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012 TAXATION AND TARIFF AND
EXEMPTION FROM

NO.	DATE	SUBJECT
1.	20 Jan 49	Status of Japanese Tax Collections for the Fiscal Year 1948-49
2.	15 Feb 49	Tax Collections
3.	16 Feb 49	Status of Japanese Tax Collection for the Fiscal Year
4.	1 Feb 49	Informal Summary of Tax Data for Use by MG Tax Surveillance Officers

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Folder 2

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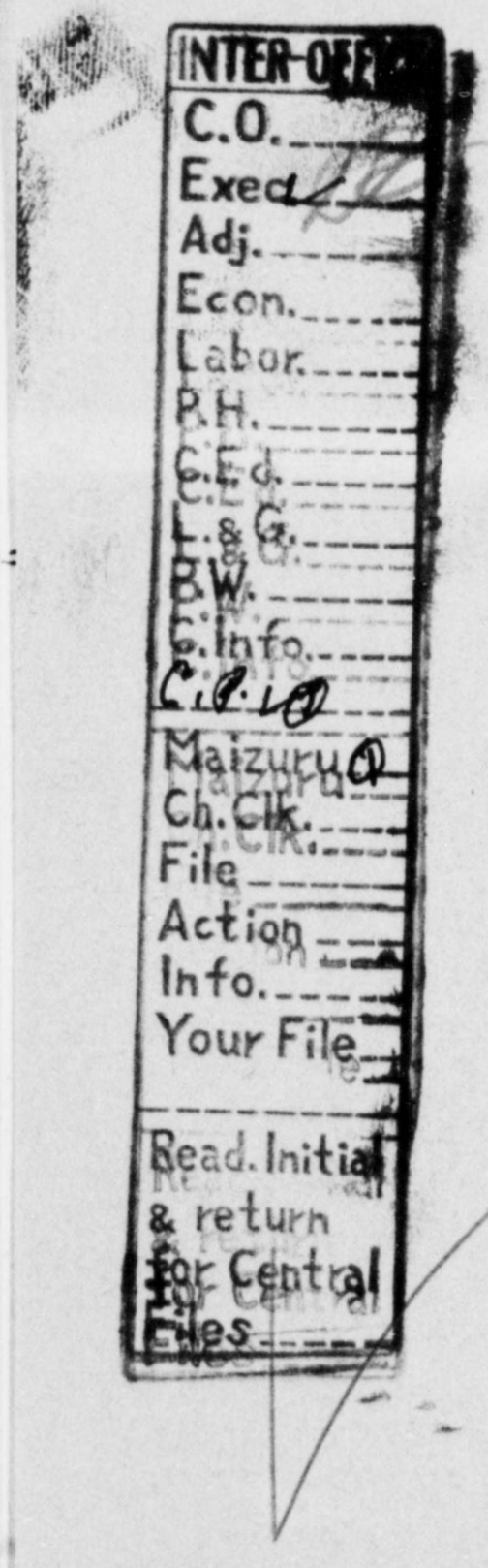

INFORMAL SUMMARY

OF

TAX DATA FOR USE BY

MILITARY GOVERNMENT TAX SURVEILIANCE OFFICERS

1 FEBRUARY 1949

DISTRIBUTION

10..... Mil Gov't Section, I Corps
2..... AG Records, I Corps
20..... Chugoku MG Region
25..... Kinki MG Region
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25..... Tokai-Hokuriku MG Region

1749

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INFORMAL SUMMARY OF TAX DATA
FOR USE OF NAVAL TAX SURVEILLANCE OFFICES

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PART I

SUMMARY OF JAPANESE TAX LAWS

The following summarization does not cover all Japanese tax laws but only those which are most important from a revenue viewpoint. The estimated revenue therefrom represents approximately 90% of the ¥ 316 billion budgeted for the fiscal year 1948-1949.

The penalty provisions of each law are included in the summaries. The existing penalty provisions, while inadequate in some respects, would have a most salutary and immediate effect on tax administration, particularly income and corporation tax, if they were properly applied. Thus far officials and procurators have been reluctant to enforce them.

Officials should realize it is their duty to enforce the law, and that it is not their function to decide what part of such law is to be enforced and what part is to be ignored. It is a common complaint of tax officials that taxpayers keep more than one set of records; that records submitted are false; that false statements are made to them; that certain taxpayers refuse to answer questions; that certain individuals or representatives of certain organizations interfere or prevent examination of records. The laws clearly show that criminal penalties are provided for each of these offenses. If taxpayers who commit such offenses were prosecuted and convictions obtained in each of the prefectures throughout Japan and publicity given in the press, it is believed the present widespread violations would be greatly reduced.

PERSONAL INCOME TAX
(As of December 1948)

DESCRIPTION: The income tax is based upon a fundamental principle of taxation that taxes should be levied in proportion to ability to pay. To follow this principle closely during the period of inflation, this tax was thoroughly revised in July 1948. The importance of the tax is indicated by the fact that 58% of current tax revenue is expected from this source.

EFFECTIVE: The rates below apply to the calender year 1948. Differing schedules of deductions and credits for dependents are prescribed for calendar years 1948 and 1949.

RATES: (1) Taxable income in yen per annum.
(2) Tax rate on each successive bracket.

(1)	(2)	(1)	(2)
0- 20,000	20%	250,001- 300,000	55%
20,001- 40,000	25%	300,001- 500,000	60%
40,001- 70,000	30%	500,001- 700,000	65%
70,001-100,000	35%	700,001-1,000,000	70%
100,001-150,000	40%	1,000,001-2,000,000	75%
150,001-200,000	45%	2,000,001-5,000,000	80%
200,001-250,000	50%	over 5,000,000	85%

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(a) The maximum effective tax is limited to 80% of taxable income.
(b) Use of tax table for gross adjusted incomes up to ¥ 220,000 is optional.
(c) Deductions vary with total income and number of dependents.

ASSESSMENT AND COLLECTION DATE:

(1) Taxes on salaries, wages, dividends, interest and retirement annuities are withheld at source, and a year end adjustment is made on the 12th month.

(2) Self-assessed income taxpayers are required to estimate and pay taxes quarterly on provisional returns due by the last day of April, July, October and January. The January return following the taxable year serves as the final return. *Farmers file only the final return. (In 1948, however, no return was required in April). *Those engaged in farming only and having no other source of income.

PENALTIES:

(1) For failure to declare total tax liability on any quarterly return, interest at 36.5% annually shall be charged against the undeclared and unpaid balance.

(2) If, following ordinary requests, taxpayer finally ignores a demand for payment, the interest stated above shall be increased to 73% annually.

(3) If evasion is attempted, in addition to the interest charges, an additional charge of 25% can be levied on the undeclared and unpaid balance of the final return. Tax office chief follows four points prescribed by law in determining whether evasion was attempted.

(4) For tax evasion or fraud, imprisonment not exceeding 3 years, or a fine equal to 5 times the attempted evasion, or both. (Handled by procurator, usually on request of tax office).

(5) For tax misdemeanors, imprisonment not exceeding one year, or a fine not exceeding ¥ 200,000. (Handled by procurators with or without request of tax office).

NOTES:

(1) Taxpayers are safeguarded by provisions for hearings, reviews and appeals.

(2) Tax offices may make reassessments following investigations.

LIQUOR, BEER, AND SAKE TAXES
(As of December 1948)

DESCRIPTION: These taxes apply to all drinks having more than one degree of alcoholic content. The various liquors are classified as sake, imitation sake, unrefined sake, white sake, mirin, shochu, beer, fruit wine and a miscellaneous group which includes whiskey. Both manufacturers and sellers must be licensed.

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EFFECTIVE: The rates referred to below became effective in 1948. Similar laws have been in effect for many years.

RATES: In general, the tax rates vary in proportion to alcoholic content and quality.

(1) The basic tax rates apply only to liquor sold under rationing laws for private use.

(2) Additional taxes are added on non-rationed, "free sale" liquors, which sell at higher prices than rationed liquors. The lowest tax is on beer and the highest is on 1st class sake (except some whiskies falling under the miscellaneous class).

	Basic Tax in Yen		Additional Tax	
	per KOKU	per BOTTLE	per KOKU	per BOTTLE
Beer	14,700	51.6	22,000	77.22
1st class sake	33,000	330.0	44,000	440.

ASSESSMENT AND COLLECTION DATE:

(1) Basic date is collected directly from manufacturer.

(2) Additional tax is collected from the Liquor Distribution Corporation.

In both cases reports showing taxes payable by classes must be filed by 10th of following month and taxes must be paid by end of that month.

MAJOR PENALTIES:

(1) A person manufacturing liquor without a license may be fined not more than ¥ 100,000, or imprisoned for not more than 5 years, or both. In cases where 10 times the amount of liquor tax on the liquor manufactured exceeds ¥ 100,000 the amount of the fine may not be more than 10 times the liquor tax on the liquor manufactured.

(2) For tax evasion by fraud, a fine ranging from 5 to 10 times the taxes payable, or imprisonment not exceeding 5 years, or both.

(3) For violation of regulations issued under Article 52 governing manufacture, distribution and sale, a fine not exceeding ¥ 100,000, or imprisonment not exceeding 3 years, or both.

(4) For manufacturing certain specified liquors without a special license or for failing to report or making a false report, a fine not exceeding ¥ 100,000.

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NOTES:

(1) Enforcement officers are authorized to investigate manufacturing and other establishments.
(2) In exceptional cases, rules governing payment of taxes can be modified.
(3) Laws on shipments from "bonded areas" and sale of liquor by bars, restaurants, etc., are suspended by other laws now in effect.

TRANSACTION TAX
(As of December 1948)

DESCRIPTION: This is a new tax which became effective September 1, 1948. It meets a definite need in the tax system because its coverage is broad in terms of population, the rate is low and the resulting revenues should be large and fairly stable from year to year.

The tax applied to each transaction on the manufacturing, wholeasling and retail levels and not merely to the final sale at retail. It applies to individual ownerships, partherships and corporations alike, and is payable by the vendor.

Other transactions apart from sales are taxable subject to complex definitions and exemptions. Such transactions include receipts of interest, insurance premiums, subscription fees, commissions and brokerage in effecting sales, etc.

RATE: 1% of yen basis of transaction.

ASSESSMENT DATE: In general, assessment occurs when sale is made.

COLLECTION DATE:

(1) For transactions of ¥ 50 or more, tax is prepaid by purchase of stamps to be cancelled at time of sale. Returns to be filed by vendors quarterly by 10th of June, September, December and March.
(2) For transactions under ¥ 50, tax is payable in cash when quarterly return made on dates stated above.
(3) For banking, insurance, utility, railway, amusement and a few other types of business, tax is payable in cash by 10th of following month. Monthly return to be filed with the payment.

