

**BANCO INTERAMERICANO DE DESARROLLO
DEPARTAMENTO DE INTEGRACIÓN Y PROGRAMAS REGIONALES
DIVISIÓN DE INTEGRACIÓN, COMERCIO Y ASUNTOS HEMISFÉRICOS
INSTITUTO PARA LA INTEGRACIÓN DE AMÉRICA LATINA Y EL CARIBE**



THE JAPANESE TAX ADMINISTRATION

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A . Overview of Organizational Structure

The National Tax Agency (NTA), which administers assessment and collection of all national taxes (except for customs duty, tonnage due and special tonnage due), was established as an external organization of the Ministry of Finance on June 1st, 1949. Until then, this role had been administered by the Tax Bureau of the Ministry of Finance. In those days, immediately after the Second World War, tax administration was not functioning properly, as the Tax Bureau had undertaken excessive operations. The current organizational structure of the NTA, a 3-tiered one consisting of the Head Office, Regional Bureaus and Tax Offices, was established at that time.

N.B. The Tax Bureau of the Ministry of Finance is chiefly responsible for conducting research and policy planning for the domestic tax system. The Customs and Tariff Bureau and Customshouses are responsible for conducting research policy planning of customs and administration of customs operations.

(1) Organization of the NTA(see Figure A -1, A-2)

The National Tax Agency consists of the Head Office, 11 Regional Taxation Bureaus (Tokyo, Kanto-Shinetsu, Osaka, Sapporo, Sendai, Nagoya, Kanazawa, Hiroshima, Takamatsu, Fukuoka and Kumamoto), the Okinawa Regional Taxation Office, and 524 Tax Offices throughout the country.

The four components of the Head Office of the NTA are the Commissioner's Secretariat, the Taxation Department, the Revenue Management and Collection Department, and the Examination and Criminal Investigation Department. The Head Office develops overall policies and plans for the administration of national taxes, and formulates directives and guidance for the Regional Taxation Bureaus to coordinate uniform and impartial application of tax laws and regulations nationwide. The Head Office also provides for liaison with other ministries, agencies, and related organizations.

Each of 11 Regional Taxation Bureaus has a similar organizational structure which mirrors their counterparts in the Head Office. The Regional Taxation Bureaus, while guiding and directing the operations of the tax offices located under their jurisdiction under the supervision of the Head Office, are also directly involved in routine audit, investigation and collection. For instance, the Examination and Criminal Investigation Departments of the Bureaus conduct audits of large companies concerning corporation tax and consumption tax as well as investigating tax evasion cases. In addition, auditors of the Taxation Department of the Bureaus investigate large companies on indirect taxes such as liquor tax and gasoline tax. The Revenue Management and Collection Departments of the Bureaus conduct collection on large cases of overdue and delinquent taxes.

The Okinawa Regional Taxation Office was established on May 15th, 1972. Its functions are similar to those of the Regional Taxation Bureaus, but on a smaller scale. It has no departments.

Tax Offices are front-line administrative bodies for the administration and control of domestic taxes, and maintain close contact with the taxpayers. Each Tax Office is authorized to assess and

collect all domestic taxes within its area of jurisdiction. The organization varies according to scale. Generally, a Tax Office has 1 division and 4 groups under the District Director, namely the Coordination Division, the Revenue Management and Collection Group, the Examination Group (Individual), the Examination Group (Property Tax) and the Examination Group (Corporation).

The NTA also has other affiliated organizations, including the National Research Institute of Brewing, which is in charge of research on alcoholic beverage production, and the National Tax College, which administers training programs for tax officials. The National Tax Tribunal reviews requests by taxpayers for reconsideration of tax controversies. Both the National Tax College and the National Tax Tribunals have branches in the cities where the Regional Taxation Bureaus and the Okinawa Regional Taxation Office are located.

(2) Number of personnel

Immediately after the War, when galloping inflation and public unfamiliarity with the new tax system led to great confusion and a near crisis in tax administration, the number of personnel positions rose to nearly 62,000. After the restructuring, the number of personnel was reduced to 50,300 in 1954. From 1972 to 1986, the number remained around 52,000, reflecting the severity of circumstances in government administration and finances. However, with the introduction of consumption tax in 1989 and land value tax in 1991, the NTA came to expand its organization. The number exceeded 56,000 in 1992 and stood at 56,718 at the end of FY2001.

The distribution of NTA staff is as follows: 55,227 (97.4%) in Regional Taxation Bureaus and Tax Offices, 649 (1.1%) in the Head Office, 364 (0.6%) in the National Tax College, and 478 (0.8%) in the National Tax Tribunal.

By type of duty, 68% are engaged in the assessment of taxes such as income tax, corporation tax, consumption tax, 14% in revenue management and collection activities, and the remaining 18% in management and coordination.

