The NTA initial budget in FY2020 stands at 719.4 billion yen, with salary costs amounting to 562.1 billion yen and general expenses 157.2 billion yen.

The headcount at the NTA stayed at around 52,000 from the 1970s through the early 1980s. Thereafter, the number increased, as consumption tax was introduced in 1989. The number hit a peak, 57,202 in FY1997, and the agency has a headcount of 55,953 in FY2020.



### (3) Organizational structure of administrative authorities for national tax

The NTA supervises 12 Regional Taxation Bureaus and 524 Tax Offices throughout Japan to process tax administration<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 (FY2020).

※2 The prescribed number of personnel of 55,953 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.