

The Ninth IMF-Japan High-Level Tax Conference for Asian Countries

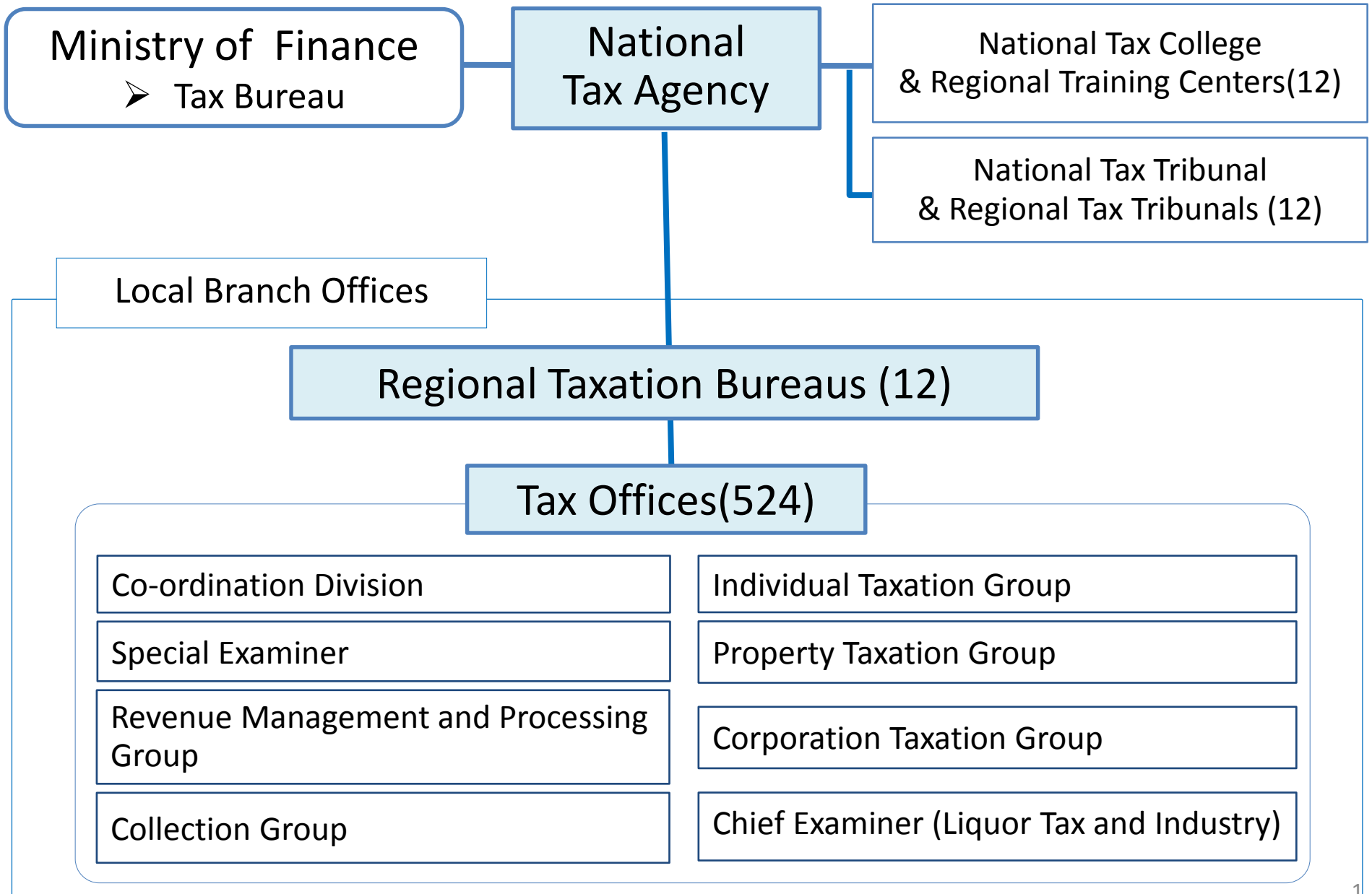
The organization & the future vision of NTA Japan

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Organizational Structure



The function of organization for improving compliance

National Tax Agency (NTA/Head Quarter)

- Plan initiatives to improve taxpayer compliance and prepare the administrative guideline
- With respect to examinations especially, designate areas with high compliance risk (e.g., the affluent class, no filing of tax returns, globalization, consumption tax) to be addressed by the entire Agency and thoroughly inform RTBs of these areas through executive meetings such as the National Commissioners Meeting

Report/Feedback

Instruction/
Supervision

Regional Taxation Bureaus (RTB/Regional Head Quarter)