Figure A-1 Organization Chart of NTA in FY2001

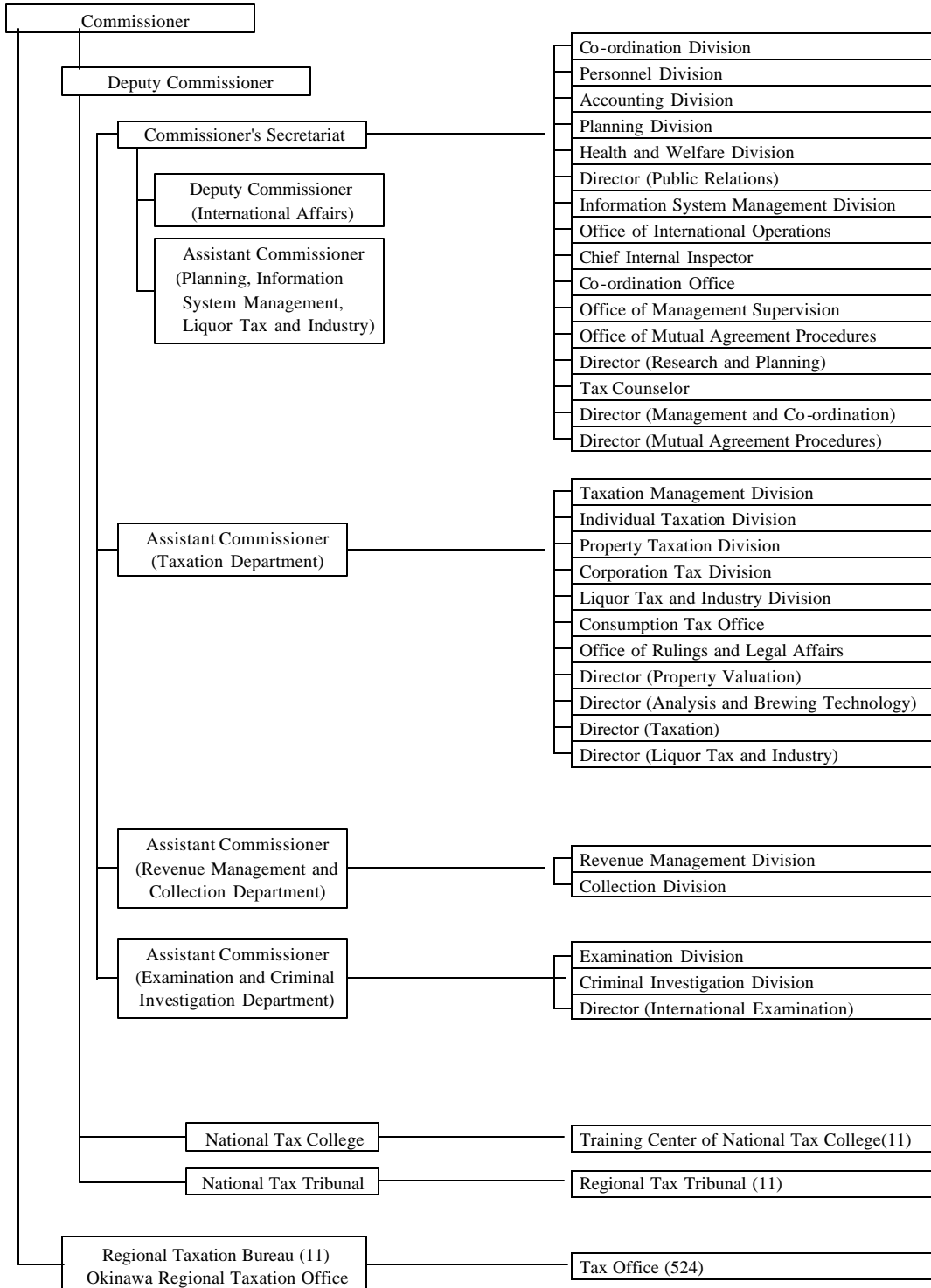
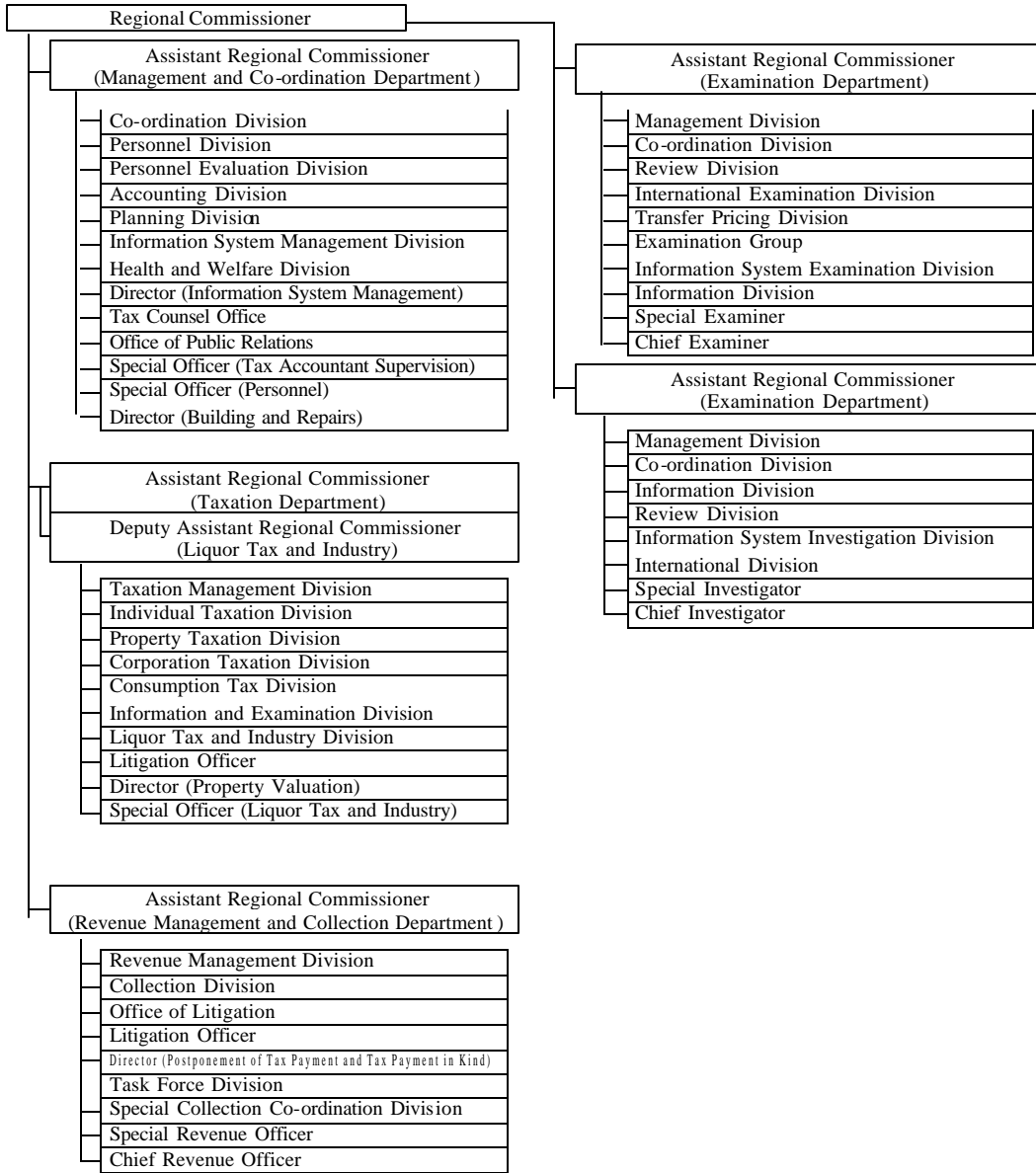
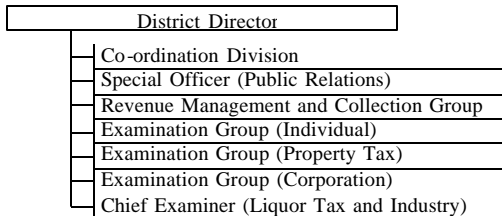


Figure A-2 Organization Chart of Regional Taxation Bureau in FY 2001 (except Okinawa)



Organization Chart of Tax Office



B. Assessment System (Self-Assessment System and Withholding Mechanism)

1. Introduction

The NTA is responsible for enforcing national tax laws, i.e. the administration (assessment and collection) of domestic taxes.

Japan adopts the self-assessment system whereby each taxpayer files a tax return and pays his or her tax liabilities voluntarily. In order to operate the system smoothly, we manage to maintain tension with taxpayers at an appropriate level by effective tax audits and information gathering programs. We also try to create a favorable environment for taxpayers by means of guidance and public relations activities, which aim to advise taxpayers of relevant procedures and legal interpretation by tax authorities. Finally, we also strive to secure tax revenue through careful management of revenue accounts and execution of compulsory collection.

2. Self-Assessment System

(1) The self-assessment and blue return systems

Under the self-assessment system, taxpayers are required to calculate their taxable income, file tax returns, and pay their taxes due. Therefore, taxpayers are required to properly understand the significance of tax and have knowledge of tax laws as well as the accounting method for appropriate income calculation, in awareness of their liability to pay taxes.

This system was adopted in 1947 and was strongly influenced by the tax system in the United States. Previously, the mainstay was the official assessment system, whereby amounts of taxes to be levied were determined through administrative proceedings by the tax authorities. At first, there was considerable difficulty in getting the self-assessment system to take root in Japan, especially with regard to individual income tax. Now, after half a century since its introduction, it has become firmly established. To foster the system, the NTA adopted a number of measures relating to the tax system and its administration:

- a) the introduction of a blue return system in 1950 with a view to founding the basis of the self-assessment system
- b) the establishment of a bookkeeping system, a record-keeping system, and a receipt and expense statement system for white return taxpayers in 1984, with a view to facilitating further establishment of the self-assessment system
- c) providing guidance for taxpayers who need assistance with bookkeeping, in cooperation with the Certified Public Tax Accountant Associations and the Association of Blue Return Taxpayers, etc., and
- d) thorough examinations of taxpayers suspected of considerable underreporting of income.

(a) Blue return system

Proper operation of the self-assessment system requires regular and accurate bookkeeping on the part of the taxpayer. To foster the practice of bookkeeping, a blue return system was introduced in 1950 as a part of the comprehensive tax reform based on the Recommendations by Dr. Carl Shoup.

