DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115013

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115015

EDUCATION (D) 949
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Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

319.5H (13 April 51) TRFO

Takamatsu, Shikoku
13 April 1951

SUBJECT: Local Tax Report for March 1951

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

I. Routine Commentary

A. Organization and General Administration.

1. General Comments.

In the past few months the prefectures have constantly brought up the question of lack of local autonomy in their local finances. Of course the basic concept of local autonomy begins with the independence of local finances. This report is almost completly devoted to the study of the problems brought up by the four prefectures and the gathering of data that is apart of this report.

2. Case Studies and Recommendations.

In Shikoku Region the four prefectures usually choose Kagawa Prefectures as their spokesman in any problems that concern all of the prefectures. This office used this approach in gathering the material for this case study.

The primary objective of this report is to make known certain figures, and show just how the prefectures stand in the realm of local autonomy. (See Incl. # 1 for data) It can be observed from figures in Incl. #1 that the largest percentage of the prefectural revenue is derived from the

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equalization grant and the National Subsidy in that order. It is equal to 68% of their total revenue.

The figures show that the prefectures receive only 13.8% of their revenue from prefectural taxes. In other words they are still very much dependent upon the central government for financial help. This being the case the prefectures are very much vulnerable to the dictates of the central government. It is understood that this is not only true in this region but also in other localities in which medium and small prefectures are located.

It is the general consensus of opinion within the for prefectures that several definite measures could be taken in order to relieve the prefectures of their financial dependency upon the central government. The three main measures recommended are as follows:

a. Decrease the National Tax and increase the Local Taxes. (Prefectures in particular)

b. Minimize the equalization grant as much as possible, because as long as any funds are handed down by the central government there will always be a certain amount of dictation to cope with.

c. More and thorough study is needed in the classification and segregation of National and Local expenditures.

In breaking down the revenue one step further, the following chart shows the tax revenue of Kagawa Prefecture which is somewhat representative of the other three prefectures:

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Source of Revenue	Budget Amount	%
I 1950 - 51 FY	¥470,000,000	90.4
Enterprize Tax	261,900,000	50.4
Special Income Tax	14,500,000	2.8
Admission Tax	95,000,000	18.3
Entertainment Tax	88,000,000	16.9
Automobile Tax	8,800,000	1.7
Mine & Lot Tax	50,000	0.0
Fishing Right Tax	220,000	0.0
Hunting Tax	1,530,000	0.3
II Delinquent Carry Over	¥ 42,600,000	8.2
III Revenue From Old Tax	¥ 7,400,000	1.4
Grand Total	¥520,000,000	100

It can be seen from the preceding chart that the Enterprise Tax, Admission Tax and the Entertainment Tax are the Principal source of revenue derived from the prefectural taxes. The three taxes amount to 85.6% of all the prefectural taxes. It so happens that these particular taxes are easily affected by the economic conditions of the locality. It may be added that they are also the most difficult to administer and to collect. This is especially true with the Admissions Tax and the Entertainment Tax.

The four prefectures wish that more consideration be given the Enterprise Tax and the Special Income Tax which produce 53.2% of the total revenue of the prefecture (Kagawa).

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Source of Revenue	Amount	Number of Taxpayers	%
1. Enterprise Tax	¥ 261,900,000		
Corporation	39,900,000		
A. Individuals	220,000,000	25,351	13.3
B. Individuals	2,000,000	202	0.1
2. Special Income Tax	14,500,000		
A. Individuals	8,870,000	1,342	0.7
B. Individuals	5,630,000	1,236	0.6
Total	¥276,400,000	28,131	14.7
Grand Total	¥ 470,000	191,288	100,0

As can be observed from the preceding chart, the Entertainment Tax and the Special Income Tax are not very popular as far as the number of taxpayers paying the tax are concerned. The figures reveal that 14.7% of the total taxpayers of Kagawa prefecture are paying ¥ 276,400,000, or 53.2% of the total prefectural tax revenue.

Thus far the prefectural authorities have done nothing but offer criticism to the Local Tax Law and produce figures substantuating their argument. The following are some revisions to the Local Tax Law as recommended by the prefectures of Shikoku:

(1) Prefectural Inhabitants Tax to be collected partly from the existing Inhabitants Tax (per capital ?) and the Income Tax.

Classification	Tax Data	Rate	Tax Amount
I Capital	¥ 3,500	1000	65,750,000
Corporation	249,000	250	
II Income Tax			
Corporation	¥ 600,000	0.3%	118,000,000
Individual	2,000,000	0.5%	
Total			183,750,000

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(2) Taxes that wouldn't readily be affected by the changing economic conditions of the locality.

(a) Liquor Tax

Retail Price	Rate	Tax Amount
¥ 1,000,000,000	0.05%	¥ 50,000,000

(b) Tobacco Tax

Retail Price	Rate	Tax Amount
¥ 1,370,000,000	0.05%	¥ 68,500,000

(3) Classification of expenses.

(a) Expenses for compulsory education to be paid for by the Central Government.

	1951-1952 FY Budget
Primary Schools	428,974,000
Lower Secondary Schools	271,723,000
Total	700,697,000

(b) Expenses for disasters and rehabilitation to be paid for by the Central Government.

(Kagawa)

	Budget 1951-1952 FY	National Subsidy	Bond	Revenue
Land Sinking	4,160,000	2,760,000		1,400,000
Land Rising	58,850,000	40,000,000	18,850,000	
Rehabilitation Work for 1948 disaster	10,400,000	6,900,000	3,000,000	500,000
" " " "1949 "	90,000,000	60,000,000	30,000,000	
Harbor rehabilitation 1949 Fiscal Year	7,280,000	4,850,000		2,430,000
" " 1950 " "	2,080,000	1,390,000		690,000
Rehabilitation for 1950 disaster	90,000,000	60,000,000	30,000,000	
Total	262,770,000	175,900,000	81,850,000	5,020,000

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The following are three proposals for revisions of the prefectural taxes as they now stand in the Local Tax Law.

(1) Exemption portion of the Value Added Tax to be reduced from ¥ 90,000 to ¥ 30,000. The reason for such a change is that the majority of businesses in this region are classed among the medium and small types of business. If they were exempt by ¥ 90,000 the Value Added Tax would be much less than that of the Enterprise Tax.

(2) The property of the National Railway and the Monopoly Bureau should be assessed under the Value Added Tax.

(3) The rate of the Admissions and Amusement eating and Drinking Tax should be reduced to the following rates:

(a) Admissions Tax.....Tax rate to be reduced from 100% to 50% of the admissions charge. Also the theaters should come under Article # 88. (Article 88, Par. 1)

(b) Amusement, Eating and Drinking Tax.

Present Rate	Revised Rate	
Charges for eating drinking & amusement....40%		20%
Hotel charges and just eating & drinking..20%	First class Hotel	20%
	Second " "	10%
	Third " "	5%
	Eating & Drinking	5%

Conclusion:

According to the preceding data the prefecture (Kagawa) revenue would be increased as follows:

Tax increase.....	¥ 302,250,000
Expenditures decreased.....	¥ 705,715,000
	¥1007,965,000

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Therefore if this were true the amount of the Equalization Grant could be reduced by the above mentioned total. The Grant Could be further reduced if the Value Added Tax were assessed upon the National Railway and the Monopoly Bureau.

3. Prospective Study Areas.

No Comment

B. Administration of the Local Tax Law.

1. Prefectural Taxes.

The following is submitted to give an idea of what type of personnel have been placed on the "Kagawa Prefecture Farm Land Valuation Committee".

Regulation

a. Date of Establishment: 21 February 1951.

b. Object of Committee:

It is the object of this committee to investigate and consider the proper price of farm land in Kagawa Prefecture.

c. Organization:

The committee shall have 15 members, who have knowledge and experience concerning the valuation of farm land. The governor shall appoint members from those who have the above mentioned knowledge and experience.

d. Chairman and Vice-chairman:

A chairman and a Vice-chairman shall be elected from the members of the committee. The chairman shall supervise the committee and represent the committee.

e. Decision:

Any and all decisions shall be agreed upon by more than half of the members.

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f. Secretariate and Clerks:

One secretariate and 2 clerks shall be employed to carry on the general office work.

g. Member of this committee:

Kameji Ohtsuka:	Chairman of Kagawa-ken Farm Land Committee
Yasuichi Oka:	Chairman of Kagawa Assembly General Affairs Division.
Masaharu Kita:	Chief of Farm Land Division of Kagawa-ken Office.
Zenichi Kawase:	Chief of General Affairs Division of Kagawa-ken Office.
Yasuji Kurokami:	President of the Kagawa Agricultural College.
Kazumasa Tashiro:	Chief of Direct Tax Division of Takamatsu Tax Bureau.
Torasaburo Fukui:	Chairman of Kagawa-ken Town and Village Association.

so on.

Current Activities of the Committee:

At the present the committee members are examining the tentative plan published by the Local Finance Committee, regarding the valuation of the Farm Land in order to make the proper valuation standard for the farm land in Kagawa Prefecture.

2. Municipal Taxes.

No Comment

3. Equalization Grant.

No Comment

4. Enforcement.

No comment

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5. Personnel

No Comment

6. Other Considerations

No Comment

C. Publicity

No comment

D. Training

No Comment

E. Questions to be answered by the Internal Revenue Division.

II. Summary of Activities.

A. Contacts with Occupation Sections.

Any time this office consulted with any government agency within this region that overlapped into the Civil Affairs sphere of activities this office would contact that particular section, plus the fact at the weekly staff conference the facts pertaining such matters are revealed.

B. Meetings of Public Officials Attended.

No Comment

C. Meetings of Citizens groups attended.

No Comment

D. Other Contacts.

No Comment

III. Special Commentary.

No Comment

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(UNIT: ¥ 1,000)

REVENUE	KAGAWA	%	KOCHI	%	TOKUSHIMA	%	EHIME	%	TOTAL	%
Pref. Tax	520,000	16.8	410.045	10.7	452,446	13.2	628,077	15.1	2,010,568	13.8
Equalization Grant	1,053,920	34.3	1,266,155	33.0	1,152,989	33.6	1,912,127	46.0	5,385,191	37.3
Revenue From Pref. Property	2,070	0.1	618	.0	40,070	1.2	4,105	0.1	46,863	0.3
Share & Allotment	28,220	0.9	7,127	0.2	14,249	0.4	16,979	0.4	66,575	0.4
Rents & Fees	126,921	4.1	131,586	3.4	97,854	2.9	134,881	3.2	491,242	3.4
National Subsidy	832,923	27.0	1,535,025	40.0	1,046,806	30.5	1,216,084	29.2	4,630,838	31.9
Donations	54,163	1.8	65,193	1.7	61,166	1.8	14,089	0.3	194,611	1.3
Spec. Oper. Revenue	6,500	0.2	8,694	0.2	3,500	0.1	20,800	0.5	39,494	0.2
Carry Over	1	.0							1	0
Misc. Income	157,424	5.1	56,017	1.5	84,204	2.5	67.857	1.6	365,502	2.5
Prefectural Bonds	299,245	9.7	353,975	9.3	476,000	13.8	145,000	3.6	1,274,220	8.9
TOTAL	3,081,387	100	3,834,435	100	3,429,284	100	4,159,999	100	14,505,105	100

Incl #1

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EXPENDITURES	KAGAWA	%	KOCHI	%	TOKUSHIMA	%	EHIME	%
Assembly	17,477	0.6	19,911	0.5	15,233	0.4	20,034	0.5
Pref. Gov. Exp.	332,844	10.8	307,773	8.1	295,050	8.6	181,112	4.4
Police & Fire	3,440	0.1	2,900	0.1	14,825	0.4	3,511	0.1
Public Works	739,858	24.1	1,581,471	41.2	1,183,483	34.5	1,183,804	28.5
Education	1,028,189	33.4	966.795	25.2	1,062,816	31.0	1,336,169	32.2
Social & Labor	134,712	4.4	176,596	4.6	193,766	5.7	109,788	2.6
Public Health	50,948	1.6	98,093	2.6	68,102	2.0	155,894	3.8
Industry & Econ.	643,084	20.8	474,827	12.4	436,896	12.7	530,637	12.6
Property	1,000	.0	3,500	0.1	9,210	0.3	684	.0
Statistic & Investiga.	8,110	0.3	6,647	0.2	8,786	0.3	9,441	0.2
Election	7,067	0.2	7,952	0.2	9,444	0.3	11,834	0.3
Public Loans	69,382	2.2	125,964	3.3	85,535	2.5	150,695	3.6
Misc. Expend.	40,272	1.3	58,106	1.4	45,634	1.3	64,082	1.5
Wage Increase							397,310	9.6
Reserve	5,000	0.2	4,000	0.1	500	0	5,000	0.1
TOTAL	3,081,383	100	3,834,535	100	3,429,280	100	4,159,995	100

Incl #2

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TABLE I

Budgeted, Assessed and Collected Tax Amounts for the Prefectures and Four Largest Cities of Shikoku

(UNIT: ¥1,000)

Name of Prefecture or City	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Feb.	Cumulative Total	Previous Total	Feb.	Cumulative Total
Kagawa Pref.	550,000	694,834	30,962	725,796	291,668	69,652	361,320
Tokushima "	437,228	561,413	25,294	586,707	194,888	52,266	247,154
Kochi "	468,228	693,146	15,440	708,586	254,244	63,672	317,916
Ehime "	584,646	897,723	39,663	937,386	421,076	78,861	499,937
Takamatsu City	253,506	215,234	56,662	271,896	110,485	21,666	132,151
Tokushima "	170,426	220,635	- 7,623	213,012	102,991	20,038	123,029
Kochi "	205,009	316,002	48,283	364,285	133,112	25,647	158,759
Matsuyama "	262,596	212,770	33,619	246,389	104,396	20,505	124,901