- Taking situations in each Bureau into account, give instructions on how to deal with key issues to be addressed on an Agency-wide basis to improve compliance through executive meetings such as the District Directors Meeting
- With respect to examinations, prepare the administrative guideline including specific key industry types to be examined and examination daily reports

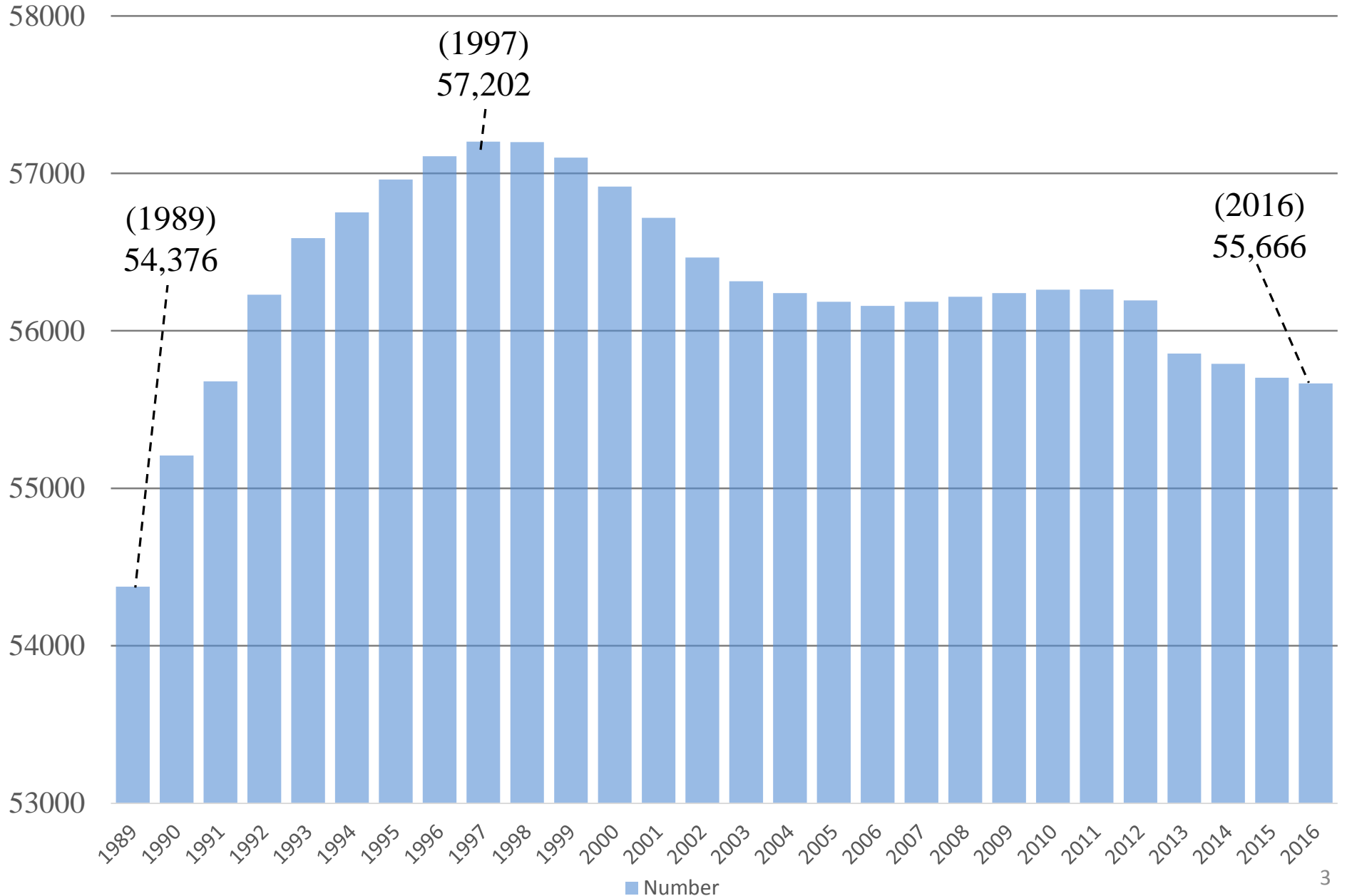
Report/Feedback

Instruction/
Supervision

Tax offices

- Administer examinations focusing on key industry types in accordance with instructions from RTBs
- Implement measures of their own, giving attentions to major industries in the jurisdiction, specific areas/industry types, and specific attributes
- Maintain or improve taxpayer compliance using measures other than examinations such as taxpayer education

