Selected Issues in Tax Administration of Japan

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

- The Rate for Corporations: The Case Number of Field Examination of Corporations/Total Number of Corporations
- The Rate for Individuals: The Case Number of Field Examination of Individuals/Total Number of Individuals Who Pays Tax

National Tax Agency Japan, 2013
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

- 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
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

The Number of APA cases Received

The Number of APA Cases Disposed of

The Number of MAP Cases Received

The Number of MAP Cases Disposed of

(Trends in the Number of MAP and APA Cases)

(Number of Cases)

Business Year


National Tax Agency Japan, 2013
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.
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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Case Number of EOI</th>
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<tbody>
<tr>
<td>2007</td>
<td>294</td>
</tr>
<tr>
<td>2008</td>
<td>260</td>
</tr>
<tr>
<td>2009</td>
<td>500</td>
</tr>
<tr>
<td>2010</td>
<td>292</td>
</tr>
<tr>
<td>2011</td>
<td>556</td>
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**The Request Case Number (Regional Segment)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Asia and Oceania</th>
<th>The Americas</th>
<th>Europe</th>
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<tbody>
<tr>
<td>2007</td>
<td>177</td>
<td>40</td>
<td>54</td>
</tr>
<tr>
<td>2008</td>
<td>116</td>
<td>62</td>
<td>96</td>
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<tr>
<td>2009</td>
<td>195</td>
<td>81</td>
<td>39</td>
</tr>
<tr>
<td>2010</td>
<td>443</td>
<td>130</td>
<td>73</td>
</tr>
<tr>
<td>2011</td>
<td>267</td>
<td>71</td>
<td>71</td>
</tr>
</tbody>
</table>

National Tax Agency Japan, 2013
Towards more effective/efficient Exchange of Information

Face-to-face Meetings for EOI

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Case Number</td>
<td>2</td>
<td>11</td>
<td>25</td>
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</tbody>
</table>

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.

Japanese Financial Institutions

NTA

(4) Information without consent from account holders

(2) The aggregate number and aggregate value of accounts held by Non-Consenting Account holders

(1) Information on Consenting Accounts

The United States

IRS

Financial institutions register with the IRS

No withholding

No account closures

Dividend, interest, etc.

U.S. Corporations

U.S. Treasury Bonds, etc.

Non-Consenting U.S. Accounts (Account holders DO NOT agree to report their info to IRS)

Consenting U.S. Accounts (Account holders agreed to report their info to IRS)