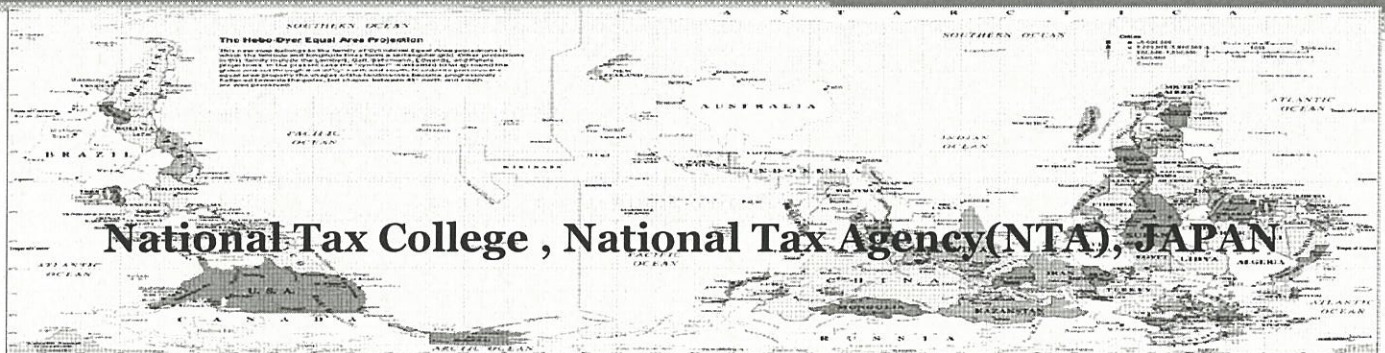


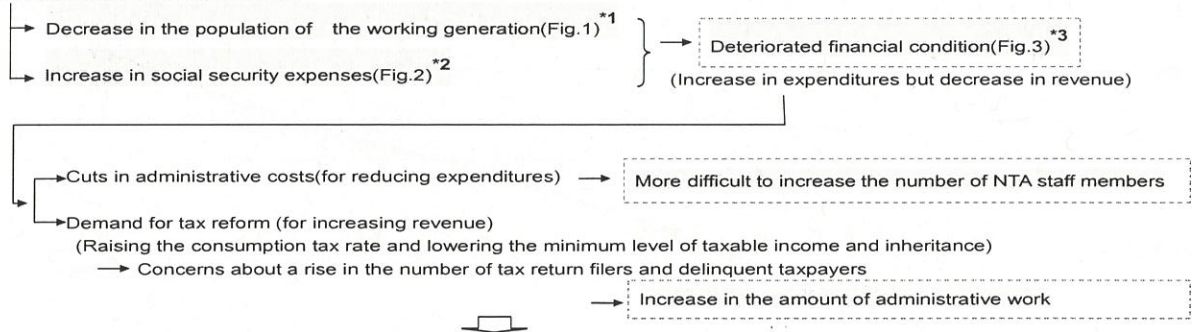
What are the capabilities you have identified that you need to build or develop within your workforce to identify and respond to these issues?



1.1 Issues on tax administration arising from changes in the environment surrounding Japan
(Maturation of society, growth of Asian economies and progress in adopting ICT) ←