Trend in the Number of NTA Personnel



Current Challenges

Improving taxpayers' compliance by various measures

- Take various measures other than tax audit to ensure compliance of taxpayers
 - Large Enterprises
 - ✓ Contact directly with management of large corporations and urge them to establish good tax governance
 - ✓ Widen intervals of field audits for large enterprises with qualified tax governance
 - Other taxpayers
 - ✓ When a minor error is found in a tax return, send an inquiry to the taxpayer by mail in order to encourage him/her to review the return by him/herself
- Allocate more resources of tax administrator on examining high-risk taxpayers

“Future Vision of Tax Administration”

~Aiming at smartness~

Changes in circumstances

Progression of ICT/AI

Introduction of My Number system

Globalization of economic transactions

Decrease in staff members and increase in tax returns

Complication/difficulty of examination/collection

Purpose of consideration

It is important to make clear the desirable future vision in terms of transparency of tax administration and proceed steadily with the initiative toward it to ensure the appropriate tax return and tax payment by obtaining the understanding and trust of taxpayers.

Future vision

Smart Tax Administration

(Ensuring the trust of taxpayers by improving convenience of taxpayers and optimizing administrative processes through utilizing ICT)



Accurate action to ICT society

Fundamental digitization of tax procedures

Completing tax procedures easily without going to tax offices



Improvement in convenience of taxpayers (smooth/speedy)



Customized information distribution

Automatizing tax consultation

Promoting digitization of tax returns/tax payments

Optimization/advancement of taxation/collection (intelligent)

Automatically checking tax returns

Off-site correction of no serious errors

Examination/collection utilizing AI



Accurate approach to key challenges

Response to international tax avoidance

Ensuring appropriate taxation on high-income class

Response to large-scale/malicious cases

Advancement of information system

Centralized processing of internal operations

Cooperation with local governments, etc.

* The future vision presents an image after about 10 years conceivable today subject to advancement of information system and cooperation of external institutions. The National Tax Agency (NTA) will make efforts in steps to realize the vision by promoting digitization of tax returns/tax payments through improving convenience of e-Tax, etc., by seeking for improvement in convenience of taxpayers and data bases, and by utilizing AI technology, etc. In addition, the NTA will make consideration focusing on the needs of taxpayers who are users of information systems.

Changes in circumstances

○ Progression of ICT/AI

ICT and data utilization techniques have significantly progressed in recent years.

○ Introduction of My Number individual identification number system

My Number individual identification number system has been introduced, while full-scale operation of Mina Portal^(note) is scheduled.

○ Globalization of economic transactions

In recent years, an economic society has been globalized since overseas investment of individual investors and overseas transactions of corporations have increased.

○ Decrease in staff members and increase in tax returns

While staff members of the NTA have been decreasing due to serious fiscal shape, the number of income tax returns and corporations has been increasing.

○ Complication/difficulty of examination/collection

For the purpose of response to international tax avoidance, ensuring appropriate taxation on high-income class, and response to large-scale/malicious cases, it is necessary to intensively put manpower into these matters.

Future vision

○ In addition to **improving convenience of taxpayers** through **utilizing ICT/AI and Mina Portal**, the NTA will **optimize the administrative processes** by **optimization/advancement of taxation/collection**, resulting in **ensuring the trust of taxpayers**.

Considering those who feel difficulty in the response to ICT, the NTA will sufficiently secure the information security for the sake of obtaining the trust of taxpayers.

○ In order to properly respond to the changes in circumstances such as complication/difficulty of examination/collection, the NTA makes efforts to **realize the appropriate/fair taxation/collection through accurate approach to the key challenges (response to international tax avoidance, ensuring appropriate taxation on high-income class, and response to large-scale/malicious cases)** by ensuring its staff in a planned manner and making the efficient allocation of resources as a whole.

○ In order to realize the “future vision of tax administration,” the NTA will promote the **advancement of information system** as an infrastructure.

○ The NTA will promote the **optimization by the centralized processing** of internal operations and administrative guidance to taxpayers.

○ While promoting digitization of tax returns/tax payments **in cooperation with local governments, etc.**, the NTA will promote utilization of e-Tax, tax education, and dissemination of knowledge on tax **strengthening cooperation with tax accountants’ association and relevant private organizations**. Furthermore, the NTA will respond to international tax avoidance **strengthening cooperation with overseas tax authorities**.

Note: Mina Portal A portal site which all citizens can gain access to and was newly constructed along with the introduction of My Number individual identification number system. It started operation in January 2017, and its full-scale operation is scheduled for fall 2017.