Under the blue return system, an individual who conducts a business, or a corporation, may obtain the approval of the District Director to file a tax return using a special form printed on blue paper. Such a taxpayer is required to maintain books and keep continuous accounting records that meet prescribed standards. In return, the taxpayer is entitled by law to a variety of benefits in the calculation of income and preferential treatments. This blue return system has come to play a central role in our self-assessment system.

Today, the blue return system is widely accepted. In 2000, the number of blue return taxpayers among individuals operating a business was 4.82 million, and the number of blue return corporations stood at over 2.61 million (see Tables 1 and 2).

Table 1 Trends in the Number of Blue Return Individuals

(In thousands of persons)

Year	Number of Blue Return Individuals				Business Taxpayers with Tax Liability		
	Business (1)	Agriculture (2)	Real Estate or Timber (3)	Total (4)	Number of Business Taxpayers with Tax Liability (5)	Number of Blue Return Taxpayers out of (5) (6)	Blue Return Diffusion Ratio (7) [(6)/(5)] (%)
1950	94	17	0	111	2,000	82	4
1970	1,540	35	36	1,610	2,062	1,000	48
1990	3,078	274	893	4,245	3,171	1,648	52
2000	3,137	350	1,328	4,816	2,085	1,117	54

Table 2 Trends in the Number of Corporations and Blue Return Corporations

Year	Number of Corporations (1)	Number of Blue Return Corporations (2)	Blue Return Diffusion Ratio (2)/(1)
1950	287,760	144,674	47.8
1970	1,111,026	919,368	82.7
1990	2,518,444	2,241,800	89.0
2000	2,884,820	2,613,621	90.6

Note: 1. Figures in column (1) include non-active corporations but exclude corporations in liquidation.

2. Figures in column (2) and the diffusion ratio up to 1965 include corporations in liquidation, but excludes them from 1970 onwards.

(b) Bookkeeping system

The tax reform in 1984 introduced an obligatory bookkeeping system and related provisions for non-blue return taxpayers (i.e. "white return taxpayers") in order to encourage taxpayers to accept the self-assessment system and enhance fairness in taxation.

The white return individual with business income is required to:

- i) keep records and documents, made or received, relating to transactions,
- ii) keep books (a simple form is accepted) relating to transactions if his or her business income exceeds 3 million yen, and
- iii) append to the final return documents which show the total amount of business revenue and details of necessary expenses.

White return corporations are also required to keep books, in which they must record transactions in simple forms, and keep relevant documents, made or received, regarding their transactions and settlements.

Around 781,000 individuals were using this bookkeeping system as of March 31st, 2001 (see Table 3).

Table 3 Trends in the Number of Individuals Required to Use the Bookkeeping System

(In thousands of persons)						
1995	1996	1997	1998	1999	2000	2001
1,058	1,054	1,046	1,013	958	856	781

Note: Figures are as of March 31 each year.

(2) The self-assessment system for indirect taxes

In 1962, the self-assessment system was also adopted for indirect taxes, replacing the former official assessment system.

(3) Record keeping by magnetic media

The Act for Record Keeping by Magnetic Media was enacted on July 1st, 1998, in order to adapt tax administration to the IT society and mitigate the burden on taxpayers to keep relevant records. Under this Act, taxpayers may, under certain conditions, preserve relevant records generated by computers by means of magnetic media.

3. Withholding Tax System

While most of liabilities of income tax and corporate tax are principally calculated and paid by taxpayers themselves (i.e. the self-assessment system), certain kinds of taxes are subject to withholding at source.

With the exception of withholding income tax on interest, which is a first and final tax, credit for the amount of withholding income tax is given to the taxpayer when his or her final return is filed. In addition, a Year-End Adjustment system is applied to salary or wage earners whose income is subject to withholding at source. Under the system, instead of employees, employers (withholding agents) calculate total tax liabilities, deductions and credits and pay the balance at the end of the year. This helps to reduce employees' investment of time for tax compliance procedures and to ensure timely collection of tax.

The number of withholding agents as of June 30th, 2001 was some 3,987,000 for employment income, 3,228,000 for income from remuneration, fees, etc., 144,000 for dividend income and 49,000 for interest income (see Table 4).

The withholding tax system functions efficiently, with the revenue of tax collected under the withholding tax system amounting to 15,657 billion yen, or about 84% of the total income tax revenue of 18,572 billion yen in the 2001 budget.

As to the employment income for which the year-end adjustments are made, the tax is collected in almost perfectly accurate amounts through the mechanism of the withholding system. The system does not require employment income earners to file final returns with the Tax Offices, with the exception of special cases in which they earn income from sources other than their employment in amounts exceeding a certain level. Therefore, the system considerably lightens the clerical burdens upon them. At present, the majority of employment income earners make tax payments through the withholding tax system.

Table 4 Number of Withholding Agents

Fiscal Year	Employment Income	Interest Income	Dividend Income	Capital Gains, etc.	Remuneration Fees, etc.	Income of Nonresidents, etc.
1950	502,322	13,454	N/A.	-	11,050	-
1970	1,178,029	44,801	252,274	-	975,030	3,736
1980	2,947,096	47,231	261,142	-	1,823,649	9,605
1990	3,737,586	56,078	285,265	5,709	2,962,422	16,689
2000	3,986,729	48,864	144,293	5,324	3,227,932	22,290

Note: Surveys were made as of January 1 of the following year for 1950, as of July 1 of the following years for 1970 and 1980, and as of June 30 of the following years for 1990 and 2000.

C. Auditing Function and Procedures

1. Outline of Principle Taxes

(1) Income tax

a. Returns

Income tax is chargeable on taxable individual income, computed on a calendar year basis, from January 1st to December 31st inclusive. Those who have a taxable income exceeding a certain amount have to file their final return during the designated period (i.e. between February 16th and March 15th of the year after the taxable year) except when they have already discharged their tax liabilities through year-end adjustment.

20.4 million taxpayers filed returns for 2000 (as of March 31st, 2001), of whom 7.3 million paid income tax on the basis of self-assessment final returns; 10.0 million claimed refunds and 3.1 million came under other categories (see Table 5).

Table 5 Number of Final Returns (in thousands of taxpayers)

Year	Returns with Tax Liability	Returns Claiming Refund of Tax Withheld	Other Returns	Total
1990	8,547	6,633	2,127	17,308
1995	8,021	8,637	2,605	19,263
2000	7,274	10,000	3,111	20,385

Note: Figures are as of March 31 of the following year.

Taxpayers with tax liabilities are divided into two groups: business income earners (traders, manufacturers, farmers, doctors, lawyers, etc.), and other income earners. Business income earners are further divided into self-employed business income earners, agricultural income earners, and other business income earners (see Table 6).

Table 6 Number of Income Tax Payers and the Amount of Tax Liability

(In thousands of persons, ¥ billion)

	Year	Business Income Earners			Other Income Earners	Total
		Self-employed	Agriculture	Other Business		
Taxpayers	1990	2,505	250	666	5,127	8,547
	1995	2,129	195	599	5,098	8,021
	2000	1,637	131	448	5,057	7,274

	1990	662.3	42.7	441.9	5,455.4	6,602.3
Tax Amount	1995	394.7	27.3	341.0	2,701.6	3,464.7
	2000	216.7	19.7	304.1	2,089.8	2,675.3

Note: Figures are as of March 31 of the following year.

b. Final returns

In the period for filing final returns, public awareness of tax matters is at its height. We have always been careful to operate our business appropriately, as we recognize that it has a major impact on the public sense of trust in the whole of tax administration and, in turn, on the level of tax compliance of the public.

Self-completed tax returns, which we have been promoting across the nation since final returns for 1998, are a taxpayer service for a new era. They answer to the central principle of the self-assessment system, namely that "taxpayers themselves calculate and declare the taxable income and tax amounts that are right for them complying with the provisions of tax laws". We are now striving to develop an environment aimed at establishing this system.