1.1.1 Maturation of society

(a) Advancement of an aging society

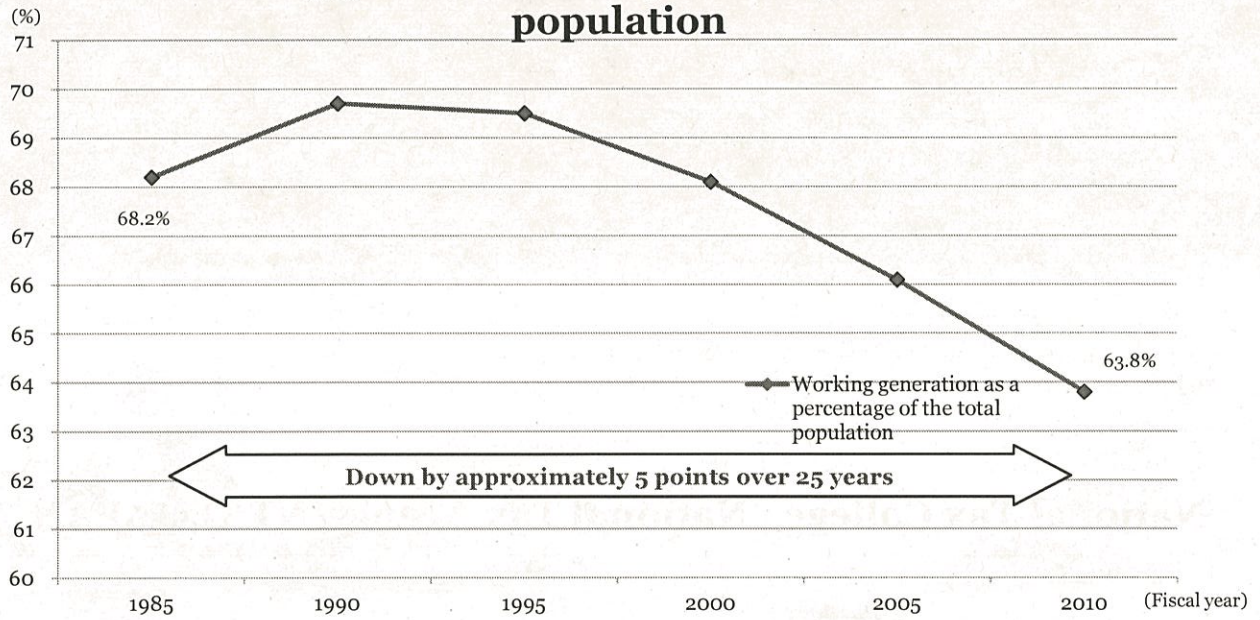


Issue Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members

*1 Working generation(Between the ages of 16 and 64) as a percentage of the total population:68.2% in 1985 → 63.8% in 2010(Down by approximately 5 points over 25 years)
 *2 36 trillion yen in 1985 → 105 trillion in 2010 (Nearly tripled over 25 years)
 *3 Liabilities as a percentage of GDP:69% in 1985 → 216% in 2010(Nearly tripled over 25 years)

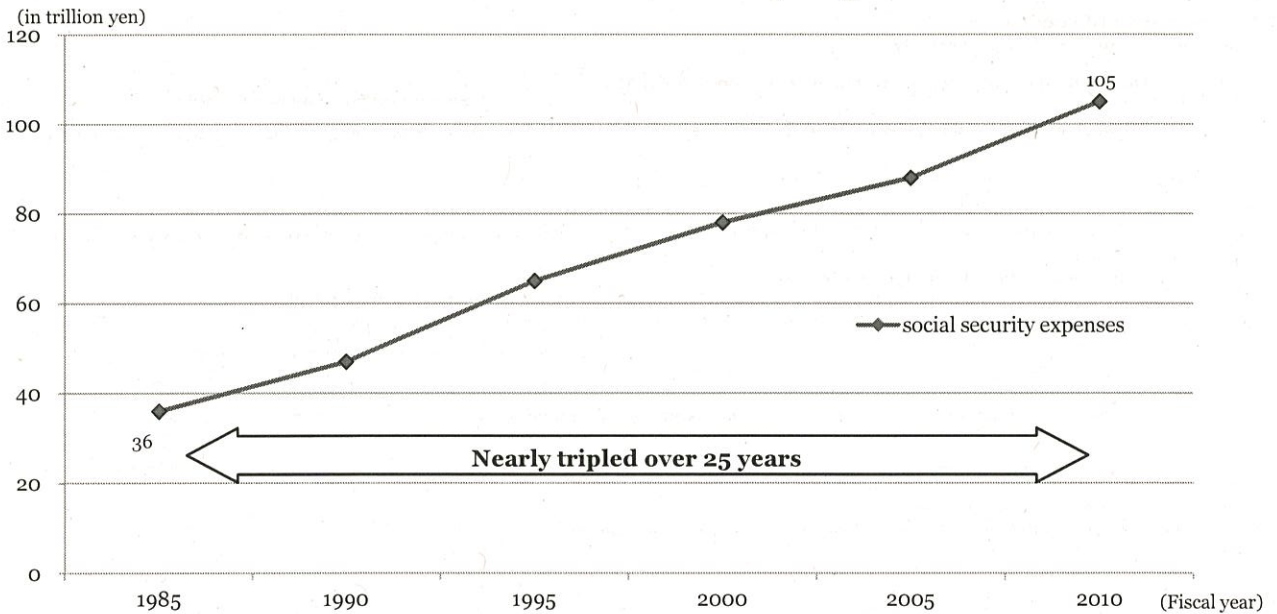
(Fig.1)

