

Selected Issues in Tax Administration of Japan

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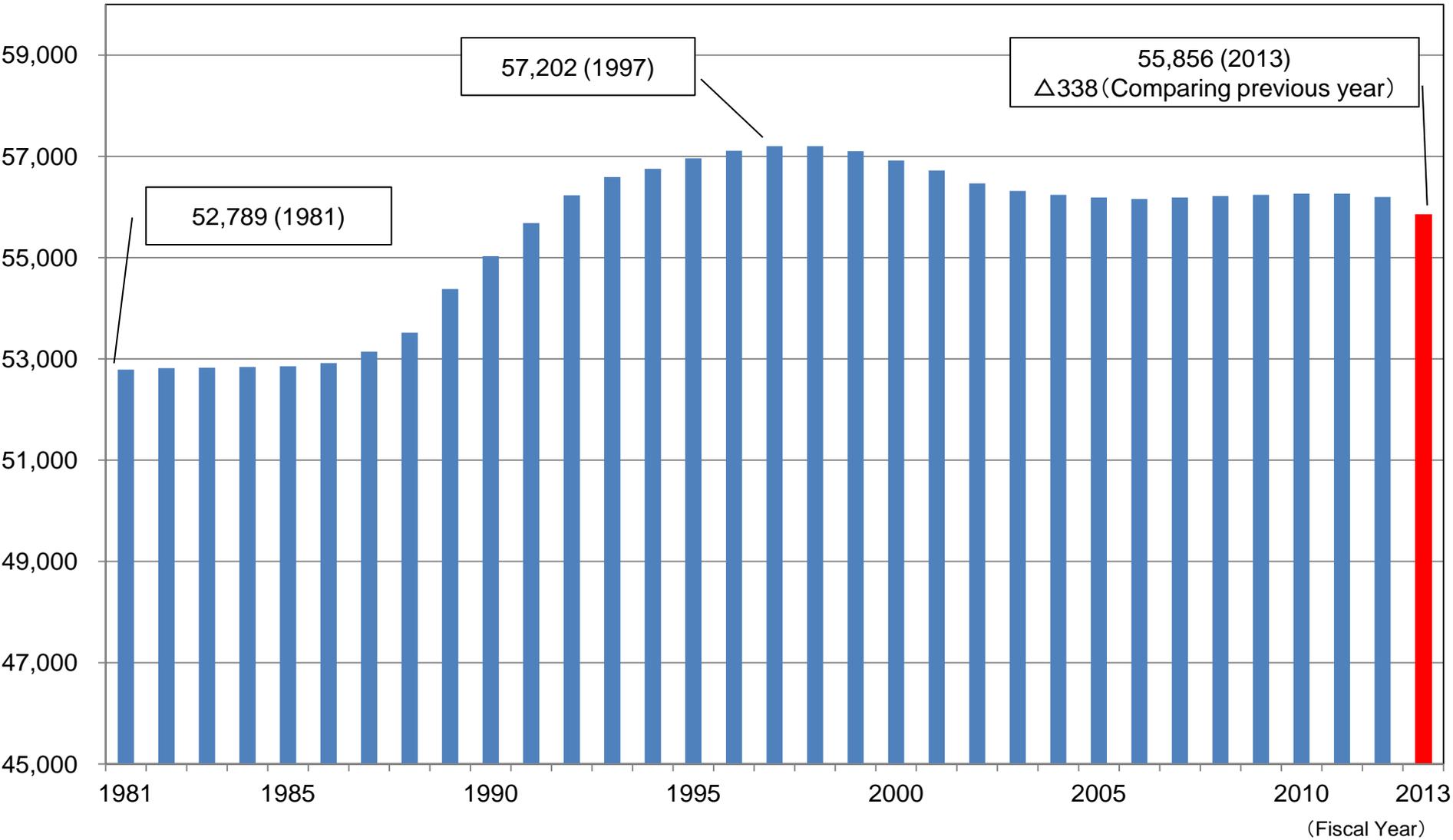