Source: Municipal and Prefectural Tax Offices, Shikoku Region

TABLE II

Status of Prefectural Taxes in Shikoku

(UNIT: ¥1,000)

ame of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Feb.	Cumulative Total	Previous Total	Feb.	Cumulative Total
nterprise Tax	1,023,893	1,481,010	31,686	1,512,696	562,737	166,253	728,990
pecial Income Tax	55,490	85,191	52	85,243	49,957	9,253	59,210
dmission Tax	334,267	250,250	37,546	287,796	154,585	28,564	183,149
musement Eating & Drinking Tax	268,822	181,992	24,826	206,818	75,146	21,193	96,339
utomobile Tax	49,155	69,369	- 69	69,300	24,865	8,271	33,136
ther Taxes	59,876	76,697	146	76,843	59,601	5,182	64,783
elinquency From revious Year	248,599	702,607	17,172	719,779	234,985	25,735	260,720
Total	2,040,102	2,847,116	111,359	2,958,475	1,161,876	264,451	1,426,327

Source: Prefectural Tax Offices, Shikoku Region

Incl #3

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onthly Activities Report - March 1951 (Cont'd)

TABLE III

Tax Status of Four Largest Cities in Shikoku

(UNIT: ¥1,000)

Name of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Feb.	Cumulative Total	Previous Total	Feb.	Cumulative Total
nhabitant Tax	402,701	366,886	59,603	426,489	173,434	39,226	212,660
unicipal roperty Tax	240,432	216,498	59,033	275,531	125,427	33,267	158,694
icycle Tax	11,533	13,945	9	13,954	10,310	360	10,670
art Tax	3,106	3,690	0	3,690	2,973	70	3,043
lectricity& as Tax	25,433	14,168	4,646	18,814	14,137	4,577	18,714
ther Taxes	5,518	8,815	318	9,133	4,967	631	5,598
elinquency From revious Year	202,814	340,639	7,332	347,971	119,736	9,725	129,461
Total	891,537	964,641	130,941	1,095,582	450,984	87,856	538,840

Incl #4

Source: Municipal Tax Offices, Shikoku Region

Earle C. Misener

EARLE C. MISENER
Capt Inf
Senior Tax Specialist

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Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

Takamatsu, Shikoku
13 March 1951

319.5H (13 Mar 51) TRFO

SUBJECT: Monthly Tax Surveillance Report

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

I. Routine Commentary

1. Organization and General Administration

No comment

2. Accounts and Collections

a. Collection activities -- This month being the deadline for the final return, all tax offices concentrated their efforts on encouragement of the same rather than any reassessments. The Self-assessed Income Tax was increased by ¥ 213,014,000 and total taxes were increased by ¥ 642,921,000. Collections in comparison to the assessed amount is 64% for total taxes and 42% for self-assessed. Compared with the same period last year it is 1% lower for total taxes and 6% lower for self-assessed. The Bureau mentioned that improvement is expected and better results than last year are expected before the end of the fiscal year. The total amount collected for the month was ¥ 934,418,000 of which ¥ 267,898,000 was for self-assessed income tax. In comparison with the previous month ¥ 228,659,000 more was collected for total taxes and ¥ 219,607,000 more for self-assessed income. This is due largely to the concentrated efforts of the third period collections. Compared with the same period last year, the collection amount for total taxes is 67% and for self-assessed is 59%. (For further data see Incls #1 & #2)

b. Reassessments

No comment

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c. Reinvestigations and Appeals.

Ehime Prefectures seems to be the more aggressive prefecture on Shikoku in the field taxation. This doesn't only pertain to National but also Local taxes. The different peoples organization and farmers cooperatives have done much to bridge the gap between the taxpayers and the tax administrators. Just recently a branch of the Prefectural Agricultural Cooperative Federation made an investigation in regards to the actual income condition of the people in its jurisdiction.

According to figures of the investigation it was revealed that the actual income was considerable less than that shown on the taxation offices books.

Some of the results of the investigation are outlined below:

Income from Rice Production (Per 1 koku)

Name of Village	Estimated by Tax Office	Investigated by the Cooperative
Naritae	4,000 yen	3,612 yen
Mima	4,000	2,285
Miura	3,700	3,093
Preventage in total	100	77

Income from barley production. (per 1 tan)

Naritae	1,800	1,295
Percentage	100	67

The similar percentages is also calculated in other villages.

Income from sweet potato production. (per 1 tan)

Shitanami	8,600	5,522
Miura	8,700	5,927
Percentage in total	100	78

The expenses necessary for the production. (According to the investigation. Per 1 tan)

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Monthly Activities Report - February 1951 (Cont'd)

Name of Village	Rice	Barley	Sweet Potato
Naritae	5,245 yen	2,914 yen	-
Mima	5,209	-	
Miura	4,412	2,720	5,973
Shitanami	4,412	3,082	5,683
Wages Allowed for Family Laborers (per a day)			
Mima	176	-	-
Miura	135	87	169
Shitanami	-	30	239

Iruta a technician for the coops took charge of this investigation and intends to negotiate with the taxation authorities on the basis of the above figures in an effort to make the taxing more rational.

d. Activities of the Supervisors

No comment

e. Records and Accounts

No comment

f. Delinquent Accounts and Statistics Thereon.-- Emphasis was centered around the clerical work, such as arrangement of the delinquency disposition card, investigation of large delinquent accounts by the national collectors plus the investigation of those firms that are expected to profit by the increase of production due to the Korean conflict. (For further data see Incls #3 & #4)

3. Enforcement - Inspection Section

No comment

4. Enforcement - Investigation Section

No comment

5. Publicity-Organized publicity squads toured the area of this region. They used a truck and loud speaker encouraging the people to file their final return and to pay the same. At same time they distributed posters.

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Another squad held guidance meetings in various key localities. Their media was a 16 MM movie projector and the name of the film was, "How to file the final return". Radio Station and Railway Stations had spot announcements.

6. Training

No comment

7. Personnel - It seems that having misconduct cases among the active tax office personnel is not enough to worry about, now a former tax official of the Kochi Tax Office has made the headlines. It seems that Kikuo Katayama, age 28 a former official of the Kochi Tax Office and now a charcoal dealer in Kochi city was arrested by the municipal police on 7 February 1951 on suspecion of having obtained more than ¥ 500,000 by false pretenses from several taxpayers. Katayama obtained by fraud ¥ 232,000 from a taxpayer who is a manufacturer of carbonate of lime. This all took place between the months of September and December 1948. He also made promises to lower the taxes of the above mentioned. He also received a sum of ¥ 21,000 from three other taxpayers for similar fraudulent services. To make matters worse all of the above mentioned was done under the impersonation of a tax official.

II. Summary of Selective Surveillance at Local Tax Office Level

8. Few national tax offices were visited due to the emphasis on local tax surveillance by this office.

III. Special Commentary

9. Tax theme for February.---At all the quarterly conferences of the Internal Revenue Division no mention has ever been made of the information program that the civil affairs carries on in conjunction with the tax collection program. Every month the Information Section of Civil Affairs Scap, issues a theme for the month. It deals with all the civil affairs priority programs, and is a very good approach at getting the necessary information out to the

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taxpaying public. This office isn't sure whether all the regional field offices know about such a program. It is definitly a good time to get the heads together. The following is an extract of the theme for February 1951.

TAXATION

1. Inform taxpayers of the 28 February deadline for filing final returns covering income, inheritance, and net wealth taxes. Individual income taxpayers, including farmers and businessmen, who made more than ¥ 25,000 income in 1950 are required to file returns. The salaried workers must also file a return if his income totaled ¥ 100,000 or more and was derived from more than the one source. A return covering inheritance taxes must be filed if the property received by will or gift amounted to more than ¥30,000. The net wealth tax applies to all individuals whose net wealth is in excess of 5 million yen. The rate is progressive. For example, wealth between ¥5,000,000 and ¥ 10,000,000 is taxed at the rate of one half of one per cent while wealth in excess of ¥ 10,000,000 is subject to a progressively higher rate. Taxpayers should consult their local tax offices regarding rates, exemptions, etc.)

2. Encourage citizens to study the 1950-51 Japanese Government budgets and to offer constructive criticism. (Citizens should be encouraged to study not only the national budget but prefectural and municipal budgets as well and to offer constructive criticism on items which appear to be excessive or inappropriat. In a statement made prior to his departure on 4 December for the United States, Joseph Dodge, Economic Adviser to SCAP, stated: "If the capital needs of the Japanese economy are to be met with any degree of success, public and private expenditures of every nature will have to be controlled, not only in terms of amount but also in terms of ensuring the maximum value for the least cost. This is particularly true of public finance at every level, where

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there should be an unceasing demand on the part of the public, whose funds are being spent, that wasteful expenditures, ghost employees, ghost travellers, extravagance and overobligation of funds be stopped". Citizens can do much to eliminate wasteful expenditures in government by closely scrutinizing budgets.)

(3) Inform the public that persons required to file self-assessed income tax returns and who fail to do so, are subject to criminal prosecution and may be imprisoned, fined up to ¥ 200,000, or both. (Compulsory filing of income tax returns by the vast majority of Japanese is now required under the new tax laws. All citizens are required to file a return if: (a) their earnings are ¥25,000 or more and (b) if, despite the fact their taxes are withheld at the source by their employers, they have outside sources of income.)

(4) Discourage illegal brewing. (In much of rural Japan, the New Year is celebrated around 1 February in accordance with the lunar calender. Some farmers in the past have resorted to illegal brewing of a supply of sake in January, in preparation for the holiday season. The Diet on 30 November passed an act substantially reducing the tax on alcoholic beverages, including sake, effective 1 Dec. In view of the fact sake is now available at lower cost, farmers and others who are tempted to brew their own alcoholic beverages should be urged to refrain from the practice. Other factors which should discourage home brewing are the large penalty to which violators are subject and the danger to health which may result from drinking illegal alcoholic beverages.)

10. Editorial on the methods of tax collection.

The following is an editorial from a Kochi Newspaper and probably reflects the attitude of a major portion of the taxpaying public within that area.

Kochi Nippo

Editorial:

Improvement is desired for the way and method of collecting taxes. Needless to say, the taxes shall be paid, however heavy they may be.

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But the way of imposing and collecting taxes is too random.

First the assessment is made on a basis of random estimation. The assessment has no definite grounds. Or it is made on a basis of groundless estimation, rumours, slanders etc. Some imposition depending upon the estimation is felt by the taxpayers as if it were a robbery through legal power.

Secondly, no objection to the random assessment is accepted. Any utterance opposing it and the taxes in arrears are regarded as the action of traitors or the like. What is worse, those who submit any grievance of the taxes are accused falsely of being communist. It is quite unpardonable.

Many taxpayers are not persuaded into accepting the imposition and paying the taxes. They can understand nothing about the assessment or the way of collecting taxes. Nevertheless almost all of them don't dare to bring a lawsuit because the procedings are too complicated and expensive to be disposed of easily by the common people.

On the other hand, the taxation authorities are suffering from many difficulties. The evasion from taxes is prevailing. If the authorities overlook the tax evasion because the taxation is too heavy for the taxpayers to keep their enterprises, the collection of taxes will be not successful and the authorities will not able to raise the revenues from taxes.

So the taxation authorities worked out recently a method of collecting taxes. That is "the crying to the tax-payers for help". They seem to resort to the threat of attachment on one hand and seem to resort to the crying for help on the other. It may be a progress in the technique of collecting taxes.

But the most important thing is the fair and upright imposition. If the unfair taxes, far from being upright, are forcibly collected through threatening and crying for help, it will mean unhappiness for the nation.

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If the taxation authorities are yet lacking the idea to make the taxation fair and upright through the improved techniques of tax collection, the authorities will be held responsible for the anti-American thoughts, anti-government agitation, and spreading communistic thoughts.

We repeat the above because the techniques of tax collection have as yet not been improved.

Earle C. Misener

EARLE C. MISENER
Capt Inf
Senior Tax Specialist

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Status of S. A. Income Tax Collection
by Prefecture

As of the end of February 1951

UNIT: ¥1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Jan. '51	February	Total up to the end of Feb. '51	Total up to the end of Jan. '51	February	Total up to the end of Feb. '51	1950-51 %	Same Period of 1949-50 %
Kagawa	1,199,911	138,219	1,338,130	518,867	79,343	598,210	45	59
Tokushima	1,185,419	-18,529	1,166,890	407,319	45,387	452,706	39	46
Kochi	1,443,114	-173,002	1,270,112	419,677	58,992	478,669	38	34
Ehime	1,664,117	23,590	1,687,707	693,359	84,176	777,535	46	50
Total	5,492,561	-29,722	5,462,839	2,039,222	267,898	2,307,120	42	48

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Status of Delinquent Taxes

As of the end of January 1951

UNIT: ¥ 1,000

	Delinquent Taxes up to the end of January 1951						Attached properties up to the end of January 1951			
	1950-1951		1949-1950		Total		1950-1951		1949-1950	
	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases
Withholding	74,328	3,022	85,544	2,733	159,872	5,755	12,121	92	55,534	452
S.A. Income	509,952	111,839	1,813,231	215,009	2,323,183	326,848	30,019	590	651,941	30,868
Corporation	167,190	2,658	135,744	2,509	302,934	5,167	26,295	185	122,185	976
Liquor	48,744	901	6,207	446	54,951	1,347	-	-	-	-
Coddodity	78,625	2,144	89,510	3,691	168,135	5,835	16,719	50	57,205	940
Revaluation	7,297	618	-	-	7,297	618	-	-	-	-
Others	41,353	1,710	194,095	53,975	235,448	55,685	2,025	38	27,611	1,869
Property	1,464	75	5,915	432	7,379	507	-	-	-	-
War-security	172	2	14,512	88	14,684	90	99	1	1,335	11
Total	929,125	122,969	2,344,758	278,883	3,273,883	401,852	87,278	956	915,811	35,116

Status of Delinquent Taxes by Prefecture

As of the end of January 1951

UNIT: ¥ 1,000

	1950-1951		1949-1950		Total	
	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases
Kagawa	202,959	30,502	443,391	57,258	646,350	87,760
Tokushima	207,262	26,860	625,823	78,575	833,085	105,435
Kochi	174,785	30,788	669,991	71,165	844,776	101,953
Ehime	344,119	34,819	605,553	71,885	949,672	106,704
Total	929,125	122,969	2,344,758	278,883	3,273,883	401,852

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 1301

Status of Total Tax Collection
by Prefecture

As of the end of February 1951

UNIT: ¥ 1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Jan. '51	February	Total up to the end of Feb. '51	Total up to the end of Jan. '51	February	Total up to the end of Feb. '51	1950-51 %	Same period of 1949-50 %
Kagawa	2,569,099	269,071	2,838,170	1,701,993	260,097	1,962,090	69	73
Tokushima	2,272,391	128,826	2,401,217	1,280,896	169,268	1,450,164	60	61
Kochi	2,505,505	-51,754	2,453,751	1,195,674	177,364	1,373,038	56	54
Ehime	3,567,669	257,333	3,825,002	2,273,846	327,689	2,601,535	68	69
Total	10,914,664	603,476	11,518,140	6,452,409	934,418	7,386,827	64	65

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 175013

EDUCATION

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Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

Takamatsu, Shikoku
10 February 1951

319.5H (10 Feb 51) TRFO

SUBJECT: Local Tax Report for Period Ending 31 January 1951

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

1. Routine Commentary

Emphasis on surveillance for the month of January was placed in Tokushima Prefecture, its cities, towns and villages. It has been evident from figures submitted that there are some basic reasons for the low collection. The figures of table I of this report show that Tokushima Prefecture has collected only 35% of their budgeted amount and only 28% of their assessed amount. This in comparison with Ehime Prefecture with 57% collected of the budgeted amount and 41% collected of the assessed amount is quite a poor showing. Taking into consideration the physical, structure, economical potential, plus the administrative ability of both prefectures mentioned, one can readily ascertain the reason for such a difference in collections.

