THE
NATIONAL ARCHIVES
OF THE
UNITED STATES

RG 331 (Allied Operational & Occupation
Headquarters, World War II)

SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section
Central Files Branch

Miscellaneous File
1945-51

Labor Research Reports to Japanese
Police Communication System

Box No. 2244

GHQ/SCAP Records(RG 331)
Description of contents

THE
NATIONAL ARCHIVES
OF THE
UNITED STATES

(1) Box no. 2244

(2) Folder title/number: (1)
Taxes - Taxation

(3) Date: Apr. 1947 - July 1950

(4) Subject:

Classification	Type of record
530	c, d

(5) Item description and comment:
Includes Contents List

(6) Reproduction: (Yes) No

(7) Film no. Sheet no.

SUMMARY

OF

JAPANESE TAXES

in effect

1 April 1951

Internal Revenue Division

Economic and Scientific Section

General Headquarters

Supreme Commander for the Allied Powers

APO 500

ECONOMIC AND SCIENTIFIC SECTION
Internal Revenue Division

15 June 1951

MEMORANDUM:

SUBJECT: Summary of Japanese Taxes in Effect as of 1 April 1951

An abbreviated summary of the taxes in effect in Japan as of 1 April 1951 appears below. This summary was prepared as a guide, and for information purposes only. For detailed information pertaining to specific taxes, the Japanese tax laws and regulations should be consulted. English translations of the laws, and many of the regulations, are available and can be obtained by writing to the following agencies of the Japanese Government:

National Taxes: Tax Administration Agency, Ministry of Finance
Uchisaiwaicho
1-chome, 2 banchi
Chiyoda-ku, Tokyo

Local Taxes: Local Finance Commission
Kasumigaseki
1-chome, 2 banchi
Chiyoda-ku, Tokyo

The following is a description of the various national and local taxes in effect as of 1 April 1951:

NATIONAL TAXES

Personal Income Tax

This tax has brackets ranging from 20% to 55%, as indicated in the table below. There is a basic exemption of 30,000 yen for each taxpayer, and an additional 15,000 yen exemption for each dependent.

Table I

1951			Rate
¥	0 - ¥	50,000	20%
	50,001 -	100,000	25%
	100,001 -	150,000	30%
	150,001 -	200,000	35%
	200,001 -	300,000	40%
	300,001 -	500,000	45%
	500,001 -	1,000,000	50%
	1,000,001 -	and over	55%

The tax is divided into two administrative parts for the purpose of collection - namely, the self-assessed and the withholding tax. The former levy is reported and paid by the taxpayer, while the withholding tax is primarily on earned income, and is deducted from the employee's salary by the employer.

There are three periods for filing and payment for self-assessed taxpayers. These are the months of July and November of the current year and February of the following year. The taxpayer is responsible for filing provisional self-assessed returns on 31 July and 30 November of the taxable year, and for filing a final return not later than 28 February of the following year.

Particular features of interest in this tax are the following:

a. The law permits each taxpayer to file his own return as long as he is not claimed as a dependent by another. The one exception to this is in the case of earnings of family members in an enterprise carried on or owned by one of the members of the family. In this case the return must be consolidated.

b. Capital gains and losses are taken into account to the extent of one hundred percent in computing taxable income. However, such gains, as well as income from forestry, fishing, royalties, or retirement, may be averaged over a five year period.

c. Medical expenses and certain personal losses resulting from casualty, earthquake, fire, etc., (and not compensated for by insurance or otherwise) may be deducted from taxable income to the extent that they exceed 10% of net income. Maximum deduction for medical expenses is 100,000 yen.

d. A dividend credit of 25% of the dividends received is allowed as a direct credit against the tax.

Personal Income Tax of Foreign Nationals

Certain foreign nationals receive special treatment with regard to the income tax, although they are fully liable for all other national and local taxes. The Special Measures Taxation Law of March 1950 provides that foreign nationals who legally received an income in Japan in foreign currency prior to 1 July 1950 or who became residents of Japan after 1 July 1950 may exclude 50% of the income accruing to them after they had been residents of Japan for more than one year, but in an amount not exceeding 3.5 million yen for 1951.

For the period of 1952-55 certain foreign nationals employed by certain designated corporations utilizing foreign capital and requiring foreign capital investment or foreign scientific techniques will be allowed to exclude 50% of their earned income up to 3.5 million yen. These designations will be made by the Minister of Finance after consultation with the Foreign Investment Committee. One criteria required to fall in this

category is that the corporation must have invested one hundred million yen or more in foreign currency. Foreign nationals who are employed by corporations whose operations are primarily to facilitate the operation of corporations indicated above will also receive a 50% exclusion for the same period. As well, foreign nationals engaging in certain professions specifically designated by the Minister of Finance which facilitate the operations of corporations mentioned above will receive the same tax benefits, even though their remuneration may be in the form of fees rather than salaries (earned income). With the exception of such individuals, however, the exclusion benefit is limited to those foreign nationals receiving earned and retirement income. Earned income, under the Japanese tax laws, refers only to salaries and wages; it does not include fees and commissions.

Further, for 1952 to 1955, designated foreign nationals invited to Japan as technicians to improve scientific techniques will receive the same benefits on their earned income. These designations will be made by the Minister of Finance. Foreign teachers of the high school level or above and foreign missionaries will also be allowed the same 50% earned income exclusion benefit.

In addition, for 1952 to 1955, earned income received outside Japan will not be subject to Japanese taxation. If the taxpayer received remittances from abroad, however, such amounts must be added to the foreign national's total income. Furthermore, if the taxpayer's normal living expenses paid in Japan are more than the earned income received in Japan, such additional amounts will be considered as part of the taxpayer's income in Japan. Thus, under the Japanese foreign national tax law, individuals who receive their earned income outside Japan are not taxable on such income unless it is directly or indirectly remitted to Japan.

Corporation Taxes

This tax consists of a flat 35% rate applicable to the net income during the accounting period for the firm. This tax applies both to foreign and domestic corporations. The return is required to be filed and paid within two months following the end of the accounting period. Firms having annual accounting periods must file both an interim return covering the first six months' operations and a final annual return.

Net Worth Tax

This levy is a tax on the difference between the net assets and net liabilities of an individual. The first five million yen is excluded under the Net Worth Tax Law; the next five million yen is subject to a .5% tax rate. The next 10 million is subject to a 1% tax rate; the next 30 million to a 2% rate, and the remainder to a 3% rate. The tax is applicable to net worth as of the last day of each year, and filing and payment are due as of the last day of February of each year.

It should be noted here that this is a new type of tax in Japan and was introduced into the Japanese tax system partially to compensate for the relatively low top-individual net income tax bracket (55%).

Accessions Tax

This tax replaced the Estate and Gift Tax in 1950, and is an accumulative levy on the recipient of gifts and bequests. Due to its graduated rates, a donee may reach a higher tax bracket each time he received a gift or bequest. The tax is simpler than the former gift and inheritance taxes since it does not discriminate in rate for gifts made during life or at death. An exclusion of 150,000 yen is allowable to each donee. The following is a table of the existing rate structure.

Table II
Accessions Tax Rate

¥	0 -	¥ 200,000	25%
	200,001 -	500,000	30%
	500,001 -	1,000,000	35%
	1,000,001 -	1,500,000	40%
	1,500,001 -	2,000,000	45%
	2,000,001 -	3,000,000	50%
	3,000,001 -	4,000,000	55%
	4,000,001 -	5,000,000	60%
	5,000,001 -	7,000,000	65%
	7,000,001 -	10,000,000	70%
	10,000,001 -	15,000,000	75%
	15,000,001 -	25,000,000	80%
	25,000,001 -	50,000,000	85%
	50,000,001 -	and over	90%

Revaluation Tax

Due to the inflation which occurred between the prewar period and 1950, there was a great divergence between book and market values of the majority of Japanese assets. Corporations in many cases were paying their corporation tax from capital, since depreciation expense based on book value was far below true depreciation based on market value. The Revaluation Tax Law permitted corporations to revalue their assets up to market value. To discourage excessive revaluation and thus the amount of depreciation taken, a tax of 6% is levied on additional book reserves realized from revaluation. The tax amount for an individual who revalues assets is spread over a five year period and is payable during the first month of each of the five years. For a person who has sold land, houses or shares of stock and thus is deemed to have revalued, a one-time payment is due the year following sale. Corporations that revalue are permitted to spread the tax payment over three years, 50% being due the first year, and 25% during each of the following two years. The first payment is due within the year following revaluation. The payment period may be extended to five years when profits are insufficient to take full advantage of the new depreciation allowances arising from revaluation. Separate legislation was enacted by the National Diet in early 1951 which extended the privilege of revaluation through 1952.

Travel Tax

This tax is applicable to Class A and B passengers of trains, tramcars, busses, and airplanes. It also applies to Class A passengers on steamships. It has a rate of 20% collectible by the transportation company, with a turnover date of the 10th of each month following the month of collection.

Registration Tax

This tax applies to registrants of real property, and of copyrights, publishing rights, patents, trade marks, etc., and to registrants of commercial firms - including corporations, and of professions - such as lawyers, doctors, accountants, etc.

The taxable basis of the registration tax is the price of the property to be registered in the case of real property or the number of applications in the case of professions, patents, etc. The tax rate is 2.5% for the acquisition of real property as a gift or inheritance and 5% for the acquisition of property through purchase. For firms the rate is .6% of the value of investment of paid-up amount of shares. For the professions it is 3,000 yen per application. In the case of the transfer of copyrights and publishing rights, the rate is 120 yen per right acquired as gift or inheritance and 600 yen if acquired otherwise. In the case of patent rights and trade marks, the rate is 120 yen per right if received through gift or inheritance and 300 yen if acquired otherwise.

Liquor Tax

The liquor tax is imposed on all forms of alcoholic beverages, including sake (most common Japanese alcoholic beverage), whiskey, shochu, mirin and beer. The levy is imposed on the manufacturer as the beverages leave bond. The table below indicates the tax rates and official selling prices:

Table III

Liquor Tax Rates Effective 1 December 1950

		Ration Tax (¥ per sho)(*)	Fixed Retail Price	Free Sale Tax (¥ per sho)(*)	Fixed Retail Price
Sake	Special	350	580	715	950
	1st	300	500	540	750
	2nd	223	390	290	460
Imitation Sake	1st	200	350	340	500
	2nd	168	300	238	370
Mirin	A	Eliminated		565	800
	B	"		225	375
Beer		120	199.42	245	327.63

		Ration Tax (¥ per sho)(*)	Fixed Retail Price	Free Sale Tax (¥ per sho)(*)	Fixed Retail Price
Whiskey					
1st Class	1st kind			1,700	none
	2nd kind			1,700	none
2nd Class		No Ration		900	none
3rd Class				497	none

(*) One sho equals 0.48 gallons.

Commodity Tax

This is a manufacturer's excise applied on an ad valorem basis to 5 groups of commodities, and on a specific basis to a small number of other commodities such as matches, soft drinks, etc. Commodity tax rates appear in the table below:

Table IV

Group	Rate	Examples of Commodities Included in Each Group
A	50	Precious stones, gold objects, etc.
B	40	Cameras, rifles, etc.
C	30	Gramaphones, electric fans, etc.
D	20	Smoking utensils, trunks, etc.
E	10	Cosmetics, sporting goods, etc.

Gasoline Tax

This is a specific levy of ¥ 11 per liter and is normally collected at the import or domestic refinery points as it leaves the bonded area.

Sugar Excise

The excise is levied at the point of manufacture on or leaving the bonded area. The average rate of this tax is ten yen per kin (1.3 lb.). The rate varies with the type or quality of the sugar. It applies both to imported and domestically produced sugar.

Playing Set Tax

This is a specific tax applied at the point of manufacture or a bonded area. Examples are ¥ 1500 on a mah jong set and ¥ 50 on a deck of cards.

Bourse (Exchange) Tax

This tax is applicable to securities transactions and commission receipts on securities transactions. It is .2% in the case of commissions, .01% on bonds or corporate debentures, and .2% on stocks.

Stamp Tax

Stamp Taxes are primarily specific levies, although a few are ad valorem. They are imposed at varying rates on documents covering the transfer of titles, real estate, commodity exchange tickets, promissory notes, power of attorney and similar documents.

LOCAL TAXES

These taxes are divided into two groups. The first group is employed by the prefectures, while the second group is utilized by the municipalities, i.e., cities, towns and villages. The prefectures and municipalities each possess three main tax revenue sources. For the prefectures they are the Enterprise and Special Net Income Tax, the Admission Tax, and the Amusement, Eating and Drinking Tax. For the municipalities, the three main taxes are the Inhabitants Tax, the Real Property Tax, and the Electricity and Gas Tax.