To this end, we have made an overall revision of return forms and explanatory leaflets. Furthermore, we have introduced new office automation facilities, which facilitate return filing in straightforward cases using a touch-panel method, and have provided return-related information on our website (www.taxanser.nta.go.jp).

c. Examination and guidance

- Review of returns

Most taxpayers fulfill their obligation by filing tax returns by the due date in March of the following year. Some, however, fail to file their returns, file inaccurate returns due to carelessness, or file fraudulent returns by intentionally underreporting their taxable income.

Reviews of returns are carried out by Tax Offices in order to study the appropriateness of the assessment and discover cases of evasion. These reviews involve classifying and sorting the statements of payment which must be submitted by payers under the provisions of the Income Tax Law, and a variety of other data collected by the Tax Offices, which are used as reference material with respect to each taxpayer. Tax officials match these documents and data against the information disclosed in the returns, and carefully analyze the returns.

- Examinations and guidance

Following the review, taxpayers who have made obvious errors in their returns are informed of

these errors and are requested to file amended returns. Taxpayers who have failed to file returns are requested to file a "return after the due date." If the taxpayers do not respond to these requests, the District Director makes an assessment notice in respect of those who have made errors, and a decision notice in respect of those who have not filed returns.

If those who are to be examined are dispersed across the areas of several Tax Offices, or if a tax avoidance scheme is extraordinarily complicated, a joint examination with relevant Sections or other Regional Taxation Bureaus is conducted. In some cases, a thorough examination is conducted by the Special Examiner of the relevant Tax Office or by the Information and Examination Division of the Regional Taxation Bureau.

In conducting field examinations, the examiners not only point out and correct mistakes made by the taxpayer, but also explain the results of the examination so that the taxpayer will understand them. They also provide guidance to deepen the taxpayer's understanding of tax laws, and encourage the filing of accurate tax returns and the voluntary payment of taxes in the future.

If the examination identifies common and frequent mistakes among taxpayers in the same industry, the tax authorities give instructions to other taxpayers in that industry to encourage self-checks and thus avoid repeating the same error.

(2) Corporation tax

The number of corporations in Japan was approximately 2.9 million at the end of June 2000.

To administer the self-assessment system through examination or guidance, the Tax Office classifies corporations by the scale of their business, the type and situation of their business, and so on. Based on this classification, the Tax Office selects out corporations that are suspected of evading large amounts of tax or making false deficit returns, and examines them closely.

Corporations with a capital of over 100 million yen and foreign corporations are examined by Regional Taxation Bureaus, and other corporations by Tax Offices.

If the tax liability declared in a return is found to be inaccurate as a result of an examination or if a return is not filed, the District Director makes a disposition of assessment or decision based on the amount determined by the examination, or instructs the corporation to file an amended return or a return after the due date.

Tax Offices encourage the filing of accurate returns by offering practical guidance for the

preparation of returns (tax computation and procedures) and consultation services regarding tax treatment, etc., aiming at diffusing knowledge of tax laws.

a. Returns

Corporation tax is levied on income in each accounting period and liquidation income. As a rule, corporations must file returns with the District Director within 2 months after the end of their accounting period. The accounting period as prescribed in the Corporation Tax Law is, in principle, the business year provided in their articles of incorporation, or an equivalent period.

The ratio of corporations filing returns to those required to file returns increased from 58.5% in FY1950 to 85.1% in FY1955. Today, nearly all corporations file returns voluntarily (see Table 7).

In FY1950, the ratio of voluntarily declared corporation tax revenue to the total amount of corporation tax revenue, including voluntarily declared corporation tax and revenue additionally collected by tax authorities, was 68.9%. It rose to 95.3% in FY1970 and further to 96.2% in FY1990. Now, most corporation tax revenue is derived from voluntarily declared taxes (see Table 8).

More than fifty years have passed since the self-assessment system was introduced in FY1947, and today corporation tax returns are, for the most part, filed voluntarily. Tax Offices mainly attribute this success to appropriate guidance and thorough examination. Other significant factors for the achievement are the introduction of the blue return system in FY1950, granting tax benefits to corporations filing blue returns, and cooperation with private organizations such as Associations of Corporations and Certified Public Tax Accountants Associations.

Table 7 Status of Corporate Returns

Fiscal Year	Number of Returns Due (1) (thousands)	Number of Returns Filed (2) (thousands)	Filing Ratio (2)/(1) (%)	Return with Income out of (2)		Self-assessment Amount	
				Number of Returns (3) (thousands)	Ratio (3)/(2) (%)	Amount of Income (¥ billion)	Amount of Deficit (¥ billion)
1950	448	262	58.5	138	52.7	N/A.	N/A.
1970	1,105	1,031	93.4	672	65.2	8,000	931
1990	2,469	2,290	92.7	1,146	50.0	53,122	10,340
1995	2,845	2,600	91.4	912	35.1	39,579	24,332
2000	2,989	2,701	90.4	841	31.1	42,693	27,192

Note: The number of returns due up to FY 1960 includes corporations, whose due date of filing had come before the end of the previous fiscal year, which did not file a return, and whose amount of tax was not determined by the Tax Office in the year concerned.

Table 8 Corporation Tax Revenue

(¥ billion)

Class of Corporation	Fiscal Year	Tax Paid by Selfassessment	Net Increase of Tax by Correction Determination	Total (1)+(2)	(1)/(3)
		(1)	(2)	(3)	(%)
Corporations under Jurisdiction of Tax Office	1950	14.2	15.1	29.3	48.5
	1970	949.3	86.3	1,035.6	91.7
	1990	6,850.7	443.4	7,294.1	93.9
	2000	3,800.4	200.8	4,001.2	95.0
Corporations under Jurisdiction of Regional Taxation Bureau	1950	49.5	13.6	63.1	78.4
	1970	1,576.6	37.9	1,614.5	97.7
	1990	10,797.2	249.0	11,046.2	97.7
	2000	7,793.5	131.3	7,924.8	98.3
Total	1950	63.7	28.7	92.4	68.9
	1970	2,525.9	124.2	2,650.1	95.3
	1990	17,648.0	692.4	18,340.3	96.2
	2000	11,593.9	332.1	11,926.0	97.2

b. Examination

(a) Corporations under the jurisdiction of the Tax Office

● Review of returns

Returns filed by corporations are passed on to the Examination Group of the Tax Office. In the process of selecting cases for audits, the Chief Examiner decides the necessity of examination by considering factors such as corporations' type of business, records of past examination and guidance, records of tax return data and collected information. Tax examiners also compare profitability, costs and other factors of corporations with those of similar corporations in the same industry, using the NTA computer system.

To review returns appropriately, each examination team is assigned the responsibility for a particular industry in a particular area. The team studies the economic conditions, business practices, and profitability of the industry assigned to it, as well as making inquiries and collecting information regarding the activities of each corporation.

● Field examination

Taxpayers who have been regarded as potential under-reporters after a proper review procedure are chosen for field examination. The procedure of field examination is varied. However, it generally starts with a study of books, accounting records and inventories, and then moves into a detailed examination of books. The globalization, diversification and complication of business transactions make tax evasion cases more devious. Examiners may make inquiries to third parties, including banks, for additional information about the corporations concerned.

Field examinations are conducted by examiners from the Examination Group (Corporation) of

the Tax Office. Special Examiners from Tax Offices handle examinations of large corporations. Special examination teams from Tax Offices or Information and Examination Divisions of Regional Taxation Bureaus are charged with the examination of large, pernicious and complex cases.

Meanwhile, in order to deal with globalization, computerization and ever widening business activities, a Special Examiner for International Transactions has been assigned to major Tax Offices since FY1991, a Special Examiner for Computer Investigation since FY1996, and a Special Examiner for Large Groups of Associated Companies since FY1997, respectively.