First Tokushima Prefecture is situated on the south eastern tip of Shikoku which makes it highly vulnerable to the seasonable typhoons and high winds that come in from the Pacific. Ehime is located on the western tip of Shikoku and isn't so vulnerable to the seasonable disturbances. Tokushima has a land area of 417,739 cho of which approximately 50,288 is capable of being cultivated. It has a population of 876,892 of which 511,901 are farmers or about 60%. Ehime has a land area of 571,404 cho of which about 75,064 is capable of being cultivated. The population is 1,526,560 of which 899,400 are farmers or about

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60%, the same as Tokushima Prefecture.

The second consideration is the economic potential of each. This will begin to bring light upon the reason for the differences. Tokushima is more dependent upon its yield from paddy land, while Ehime is raises considerable fruit in addition to its paddy land production. Plus the fact it is the industrial center for the island.

Third and last, and probably the most important reason is the administrative ability of each Prefectural Office. The Ehime Prefectural Municipal Section has gained the respect and admiration of all the local entities in the prefecture. This can probably be attributed to the prefectural officials prior planning and preparation for the Local Tax Law. They have incorporated within the Municipal Section several experienced tax officials. This makes this sections job of guidance a much easer one, for they know first hand the problems faced by the local entities. This being the case the Municipal Section can take more of a sympathetic attitude with these smaller units of government. In most cases they really need the sympathetic guidance. In the case of the Tokushima Prefectural Municipal Section there is nothing but discontent from the local entities toward the Municipal Section. These different cities, towns and villages were at the point in tax cycle, in which they needed guidance from the prefecture and needed it fast. The Municipal Section was unable to provide this necessary guidance so many cities and towns got together and sent a delegation to Osaka to confer with their Municipal Section as to the correct methods of assessing the depreciable assets portion of the Municipal Property Tax. This discontent is probably due to the lack of leadership within the Prefectural Government itself.

Although in the case Ehime Prefecture they are higher in collections than Tokushima they still don't represent the elite in tax collection. But

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the comparison might show that if local entities had proper guidance in the initial stage the collections would reflect the improvement. This being the case a prefecture with poor natural resources & minor industries could be at the top of the pack in tax collections. If their administrators are of the proper quality.

The lack of leadership can probably be attributed to the sickness of the present governor and the lack of initiative of the vice governor. The vice governor also has a political ambition to become governor of the prefecture in the coming election.

A good example of the need of leadership from the prefecture level is the town of Tomioka in Tokushima. A visit to the Town Hall revealed many things that were of interest. One in particular is the attitude which they have taken toward the tax collection program in general. This attitude is either attributed to their ignorance of the proper administrative proceedure, or else their lack of confidence in their ability to administor a new Tax Law or both. Another is their lack of judgement in placing their tax personnel in positions where they will do the most good. The town has 6 men assigned to the tax section of which 5 are placed indoors leaving the one man to cover the complete town area.

All of these liabilities can probably be traced back to the prefecture and their lack of proper guidance at the begining when the Local Tax Law was passed.

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TABLE I

Budgeted, Assessed and Collected Tax Amounts for the Prefectures and Four Largest Cities of Shikoku

(UNIT ¥ 1,000)

Name of Prefecture or City	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Dec.	Cumulative Total	Previous Total	Dec.	Cumulative Total
Kagawa Pref.	550,000	509,630	26,261	535,891	197,112	45,262	242,374
Tokushima "	437,228	378,779	165,948	544,727	109,325	42,828	152,153
Kochi "	468,228	505,702	175,448	681,150	144,932	51,865	196,797
Ehime "	584,646	556,901	264,291	821,192	236,911	95,339	332,250
Takamatsu City	253,506	160,366	52,789	213,155	65,514	22,962	88,476
Tokushima City	170,424	224,484	9,127	233,611	62,514	14,547	77,061
Kochi City	205,009	239,145	49,579	288,724	78,990	29,628	108,618
Matsuyama City	262,596	141,795	32,020	173,815	58,728	25,078	83,806

Source: Municipal and Prefectural Tax Office, Shikoku Region

TABLE II

Status of Prefectural Taxes in Shikoku

(UNIT ¥ 1,000)

Name of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Dec.	Cumulative Total	Previous Total	Dec.	Cumulative Total
Enterprise Tax	1,059,543	795,262	493,089	1,288,351	263,787	139,322	403,109
Special Income Tax	56,117	45,212	31,442	76,654	27,075	10,104	37,179
Admission Tax	336,803	203,568	26,948	230,516	105,207	24,800	130,007
Amusement Eating & Drinking Tax	273,304	111,723	37,107	148,830	40,620	18,970	59,590
Automobile Tax	50,543	42,914	18,790	61,704	12,537	6,026	18,563
Other Taxes	50,551	48,476	16,917	65,393	43,113	5,072	48,185
Delinquency From Previous Year	213,241	703,857	7,655	711,512	195,941	31,000	226,941
TOTAL	2,040,102	1,951,012	631,948	2,582,960	688,280	235,294	923,574

Source: Prefectural Tax Offices, Shikoku Region

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TABLE III

Tax Status of Four Largest Cities in Shikoku

(UNIT: ¥ 1,000)

Name of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Dec.	Cumulative Total	Previous Total	Dec.	Cumulative Total
Inhabitant Tax	402,700	257,551	75,155	332,706	86,015	43,422	129,437
Municipal Property Tax	240.432	131,952	63,355	195,307	61,043	31,103	92,146
Electricity & Gas Tax	25,433	9,870	- 1,511	8,359	8,666	- 357	8,309
Bicycle Tax	11,533	13,878	33	13,911	9,213	530	9,743
Cart Tax	3,106	3,691	- 1	3,690	2,741	139	2,880
Other Tax	5,518	8,247	321	8,568	3,656	750	4,406
Delinquency From Previous Year	202,813	340,601	6,163	346,764	94,412	16,628	111,040
TOTAL	891,535	765,790	143,515	909,305	265,746	92,215	357,961

Source: Municipal Tax Offices, Shikoku Region

EARLE C. MISENER
Capt Inf
Senior Tax Specialist

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Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

Takamatsu, Shikoku
13 March 1951

319.5H (13 Mar 51) TRFO

SUBJECT: Local Tax Report for Period Ending 28 February 1951.

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

During the month of February the main emphasis was centered in Kochi and Kagawa Prefectures.

I. Admission Tax:

Recently municipal authorities of Matsuyama City of Ehime Prefecture passed a plan in which an admission ticket to the bicycle races would be given free to those who voted on the issue of the city becoming an "International sight-seeing, spa and cultural city".

The referendum was held on 11 Feb. 1951, and the bicycle race was held the same day.

However Onsen District Office was of the opinion that this was a violation of Art. 76 of the Local Tax Law, and was regarded as tax evasion. The district office ordered the city to issue a ticket of 30 yen in exchange for a certificate of completion of voting, to cover the admission tax.

On 12 Feb. 1951 it was revealed that over 2000 persons attended the races without payment of the admission tax and the district office is insisting that the city pay the tax on those admissions.

It was revealed that the admission tax will not be borne by the Election Committee but by the municipal race track account causing then to go in the red for that day, plus the fact it will probably cause much criticism from the city auditing committee (Live and learn the hard way).

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II. Inhabitants Tax:

In an interview with the mayor of Kochi city, a point was brought up which has been mentioned by several other cities and towns. That being the expected reduction of revenue to be received from the Inhabitants Tax due to the reduction of the National Income Tax.

His main point was that this year they had an increase of expenditure over and above that passed on for their 1950-1951 fiscal years budget.

The following figures show the increase in expenditures and authority for same and other revenue data pertinate to the subject:

(1) Increased expenditures imposed on the Local Entities, according to the New Laws and Regulations.

Subject	Law or Regulation	Amount of Increased
1. Clerks of the social welfare were increased	Law #182 Issued on 15 May'50 "Law regarding to appointment of the Social Welfare Clerks".	¥ 4,216,790
2. Unemployment relief	"Urgent Unemployment Relief Law". Law #89 Issued on 20 May'50	¥11,628,000
3. Revised salary base, and year end allowance	"Law regarding to general employee salary", Law #95 Issued on 3 Apr.'50	¥32,656,000
4. Food for School Pupils	"Instruction for Flour Pupil". Food Law #902 Issued on 10 Feb.'51	¥ 9,850,000
5. Reform of Staple Food Ration System	"Staple Food Control Law" Cabinet Order #265 Issued on 19 Aug.'50	¥ 2,657,000
6. Welfare expenditures employees	Local Public Official Law Law #261 Issued on 13 Dec.'50	¥11,162,000

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7. Rodent & Insect Control	"Infectious Desease Prevention Law" Law #36 Issued on 30 May'50	¥ 3,551,570
8. Agricultural Land, and Committee charges	"Farm Land Adjustment Law" Law #67 Issued on 2 April'48.	¥ 2,243,640
9. Text Books distributed free of charge	"Compulsory Education Law" Issued on 23 Feb. '51	¥ 312,650

Total.....¥78,278,650

(2) Tax Collection Status

1950-51 Fiscal Year — As 20 Feb.'51 (Unit ¥1,000)

Name of Tax	Assessed Amount	Collected Amount	Collection %
Inhabitant Tax	131,302	48,660	37
Municipal Property Tax	77,283	46,689	60
Bicycle Tax	3,319	2,765	83
Electric & Gas Tax	4,411	4,310	97
Others	2.127	1,616	76
Delinquency	145,867	44,717	31
Total	364,309	148,757	41

1949-50 Fiscal Year

Budgeted Amount	Assessed Amount	Collected Amount	Collection %
172,008	313,416	201,634	64

Total Budget in 1950-51 F.Y.).....¥ 575,898,000

Added Budget.....¥ 78,278,650

(Expected to be added in the Special Assembly Meeting in March)

Total ¥ 654,176,650

Budgeted Amount in 1950-51 FY.

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III. Municipal Property Tax:

The city planning program of Takamatsu City has not been completely settled as yet consequently the assessment of the property envolved can not be accomplished until such a time as it is settled. There is expected to be a change of ownership in approximately 25% of the land area of the city prior to the amalgamation. This has been the first such instance brought to the attention of this office.

IV. Depreciable Assets:

A question came before the Takamatsu city tax chief as to the correct procedure of assessing buildings. The question was whether to assess on the rebuilding cost or the current selling price. First the chief consulted with the L.F.C. for a decision. The decision being, assessment based on the current selling price. During the period the issue was first submitted to the L.F.C. and the period it took to receive a reply the Tax Office consulted with the Tokyo-to Tax Chief, who is rated as a top authority by the smaller cities. His reply was to assess based on the rebuilding cost.

The question is at present whose decision shall the city uphold. As far as this office can determine from the tax law the property shall be valued at the "True Market Value".

If similar situations exist in other cities, then the L.F.C. had just as well pack up and move over to the Tokyo-to Tax Office.

V. Local Finance Commission:

In the past this office has always brought up the necessity of cooperation between the L.F.C. and the Local Entities. In most cases the answers were almost all the same. "It is too early to actually give a fair answer, the L.F.C. is very bureaucratic, in some cases very indifferent".

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In otherwords anything but complementary remarks, but upon a visit to the Takamatsu City Hall they mentioned that their relations with the L.F.C. were nothing but the best and at no time had they ever run into any of the above mentioned reactions.

If their answer is sincere and correct, then this office would come to the conclusion that the other cities and prefectures have brought a major part of their grievances upon themselves by their own indifferent attitudes.

VI. Publicity:

The same problems are arising this year as last year. That being the type of news and publicity the papers are giving the Tax Offices. As limited as space is in some of the smaller papers it seems that they would devote their space to something constructive rather than distructive as in Ehime Prefecture about the 19 of February, the text of which is as follows:

Ehime Shimbun

"Mrs. Imagawa Hatsu age 77, Miyakubo-mura, Ochi-gun, killed herself after receiving a tax bill requesting payment of her Inhabitants Tax.