Working generation as a percentage of the total population



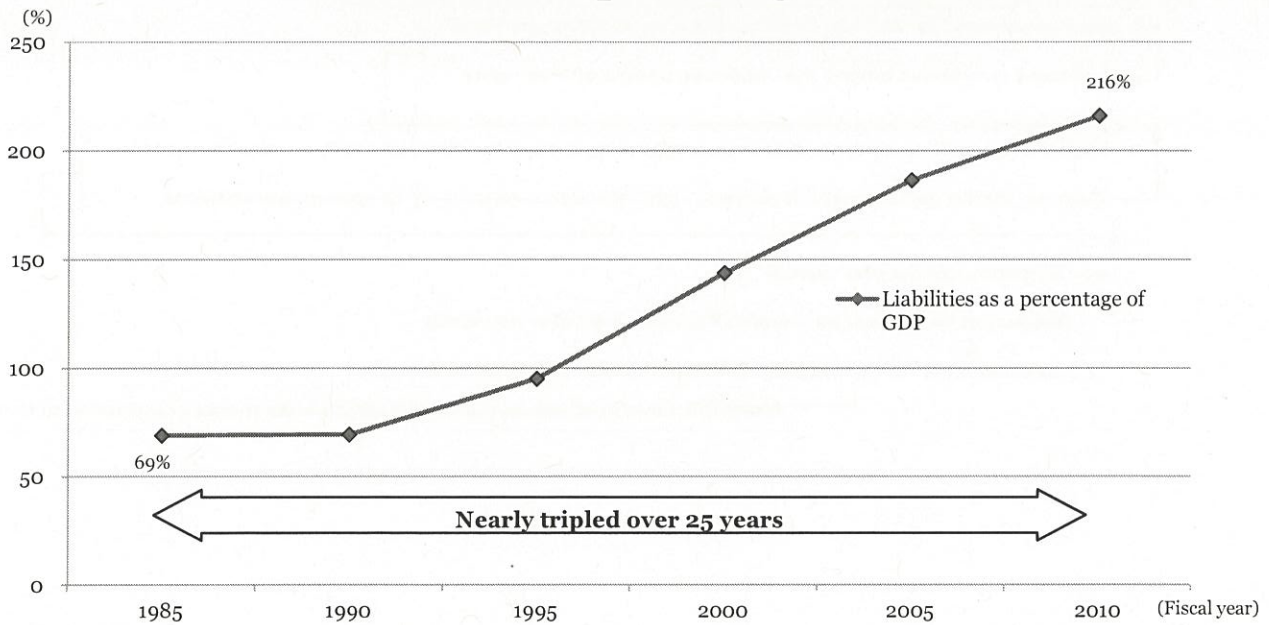
(Fig.2)

Increase in social security expenses



(Fig.3)

Liabilities as a percentage of GDP



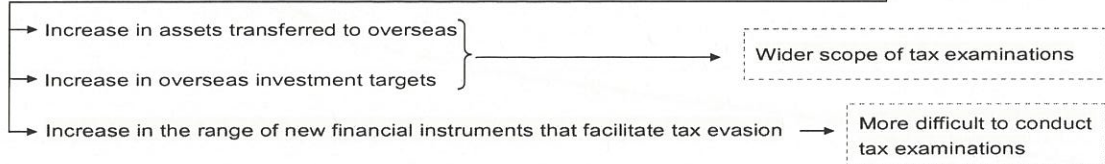
(b) Diversified and globalized asset management by affluent individuals

Increase in the number of overseas asset-related cases subject to examination [Inheritance tax]
407 cases in 2007 → 721 cases in 2012 (nearly doubled)

Japan has been on a deflationary path for approximately 20 years (low interest rates and growth)

Investing in emerging economies by making use of the stronger yen in anticipation of the higher interest rates and growth

Diversified investment risk arising from increased assets owned by individuals



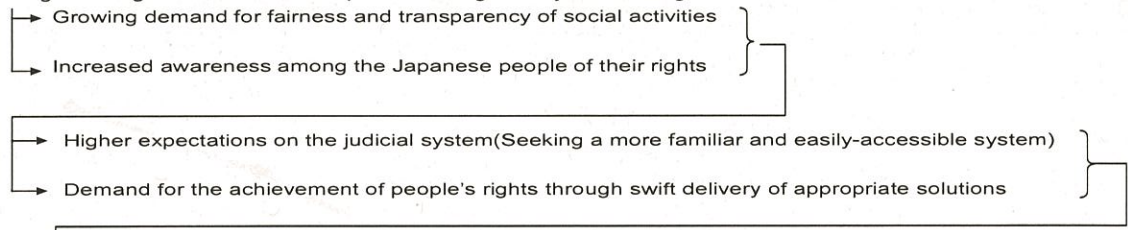
Issues

- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members
- ☆ Need to respond to increasing globalization

(c) Shifting toward a lawsuit-based society

(i) Reforming the judicial system

Shifting from regulation-based to ex-post checking society with easing of restrictions