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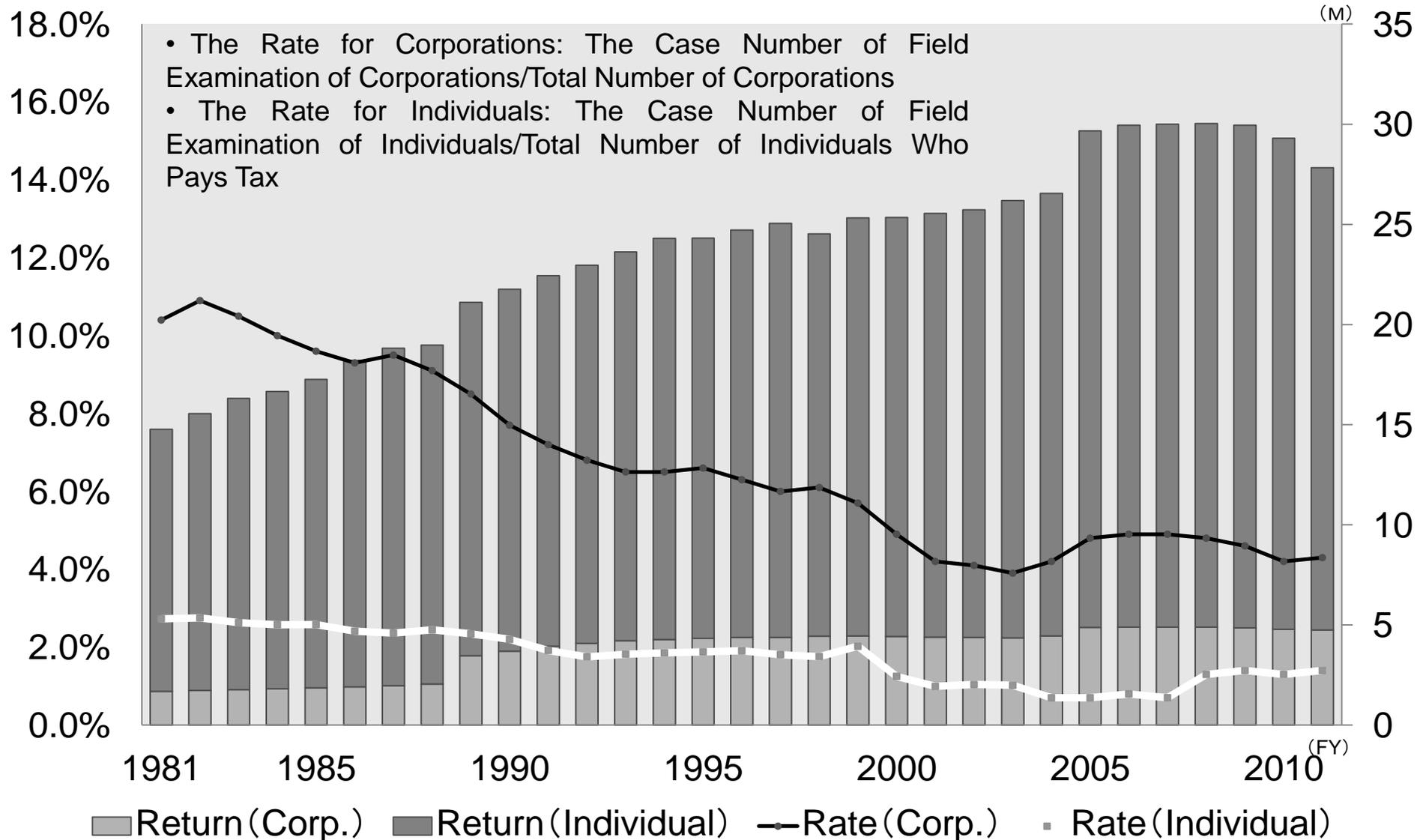
The Fourth IMF-Japan High Level Tax Conference
For Asian Countries in Tokyo
April 4, 2013