PREFECTURAL TAXES

Enterprise and Special Net Income Tax

These taxes are applied to the net income of enterprises and professions. The standard enterprise tax rate is 12% of the corporate or individual net income. This rate may be increased to a limit of 14.4% by authority of the individual prefecture. The amount of this tax is deductible in computing the amount of income subject to the national income too. Special net income taxes are applied to doctors, lawyers, dentists, and similar professions, the rates varying between 6.4% and 8%.1/

In the case of a corporation, the amount due under the enterprise tax is determined by self-assessment and is payable within two months after the close of the corporation's business year.

Admission Tax

This is a 100% tax on admission fees to movies, theatrical productions, athletic fetes, etc. In the case of fees to art galleries, exhibitions, amusement parks and other places of similar nature, as well as for school athletic and theatrical productions, the rate is 40%. The tax is not imposed on activities as mentioned above when they are under the direct auspices of the schools.

1/ The present local tax law calls for a replacement of the Enterprise and Special Net Income Taxes with a Value Added Tax, to be effective 1 January 1952. The Value Added Tax rate will run from 4% to 8% and will be applicable to the value of services rendered or to the increase of value on materials which accrues between arrival and departure of the materials from a given firm. This tax need not affect income and may be shifted to the final consumer.

Amusement, Eating and Drinking Tax

This is a luxury tax with varying standard rates, which may be increased or decreased by the prefectures. The standard tax rate on service fees for geisha girls, dancers, entertainers, etc., is 100%. The standard rate is 40% on charges for eating and drinking in hotel-type restaurants, rooms for hire in these establishments, cafes, bars, and such other places of a similar nature, as may be provided for by the local by-laws of the prefectures concerned. The standard rate on lodging, eating and drinking in other establishments not mentioned above is 20%. Owners of such establishments are designated as special collectors and generally utilize tax stamps for collection purposes.

Automobile Tax

The amount of this tax varies roughly with the size of the motor-driven vehicle. For the ordinary passenger car there is a 15,000 yen per annum tax if the car is to be used for private purposes, and 10,000 if used for business. The amount is 10,000 yen also on trucks and busses; small bantam type automobiles bear a lower tax of 4,500 yen per annum for private use and 3,000 yen for business use. Motor-tricycles bear a 2,000 yen per annum tax and motor-bicycles 1,000 yen. The tax on extremely light automobiles is 500 yen per annum. The date of imposition is 1 April with period of payment, as determined by local by-law, during April and October.

Mine Lot Tax

The basis for this tax is the area of the mine lot. For prospecting mine lots, the tax is 30 yen per annum for 1,000 tsubo. (A tsubo is 6 sq. ft.) The mine lot in operation bears a 60 yen tax for the same size. For placer mining lots the tax is 30 yen per cho (120 yds) along river beds and 30 yen per 1,000 tsubo for non-river bed areas. This tax is due in December.

Fishing Right Tax

The base here is the actual or assessed rent of the fishing right. The rate is 10%. Date of imposition and period for payment is according to by-laws of the prefecture concerned.

Hunter Tax

This is a tax of 3,600 yen per hunting license per annum.

Extra-Legal Taxes

These taxes are special levies which may be imposed by the prefectures or the municipalities at their discretion and are not specifically laid down in the local tax law. An example of such a tax might be an apple production tax. The imposition of such taxes requires the approval of the Local Finance Commission to insure that they do not duplicate levies of other levels of government or are contrary to public interest.

MUNICIPAL TAXES

Inhabitants Tax

This tax has two components. The first is a flat per capita levy, and the other is an income tax. The per capita amount is as follows:

Table V

Per Capita Amount

1.	Cities with a population of 500,000 or more:	
	Individuals —* Standard rate	¥ 700
	(maximum	900)
	Juridical person — Standard rate	2,400
	(maximum	4,000)
2.	Cities with a population of 50,000 to 500,000:	
	Individuals — Standard rate	500
	(maximum	650)
	Juridical person — Standard rate	1,800
	(maximum	3,000)
3.	Cities other than those under the preceding two items, and towns and villages:	
	Individuals — Standard rate	300
	(maximum	400)
	Juridical person — Standard rate	1,200
	(maximum	2,000)

The income portion consists of a standard rate of 18%, using as an assessment basis the income tax paid in the previous year to the National Government. This rate by local option may be increased to 20%. Municipalities have the option of employing one of two substitutes for the income feature of the inhabitants tax as applied to individuals. First, the taxable income as determined for national income tax purposes may be used as a base for the income feature of the inhabitants tax with the application of a tax rate not to exceed 10%. The second substitute is similar to the first except that the base excludes the amount paid for national income tax, and the rate here may not exceed 20%. A 15% rate applies to corporations using as an assessment basis the corporation tax paid to the National Government in the previous year. In computing the amount of income subject to the national income tax the tax paid here is allowable as a deduction.

Property Tax

This is a tax on land, buildings, and (depreciable assets used in business enterprise) carrying a standard rate of 1.6% of capital (fair market) value. The maximum rate that can be applied by by-law of the

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* Amounts between standard and maximum may be employed at discretion of municipal government.

municipality is 3%. Due dates for the tax are April, July, December and February. However, for the FY 1951-52 only, the applicable dates are: April, June, September and December.

Electricity and Gas Tax

The tax base here is the charge for electricity or gas used. The rate is 10% and is collected by the utility company along with the collection of the regular bill.

Bicycle Tax

This is a 200 yen levy per annum on bicycles.

Cart Tax

The tax is 800 yen per annum on ox or horse drawn carts, 400 yen on medium sized hand-carts and 200 yen on small hand or bicycle drawn carts.

Mine Products Tax

The basis here is the value of the products mined. They bear a standard rate of 1% which may be raised to a maximum of 1.2% by municipal by-law.

Timber Trade Tax

The basis of this levy is the price of raw timber. The standard rate is 5% with a maximum of 6% if prescribed by municipal by-law. Collection is by use of a tax stamp.

Advertisement Tax

The tax rates are as follows:

Table VI

Standard rate:

1. Advertisements made in trains, tram-cars, automobiles, steamships, and other means of transportation or facilities of transportation enterprises: 10% of ad. charge

2. Advertisements by means of illumination (restricted to advertisements made by persons operating advertising businesses): 10% of ad. charge

3. Advertisements made in telephone directories, etc.: 10% of ad. charge

4. Advertisements made by means of placing or hanging signboards: ¥ 50 per piece

5. Advertisements made by means of permanent type signboards, etc. (excluding those falling under 1. and 2. above):
¥ 300 per annum per tsubo or fraction thereof. (6 sq. ft.)

6. Advertisements made by means of posters (excluding those falling under 1. of the above):
¥ 10 per piece

7. Advertisements made by means of handbills:
¥ 50 per 1,000 pcs or fraction thereof

Mineral Bath Tax

This is a tax of 10 yen per mineral bath taken.

Service Girl Tax

There is a tax of 100 yen per month levied on each geisha girl, taxi dancer, etc.

Extra-Legal Taxes

Extra-Legal taxes are permitted for use by the municipalities in the same manner as with the prefectures.

ADDENDUM

I. Japanese Income Tax Burden on Corporations

As indicated above there are three income taxes levied on corporations in Japan. These are the national corporation tax of 35%, the local government inhabitants tax (15% of the national corporation tax) and the enterprise tax (12% of the preceding year's corporation taxable income base). The enterprise tax is a deductible expense in computing the national corporation tax. The total income tax burden of these three taxes amounts to approximately 47% of income. In addition, in the case of family corporations there is a 5% tax on their reserve fund (undistributed profits).

The burden of these taxes for the year 1951 on a non-family corporation (assuming the corporation earns 10 million yen in 1950 and 10 million in 1951) is illustrated below:

Computation of
Tax on 10 Million Yen Corporation Income in 1951

Income		10,000,000
Deductions:		
Enterprise tax paid in 1950 12% of ¥8,800,000 taxable income (this represents income of ¥10,000,000 in the preceding year)	1,056,000	
Income subject to national income tax	8,944,000	
Corporation tax (35% of 8,944,000)		3,130,400
Inhabitants tax, 15% of corporation tax (3,130,400)		471,960
Enterprise tax, 12% of corporation taxable income base (8,944,000)		1,073,280
Total Japanese income taxes on corporations		4,675,640

II. Value-Added

Effective 1 January 1952 a value added tax will replace the prefectural enterprise and special net income tax. The value-added tax is a tax on the amount of value added to the product of, or the value of the services rendered by, each business concern. One method of computation is to add together the total of wages, interest, rent and net profit of each concern. Another method is to subtract from gross profits expenditures for capital outlay.

The tax rates vary between 4 and 8% on manufacturing, banking, transportation, printing, amusement and similar business, and between 3 and 6% on professional, fishing and livestock breeding activities. Corporate taxpayer returns are due no later than two months after their accounting period ends. Where a corporation uses a period longer than 6 months, they are required to pay an estimated tax on their first six months' operation within one month after the end of the six months period. For a non-corporate taxpayer two preliminary returns and payments are due on May 31 and September 30, and a final payment is due by February 10.

File under TAXES Page

NO.	FROM	DATE 1950	TO	SYNOPIS
28	Mayors of 5 Major Cities	20 Feb	Hauge	Thank You Ltr. on Amending Bill of th Local Tax Law
29	GS	2 Mar	ESS	Jap TAxes and Custom Duties on Fn Nat'l
30	Whitney	19 April	Marquat	Local Tax Bill
31	Marquat	20 April	Whitney	Local Tax Bill
32.	Jap Gover-nor ofTokyo		Govt Sec	The by-laws concerning the campaign of donation and collection of money and goo (Effective 1 June 1950)
33	GS	23 May 1950	ESS	Utilities Tax Impositions on Occupation Forces in Japan.
34	GS	2 June	Engr	Utilities tax Imposed on Occupation Forces in Japan
34A	ESS/IR	27 June 1950	GS	Special Report Regarding False Anti-tax Propaganda which is Prejudical to Occupation Objectives.
35		10 July	GS	The Gifu Prefectural Opinion of the Local Tax Law Revision

File under TAXES Page No

FROM		DATE	TO	SYNOPIS
		1949		
26	ESS	12 Sep	GS	Transmittal of Shoup Taxation Report
27	GS	20 Oct	ESS	Validity of prewar reciprocal tax agreements.

File under no. Taxes-Taxation Page No-

	FROM	DATE	TO	SYNOPIS
21B	Yoshikawa	1949 9 Mar	Napier	Concerning Minshu Shoko Kai
21A	YOSHIKAWA	18 Mar	Napier	Democratic Commerce & Industry Association, Fair Taxation P Promoting League, and the like
22	GS	22 Mar	LS & ESS	Tax Evasion Prosecution
23	GS	29 Apr	ESS	Proposed Directive re: Reorganization of Natl. Tax Admin. of the Jap. Gov't
24	GS	15 June	ESS	Japanese Taxation of Commercial Entrants
25	Hatfield	17 June	Tilton	Meeting with Chief Tax Office

File under no. Taxes - Taxation Page No- 11

	FROM	DATE	TO	SYNOPIS
		1948		
16	RSS	4 Dec	GS	Draft Legislation concerning SCAP'S Policy Balanced Budget - Tax Law.
17	LS	20 Dec	GS	Partial Amendment to the Transaction Tax Law.
		1949		
18	CCR Intercept	12 Jan 49		SCandal of the Staff members of the Temak- Taxation office.
19	LS	9 Feb	ESS	Tax Evasion.
20	GS	19 Feb	G-2	Request for SCAP Directives Pertaining to Taxing U.N. Citizens in Japan.
21	GS	19 Feb	G-2	Request for SCAP Directives Pertaining to Taxing UN Citizens in Japan

Tokai

The Gifu Prefectural Opinion of the Local Tax Law Revision

The present tax law revision aims at the reform of the taxation system applicable throughout to the state, prefectures, and cities, towns and villages and the establishment of their respective administrative responsibility field. Granted that the objective be truly idealstic, it should be put into practice in parallel with the reorganization of the administrative business in the said jurisprudence, and it is considered improper that only the financial measures would be enforced in prior to the administrative business being reallocated.

Our Prefecture is currently dealing with a lot of such businesses as are considered proper to be executed in future on the responsibilities of the city, town and village authorities themselves and likewise the various business which are regarded suitable to be done by the State, whereas the present revision is apparently directed to separate only the financial reform for enforcement without taking the afore stated circumstances into due consideration, with the result that the Cities, Towns and Villages are thus expected to be provided with much resources in particular, while our prefecture will financially be put into very disadvantageous position. Naturally the revenue sources should fairly be awarded in harmonious comparison with the allotment of the task incharge, therefore, the problem of alloting the income sources ought to be solved simultaneously with the problem of the business reallocation, consequently only with the present reform of the taxation system it cannot necessarily be said to be truly idealistic financial administrative reform.

Regarding the influence upon the prefectural finance through the non-passage of the local tax law we originally intended to realize the following by the said revision:

(1) Reduction of State Tax

(2) In accordance with the above it is intended to increase the local tax particularly city, town & village tax with due emphasis being placed upon the said districts administration directly connected with the people.

