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DX of Tax Admin. in Japan

- New Vision and Challenges -



National Tax Agency Japan

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国税庁

Agency's Mission and New Vision

◆ Agency's Mission defined 2001

➤ *"To help taxpayers properly and smoothly meet their tax responsibilities"*

◆ New DX Vision announced 2023

➤ **Aim:** To maintain/improve tax compliance in the middle of a major economic and social transformation with limited budget and staffing, transform our business model with the power of digital.

➤ **New Vision:**

- ① Build a society where all tax procedures can be completed without going to tax office (Improvement of taxpayers convenience)
- ② Make enforcement activities (tax audits and collection) more efficient and advanced
- ③ Contribute to society by promoting DX for business operators

Digital Transformation of Tax Administration - Future Vision of Tax Administration, 2023 - Overview

- ◆ We will engage in the digital transformation of tax administration (utilizing digital to overhaul the way tax procedures and operations are conducted) , including digitalization of procedures and the use of data in operations.
- ◆ By facilitating the digitalization of businesses, the National Tax Agency aims to promote DX for all of society, starting with taxation.
 - ➔ In addition to "realizing appropriate and fair taxation and collection," the National Tax Agency is committed to contributing to society from the perspective of "promoting DX for all of society."

Future Vision of Tax Administration

Customer Services

Enforcement

Realize ideal tax procedures

Create an environment where procedures can be easily completed using familiar digital tools



A society where all tax procedures can be completed without going to the tax office

① Improvement of Convenience for Taxpayers <Extensive "Taxpayer Perspective" approach>

Simplification of tax reporting (payments and refunds) and year-end adjustments

Simplification of filings, etc. / Ability of taxpayers to check their information online

Improving searchability / Making consultations more advanced

② Higher Efficiency in and Sophistication of Taxation and Tax Collection <Extensive use of data>

More efficient and advanced taxation and collection (utilize AI and data analysis) (utilize online tools, etc.)

Digitalization of Inquiries to Relevant Organizations

Use of Tax Data for Academic Research Purposes
* Use of tax data other than for taxation and collection

Maximize organizational performance

Focus on areas of high need and malicious cases



Tax avoidance

Appropriate taxation of the wealthy

Proper setting of consumption tax

Major and malicious cases

③ Promotion of Digitalization by Business Operators

Familiarization with, and PR for Digital Measures

Coordination and cooperation with other government agencies

Coordination and cooperation with relevant organizations

In addition to "realizing appropriate and fair taxation and tax collection," also contribute to society by "promoting DX for all of society"

- * We will take every precaution to ensure the secure handling of taxpayer information and maintain information security.
- * We aim to provide efficient and user-friendly services to all taxpayers, including those who are unfamiliar with digital technology.
- * To realize the future vision, we will also work on infrastructure development, including "centralization of internal administrative operations," system upgrades, and human resource development.

Main Concepts for DX

- Our Journey -

1. Improve Convenience for Taxpayers

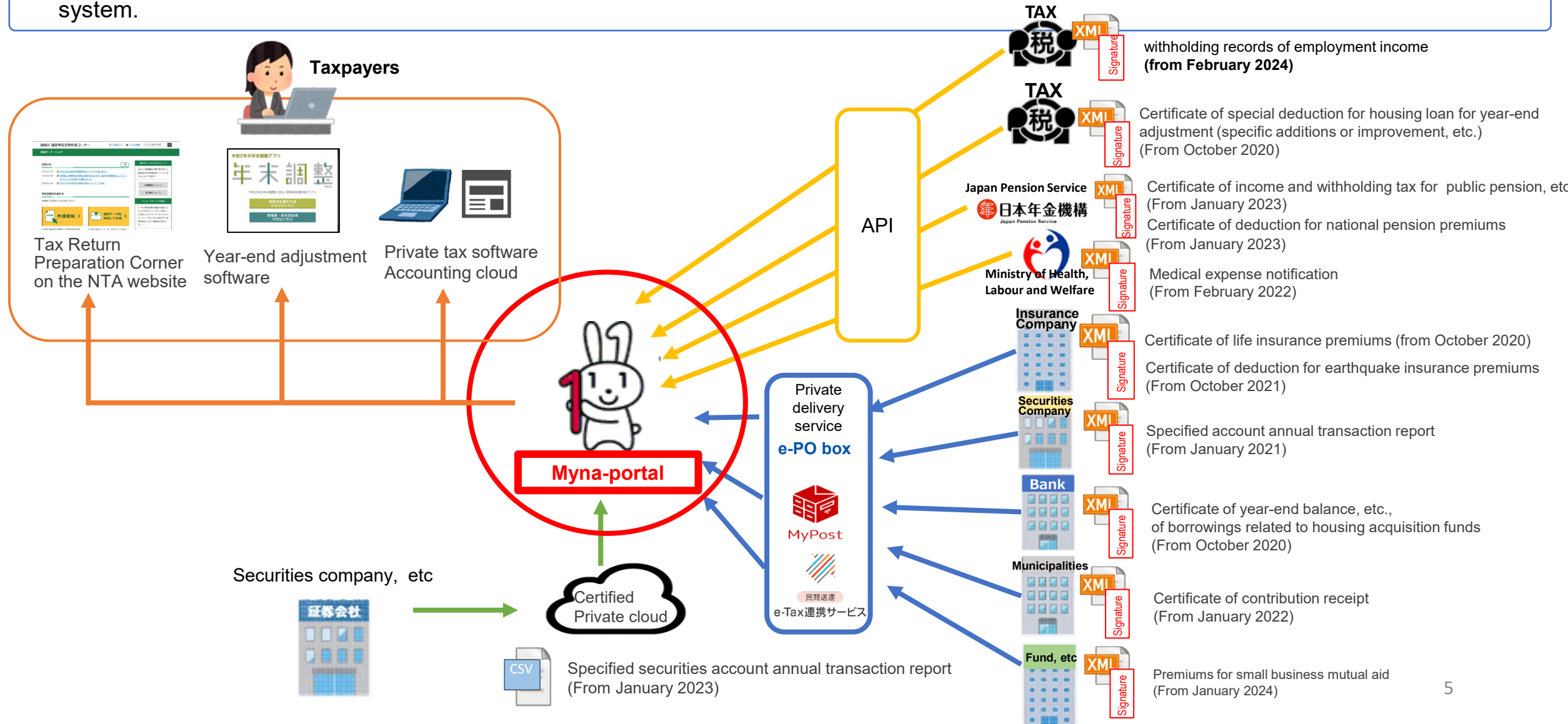
-Extensive taxpayer's perspective approach for simple, convenient, efficient, and error-free procedures