Trend in the Number of NTA Staff

(Number)



Trend in the Number of Taxpayers Who Filed Tax Returns(Individual Income Tax, Corporation Tax, Consumption Tax) and in the Rate of Field Examination



Current Main Issues Facing NTA

- Enhancing Corporate Governance of Large Corporations Related to Tax Matters
- Enhancing Tax Compliance in International Transactions
- Promoting Use of ICT including e-filing
- Responding to Tax Reforms

Relationship with Large Corporations

Communiqué of 7th Meeting of the Forum on Tax Administration
January 19, 2012, Buenos Aires

- We also focused on the need to work smarter in times of shrinking budgets and **how to strengthen our relationship with large corporations** through efficient and effective strategies that benefit both the taxpayer and taxing authority.
- The FTA has worked hard in recent years to **foster a more constructive relationship between large businesses and tax administrations.**

Mutual Benefit of Corporate Governance

Enhancement of corporate governance related to tax matters is the key to improving tax compliance of large corporations.

➤ Taxpayers

- Establish an internal control framework and monitor tax risks
- Disclose transactions that could have significant tax consequences

Can reduce the burden of field examination

➤ **Tax administration can allocate its resources to higher risk areas.**

Next
Step

To further promote disclosure and enhance transparency of corporations

Current Main Issues Facing NTA

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Enhancing Tax Compliance in International Transactions

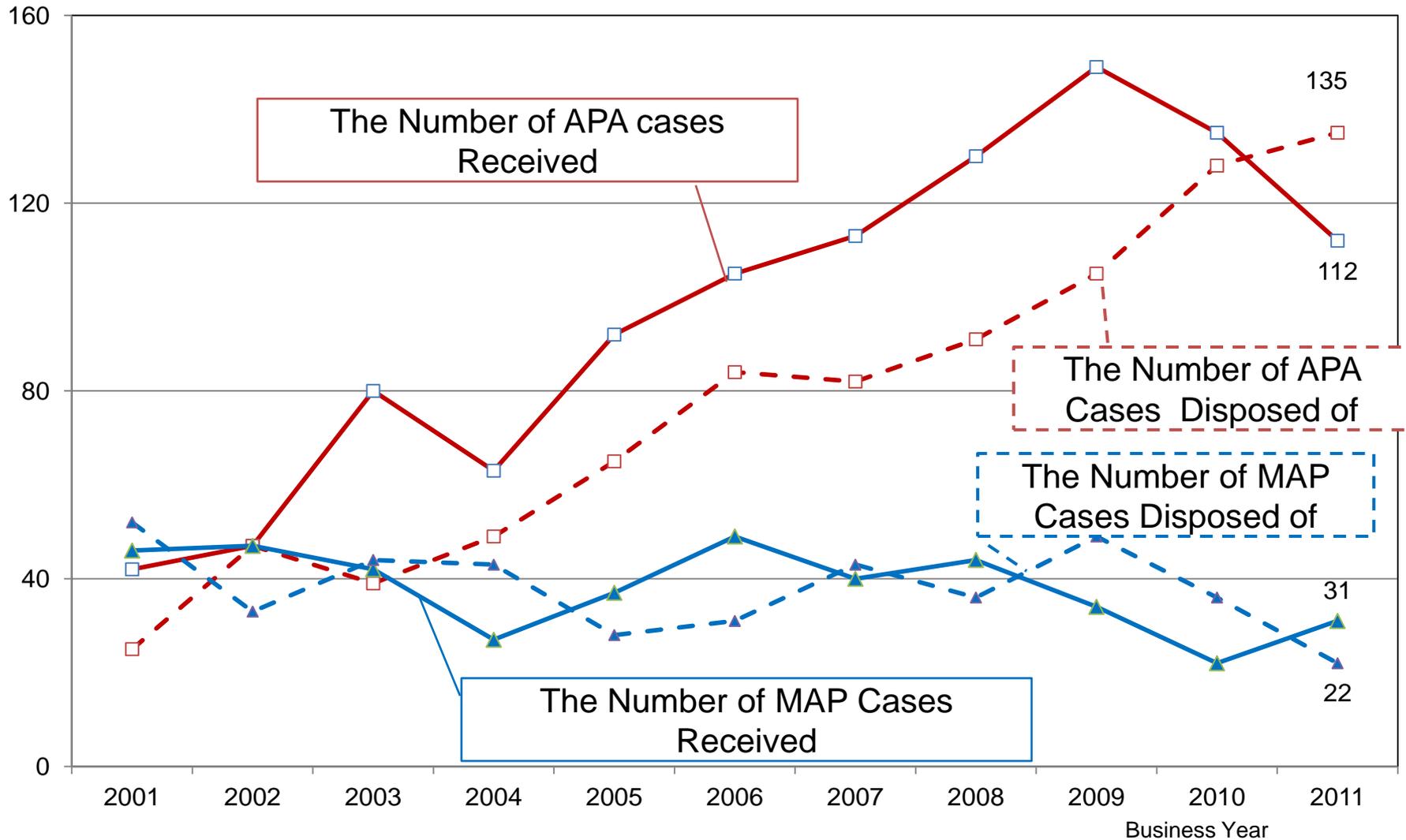
- **Promotion of Appropriate Transfer Pricing Practices**
- **Combating Offshore Noncompliance**