(3) In consequence of the foregoing we intended to provide the local bodies short of the financial fund to assure them of the financial equality

with the State money as the equalization fund including the past treasury payment and subsidy, etc.

In view of things standing like this the problem of the local taxation reform is interrelated on the said three points which cannot be discussed independently. Notwithstanding this, it is apparently difficult to understand theoretically that in spite of, it having decided No. 1 Reduction of State tax and No. 3 the bill regarding the payment of the equalization fund and the pertinent State budget in accordance with the Gov't draft, it refuted only No. 2 local tax revision which is closely coordinated with therremaining two.

And this can not fail to influence badly and extensively both financial and administrative phases of local selfgovernment bodies, and our Gifu Pref. Government is no exception, namely, the total Pref. tax revenue is now estimated to amount only to a little more than 82 million yen or 120 million odd yen of financial deficit for the first three months period of 1950 fiscal year as a result of rejection of the bill against the estimated total of 220 million odd yen which had been scheduled to be collected during the same period as pref. tax out of about 560 million yen for the entire year of the bill would have been passed and put inforce beginning April this year as originally planned by the Government.

This awkward situation would necessarily compel us to the possible collection of taxes in a lumb toward the end of this fiscal year, being a immense embarrassement to the people in general of our Prefecture unless a cut in local budget is made. This is the very reason why we earnestly long for the early passage by both Houses of the new law concerned into enforcement.

Before concluding this written opinion of ours, we should like to express some views on the Additional Value Tax. This tax being a newly established one, the officials in charge of taxation affairs have no experience in the just and proper grasp of its taxation standard as well its assessment and accordingly it is doubtful whether they will successfully perform a proper and fair taxation for this new sort of levy because it is natural that such a practice requires at least some degree of studies and training on the part of the officials in charge. On the other hand, we can not expect much of the collection of this tax as the actual situation in our Prefecture is that the greater part of industrialists and merchants are running their

business on a small and petty scale which can be seen statistically in the following list.

Assessed ~~Personnel~~ Enterprise Income List for 1949 Fiscal Year:

Amount of net income		Number of persons	Percentage
Less than	¥20,000	17,645	29 %
"	¥50,000	23,742	38 %
"	¥70,000	7,091	11 %
"	¥90,000	4,162	7 %
More than	¥90,000	9,379	15 %
Total		62,019	100 %

In addition, if the tax exemption point will be set at ¥90,000 for the additional value tax, the standard for its taxation is expected to become lower by 25 % than the enterprise tax.

Opinions on the revision of the Local Tax Law

A. Opinions expressed by the four municpal authorities

1. Concerning Inhabitant's tax

a. Inhabitant's tax is imposed on citizens according to the amount of income taxes imposed on them in the previous year, but, viewing from the citizens' real capacity to pay taxes, it is desirable that the tax be imposed according to the sum of taxes they have paid in the corresponding year.

b. Collection from wage-earners

Despite the tax-burden by wage-earners was rather light in the past, the result of collection was not so good. This is considered to be ascribable to their low standard of living. So, when the revision bill is put in force, it is not an easy matter for them to bear a tax barden ten odd times hevier than that of the past, even though they are authorized to pay in instalment of four times a year. Accordingly, the increase of back taxes is thought to be inevitable, which will exercise big influence upon the finance of a city. To prevent such an evil it is considered to be reasonable to collect the tax at the source every month.

c. Pyament of taxes by report system on the part of business-income earners.

In order to make the basic year for which their income becomes the object of tax imposition correspond to the year of collecting inhabitants tax from wage earners at the source, a report system must be adopted in the collection of the unhabitants' tax from business-income earners. As it is considered that the total amount of income tax to be collectedly means of a provisional report system will be very much the same as that collected in the previous year, (ensured by item 3 article 21 of the Law) though the amount of individual incomes may fluctuate, and that there is no lear of the estimated sum of inocme taxes showing a decline as compared with the preceding year, it is better, we think, to adopt a report system.

For the above reasons, we think the imposition of the inhabitants tax makes the citizens easier in the payment of taxes, municipal authorities secure the revenue of a city, and at the same time contributes much toward the close connection between tax-office and the municiapl authorities and the reasonable imposition of an income tax and other taxes.

2. Concerning Fixed assets tax.

This year's taxation upon repaid assets must be made according to a report system.

It is not clear when the collection of a fixed assets tax will be started, but if it is started directly after the passage of the bill at the Diet it is impossible to conduct a thorough-going investigation into the assets subject to taxation in a short period of time. So, we think it better to put on the statute book so that the unreasonable amount of taxes imposed upon some citizens may be adjusted in the next year, after collecting the tax by a report system this year.

B. Opinions as major towns and villages

1. General rules

Article 16 (Collection in advance)

Add "8. When one is going to transfer his address to other city, town or village."

Reason: The transferred address being vague, when delivery of the staple food efflux certificate is requested, there are many cases in which collections are impossible, if collection are entrusted with in later days.

2. City, town or village inhabitant's tax

a. Art. 314 (Special case of assessment standard for

the city, town or village inhabitant's tax for 1950 - '51 fiscal year).

It is requested that the sum of income tax be made the assessment standard and tax rate be lowered to 100/10.

Reason: The income tax for 1949 - '50 fiscal year being synthectically assessed, if the same rate is applied for both this and next year, it will become unequal and because from this year income tax is decreased, the tax will become extremely heavy only for this year.

b. Art. 315 (Calculation of income by a city, town or village)

Only a case in which the decision of the amount of income is too little is prescript, but a revision is desired to be made also in case it is too heavy.

Reason: In deciding income tax a wrong guess is not only in a case too little, but there are cases which are deemed to be unjustly heavy even by the third party or those of the same occupation.

3. Fixed property tax

Art. 351 (Point exempted from fixed property tax)

We request the tax exemption point of ¥ 30,000 be revised to ¥ 30,000 basic deduction.

Reason: The tax exemption point of-Y30,000 is nothing but a name in a farming village and tax charge of those who have small properties ranging as much as from ¥ 30,000 to ¥ 100,00 becomes unfairly heavy as compared with those who have great properties.

Submitted to Civil Affairs Section by Tokai-Hokuriku Civil Affairs Region 29 June 1950

Economic and Scientific Section
Internal Revenue Division
Tokyo Regional Field Office
APO 500

27 June 1950

010.11(27 June 50)ESS/IR

SUBJECT: Special Report Regarding False Anti-tax Propaganda which is Prejudical to Occupation Objectives.

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

1. Enclosed is a copy of a handbill prepared by the Ohta Democratic Commerce and Industry Association and distributed in front of the Kamata Tax Office on 23 June 1950 by Kaneo Watanabe of 4 Shimomaruko, Kawasaki City. A translation of the phamphlet follows:

"We appeal to Democratic Tax Officials! Re-assessments, Attachments and Public Sales! These ceaseless exploitation on people of small income have driven them to bankruptcy, suicide and insanity. Our non resistant grief on this murderous outrage has grown to vigorous anger. We now stand and fight with unity for our living.

Koto Tax Office has agreed to exempt tax on income under 100,000 and to accept voluntary declaration on income of under 150,000. This means the traitorous tax laws which were contemplated to enrich monopoly capitalists have bowed to peoples fury.

What are the money you have collected spent for! They are being spent in major part to re mobilize Japan as a war base in order to drive her into disasterous war. Consequently, harsh tax collection, instead of lowering taxes, are all the more coersed. You have reduced yourself to agents of such traitorous leaders under the revived set ups of lower wages, increased labor and militaristic discipline.

You certainly wouldn't want this. You, too, would wish to take lead in building democratic Japan by protecting the country from turning to ruins and freeing its people from fear of atom bombs.

Ever since the purge of leaders of Japan Communist Party who were fighting in the front line, oppression followed oppression on democratic organizations. Freedom of gathering and demonstration was confiscated, and fascism surpassing that of Tojo's is now endangering Japan.

34A

You joined in the heroic general strike of March 15 to protect the interest of people. We expect you to stand up now.

We hope you never become persecution agents on us.

* Exempt tax on needies!

* For people of small income acknowledge voluntary declaration and application for lower filing.

* Oppose decidedly to enforcement of attachments and public sales which means selling Japan short.

* Get after large tax evaders who are demanding sacrifice on general public.

* Oppose to increased work loads on tax employees. Improve their employment conditions.

* Tax officials! Don't be a shepherd dog for traitors.
Lets unite, Now, on democratic and peoples front; on youths and nations front for Anti-War and Independence.

June 22, 1950

Ohta Minshu Shoko-Kai"

2. The Kamata tax chief stated that copies of the handbill were turned over to a local police official but it is not anticipated that any action will be taken by the police.

3. Publications along the lines of the above are not unusual even though this one is unusually viscious, which is the current trend. Such misleading publicity creates unrest, suspicion and disrespect for the Occupation. Anti-tax propaganda appears to be getting progressively worse. Therefore the foregoing is submitted for appropriate action.

4. Advise is requested as to what policy, action or procedure should be adopted by Regional Field Offices with respect to future propaganda similar to the above.

Incl:
Anti-Tax Pamphlet

S. F. Beardsley
S. F. Beardsley
Senior Tax Specialist

Economic and Scientific Section
Internal Revenue Division
Tokyo Regional Field Office
APO 500

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S. F. Beardsley
Senior Tax Specialist

INCL: ANTI TAX PHAMPHLET
Distributed in front of
Kamata Tax Office 27 Jan '50

Kamao Wakeuchi
4 Shimomaruko

民主税務職員諸君に訴える!!

更生決定!圧押!公売!とめつぎはやに督
促状!細所得者が強奪され、既に生産財設備が
続々と超つたが、吾々業者はこの殺人的暴
挙に対して無抵抗的な処みから烈しい怒り
に燃え、団結して生活防衛のための抗戦の斗
むにたつている。都下江東税務署は課に千
万円以下は免税、十五万円以下は白色申告
を承認したが、これは独占資本の慶を賜す
ための悪口税法。人民の怒りの前に屈服し
たことを示している。諸君が集めた金は何
に使われているかを知つてゐる。諸君は悲惨な戦争にかりたて
るために、祖国日本を再編成するために始んどつきまとつている。その結
果成績どころか益々苛酷な徴税が強行され
諸君は、低賃金、労働強化、軍隊的規律の
復活のもとに悪口的支配者の手先と言つて
いる。諸君はこれを甘んじていない筈だ。諸

君も又美しい日本を焦土から守り、吾々日本人を原子爆弾の脅威から解放し、民主日本建設の先頭に立つことを forbidden であろう。

先頭に立って斗っている日本共産党幹部の追放以来、民主団体への弾圧が続き、集会デモの自由が奪われ、東條以上のファッショが日本を危機におとしいれている。祖国の独立をまもり、人民の利益をまもるために三・一五の英雄的ゼネストに起ちあがった諸君達の蜂起を期待する。決して吾々人民を苦めるな。

う期待する。

反動官僚に対しては免税と自主減税申請を承認せよ！

生産零細所得者の自主申告と自主減税申請を承認せよ！

出口を完る差押、公売の強行に断乎反対せよ！

労大衆を犠牲にする大口脱税者を徹底的に糾弾せよ！

反税務職員の労働強化反対、待遇を改善せよ！

反税務職員は愈々ストになるな！

今こそ結集せよ、反戦、独立の

民主民族戦線、青年祖国戦線へ

昭和二五年六月二二日

大田民主商工会

C-20-D-2

WFM/HS/KPS/my
K. P. Sanow 26-8515

Utilities Tax Impositions on Occupation Forces in Japan

ESS GS 29 MAY 1950

3. 1. All commodity taxes are included in the price of the commodity sold to the government for war termination expenditures. The local government electricity and gas taxes are treated as commodity taxes and included as part of the price of the item sold. For this reason all Japanese national government agencies are subject to and pay the local government electricity and gas levies. Exemption of these taxes for utilities furnished the occupation would therefore not be in line with Japanese tax laws.

2. The policy of including commodity taxes in the price of items purchased for war termination expenditures has been recognized and was taken into consideration in preparing budget estimates for this account.

GS Files

----------W. F. M.----------

M. Matsukata 26-8964

From: GS To: Engr Date: 2 June 1950

4 For your information.

---------- C. W. ----------

34

SCAP GHQ
ESS
GSI
IMD
RECEIVED
TOKYO

COPY

AG 012(23 May 1950)GE — Utilities Tax Impositions on Occupation Forces in Japan — Lt. Krause 26-8331

From: Engr — To: Govt Sec — Date: 23 May 1950

1 — 1. The Engineer Section, in pursuing the economy program to effect the maximum of savings in the cost of utilities, has for some time been studying rates imposed on the Occupation Forces for utilities services and supplies.

2. The taxes imposed on the Occupation Forces for two utilities services; i.e., electricity and gas, have been investigated, and it has been determined that these taxes are urban, metropolitan, prefectural, and district taxes on the Japanese Government. This is quite contrary to the normal American concept of taxation, and the propriety of lower governmental jurisdictions taxing the Japanese Federal Government, and thus indirectly the Occupation Forces, is questioned.