There were three in the family including herself. She was suffering from asthma. Their main source of Income was from fruit raising.

Through a certain person of Imabari City Mrs. Imagawa was able to have her 1949 Income Tax assessment lowered from ¥ 153,500 to ¥ 80,800. The Inhabitants Tax in turn was reduced from the original ¥ 9,290 to ¥ 4,900 for the first payment.

She paid the above revised taxes. Then along came the bill for the third payment of the Inhabitants Tax which was ¥ 9,270. She probably killed herself because she was surprised to receive another bill.

There are criticism among the general public that the tax was too heavy for such an old family because they were so old and farmed such a small area.

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of land".

Certainly the above article doesn't paint the task of tax collection a very bright one. If the reporter had evidence that the old lady had intended to take her life because of the tax notice then that would have been a different story.

VII. Equalization Grant:

Mr. Ogasawara the Local Affairs Chief of Kagawa Prefecture came back from Tokyo after a visit with the L.F.C. regarding the final decision of the Equalization Grant.

Originaly of the 166 towns and villages 73 of had to return all or a portion of the equalization grant amounting to over ¥ 40,000,000, but the final decision was that only 42 towns and villages would have to pay back a sum of ¥ 15,060,000 because of the added general and police expense of some of these entities.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115015

TABLE I

Budgeted, Assessed and Collected Tax Amounts for the Prefectures and Four Largest Cities of Shikoku

(UNIT: ¥1,000)

Name of Prefecture or City	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Jan.	Cumulative Total	Previous Total	Jan.	Cumulative Total
Kagawa Pref.	550,000	535,891	158,943	694,834	242,374	49,294	291,668
Tokushima "	437,228	544,727	16,686	561,413	151,343	43,545	194,888
Kochi "	468,228	681,150	11,996	693,146	196,797	57,447	254,244
Ehime "	584,646	821,192	76,531	897,723	332,250	88,826	421,076
Takamatsu City	253,506	213,155	2,079	215,234	88,476	22,009	110,485
Tokushima City	170,424	218,249	387	218,636	77,066	25,915	102,981
Kochi City	205,009	288,725	27,271	315,996	108,625	24,478	133,103
Matsuyama City	262,596	173,815	38,955	212,770	83,806	20,590	104,396

Source: Municipal and Prefectural Tax Office, Shikoku Region

TABLE II

Status of Prefectural Taxes in Shikoku

(UNIT: ¥1,000)

Name of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Jan.	Cumulative Total	Previous Total	Jan.	Cumulative Total
Enterprise Tax	1,023,893	1,288,351	192,659	1,481,010	403,109	159,628	562,737
Special Income Tax	55,490	76,654	8,537	85,191	37,179	12,778	49,957
Admission Tax	334,267	230,156	19,734	250,250	130,007	24,578	154,585
Amusement Eating Drinking Tax	268,822	148,830	33,162	181,992	59,590	15,556	75,146
Automobile Tax	49,155	61,704	7,665	69,369	18,563	6,302	24,865
Other Taxes	59,876	75,135	1,562	76,697	55,666	3,933	59,599
Delinquency From Previous Year	248,599	701,770	837	702,607	218,650	16,337	234,987
TOTAL	2,040,102	2,582,960	264,156	2,847,116	922,764	239,112	1,161,876

Source: Prefectural Tax Offices, Shikoku Region

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115015

TABLE III

Tax Status of Four Largest Cities in Shikoku

(UNIT: ¥ 1,000)

Name of Tax	Budgeted Amount	Assessed Amount: Previous Total	Assessed Amount: Jan.	Assessed Amount: Cumulative Total	Collected Amount: Previous Total	Collected Amount: Jan.	Collected Amount: Cumulative Total
Inhabitant Tax	402,700	332,707	34,179	366,886	129,439	43,994	173,433
Municipal Property Tax	240,432	195,307	21,190	216,497	92,147	33,278	125,425
Electricity & Gas Tax	25,433	8,360	3,824	12,184	8,309	5,825	14,134
Bicycle Tax	11,533	13,911	32	13,943	9,744	564	10,308
Cart Tax	3,106	3,690	- 1	3,689	2,880	90	2,970
Other Tax	4,326	2,988	227	3,215	1,879	233	2.112
Delinquency From Previous Year	204,005	336,981	9,241	346,222	113,575	9,008	122,583
TOTAL	891,535	893,944	68,692	962,636	357,973	92,992	450,965

Source: Municipal Tax Offices, Shikoku Region

Earle C. Misener

EARLE C. MISENER
Capt Inf
Senior Tax Specialist

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115013

EDUCATION.

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Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

319.5H (12 Feb 51) TRFO

Takamatsu, Shikoku
12 February 1951

SUBJECT: Monthly Tax Surveillance Report

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

I. Routine Commentary

1. Organization and General Administration.

The Naruto tax office has been designated as the office in which the new "tickler system is to be experimented with in this region. This office feels that when something as important as this is to be undertaken it should be given a fair and just trial so the powers who be can make any changes or decisions. Naruto tax office was chosen by the Tax Bureau on the basis of its being close to the bureau and also being of a medium size office. In all of their consideration in making a choice of a suitable office for such a project, it seems as if they didn't take full consideration the past of the tax office, because about 2 years ago the former chief and some of his employees embezzled some funds and destroyed the records that substanciated them. If these records have not been completly restored then their effort put forward on the "tickler" system will have been in vain, because of such instanses as noted in the Special Commentary of this report might arise. The Bureau mentions the fact that the tax office should have complete records due to the embezzlement case. For it has been 2 years since the case was uncovered.

2. Account and Collections

a. Collection Activities

(1) The total amount assessed for the month of January was

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¥ 726,778,000, ¥ 163,932,000 of which was self-assessed income. The collection in comparison to the assessed amount is 59% for total taxes, and 37% for self-assessed. In comparison with the same period last year, it is 11% lower on total taxes, and 17% lower on self-assessed. The reason for such a low percentage is that these figures include self-assessed income tax for the third quarter, of which the tax deadline has not come due. The total amount collected for this month was ¥ 705,759,000 of which ¥ 48,291,000 was self-assessed income in comparison to last month the total taxes were decreased by ¥ 298,143,000 and ¥ 377,589,000 were decreased in self-assessed income this was due to the concentrated efforts on preparatory clerical work rather than collection to cope with the final return which starts next month, and to prevent the anticipated confusion after it is filed. Comparing to the same period last year, the collected amount is 67% for total taxes and 59% for self-assessed.

(2) More tax offices should be more alert to the local economical conditions such as Tomioka has. They know that the farmers and fishermen get paid for their particular produce or crops at a certain period during the year and the tax offices make it a policy to be present at that particular time to make an effort to collect the taxes due. This being the case they are the best tax office in their prefecture percentage wise in collection.

(3) For further data (See Incls #1 & #2)

b. Reassessment

No comment

c. Reinvestigation and Appeals

No comment

d. Activities of Supervisors

No comment

e. Records and Accounts

No comment

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f. Delinquent accounts and statistics thereon.

(1) Organized delinquency disposal squads consisting of national tax collectors from the bureau worked on the major delinquent cases. The result was 67.6% collected as of the end of December, this is 27% higher than it was as the end of November (40.7%).

(2) ¥ 330,000 in delinquencies was discovered in some towns and villages recently, charged as expenses to assembly members. Actually the money was a surplus of their budget and in order to expend the surplus they posted the expenditure as a bonus, but actually they held a party for the officials. Being novices at this theydidn't realize that if they made such an expenditure they had to withhold a tax as prescribed by the National Tax Law. It is understood by this office that this is a common custom in Japan. "It is against all rules of good government administration to have a surplus in any part of the budget at the end of the Fiscal Year." This is due to the fact that they will probably be cut in the new budget if such is the case. As it now stands these local entities don't have the available funds to pay the tax.

(3) For further data (See Incls #3 & #4)

3. Enforcement - Inspection Section

No comment

4. Enforcement - Investigation Section

No comment

5. Publicity

a. Guidance meetings on book-keeping for farmers, which has continued since last October, were held in various localities, and this time the lecture was based on the financial settlement of obligations. The blue return system was also explained.

b. Commendation ceremony for those who preformed good work on the blue return system campaign last year, was held; The Ehime Agricultural Cooperative

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Association and 59 persons were commended.

c. The notification and information of the tax payment deposit, final return, and the third payment of income tax were at in each local news paper, and the latter two articles were also announced in the leading local papers.

6. Training

Lecture meeting was held for officials in charge of blue return, tax practitioners, and accountants for their guidance on 30 and 31 of January in the conference room of Bureau building.

The lecturer was Mr. Aoki, Professor of the Kansai University, 106 persons attended.

7. Personnel

The former tax chief of Naruto was discharged for embezzlement but wasn't fined or given a jail sentence. He is at present a block boss and a blackmarket fence man, in the same city.

8. During the month 6 tax offices were visited and I visit was made to the Bureau principal subjects discussed were, delinquencies, attachments, personnel problems, and collection activities.

9. Special Commentary

This office was informed by the Legal and Government Section of the Shikoku C.A. Region that a case of a taxpayer being attached in Tokushima Prefecture has caused quite a bit of hard feelings between the taxpayers and tax office of that section because of the manner in which the tax office handled the case. Of course much publicity has arrisen from the case all of which is of the adverse variety thus giving the tax office a black eye. It is going to be tough sledding for the tax office to get a good foot hold on the new "Tickler" that is being initiated at the tax office due to this instance.

The taxpayers involved are father and son. The father is a farmer and his son is a salaried worker. The father was assessed 18,145 yen and his son was assessed 6,410 yen. The son had paid at five different intervals a total

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of 18,329 yen and his father had paid a total of 4,767 yen in two different payments. Of course it is obvious that the son had overpaid his account by 11,919 yen and his father had a balance of 13,378 yen. If the tax office had been alert they should have noticed when the posting was taking place that the son had overpaid and at that time made an investigation as to the reasons of the overpayment. They would have found out that the son was not so generous as to pay 11,919 yen in excess of his tax bill but that he was making payments on his fathers account.

The taxes mentioned are for the Fiscal Year 1947-1948. The above taxpayer had received only four demand notices from that period till the time the tax office decided to attach the property. This in itself shows a great degree of mal-administration. Of course on the surface it looks as if the tax office is completly at fault, but after questioning the tax officials and taking in to consideration the past history of the office especially from 1947 to 1949 some justifacation can be warrented on the side of the tax office, and the same can be said for the taxpayer, but this cannot excuse either party from exicuting their duties as taxpayers and tax officials. The taxpayer should take more interest in his duty as a taxpaying citizen by investigating the demand notice when he received it the first time. If this had been done their would have only been embarassment for one party, that being the tax office, and that would have been localized because it could have been settled at the tax office. On the other side of the picture if the tax office had been more observant of its work it would have detected the overpayment thus causing less embarassment and maybe it would have built up a little goodwill between the taxpayer and the tax office which it dearly needs.

According to the tax office they have made an apoligy to the father and son. The former chief of the Naruto tax office was discharged in 1949 because

Status of Total Tax Collection
by Prefecture

As of the end of January 1951

UNIT: ¥1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Dec. '50	January	Total up to the end of Jan. '51	Total up to the end of Dec. '50	January	Total up to the end of Jan. '51	1950-51	Same period of 1949-50
Kagawa	2,415,453	153,646	2,569,099	1,528,320	173,673	1,701,993	66 %	76 %
Tokushima	2,174,475	97,916	2,272,391	1,148,618	132,278	1,280,896	56	69
Kochi	2,283,446	222,059	2,505,505	1,072,805	122,869	1,195,674	47	59
Ehime	3,314,512	253,157	3,567,669	1,996,907	276,939	2,273,846	63	73
Total	10,187,886	726,778	10,914,664	5,746,650	705,759	6,452,409	59	70

Incl #1

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Status of Delinquent Taxes

As of the end of December 1950

UNIT: ¥ 1,000

	Delinquent Taxes up to the end of December 1950						Attached properties up to the end of December 1950			
	1950-1951		1949-1950		Total		1950-1951		1949-1950	
	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases
Withholding	75,282	3,099	88,786	2,881	164,068	5,980	11,498	64	65,769	481
S. A. Income	565,854	119,826	1,831,216	221,113	2,397,070	340,939	23,913	346	683,268	31,852
Corporation	168,196	2,609	149,521	2,630	317,717	5,239	19,659	114	131,027	1,011
Liquor	48,473	934	6,367	516	54,840	1,450	--	-	-	--
Commodity	70,504	1,986	88,536	3,758	159,040	5,744	15,730	54	62,832	962
Revaluation	6,199	194	-	-	6,199	194	-	-	-	-
Others	39,481	1,668	202,083	59,565	241,564	61,233	577	34	28,501	1,910
Property	1,452	65	6,013	436	7,465	501	-	-	-	-
War-security	172	2	14,733	95	14,905	97	99	1	1,335	11
Total	975,613	130,383	2,387,255	290,994	3,362,868	421,377	71,476	613	972,732	36,227

Incl # 2

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 81081

Status of Delinquent Taxes by Prefecture

As of the end of December 1950

UNIT: ¥ 1,000

	1950-1951		1949-1950		Total	
	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases
Kagawa	206,262	34,833	461,658	59,227	667,920	94,060
Tokushima	225,600	27,831	647,154	79,975	872,754	107,806
Kochi	187,957	31,418	662,730	74,508	850,687	105,926
Ehime	355,794	36,301	615,713	77,284	971,507	113,585
Total	975,613	130,383	2,387,255	290,994	3,362,868	421,377

Incl #3

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 81013

Status of S.A. Income Tax Collection
by Prefecture

As of the end of January 1951

UNIT: ¥1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Dec. '50	January	Total up to the end of Jan.'51	Total up to the end of Dec.'51	January	Total up to the end of Jan.'51	1950-51	Same period of 1949-50
Kagawa	1,203,909	- 3,998	1,199,911	507,405	11,462	518,867	42 %	63 %
Tokushima	1,179,501	5,918	1,185,419	397,985	9,334	407,319	34	56
Kochi	1,264,486	178,628	1,443,114	410,500	9,177	419,677	29	41
Ehime	1,680,733	-16,616	1,664,117	675,041	18,318	693,359	41	54
Total	5,328,629	163,932	5,492,561	1,990,931	48,291	2,039,222	37	54

Incl #4

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115013

INTERNAL REVENUE DIVISION
Takamatsu Regional Field Office
APO 1050

319.6 (10 Nov 50) TRFO

13 November 1950

SUBJECT: Monthly Tax Surveillance Report

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

1. Routine Commentary

1. Organization and General Administration

Marugame tax office, one of two "E" offices located in this region, will begin operations under the new "indoor outdoor" method as of 1 November 1950, as prescribed by the Bureau. The Tax Bureau will judge how well the new system progresses by requiring the Sakaide Tax Office, which is not an "E" office but comparable in every other respect, to submit special reports.