Transfer Pricing Issues and Mutual Agreement Procedure

- Enhancing **predictability for taxpayers** corresponding to the change in the environment surrounding transfer pricing
 - Development of directives for interpretation of laws to **clarify the administrative policy and application criteria** increases predictability of taxpayers.
- Initiative for the **elimination of double taxation.**
 - Development of operations for **the Advance Pricing Agreement (APA)**
 - The competent authorities endeavor to resolve double taxation problems through **Mutual Agreement Procedure (MAP)** based on the tax treaty

Trends in the Number of MAP and APA Cases

(Number of Cases)



Combating Offshore Noncompliance

Communiqué of 7th meeting of the Forum on Tax Administration
19/01/2012 , Buenos Aires

- Those who once felt safe concealing their money and assets overseas are now in an increasingly risky position.
- When promoters and facilitators feel that we are tightening the net, they may simply move to a new location. We will be relentless in our pursuit of them—no matter where they may be.
- We further agreed that collaboration must now include coordinated actions by countries to finally put an end to offshore noncompliance.

FTA Offshore Compliance Network

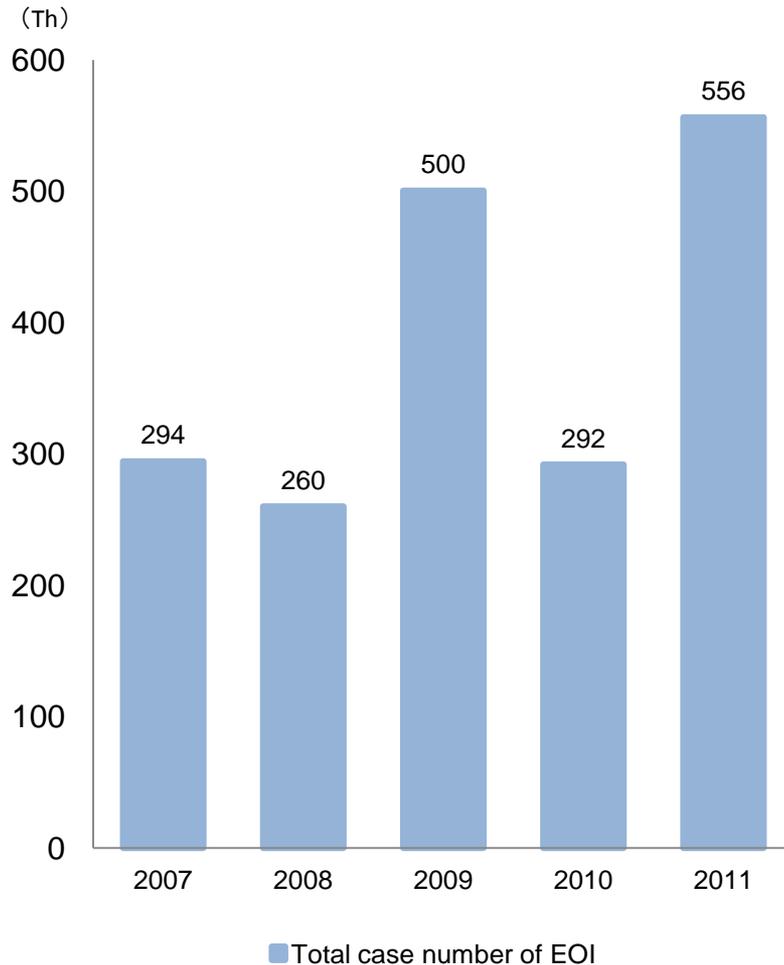
- **NTA hosted the meeting of the FTA's Offshore Compliance network.** Experts in the battle against offshore tax evasion from 22 countries met in **Tokyo on November 28–29, 2012.**
- The experts discussed **recent developments in information exchange and other practical steps** they are taking to improve the detection and correction of offshore evasion. These included **the best ways to build on recent voluntary disclosure programs and current best practice in offshore compliance work,** particularly in tackling schemes that involve the misuse of corporate vehicles.