3. Request that this office be advised as to the right of a subordinate governmental jurisdiction to tax the Japanese Federal Government.

- - - - - - - - - - - - - - - - - - J. G. C. - - - - - - - - - - - - - - -

M. Matsukata 26-8964

2 — From: GS — To: ESS, Internal Rev. Div. — Date: 23 May 1950

Request comment.

- - - - - - - - - - - - - - - - - - C. W. - - - - - - - - - - - - - - - - -

Zap

AG 012( )CE

Utilities Tax Impositions on Occupation Forces in Japan

Lt Krause 26-8331

Govt Sec

Engr

GS Files

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----------J. G. C.----------

M. Matsukata 25-8954

Date: 23 May 1950

2 From: GS To: ESS , Internal Rev. Division

Request comment.

---------- C. W. ----------

23

33

24 may

File

Tokyo-To Bylaws No. 16

On this first day of April, by the decision of Tokyo-To Assembly, I hereby promulgate the by-laws concerning the campaign of donation and collection of money and goods.

Governor of Tokyo Metropolis

YASUI Seiichiro

(This by-law shall be effect from 1 June 1950)

32

32

By-laws concerning the collection of donation and contribution of money and goods.

Article 1. (Purpose of the by-laws)
The purpose of these regulations shall guide and regulate collectors of donation or contribution of money and goods and to make their action of collecting, counting, booking and the disposal of money and goods thus gathered right and fair and help healthy growth of geneficial work in necessary circles of all communities.

Article 2. (Definition of words)
By the word "collection" in this regulations it shall mean to collect expenses of sponsoring, advocating, founding or delivery of allocated amount or whatever its working might be, the conduct of asking contribution of money or goods for individuals or groups.
By the word "responsible person of collection" it shall mean the party who conducts a collection work under official permit, and administer and dispose of money or goods collected. By "worker of collection" it shall mean person or persons who do actual work of collection under the surveillance of responsible party of the collection work.

Article 3. (Permit of Collection)
Person who wants to do collection, except under the Social Work Law or Judicial Protection Work Law, shall submit an application indicating the following items in ten days before the date of collection be started, to the Governor for approval.
1. Name, address,accupation, and age of responsible person of the collection--(if it is a juridical person or group, its name, locality of office, name of representative.)
2. Purpose of collection, and ways.
3. Sum total of money or total amount of goods estimated.
4. Scope or district and duration of time of collection.
5. Names, addresses, occupation, ages of all workers of the collection and their allocated districts of collection.
6. Estimate of collecting expenses
7. Method and ways of the management and disposition collected money or goods.
8. Other items fixed by Governor.

Article 4. (Conditions or no permission)
Governor, upon receipt of the above application may accept unconditionally or refuse to permit when he deems that it may disturb the public order or may cause bad effect upon the welfare of the inhabitants.

Article 5. (Duration of collection)
The duration of collecting time shall not exceed thirty days except the case where there is special reason for it.

Article 6. (Limits of action of responsible person and workers of collection).
A responsible person and worker for the collection shall comply with the following items.
1. To carry a permit for collection or its copy with himself at all times and show it any time requested by others concerned.
2. To do not compulsory allotment of contribution or compulsory contribution.
3. To do not dispose money or goods collected beside the purpose of the collection.
4. Other items fixed by Governor.

Article 7. (Preparation of documents and books).
A responsible person for the collection shall keep document or books as described, otherwise and enter the balance of money or goods and other necessary items into them.

Article 8. (Presentation and investigation of books and documents).
Governor, when he deems it necessary, may order to present the above books and documents or may let an official concerned investigate them.
When an investigation be conducted under provision, the official concerned shall carry a certificate to identify his authority with himself and show it any time as required by other concerned.

Article 9. (Report of end of collection and disposal).
A responsible person for the collection, when the collection was stopped or completed or the time expired or the money and goods collected were disposed shall report it to the Governor with full account of statement.

Article 10. (Action for Suspension of Collection).
Governor may order to suspend the collection or take other appropriate action as he may deem suitable when he has recognized the Article 3 or 6 was violated.

Article 11. (Punishment)
A collector who falls under each of the following items shall be fined not more than 50,000 yen.
1. Person who started collection without permit of Article 3.
2. Person who violated terms of Article 4.
3. Person who violated item 2 and item 3 of Article 6.
4. Person who did not make report villating Article 9 or who made false report.
5. Person who does not comply with Article 10.

Article 12. Person who violated Article 5 and Article 7 shall be fined.

Article 13. When an agent, employee or other worker of responsible person of the collection has violated the two articles he shall be punished above as well as the responsible person according to the provisions.

Article 14. (Regulations of execution)
Governor shall fix any other items in the execution of these by-laws when he deems it necessary.

Supplementary Regulations

These by-laws shall be effedtive from 1st of June, 1950. Person who is engaged in the collection work at the time of enforcement these by-laws, shall get permit under Article 3 within five days from the promulgation.

Tait

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets)

File No.: 010(20 Apr 50)ESS/EX Subject: Local Tax Bill WFM/mp

Note No.: 2

From: General Marquat To: General Whitney Date: 20 April 1950

1. It is gratifying to note the thorough and effective cooperation accorded this Section by representatives of the Government Section in dealing with the Local Tax Bill. Please extend my personal appreciation to the interested representatives of the Government Section for their diligent efforts.

2. I am in complete accord with the course of action recommended in Paragraph 4 of your check note and have issued appropriate instructions to interested personnel of this Section to act in consonance therewith.

WFM

- W. F. M. - - - - - - - - -

Noted by
General Whitney
FR
D. Williams.

File

31

WFW/mp

Local Tax Bill

010(20 Apr 50)ESS/EX

20 April 1950

General Marquat

General Whitney

2

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4-19-75

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets)

File No.:

Subject: Local Tax Bill

Note No.: 1

From: General Whitney To: General Marquat Date: 19 April 1950

1. Pursuant to our conversations of 17 and 18 April a meeting was held in Government Section on 18 April attended by Messrs. Baron, Shavell and Bradshaw of ESS, and Messrs. Rizzo and Williams of GS.

2. At this meeting the ESS representatives expressed the conviction that the House of Representatives-proposed amendments to the local tax bill submitted for clearance earlier in the day were unacceptable. It was agreed among those present that at this stage the acceptance or consideration of any more proposed amendments from any source would serve only to delay final action on the bill since no amendment of substance could be cleared without seriously impairing the local tax structure created by the bill as approved in the Supreme Commander's letter of 21 March 1950 to the Prime Minister. In view of this it was agreed that the best way to forestall any further delay in the legislative proceedings on this bill would be to inform the two Houses of the Diet that not only are the amendments in question rejected, but that no further proposed amendments will be considered by this Headquarters. This information has been transmitted to the Speaker of the House of Representatives and the President of the House of Councillors.

3. It is understood, of course, that there is involved the risk of failure of the bill to pass the present session of the Diet, but all present at the conference believed that this risk will not be accentuated by the course agreed upon and may in fact improve the bill's chances, for it will place squarely on the government and the Diet the responsibility for providing or failing to provide the revenues needed for the conduct of essential local government business during the current fiscal year.

4. To guard against efforts of Diet members and others to engage in negotiations or discussions which might be misunderstood or misrepresented as negotiations, I have issued instructions in my Section that the local tax bill will not be discussed with any representatives of the government, Diet or political parties except to the extent necessary to follow the course of the proceedings, and that GS will not transmit to ESS any requests from Japanese sources for interviews with ESS officials on this subject. I understand that the members of your Section concerned with this matter have agreed to follow the same procedure.

CW

- C. W. - - - - - - - - - - - - - - - -

Jap
C-20-D-2

Local Tax Bill

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- C. W. - - - - - - - - - - - - - - - -

GS FILES

30

Japes

H. Shavell 26-8556
WPM/LHM/HS/lrk

091.311(24 Feb 50)ESS/IR Japanese Taxes and Custom Duties on Fn Nat'ls

24 Feb 50

ESS GS

1 1. Attached is draft staff study and allied papers on the above noted subject. Request concurrence and/or comments be expedited and all papers returned to ESS earliest.

2. In view of the highly delicate and technical nature of this subject, it is desired that circulation of the attached papers be restricted to those offices having a direct and primary interest in the subject matter.

1 Incl
Staff Study w/allied papers
- W. F. M. - - - - - - - - - - - - - - -

Maj Napier 26 6962
2 March 1950

2 From: GS To: ESS

GS believes that this is a matter which should be left to the discretion of the Japanese Government so long as the principles enunciated in the Stabilization Directive are not thereby compromised.

1 Incl
n/c - G. W. - - - - - - - - - - - - - - - - -

GS FILES

29

Jafco

February 20,1950

To Mr. Hauge
Government Section,
GHQ, SCAP

Dear Sir:

We understand that according to the advice of your headquarters the Japanese National Government is now drafting the amending bill of the Local Tax Law which stipulates that the Electricity and Gas Tax, a source of long pending issue, shall be transferred to city, town, and village authorities as one of their independent taxes. We, the authorities of the Five Major Cities, who have been longing for such measure, feel unable to contain our great joy, and are very thankful to you for your understanding of the current financial situation in which cities, towns, and villages all over Japan find themselves.

Believing that it is quite proper that this tax should be classified among city (or town, or village) taxes, we have often made an appeal to you for the right measure, stating the real state of things. Meantime, you have always been constant in your opinion for protecting the finance of cities, towns, and villages. We, who are concerned with this matter, are all deeply impressed with your deep insight.

28

Now, we feel it a pleasant duty to report to you that the authorities of the Five Major Cities are making every effort to secure the tax revenue for next year, and to financially stabilize these five big cities. We are indeed making every preparation to answer the purpose of Dr. Shoup's recommendations.

Thanking you for your past favor and asking for your constant assistance and encouragement in the future,

Yours sincerely,

Gizo Takayama

Gizo Takayama
Mayor of Kyoto

Hiroo Kondo

Hiroo Kondo
Mayor of Osaka

Kyoichi Ishikawa

Kyoichi Ishikawa
Mayor of Yokohama

Chujiro Haraguchi

Chujiro Haraguchi
Mayor of Kobe

Zo Tsukamoto

Zo Tsukamoto
Mayor of Nagoya

Jat

Validity of prewar reciprocal tax agreements

LS GS 18 October 1949
ESS (in turn)

3. 1. References are check notes 1 and 2 above.

2. In the opinion of LS, determination of the final status of the exchange of notes must await the conclusion of a treaty of peace. Treaties in connection with the termination of World War II which have been concluded to date have contained a provision that each allied or associated power will notify the surrendered power, party to the treaty, within a period of six months from the coming into force of the treaty, which of its pre-war bilateral treaties with the surrendered power it desires to keep in force or revive. While it is assumed that a treaty of peace with Japan will contain a similar provision, in which event the decision would rest with the Netherlands, it is believed that nothing should be done prior to conclusion of the treaty of peace. In the present instance it would be a matter of reviving the understanding, as it was abrogated by a state of war. Revival at this time could not be of any benefit to the Japanese, in view of the fact that Japan is not engaging in international shipping, with but minor exceptions. Revival would unilaterally benefit the Netherlands at this time, with no benefit to the Japanese.

Govt Sec

3. LS suggests the Netherlands Mission be advised that the understanding is presently in a state of suspense pending the conclusion of a treaty of peace with Japan, at which time it is anticipated treatment to be accorded such understandings will be determined. In the interim, "income and net profits accruing from the business of shipping" between Japan and the Netherlands should be subject to taxation.

2 Incls
n/c

- A. C. C. - - - - - - - - - - -

Maj. J. P. Napier
26-6962
Date: 20 October 1949

4. From: Govt Sec To: ESS/IR

Concur in view and recommendation of Legal Section.

2 Incls
n/c

- C. W. -

2.7

CHECK SHEET

File No. S 543.2

Subject Validity of prewar reciprocal tax agreements. Mr. Boehringer 26-5364

Date: 30 Sept 1949

From: DS

To: ESS/IR

1. 1. Enclosed are copies of notes exchanged on January 26, 1933, between the Netherlands Ambassador, Tokyo, and the Minister for Foreign Affairs of the Japanese Government, providing for the reciprocal exemption, as between Japan and the Netherlands, from taxation of incomes and net profit accruing from the business of shipping.

2. The Netherlands Mission in Japan has requested DS to obtain opinion from concerned officials in General Headquarters, SCAP, as to the present status of the arrangement provided for by this exchange of notes. A representative of that Mission has stated informally to a representative of DS that the Japanese Government appears to be prepared to consider the arrangement as being still valid.

3. Should ESS/IR believe that the views of other Sections of General Headquarters should be solicited, DS invites ESS/IR to refer this check sheet to such Sections with the request that they likewise give an expression of their opinions.