2. Accounts and Collections

a. Collection activities

(1) (See Incls #1 and #2)

b. Reassessments

The Investigation Sections of all the tax offices are in the field gathering data for the final reassessment in order to make this years reassessments as equitable as possible. It is the opinion of those tax office chiefs contacted during this report period, that this system of one time and more intense reassessing will be more successful because the tax office will have more time in which to make their investigations, plus the fact that a larger percentage of taxpayers will be contacted, thus leaving less room for making arbitrary reassessments. Some tax offices estimate 80% of all business class taxpayers were contacted prior to the period the final reassessment is due.

In many tax offices too much time is consumed in making investigations between businesses in their jurisdiction and supplying and otherwise related firms in some other jurisdiction. This office realizes it is necessary to collect such data to determine the status of the business being investigated, but in too many cases the account does not warrant the effort exerted and the revenue received.

The bureau has initiated a new investigation procedure this fiscal year to enable the tax office to determine in the majority of cases the correct income filed within a 10% margin of error.
The system works as follows:

(1)

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(1) All similar type businesses are ranked in order of their net income. This is done by using the information available within the office.

(2) A door to door investigation is made of all types of businesses, and upon completion of this investigation the results are compared with those mentioned in the previous paragraph.

(3) If after comparing the two a difference of 10% prevails between the two, then a third investigation is made to determine the correct amount of net income.

c. Reinvestigations and Appeals.

No comment

d. Activities of Supervisors

No comment

e. Records and accounts

No comment

f. Delinquent accounts and statistics thereon.

(1) One tax office which has the highest rate of cash collections on delinquent accounts in this region revealed that a personal approach is being used to liquidate the major delinquent accounts. The chief writes a personal letter to the delinquent taxpayer informing him of his delinquency, and requesting him to appear at the tax office on a specific date to settle his account. The taxpayer has the privilage of settling with the chief if he wishes to do so. The chief also makes personal visits to the major delinquent taxpayers. The chief mentioned the fact that the average taxpayer is still reluctant to do business with the younger officials, and that his present procedure helps mitigate this situation.

(2) The chief is a native of his area of responsibility and claims this as an advantage, saying he is therefore more familiar with the existing economic conditions and trends of the area and has a better knowledge of the businesses and their incomes.

(3) The Tax Bureau claims that the enforcement principle supported by the attachment of property and the auction of the same for delinquent taxes is seriously impaired by a strong Japanese custom. It is the custom not to evict an occupant unless adequate housing is available for the evicted family to move into. This situation makes it difficult to make a sale of a house and property.

3. Enforcement - Inspection Section

No comment

4. Enforcement - Investigation Section

No comment

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5. Publicity

No comment

6. Training

No comment

7. Personnel

a. Transfer of tax personnel

Tax chiefs interrogated seem to be uncertain about the matter of frequent transfers of tax officials. They say that on the one hand frequent transfers make for poor administration, yet, officials who are not changed at least every three years will begin to assess unduly low.

Reason here is, that in the absence of good bookkeeping, assessment must be done by physical inspection of the business concerned and that in due time familiarity between the taxpayer and the tax official usually leads to lower assessments. One argument presented for infrequent transfers was that it takes time for an official to differentiate between a cunningly dishonest taxpayer and an honest taxpayer. The rebuttal to this argument by another official was that a discovered dishonest taxpayer this year may become an honest one the next and vice-versa, particularly in a country with such low tax morale. Further, in a period abundant with frequent individualistic economic changes in addition to the aggregative economic changes, the degree of ambivalence in the honestly and the dishonesty of the individual taxpayer will also be subject to great variations from period to period. Still another argument, this one against frequent changes of tax officials runs as follows: Where conditions remain constant, different tax officials will assess differently due to the fact that assessments in most cases cannot be founded on adequate records of the firm involved. This of course, leads to the lowering of tax morale and compliance and greater administration due to resultant appeals. All tax officials consulted on the matter talked in terms of changes every three years and implied that changes of a greater frequency in the past were due to organizational and other administrative changes requiring changes in officials. For example, the recent establishment of General Affairs Sections, Conference Groups, and transfer of officials from agrarian to industrial areas was due to the new tax law. This office with present information does not feel that the personnel transfer problem is so important in this region. A normal three year transfer policy does not seem to reduce administration efficiency unduly in consideration of the view that assessment dependent on physical inspection of a business would tend to become less realistic as familiarity between the taxpayer and tax official increases. Here again, the matter of inadequate records on the part of businesses is an important feature as it is with so many other tax considerations. Transfer could be at much greater intervals than three years if better books were maintained. And this office has been told that the Japanese people used to keep adequate records but that various economic controls effected during and since the war have taught them the wisdom of keeping inaccurate or no books. Further, tax officials stated that some corporations are keeping two sets of books, one for the firm and one for the tax office. And it was pointed out that in the case of small enterprisers, books are simply not complete, that is, for several or more years these enterprisers operated in the black without the worry of bookkeeping and it is now to their advantage to enter only a portion of their transactions so that only a

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poration is thus subject to taxation. In any event, the Bureau stated that personnel transfers are justified if collections will be augumented, and this they stated was the case in both Kochi and Tokushima. Transfers were instituted in those prefectural areas to raise collection levels. The levels rose after the change. Where collections are poor the Bureau desires to change officials more frequently than over three years. There is also a possible psychological value in transfers. It is believed individuals retain more alertness with a change in work or location of work. The U.S. Civil Service has taken cognizance of this feature in recent years. One tax chief mentioned that the young officials that have joined the tax office in the last year are superior to previous new officials, and learn their work in about a third of the time that was previously required. He felt the stricter educational requirements were mainly responsible.

II. Summary of Selective Surveillance at Local Tax Office Level

8. List of National Taxation offices visited during the month of October by Prefecture.

Kagawa Prefecture - Takamatsu, Nagao, Tonosho, Sakaide, Kanonji.

Ehime Prefecture - Matsuyama

Kochi Prefecture - Kochi, Ino, Akaoka

Tokushima Prefecture - Tokushima, Naruto, Tomioka, Mugi, Wakimachi, Kawashima, Ikeda.

III. Special Commentary

9. Conference Groups:

There are five Conference Groups in the region. There is one in the national tax office of each of the four prefectural capitals as well as one in Nihama city in Ehime Prefecture. Geographic reasons warrant the having of two groups in Ehime prefecture. The locations seem adequate for coverage. Some groups, however, rightly desire better facilities. For example, in Tokushima, the conference group of six must share a large office with other tax officials rather than having a private room. This office supported that group's demand for privacy. There are only three vacancies in the authorized T.O. for conferees in the region and it is expected that these vacancies will be filled by the Bureau in the near future. The conferees which this office has interviewed seem to be mature and capable officials. The younger officials which comprise about two thirds of the conferee personnel will receive training in the fifty day conferee course in Tokyo to be held in the near future. There is complaint by conferees who took the last course that billets and other facilities were inadequate. Now there is belief that these conditions will be corrected. Due to inadequate accounting and bookkeeping methods, appellants' cases coming before the conferees must be reinvestigated (the first reinvestigation having been conducted by the Investigation Section of the Tax Office) by the conferees at the places of the appellants' respective businesses. This, of course, is a time consuming feature of the conferee's work. The conference groups now have nine cases before them that have been reassessed since last April and 120 cases from the period previous to 1 April 1950.

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One chief mentioned that it would be more desirable to have both taxpayer and government officials represented on the Conference Group. This would according to the chief, make the taxpayer feel he is getting a more representative decision on his case. It seems the taxpayer is somewhat prejudiced against the Conference Group as it is now organized, because of the former tax official representation. This is the only case in which such an opinion as this has been voiced.

10. Blue Returns:

Some tax offices while in the process of making field investigations run across taxpayers who are qualified to file under the "Blue Return", but haven't as yet. The tax officials have been taking advantage of this opportunity to encourage the taxpayer to file under the "Blue Return".

One tax office had 90% of its former "Blue Return" taxpayer cancel their returns due to the difficulty of keeping books.

In the Matsuyama tax office the chief believes bookkeeping is more prevalent. He said that two years ago only 10% of businesses kept books, while today 30% do so. The chief mentioned that the Japanese people have the ability to keep books but as yet they have had no incentive to do so, since it was desirable to hide blackmarket profits. Increased credit buying also obliges more firms to keep books.

The chief of the Tokushima tax office took measures to reduce the number of rejections of "Blue Returns" due to imperfections. He maintained it was an occaision for guidance of the taxpayer rather than condemnation and rejection of his return.

Paul J. Zeller

PAUL J. ZELLER
Senior Tax Specialist

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Status of Total Tax Collection
by Prefecture

As of the end of October 1950

UNIT: ¥ 1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Sep' 50.	This Month	Total up to the end of Oct' 50	Total up to the end of Sep' 50.	This Month	Total up to the end of Oct' 50.	1950-51	Same period of 1949-50
							%	%
Kagawa	2,026,133	107,430	2,133,563	883,684	155,838	1,039.522	49	75
Tokushima	1,889,522	84,722	1,974,244	684,467	109,309	793,776	40	58
Kochi	1,895,829	66,807	1,962,636	592,260	109,470	701,730	36	53
Ehime	2,841,215	133,917	2,975,132	1,138,534	205,651	1,344,185	45	66
Total	8,652,699	392,876	9,045,575	3,298,945	580,268	3,[illegible]79,213	43	64

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 81013

Status of S.A. Income Tax Collection
by Prefecture

As of the end of October 1950

UNIT: ¥ 1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Sep' 50.	This Month	Total up to the end of Oct' 50.	Total up to the end of Sep' 50	This Month	Total up to the end of Oct' 50.	1950-51	Same period of 1949-50
Kagawa	1,216,115	-4,905	1,211,210	298,269	42,500	340,769	% 28	% 58
Tokushime	1,217,746	-6,145	1,211,601	253,944	24,872	278,816	23	36
Kochi	1,198,341	507	1,198,848	222,191	28,094	250,285	21	29
Ehime	1,765,214	-17,626	1,747,588	377,031	43,109	420,140	24	42
Total	5,397,416	-28,169	5,369,247	1,151,435	138,575	1,290,010	24	42

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 1303

Status of Delinquent Taxes

As of the end of September 1950

UNIT: ¥ 1,000

	Delinquent Taxes up to the end of this month						Attached properties up to the end of this month			
	1950-1951		1949-1950		Total		1950-1951		1949-1950	
	Amount of Tax	No. of Case	Amount of Tax	No. of Case	Amount of Tax	No. of Case	Amount of Tax	No. of Case	Amount of Tax	No. of Case
Withholding	68,712	1,407	115,895	3,407	184,607	4,814	5,984	35	73,941	782
S.A. Income	468,623	74,662	2,041,204	211,776	2,509,827	286,438	2,582	17	647,332	29,339
Corporation	116,733	1,564	184,686	2,358	301,419	3,922	13,483	32	213,225	1,418
Liquor	22,289	569	6,915	505	29,204	1,074				
Commodity	44,849	1,166	97,234	3,406	142,083	4,572	4,585	24	75,415	805
Revaluation	2,081	42			2,081	42				
Others	20,501	899	230,356	63,153	250,857	64,052	81	2	34,574	1,849
Property	1,308	56	6,459	388	7,767	444				
War-Secutity	172	2	14,753	95	14,925	97			1,426	11
Total	745,268	80,367	2,697,502	285,088	3,442,770	365,455	26,715	110	1,045,913	34,204

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 810615

Status of Delinquent Taxes by Prefecture

As of the end of September 1950

UNIT: ¥ 1,000

	1950-1951		1949-1950		Total	
	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases
Kagawa	161,400	20,288	520,550	50,475	681,950	70,763
Tokushima	135,508	16,619	685,086	81,450	820,594	98,069
Kochi	153,649	16,195	745,833	66,279	899,482	82,474
Ehime	294,711	27,265	746,033	86,884	1,040,744	114,149
Total	745,268	80,367	2,697,502	285,088	3,442,770	365,455

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CO
EX
EPH
PW
ECON
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LABOR
LEGAL
I SELV
D CO
ADJ
SGT MAJ

Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

319.5 H (13 November 50) TRFO

Takamatsu, Shikoku
13 November 1950

SUBJECT: Local Tax Report for Period Ending 31 October 1950

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

I. Depreciable Assets:

Mayors contacted thus far have claimed no opinion on full value assessment of depreciable assets. They state that tax on these assets is very unpopular and that this facter considerably augments filing difficulties, including the uncovering of such assets. Apparently, with but one exception, national taxation offices are cooperating fully with respect to reports on depriciable assets as well as making available to local officials all national tax records needed for the implementation of the Local Tax Law. Some communities have actively publicised tentative property and depreciable assets tax rates in their tax information programs but apparently most have kept mute on these rates pending more definitive regulations from the Local Finance Commission. The great fear among the municipalities, however, regarding these tax sources is insufficiency of revenue due primarily to the the agrarian nature of this region's economy. They say problems regarding the revenue source center around, a. too few industrial taxpayers subject to the tax and and thus the fear of fiscal inadequacy, since there is the accompanying fear of realizing too little from the equalization grant, b. insufficiency of officials capable of assessing, and c, investigation difficulties. There has been extensive publicity in the cities regarding property taxes using chiefly the media of guidance meetings. These were held almost daily. Filing is expected to be high in most places, however, the officials cautioned that collection will be another matter.