Reforming the judicial system

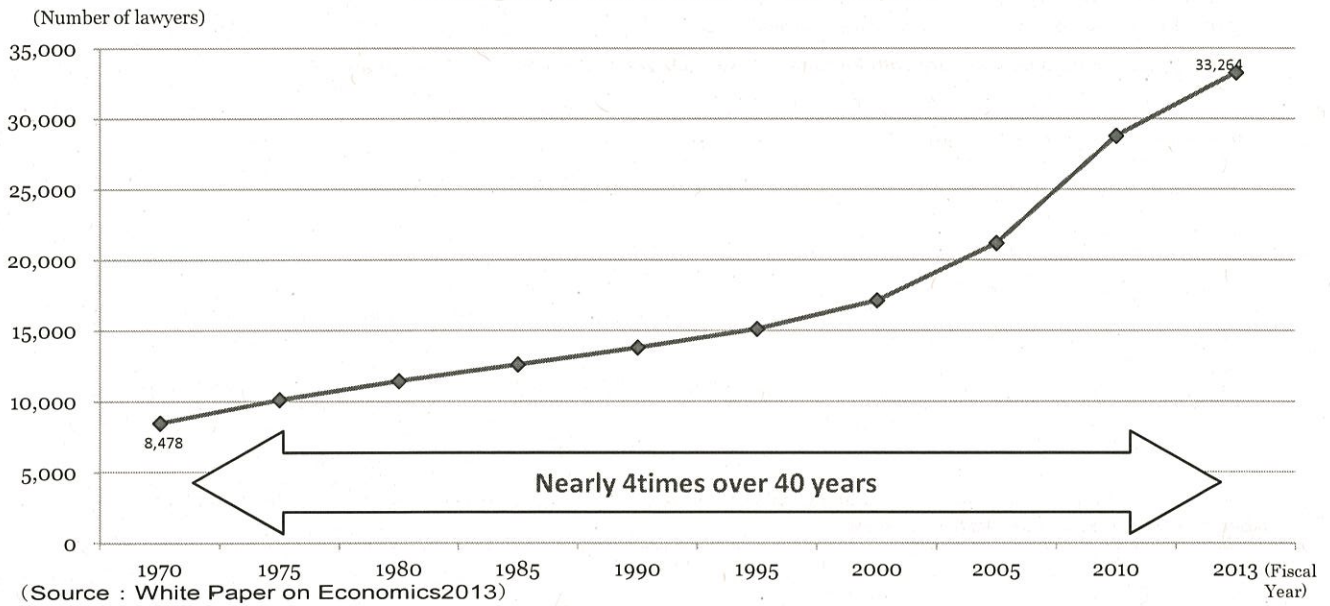
Swelling in the judicial population (Fig.4) (4times over 40 years)

Increase in the number of tax examination cases defended by lawyers

More difficult to deal with appeals regarding assessments or collection of taxes

(Fig.4)

Changes in the Number of Lawyers



(ii) Increased awareness among the Japanese people of their rights

Trend of adopting stricter literal construction for judicial decision-making

Cases lost due to limitations on the interpretation of tax law (Taxation on actual beneficiary)

(Cases lost as a percentage of total lawsuits: 5.1% in 1993 → 7.3% in 2013)

Growing need of statutory interpretation considering requirements for taxation in tax examinations

(iii) Putting legal frameworks for examination procedures in place by enforcing the revised Act on General Rules for National Taxes

Growing need for properly implementing examination procedures

Increased number of days required for tax examination per case

The above has led to a decrease in the ratio of the number of examinations carried out to the number of corporations
Examination on corporations: 4.3% in 2011 → 3.1% in 2012

Issues

- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members
- ◇ Need to improve the ability to respond to legal affairs and lawsuits

(d) Changes in strategies by companies in the period of low economic growth

Expanded position of general shareholders resulting from the reducing of cross-shareholding
(Percentage of share ownership by financial institutions (Tokyo Stock Exchange): 42.2% in 1985 → 22.5% in 2010)

Strategies with more focus on shareholders
(Shifting from a size (sales)-oriented to an efficiency (profitability)-oriented strategy)

Growing awareness of tax savings (Recognition of taxes as costs)

M&As and other restructuring based on new schemes with tax savings awareness

Legal provisions of taxes unable to keep up with this trend (Increase in gray areas)

(Most are large-scale cases)
Increased number of days for tax examination

Difficulties in persuading taxpayers as part of tax examination

More difficult to deal with cases
Increased number of lawsuits

Issues

- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members
- ☆ Need to respond to increasing globalization
- ◇ Need to improve the ability to respond to legal affairs and lawsuits

1.1.2 Further progress of globalization with the growth of Asian economies

(a) Increased business activities by companies across borders (Fig. 5)

- Number of overseas subsidiaries of Japanese firms → Nearly tripled over 20 years
- Number of records on overseas remittances and overseas receipts → Nearly 2.3 times increase over 15 years
- Number of cases on transfer pricing (mutual agreement procedures) → Nearly 2.4 times increase over 15 years

↓
Growing awareness of tax savings (Recognition of taxes as costs)