- Create an environment where procedures can be easily completed with familiar digital tools (Smartphones, Tablets or PCs)
 - *Development of taxation eco-system with digital power*
 - ✓ Development of digital platform, digital tools
 - ✓ Co-operation with and Inclusion of stakeholders

- From ex-post correction to ex-ante compliance
 - *"Compliance by Design"(OECD/FTA "TA 3.0")*
 - ✓ Promote Japanese version of prefilled tax return
 - ✓ Help promoting DX for business operators

Promotion of Japanese version of Prefilled Tax Return

- Started 2018, we promote “Japanese version of prefilled tax return” using citizen’s digital platform(Myna-Portal) to gather information required for filing tax return from widespread data-sources.
- Taxpayers can complete filing returns with a few clicks or taps by automatically importing such data from the portal into tax return preparation system.



2. Improve efficiency of Internal administrative operations and staff allocations

- Centralization of Internal administrative operations

- Establish operation centers for internal administrative operations and Clarify the roles between tax office and operation centers
 - ✓ Tax office (*field /office audits or collection activities only*)
 - ✓ Operation Center (*return-data processing, correction of minor cases, and telephone reminding, etc.*)

- Efficient allocation of manpower
 - ✓ by improving operational efficiency
 - Digitization (e.g. digital-based processing, RPA),
 - Digitalization (e.g. New core system to be introduced in 2026)
 - “*paper to data*”, “*Integrated horizontal database*”, “*away from mainframe use*”
 - ✓ by sparing reduced internal administration workload for enforcement activities

3. Make enforcement activities (tax audits and collection) more efficient and advanced to maintain/protect taxation eco-system

- Risk assessment based on statistical analysis and machine learning, followed by centralized and automated selection of targets and contact method according to the risk

- Data conversion of relevant information
 - ✓ Review of data collection practices
 - Gathering information with data (*e.g. Promotion of e-filing, online inquiry of taxpayers' financial information for financial institutions*)
 - Standardization of data formats and cleansing methods
 - Establishing data processing centers

 - ✓ Integrated database built in New Operating system (KSK2)

4. Improve Compliance

DX Promotion Structure

(From 2022 onward)

- Establish internal promotion bodies(Joint DX Promotion HQs, Office for DX promotion)(2022)
- Announce the agency's new DX vision(2023)
 - Previously: 2017, 2021
- Set short-term DX goals, as well as Mid/Long Term goals(2022) and run short PDCA cycles(semi-annually)(2023)
- Develop guidelines for employees to promote DX(2022)
- Share the new vision with all NTA employees, as well as seek requests for digitalization from them to include ideas into policies(2022)
- Set up cross-ministry body for DX of businesses along with Digital Promotion Agency(2023)

Challenges

- Data security and personal data protection vs. Convenience
- Stable operation of digital systems
- Deal with those unfamiliar with digital
- Deal with those indifferent to digitalization
- Promote DX for all of society
- Wise Spending under budget constraints
- Co-operation with internal/external stakeholders and Inclusion of them
- Change the mindset of employees and promote continual organizational changes

Conclusion

◆ We will:

- Actively design the ideal form of tax administration, and
- Orchestrate the taxation eco-system working properly and smoothly in collaboration with internal and external stakeholders.

Thank you for your attention!!!