II. Local Finance Commission

Local governments have shown no anxiety over the issuance of regulations by the Local Finance Commission which may in some cases exceed the legal authority of the commission. It is felt that such is desirable in these early days of the new tax law. There is no fear of loss of power - the fear is quite the opposite, the complaint being that the number of regulations from the Local Finance Commission are too few and too long in being formulated and transmitted. Some cities would like a more direct liaison with the Commission either by getting authority to directly consult with the Commission or attempting to have the Commission place an authoritative member of its agency at the prefectural level. The former solution seems impractical to this office.

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Some mayors felt the Commission was in the process of establishing itself and thus its operation could not be expected to be too efficient as yet, and any proposal for organizational change would be premature. The governors, however, expressed much stronger attitudes toward the Commission. One said it was weak, powerless and irresponsible, and that it would be better to have no Local Finance Commission than the one we have. He said Commission members were undiplomatic in their relations with other national government agencies. He cited as examples that it was national government policy to raise the wages of local officials at this time and to provide year-end allowances. He said he needed ¥200 million for this but no one in the Local Finance Commission would listen to his problem, and that other governors with him at the same time in Tokyo were accorded similar treatment. In another example he said the minister of Finance, Ikeda, requested a report on municipal finances from the chairman of the Local Finance Commission but the reply of the chairman was that municipal finances was the business of the Commission and that the business of the Minister was simply to supply the funds. The governor further mentioned that the functioning of the Local Finance Commission was a large issue at the last governors' conference and that it would be again at the next conference if improvement were not forthcoming. All governors mentioned the existence of poor relations between the Minister of Finance and the Local Finance Commission, but only one implied that the fault might lie with the Minister of Finance. They further felt that the Commission should have a higher status similar to cabinet status because the present method of reporting to the cabinet and appealing to the Diet is too time consuming.. They claimed that the strength of the Minister of Finance and the weakness of the Commission meant that the national government still had financial control and that the principle of local autonomy was not being supported by the equalization grant as it was intended. All the governors seem to be in accord with the principle of having a Local Finance Commission but due to the comparative strength and weakness of the Minister of Finance and the Commission they feel they are no better off than they were under the distribution grant and subsidies of last year with the national government still holding the reins. They expressed hope of time rectifying the matter.

The main complaint of the municipalities with regard to the Local Finance Commission is an insufficiency and belatedness of regulations and standards particularly as regard forms and assessment techniques. As a test of equity in assessment the tax office of Matsuyama city dispatched two assessors to assess a given xray machine. One official assessed the machine at ¥100,000 and the other placed a value of ¥1,000,000 on the machine.

Kochi prefecture's Municipal Section has completed its work on all of the property cases (11) falling under article 391 of the Local Tax Law and submitted them to the Local Finance Commission. The other similar cases in the region have not been submitted. It is still too early to hear judgement with regard to usurpation of authority under article 391 by the Commission. Never - the - less, municipal authorities have expressed mistrust of the Commission in the matter of the municipalities getting their appropriate share of the revenue exacted from properties handled under article 391. The cities also fear that the Commission will use records from the Tokyo central offices of large firms stating that these records are unrealistic.

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III. Equalization Fund Grant

It is too early to observe the operation of the equalization fund grant with regard to prefectural v s. municipal grants. The one main observation in this region is that everyone contacted with the exception of Matsuyama city wants more. Reasons are that originally it was believed that the new Local Tax Law would provide considerably more revenue than the previous system. But now some municipalities in this region estimate that it will provide only 10% more even with a 90% efficiency in administration of the law. The often repeated argument here is that income and property is less in an agricultural area than in an industrial area. This is understandable but it could have entered the prognostication as validly a year ago as now. The demand for increased pay for officials was also cited. Being representatives of a comparatively poor area the local officials here are fully in accord with the principle of equalizing governmental services, but they feel that the proper key or formula for the grants' operation has not as yet been found. They say that Osaka and Tokyo alone will receive nothing from the equalization fund and that it seems that there should be more exempted units if the declared principle underlying the existence of the fund will be met. Much criticism of the determinates for aid has been heard, such as inclusion of damage from snow but exclusion of damage by rain etc. Another frequently heard criticism is that the Shikoku national tax offices always assess income higher than other regions and that therefore the Local Finance Commission attributes to the local governments here an unrealistically high revenue from their own tax sources (same assessments being used for the prefectural enterprise and municipal inhabitants taxes) and thus provide a smaller grant to the municipalities than would otherwise be allowed.

Matsuyama city appears to be the lone exception happy with its grant. It requested a 30% increase over last year's national aids and got it. On the other hand, Kochi city is getting about ¥10 million less than it got last year.

IV. Local By-Laws:

It appears that all the local governments have passed uniform by-laws with the exception of three prefectures which raised the minimum rate of the enterprise tax, as well as Kochi and Matsuyama cities which raised the per capita amount of inhabitants tax for corporations from the standard amount of ¥1,800 to the maximum of ¥3,000. Kagawa Prefecture alone did not raise the minimum rate of the enterprise tax since the recently elected governor had made a campaign promise to that effect. He laudably proposed the tighter administration of the tax program to provide sufficient revenue. Later, however, he showed signs of weakening before the prefectural assembly. He stated that the Finance Section is conducting a long term retraining course for tax officials and that he was also considering a short term retraining course. But that in addition to better administration he wanted to further curtail expenditures to avoid increasing the tax rate, yet in spite of it all, a tax rate increase still may be inevitable. Most cities arranged for firms to make an inhabitants tax deduction along with the withholding tax deduction to save taxpayers the more difficult task of making large one-time payments.

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Monthly Activities Report - October 1950 (Cont'd)

V. By-Passing of Legal Requirements

Kochi Prefecture authorities visited this office to request backing for a contemplated move to return to the goal system for the collection of the admissions tax. They argued that theater attendance in Kochi city for the months of April through August this year was 1.2 million - a drop of over .4 million compared to the same period of last year. They implied that the goal system would provide a concealed reduction in the admissions tax rate which would reflect itself in lower admission fees and that this in turn would stimulate theater attendance sufficiently that a higher aggregate revenue from the admissions tax would be forthcoming. This office did not go along with the argument. It was not believed that the two periods of time of last and this year embraced the same conditions other than the tax factor. First, the money supply is reportedly tighter, and second the city of Kochi has been conducting well attended bicycle races which have given the theaters stiff competition. The officials were also informed that, assuming the validity of their argument that a reduced rate would provide more revenue, rate reduction can be affected only through the legal process and that their proposal if applied would be a violation of the law. Further it was argued that their proposals would lead to much undue administrative work consisting of handling appeals for reduction of goals and this in turn would give opportunity to pass out political favors. Later, during a surveillance visit to Kochi prefecture the vice-governor proclaimed a new plan. He said that in as much as the theaters were forced to provide increased services to patrons in the the form of strip-teases to swell attendance he was going to provide tax rebates to theater owners. The rebates would be in recognition of theater owners providing the state with increased revenue due to the owners ingenuity in increasing attendance which provides the base of the tax. He was informed that the theater owners success in increasing attendance was not prompted by the altruistic motive of providing the state with more revenue but for the obvious reason of simply increasing their own income. The vice governor was then strongly advised that he had but one choice in the matter of lowering the admissions tax and that was by the legal process. He would have to convince the appropriate legislative body of the desireability of decreasing the admission tax rate. This office was informed that Kagawa prefecture was still employing the goal system in the administration of the admissions tax. The governor, upon inquiry stated that he intended to print the tickets for theater owners as of the first of the year but he hesitated to change the system too quickly lest he suffer the loss of cooperation of theaters which has been excellent. Further, Japanese costum didn't permit of sudden changes. The governor was advised that a strong aggressive approach with regard to the new Local Tax Law would likely neet with grater success than a reticent, wary one. It appears from other sources of information, however, that the theater owners had contributed heavily to the governor's campaign fund and were now enjoying political patronage to the extent of violation of the law.

VI. Changes Desired in the Tax System:

Prefectures have stated a desire to obtain sharing in the inhabitants tax and municipalities expressed the desire to share in the admission tax. The latter argued that revenue will not be as high from the new Local Tax Law

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as was anticipated and that they thus have a need for a part of the proceeds of the admissions tax. It seems too early to be sure of the contention of inadequate municipal tax sources. Actually it may be an admission of administrative inability in applying the revenue means presently at the municipalities' disposal. The prefectures, however, argued that they need a direct and stable tax source and this argument seems sound. They desired the addition or substitution of some tax, the incidence of which would be felt by a substantial majority of the citizens. They argued that citizens under the present system are not sufficiently aware of the prefectural level of government. The demand for at least one direct mass tax, seems reasonable and has long been recognized as a sound principle in taxation. Further, the enterprise tax as well as the other present prefectural taxes are cyclically unstable. But the inhabitants tax for the greater part is no better in this respect and if it were a shared tax its direct feature would be impaired as affects the prefectural level. The value added tax possesses greater stability of yield as well as universality of incidence but lacks the feature of directness. It seems desirable that the prefecture, being a local government, should have a revenue source that is direct, universal and stable. Perhaps the answer is provided in a sales tax applicable to retail purchases and one which would be accompanied with sale tax coupons to intensify the feature of directness. Such a tax with proper penalty support would be certain, convenient and easily and cheaply administered. It is believed it would not alter the balance contemplated in the present tax system. As far as the feature of stability is concerned Is can be argued that the prefectures could acquire stability with employment of the cyclical budget concept but it is hardly to be hoped that the necessary political astuteness now or in the predictable future will be found at the prefectural level. More such astuteness might be found at the national level where it would have the aid of the power to create and destroy money as well as control credit.

Matsuyama city officials desired to return to a modified cell system for the collection of municipal taxes. The plan involved the selection of a leader in a block area to collect tax savings, assist in completion of forms etc. It was maintained that loyalty to the cell leader would be greater than to the tax official and the small fee paid the leader would less than expenses resulting from frequent trips of tax officials. The Local autonomy agency was petitioned by the city on this matter. The Agency advised against the plan saying it was undemocratic and that people should pay their taxes by the deadline without the coercion of a paid cell leader. The city claimed the plan was in practice elsewhere and would like to know the occupation's attitude on the matter. Certainly there are many arguments pro and con. Considering the growing pain stage of the new tax system the plan might be desirable for a few years if revenue were thereby materially increased.

All the cities expressed the desire to assess lower than the national tax offices in certain cases of hardship. They state that the chief difficulty here is the use of the previous year's income. There seems to be no sound argument in favor of this desired change in the law. It would increase the already heavy administrative load of the municipalities, it would provide a means for political favoritism, and above all, it would in effect subsidize selected businesses by remitting a cost of the firm. The income was made and if the tax portion was not saved to meet the tax cost, future losses should not be mitigated by government in effect paying or sustaining a portion of the firms

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cost in reducing its legal tax load.

Local authorities believe that insufficient weight is being given the second Shoup recommendations. One governor mentioned that the Minister of Finance told him that the national government and central occupation authorities made much of Shoup's first recommendations but are playing down the second. The governors feel that the second recommendations will greatly assist local governments particulary in the matter of the equalization fund grant and they propose that more should be made of them. They have appealed to the cabinet, the diet and the staff of the Liberal Party, and state they will stress this again at the next governors' conference if no results are gotten before that time.

VII. Taxpayer Response and Attitude:

Matsuyama city reported a wholesome attitude on the part of the people to the increased municipal taxes. They say this is due to their extensive publicity work and the fact that this city has always enjoyed a higher tax morale than other cities in the region.

Tax offices of the other three capital cities were besieged by as many as 300 complaining taxpayers a day after issuance of inhabitants tax bills. The tax offices stationed extra receptionists for the appellants and after explaining the reduction in the over all tax load, it is reported, taxpayers left the offices satisfied.

VIII. Miscellaneous comments:

A conference for 520 mayors and headmen was held in Kotohira on 7 October 1950. The Legal and Government Section, C A this region arranged to have a talk by a tax specialist, this region, placed on the agenda. The talk was on the new Local Tax Law and was very well received. The region chief also attended and spoke, stressing the importance of the tax program.

The Kagawa Prefecture Council of Labor Unions held a committee meeting on 24 October 1950. The committee decided to petition mayors and headmen to arrange for the instalment payment of the inhabitants tax. They also instigated a movement to arrange for employee's to borrow from management to pay taxes and to obtain year-end allowances that will aid in tax payments.

Communists are reportedly playing possum but indications are they will reinstitute a strong anti-tax movement. Posters are appearing containing the usual type of unjustified and false interpretation of the tax program.