PENALTIES:

(1) For tax evasion a fine of from 20 to 40 times attempted evasion, or imprisonment not exceeding 5 years, or both.

(2) For failure to declare tax, false reports, misuse of revenue stamps, or resistance to tax officials, a fine not exceeding ¥ 50,000 under Article 44 (or ¥ 100,000 under Article 43).

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(3) Informer who intentionally gives false information, subject to fine not exceeding ¥ 100,000 or imprisonment not exceeding 3 years.

(4) Tax official who reveals secret information subject to fine not exceeding ¥ 20,000 or imprisonment not exceeding 2 years.

OTHER NOTES: Taxpayers safeguarded by provisions for hearings, reviews and appeals. Tax offices may make reassessments on basis of investigations.

COMMODITY TAX
(As of December 1948)

DESCRIPTION: The tax is based upon two fundamental ideas, (1) that tax on so called luxury items represent a good source of revenue, and (2) that in periods of inflation the application of a tax to most commodities increases the price thereby absorbing excess purchasing power and helping to reduce competition for short supplies of goods. Under the 1948 revision of this law, approximately 20 groups of commodities were shifted from higher to lower tax brackets because it was believed that supplies of goods were increasing and that the use of the law to absorb excess purchasing power could be relaxed.

EFFECTIVE: The provisions described below became effective in 1948.

RATES:

(1) Approximately 95 groups of commodities are distributed among 5 tax brackets ranging from 100% on luxury items such as cameras and jewelry to 20% on such essential items as shoes and clothing.

COLLECTION DATE: Sales and taxes due are to be reported monthly by the 10th of the following month, and tax is to be paid by the end of that month.

PENALTIES:

(1) For failure to file return, fine not exceeding ¥ 100,000; or depending upon circumstances, fine ranging from 5 to 10 times amount evaded, or imprisonment not exceeding 5 years, or both.

(2) For attempted evasion by fraud, fine equal to five times attempted evasion; or depending upon circumstances, a fine of 5 to 10 times attempted evasion, or imprisonment not exceeding 5 years, or both.

(3) For making false return, keeping false books, failing to answer questions or answering questions falsely, a fine dependent upon the offense up to ¥ 100,000 in some instances.

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CORPORATION TAX
(As of December 1948)

DESCRIPTION: This tax is essentially an income tax applied to corporations. In its absence the corporate form would have a considerable tax advantage over businesses owned by individuals or by partners. The tax attempts to remove or minimize this advantage without penalizing corporations.

EFFECTIVE DATE: The rates below became effective for calendar year 1948, but such laws have existed for many years.

RATES:

(1) On normal net income:
35% on domestic corporations
35% on foreign corporations

(2) The amount subject to excess profits tax is determined by deducting from normal tax income 30% of the amount of invested capital; this amount is divided into the following brackets subject to rates shown:
10% on an amount not exceeding 20% of invested capital
15% on an amount not exceeding 50% of invested capital
20% on the balance of excess profits not covered by the foregoing brackets.

Example: A corporation showing annual profit of ¥ 2,000,000 and showing invested capital of ¥ 1,000,000 would be taxed:

¥ 700,000	-	normal tax (35% of 2,000,000)
20,000	-	1st bracket excess profits (10% of 200,000)
75,000	-	2nd bracket (15% of 500,000)
200,000	-	3rd bracket (20% of 1,000,000)
¥ 995,000	-	Total tax

Note: A tax also applies on the dissolution of a corporation, but is not described here.

COLLECTION DATE:

(1) Each corporation must report its operations each six months and pay the tax at the same time.

(2) The report is due within two months following the six months period.

(3) If the corporation's accounting period is longer than six months, the first report and payment will be considered tentative and subject to adjustment on the final report due within two months after the close of the accounting period.

(4) However, even in the case of a corporation having a six months accounting period, the report and payment is considered tentative until it has been approved at official stockholders' meeting. (This probably affects relatively few cases).

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(5) Special rules apply in cases of consolidation, liquidation, etc.

Note: Self-assessment tax returns have been required from corporations since April 1947. Prior to that time, tax officials made assessments directly by using the reports of business operations which were required then as now.

MAJOR PENALTIES:

(1) In case of late payments due to self-assessment, revision of return by taxpayer, or reassessment, interest is charged on the increased tax at the daily rate of ten sen per ¥ 100 (26.5% annual rate). Interest is figured on the number of days elapsed beyond the legal date of payment.

(2) (a) 25% of total tax is added if self-assessment is made after the legal date of payment.

(b) 25% of the increased tax is added if taxpayer revises his return after the legal date of payment, or if reassessment is made. (Tax officials follow four points of law in applying these penalties).

(3) For tax evasion, responsible officials of corporation are punishable by imprisonment not exceeding three years, or by fine not exceeding 5 times the tax evaded, or both.

(4) For refusing to answer or giving false answers to tax officials, imprisonment not exceeding one year or a fine not exceeding ¥ 200,000.

ORGANIZATION OF THE NATIONAL TAX ADMINISTRATION SYSTEM OF THE JAPANESE GOVERNMENT

PART II (17 January 1949)

MINISTRY OF FINANCE

The Ministry of Finance is one of the twelve ministries of the Japanese Government and is comparable to the Treasury Department in the United States.

The office of the Minister of Finance, comparable to the Secretary of the Treasury in the United States, is located in Tokyo. It has duties and responsibility to, "Oversee all financial affairs of the State including the business concerning the balance account, cash account, taxes, national loans, currency, deposit in the Treasury, safe deposits in the Treasury, banking and trust business, and the supervision of the financing of the local administrative organizations".

The office of the Ministry of Finance is divided into eight major bureaus and six external bureaus. The major bureaus are, the Ministers Secretariat, Financial Bureau, Taxation Bureau, Banking Bureau, Budget Bureau, National Property Bureau, Administrative Bureau, and the Allowance Bureau. The External Bureaus are; the Bureau of Mint, Bureau of Printing, The Monopoly Bureau, the Regional Financial Bureaus, the Custom House and the Securities and Exchange Commission.

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TAXATION BUREAU

The Taxation Bureau is the policy making bureau relative to taxation. The Taxation Bureau takes charge of matters concerning the control of taxes, under direct control of the Minister of Finance, including the control of imposition and collection of internal taxes, custom duties and tonnage dues conducted by the Regional Financial Bureau, the Local Tax offices and the Custom House respectively, as well as the control and supervision of taxation administration and customs duty administration.

REGIONAL FINANCIAL BUREAUS

The Regional Financial Bureaus are external Bureaus of the Ministry of Finance, and take charges of the supervision of the internal tax affairs administered by the taxation offices.

At the present time there are eleven Regional Financial Bureaus established according to regional history, geographical features and communication facilities.

Each Bureau is divided into divisions, such as the Direct Tax Division, Indirect Tax Division, General Affairs Division.

The Regional Financial Bureaus are responsible to the Minister of Finance for matters other than taxation. In other words, not only are the Regional Financial Bureaus responsible for matters relating to policies formulated by the Ministry of Finance Taxation Bureau but also for matters relating to policies of the Budget Bureau, National Property Bureau, Banking Bureau, etc.

LOCAL TAX OFFICES

At the present time there are 498 local tax offices in Japan. Each is under the supervision of its Regional Financial Bureau.

The affairs of the local tax office are under the supervision of the chief of the office. The office is usually divided into three sections; the Direct Tax Section which makes the audits and assessments of direct taxes, the Indirect Tax Section which makes the audit and assessments of indirect taxes; and the General Affairs Section which performs clerical and bookkeeping duties and also makes the collections of delinquencies.

The chief of a local tax office has rather broad discretionary powers, not only in the management of the office and personnel affairs, but also in the assessment and collection of the taxes.

ORGANIZATION AND FUNCTION OF THE INSPECTION DIVISION

It was pointed out above that the local tax offices were semi-autonomous and subject to very limited control or supervision by the Regional Financial Bureaus or the Taxation Bureau. This arrangement obviously does not promote consistency in operating methods or overall policies in tax administration. It also lends itself to improper practices on the part of tax office

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chiefs in the way of political favoritism and graft, as the local chief appears to have, with certain exceptions, the final word in the settlement of all tax controversies arising in his area.

As the initial step in a reorganization program designed to bring about centralized control of tax administration, the so-called Inspection Division was organized during recent months. There are at present approximately 300 inspectors assigned to this Division and attached to the various regional financial offices, additional inspectors will be assigned as soon as they can be recruited. This division is directed by a Chief in the Taxation Bureau. The personnel assigned to this Division are being selected from among the technically trained tax officials in the local and regional offices on the basis of demonstrated ability or special educational qualifications and from graduates of Government operated schools. Future appointments will be governed by quite rigid rules as to qualification. Theoretically, at least, all applicants who satisfy the educational and experience requirements will be screened to eliminate men of questionable integrity or bad character and those known to be associated with subversive organizations.

It is the duty of the personnel assigned to the Inspection Division to examine books and records of the larger and more important taxpayers, particularly those suspected of fraud or evasion, for the purpose of determining their correct tax liability, particularly income tax and corporation tax. It is anticipated that most of these cases selected for prosecution will be developed by the Inspection Division. Instructions issued by the Taxation Bureau, governing the procedure to be followed in handling cases examined by this division, provide that a taxpayer may protest the inspector's findings, and that such protests will be considered by the Inspection Division. While it appears that the regional chiefs or directors of the Inspection Division thus far have been able to handle such protests personally, in time, as the volume of work handled by this division increases, it will be necessary to establish in each regional office a small group of specially qualified and trained men to handle protests.

After a taxpayer's tax liability has been finally determined his case is transferred to the appropriate local tax office for collection of the tax found due. The local tax office chief cannot thereafter change the amount of the tax liability so determined. Thus, the first step has been taken toward curtailing the power of the local tax office chief to change a tax after it has been determined in an orderly manner.

Because the inspectors are specially qualified and, in most cases, educated in accountancy, the new division has been quite successful in bringing to light additional tax that should be collected. The trained accountant is able to determine the amount of income earned by a taxpayer, even though records may be inadequate or totally lacking. A detailed description of the methods employed would serve no useful purpose in this brief discussion. However, it might be well to add that this division has worked out a plan for the investigation of returns of large corporations which have branches in various parts of Japan and which heretofore have

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been given little orno consideration by local tax officials due to the difficulties involved.