4. In the event that ESS/IR does not believe other Sections are concerned, please return to DS for further action.

2 Incls:
Copies of notes
dated January 26, 1933.

- W. J. S. -

WFM/LHM/HS/lrk
H. Shavell 57-8613

2. From: ESS

To: LS
GS

Forwarded for views and comments as per para 3 of checknote #1 above, and for return to ESS

2 Inclsf
n/c

- W. F. M. -

Govt Sec

V Topic

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

WFM/ IHM/HS/OSB/dm
H. Shavell 57-3613

(Do not remove from attached sheets)

File No.: Subject: Transmittal of Shoup Taxation Report

Note No.:	From: ESS To: GS Date: 12 Sept 1949
1	1. Transmitted herewith for your information are two (2) sets of "The Report on Japanese Taxation by the Shoup Mission". 2. As the public release date for the Shoup report has been tentatively set for 1800 hours, 15 September 1949, request this material be treated as confidential until official announcement of release by the Supreme Commander for the Allied Powers. 2 Incls 2 sets Shoup Rept for W. F. NOYES, Lt., Col., AGD W. F. M.

26

C R O S S R E F E R E N C E

FILE UNDER: **Taxes, Taxation**

DATE: **17 June 1949**

FROM: **Hatfield** TO: **Tilton**

SUBJECT: **Meeting with Chief Tax Office**

DOCUMENT FILED UNDER: **Misc Memos** CLASSIFICATION

CABINET # **21** **Drawer # 4**

SHELF #

25

C-20, D-2
TAX

F Rizzo 26 6238

Japanese Taxation of Commercial Entrants

GS ESS 15 June 1949

2 Government Section recommends in general that no actions be taken by SCAP which would create or establish for commercial entrants a privileged status in respect of taxes and customs (except within the strict terms of exemption required by FEC policy) for any such discrimination in favor of foreigners would (1) expose SCAP to justifiable criticism and (2) engender resentment and ill will among the Japanese which in the long run would react against the position of such foreigners in Japan. If, as the ESS/IR memorandum for file enclosed with Check Note No. 1 above indicates, present tax rates are such as to discourage foreign investments, it is obvious that they also discourage domestic capital formation and investment. Consequently, the solution would appear to lie in a revision of the tax structure encouraging capital formation and investment whether foreign or domestic.

2 Incls w/d

C.W.

GOV'T SECTION

24

V. Jap

Proposed Directive Regarding Reorganization of National Tax Administration of the Japanese Government.

29 April 1949

Government Section ESS

(1) 1. In view of

a. The overriding importance of an effective tax administration machinery to the success of the program of economic rehabilitation for which the Supreme Commander has been made responsible under the U. S. Government's Interim Directive of 11 December 1948, and

b. The statement by the Chief, Economic and Scientific Section that a written directive is necessary in order to achieve the needed reform of the tax administrative machinery of the Japanese Government,

Government Section concurs in the issuance of the directive proposed in the attached Staff Study by Economic and Scientific Section.

C.W.

21 Gov't. Sect. File

29 April 1949

MEMORANDUM FOR RECORD:

In Check Note No. 1 above Government Section concurs in the issuance of a proposed SCAPIN which will direct the Japanese Government to create a Tax Administration Bureau as an external bureau of the Ministry of Finance with complete authority over its regional and local tax offices and complete responsibility for all national taxation matters except those functions dealing with tax legislation, which will be retained in a Taxation Research Bureau within the Ministry of Finance. Although the proposed directive constitutes direct intervention in an internal organizational matter, such intervention is warranted by the close and direct relationship between tax administration and the objectives of the United States Government under the Interim Stabilization Directive of 11 December 1948.

Paragraph 2. f. of the proposed directive reads as follows:

"Provide tax personnel who are competent, qualified and trained, insofar as possible, and adequate in number to administer and enforce vigorously, but fairly, the tax laws of the Government."

In connection with this statement the undersigned in a telephone conversation with Mr. Harold Moss, Chief of ESS/Internal Revenue Division pointed out that if it were interpreted to mean that the Japanese Government would be ordered

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to maintain any specific number, such as the present 75,000 employees in the tax service, Government Section could not support such specific instruction for it would tend to paralyze the Japanese Government's initiative in carrying out its present program of streamlining the goverrmental agencies and reducing the Government personnel pursuant to paragraph 2 of the Interim Directive on economic stabilization which calls for "stringent curtailing of expenditures." It was pointed out to Mr. Moss that proper screening of personnel with emphasis on quality rather than quantity should, in the opinion of this Section, enable the Government to carry out both its streamlining and retrenchment program and the reform of tax administration.

F.R.

Tax (Finance)

cab. 20
Div. 2

CHECK SHEET

WFM/LHM/AHP/eb

File No.: 012(3 Mar 49)ESS/IR Subject: Tax Evasion Prosecution

FROM: ESS TO: GS DATE: 3 March 1949
LS

1. One of the serious difficulties which exists in connection with an aggressive implementation of the tax collection program is the need for more vigorous criminal prosecution of tax evaders. Much of this problem is due to inefficiency of tax investigators and procurators and the inherent reluctance of the Japanese to view tax evasion in a serious light. However, these basic reasons are further seriously complicated by lack of cooperation and understanding as well as hostility existing among the tax officials and the procurators.

2. Because of the foregoing, combined with other reasons, many tax officials are not referring major tax evasion prosecution cases to the procurators, and many procurators are not giving the necessary attention or priority to tax cases in their hands. It is imperative that this laxity in the handling of tax prosecution cases be overcome. 2

3. For the purpose of determining the best course of action to a solution of this problem, several conferences of GS, LS and ESS officials have been held. It was unanimously concluded at one of those conferences that a joint field trip of LS, GS and ESS officials, who could hold separate and joint conferences with the Japanese tax officials and the procurators, would be highly desirable and would probably be most immediately productive of desired results. GS

4. Mr. Matsukata of GS, Mr. Appleton of LS, and Mr. Perrin of ESS/Internal Revenue, as well as certain officials of the Ministry of Finance and the Procurator General's Office, are suggested as a proposed team.

5. Your concurrence and/ or comments are requested.

- - - - - - - - - - - - - - - - - W. F. M. - - - - - - - - - - - - - - - - -

26-8964
Mr. Matsukata

FROM: Govt Sec TO: LS DATE: 22 March 1949
ESS

2. 1. Government Section concurs in ESS opinion of the urgent necessity to give first priority to tax cases referred to the Procurator's Office by the Taxation Bureau.

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26-8964
Mr. Matsukata

Tax Evasion Prosecution

Govt Sec LS 22 March 1949
ESS

2. It is recommended that the proposed field trip of LS, GS and ESS be postponed until such time further study can be made of Mr. Perrin's field trip just concluded.

- - - - - - - - - - - - - - - - - - C. W. - - - - - - - - - - - - - - - - - -

Jap

CHŌHATU NO. 60.

March 18, 1949.

TO : Major Jack P. Napier, Government Section,
G. H. Q.

FROM : Director Mitsusada YOSHIKAWA of Special Examining Bureau, Attorney-General's Office.

SUBJECT : Re Democratic Commerce and Industry Association, Fair Taxation Promoting League, and the Like. (5th Report)

We wish to submit to you herewith the 5th report as to the subject organizations, of which we have been directed by you to make investigations :

These kinds of organizations are systems nationally connected, that have been organized of those belonging to the middle-and-lower business circles, who were called together under the leadership of Communist members occupying principal positions in those systems. They seem to have been coordinated lately under the common title of "Democratic Commerce and Industry Association", (Minshu Shoko Kai)

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and their main activity is to develop unti-taxation campaigns, which motions are to be judged as being traceable to the intended strategies on the part of Communist elements who attempt at the enlargement and strengthening of their party power through the inducement of these organizations under their command.

Below are described details of some organizations which belong to the above category, and which have since been found to have developed any particular activities :

1. Sakai Nōzei Minshuka Dōmei (The Democratic Tax Payment Promotion League of Sakai City).

(1). Location :

Inside of the Office of Sen-shū District Committee of the Communist Party, Daido, Minami-han-chō, Sakai City, Ōsaka Pref.

(2). Officers :

Chief Committeeman	SAKAI Toyoichi (Kansai District Committeeman of the Communist Party)
Vice-Chief Committeeman	TOMATSU Kizō (Sen-shū District Committeeman of the Communist Party)
Committeeman	HIKOZAKA Yasuo (Sen-shū District Committeeman of the Communist Party)
"	IZUMIMOTO Katsumi

(3). Number of Members :

About 750.

(4). Activities.

Since the beginning of February last year, this League had been endeavouring for the expansion and strengthening of its influence by attempting to invite the city inhabitants into its membership through the distribution ofnits prints among them under the plausible cause of bringing about the democratization of tax payment by claiming the right of mass negotiation against the taxation authorities, or through holding lecture-meetings under its auspieces or providing for people an office for guidance in the payment of taxes ; and in April of the same year, when the 1st official revisions on their declared incomes were notified to them, SAKAI Toyoichi, Chief-Committeeman of the League, and TOMATSU Kizō, Vice-Chief Committeeman of same, instigated some 20 members of the League and went up together, on the 21st of the month, to Ōkama Taxation Office in Sakai City, where they demanded an abatement of the decided incomes which they insisted were fixed too high and, at the same time, requested the exhibition

of the documents of reassesment on the incomes of leading people of the place ; upon being refused, however, they resorted to the tactics of hunger domonstration by sitting down in the office through the day and night, thus presenting at a time a considerable degree of confusion and disquietude. At length, however, this trouble came to be settled for the time being through the intermidiation of a person occupying the position of Chief Secretary of the Ōsaka District Conference of All Japan Financial Office Employees' Union, which led to the publication, made by the chief of the taxation office, of the reassesments on business incomes belonging to 46 leading persons of the city.

2. Yao Nōzei Minshuka Dōmei (The Democratic Tax Payment Promotion League of Yao-machi).

(1).Location :

Yao-machi, Ōsaka Pref.

(2).Activities.

Since Apr. 25 last year, members of this League strongly demanded, more than 10 times in the room of Yao Taxation Office Chief, for the reduction of the amounts of their incomes officially fixed in the 1st reassesment, by

using, at times, the tactics of hunger demonstrations ; and, after repeated negotiations, the taxation office at last despatched its 1st Section Chief ANDŌ Toshiichi and 3 other personnel to the village office of Moto-kami-mura in Naka-kawachi-gun, Ōsaka Prefecture in order to carry out necessary investigations ; and upon the results of these inquiries the party of the said League attempted persistently its final efforts of collective negotiation with 30 members belonging to it, in consequence of which, it is reported, the totalled amount of taxes imposed on 55 persons of the Kamimura Branch of this League came to be reduced from ¥ 1,000,000, which was the original amount decided through the 1st reassessment, to ¥ 400,000. Besides these actions, members of the League seem to have conducted, during the while, interferances with the acts of seizure on properties being effected by taxation officials, but the details of the fact have not yet been ascertained.

3. Nōzei Minshuka Dōmei (The Tax Payment Democratization League).

(1).Location:

Gifu City.

(2). Activities.

In Miedera Park in Gifu City on Apr. 17 last year, and at Zenkō-ji (A Buddhist temple), Seki-machi, Gifu Prefecture on the 19th of the same month, this League held an "Anti-Improper Taxation Rally", in which a resolution was attained that a request for reassessment of income taxes unfairlly imposed should be made, and the people then marched in demonstration to the Gifu and Seki-machi Taxation Offices, where they thrusted before the office chiefs the deliverd notifications of income reassessment, demanding rigidly responsible explanations on the part of these offices ; thus, for suspicion of violences committed 5 principal members of the said League, all belonging to the Communist Party, came to be arrested by the police authorities.

4. Takino Minshu Nōzei Domei (The Democratic Tax Payment League of Takino-machi).

(1).Location :

Takino-machi, Hyōgo Pref.

(2).Staff Members :

HIRAYAMA Minoru, Representative of Ibo-gun Branch of the Communist Party.

TAMURA Kōsuke, Nishihata District Committeeman of the Communist Party.

TAKAHASHI Toshio, Member of the Communist Party.

(3). Activities

(3). Activities.

(3). Organizing the said League by calling together those who were liable to payment of taxes, the Communist members above mentioned had been directing people into campaigns against taxations, and on Apr. 14 last year they held, under the auspieces of the said League, a "Grand Meeting of Tax-Payers" at the town office of Takino-machi, on which occasion 9 items of requests against the Chief of the Takino-machi Taxation Office were agreed upon and they called up to the place the Office Chief and the head officials of its Direct Tax, and General Affairs Sections, and HIRAYAMA and other representatives of the League gathered around them and delivered the note of roselutions before the eyes of over 100 attendants, demanding thereby the instant acknowledgment of these requests for about 9 hours until nearly 12.30 a.m. on the following day, during which time they detained these officials half forcibly and put them inquisitive questions with various threatening words, finally causing them to sign, in spite of their will, a document of agreement with some items including the

requests that the taxation office should confer with the League in the inquiry and decision of taxable incomes taking as the basis those amounts declared by the payers' side, and that until the inquiry be finished no seizure of properties belonging to members of that League should be effected, upon the promise that if these officials failed to practice those items of agreement, they should resign, for the responsibility, from their official positions.