IX. Statistics on amounts budgeted assessed and collected for all prefectures and the largest city in each prefecture, as well as certain selected tax statistics are as follows:

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TABLE I

Budgeted, Assessed and Collected Tax Amounts
for the Prefectures and Four Largest Cities of Shikoku

(UNIT: ¥1,000)

Name of Prefecture or City	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Sept.	Cumulative Total	Previous Total	Sept.	Cumulative Total
Kagawa Pref.	550,000	284,861	24,405	309,266	81,072	17,646	98,718
Tokushima "	437,242	157,523	215,061	372,584	14,903	7,617	22,520
Kochi "	468,228	233,835	206,012	439,847	29,684	18,824	48,508
Ehime "	584,646	211,234	257,619	468,853	56,350	36,320	92,670
Takamatsu City	234,306	95,758	37,980	133,738	12,664	8,838	21,502
Tokushima "	169,234	104,116	99,347	203,463	11,838	9,531	21,369
Kochi "	177,868	19,921	30,674	50,595	10,153	6,623	16,776
Matsuyama "	330,536	23,510	65,534	89,044	11,083	7,060	18,143

Source: Municipal and Prefectural Tax Offices, Shikoku Region

TABLE II

Status of Prefectural Taxes in Shikoku

(UNIT ¥1,000)

Name of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Sept.	Cumulative Total	Previous Total	Sept.	Cumulative Tot
Enterprise Tax	1,080,038	41,422	577,986	619,408	22,877	27,694	50,571
Special Income Tax	56,566	42	36,135	36,177		4,210	4,210
Admission Tax	338,525	115,757	28,462	144,219	27,340	16,796	44,136
Amusement Eating & Drinking Tax	276,471	40,016	15,814	55,830	6,102	4,724	10,826
Automobile Tax	52,098	7,563	22,542	30,105	630	1,635	2,265
Other Taxes	50,715	15,015	4,647	19,662	12,782	4,674	17,456
Delinquency From Previous Year	185,703	667,638	17,511	685,149	112,278	20,674	132,952
TOTAL	2,040,116	887,453	703,097	1,590,550	182,009	80,407	262,413

Source: Prefectural Tax Offices, Shikoku Region

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TABLE III

Tax Status of Four Largest Cities in Shikoku

(UNIT: ¥1,000)

Name of Tax	Budgeted Amount	Assessed Amount			Collected Amount		
		Previous Total	Sept.	Cumulative Total	Previous Total	Sept.	Cumulative Total
Inhabitant Tax	397,960		169,288	169,288		4,819	4,819
Municipal Property Tax	221,968	46,124	42,180	88,304		12,076	12,076
Electricity & Gas Tax	24,836	3,147		3,147	2,879	262	3,141
Bicycle Tax	11,539	6,049	3,981	10,030		2,362	2,362
Cart Tax	3,395	2,290	520	2,810		1,310	1,310
Other Taxes	18,425	263	11,036	11,299	217	502	719
Delinquency From Previous Year	233,821	185,432	6,530	191,962	42,642	10,721	53,363

Source: Municipal Tax Offices, Shikoku Region

Paul J. Zeller

PAUL J. ZELLER
Senior Tax Specialist

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 175013

EDUCATION SECT

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Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

Takamatsu, Shikoku
12 December 1950

319.5H (12 Dec 50) TRFO

SUBJECT: Monthly Tax Surveillance Report

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

1. Routine Commentary

1. Organization and General Administration

As mentioned in the monthly report for October the Marugame "E" office has proceeded as planned under the new indoor outdoor business plan. After interviewing the chief in regards to his progress and problems, he mentioned only one minor problem of which can be solved in time. The problem is that of indoor and outdoor officials of the same rank. As the organization now stands the outdoor worker has more authority and prestige than the indoor worker even though they are of the same rank. The complaints of course came from the indoor worker. The chief mentioned the fact that some sort of an examination should be given the workers in order to place the better qualified in the outdoor jobs. As it is now set up the indoor worker has a justifiable complaint because the outdoor worker can somewhat dictate the work of the indoor worker, as the indoor worker is you might say the custodian of the outdoor workers completed works in the field.

2. Accounts and Collections

a. Collection activities

(1) The total amount assessed for the month of November

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was approximately ¥ 538,014,000 of which there was a reduction of ¥ 12,995,000 from the assessed amount of the Self-assessed Income Tax. This is due to the cases appealed from last fiscal year in which errors were found and corrected. The collection in comparison to the assessed amount is 49% for total taxes, and 29% for Self-assessed. This is an even 20% lower on both total taxes and S.A. for the same period last year. This is due to the enforcement regulation. Amending ¥ 820,972,000 assessed in the third period but not to be collected till a later date, plus the fact that such a large carry over of delinquents from last year.

(2) For further data (See Incls #1 & #2)

b. Reassessment

No comment

c. Reinvestigation and Appeals

No comment

d. Activities of Supervisors

No comment

e. Records and Accounts

No comment

f. Delinquent accounts and statistics thereon.

The delinquent accounts figures indicate an increase in this area as in other areas. After conferences with many tax offices of the Region very significant point was brought up and if analyzed further is probably close to being right in a small sort of a way. It seems that in past years the municipalities used to assist in the collection of both current and delinquent taxes for the national tax offices. This year of course the local municipalities are more concerned with the

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collection of their own taxes thus they have put more pressure on the local taxpayers. This is a definite advantage to them because they are more familiar with the taxpayer of their particular locality. The people feel more obligated to paying the tax that will show a direct effect upon their community plus the fact that the tax is quite a bit lower than that assessed by the national in most cases. If this is true, it seems as if too many taxpayers feel their tax obligation is fulfilled after payment of their local tax. Of course if this were true we wouldn't have to worry about the collection of local taxes at all. This is an indication of how some of the Japanese officials think, and some of the shallow conclusions they come to. This of is to some extent a minor cause of low delinquent tax collection and the accrual of new accounts.

Nevertheless the Chief of the Bureau has been going around to most of the large tax offices and evaluating the delinquent account problem as pertaining to each office and offering then suggestion and encouragement.

3. Enforcement - Inspection Section

See Incl #5.

4. Enforcement - Investigation Section

No comment

5. Publicity

a. Fifty nine business bookkeeping guidance meetings were held in the region during the month.

b. Twenty four farmer bookkeeping guidance meetings were held also.

c. A display on the Commodity Tax was sponsored by a large Department Store in Takamatsu.

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6. Training

No comment.

7. Personnel

No comment

II. Summary of Selective Surveillance at Local Tax Office Level

8. List of National Taxation offices visited during the month of November by Prefecture.

Kagawa Prefecture - Tonosho, Marugame.

Ehime Prefecture - Uwajima, Unomachi, Matsuyama.

Kochi Prefecture - Kochi.

Tokushima Prefecture - Ikeda, Wakimachi, Kawashima,

III. Special Commentary

9. Procurators and Judges

Once again the question of tax evasion cases was brought to the Bureaus attention. There hasn't been any definite progress in prosecuting tax evasion cases in the hands of the procurators, one case in particular that of a soft drink company located in Tokushima has been in the hands of the procurators for 14 months without any dicision one way or the other.

After much discussions about the subjects of gathering evidence and how long it takes on the part of the Bureau to prepare a case for the procurator, they mentioned the fact that so few of the procurators and judges have any knowledge of tax laws, both National and Local, the process of assessing and the general atmosphere of taxations that they are in a spense afraid to pass judgement on a tax case because of their ignorance of the tax laws. They always pass up a tax case in favor of a criminal case or civil case which either shows their lack of interest in

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tax cases or their lack of knowledge of the tax laws.

It was brought to the attention of the Bureau at this time that almost two years ago special tax procurators were placed out in the field to take care of tax cases. In reply to this the General Affairs Chief said yes, but that these procurators have been burdened with other cases the same as the other procurators have, plus the fact their time has been limited for tax cases. In some cases procurators have been transfered so many times that they never get a chance to really get familiar with a case.

As the problem stands now the one that gets the most benefit out of these short comings are the tax evaders. It was the opinion of this office that the tax procurator was to work only tax cases and nothing else. If this isn't the case then the other procurators and judges should be required to pass some sort of an examination on the tax laws in order to serve the taxpaying public in a just manner, until then the tax evaders get nothing more than a slap on wrist and told to go home and be a good boy.

Earle C. Misener

EARLE C. MISENER
Capt Inf
Senior Tax Specialist

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Status of Total Tax Collection
by Prefecture

As of the end of November 1950

UNIT: ¥ 1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Oct' 50.	This Month	Total up to the end of Nov' 50.	Total up to the end of Oct' 50.	This Month	Total up to the end of Nov' 50	1950-51	Same period of 1949-50
							%	%
Kagawa	2,133,563	96,254	2,229,817	1,039,522	185,592	1,225,114	54	82
Tokushima	1,974,244	123,277	2,097,521	793,776	182,535	976,311	46	64
Kochi	1,962,636	117,384	2,080,020	701,730	168,086	869,816	51	56
Ehime	2,975,132	201,099	3,176,231	1,344,185	327,322	1,671,507	52	69
Total	9,045,575	538,014	9,583,589	3,879,213	863,535	4,742,748	49	69

Incl #1

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 1303/1

Status of S.A. Income Tax Collection
by Prefecture

As of the end of November 1950

UNIT: ¥ 1,000

	Assessed Amount			Collected Amount			Percentage Collected/Assessed	
	Total up to the end of Oct' 50	This Month	Total up to the end of Nov' 50	Total up to the end of Oct' 50.	This Month	Total up to the end of Nov 50.	1950-51	Same Period of 1949-50
Kagawa	1,211,210	-2,933	1,208,277	340,769	67,270	408,039	% 33	% 74
Tokushima	1,211,601	8,664	1,220,265	278,816	53,286	332,102	27	44
Kochi	1,198,848	10,323	1,209,171	250,285	64,096	314,381	25	34
Ehime	1,747,588	-29,049	1,718,539	420,140	90,389	510,529	29	47
Total	5,369,247	-12,995	5,356,252	1,290,010	275,041	1,565,051	29	49

Incl #2

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 1303

Status of Delinquent Taxes

As of the end of November 1950

UNIT: ¥ 1,000

	Delinquent Taxes up to the end of this month						Attached properties up to the end of this month			
	1950-1951		1949-1950		Total		1950-1951		1949-1950	
	Amount of Tax	No. of Case	Amount of Tax	No. of Case	Amount of Tax	No. of Case	Amount of Tax	No. of Case	Amount of Tax	No. of Case
Withholding	65,542	2,262	107,773	2,370	173,315	4,632	12,470	45	66,633	471
S. A. Income	648,228	88,258	1,941,974	203,283	2,590,202	291,541	2,417	17	655,609	30,627
Corporation	138,821	1,958	165,341	2,263	304,162	4,221	14,770	71	144,391	1,043
Liquor	27,584	593	6,758	503	34,342	1,096				
Commodity	46,803	1,065	96,413	3,307	143,216	4,372	14,549	44	69,494	902
Revaluation	2,389	73	-	-	2,389	73	--	-		
Others	33,689	2,396	211,161	60,935	244,850	63,331	155	6	36,866	1,952
Property	1,335	54	6,512	414	7,847	468				
War-Security	172	2	14,754	97	14,926	99	99	1	1,335	11
Total	964,563	96,661	2,550,686	273,172	3,515,249	369,833	44,460	184	974,328	35,006

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Status of Delinquent Taxes by Prefecture

As of the end of November 1950

UNIT: ¥ 1,000

	1950-1951		1949-1950		Total	
	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases	Amount of Tax	No. of Cases
Kagawa	195,166	22,421	484,545	48,200	679,711	70,621
Tokushima	199,649	20,347	657,045	79,161	856,694	99,508
Kochi	249,482	26,574	723,435	62,319	972,917	88,893
Ehime	320,266	27,319	685,661	83,492	1,005,927	110,811
Total	964,563	96,661	2,550,686	273,172	3,515,249	369,833

Incl # 4

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 81-3

ACTIVITIES OF INSPECTION SECTION
FOR MONTH OF NOVEMBER 1950

Cases completed:

UNIT: ¥ 1,000

	NO. OF CASES	TAX OFFICE (1) SELF-ASS'D	TAX OFFICE (2) RE-ASS'D	TAX OFFICE (3) TAX	TAX BUREAU (4) RE-ASS'D	TAX BUREAU (5) TAX	(6) DIFF. BET. (5)-(3)	(7) ADDIT. TAX	(8) PEN-ALTY TAX	(9) TOTAL (6+7+8)	(10) GRAND TOTAL (9+3)
SELF-ASS'D INCOME TAX	2	340	912	403	4,050	2,801	2,398	746	123	3,267	3,670
CORPORATION TAX	1	-22	70	39	576	368	329	122	164	615	654
TOTAL	3	340	982	442	4,626	3,169	2,727	868	287	3,882	4,324

(1) Number of cases under private inquiries: 17

(2) Number of new cases in November 1950: 1

(3) Number of cases under inspection: 7

(4) Number of cases completed: 3

(5) Number of cases indicted: 2

Incl #5

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115015

INTERNAL REVENUE DIVISION
TAKAMATSU REGIONAL FIELD OFFICE
APO 1050

Tokemetsu, Shikoku
11 October 1950

319.6(Oct. 1950) TRFO

SUBJECT: Monthly Tax Surveillance Report

TO: Chief, Field Operation Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

I. Routine Commentary.

1. Organization and General Administration.

a. It is feared by many of the Local Tax Chiefs that the expected shift of personnel from this region to other regions will have a decided affect upon those tax offices in the agricultural districts, because of the need of more accurate data in which to reassess later in this fiscal year. Even though the number of taxpayers have decreased in most of the agricultural areas the amount of necessary investigation has not decreased, in fact in most cases it has increased. The reason for such was mentioned in III. Special Commentary of monthly report dated 8 August 1950.

b. The new indoor, outdoor sections are being initiated in the Marugame "E" Office to become effective 1 November 1950. If this system proves successful then it is hoped to be used in all the other tax offices in the 1952 fiscal year.

2. Accounts and Collections.

a. Collection Activities.

(1). The following are the statistic available on the First Provisional Return ending 30 September 1950.

	Total Taxes			S. A. Income Tax		
	Total End of August	Collected in Sept.	Cummulative End of Sept	Total End of August	Collected in Sept.	Cummulative End of Sept
Kagawa	744,303	139,381	883,684	239,923	58,346	298,269
Tokushima	563,532	120,935	684,467	194,703	59,241	253,944
Kochi	478,209	114,051	592,260	166,072	56,119	222,191
Ehime	930,617	207,917	1,138,534	295,183	81,848	377,031
Total	2,716,661	582,284	3,298,945	895,881	255,554	1,151,435

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Monthly Activities Report - September 1950 (Cont'd)

b. Reassessments. No Comment.

c. Reinvestigations and Appeals.