Global Forum on Transparency and Exchange of Information

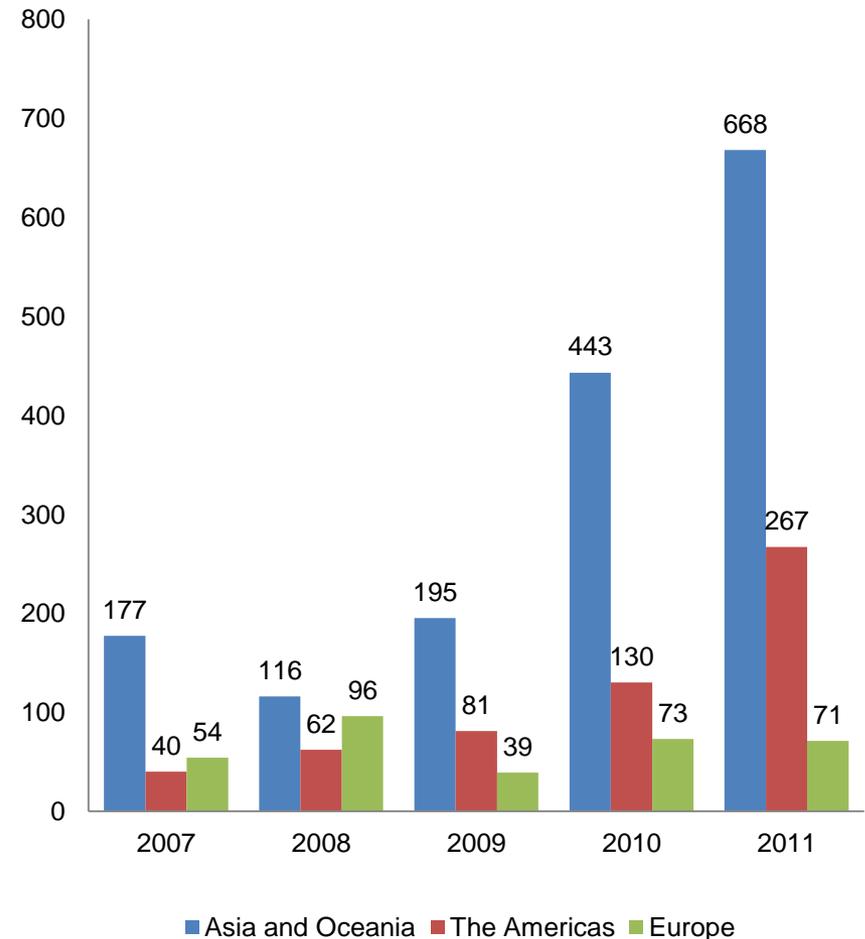
- The Global Forum is the multilateral framework within which work in the area of **transparency and exchange of information** has been carried out by both OECD and non-OECD economies since 2000.
- The ultimate goal of the Global Forum is to ensure that **international standards of transparency and exchange of information for tax purposes** are implemented.
- The Global Forum established a **peer review process** to monitor and review progress made towards full and effective exchange of information.
- The Global Forum comprises **118 member** jurisdictions, including both **OECD and non-OECD economies** as of the end of January 2013.

Trend in the Number of EOI in Japan

Total Case Number of EOI



The Request Case Number (Regional Segment)



Towards more effective/efficient Exchange of Information

➤ Face-to-face Meetings for EOI

Table: Discussion case number through the face-to-face meeting.

Fiscal Year	2009	2010	2011
Case Number	2	11	25

➤ Express EOI

NTA seeks the way to make a request aiming at the data/information already in possession of a treaty partner, which could be provided in a more timely manner.

FATCA: Framework for Intergovernmental Cooperation Between Japan and the U.S.