PART III (17 January 1949)

ASSESSMENT AND COLLECTION OF TAX

The method employed in the assessment and collection of all classes of taxes, both direct and indirect, appears to be uniform.

The various returns are received from the taxpayers, through the mail or by personal delivery, bu the direct or indirect tax section of the local tax office. They are audited and accepted as filed, increased or decreased. The returns are then routed to the General Affairs Section where they are formally assessed by listing the liability shown on the return on a record known as the "collection record", This contains one collection record sheet for each taxpayer for each class of tax and for each period of liability. The sheets are maintained in alphabetical order in binders of approximately 100 accounts to a hinder.

Current taxes are payable to the Bank of Japan, national treasury agencies or post offices. Some local tax offices have branches of the Bank of Japan located in the tax office for the payment of current taxes. At the time a taxpayer makes payment of a current tax at a bank or post office he prepares a set of forms, often by carbon process, classified as "notice of payment", "notice of receipt" and "receipt". The three documents are authenticated by the receiving agency. The receipt is given to the taxpayer. The notice of receipt is forwarded to the local tax office for use as a posting voucher. The notice of payment is retained in the files of the receiving agency. The amounts shown on the notice of receipt, as having been paid, are hand posted to the collection record maintained by the general affairs section of the local tax offices. Accounts not paid on due dates are transferred to a delinquent collection record.

Delinquent:

The taxpayers whose names appear on the delinquent collection record are advised of their arrears by post card requesting immediate payment. In the event payment is not made within the time prescribed, a set of forms such as is used in case of payment at a bank or post office is prepared by the general affairs section. A representative of that section calls on the taxpayer personally and attempts to make collection. If collection is made the receipt is handed to the taxpayer. The notice of receipt and notice of payment are returned with the payment to the general affairs section.

With respect to both direct and indirect taxes, in the event no returns are filed, the chief of the local tax office shall prepare returns. He should also correct returns if incorrect returns were filed. The tax shown due on a delinquent or additional return shall be assessed and collected

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in the same manner as is applicable in the case of current tax with the exception that delinquent tax may be paid to the local tax office only. Interest applies to delinquent assessed taxes at the rate of 20 sen per ¥ 100 per day from date of demand notice to date of payment. These provisions are applicable to the new transactions taxes as well as other indirect taxes. At an early date the tax officials should contact all taxpayers to which the transactions tax is applicable. If it is found that insufficient tax has been reported, reassessments should be made and collections made in the ordinary manner.

Other Records:

There is one other basic accounting record maintained in a local tax office. This is the control record maintained in the general affairs section. This is the control of all accounts of the office, direct and indirect taxes of all categories, broken down into classes. All debits are posted daily. Likewise all credits consisting of payments, cancellations and taxes written off as uncollectable are posted daily. The collection records must be kept in agreement, with this control. The periodic reports to the Regional Finance Bureaus are made from data shown on this record.

Indexes and Files:

The tax returns when received in a local tax office are placed in alphabetical order. The filing is progressive. When a considerable number of returns are received they are placed in looseleaf binders, approximately 100 returns to a binder. These files are maintained as to taxable periods. The income tax returns are further broken down to cities and villages. The collection record sheets mentioned in the assessment and collection section of this report are likewise maintained in alphabetical order. Such a method of filing roturns and maintaining accounting records apparently is adequate for offices receiving a few thousand returns annually. However, it is reported that in the offices receiving from 10 to 20 thousand personal income tax returns per annum, much difficulty and loss of time is experienced. Probably a numerical system modified, such as is employed in the States would work to a considerable advantage in the larger offices.

Chacellation of Assessed Tax:

Accounts may be cancelled after assessment under these conditions: Amounts not in excess of ¥ 200,000 may be cancelled by the chief of the local tax office. Those in excess of ¥ 200,000 must be forwarded to the respective Regional Finance Bureau for approval. Accounts which can not be collected due to lack of assets may be written off by the chief of the local tax office. When once written off as being uncollectable, collection cannot be made at a later date.

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In order to better understand the actual workings of a local tax office it is believed desirable to follow procedure from the time of the filing of the first provisional return to the seizure and sale of property if proper payments are not made.

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The following portion of this report states the detailed procedure followed by a local tax office relative to the self-assessed income tax.

PROCEDURE RELATIVE TO SELF-ASSESSED INCOME TAX

I. Normal Procedure for Correctly Filed Returns

a. The local tax offices make tax forms and payment forms available to taxpayers. This is done by distribution in public places or through business associations, such as agricultural co-op associations, etc.

b. Taxpayers must file the provisional or final return with the local tax office, either directly or by mail, on or before the due date.

All subject taxpayers, except farmers, must file a provisional return on or before April 30th. If the estimation on this provisional return remains correct, no further provisional returns need be filed, however, quarterly payments are to be made on or before July 31st and October 31st.

Amended provisional returns may be filed for in July or October in which case the tax liability is adjusted accordingly.

A final return is due in January for the preceding calendar year. Credit is taken therein for all payments made on the provisional returns.

The tax liability should be paid on or before the due dates for returns. This is accomplished with the three section receipt form in the manner described in, "Assessment and Collection of Tax."

c. The self-assessed income tax return, provisional or final, goes to the direct tax section. An employee examines the computations and after deciding that no reassessment is to be made, the taxpayer's name, address and tax liability is listed on a control sheet. The control sheet, containing data from several returns with the accompanying returns, after being approved by the chief of the tax office, is transmitted to the general affairs section.

d. The general affairs section posts the tax liability as shown on the return and as approved to the collection record.

The collection records pertaining to income tax are arranged according to taxpayer's residence, such as city, village or town, and the taxpayers names are then listed in alphabetical order. At the same time, on the margin of each return, the number and arrangement of the collection record posting is noted.

e. The head of the general affairs section or a competent official of the section, checks the posting and the return, and marks the return "collection approved," and it is then returned to the direct tax section.

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f. As a further step in the bookkeeping procedures conducted by the general affairs section, it posts the daily balance for assessments into a control record which represents the year's assessments to date. In addition, the daily balance for assessments is classified nto sub control records showing each type of tax and the year's assessments to date.

g. In case of a revised provisional return or final return the same procedure is followed according to the increased or decreased tax liability.

h. When the local tax office receives the payment information from the post-office or bank, the general affairs section credits the payment to taxpayer's account in the collection record, and then posts the daily balance of collections into the control and sub-control records.

II. Procedure Relative to Reassessment:

The procedure as outlined in the foregoing section is followed with the following exceptions:

a. When the direct tax section determines that a return is incorrect, it corrects with a reassessment, and decides the amount of increased tax due, and also the amounts of penalty and interest.

Taxpayer is notified of the fact that additional tax is due. This is called a reassessment notice and taxpayer has an opportunity to come to tax office for protest.

The reassessment is usually determined by comparison with other similar business or with data obtained from associations. Usually the taxpayer is not aware of the method of determination by the tax office, but is only aware of the amount of reassessment. It is only after taxpayer has received the reassessment notice and protests the tax, that the computations are explained.

A conference is had with the chief of the tax office, or often with a lesser official.

b. The return as corrected, together with the control sheet as previously described, after being approved by the chief of the tax office, is then transmitted to the general affairs section where the posting procedure is followed as previously described reflecting the reassessed amount.

III. Procedure Applicable when no Return or Late Return is Filed:

a. In case a taxpayer fails to file, the direct tax section makes an assessment.

b. If taxpayer files his return after the due date, he must pay the tax, penalty and interest directly to the local tax office on filing.

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IV. Procedure Relative to Delinquencies:

a. If a taxpayer who filed a return received a reassessment notice or the tax payment information, does not pay the tax by the legal date or the appointed date for payment, the following procedure is taken:

The general affairs section issues a demand which informs taxpayer of the amount of delinquent tax due. This amount includes the charge of demand, or costs and the arrears. In addition, the demand advises taxpayer of the place of payment, which is usually the local tax office. It also carries a warning that seizure of property shall be made if the tax is not paid.

b. The amount of the demand including penalty, interest, and costs is entered by the general affairs section in a special book for delinquencies.

c. If the taxpayer, having been sent the demand, does not pay the tax by the appointed date, the general affairs section proceeds with the seizure of taxpayer's property.

V. Procedure Relative to Seizure of Property:

a. Notice in writing must be served on the taxpayer in person by a representative of the tax office. The notice must advise that the property will be seized for sale unless the delinquent tax is paid immediately.

b. If the tax is not paid within six days from the date of notice, the property may be seized.

Necessary formalities such as witnesses, etc., must be followed in seizure and sale of properties.

The property remains under seal on the premises where seized unless the chief of the local tax office deems that it should be removed to a warehouse.

c. Tools in trade and the minimum daily necessities such as necessary household goods and clothing and food required for three months are exempt from seizure.

d. Public notice is given of the sale through official notice in at least one newspaper and by posting on the bulletin board of the local tax office, This notice shows date and place of auction and property to be sold. The date of the auction shall be at least ten days after the notice.

e. If the minimum price as set by the local tax office is not bid for the seized property, it may be revalued and another sale held, or the government may take it over at the appraised price.

VI. Excess Payment of Mistaken Payment:

a. The amount paid by a taxpayer in excess of the amount specified on

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the return and approved by the local tax office is posted in a book for disposition of "Excess or Mistaken Payment", and is noted in the collection record.

b. These excess amounts may be applied as a payment on the tax liability of the following period. However, in the event there is no tax to be paid in the following period, or on the request of the taxpayer, the amount is paid back to the taxpayer at once.

c. In the event the local tax office issued the reassessment notice or the demand, the excess amount paid shall be credited with interest at a daily rate of 10 sen per ¥ 100.

PART IV

PROSECUTIONS IN TAX CASES

No income tax evader has ever gone to jail in Japan for his crime. Although there have been quite a few convictions and sentences, no one has as yet been put behind bars. Under the present apparent disregard by the mass of taxpayers of their responsibilities to report their income correctly, it is felt that the only way to bring them in line is by criminal prosecution and executed prison sentences. Inasruch as the Japanese have not had any notorious tax evaders such as Capone and Listing go to jail, they must be convinced of the urgent necessity of such procedures, and that is where the Military Government Tax Surveillance Teams' services may be of value.