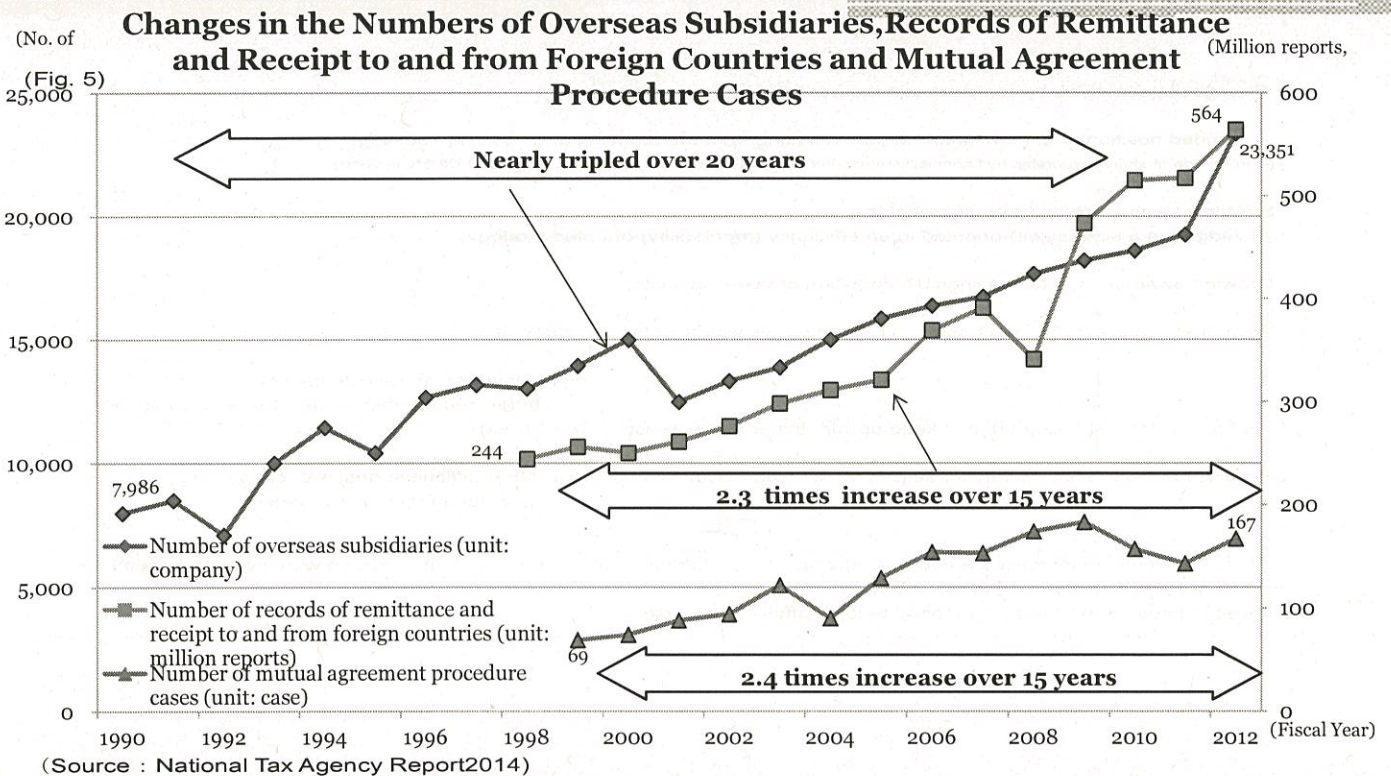
↓
Concern about income outflows to countries with lower effective tax rates

→ Wider scope of tax examinations
More difficult to conduct tax examinations

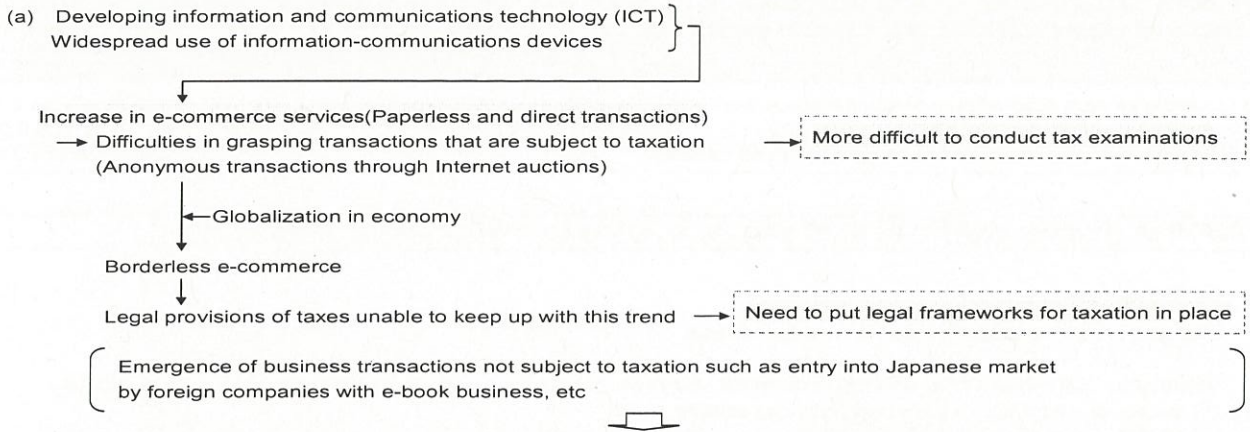


- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members
- ☆ Need to respond to increasing globalization
- ◇ Need to improve the ability to respond to legal affairs and lawsuits

Issues



1.1.3 Progress of adopting ICT




- Issues
- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members
 - ☆ Need to respond to increasing globalization
 - ◇ Need to improve the ability to respond to legal affairs and lawsuits

1.2 Measures to respond to the issues marked with ○☆◇ stated in 1.1

- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members
 - Secure working hours to handle administrative work related to tax examination and collection by enhancing the efficiency of internal work
 - Use ICT in tax administration
(ICT budget: Accounting for 6% of the total initial budget for fiscal 2013 of NTA)
 - Raise the level of ability of the entire staff through on-the-job training and other training courses at the workplace
 - Enhance the efficiency of administrative work related to tax examinations and collection
 - Enhance information-gathering/organizing capabilities
 - More detailed examinations (shifting from negotiation-based to Statutory interpretation-based examinations)
 - Raise the level of ability of the entire staff through on-the-job training and other training courses at the workplace
- ☆ Need to respond to increasing globalization
 - Develop specialists in international taxation and raise the level of ability of the entire staff through training courses
- ◇ Need to improve the ability to respond to legal affairs and lawsuits
 - Develop specialists in legal affairs and raise the level of ability of the entire staff through training courses



2. What are the capabilities you have identified that you need to build or develop within your workforce to identify and respond to these issues?