We conduct simultaneous investigation of corporation tax, withholding income tax and consumption tax. We achieve effective field examination by focusing upon corporations which are potentially large-scale and pernicious tax evaders. We also conduct field examination from a wide range of perspectives, including a corporation's tax returns, information and data, and so on.

- Guidance

In Tax Offices, considering the situation of each corporate taxpayer, we provide individual guidance and guidance for groups of corporate taxpayers, in order to encourage their voluntary compliance.

We provide a variety of opportunities for guidance to corporate taxpayers, such as guidance for newly established companies, explanatory meetings for tax law revisions, and explanatory meetings on filing procedures upon settlement of financial accounts. Specialized guidance is also conducted for specific industries (or areas).

- Results of Examination

Examiners of Tax Offices conducted a total of 139,000 field examinations of corporation tax in 2000. Approximately 100,000 cases for correction or determination and 30,000 fraud cases were uncovered by field examinations.

(b) Corporations under the jurisdiction of the Regional Taxation Bureau

Returns of corporations under the jurisdiction of the Regional Taxation Bureau are received in Tax Offices and then forwarded to the Regional Taxation Bureau. Examination groups handle the returns in the same way as the Tax Offices, but review the returns in more detail because the corporations concerned normally have branches or factories throughout Japan and overseas.

Corporations under the jurisdiction of the Regional Taxation Bureau are very large-sized,

operate overseas, and are well computerized, so that field examinations in these cases require longer periods of time than normal examinations by Tax Offices.

(3) Inheritance tax and gift tax

The self-assessment system also applies to inheritance tax and gift tax. Tax officials send tax return forms and explanatory notes to potential taxpayers for inheritance tax or gift tax. Tax Offices also offer guidance to each of these taxpayers to help in preparing tax returns, evaluating property and computing tax liabilities.

Returns filed by payers of inheritance tax or gift tax are passed on to the Examination Group of the Tax Office. The larger the amount of the potential tax liability, the more likely the case is to be chosen for audit.

(4) Consumption tax

Examination for consumption tax purposes is now conducted simultaneously with income tax or corporation tax, for the convenience of taxpayers. We will continue to strive for uniform acceptance of the system among the public, and to maintain proper and fair taxation.

We conduct examination thoroughly, focusing on taxpayers suspected of major tax evasion, as well as examining taxpayers who file returns for refunds, concentrating on consumption tax.

2. Control of Criminal Offenses

a. Outline of the program

Under the self-assessment system, taxpayers voluntarily file returns and pay tax. Examination is, as a rule, held with the consent of the taxpayers, and for this reason it is called "voluntary examination".

As it is impossible to grasp the whole scope of tax evasions by voluntary examination alone, we may also resort to the criminal investigation program, using forcible measures to carry out investigations which are similar to criminal investigations carried out by the police. When discovering tax evasion offences in this program, we report the results to public prosecutors for the criminal prosecution of the offenders. In this sense, the criminal investigation program plays an indispensable role in supporting the self-assessment system and enforcing tax laws.

b. Investigators

Investigators are assigned to the NTA Head Office, all 11 Regional Bureaus and the Okinawa Regional Office. Although they are tax officials, investigators are specially authorized to investigate tax evasion offences. They do not have the authority to arrest and investigate suspected tax evaders, but as provided by the National Tax Violations Control Law, they can take certain actions in tax fraud investigations. For example, they can question suspects and witnesses and inspect books and records. They can take custody of items voluntarily submitted. Finally, after obtaining a warrant from a judge, they can enter specified premises to search and seize evidence.

c. Status of criminal investigation activities

The criminal investigation program was introduced in 1948 when the Japanese economy suffered from galloping inflation and a sufficient level of tax compliance was not maintained. Many people tried to conceal gains derived from inflation; consequently, there were many criminal investigation cases.

Later, as inflation abated and the economy stabilized, the self-assessment system was gradually accepted by taxpayers and only cases truly deserving of social criticism were selected for criminal investigation. Under these circumstances, the criminal investigation system has been improved over the years and efforts have been made to maintain its effectiveness in response to the increasing complication and diversification of business transactions.

d. Disposition of criminal investigation cases

In FY2000, 205 cases of tax evasion were investigated and 140 cases, or 71.2% of the total, were recommended for prosecution (see Table 9).

Table 9 Disposition of Criminal Investigation Cases

Fiscal Year	Number of Cases		Recommendation Ratio (2)/(1) (%)	Amount of Evasion	
	Number of Cases Handled (1)	Recommendation for Prosecution (2)		Amount (3) (¥ million)	Average Amount per Case (3)/(1) (¥ thousand)
1950	909	73	8.0	5,116	5,628
1970	167	103	61.7	7,555	45,242
1990	234	161	68.8	52,377	223,833
2000	205	140	71.2	27,088	132,136

3. Payment of Taxes and Collection of Delinquent Taxes

a. Trends in the accrual and disposition of delinquent tax are as follows (see Table 10).

Table 10 Amount of National Taxes Collected (¥ billion)

	Fiscal Year	Amount Determined For Collection	Collected Amount	Appropriation for Interest on Refund	Loss Through Non-payment	Amount in Arrears	Amount of Suspension Of Disposition for Arrears	(2)/(1)	[(2)+(3)+(4)]/(1)	(6)/(5)
		(1)	(2)	(3)	(4)	(5)	(6)			
Total	1970	7,297.0	6,921.1	0.2	4.8	370.8	13.3	94.8	94.9	3.6
	1980	27,046.1	25,786.0	0.2	5.4	1,254.5	28.7	95.3	95.4	2.3
	1990	64,243.7	60,656.2	-	49.3	3,538.2	81.3	94.4	94.5	2.3
	200	58,807.4	53,917.1	-	265.3	4,625.0	359.9	91.7	92.1	7.8

Note: 1. "Loss Through Non-payment" is the amount of tax payable which has ceased to exist, because 3 years have elapsed since the suspension of disposition for arrears or the statute of limitations (5 years) has elapsed. A "Suspension of Disposition for Arrears" is made in cases where there is no property to be disposed of.

2. "Amount in Arrears" includes amounts for which the payment period has been extended as provided by the Gasoline Tax Law. If these amounts are omitted from the total amount in arrears, the collection ratio appears much higher.

4. Cooperation with Local Tax Authorities

Based on the agreement between the NTA and the Ministry of Home Affairs in 1954, both agencies have maintained and promoted a cooperative relationship in the field of tax administration, as follows.

- (1) We have integrated the procedures whereby taxpayers file returns for income tax, inhabitants tax and enterprise tax (local) with a view to enhancing taxpayer convenience.
- (2) We mail tax return forms for the above three taxes jointly and conduct tax consultation together for greater efficiency.
- (3) We collect and share information on taxpayers, especially exchanging information on assets possessed by defaulting taxpayers used for equity.
- (4) We cooperate in public relations activities concerning tax payments.

Moreover, with a view to properly and smoothly enforcing local consumption tax, an amendment to the Local Tax Law in 1997 allows the District Director of a local Tax Office to ask a prefectural governor or mayor for necessary data and information required in the assessment and collection of local consumption tax.

5. IT Conversion of Work Processing

(1) The progress of IT conversion

The KSK ("Kokuzei Sogo Kanri"=National Tax Comprehensive Management) System was developed for uniform management of information encompassing all regions and taxes, as a more advanced computer system to replace the previous batch processing and comprehensive online systems. The ultimate aim was to achieve greater sophistication and efficiency of tax administration, as well as proper and fair taxation, given the major changes in the environment surrounding tax administration in recent years. Trials were started at 2 Tax Offices of the Tokyo Regional Taxation Bureau in January 1995, and the KSK system has extended to all Tax Offices in November 2001.