In the course of making tax surveillances, inquiries should be made as to the progress of possible tax fraud investigations from the tax inspectors or other tax officials concerned with such cases. Also, for those cases which have gone to the procurator's office for prosecution, inquiry should be made of the progress there. Emphasis should also be placed on the co-operation of the tax office with the procurator's office and any lack thereof should be carefully noted. Even if such inquiries do nothing else than to impress the individuals concerned with the urgency and importance of successful tax prosecution cases, they will have served their purpose. The tax surveillance officers will, however, probably receive very valuable bits of information in regard to pending cases, which, if passed along in the report, will be very helpful. For example, it may be found that in a certain region, tax cases are not being favorably considered for criminal prosecution unless they involve five or more million yen in evaded tax. Information indicated that this condition actually exists in at least one of the regions.

This then, brings up the question as to when a tax case should be considered a possible criminal prosecution case. There are no set standards on which to base such action, and each case should be decided upon its own merits. Very recent information, however, indicates that the Inspection Division has sent out instructions on a point evaluation system to determine which tax cases should be referred to the procurator's office. On the basis of this system, it would appear that many a good prosecution case would not be pursued because it would not meet the required standards set up for prosecution. The advisability of revising or discontinuing such weight evaluations is now under consideration.

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It is advisable that you, as tax surveillance officers, understand, at least briefly, the procedure involved when a tax evasion case is recommended for prosecution. Inasmuch as a tax prosecution case centers around the work of the procurator assigned to tax cases, an understanding is necessary of the organization with which he is associated, the Attorney General's Office.

Chart "A", which is attached, has been set up to show only those parts of the Attorney General's and Public Procurator's Offices which are concerned with tax matters. Starting at the top of the chart, we see that the Attorney General himself is responsible only to the Diet. He has a prosecution assistant and a prosecution bureau which directly assist him on prosecution matters, particularly from an administrative viewpoint. The litigation assistant and the tax litigation bureau are concerned only with civil cases.

The Procurator General is shown as coming directly under the Attorney General. Although the Attorney General may give general instructions, affecting any of the public procurators offices, if he wants information on any particular case, he must go directly to the Procurator General. There is one Assistant Procurator General, and one tax procurator is assigned to the Procurator General's Office. This tax procurator would be concerned with prosecution cases on taxes that eventually reach the Supreme Court level.

Next is shown the High Public Procurator's Office, and there are nine (9) tax procurators, who are called "Superintending Procurator's, assigned on this regional level. One is assigned to each of the High Court Jurisdictions at Tokyo, Osaka, Nagoya, Hiroshima, Sendai, Sapporo and Takamatsu, and two are assigned at Fukuoka.

The dotted lines connecting the Procurator General's Office with the High Public Procurator's Office, and so on down, as well as the tax procurators at the various levels show the independence of action on matters which come under their particular jurisdiction and to indicate relative positions in matters of appeal.

There is at least one tax procurator, who is called "procurator", assigned to each prefecture district, with two or more assigned to the Tokyo, Osaka and Fukuoka Districts. As there are no tax procurators assigned on the local public procurators office level, all tax prosecution cases arising in the local areas are referred to the district tax procurators. The local public procurators are called "assistant procurators".

COURTS AND APPEAIS

The courts having jurisdiction in tax cases are the Supreme Court, High Court, District Court and Summary Court. The general composition of these courts and their appeal jurisdictions are shown in Chart "B" attached.

EVIDENCE

The admissibility of evidence for the prosecution of tax cases as it is understood in the States has not and does not exist in Japan. Until the

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beginning of this year when the new criminal code went into effect, alleged facts could be proven by hearsay at the discretion of the Judge or Judges. In other words, without a jury system, it has been customary in Japan for a judge or a collegiate court of Judges to decide whether or not the evidence submitted is admissible or non-admissible.

Under the new criminal code now in effect the admissibility of evidence is stated in Articles 317 to 328 inclusive. Without discussing some of the technicalities involved, the main principles may be summarized as follows:

1. Facts shall be found on the basis of evidence (Art. 317). This does away with the former evidence given to hearsay.

2. The probative value of evidence shall be left to the free discretion of Judges (Art. 318).

3. An accused shall not be convicted in case where his own confession, whether made in open court or not, is the only proof against him. Also confessions made under duress, or not voluntarily, shall not be admitted in evidence (Art. 320).

4. With certain exceptions, no document shall be used as evidence as a substitute for a statement of any person which shall be given orally in public trial court (Art. 320).

5. Written statements made by other than the accused may be used as evidence under certain circumstances on account of death, unsoundness of mental condition, missing, staying outside of Japan, or being so physically incapacitated that he cannot testify, or where he has given testimony different in any way from his previous statement (Art. 321).

6. A written record of inspection prepared by a public procurator, secretary of Public Procurators Office, a Judicial Police Official may be used as evidence if it is verified by the individual preparing it (Art. 321).

7. A written statement by the accused, which is adverse to his interests may under certain circumstances, be used as evidence, if there is no suspicion that it has not been made voluntarily (Art. 322).

8. Account books and other records prepared in the regular course of business, and public documents may be used as evidence (Art. 323).

9. In spite of certain exceptions made to the admissibility of evidence, any evidence may be used as such if public procurator and the accused give consent thereto, and if the court finds it proper after considering the circumstances under which evidence was obtained (Art. 326).

EXAMINATION OF WITNESSES

In regard to the examination of witnesses, the Court may examine any person whomsoever as a witness (Art. 143, Chap XI, Criminal Code). Among exceptions stated in the Criminal Code when a witness may refuse to answer are the following:

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1. One may refuse to answer to any question which may tend to incriminate himself or herself (Art. 146).

2. One may refuse to answer to any question which may tend to incriminate the following persons:

a. The spouse, a relative by blood within the third degree of relationship, or a relative by affinity within the second degree of relationship of the witness, or a person who was in any of such relationships to the witness (Art. 147 - (1)).

b. The guardian, supervision of guardianship or curator of the accused (Art. 147 - (2)).

c. A person of whom the accused is guardian, supervisor of guardianship or curator (Art. 147 - (3)).

3. Certain persons, such as doctors, dentists, midwifes, nurses, religious functionaries, etc., are also permitted to refuse to testify in respect to information revealed to them in their professional capacities (Art. 149).

Cross examination of witnesses is provided for in Article 304.

SEARCH AND SEIZURES

In regard to search and seizures, Article 99 of the new Criminal Code provides that whenever necessary a court may seize any articles which it believes should be used as evidence, with certain exceptions.

Article 100, provides that postal matters and telegrams in Government or in private communication company's hands may be seized.

A court, when it deems it necessary, may search the person, effects, or dwelling or any other place of the accused (Art. 102).

Article 106, provides that a warrant shall be issued in case of a seizure or search is to be effected elsewhere than in open court.

Article 107 states that a warrant shall contain the following information:

(1) Name of accused and offence.
(2) Articles to be seized, or place, body or articles to be searched.
(3) Effective period, and statement that the warrant shall not be commenced in any way after the lapse of such period and shall be returned to the court of issuance.
(4) Date of issuance, and any other matters as prescribed by the Rules of Court.
(5) Signature and seal of presiding judge.

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A warrant of seizure or of search shall be executed by a secretary of a public procurator's office or a judicial police official or constable under the direction of a public procurator (Art. 108).

A warrant shall be shown to the person against whom the measure is to be taken (Art. 110).

Before sunrise and after sunset, the dwelling of a person, or premises, buildings or vessels guarded by persons, may not be entered for the purpose of execution of a warrant of seizure or of search unless the warrant includes a statement that it is to be executed at night (Art. 116). There are some exceptions to the above.

CHART "A"