The abilities (knowledge) that staff should acquire to respond each issue marked with  stated in 1.1 are described below:

- Need to handle an increased amount of administrative work requiring a higher level of expertise with fewer staff members → See 2.1
- Need to respond to increasing globalization → See 2.2
- Need to improve the ability to respond to legal affairs and lawsuits → See 2.3

2.1 Abilities (knowledge) that staff should acquire to respond to the issue

2.1.1 ICT literacy

Ability to use personal computers and their peripherals

2.1.2 Ability to carry out administrative work related to tax examination and collection efficiently

- (a) PC literacy and information gathering/analyzing abilities
- (b) Interpretation and application of basic tax law



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2.2 Abilities (knowledge) that staff should acquire to respond to the issue

(* See Fig.6 for the number of hours of study required for each training course)

2.2.1 Basic level of expertise in the international taxation system (☆1)

Taxation on non-residents/foreign corporations in Japan, Controlled foreign company (CFC) legislation, Transfer pricing taxation system, International law, etc

2.2.2 Advanced level of expertise in international transactions (☆2)

(a) Knowledge about practices in international transactions

- Knowledge of the taxation system of each country
- Understanding of the business environment and actual conditions in each country

(b) Advanced level of expertise

- Understanding of complicated and advanced trading approaches pertaining to financial transactions and restructuring
- Knowledge of details about instruments that facilitate tax evasion

2.2.3 Practical ability to carry out examinations on overseas transactions (☆3)



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2.3 Abilities (knowledge) that staff should acquire to respond to the issue

(* See Fig.6 for the number of hours of study required for each training course)


2.3.1 Practical abilities to interpret and apply tax law ()

- (a) Understanding the relationship between requirements for taxation stipulated in tax law and facts and/or evidence
- (b) Understanding judicial precedents and accumulation of knowledge (including new legal interpretation)
- (c) Applying the above abilities (a) and (b) in actual cases

2.3.2 Knowledge about complicated and advanced transactions ()

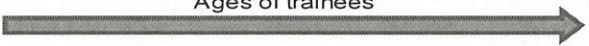
- (a) Knowledge of Organizational Restructuring, M&A and business rehabilitation
- (b) Knowledge of the Companies Act and company accounting



(Fig. 6-1) Number of hours of study required for each training course to develop the abilities stated in 2.2 (, 2, 3) (From July 2014 to June 2015)

[International]

Unit: Hour of time

Agenda 2 Section No.	Ages of trainees				
	25				30
	Training Course Name				
	Advanced Course (University Graduates) Advanced Course (High School Graduates)	International Taxation I	International Taxation II	International Course	
2.2.1 (★1)	24	27	81	111	
2.2.2 (★2)	21	27		189	
2.2.3 (★3)	6	6	48	131	
Subtotal	(7.0%) 51	(100%) 60	(100%) 129	(84.5%) 431	
The others	※(93.0%) 681	-	-	(15.5%) 79	
Total	※(100%) 732	(100%) 60	(100%) 129	(100%) 510	

※Advanced Course
(University Graduates)

(Fig. 6-2) Number of hours of study required for each training course to develop the abilities stated in 2.3 (◇1, 2)
(From July 2014 to June 2015)

[Legal Affairs] Unit: Hour of time

Agenda 2 Section No.	Ages of Trainees			
	25 30			
	Training Course Name			
	Advanced Course (University Graduates) Advanced Course (High School Graduates)	Legal Affairs I	Legal Affairs II	Specialty Course
2.3.1 (◇1)	196	45	54	163
2.3.2 (◇2)	0	0	0	93
Subtotal	(26.8%) 196	(100%) 45	(100%) 54	(60.1%) 256
The others	※(73.2%) 536	-	-	(39.9%) 170
Total	※(100%) 732	(100%) 45	(100%) 54	(100%) 426

※Advanced Course
(University Graduates)

3. What approaches or initiatives have you implemented to build the capabilities that have been identified for the future?

3.1 For developing staff members' abilities (knowledge) stated in 2.1 (○1 and 2)

- (a) Training courses at workplace using manuals
- (b) On-the-job training carried out by experienced staff members

3.2 For developing staff members' abilities (knowledge) stated in 2.2 (☆1, 2 and 3) and 2.3 (◇1 and 2)

It was difficult to acquire these abilities through the existing training courses.