(2) Outline of the KSK System

Operations using the KSK System may be outlined as follows.

- a. The internal administrative work involved in self-assessment income tax, corporation tax, withholding income tax, consumption tax, local consumption tax, inheritance tax, gift tax, liquor tax, and indirect taxes, along with taxpayer account management for all these taxes, is now processed by computers online at Tax Offices.
- b. Common functions are that shared information (such as the names and addresses of taxpayers) is managed horizontally and uniformly via the taxpayer information management system, search inquiries for taxation statistics input under various operations are carried out by the taxation statistics search system, and various operational control data are produced whenever necessary by the operational control system.
- c. The preparation of tax payment certificates is automated, and they can be issued more quickly than hitherto. The efficiency of administrative work has been increased and taxpayer convenience improved.

(3) State of IT conversion

Aside from the KSK System and other computer systems outlined above, attempts are being made to arrange and utilize PCs, together with other office automation equipment, with a view to promoting more rational and efficient processing of small-volume, irregular work.

The National Tax Agency is promoting the development of LANs based on 1 PC per employee for the NTA and Regional Taxation Bureaus, and plans in future to construct an NTA WAN including Tax Offices.

D. Appeals Process

1. Outline of the Appellate System

The administrative appeal system allows a taxpayer (and other interested parties) to protest against actions by the tax authorities, such as correction, determination, and seizure, by means of filing a protest with an administrative agency and requesting the annulment or amendment of the action concerned. An administrative appeal is, first of all, filed with an administrative agency which has taken an action. This is called a "request for reinvestigation" and is the first stage of the administrative dispute.

If the taxpayer is not satisfied with the decision made by the administrative agency, he or she may file a "request for reconsideration". Generally this request is filed with an administrative agency one level higher than the administrative agency which has taken the action pertaining to the original complaint. In the case of national taxes, the request for reconsideration is filed with the National Tax Tribunal, established especially for this purpose as a third-party body.

The rule is that a "request for reconsideration" should be filed with a Regional Tax Tribunal (a specialized institution independent of the relevant administrative agency).

Thereafter, if the taxpayer is not satisfied with the decision made by the President of the National Tax Tribunal, he or she may then bring the matter to a judicial court.

The relationship between the administrative appeal system and litigation is as follows. Although the Administrative Litigation Law allows the plaintiff to initiate litigation straightaway without filing a request for reinvestigation or reconsideration, the General Law of National Taxes provides that litigation cannot, in principle, be brought to the courts unless a decision on an administrative appeal has been received from an administrative agency. This is the principle of 'petition after administrative appeal' (see Figure B). The above provision aims to avoid situations in which a substantial number of appeals for rescission are filed in the courts. It is intended that these cases should be solved by utilizing expertise and experiences at the level of the administrative agency and tribunal, in view of the fact that cases of action on taxation occur in large numbers and repeatedly. Further, it contributes to the unified operation of tax administration.

2. The National Tax Tribunal

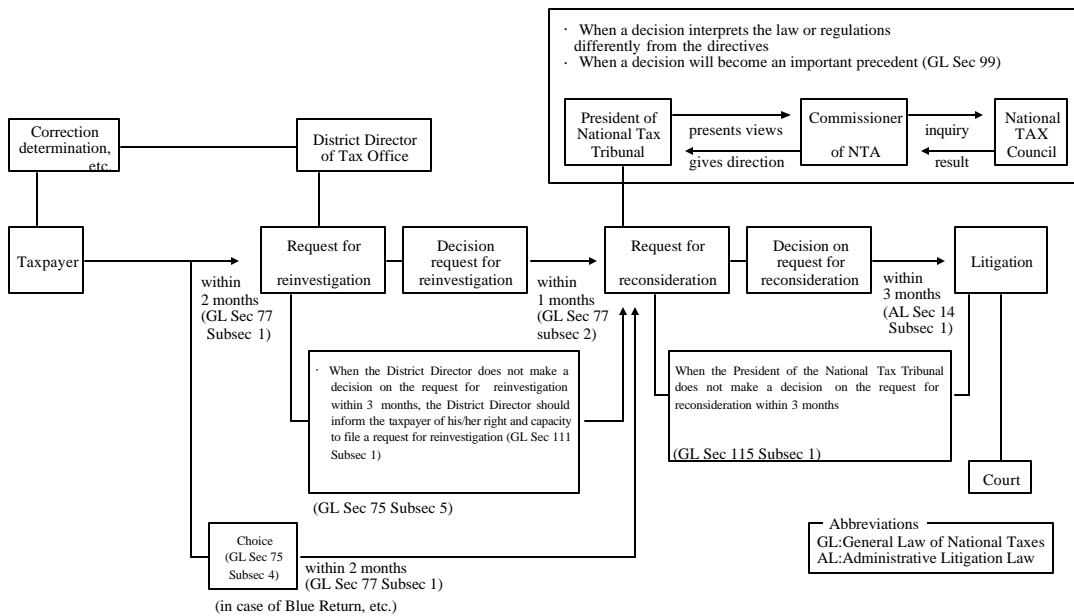
The National Tax Tribunal is an institution that makes decisions on requests for reconsideration with respect to national taxes. It was established in 1970 as a special institution of the NTA in order to protect the rights and interests of taxpayers, and stands separated from the authorities which assess and collect taxes.

The National Tax Tribunal has its Head Office in Tokyo, plus 12 Regional Tax Tribunals and 7 branches in major cities.

3. The Litigation System

There being no special court for administrative litigation in Japan, litigation of administrative cases comes under the jurisdiction of ordinary courts. As a rule, litigation to request the annulment of an assessment or collection of national tax cannot be brought to the civil courts unless a decision has in the first instance been made through the administrative appeal procedure. Litigation for annulment must be brought within 3 months of the date when a taxpayer was informed of a decision concerning a request for reconsideration.

Figure B Outline of the Existing Appellate and Litigation Systems



E. Human Resources Management

1. Staff Employment

Taking into account the estimated number of retiring staff each year, the NTA recruits new staff from applicants who have passed examinations as follows.

(1) Principal Class I Test for National Officials

The NTA recruits several staff members as executive candidates from among applicants who have passed the Principal Class I Test for National Officials, mainly targeting university graduates.

(2) Test for Tax Specialist Officials

The Test for Tax Specialist Officials mainly targets university graduates.

(3) Principal Class III (Tax Administration) Test for National Officials

The Principal Class III test mainly targets high school graduates.

All of these three tests are held by the National Personnel Authority (a bureau under the jurisdiction of the Cabinet).

The number of NTA employees was 55,240 as of October 1st, 2000.

2. Training

The NTA provides various kinds of training. No sooner have newly employed staff officials entered the NTA than they are required to take a training course. In addition to this training, they take a higher level of training after several years of working experience in the office. As the central organization for staff training, the NTA is furnished with a National Tax College (NTC), which has a Central Institute and 12 branches around the country.

(1) Training at the National Tax College

The NTA assigns selected staff members to the NTC as professors and instructors. Many university professors are also assigned to the NTC as lecturers.

(2) On-the-job training

Regional Taxation Bureaus, Tax Offices and groups of Tax Offices conduct on-the-job training. This includes training in specialized subjects, training in practical administrative affairs mainly for young officials, and other programs to develop the quality of employees in various aspects.

3. Appointments

In promoting and appointing officials, the NTA carefully considers various factors such as the officials' ability, aptitude, past performance and personal circumstances, with a view to increasing

administrative efficiency. It does not routinely apply the 'seniority rule'. To this end, supervisors are required to make impartial evaluations of their subordinates once a year, reviewing their abilities and service records. There is also a system which requires each official to submit a report on his or her personal circumstances and needs, so that supervisors can have accurate knowledge of the personal circumstances of their subordinates.