THE ATTORNEY GENERAL'S OFFICE ORGANIZATION PERTAINING TO TAX CASES

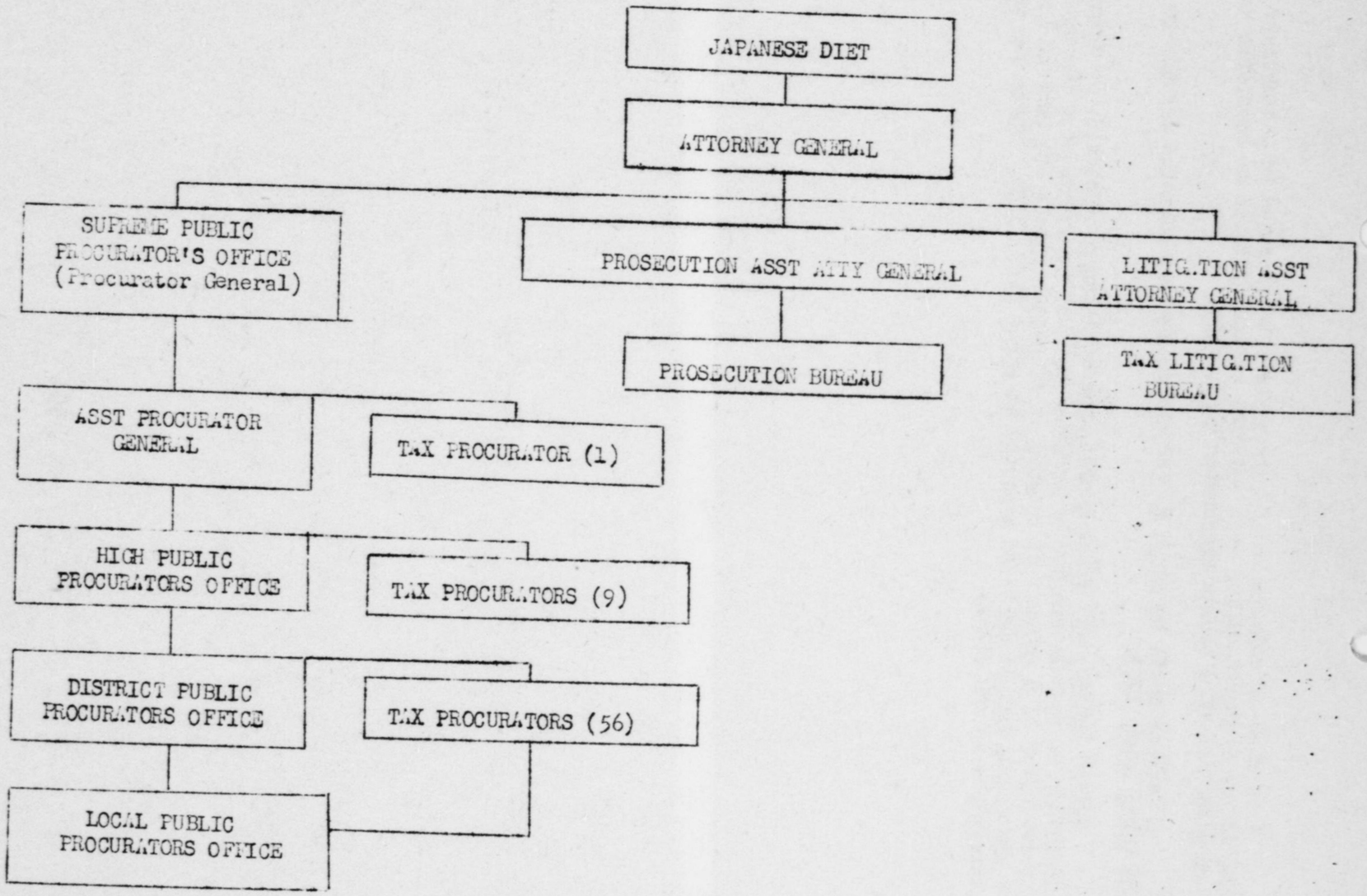

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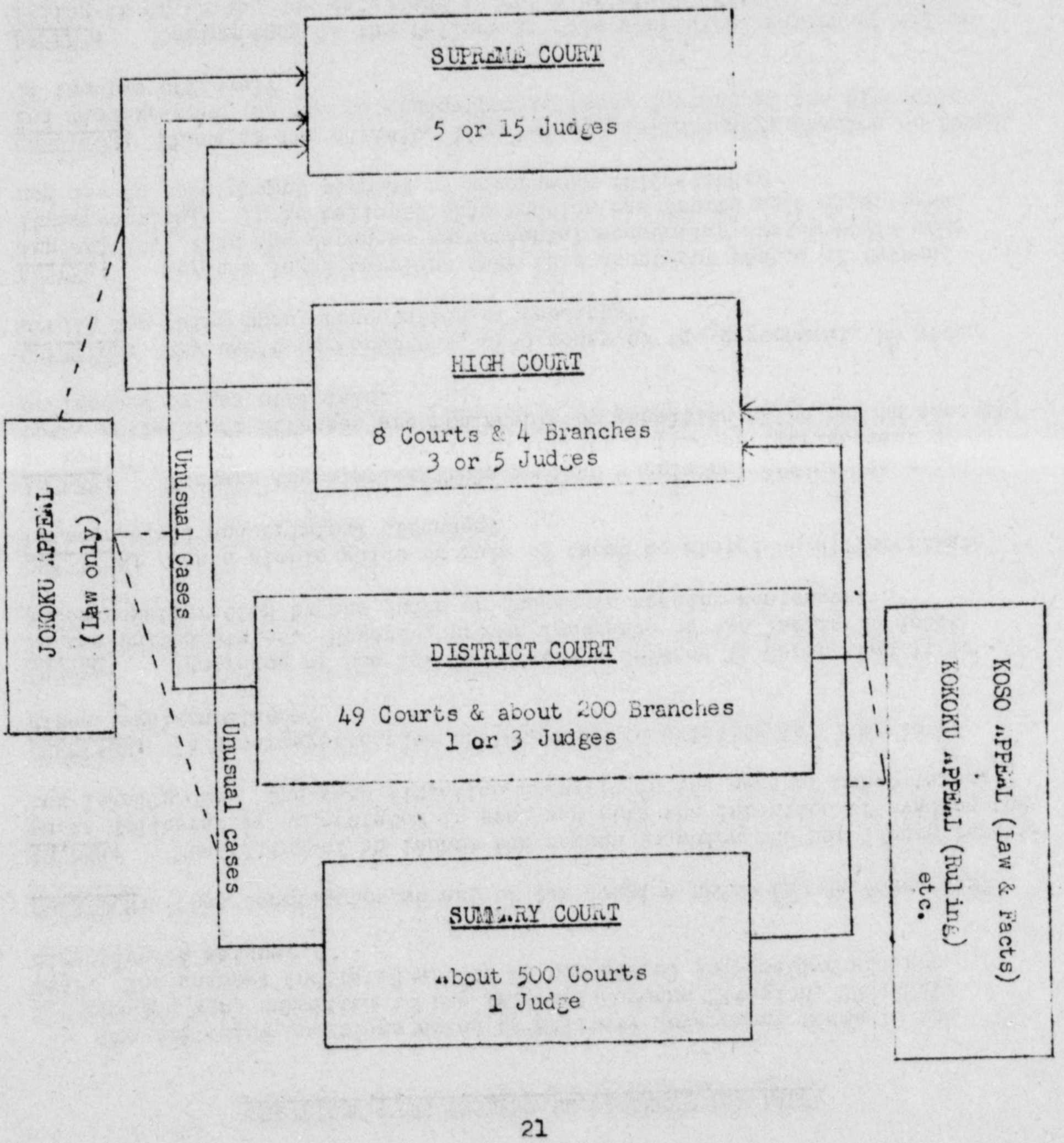
CHART "B"

COURTS AND APPEALS



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PART V

QUESTIONS WITH ANSWERS ON JAPANESE TAX LAWS

The following questions asked by Military Government teams in the I Corps Z/R were submitted to the Internal Revenue Division, ESS, GHQ, SCAP. The answers indicated are to be considered informative and not directive in nature.

QUESTION: What constitutes an act of tax evasion under the Japanese law?

ANSWER: The filing of an income tax return in which the net income reported is deliberately understated in some way with the intention of evading the tax legally due. The same situation prevails in the case of other taxes.

QUESTION: Is a taxpayer's plea of ignorance to existing tax laws to be given legal substance?

ANSWER: Ignorance of the law is no more a defense in Japan than it is in the United States. However, proven ignorance of the law is no doubt given consideration by the judge or judges in passing sentences.

QUESTION: Can a simple guide or rule of thumb be stated to differentiate between civil and criminal offenses?

ANSWER: Perhaps the simplest rule is that a criminal offense is subject to punishment by a court of law which imposes a fine or imprisonment or both, while civil offenses are punishable by penalties which may be asserted or imposed by tax officials.

QUESTION: Why can't corporations, owed money by the government, be given credit for taxes upon presentation of receipts?

ANSWER: Certain legal barriers make this short-cut method of payment impossible. Also the Japanese departmental accounting system would make it impractical. It is believed this problem has pretty well disappeared now due to more prompt payment of government obligations.

QUESTION: Where is the dividing line between delinquency, evasion or fraud, and misdemeanor? Is the determination of these factors at the discretion of the tax official?

ANSWER: Delinquency is the failure to file a required return at all or filing it after the due date, and is not a criminal offense. The 10 sen per 100 yen per diem penalty (or interest) and the 25% ad valorem penalty may be imposed at the discretion of the tax office chief. The penalty or penalties which may be imposed for fraud or other offenses punishable by fine and/or imprisonment must be imposed by a court of law. The nature of the offense determines the extent of the punishment.

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QUESTION: Complaint has been received that tax laws are difficult to interpret, and that a divergence of opinion exists, even between local tax offices in the same prefecture, as to the intent of the law. Suggestion was received that tax laws be simplified or that a centralized agency be established wherein the laws could be interpreted consistently and those interpretations desseminated to local tax offices by means of regulations.

ANSWER: The above suggestion is one of the main objectives sought in the overall plan of reorganization now under consideration by the Japanese Taxation Bureau.

QUESTION: How can the tax officials make an accurate "Corrected Decision" assessment without an investigation?

ANSWER: They cannot make an accurate and correct assessment without actual figures regarding the taxpayers' income and expenses.

QUESTION: Due to inexperienced personnel working in tax offices, is it not advisable that tax laws be interpreted in simpler terms so that they may be more easily understood?

ANSWER: This problem is being met in several ways. It is proposed to hold training courses, on the job and by correspondence to improve employees working knowledge of tax law. As a part of the long range reorganization plan it is proposed to have regulations, rulings, etc. regarding the interpretation of the various tax laws issued by the Taxation Bureau in Tokyo to all local tax offices, thus assuring consistency in interpretation.

QUESTION: What can be done to make taxation officials make just and correct assessments and not make assessments upon rumor and anonymous letters that are unfounded?

ANSWER: This is one of the problems included in the long range plan for improving the Japanese tax system. First, the Japanese public must be educated as to the need for taxes and their duty as citizens to share this burden. Second, taxpayers must be educated to keep some sort of records to show what their correct income is. Third, tax officials must be trained to interpret records so they can verify returns filed or determine the correct income when returns are not filed. Fourth, tax officials must be instructed as a matter of general policy to avoid arbitrary assessments wherever possible and to make assessments based only upon proper investigations. It is quite apparent, however, that it will require an extended period of time to bring about all or any of these reforms.

QUESTION: Why do Japanese officials say that when a man fails to pay his taxes when they become due, that it is just a debt he owes and not tax evasion?

ANSWER: The statement of the Japanese officials is correct. If a taxpayer files a return showing a tax liability which he does not pay for some reason, known or unknown, or fails to pay a deficiency in tax assessed by a tax

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office and no evidence of intent to evade such tax is evident at that point; his failure to pay is not an act of evasion in either case. Evasion within the meaning of the tax law means understating the tax liability with intent to evade. Payment or non-payment of the liability can have no connection with the offense of tax evasion.

QUESTION: Why is there not a provision in the present existing tax laws whereby a person may be prosecuted and given a sentence for penal servitude when he fails to pay his taxes when they become due?

ANSWER: For the same reason that there is no such provision in the tax laws of the United States. Failure to pay a debt is not a criminal offense.

QUESTION: When tax delinquents have no property to attach, what legal action can be taken against them?

ANSWER: Practically none. There is a procedure provided for collection from the taxpayers' employer, if any, as salary or wages are earned, but this procedure is so complicated and cumbersome that it is never resorted to.

QUESTION: What happens to the money owed the tax office when a man is picked up for evasion and prosecuted? Is the tax written off the books or does he still owe the money after he is released?

ANSWER: His tax liability is not affected by his prosecution. He still owes the tax and all efforts should be made to collect it.

QUESTION: Are there any legal measures that Japanese tax officials can take against Chinese for delinquent taxes, without channelizing the case through Military Government?

ANSWER: Japanese tax officials may take all the usual steps to collect taxes from Chinese nationals, except matters involving criminal offenses or penalties.

QUESTION: Why was the goal of Toyama Prefecture raised approximately 18% while those of the rest of the region, with the exception of Ishikawa, were lowered?