- Review of the existing training system (Fig. 7) → See 3.2.1 and 3.2.2
- Enhancement of the quality of training (Fig. 8) → See 3.2.3

3.2.1 Increase in the number of staff members who participate in basic training courses for international taxation and legal affairs

- (a) Learning basic knowledge and examination procedures through the training courses
The training courses are for people who are to be newly appointed as examiner or revenue officer (university graduates with three years' work experience or high school graduates with seven years' work experience) (Fig. 7: A, B, C and D)
- (b) Training materials are available on the LAN
→ Not only trainees but also non-trainees are allowed to use these training materials (for self-improvement)

3.2.2 Preparing advanced-level specialists in international taxation and legal affairs

(a) Implementing a screening test for selecting trainees of advanced-level training courses (Fig. 7: G and H)

Ratio of successful applicants to total applicants:
 For International Course G: Approximately 1:5
 For Specialty Course H: Approximately 1:30

Selecting a limited number of staff members as trainees for these courses

- Maintain a certain level of trainees
 - Enhance training effects (efficiency)
- Stimulate a spirit of rivalry
 - Foster a desire to engage in self-improvement activities

(b) Providing step-up training courses and subsequent on-the-job training programs

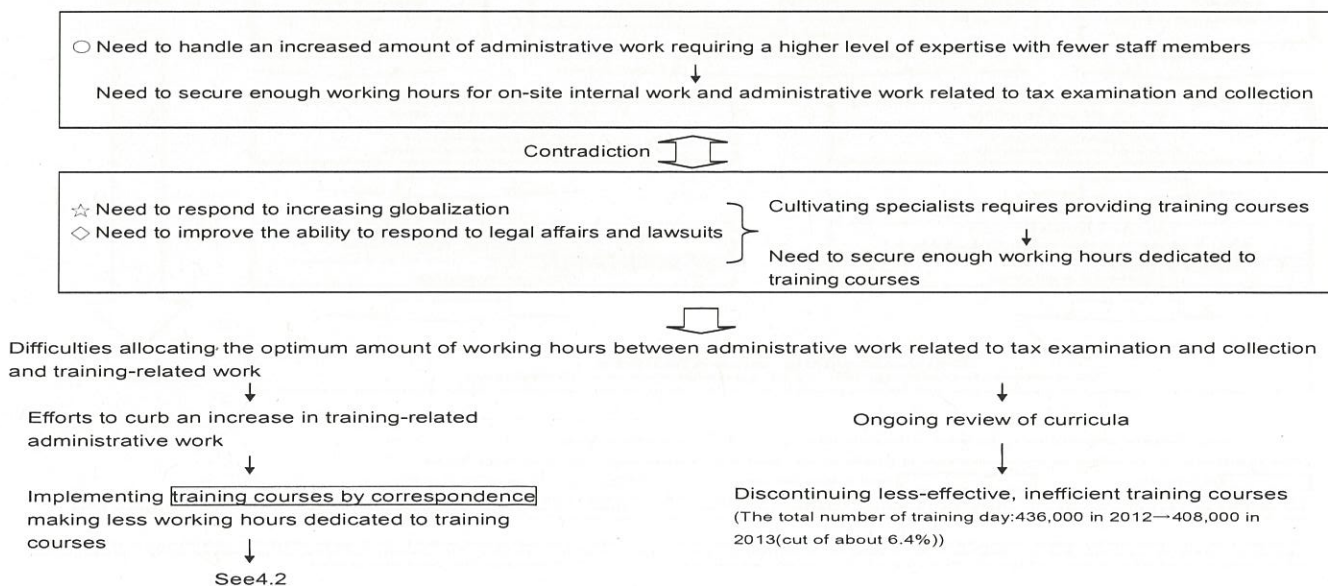
→ Develop advanced-level specialists through on-the-job training at specialized departments

3.2.3 Enhancing the quality of training courses on international taxation and legal affairs

Review instructors, learning materials and curricula of the training courses (Fig. 8)

4. What successes /challenges have you had in building future capability ?

4.1 Regarding the initiatives stated in 3, there were difficulties allocating the optimum amount of working hours between administrative work related to tax examination and collection and training-related work