(1). The following are the statistics available as of 30 September 1950:

(a).	Number of Taxpayers		493,394
	Amount of Income Self-assessed	¥ 46,547,449	
	Amount of Tax	¥ 8,052,679	
(b).	Number of Reassessed		282,704
	Amount of Income	¥ 27,329,848	
	Amount of Tax	¥ 5,277,392	
(c).	Number of Appeals		141,542
	Amount of Income	¥ 15,662,844	
	Amount of Tax	¥ 3,724,710	
(d).	Number of Cases Disposed of		140,466
	Cancellation	21,230	
	Simple Correction	12,027	
	Other Correction	71,213	
	Rejection	35,996	
(e).	Reduction after Reinvestigation		
	Number of Cases	21,230	
	Amount of Income	¥ 3,641,006	
	Amount of Tax	¥ 1,092,384	
(f).	Increase After Beinvestigation		
	Number of Cases		169
	Amount of Income	¥ 23,531	
	Amount of Tax	¥ 5,301	
(g).	Balance Between (e) & (f)		
	Number of Cases		21,061
	Amount of Income	¥ 3,617,475	
	Amount of Tax	¥ 1,087,083	

d. Activities of the Supervisors. No comment.

e. Records and Accounts No comment.

f. Delinquent Accounts and statistics thereon.

(1). The Takamatsu Bureau figures show that delinquent accounts increased during the month of September. They show that 25,000 cases amounting to ¥ 350,000,000 were disposed of from the 1949 - 50 fiscal year, but in turn the July Provisional Return produced 113,000 new cases amounting to some ¥ 530,000,000.

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(2). See Incl. #1 for complete satistics:

3. Enforcement - Inspection Section. No comment.

4. Enforcement - Investigation Section.

a. The following are statistic on the activities of the above mentioned section:

(1). Income Tax.

	Self-assessed		Investigated		Balance	
No. of Case	Amount of Income	Amount of Tax	Amount of Income	Amount of Tax	Amount of Income	Amount of Tax
273	248,808	145,943	371,885	230,472	123,077	84,529

(2). Corporation Tax.

	Self-assessed		Investigated		Balance	
No. of Case	Amount of Income	Amount of Tax	Amount of Income	Amount of Tax	Amount of Income	Amount of Tax
	-145,227		-70,281		-6,748	-79
72	106,970	43,156	136,295	61,710	111,018	18,633

5. Publicity.

a. During the month most of the publicity effort was aimed at the delinquent taxes as this was the last month of the second quarter delinquent tax disposition term.

b. The usual media were implemented, using a firm approach in the demands and suggestions for the payment of the delinquent taxes.

c. Publicity was given through the press concerning the manner and steps to be taken to obtain a tax reduction, if the taxpayers were affected by typhoon "Jane".

d. The Shikoku Shimbun combined with the Kagawa Ken Education Committee, issued 100,000 pamphlets to the many primary schools of Kagawa Prefecture. The theme of the pamphlet was, "Do you know how your government is spending the taxes your parents have paid to them"?

6. Training. No comment.

7. Personnel. No comment.

II. Summary of Selective Surveillance at National Tax Office Level.

8. List of National Tax Offices visited during the month of September by Prefecture:

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Ehime:- Imabari.

Tokushima:- Tokushima, Naruto, Tomioka, Mugi, Kawashima, Wakimachi, Ikeda.

9. Special Comments on visits to tax offices.

While in conference with the Chief of the Imabari Tax Office, a noisy group of young men, dressed in tee shirts and generally sloppy entered the tax office and proceeded upstairs. Later it was revealed that these men were from the General Affairs Section, and had just returned from a door to door collection of delinquent taxes. It was brought to the attention of the chief at this time, the necessity of clean, neat and courteous personnel who appear before the public. It was also brought to the chief's attention that this could be a contributing factor for the low delinquent collection in this area.

III. Special Commentary.

10. Conference Groups:

It has come to the attention of this office that the Conference Group is being used as a supplement to the understaffed investigation sections of the local tax offices. After a conference with Mr. Kibata, Chief of the Conference Groups Main Office in Takamatsu, it was revealed that the lack of cases for the current fiscal year made it necessary to help the local tax offices with their reinvestigation of cases that were of a complicated nature. Through these reinvestigation, most of the cases were decreased in favor of the taxpayer, due to the over assessment on the part of the tax offices. It is hoped that the taxpaying public will not form an attitude that the Conference Groups are a tax reduction agency, rather than a group whose mission is to arbitrate on appealed tax cases. The Conference Group seems to have a feeling of insecurity due to the recent statement made by the Bureau, in which they mentioned the intention of expanding the Investigation Section due to the change in the tax amount to be investigated in both the corporation and the small business category. This change will place an additional work load upon the Investigation Section thereby making it necessary to increase the manpower of the section. Mr. Kibata mentioned, the Bureau intends to draw from the new conference now taking their fifty days training in Tokyo. If this is true, then the Conference Groups will suffer the brunt of the change. Mr. Kibata also mentioned a letter received from the Agency mentioning an anticipated increase in personnel in the Conference Groups. All of these matters tends to confuse the Conference Group as to just how they stand.

Paul J. Zelier

PAUL J. ZELIER
Senior Tax Specialist

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 81013

STATUS OF DELINQUENT TAXES AS OF 31 AUGUST 1950

UNIT: 1,000 YEN

	Delinquent Taxes						Attached Property			
	1950 - 1951		1949 - 1950		Total		1950 - 1951		1949 - 1950	
	Amount Of Tax	No. Of Case	Amount Of Tax	No. Of Case	Amount Of Tax	No. Of Case	Amount Of Tax	No. Of Case	Amount Of Tax	No. Of Case
Withholding Tax	59,536	1,087	134,120	3,928	193,656	5,015	2,218	15	73,708	794
S.A. Income Tax	474,279	86,862	2,357,454	237,780	2,831,733	324,642	3,023	1	650,593	27,095
Corporation Tax	86,972	1,084	225,825	2,742	312,797	3,826	2,251	10	204,311	1,312
Liquor Tax	17,504	458	7,004	518	24,508	976	3,358	9	79,280	823
Commodity Tax	34,348	703	106,148	3,303	140,496	4,506	-	-	33,581	1,882
Others	10,716	549	252,774	66,644	263,490	67,193	-	-	-	-
Property Tax	1,297	48	7,192	400	8,489	448	-	-	-	-
War Time Security Tax	-	-	14,847	97	14,847	97	-	-	1,091	11
Total	684,652	90,791	3,105,364	315,912	3,790,016	406,703	11,030	35	1,042,863	31,917

Incl #2

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115015

CE

Internal Revenue Division
Takamatsu Regional Field Office
APO 1050

Takamatsu, Shikoku
10 October 1950

319.5H(10 October 50)TRFO

SUBJECT: Local Tax Report for Period Ending 30 September 1950

TO: Chief, Field Operations Branch
Internal Revenue Division
ESS, GHQ, SCAP
APO 500

I. Para. I A of last month's Local Tax Report indicated that prefectural units feared the necessity of raising tax rates by the end of the fiscal year in order to cover estimated budgetary expenditures. On 5 September 1950 Ehime Prefecture raised the standard rate of the enterprise and special net income tax by 10% of that rate, thus changing the rate from 12% to 13.2%. The administration had sought a 20% increase of the standard rate but the assembly insisted on a 10% increase. Although the 10% increase was made law the administration is still fighting for its proposed 20% increase. Following this action by Ehime Prefecture, Kochi and Tokushima Prefectures passed laws providing a 20% increase of the standard rate of enterprise and special net income tax. Tax officials of Kagawa Prefecture also pressed for similar action but the recently elected Governor had promised in his campaign that taxes would not be raised and has prevented the proposed raise. His contention is laudable in that he argues that the desired increase in revenues can be obtained by better administration of the present laws. It seems unfortunate that the prefectures find it expedient to depend on the raising of tax rates on business income to provide fiscal adequacy; such rate raises seems to be an admission from the start of administrative inability. The point of rate increase as well as rate differential between prefectures can be reached which will induce movement of some business organizations to other prefectures. Then there arises the possibility of the prefectures competitively cutting certain tax rates to entice businesses to their areas. It would be better for the prefectures to demand on earlier adoption of the value added tax than that provided by the present law. This demand is made the more urgent in as much as the prefectures have no stable source of revenue.

Another unhealthy development among the prefectural tax officials is the increasingly expressed desire on their part to employ a goal system with regard to the amusement and admissions taxes. Despite lengthy consideration of this persistent proposal no good arguments for it could be found. The pressure seems to be born of the monopolistic elements of the various affected business associations (hotels, theaters, restaurants etc.) and the administrative inability of the tax officials.

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The municipal tax picture seems, at least at this early stage, a bit more encouraging than the prefectural picture. A more earnest effort seems to have been made in accepting and administering the provisions of the present law. Filing under the inhabitants tax varies radically from one community to another. Variations in completion of filing rums from 30% to 96%. Property tax assessements are progressing as scheduled. In the case of Matsusaki Town which harbors a comparatively large textile plant (a Toyo branch), property tax revenue exceeds budgetary requirements of the town, Yet co-operation by the village in applying Article 391 of the Local Tax Law is promised, not, however, without recognition of difficulties in doing so. The claim of surrounding villages where employees of the textile plant have residence is recognized. Some local governments such as Kochi City are planning to raise the rates of the inhabitants tax. The city assembly is split on the issue of the degree of raise that should be enacted. The minority group sought the American backing of the local C.I.C. detachment for their proposals and were advised of the necessity of settling the issue within the assembly. This democratic birth or growing pain seemed encouraging.

The union of salt field workers in the town of Hasihama demanded of the government officials that the inhabitants tax should not be applied to their over-time wages. They argued that they must work overtime to provide a necessary increase in the standard of living for themselves and their families. But the defeat of the rationale of a progressive net income levy, which accompanies such an argument, was not understood.

Since the Local Tax Law was belatedly passed some labor groups claim they did not have sufficient funds saved to pay their taxes and are asking industry to accept their tax burden. Management seems willing to comply with this request. The reasoning here seems to be that management believes the pay scale to be low but rather than change the scale upward, management prefers to compromise on indirect pay raises that do not possess the horror of permanency. This solution is certainly undesirable in that it disturbs a balanced tax system and does not meet the labor economic issue squarely as it should be met.

Another conundrum that looms up with regard to the revenue picture concerns welfare agencies. These agencies claim they want no funds from the equalization grant but would prefer instead to cut their case loads. Just what the argument behind this thesis are, are not even known, much less understood. The agencies claim that receipt of funds from the equalization grant would interfere with the democratic development of the welfare program. They also say that the mayors would not give them their full allocation. It is understood that the welfare agencies are considered the lowest type of municipal offices and that these agencies are manned with officials who were failures in other government work, or officials who are awaiting transfer from one agency to another.

II. Some of the more significant surveillance observations were as follows.

No circumvention of the law on the part of municipal officials was observed.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 175015

Local officials feel that they do not have sufficient power to enable them to collect what they consider high taxes. They would like to see the Local Finance Commission play a more important roll in the tax field, since they fear the full responsibility for application of the law may result in their recall. The officials believe that taxpayers are not as yet aware of the burden of the property taxes but when they are there will be considerable dissatisfaction with the officials.

The officials of some villages divided their respective communities by blocks among themselves in order to canvass all homes individually to explain the new local tax law and to help citizen in the filing requirements under the inhabitants tax. The approach was very successful. In the case of Kamikasai village 870 of the 900 taxpayers in the town filed their return. This is 96%.

The poor fishing village of Iwakurojima has in the past always had great difficulty in paying taxes. The mayor conferred with the influencial people of the village to devise a plan for the improvement in tax payment. The inhabitants accepted the plan which calls for the daily savings of 20 to 30 yen per person. School children will collect the savings. It is expected that in addition to meeting current tax obligation that arrears for the past two years will be collected.

Matsuyama city increased the per capita amount of the inhabitants tax for corporations from the standard amount of ¥1,800 to the maximum of ¥3,000. It was felt that corporations have a large secret profit not divided among stockholders and that equity is enhanced by this increase.

Tokushima Prefecture devised a plan for the reduction or remittance of the enterprise tax for typhoon sufferers. Taxpayers who were killed or whose property suffered more than 50% damage will enjoy a 100% reduction for incomes of less than ¥50,000, 50% for incomes from ¥50,000 to ¥150,000, 30% for incomes from ¥150,000 to 250,000 and no reduction for incomes over ¥250,000.

Publicity during the month has been quite extensive. House to house canvassing, conferences, lectures, radio broadcasts and newspaper articles publicized the tax program.

III. Statistics on amounts budgeted, assessed and collected for all prefectures and the largest city in each prefecture are as follows:

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 115013

Monthly Activities Report - September 1950 (Cont'd)

Unit: ¥ 1,000

Name of Prefecture and City	Annual Budget	Assessed Amount			Collected Amount		
		Previous Total	August	Cumulative Total	Previous Total	August	Cumulative Total
Kagawa Pref.	452,180	259,603	25,258	284,861	63,592	17,480	81,072
Ehime "	584,646	192,916	18,318	211,234	40,404	15,946	56,350
Tokushima "	401,605	38,194	119,924	158,118	6,333	9,092	15,425
Kochi "	558,461	134,699	99,132	233,831	18,872	10,807	29,679
Takamatsu City	234,306	94,107	1,651	95,758	8,977	3,687	12,664
Matsuyama "	237,852	19,136	4,375	23,511	5,597	5,486	11,083
Tokushima "	170,427	23,349	50,308	73,657	13,199	1,236	14,435
Kochi "	140,375	127,480	2,552	130,032	13,076	6,223	19,299

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