ANSWER: This question may be answered, in part at least, by a quotation from a statement recently issued by the Taxation Bureau, Ministry of Finance, relative to the matter of "goals" "..... Accordingly respective Regional Bureaus and, through those, respective tax offices have been given a goal of tax collections for the 1948-49 fiscal year as broken down quarterly, whereby they are indicated what they must work for. This goal should not be interpreted as the allocated quota of tax collection. Rather it indicates what the Ministry of Finance believes as collectible in case legal tax obligations are properly met by taxpayers and provided that tax officials work at 100% efficiency in order to faithfully carry out the provisions of tax laws. The goal is also designed to help realize across-the-nation equity of the tax

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burdens by placing respective Bureaus and field offices under a single and uniform control of Finance Ministry. The establishment of the goal is designed to encourage, instead of discourage, tax collectors to collect as they are ordered to collect by laws and taxpayers to pay as they ought to pay under laws. It is erroneous to conjecture of any direct link as existing between the goal and the tax liability of individual taxpayers. -----". From this quotation it is apparent the so-called goals are based upon estimates which regional offices make based upon conditions as they are believed to exist at the time goals are established. If it is found subsequently that conditions have changed or original goals are out of line, new goals are set.

QUESTION: Under what Japanese law is it legal for third parties or associations to conduct tax adjustment discussions, with tax officials, for an individual?

ANSWER: The National Tax Practitioners Law provides that certain licensed individuals, not associations, may represent taxpayers, by proxy, before tax officials, in negotiations, discussions or in the preparation of documents. Such practitioners must prove their qualifications by examination before they are granted a license. Tax officials should not negotiate with any person or organization other than the principal or an authorized practitioner.

QUESTION: Is it advisable to install in school courses the reasons for taxes, and the correct use of the taxpayers' money?

ANSWER: At the present time schools are furnished leaflets, kamishibai, exhibits, etc. having to do with taxation, budget, etc. Intensification to any extent is probably undesirable due to possible interference with the general educational program and smacking of propaganda.

QUESTION: In reference to Japanese Income Tax Law, can a taxation official use physical force upon a delinquent taxpayer if the taxpayer tries to escape with income tax records and papers, while the official is conducting an investigation?

ANSWER: No, physical force may not be used.

QUESTION: How are reassessments made during the current period before the final return is filed?

ANSWER: Provisional (or estimated) returns are looked over by tax officials as they are filed and compared with certain statistical records built up by test examinations made of the actual income of taxpayers in the same business. If such provisional returns appear to be too low, reassessments are made to bring them into line with what the tax official believes to be a more nearly correct estimate of income. The method employed is admittedly quite arbitrary.

QUESTION: What evidence does a tax official need to determine that a return is fraudulent or that a person who failed to file a return and is reassessed a large amount of tax is guilty of evasion?

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ANSWER: What is good evidence and what is not good evidence to prove fraud is a study in itself, and is difficult to answer briefly. The mere failure to file a return is not a criminal offense in itself and is subject only to the delinquency penalties provided in the law. However, if there has been an overt act by the taxpayer to show that it was his intent to fraudulently evade his taxes by such acts as keeping two sets of books, or overstating his purchases of merchandise or expenses, or understating his receipts, then he should be charged with fraudulent evasion of taxes. A question has been raised as to whether or not a reassessment in itself does not estop the Government from alleging fraudulent evasion. This question is now under study.

QUESTION: Is a person who fails to make a final return, or to make a self-assessment, or who understates his self-assessment to be treated other than as a delinquent if a tax official cannot find concrete evidence of swindle?

ANSWER: One who files a timely required return even though it may be fraudelent, is not a delinquent. The failure to file a return or filing it later is not a criminal offense.

QUESTION: Are there any limits to the amount of a reassessment?

ANSWER: No, but a reassessment is supposed to be based on the best information available.

QUESTION: Is it legal to have standardized or uniform record books for self-assessed taxpayers distributed by the Tax Office?

ANSWER: The Japanese income tax law is silent on this subject so it must be assumed that the preparation and dissemination of such record books is not authorized.

QUESTION: What is the legality of assessment as income tax on prostitutes and are there any specific methods of enforcement for transients?

ANSWER: This class of taxpayers is no different from other classes and are subject to taxes on their earnings. There are no special measures known to be available for determining the earnings or transients.

QUESTION: Request clarification of Article 20 of Japanese Income Tax Law, if Article 35 of the Japanese constitution is invoked against it.

ANSWER: It is assumed Article 20 of the National Tax Collection Law is the article in question, as it covers the matter of search and seizure. Article 35 of the Constitution provides that the home of a Japanese citizen may not be invaded without a proper certificate or document authorizing such entry. Apparently the required certificate or document can be issued legally by a tax office chief and need not be in the form of a warrant issued by a judge.

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QUESTION: Does Article 10-2, National Tax Collection Law mean that a delinquent who is found to be an evader can be prosecuted and in addition have his property attached for payment of the tax evaded? If so, what is the procedure?

ANSWER: If a taxpayer filed a fraudulent return he can be prosecuted and in addition be forced to pay the tax evaded by all the usual means, including attachment of his property.

QUESTION: What is meant by extenuating circumstances in Article 9-(6)-3 of the National Tax Collection Law?

ANSWER: The language of the translation is very vague. Japanese tax officials state the wording in Japanese in equally vague and that this section is rarely involved. Apparently there has been no judicial clarification of the language in this section.

QUESTION: There exists at this time a great deal of confusion in the collection of tax levied against coal miners. Basically the system of withholding tax is concrete, but present conditions necessitate a bank loan to meet payrolls and banks will not extend courtesies on taxes. A large backlog of unpaid withholding taxes has been incurred. It is contemplated that the financial bureau will in some manner clear these deficit taxes. Any information on the government's policy will be desirable.

ANSWER: This problem is under consideration by the Finance Ministry.

QUESTION: What tax and in what proportion is levied against associations?

ANSWER: None. Unless the organization is corporation or "legal person" within the meaning of the Japanese code it is not subject to tax.

QUESTION: Can Agriculture Cooperatives or other organizations refuse to furnish data on members' incomes?

ANSWER: Article 64 of the Income Tax Law provides that taxation officials may, when necessary, for the investigation of the income tax, examine organizations of persons engaged in business for the matters relating to incomes of members thereof? To demand such information apparently all that is required is for the tax official to identify himself by means of proper credentials and request the necessary information or be permitted to examine the records.

QUESTION: A number of taxes, formerly collected nationally have been passed to Prefectural agencies. Complaint was received that the revenues immediately decreased thereby burdening the National Government to subsidize the deficiencies. An example quoted was "Admission Taxes", the statement being made that revenues have decreased 50% on this tax. The statement was also made that the average Japanese, not being tax minded, is generally greatly confused, not so much with the various kinds of taxes, but rather with the numerous places he has to visit to settle his tax problems. Suggestion was received that tax

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collections be centralized and distributions be made from the collections as to National, Prefectural, Village, etc. taxes. The suggestion does appear to tend to a return to complete control by the National Government.

ANSWER: Only four major taxes have been abandoned by the National Government and left entirely for the use of local governments. With the exception of the admissions tax, the portions of these Collections going to the National Government were actually assessed and collected by the local governments. Consequently there should be little decrease in efficiency due to the change. The admissions tax was transferred to the local governments as of August 1, 1948. This divides the collections for 1948-1949, four months to the National Government and eight months to the local governments. On the basis of the most recent reports 97.7% of amount budgeted from this source has been collected. For the local government incomplete data are available. According to the Local Finance Committee, local budgets for 1948-1949 include at least 6,373 million yen from admission tax. During the first month under the law incomplete reports indicate that 470 million yen was assessed and 356 million collected. Continuation of monthly assessments at this level and full collection thereof would produce 3.760 million or 59% of the total budgeted from this source. A completely centralized system of administering taxes does not exists in any nation today. The most important argument against such a system is the fact that local governments tend to regard distributions from central governments as a gift and are, therefore, less careful in administering their expenditures. On the other hand, local governments are conscious of the difficulties involved in making direct collections from citizens and this factor tends toward expenditure control. One of the principles consistently advocated in the United States is that each level of government should be supported by its own tax collections insofar as possible.

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File

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

FFA/af

AG 012 - BA

16 February 1949

SUBJECT: Status of Japanese Tax Collections for the Fiscal Year 1948-49

INTER-OFFICE
C.O.
Exec.
Adj.
Econ.
Labor.
P.H.
C.Ed.
L.&G.
P.W.
C.Info.
Maizuru
Ch.Clk
File
Action
Info.
Your File
Read. Initial & return for Central Files

TO : See Distribution

1. Inclosure No. 1, a table of the Status of Tax Collections for the period 1 April through 31 January was compiled from reports submitted by military government teams having direct supervision over regional offices of the Japanese Ministry of Finance.

2. The annual goal as shown in the inclosure includes all taxes collected by the Regional Tax offices. The stamps for the sales transaction tax are purchased by Japanese merchants from the post office so the figures for the goal of that tax are excluded from the column. As many of the Japanese taxes are not delinquent until one month after the close of the fiscal year, the period goal as of 31 January is the fraction thirteenths of the annual goal.

3. To emphasize the importance of achieving 100% collections, paragraph 3, letter, AG file 012-BA, this headquarters, dated 28 December 1948, subject, "Tax Collections", is repeated:

"Military personnel and equipment of military government teams may be used to the extent necessary, provided no section is made inoperative, to successfully accomplish the tax collection program. If, after exhausting the means at his disposal, a commander requires assistance, he will request it promptly of his next higher commander. Regional commanders should make necessary temporary adjustments within their regions before applying to Corps headquarters."

4. Collection of the self assessed income tax seems to be the major obstacle to achieving the mission. While many long range plans for better

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collections may be offered, such as Education, etc., the problem is immediate. Team Commanders will exploit every means available to them including the publicity of the trials of flagrant violators to bolster this phase of tax collection.

BY COMMAND OF MAJOR GENERAL COULTER:

C. C. CARTER
Colonel, AGD
Adjutant General

1 Incl:
Status of Jap. Tax Collections,
1 Apr - 31 Jan.

DISTRIBUTION:
2 ea IG Region & Team
I Corps Z/R
3 AG Rec, I Corps
3 8th Army, MG Sect.
3 F & CT Sect.