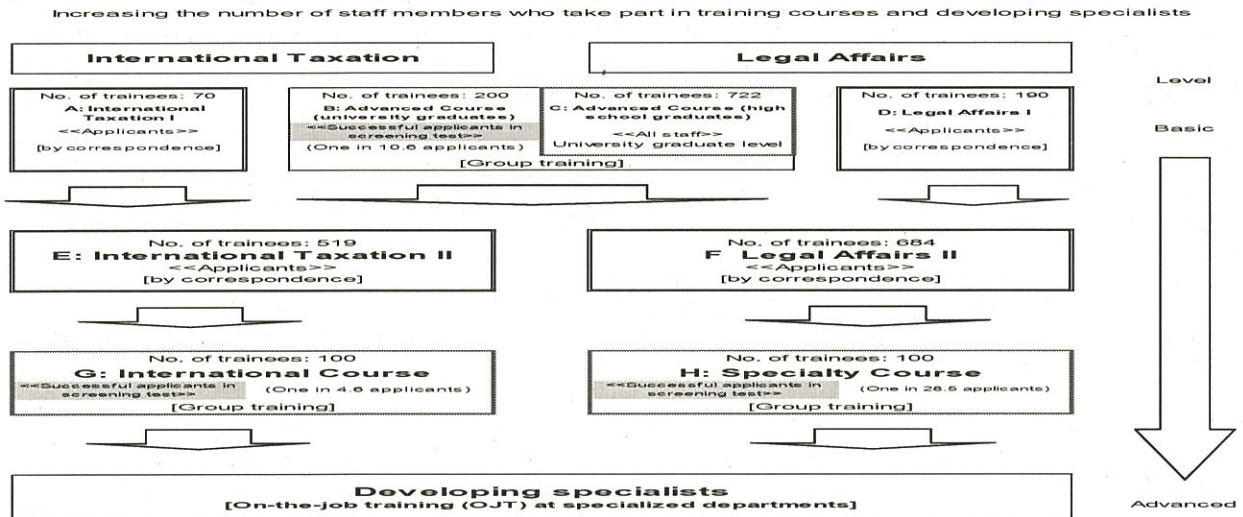


4.2 Improvements to training courses by correspondence

- Adopting schooling
 - Trainees can learn abilities (knowledge) which they cannot obtain only through studying at home
- Incorporating the courses in step-up type training courses (Start with A or D in Fig. 7)
 - Trainees can visually see gradual development of their abilities (leading to an increased desire to engage in self-improvement activities)
- Management and assessment of training progress by supervisors
 - Trainees can maintain and enhance their motivation

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(Fig. 7) Initiatives to develop the abilities stated in 2.2 (☆1, 2, 3) and 2.3 (◇1, 2)



*1 << >>: People eligible to take part in the course [] : Type of training

*2 The numbers of trainees and successful applicants to total applicants are the figures in 2014.

*3 [] Renewed [] Newly Established [] Screening test

*4 Trainees who have completed "Advanced Course (University graduates)" or "(High school graduates)" or "International Taxation I" (training course by correspondence) are eligible to receive "International Taxation II" (training course by correspondence). "International Course" is provided only to applicants who have completed "International Taxation II" (training course by correspondence) and also passed the screening test.

*5 Trainees who have completed "Advanced Course (University graduates)" or "(High school graduates)" or "Legal Affairs I" (training course by correspondence) are eligible to receive "Legal Affairs II" (training course by correspondence). "Specialty Course" is provided only to applicants who have completed "Legal Affairs II" (training course by correspondence) and also passed the screening test.

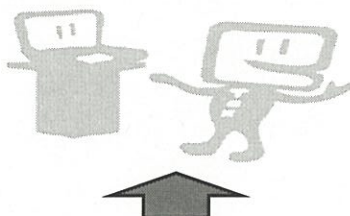
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(Fig.8) Initiatives to develop the abilities stated in 2.2 (☆1, 2, 3) and 2.3 (◇1, 2)
Enhancement of the Training Quality

Training course	Agenda 2 Section No.	Initiative	Old	New
International training courses	2.2.1 2.2.2 (☆1, 2)	Selection of instructors	(1) In-house instructors (2) Outside instructors (University professor, etc.)	[Hiring of more practitioners] Lawyers, certified public accountants, tax accountants
	2.2.1 2.2.2 2.2.3 (☆1, 2, 3)	Training materials	(1) Regime (2) Trade textbooks	[Use of original materials] (1) "International Taxation (Excerpt)" (192 pages) (2) "International Taxation" (417 pages) (3) "Introduction to Trades" (183 pages)
	2.2.2 2.2.3 (☆2, 3)	Curricula (Training method)	Lecture-based	More practical curricula (Ratio of practical subjects to total: 67% in 2012 --> 72% in 2014)
	2.2.1 2.2.2 2.2.3 (☆1, 2, 3)	Repetitive learning	None	Two training courses by correspondence were established in 2013 (Training materials are available on the LAN.)
Legal affairs training courses	2.3.1 2.3.2 (◇1, 2)	Selection of instructors	(1) In-house instructors (2) Outside instructors (University professor, etc.)	[Hiring of more practitioners] Lawyers, certified public accountants, tax accountants
	2.3.1 (◇1)	Training materials	Regime	[Use of original materials] "Theory of Tax requisition fact"(47 pages)
	2.3.1 (◇1)	Curricula	Some training courses have advanced-level curricula (Fig.4: B)	All basic-level training courses have advanced-level curricula (Fig.4: B, C, D).
	2.3.1 2.3.2 (◇1, 2)	Repetitive learning	None	Two training courses by correspondence were established in 2013 (Training materials are available on the LAN.)

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Thank you for your attention!



For promoting e-tax(online national tax return filing and tax payment system),he was born as simple and friendly mascot in 1st October,2004.
He is named "e-ta-kun" after e-tax.

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