5. Himeji Minshu Nozei Dōmei (The Democratic Tax Payment League of Himeji City).

(1).Location :

Himeji City, Hyōgo Pref.

(2).Members :

MIURA Daijirō, KOJIMA Yoshijirō, NAGARA Kijūrō, FUKUDA Kazuo, KIMURA Heihachirō, WATANABE Fumio, who are members of the Communist Party, and some 30 other persons.

(3).Activities :

In Apr. 29 last year, more than 30 members of this League rushed to the Himeji Taxation Office, where they presented to the Office Chief, chiefs of its Direct Tax, and General Affairs Sections, and the principal

official of the former Section 10 odd items of the League's requests and demanded their acknowledgment and their promise to carry out these items without fail, keeping them standing all the while, for about 14 hours, without giving them any time to take meals, and, moreover, uttering many violent words a and manacing them in all ways, in consequence of which they finally succeeded in causing the officials to promise against their will the accurate practice of those requested items, including the requirement to admit the attendance of the League's representatives in the inquiries made on the protests of its members, and sign a document thereon, upon condition that if these officials failed to realize them, they should resign, due to the responsibility, from their offices. For those unlawful actions, the principal rioters concerned came to be arrested, through an order from Occupation quarters at Himeji, by the police authorities.

6. Anti-taxation Movement under the Leadership of Ishikawa Prefectural Committeeman of the Communist Party (The name of the particular organization concerned unknown).

(1) Persons Concerned:

Manabu Kikuo, the said Committeeman,

(1). Persons Concerned :

NAKADA Kikuo, the said Committeeman, TANAKA Ichirō, ARAKI Tsugio, Branch Director of the Government Railway Labour Union, TSUJIMURA Takehisa, Director of Ishikawa Prefectural Combined Branch of the Electric Industrial Workers' Union, MINAMI Yasuji, member of the Machine and Instrument Industry's Labour Union, KITAGAWA Jūkichi, President of Cultural Conversation Society, KIMURA Kiyonaka, member of the Machine and Instrument Industry's Labour Union, NOMURA Yasuo, member of Cooperative Life Society, all being members of the Communist Party, and YAMAMOTO Shizuo, sympathizer of the same Party.

(2). Activities.

On Jan. 10 this Year, the 9 persons listed above sent in a document of claim, made in their joint names, for the dissolution of Kanazawa City Assembly, to the Election Management Committee of that city, on ground that it was wholly attributable to neglect of duties on the part of the Assembly members that the standards for imposition of citizenship taxes were unreasonable, and, moreover, notwithstanding

the enormous magnitude of expenses for the added construction of cleansing equipments for the Police Station, Fire-brigade Station and P.T.A. Hall, they were entirely abondoned and left to the sources of private contributions of semi-compulsory nature.

7. Yokohama Minshu Shōkō Kai Kōnan Shibu (The South-Zone Branch of Yokohama Democratic Commerce and Industry Association)

(1). Location :

No. 29, 3-chōme, Kyōshin-chō, Minami-ku, Yokohama City.

(2). Staff Members :

Director	SUGIYAMA Yoshinobu	A communitarian, but not belonging to the Communist Party.
Assistant Director	ŌMORI Yasuyo	Member of the Communist Party.
Advisor	KAJIWARA Masaichi	"
Clerk	OKADA Shōji	"

(3). Other Members :

About 200 persons (including some 10 Communist members).

(4). Activities.

Being organized of people belonging to the middle-and-lower business circles in the south zone of Yokohama City, this Association had been holding frequent meetings and developing unti-taxation campaigns, thus conducing to the expansion and strengthening of the power of Communists by bringing, meanwhile, various similar systems under the leadership of the party ; and on Dec. 17 and 18 last year, when officials of the Isoko Taxation Office Located in the area were engaging in their work of disposals against the delay of payments of 1948 income taxes, scores or about 150 people, with SHIHŌ Kōsuke, who is the Association member and a communist, as their center, and including some executive members of the Association, dared to commit, as often as 3 times, interferance with the act of official seizure of properties or breakage of official seals on properties at Urabe Laundry No. 54, 3-chōme, Tōri-machi, Minami-ku and at 2 otherpplaces of the city.

(For reference)

The principal person in the above case SHIHŌ Kōsuke was arrested by the police authorities on Dec. 18 last year, and was prosecuted for the offence of interferance with official business, by the Yokohama Local Prosecution Office ; he was sent to court and is now under trial.

Tosuke Yoshikawa

Director of Special Examining Bureau,
Attorney-General's Office.

Investigator :
Secretary SASAZAWA

Tax

CHŌHATU. NO. 49.

March 9, 1949

TO : Major Jack P. Napier, Government Section, G.H.Q.

FROM : Director Mitsusada Yoshikawa, Special Examining Bureau, Attorney-General's Office.

SUBJECT : Concerning Minshu Shoko Kai (Society of Democratic Commerce and Industry) and Tekisei Kazei Domei (Fair Tax Payment League).

With reference to the subject we have made investigations by your order and we have hereby the honour of submitting to you the following result of them.

1. Name:

Minshu Shoko Kai (Though in some districts it is called Tekisei Kazei Domei, yet it is an organization belonging to the same clique.)

2. Representative of the Society:

Committee or responsible cell of different districts of the Communist Party takes charge of it.

3. Purpose:

It aims to make the mutual friendship and development of the members as well as to plan the

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reconstruction of Japan by banding together to protect their right of living and business.

In order to attain the foregoing purpose the following works shall be carried out.

(1). Activities for the investigations and researches of tax questions and the fundamental reform of the taxation system.

(2). Investigations and studies and activities for the abolition of bureaucratic control and for the funds and materials.

(3). Opening the publications, Lecture Meetings, Round-Table Meetings and Public Hearing Meetings.

(4). Other works for the protection of the lives and business of the members.

4. Organization:

(1). Officers:

Advisers: a certain number

Chief Director: 1 (Representative of the Society).

Standing Inspector: a certain number

Standing Directors: 2

In some districts it is sometimes organized of the persons with the following official titles.

Adviser: a certain number

President: 1 (Representative of the Society)

Vice-President: 1

Committeemen: a certain number

Accountants: 2

(2). Members:

Approximately 10,000 in number. (Which is considered to be the smallest figures under the jurisdiction of Metropolitan Police Board.)

(3). Establishment of the Head Office and Branch Offices:

The Head Office is established in each District Committee of the Communist Party (corresponding to the unit of the adminstrative division) and the Branch Office is established in each bloc of cells or a cell.

(4). Fees:

Twenty yen is monthly collected from a member, and at the time of joining it twenty yen or forty yen is collected from him or her as the entrance fee.

5. Establishment and Process:

After the end of the war Seikatsu Yogo Domei (League of Protection of Livelihood) was formed as the fractional organization of the Communist Party with labourers, citizens and middle and small tradesmen and artisans by that Party which was advocating the foodstuff control by the people. (Further, in recent times the strife against tax payment has also been cafried out.)

After that, it was around 1948 when, under the circumstances in which the middle and small tradesmen and artisans suffering from the pressure of tax payment appeared in succession, the Communist Party established Seikatsu Sodansho (Consultation Office for Living Questions) as one wing of the expansion of the influence of it in order to have the support of the masses by taking advantage of the period for eating its own way into the lives of the people. But this system was in the field of negative activities, and in order to transfer it to positive activities by the immediate duties of the Party to expand and stimulate the organization of it, Tekisei Kazei Domei (Fair Tax Payment League) (in some districts it is sometimes called Zeikin Minshuka Domei (Democratized Tax Payment League) or Minshu Shoko Kai (Society of Democratic Commerce and Industry) was formed independent of Seikatsu Sodansho and Seikatsu Yogo Domei (League of Protection of Livelihood).

This organization is a fractional one of the Party which has been organized for the taxation strife of the middle and small tradesmen and artisans.

Furthermore, with the expansion of the organization of the Communist Party in recent times, particularly with the recent General Election of the members of the House of Representatives, the names of Tekisei Kazei

Domei and Zeikin Minshuka Domei have been unified to Minshu Shoko Kai to start from the taxation strife the activity of the development throughout Japan for the political strife of the campaign for materials and funds. (But though there are now some organizations called Kazei Domei it is considered that their names will soon be changed.)

In consequence, it is considered that, as such a method of unification of the fronts had from the beginning planned by the Communist Party, it was a process of the lot in which the individual form of the strife made by Tekisei Kazei Domei, etc. should be united in a body of Minshu Shoko Kai which had been going to be organized.

6. Relations with the Communist Party:

This Society is one of the manifestations of the activity for winning the masses for the establishment of the People's Government which has been stood by the Communist Party. The purpose stated in the foregoing (3) is, accordingly, carried out by this Society. In reality, however, the Communist Party has grasped the actual power under the beautiful mask of the purpose and caused the middle and small tradesmen and artisans to carry out the strife against tax payment by stirring them up. This Society has had from the first the political nature by the Communist

Party, and with the aim of the strife for anti-colonization and anti-fascism as well as for the independence of our race, it is a political organization which is to mobilize the labourers, peasants, citizens as well as the middle and small tradesmen and artisans for the strife against authority.

Further, as to the connection of the organization with the Communist Party, you would please refer it to the annexed list.

7. Contents:

(I). Tactics

(1). Calling to the masses in general.

Opening the great meetings in cities, towns and villages great efforts are made for winning the masses, and then stirring them up the demonstration march is started to make representations. Thus the preparatory training for the revolution is made.

Besides, the winning of the masses and the demonstration are carried out by the following speeches and movements by means of the bills, posters, speeches in the street, and consultation and study of tax affairs, and in the country parts by means of the tea parties and the gatherings.

(a). This is extremely a heavy tax and the mass taxation.

(A). The 70 per cent of one's income is taken away as the tax.

(B). It is the denial of living and the violation of the Constitution to estimate the income from the living expenses.

(C). It is the bad men having had unearned gain by fraud or robbery who can pay the tax in full.

(D). The fortune followed by the taxpayers is only to go out of their business or to give up their property.

(b). It is an unfair tax.

(A). The tax of the big profit gainers by the black market have been overlooked.

(B). Through the consultation at the dinner party with the tax boss small people are subjected to heavy taxation while big people to cheap taxation.

(c). It is the tax which has come from above. It is the taxation allotted unilaterally coming from above by which the democratic application system of tax payment has been crossed out.

(d). The tax which is our blood is used financially by a small number of the capitalists as in the cases of the Showa Denko Company and the loan from the Reconstruction Financial

Bank.

(e). Nothing can be done by one man or two. If a large number of people will make the same sort of activities it will become a social question with which even the police will not be able to deal. That is the reason why it is necessary for tax payers to be united in one.

(f). Inviting tax officials on the pretext of the study of tax affairs a bribery scandal shall be constituted by the means, not noticed of by them, of giving them some present (putting some money in the box of laver which has been wrapped up) as a remuneration. Thus, as a result of trapping the tax officials, their misconduct shall be caught up with.

(2). Winning those having occupations.

(A). Filtering into the organizations of those who have occupations.

(B). Organizing those who have not yet been formed into any organizations.

(C). Linking to those who have special occupations (such as medical men, lawyers, and accountants).

(3). Canvassing to make the statement of objection.

(A). Distributing the written application for examination, explanation is given about the way of writing and the process. Thus, keenly making the activities of assistance, the confidence of the masses is won.

(B). Restraining the people from withdrawing their application of objection.

(4). Demonstrations by means of marching.

At the time of opening the great meetings and making the public speech against taxation, systematic labourers are mobilized under the direction of the Communist Party and lay their objection before the authorities of the Tax Office.

(5). By winning the staff members of the Tax Office, the Chief Revenue Officer is isolated.

(A). As in the case of Secretary Susumu IKEDA of the Arakawa Tax Office, who having a liaison with Tekisei Kazei Domei, attended the interview for making the statement with Director of Financial Bureau of Tokyo Metropolis, and mixing with the representatives of

Tekisei Kazei Domei of Koto Rokku (the six wards on the eastern side of the Sumida River), remarked: "I am taking charge of Income Tax of the Direct Tax and I know the present transaction has violated the Tax Law in some degree." Thus he seems to have tried to trap the Director so as to be in a tight place.

(B). The important staff members of Financial Employee's Union of All Japan are the extreme Left Wing men, and the officers of the Branches of the District Unions has a close connection at the Tax Office with the cells of the Communist Party. By taking advantage of these, the tax strife is led favourably.

(6). Obstacle to examination.

(A). Without responding to the summoned individual examination, the examination en bloc is requested by means of the negotiations as an organization.

(B). In the case of examination, obstacles are made by the officers of the organization against tax payment who would shadow it.