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STATUS OF TAX COLLECTIONS
FOR PERIOD 1 APRIL - 31 JANUARY

(1) PREFECTURE	(2) PERIOD QUOTA 1 Apr - 31 Jan	(3) TOTAL COLLECTED 1 Apr - 31 Jan	(4) % OF PERIOD COLLECTED	(5) 1948-1949 GOAL	(6) % OF TOTAL GOAL COLLECTED
CHUGOKU REGION					
Shimane	* 1.182	1.093	92	1.536	71
Yamaguchi	4.217	3.825	91	5.482	70
Hiroshima	5.389	4.502	83	7.006	64
Okayama	3.402	2.678	79	4.423	60
Tottori	.826	.639	77	1.074	59
TOTAL	15.016	12.737	85	19.521	65
KYUSHU REGION					
Nagasaki	2.964	2.570	87	3.853	67
Fukuoka	11.651	10.018	86	15.146	66
Saga	1.917	1.628	85	2.492	65
Miyazaki	1.405	1.174	84	1.827	64
Oita	2.203	1.668	76	2.864	58.2
Kagoshima	2.603	1.957	75	3.384	57.8
Kumamoto	3.844	2.710	70	4.997	54
TOTAL	26.587	21.725	82	34.563	62.8

* Billions of Yen

Inclosure 1

STATUS OF TAX COLLECTIONS
FOR PERIOD 1 APRIL - 31 JANUARY

(1) PREFECTURE	(2) PERIOD QUOTA 1 Apr - 31 Jan	(3) TOTAL COLLECTED 1 Apr - 31 Jan	(4) % OF PERIOD COLLECTED	(5) 1948-1949 GOAL	(6) % OF TOTAL GOAL COLLECTED
KINKI REGION					
Shiga	2.143	2.110	98	2.786	76
Hyogo	12.275	10.458	85	15.958	65
Kyoto	8.558	6.892	80	11.126	62
Osaka	22.496	17.981	80	29.245	61
Wakayama	2.294	1.633	71	2.982	55
Nara	1.751	1.213	69	2.276	53
TOTAL	49.517	40.287	81	64.373	62.6
TOKAI REGION					
Toyama	2.303	2.229	97	2.994	74
Fukui	1.373	1.234	90	1.785	69
Ishikawa	2.352	1.953	83	3.057	64
Mie	2.968	2.347	79	3.858	61
Aichi	13.388	10.482	78	17.404	60
Gifu	3.089	2.392	77	4.016	60
TOTAL	25.473	20.637	81	33.114	62.3

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 713013

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 113013

STATUS OF TAX COLLECTIONS
FOR PERIOD 1 APRIL - 31 JANUARY

(1) PREFECTURE	(2) PERIOD QUOTA 1 Apr - 31 Jan	(3) TOTAL COLLECTED 1 Apr - 31 Jan	(4) % OF PERIOD COLLECTED	(5) 1948-1949 GOAL	(6) % OF TOTAL GOAL COLLECTED
SHIKOKU REGION					
Kagawa	1.755	1.606	91	2.281	70
Tokushima	1.338	1.018	76	1.739	59.5
Ehime	2.634	2.025	77	3.424	59.1
Kochi	1.523	1.152	76	1.980	58
TOTAL	7.250	5.801	80	9.424	61.6

RECAPITULATION

CHUGOKU REGION	15.016	12.737	85	19.521	65
KYUSHU REGION	26.587	21.725	82	34.563	62.8
KINKI REGION	49.517	40.287	81	64.373	62.6
TOKAI REGION	25.473	20.637	81	33.114	62.3
SHIKOKU REGION	7.250	5.801	80	9.424	61.6
I CORPS Z/R	123.843	101.187	85.5	160.995	62.8

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 775013

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

AG 012 - BA

15 February 1949

SUBJECT: Tax Collections

TO : See Distribution

1. References: a. Ltr, this headquarters, file AG 012-BA, dtd 28 Dec 1948, subject: Tax Collections

b. Memo, this headquarters, dated 21 Dec 1948. (inclosed)

2. It has come to the attention of this headquarters that the Japanese tax offices are using a "Point System" to determine whether a tax violator should be prosecuted. The system has a point evaluation for such things as: former tax evasion, amount of delinquency, type of tax evaded, etc. Thirty (30) points is believed to be the critical score.

3. This system is not recognized or approved by this headquarters. Military Government Team Commanders will insure compliance with paragraph 2 of reference 1a above by Japanese officials concerned.

BY COMMAND OF MAJOR GENERAL COULTER:

C. C. CARTER
Colonel, AGD
Adjutant General

1 Incl:
Memo, Hq I Corps, 21 Dec 48

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1 of

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

21 December 1948

MEMORANDUM:

FOR : All Japanese Officials Concerned with the Collection of Taxes and the Enforcement of Tax Laws in I Corps Zone of Responsibility

1. The lack of energetic effort, in many instances amounting to neglect of duty, on the part of Japanese tax collecting personnel coupled with the failure of Japanese law enforcing agencies to promptly investigate and bring to successful legal conclusion criminal and civil tax cases are a matter of grave concern to the entire Japanese nation. This intolerable situation is interfering seriously with the successful accomplishment of the occupation objectives set forth by the Supreme Commander. The amount of taxes collected in the I Corps Zone of Responsibility to date is far below what it should be. This failure of the Tax Collection Program is jeopardizing the economic recovery of Japan and the maintenance of a sound, stable government.

2. It is directed that all Japanese tax officials take immediate and vigorous action to accelerate the Tax Collection Program. All courts, law enforcing agencies, and others concerned, will perform promptly their functions in order to expedite investigation, prosecution, and trial of criminal violators of Japanese tax laws. Civil action in the attachment, seizure, and sale of property of persons, business concerns, and others who have not paid or do not intend to pay taxes which are legally due will be taken promptly and carried to a conclusion as possible. Criminal and civil tax cases will be given a high priority on court dockets.

3. In accomplishing the above directives in the case of United Nations' nationals, Japanese officials will take civil action under the civil jurisdiction conferred upon the Japanese government by SCAPIN 777, dated 26 February 1946, as limited by SCAPIN 4938-A, dated 29 December 1947. Japanese officials will promptly report to Military Government for proper disposition United Nations' nationals who criminally violate any Japanese tax laws or who obstruct or interfere with Japanese government officials in the exercise of civil jurisdiction in tax matters.

4. It is directed that widespread publicity be given to indictments for violation of tax laws, and to successfully prosecuted cases.

Incl No. I

/s/ J. M. Swing
/t/ J. M. SWING
Major General, USA
Commanding, I Corps

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

D

File

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

GH/ay

20 January 1949

AG 012 - BA

SUBJECT: Status of Japanese Tax Collections for the Fiscal Year 1948-49

TO : See Distribution

1. The enclosed table of the Status of Tax Collections for the period 1 April through 31 December was compiled from reports submitted by military government teams having direct supervision over regional offices of the Japanese Ministry of Finance and graphically illustrates the gravity of the tax collection program. Team commanders will utilize personnel and equipment to insure that the tax goal is reached with the proviso that no section is made inoperative.

2. During the month of December the Japanese Diet, realizing that the current budget was inadequate, enacted legislation which materially increases it for the current fiscal year. As a result prefectural goals have been increased to the amount reflected in column 2, attached table.

3. It is anticipated that the increased emphasis placed upon the collection program by both Japanese tax officials and military government surveillance teams will arouse activity by anti tax collection groups. Organizations and individuals must be observed for violations of law (see inclosure 2, attached) and prosecuted when possible.

4. The Japanese police, procurators and judges must be informed that the intimidation, harassment of tax workers, or other attempts to encourage an individual to ignore payment will not be tolerated and that vigorous prosecution must be instituted against violators.

BY COMMAND OF MAJOR GENERAL SWING:

C. C. CARTER
Colonel, ACD
Adjutant General

2 Incls:
As indicated.

DISTRIBUTION:
2 ea MG Region & Team
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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 113015

STATUS OF TAX COLLECTIONS
FOR PERIOD 1 APRIL - 31 DECEMBER

(1) PREFECTURE	(2) 1948-1949 GOAL	(3) MONTHLY GOAL	(4) PERIOD QUOTA 1 April - 31 DEC	(5) TOTAL COLLECTED 1 Apr - 31 DEC	(6) % OF PERIOD COLLECTED	(7) % OF TOTAL GOAL COLLECTED
KINKI REGION						
Kyoto	* 11.785	.982	8.838	5.793	66	49
Osaka	31.525	2.627	23.643	14.522	61	46
Hyogo	16.729	1.397	12.573	8.542	68	51
Shiga	2.912	.243	2.187	1.582	72	54
Wakayama	3.149	.262	2.358	1.283	54	41
Nara	2.396	.197	1.773	.947	53	40
TOTAL	68.527	5.708	51.372	32.669	64	48
TOKAI REGION						
Aichi	17.404	1.450	13.053	8.899	68	51
Gifu	4.016	.335	3.012	2.001	66	50
Mie	3.858	.321	2.893	2.043	71	53
Ishikawa	3.222	.268	2.416	1.493	62	46
Toyama	3.164	.263	2.372	1.434	60	45
Fukui	1.899	.158	1.424	.963	68	51
	33.561	2.796	25.171	16.833	67	50

Incl 1

* Billions of Yen

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 113013

STATUS OF TAX COLLECTIONS Page 2

(1) PREFECTURE	(2) 1948-49 GOAL	(3) MONTHLY GOAL	(4) PERIOD QUOTA 1 Apr - 31 Dec	(5) TOTAL COLLECTIONS 1 Apr - 31 Dec	(6) % OF PERIOD COLLECTED	(7) % of TOTAL QUOT COLLECTED
KYUSHU REGION						
Fukuoka	16.123	1.344	12.092	8.081	67%	50%
Oita	2.983	.249	2.237	1.281	57	43
Miyazaki	1.890	.157	1.418	.987	70	52
Kagoshima	3.494	.291	2.620	1.561	60	45
Saga	2.608	.217	1.956	1.311	67	50
Kumamoto	5.157	.429	3.863	2.068	54	40
Nagasaki	4.057	.338	3.043	2.150	71	53
TOTAL	36.306	3.025	27.229	17.449	64%	48%
SHIKOKU REGION						
Kagawa	2.394	.199	1.796	1.288	72%	54%
Tokushima	1.821	.156	1.365	.724	53	40
Kochi	2.065	.172	1.548	.982	63	48
Ehime	3.580	.298	2.685	1.746	65	49
TOTAL	9.861	.821	7.396	4.740	64	48