4. Salaries

NTA officials engaged in tax assessment, collection and other duties are paid according to the Salary Schedule for Taxation Service as bound by law. Monthly salaries based on this schedule are slightly higher than those determined by the Salary Schedule for Administrative Service (I), which is applied to salaries for officials engaged in general administrative duties in other government agencies.

This difference is due to the consideration that duties in tax administration require greater professional knowledge and are accompanied by a variety of difficulties.

Officials who have excellent service records receive pay increases in the form of a special raise or diligence allowance.

5. Ethics

The National Public Service Law and the Regulations of the National Personnel Authority, as well as the National Public Service Ethics Law and the Rules on Ethics, stipulate the standards for discipline of staff officials.

The NTA endeavors to promote self-discipline and integrity in its staff officials, to ensure that they maintain an ethical stance towards their duties, and to deal strictly with any misconduct.

In view of the importance of tax administration in government affairs, an Internal Inspector system has been established within the NTA. Internal Inspectors not only take measures to detect signs of misconduct and deal with them appropriately, but also strive to prevent misconduct in order to maintain the trust of taxpayers in the tax authorities.

The present number of Internal Inspectors in the NTA is 120. They are appointed by the Commissioner and most are dispatched to Regional Taxation Bureaus and the Okinawa Regional Taxation Office.

F. Taxpayer Services and Relations

1. Tax Consultation

(1) Tax Counsel Offices

To administer tax laws on the basis of the self-assessment system, it is necessary to provide a variety of taxpayer services, along with an integrated program of examination and guidance. It is particularly important to ensure that a tax consultation system is easily accessible and helpful to taxpayers.

In 1970, Tax Counsel Offices were established in Regional Taxation Bureaus, and Tax Counselors were also assigned in order to handle tax consultations and the disposition of complaints. In 1973, branches of the Tax Counsel Offices were established in major Tax Offices. As of July 2001, 139 branches were open to requests for tax consultation and complaints.

The number of Tax Counselors stood at 611 in July 2001. These officials have a wealth of experience in all tax matters.

The increasing frequency of taxpayers' access to tax consultation indicates an increasing degree of trust and expectation placed on Tax Counsel Offices by the taxpayers. The number of tax consultations in FY2000 (April 2000 to March 2001) was around 2,840,000 (94% compared to FY1999). This is almost 22 times the number in FY1970, when Tax Counseling Offices were established. The number of tax consultations by telephone is particularly large, almost 77% of the total, owing to the easy accessibility of this service. The composition of consultations by tax item breaks down into income tax 54%, property tax 25%, corporation tax 7% , consumption tax 2% and others 12%.

To help taxpayers prepare their tax returns, Tax Counselors endeavor to provide the most appropriate solution for the taxpayers' particular circumstances in a quick and precise manner.

In FY2000, the number of complaints was 2,101. Tax Counselors endeavor to review these complaints impartially and to respond quickly and appropriately, since their response greatly affects taxpayers' trust in the tax authorities.

(2) The TAX ANSER system

TAX ANSER (Automatic answer Network System for Electronic Request) is an automatic computer system which answers Frequently Asked Questions. The answers are provided by means of voice-phone, facsimile and the Internet for 24 hours a day.

In FY2000, TAX ANSER was used about 9,319,000 times. Of these, access by the Internet totaled about 7,972,000 hits, while access by telephone and facsimile totaled about 1,347,000.

Additionally, about 1,860,000 supplementary forms for corporation tax returns were provided over the Internet.

2. Public Relations

Under the self-assessment system, tax administration is operated according to four principles in order to maintain the proper and fair taxation. These are consultation, guidance, examination, and public relations.

(1) Purpose of public relations

Public relations are designed not only for taxpayers but also for the general public. By promoting public understanding of the purpose and importance of taxes, they aim to encourage taxpayers to file accurate returns and fulfil their tax liabilities voluntarily.

(2) Organization for public relations

The NTA's public relations are handled by a Director (Public Relations) at Head Office, and by the Office of Public Relations at the Regional Taxation Bureaus.

Following the reorganization in FY1991, the public relations system has improved and Special Officers (Public Relations) are now assigned to 84 major Tax Offices located in the seats of prefectural governments and other major cities.

In principle, the system provides two employees per office, who, in cooperation with their own Tax Office and other Tax Offices in the region, are responsible for promoting tax education and other public relations activities in that region.

In Tax Offices to which no Special Officer (Public Relations) is assigned, these activities are handled by the Coordination Division.

(3) Public relations activities

a. Utilization of television, radio, Internet and newspapers

In addition to the broadcasting of television and radio programs sponsored by the National Tax Agency in cooperation with the Public Relations Office of the Prime Minister's Office and local governments, the NTA provides information on tax matters that are closely related to daily life through various media. It places advertisements to make taxpayers more aware of tax issues, maintain their trust in the national tax authorities, promote knowledge of tax among the general public, and publicize due dates for filing returns. It also releases information to newspapers and television to enhance public understanding of the current state of tax administration. In 1998, we opened a National Tax Agency website (www.nta.go.jp), which provides tax information related to daily life, the operations of the NTA, statistical information, press releases, rulings, and so on.

b. Printed materials

The NTA publishes and distributes pamphlets entitled 'Useful Tax Information' and 'Guide to National Taxes', which provide tax information of direct relevance to taxpayers, and a number of posters.

c. 'Know-Your-Tax' Week

From November 11th to 17th every year, the NTA holds a 'Know-Your-Tax' Week on a nationwide basis, to promote knowledge of taxes amongst taxpayers as well as a wide spectrum of the public. Events during this week include round-table discussions with taxpayers, essay competitions for high school students on the theme of taxes, and numerous other locally oriented events.

d. Activities during the Period of Filing Final Returns

During the filing period, the NTA appeals to taxpayers through television, radio, newspapers, magazines and other publications to file accurate returns and pay their taxes by the due dates.

e. Tax education

To enhance education for children and school pupils in tax matters, the NTA seeks to establish a solid foundation of tax education through the Council for Promotion of Tax Education, made up of representatives from the national government, local governments and educational organizations. The NTA publishes pamphlets such as "Our Life and Tax", a supplementary text material for tax education in accordance with the Ministry of Education's course of study. They are distributed to elementary school, junior high school and high school students. The NTA also provides lecturers to give talks on taxes at schools, and sponsors essay contests for high school students on the theme of taxes.

As well as these, the NTA holds seminars entitled "Seminars on Public Finance and Economy" and "Seminars on Tax and Accounting" for teachers of social and commercial studies.

To carry out tax administration effectively, the NTA also produces many audio-visual materials, including various tax education videotapes. These are largely used in tax classes at elementary, junior high, and senior high school levels.

(4) Public hearing activities

a. Public hearing activities at service counters, etc.

To accurately ascertain the needs of taxpayers towards the tax administration, our PR and public hearing mechanism gathers opinions, requests, and others submitted from all strata of the public at NTA, Regional Taxation Bureau, and Tax Office service counters, or over the Internet. These are then studied by the relevant department, with a view to improvements that would contribute to enhanced taxpayer convenience or improved business operation. Feedback is given to the public on points for which a clear opinion or response can be expressed by the tax authorities. This is done by publishing them on our website or using similar media, from the point of view of encouraging mutual exchanges of opinion.

b. Public hearing activities using the monitor system

Under the monitor system, taxpayers or other members of the public are appointed as "National Tax Monitors". Among their other activities, they submit opinions on national taxes, take part in questionnaire surveys and round-table discussion groups, etc., and cooperate in various measures designed to enhance taxpayer awareness (there were 2,789 Monitors in FY2001).