(C). The points of examination are distributed among the tax payers beforehand, and if any question not profitable to one is asked, no answer is given for the reason of one's ignorance requesting to listen to those of the organization against tax payment or giving an answer uniformly in accordance with the standard made by the Party.

(7). Lawsuit

By the organ of advising lawyers such as Jiyu Hoso Dan (Liberal Lawyers' Association), the strife in the Court is made.

(8). Obstacle to seizing the property.

(A). Detecting the period, place and executioner beforehand, entreatment or threat is made.

(B). Tactics of absence.

(C). Refusal of witnessing.

For instance, when the officials of the Tax Office made the official inspection

of the spot, a number of men who called themselves members of the Communist party and some forty or fifty tradesmen and artisans who called themselves members of Minshu Shoko Kai under the former's direction spoke or acted using force with the object of making the execution of seizure impossible and made obstacle to the seizure by snatching the protocol of seizure.

(9). Obstacle to the auction.

The auctioneers are checked from entering the auction house.

(II.) Method of Canvassing.

1. By the house-to-house visit made by the members of the Communist Party, the middle and small tradesmen and artisans troubled with the taxation are won after being spoken to so cleverly as to seize their mental state by saying, "The present taxation has come from above. This Society has been established to readjust those points. Besides, we will arrange to make your tax cheaper than at present.

2. By the individual activity of the members of Minshu Shoko Kai or by using the store-fronts of the tradesmen and artisans the winning of members are made.

3. Pretending that explanations about the taxation were going to be given and announcing it from door to door, the tradesmen and artisans are invited to the meeting place (principally held in the house of the officers), and on the spot they are canvassed to join this Society.

4. Public speech meetings were held in the square before the railway stations, when canvassing is made by distributing the written application for entering this Society.

5. Besides, bills and documents are used for the canvassing.

(III.) Regulations (Extract of the Regulations of Kita Ward Minshu Shoko Kai)

Article 2. This Society shall be composed of the middle and small tradesman and artisans dwelling in Kita Ward who agree to the purport of this Society.

Article 3. The purpose of this Society shall be to make efforts for the democratic reconstruction of Japan protecting the rights of business and living by the union of the middle and small tradesmen themselves.

Article 4. As the organs of this Society, the General Meeting, Committee, and Squads shall be established. The General Meeting is the highest organ, and the following matters shall be discussed.

1. Election of the officers.

2. Policy of the movements.

3. Report of the accounts.

Article 5. The general meeting shall be held regularly twice (spring and autumn) a year, provided that, if it is regarded by the committee as necessity to hold it, it may be held temporarily.

Article 11. The squad shall be established at every district, and conference shall be held as occasion demands. The responsible man shall be assigned in the squad.

Article 14. The expenses of this society shall be covered by the fees borne by the members.

Article 16. The fee of this society shall be twenty yen a month and it shall be paid to the accountant through the Chief of squad.

Article 17. The admission and secession to this society shall be free.

(IV) Purport of Tekisei Kazei Domei
Let us join Tekisei Kazei Domei

(Purport)

Unfair taxation which will bring about the failure of the people's living.

There has arrived the notice of the regenerated decision coming down from above arranged

regardless of the Actual circumstances, In spite of having put the living cost of every one of the people in a crate of 3,700 yen, we wonder why the Government has imposed such a heavy burden of random taxation, On account of the bad tax in the style as "The more the people and the gingelly-oil are squeezed, the more they will provide us with what they have" on the middle and small tradesman and artisans, who have begun to give up their business, and the peasants have begun to abandon even their land, and the lives of all people are on the way to failure. Unifying the national tax and the local tax, the direct tax and the indirect tax, more than 70 percent of our monthly income are taken away by the Government. This is the slavery more than five princes and five people of old times, Besides, the taxes in such different forms as the contribution towards the funds of the New system of education as weal as the expenses of the police can we allow those arrangements to be made as they are made now ? Is there the possibility of the reconstruction of Japan if the lives of the people have been failed ?

Whom is the tax squeezed for ?

By whom and in what manner is the tax paid without drinking and eating used ? Look at the chaotic of the reconstruction financial bank ? 860,000,000,000 yen squeezed from us has been given to the capitalists for nothing. Look at the Showa Denko Scandal. 2,800,000,000 yen corresponding to the tax which is yearly paid in Shikoku (including kagawa, Ehime, Tokushima and Kochi prefectures) has been financed as if to be thrown into a drain, and the big people of the political and financial circles as well as the Government has fastened their teeth on this financed money as if the naggots breeding in the corpse, and they are living prosperous lives giving a contemptuous glance at the people who are weeping for the heavy tax. This is nothing but what means as the following. The Capitalist Government is squeezing the tax by threatening the people with their authority, saying, "The payment of tax shall be made by the people as their duty, Pay it as soon as possible. If not, the attachment on your property for arrears of the tax shall be made," And like KURISU and NISHIO they live their dissipated lives having provided their mistresses

with their houses. The corruption and degeneration of the ruling class has reached to the limit. The money squeezed from the people goes into the bosom of the capitalists. This is the inevitable conclusion of the capitalist finance.

Fair tax is requested by the people. We firmly oppose such finance of capitalists first, and disagree in a wholesale way to the decision renewed this time for , (a) it is based on the financial policy of the small number of the great capitalists first, (b) it is the taxation system with the heavy burden of taxation to the masses as its centre, (c) it is the extreme exaction of taxes relating to the blackmarket and inflation, (d) Necessity of Union for the accomplishment of request.

In order to have the immediate operation of fair taxation by our movement against unfair taxation it is impossible for us as individuals to negotiate with the authorities one by one. Great power is produced to be able to make negotiations boldly with the authorities of Tax Affairs by those who are suffering from unfair taxation only when they have all united themselves

as a single organization. It is now the opportunity for them to show their united power to protect their own livelihood. Without groaning under such unfair taxation, within the respective unions, you tradesmen and artisans will join the league and consult with us about the matter.

Join Tekisei Kazei Domei

"Tekisei Kazei Domei" which we have hereby proposed is an organization of the strife with the collection of our united power to protect our livelihood by our own power against the foregoing unfair taxation and to protect democracy. Calling together the organizations and individuals agreeing to this purport extending over the Eastern six Wards (Adachi, Arakawa, Katsushika, Sumida, Edogawa and Koto Wards), this organization had begun the activities under the following slogans.

Opposing to the taxation coming from above, and operating fair taxation.

Assessment of taxes should be arranged by the people.

Opposing to the mass taxation, and removing Labour Income Tax and Transaction Tax.

You labourers, peasants, and citizens of the middle and small tradesmen and artisans groaning and bad taxes ! We hope you agree to the foregoing purport and join us communicating to the

following offices.

October , 1948.

Headquarters of Preliminary Committee of Tekisei Kazei Domei, Ko-no Kan Building, Kameariche, Katsushika Ward.

Arakawa Branch Office of Tekisei Kazei Domei, No. 9. Minami Senju-machi, Arakawa Ward.

Supporters and organizations Minshu shugi Yogo Domei.

Arakawa Kinrosha Seikatsu Yogo Kyokai (Association of the Protection of Livelihood of the Labourers in Arakawa Ward)

Katsushika Suisaisha Domei (League of Flood Sufferes in Katsushika Ward)

Katsushika Minshu Shoko Kai.

Arakawa Minshu Fujin Tomo no Kai (Association of Democratic Women's Friends in Arakawa Ward)

Koiwa Fujin Tomo no Kai (Association of Women's Friends in Koiwa District)

Japan Communist Party.

(In the course of negotiations with all Labour Unions)

Individual.

Kyuichi TOKUDA

Sanzo NOZAKA

Tatsuji FUSE

Eiichi IWATA

Katsumi KIKUNAMI

Shotaro MURAMATSU

Kiichiro IWATA

Katsuji NAKATANI

Shoichi OHKAWA

Munekiyo KOJIMA

Ryukichi TAKATSUKA

Ju SENNO

****

Form of Application for Admission

Agreeing to the purport of the organization,
I hereby apply for admission.

Name in Full :

Address :

Telephone :

Occupation:

Official Title of the
Organization belonged to. :

Name of Organization:

To preliminary Committee of Tekisei Kazei Domei.

****

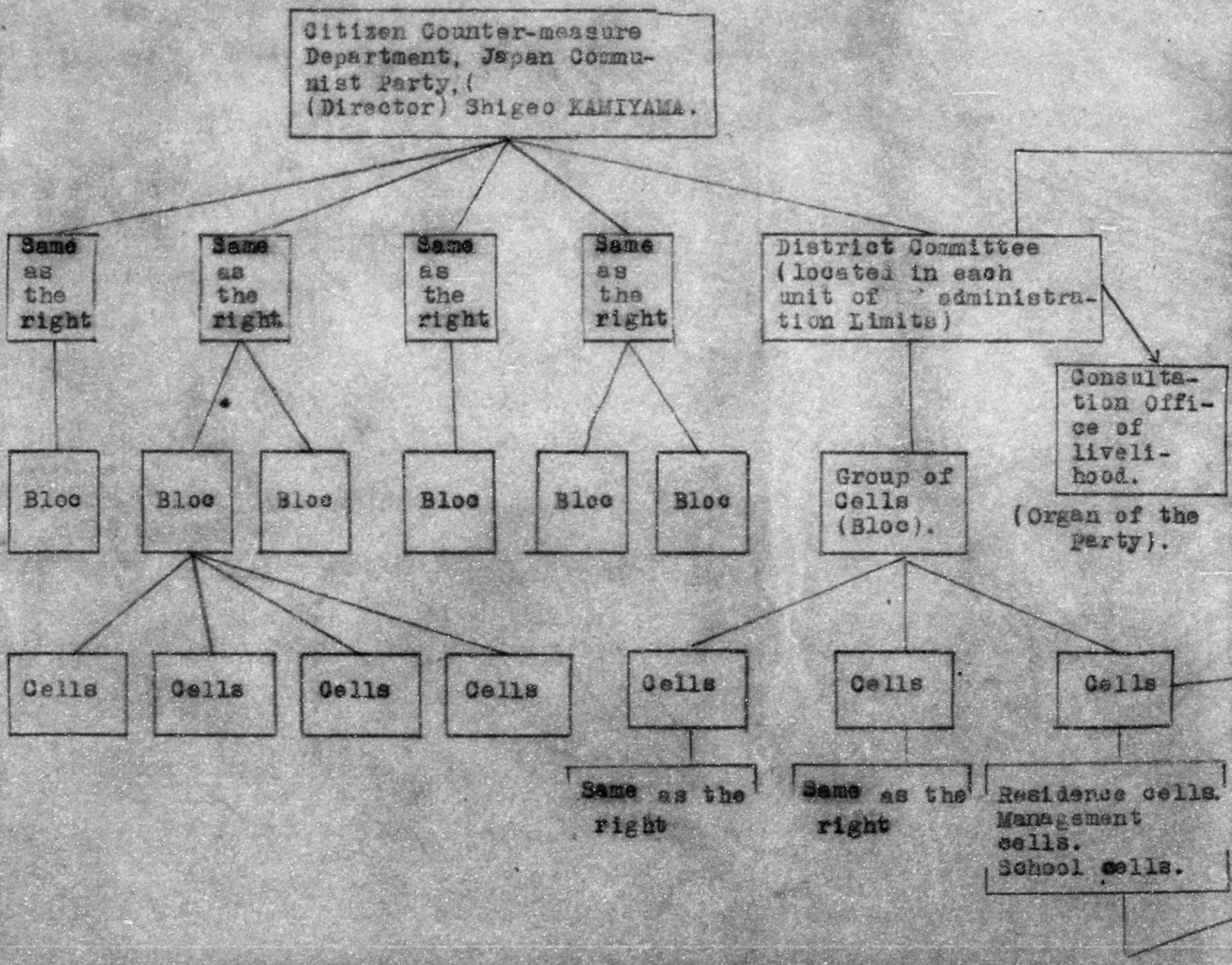
M. Yoshikawa

Director of Special Examining Bureau,
Attorney-General's Office.

Investigator : Junkichi SHIRATORI

ANNEXED PAPER.

LIST OF SYSTEN OF ORGANIZATION.



(Fractionated Organizations)

(One Bloc is composed of approximately Three cells).

Seiatsu Yoku Domei.

Tekisei Kazei Domei.

(Headquarters) of Minshu Shoko Kai. (Representative: Committee)

There are some ezisted but many suck in Minshu Shoko Kai.

Middle and small tradesmen and artisans.

Minshu Shoko Kai (Branch Office or Squad).

(Responsible person: Responsible person of celle.)

Middle and small Tradesmen and artisans.

orders

FL/KPB/SEK/tu

Request for SCAP Directives Pertaining
to Taxing UN Citizens in Japan

C-2 GS 18 Feb 49

1 Forwarded as a matter pertaining to your section.

For the Assistant Chief of Staff, G-2:

1 Incl
Ltr, Soviet trans No 1131
17 Feb 49

K. P. R.
Maj Napier, 28-6962
Date: 19 Feb 49

From: Govt Sec To: G-2

2 Recommend that action be referred to ESS.

G. W.

GS FILES

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C R O S S R E F E R E N C E

FILE UNDER: ~~TAXES~~ TAXES (FINANCE)

DATE: 19 February, 1949

FROM: G.S. TO: G - 2

SUBJECT: REQUEST FOR SCAP DIRECTIVES PERTAINING TO TAXING U.N. CITIZENS IN JAPAN

DOCUMENT FILED UNDER:
2 weeks file

CLASSIFICATION

CABINET #

SHELF # near shelf # 61

20

Tokes

Meiji - 420
Mr. Appleton

Tax Evasion

Legal Section

ESS
Attn: Mr. Moss, Chief,
Internal Revenue Div.
Thru: GS

9 February 49

1 1. Reference is made to a conference held on 31 January 1949 in Legal Section, concerning implementation of the Nine Point Economic Stabilization Program for Japan, at which Mr. Moss, Chief of Internal Revenue Division, ESS, suggested that Legal Section forward a checksheet to ESS outlining problems arising in connection with the requirement of a vigorous and speedy prosecution of tax evasion cases, so that the matter could be taken up with the Dodge Mission.

2. These problems may be summarized briefly as follows:

a. The practice of evading individual and corporate income taxes in Japan is so wide-spread as to be virtually universal. Tax evasion has become accepted at a time when many business men have been forced into the black-market in order to obtain or sell materials. Because of chaotic and inflationary economic conditions there is a common feeling that people could not stay in business if they honestly paid their taxes. Taxation officials have been notoriously corrupt and have connived with tax evaders. A complete reorganization of the tax services within the Ministry of Finance, as well as a thorough study and revision of all tax laws is long overdue.

b. Tax evasion cases were not formerly prosecuted in Japan, but were customarily settled by informal agreement between the tax-payer and the tax officials. If any formal action was taken, it was by means of specific administrative proceedings. Procurators know little about taxation law and find it difficult to assume new burdens since they are already swamped with a rapidly growing backlog of untried and uninvestigated cases of other types. The number of criminal cases awaiting investigation by procurators in Japan has risen from 5,380 on 1 January 1938 to 39,018 on 1 January 1947, 87,125 on 1 January 1948, and 173,338 on 1 October 1948.

c. The continuing increase in the Japanese crime rate, caused by the deterioration of postwar social and economic conditions, has led to a tremendous over-crowding of the jails; a release of many dangerous criminals on bail with inadequate safeguards; and a virtual neglect of misdemeanors and minor offenses

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by police and procurators who are under constant pressure for the investigation of serious crimes such as murder, rape, official corruption, offenses against the Occupation, gangsterism, election frauds, black-market cases, and felonies in general.

d. The procurators' organization has always been an exceedingly small one. At the beginning of the Occupation it had a professional staff of barely five hundred persons, which is but a fraction of the number of prosecuting attorneys in America. As of 1 October 1948, 861 procurators were authorized by law, but only 674 were actually employed. Despite the establishment of a new category of assistant procurator (with low qualifications) there has been a failure of applicants. Few people with legal background wish to enter an organization which has been eclipsed by the new independence and dignity of the judiciary and which offers only the prospect of hard work at low salaries.

e. Since there are only about six thousand lawyers in all Japan, equivalent to the number in a large American City, lack of competition has made the practice of law extremely profitable in recent years. Successful lawyers have many times the income of judges or procurators. Not only is recruiting for the procuratorial and judicial services virtually at a standstill, but since 1946 large numbers of judges and procurators have resigned and turned to private practice. In spite of recent salary increases forced by Occupation pressure, the procurators' offices have been even less able than courts to expand in response to new demands. (About one-seventh of the judicial positions are unfilled at present, compared with about one-third of the procuratorial positions).

f. Morale within the procurators' organization and the judiciary has seriously deteriorated. Extremely bad working conditions still exist, notwithstanding the recent salary raises. There is an acute shortage of official residences, a lack of communications equipment, and inadequate office and courthouse facilities, all of which are the result of many years of starvation budgets under Japanese Governments interested only in the political aspect of law enforcement and the administration of Justice. Judges and procurators have to travel daily for hours to and from the office and no adequate provision has been made for transportation. The same is true of criminal investigation facilities, equipment and supplies of all kinds. Nor has the lot of key subordinate personnel, such as court reporters, clerks and procuratorial assistants been improved. Present salary levels are insufficient to recruit qualified personnel to fill even the authorized positions.

g. New demands upon the law enforcement machinery and upon all judicial personnel have been constantly growing during the Occupation. Besides the increase in the regular crime rate and the new economic offenses, there has been a completely new category of actions in the regular courts contesting the constitutionality or legality of administrative acts and an increase in conventional civil actions accompanying the revival of business and the application of new substantive laws. As a consequence of the sweeping reforms induced by the Occupation, an extraordinary amount of new legislation has to be enforced and interpreted in the courts. New institutions such as the Inquests of Prosecution and the Family Courts have been established and have just started to operate. Time-consuming procedures are required by the enforcement of the radically revised Codes of Criminal and Civil Procedure, effective since 1 January 1949. It appears likely therefore, that a continuing drop in the rate of case disposition is inevitable.

h. In an attempt to avoid the usual delay resulting from the existing congestion in judicial procedures, the Occupation has already directed special priorities and treatment for certain types of cases involving violations of SCAP directives connected with important Occupation policies. With the new emphasis on expediting prosecution of tax evasion cases, these directives might well be reconsidered or amended.

i. Economic crimes already constitute fifty percent of the work load of Procurators offices. The entire category of tax evasion cases cannot, without disastrous results, be given arbitrary preference over the investigation and trial of other crimes prejudicial to primary objectives of the Occupation, including serious felonies which directly affect the maintenance of public order. In the light of the present critical situation with respect to law enforcement, the tremendous new burdens involved in immediate investigation and trial of all tax evasion cases as a category might well result in a breakdown in the administration of justice.

j. The present practice is that the procurators generally investigate only those cases of tax evasion which are referred to them by the tax offices. These are supposedly the most serious cases. However, the border line between cases which are disposed of by the tax officials through informal agreement or administrative action and those which are referred to the procurators for investigation and possible prosecution is not clearly defined. The manner of evaluating various factors to be considered in determining whether to refer an individual tax evasion case to the procurators is not yet precisely settled.

k. Under the existing circumstances the best that can

be expected in the coming year is that a limited number of specially selected test cases of serious tax evasion which are referred to the procurators by the tax offices, be speedily investigated and prosecuted. If these test cases are limited to a few in each prefecture they could well be given special priority in investigation and trial, and, if they are widely publicized, the sentences should have a significant effect in deterring future tax evasion. At the same time, if more tax evasion cases are to be investigated and prosecuted in the future, new facilities and training must be provided for present procurators who are to handle tax evasion cases, new personnel must be recruited from the Finance Ministry and other sources who are familiar with tax problems and have the proper legal background to be trained as procurators. Of course, such training and recruitment efforts will have a long-range rather than an immediate effect, but if they are to be begun at once increased budgetary appropriations for 1949 will be essential.

1. To encourage efficient tax collection and vigorous and speedy prosecution of tax evasion cases, Military Government Tax Surveillance Teams have been recently established. Surveillance means observing and reporting Japanese Government action rather than direct interference or actual participation by Military Government officers in law enforcement or the administration of justice. Operational directives or instructions to Military Government Teams should clearly prevent direct Military Government orders to procurators or judges with respect to priorities or special treatment of the investigation, prosecution, or trial of specific tax evasion cases, or any other direct Military Government interference or actual participation in pending cases. General advice and suggestions to local Japanese authorities in implementation of SCAP tax policies are quite proper. Answers to inquiries regarding progress of pending tax evasion cases or other remarks concerning local tax evasion should be reported through channels to SCAP (addressed to ESS, Internal Revenue Division, which will inform Legal Section). Specific recommendations should be included whenever possible to correct deficiencies noted on the part of local Japanese authorities. Necessary remedial action will be secured by SCAP through appropriate Japanese Government channels.

4. Recommendations: The Occupation should continue to stress the importance of eliminating tax evasion in Japan, by all available means, including publicity and education. Immediate emphasis should be placed upon speedy prosecution of a few carefully selected and widely-publicized test cases in each prefecture during 1949. At the same time the work of building up an efficient and properly trained and equipped procurators' organization for tax evasion prosecutions should be pushed forward as rapidly as possible. Occupational influence should be

strongly exerted to obtain essential budget appropriations for these purposes as well as to relieve the critical situation with respect to the administration of justice in general. Constant efforts should also be made to eliminate corruption and improve efficiency within the taxation offices, which have the primary responsibility for tax administration and enforcement. Reorganization of the tax services within the Ministry of Finance, and revision of the tax laws, particularly their penal provisions, should be studied at once, and accomplished as soon as practicable. The borderline between tax evasion cases to be settled by tax officials and those to be referred to the procurators for investigation and prosecution should be clearly defined by regulation. Directives to the Japanese Government and to Military Government Teams concerning the tax evasion program should be clarified to ensure more effective implementation and surveillance.

- A.C.C. - - - - - - - - - - - - -

Mark + quote as noted + no comment. Shall we "quoted" + forward?

Mrs Traidy

ss Matsukata

CONFIDENTIAL

CIVIL CENSORSHIP DETACHMENT
CIS—MIS—GHQ—SCAP

INTERCEPT:

Government Sec

From: SAPPORO CHIHO KENSATSUCHO
(Sapporo District Procurators Office)
Hokkaido, (Japan)

To: KENJI SOCHO
(Attorney-General)
Chiyoda-ku, Tokyo-to,
(Japan)

LIST:

LIST:

Type: Letter

Dated: 12 Jan 49

Language: Japanese

Disposition: Passed

Relevant Records:

Examiner: POD-1 J-14080 TOS

Prep. Date: 24 Jan 49

Eval-Alloc: 223-28-1

DISTRIBUTION:

G-2 7 INF DIV
6TH CIC DIST

CIS/SPI/GA
CS

TEXT

CIVIL AFFAIRS: HOKKAIDO TAX SCANDAL SUSPECTS TO BE INDICTED

Writer, chief of the addressor, states:

"Concerning the scandal of the staff members of the Tomakomai Taxation Office, we have carried out the investigation and decided to indict the suspects. The names of the suspects are listed below.

The following accepted bribes:

ABE	Kazuo	(阿部一夫)	official of Tomakomai Taxation Office
SUGIMOTO	Ichiro	(杉本一郎)	same as above

The following offered bribes:

NANJO	Tamihichi	(南條民七)	dealer in miscellaneous goods
YOKOYAMA	Tsuneo	(横山経雄)	lumber contractor
NOZAKI	Bunsei	(野崎文生)	clerk of Monbetsumura Agricultural Association
NAKAJIMA	Masao	(中島正雄)	department chief of Oji Paper Manufacturing K.K.
OOKA	Tokuzo	(大岡篤三)	" " "
NAKAI	Takeo	(中井武雄)	" " "
MURATA	Isao	(村田勲)	" " " ,"

Inclosures: 3
1 report concerning the HEIKI SHORI IINKAI (Weapons Management Committee)
2 reports concerning the election of the Education Committee

NOTICE: Distribution of the information contained in this document obtained from private communication will be confined solely to those military and or civilian officials who are authorized to receive such information.

FILE UNDER:

TAXES

INDEX SHEET

DATE:

20 DEC 1948

FROM: LS

TO: 65

SUBJECT:

Partial Amendment To The Transaction Tax Law.

DOCUMENT FILED UNDER:

~~[illegible]~~

LAWS

CLASSIFIED FILE:

17

FILE UNDER: TAX,

INDEX SHEET

DATE: 4 DEC 48

FROM: ESS TO: G S

SUBJECT: DRAFT LEG. - CONCERNING - SCAP'S policy
BALANCED BUDGET - TAX LAW

DOCUMENT FILED UNDER: CLASSIFIED FILE:

~~2 WEEK FILE~~
DRAFT LEG.

16

1 - Radio Tax

2 - Prostitution, Amusement tax on

3 - Income Tax, Bill for Partial Amendment to Law

4 - Taxation of Imperial Household, Ordinance Pertaining to

5 - Exception Taxes, Exemption of U N Nationals from

6 - Extraordinary tax Bill

7 - Appeicability of Ordinary taxes Non-Japanese Nationals

8 - Tax Dilinquency

9 - Tax Legislation Affecting Agriculture

10- Gross Receipts tax on Doctors, Dentists, ect.

11- Proposed Revision - tax Legislation

12- Bill for Exemption of Repatriates from Taxation

13- Bill for Amendment of Local tax Law

14- Cabinet Order Relative to Partial Amendments to Income tax

lax Enforcement Regulation and others

15- Zaidan Haijdn Regulations