3. Improvement of public service counters

We have been expanding the number of reception counters in Tax Offices, to provide support by guiding visitors to relevant sections as well as accepting tax returns and other paperwork. The aim is to provide a smooth service even for first-time visitors, thus making Tax Offices more accessible and easy to use by visitors (reception counters set up in 256 Offices as of January 2002).

In some Tax Offices, moreover, we are testing a system of "comprehensive service counters" (a kind of one-stop service), in which a wide range of administrative work (including procedures for acceptance of documents and issue of tax payment certificates) is concentrated in the reception counter. This means that visitors no longer need to move from counter to counter inside the Tax Office. In these and other ways, we are striving to improve taxpayer convenience, based on the perspective of improving the efficiency of administrative work.

4. The Certified Public Tax Accountant System

The certified public tax accountant system was established in order to enhance tax compliance and administer the self-assessment system fairly and smoothly by means of assisting taxpayers.

Certified public tax accountants, experts on taxation in an independent and impartial status, have a public duty to assist taxpayers in fulfilling the obligation to pay tax as stipulated in tax laws, based on the principles of the self-assessment system. They play an important role in the fair and smooth administration of the self-assessment system.

The Certified Public Tax Accountant Law (Law No. 237 of 1951) sets out their tasks, qualifications, rights and duties. The tasks are to act as tax agents, prepare tax documents, and offer tax consultation for all taxes (other than stamp duty and registration and license tax).

As of the end of March 2001, the number of Certified Public Tax Accountants in Japan stood at 65,144.

The National Tax Council, an organ set up within the NTA, holds Certified Public Tax Accountant Examinations, and adjudicates on disciplinary action against tax accountants

G. International Cooperation

1. International Aspects of Tax Administration

(1) Strengthening of organizational structure

The expansion and globalization of the Japanese economy have called for new kinds of administrative operations. At the Head Office, the Office of International Operations is in charge of exchanges of information with overseas treaty partners as well as international meetings and cooperation, and the Office of Mutual Agreement Procedures is in charge of mutual agreement procedures. A Director (International Examination) has been appointed to take charge of examinations related to international trade and transfer pricing cases. At the Regional Taxation Bureaus, meanwhile, International Examination Divisions and Transfer Pricing Divisions have been established. The NTA is making constant efforts to improve its international tax administration capability, including the structural expansion of divisions in charge of this area.

(2) Examination of international transactions

Recently, quite a few taxpayers have tried to evade taxes by taking advantage of international transactions, or avoid paying taxes by using tax havens. The NTA has been trying to take effective measures against these activities.

The NTA has conducted examinations of large enterprises, focusing on transactions with their foreign subsidiaries. As the taxpayers' business counterparts are overseas and trading practices differ from those in Japan, the methods for examining domestic transactions are often ineffective for examinations of international transactions. The NTA is now making positive efforts to improve its examination capability with regard to international transactions.

As well as the above, we are also taking action to address the rapid regional breadth and globalization of transactions through networks accompanying the spread of electronic commerce.

Table 13 Result of Examinations on International Transactions

Business Year		1995	1996	1997	1998	1999	2000
Cases of fraudulent or omitted income on international transactions	Number	168	175	158	161	158	108
	Amount (¥ billion)	11.9	15.2	19.7	35.9	19.7	22.3

(3) Enforcement of transfer pricing taxation

Responding to the globalization of corporate activities, transfer pricing taxation aiming at fair international taxation has been established. It deals with cases in which corporations manipulate income distribution among their foreign affiliates and thereby change their transfer prices.

Transfer pricing taxation is enforced with attention to the following points.

- (a) Full study is made to check whether the price attached to transactions between a corporation and overseas parent, subsidiaries, etc., is the price normally attached to transactions between third parties. When a problem is perceived, efforts are made to ascertain a broad range of facts from the perspective of transfer pricing, and thorough examination is conducted.
- (b) The national tax authority, on receiving a request from a corporation, conducts pre-confirmation of the calculation methods and specific details of arm's length price. This assists the corporation's forecasting ability and aids the proper and smooth enforcement of transfer pricing taxation.
- (c) A common recognition of transfer pricing between the tax authorities in each country is important in order to resolve international double taxation arising from taxation based on transfer pricing taxation. Efforts are therefore made to execute taxation appropriately, including reference to OECD transfer pricing guidelines whenever necessary.

2. International Cooperation

(1) Tax Treaty and Information Exchange

Tax treaty signatory countries and the number of information exchanges are as follows.

Table 14 Tax Treaty Signatory Countries (as of March, 2000)

Number	Countries	Number	Countries
1	Ireland	24	Denmark
2	United States	25	Germany
3	Israel	26	Turkey
4	Italy	27	New Zealand
5	India	28	Norway
6	Indonesia	29	Pakistan
7	United Kingdom	30	Hungary
8	Vietnam	31	Bangladesh
9	Egypt	32	Fiji
10	Australia	33	Philippines
11	Austria	34	Finland

12	Netherlands	35	Brazil
13	Canada	36	France
14	Korea, Republic of	37	Bulgaria
15	Zambia	38	Belgium
16	Singapore	39	Poland
17	Switzerland(Note 3)	40	Malaysia
18	Sweden	41	South Africa
19	Spain	42	Mexico
20	Sri Lanka	43	Romania
21	Thailand	44	Luxembourg
22	China	45	Russia, former Soviet Union (Note2)
23	Czechoslovakia (Notel)		

- Note: 1. The tax treaty with the former Czechoslovakia is applied to the Czech Republic and the Slovak Republic as before.
2. The treaty with the former Soviet Union is applied to the Republics of Russia, Kyrgyzstan, Georgia, Tadjikistan, Uzbekistan, Armenia, Belarus, Moldova, and Turkmenistan and Ukraine as before.
3. The tax treaty with Switzerland does not contain Information Exchange Provisions.

Table 15 Number of Information Exchanges (in thousands)

Calendar Year	1995	1996	1997	1998	1999	2000	2001
Number of Information Exchanges	175	125	80	169	63	266	238

(2) Mutual Agreement Procedures

When international double taxation arises due to transfer pricing taxation, when taxpayers request APA (Advance Pricing Arrangement) between two countries, when taxation is thought to violate the provisions of a tax treaty, or in other similar cases, an attempt is made to reach mutual agreement with the tax authority in the other country with a view to resolving the issue. Mutual agreement is an administrative mechanism whereby tax authorities negotiate with their counterparts in other countries to avoid taxation in contravention of tax treaties (such as international double taxation) when a taxpayer incurs or is deemed likely to incur such taxation. All of the 45 tax treaties which Japan has signed include provisions for this procedure.

Table 17 Cases of Mutual Agreement Arising, Processed, and Deferred (unit:cases)

Category Business Year	Cases Arising	Cases Processed	Cases Deferred
1997	53	40	106
1998	44	32	118
1999	69	57	130
2000	74	65	139

Breakdown of Deferred Cases as of June 30th, 2001

Transfer pricing taxation	APA	Others	Total
33	71	35	139

(3) Cooperative arrangements with foreign tax authorities

The NTA actively participates in the Committee on Fiscal Affairs of the OECD, the Pacific Association of Tax Administrators (PATA), and the Study Group on Asian Tax Administration and Research (SGATAR), with a view to promoting cooperation and mutual understanding with the tax authorities of foreign countries (for example, by exchanging information) and contributing to the development of common international taxation rules based on tax treaties.

In order to promote international cooperation and support for tax administrations amongst developing countries, the NTA holds International Seminars on Taxation (ISTAX) for officials from those countries, as well as providing continuous training for officials mainly from Asian countries. In addition, the NTA established the International Masters Program on Tax in April 1996.