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 113013

STATUS OF TAX COLLECTIONS Page 3

(1) PREFECTURE	(2) 1948-1949 GOAL	(3) MONTHLY GOAL	(4) PERIOD QUOTA 1 Apr - 31 Dec	(5) TOTAL COLLECTED 1 Apr - 31 Dec	(6) % of PERIOD COLLECTED	(7) % of TOTAL GOAL COLLECTED
CHUGOKU REGION						
Hiroshima	7.489	.624	5.616	3.645	65%	49%
Yamaguchi	5,802	.483	4.351	3.036	70	52
Shimane	1.628	.135	1.220	.871	72	54
Tottori	1.142	.095	.856	.529	62	46
Okayama	4.676	.389	3.506	2.227	63	47
TOTAL	20.737	1.728	15.549	10.308	66%	50%
			RECAPITULATION			
KINKI REGION	68.527	5.708	51.372	32.669	64 %	48%
TOKAI REGION	33.561	2.796	25.171	16.883	67	50
KYUSHU REGION	36.306	3.025	27.229	17.449	64	48
SHIKOKU REGION	9.861	.821	7.396	4.740	64	48
CHUGOKU REGION	20.737	1.728	15.549	10.308	66	50
I CORPS Z/R	168.991	14.082	126.717	81.999	65%	49%

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

PAPERS

FILE NO: 012 TAXATION AND TARIFF AND EXCEPTION FROM

Item #	Date	From	Synopsis
1.	10 Jan 49 48		Letter of Transmittal (Surveillance of Japanese Tax Administration)
2.	27 Jan 49		Letter of Transmittal (Report on Tax Evasion Cases)
3.	11 Feb 49		Letter of Transmittal (Report Surveillance of Japanese tax Administration)
4.	15 Mar 49		Letter of Transmittal (Report Surveillance of Japanese tax Administration)
5.	21 Mar 49		Study of Japanese Tax Administration
6.	14 Apr 49		Military Government Surveillance Japanese Tax Administration
7.	11 May 49		Study of Tax Structure
8.	12 May 49		Anti-Tax Demonstrations
9.	13 May 49		Letter of Transmittal (Mil Govt Surveillance Jap Tax Admn)
10.	27 Jun 49		Military Government Public Opinion Research on Tax Education

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

MCC/ea

AG 012 - BA

27 JUN 1949

SUBJECT: Military Government Public Opinion Research on Tax Education

TO : See Distribution

1. In March, 1949, this headquarters initiated a public opinion research survey on tax education. The purpose of this survey of public opinion is to provide information necessary for the evaluation of the effectiveness and the stage of development of the average prefectural tax education program and to determine means for increasing the effectiveness of tax education programs throughout the I Corps Z/R. Planning of the survey, preparation of samples, allocation of areas within the designated region, collection of completed questionnaires, tabulation and analysis of results, preparation of reports of analysis, and interpretation of results were executed by the Public Opinion Research Branch, Military Government, this headquarters. The Kinki Military Government Region was responsible for the supervision of the survey in the field.

To determine the extent of knowledge of the tax program by the average Japanese tax payer questions such as the following were asked:

a. Do the people know how their tax money is spent?

b. Are rumors and complaints regarding corrupt tax officials widespread?

c. Do the people know who is paying the cost of Occupation?

d. Do the people know their individual annual income?

e. What do the people consider to be the best source of national revenue?

2. The survey began on 18 April and was completed on 27 April 1949. A total of 1,598 registered voters in the six prefectures of the Kinki Military Government Region were interviewed. In keeping with the objectives of the economic recovery program, the cost of interviewing was kept at the minimum level by using personnel already employed by the prefectural governments. The Public Opinion Research Branch trained and supervised eighty field workers who operated under the guidance and supervision of the CI officer, Kinki Military Government Region.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd , subj: "Military Government Public Opinion Research on Tax"

3. BRIEF SUMMARY OF THE FINDINGS:

Almost one-half of the respondents did not realize how their tax money is spent. Almost two-thirds of them had no comment to make about their tax officials. About one-fourth of the people questioned did mention dishonesty and graft, but it was found that these statements were based upon rumor and not definite facts. Over sixty per cent expressed the belief that Japan is bearing the total cost of the Occupation. Over eighty per cent stated that they knew their income, but over one-half of these admitted that they did not keep any records of income. Further questioning revealed that sixty-five per cent* of the people do not have an exact idea as to what their income is. About two-thirds had nothing to suggest as to the best source of national revenue. Most of the others suggested heavier taxes on blackmarket profiteers.

*Note: (82/100 x 57/100) plus 17% plus 1% equals 65%
(1) (2) (3) (4) (5)
or 47%

1 - Those who know their own income
2 - Those who do not keep records
3 - Those admitting ignorance in regard to income
4 - Others
5 - Those who do not have an exact idea as to their income

4. FINDINGS:

(A) HOW TAX MONEY IS SPENT

(1) KNOWLEDGE AS TO HOW TAX MONEY IS SPENT

As many as 47% of the respondents did not realize how their tax money is spent. The general public is aware of expenditures for the termination of hostilities, salaries of government employees, and money spent for public utilities, but there the knowledge ends. The people are unaware of the great variety of other state expenditures.

As many as 25% of the respondents thought that expenditures connected with the termination of hostilities were the largest of all. Only 1% considered stabilization of commodity prices to be the largest. Sixteen per cent of the respondents believed that salaries for government employees took most of the public money.

Men knew more than women about tax matters, taxpayers more than non-taxpayers, commercial and salaried people more than farmers.

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BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

Question: Tax money is spent in various ways. What do you think accounts for most of the money spent?

Question: Do you know of any other fields in which tax money is spent?

Degree of Knowledge	
Excellent	3%
Good	20%
Poor	30%
Very poor	47%
	100%

Greatest Expenditure of Tax Money	
Termination of hostilities	25
Stabilization of commodity prices	1
Salaries of government officials	16
Others	9
Don't know	49
	100%

How People Think Tax Money Is Spent	
Termination of hostilities	31
Salaries of government officials	26
Public utilities	19
Education	7
Repatriates' relief fund	7
Stabilization of commodity prices	6
Housing reconstruction	5
Government investments	3
Allocation of local taxes	1
Others	5
No comments expressed	47
* Some respondents gave more than one answer.	157%

(2) PEOPLE'S INTEREST AS TO HOW THEIR TAX MONEY IS SPENT

Generally, interest was found to be very low. There were very few recommendations and suggestions expressed. Men were

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BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

more interested than women, and taxpayers more interested than non-taxpayers, Commercial and industrial business owners and wage earners expressed a little more interest than farmers.

Question: Are you interested in how your tax money is spent by the government?

Question: In your opinion, how should this tax moeny be spent?

Interest		Recommendations as to How Tax Money Should Be Spent	
Strong	10	Repatriates' relief fund	26
Moderate	30	Public utilities	25
Weak	18	Education fund	15
Non-existent	42	Housing reconstruction	15
	100%	Stabilization of commodity prices	15
Regarding Expenditure of Tax Money		Government investments	4
Did not answer	62	Others	17
Did answer	38		117%*
	100%	* Some respondents gave more than one answer.	

(B) HOW DO MEMBERS OF THE GENERAL PUBLIC FEEL ABOUT TAX OFFICIALS?

The average person was found to be indifferent. However, those dealing closely with tax officials (especially self-assessment taxpayers) were harsh in their criticism. This fact might be considered an indication of the unreasonableness and perhaps arbitrariness of the tax officials.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

Sixty-three per cent had nothing to say about their tax officials. This might be interpreted as an indication of hesitancy on the part of large groups of people to criticize their officials.

Twenty-four per cent of the respondents mentioned dishonesty and graft. However, their information was not of a first-hand nature but was based upon rumors.

Question: How do you feel about tax officials?

		Families of Self-assessment	Self-assessment Withheld		
	Total	Taxpayers	Taxpayers	Taxpayers	Others
Good Feeling	6	9	6	5	4
Bad feeling	24	41	26	23	10
Others	7	11	8	7	3
No comment	63	39	60	65	83
	100%	100%	100%	100%	100%

Question: Have you heard of or seen instances of "foul play" among tax officials?

(To those who answered "Yes")

Tell the details. How did you know that?

10 3

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BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

	Total	Self-assessment Taxpayers
Yes	24	32
No	76	68
	100%	100%

Details of "Foul Play"		How Did You Know That?	
Graft	12%	Newspaper or radio	9%*
General dishonesty	7%	Rumor	14%
Private considerations	2%	Personal experience	2%
Others	3%		

* These percentages are against the total number of respondents. As some of the respondents answered more than one, the total of these percentages and the percentage 76(who voiced nothing) is over 100%.

(C) WHAT DO THE PEOPLE KNOW ABOUT THE COST OF THE OCCUPATION FORCES.

Sixty-one per cent of the general public who were queried stated that Japan was paying the cost of the Occupation. A group of college and university graduates were asked the same question; 49% of these people answered "both Japan and the United States."

Question: The Occupation Forces are now in Japan, and Japan needs money for various expenses incurred. Who do you think pays these expenses?

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BASIC: Ltr, Hq I Corps, AG 012 - B.., dtd 27 JUN 1949 , subj: "Military Government Public Opinion Research on Tax"

	Total	College or University Graduates
Japan only	61	43
United States only	5	7
Both Japan and the United States	18	49
Others	0	-
Don't know	16	1
	100%	100%

Question: (To those who answered "only Japan" or "United States" in previous question) Costs of Occupation Forces in Japan include food and clothing, salaries of Occupation Forces personnel and their employees, rental of buildings and equipment, railways, electricity, gas and water, and so forth. Do you think all of these expenses are being paid by Japan only or by the United States only?

Japan	60
United States only	5
Both Japan and the United States	27
Others	0
Don't know	8
	100%

10

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

(D) SELF-ASSESSMENTS AND REASSESSMENTS

(1) SELF-ASSESSMENT TAX PAYMENT SYSTEM AND ESTIMATION OF INCOME

Of the 82% who answered that they know their income, 57% admitted that they do not keep any type of records. Further investigation revealed that 65% of the people do not have an exact idea as to their income. (See Page 3). Main reasons given were "unsteady incomes" and "accounting is left to others". Information supplied by self-assessment taxpayers and by withholding taxpayers was quite similar.

Question: (To those who have their own income) Do you know your actual yearly income?

	Know Very Well	Know Approximately	Don't Know	Others	Total
Self-assessment taxpayers	24	58	17	1	100
Withheld taxpayers	28	58	14	0	100

Question: (To those who know their yearly income very well or approximately) Are you keeping an account book or a household book?

	Yes	No	Others	Total
Self-assessment taxpayers	40	57	3	100%
Withheld taxpayers	31	66	3	100%

Question: (To those who do not know their annual income) Why don't you know it?

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BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

Unfixed income (because of odd jobs)	44
Accounting is left to others	7
Gave no reason	49
	100%

(2) WITH WHOM DID THE SELF-ASSESSMENT TAXPAYERS CONFER IN ASSESSING THEIR INCOME?

Since this system is still quite new, and since many taxpayers do not know their yearly income, 43% of those queried stated that they had conferred with some other person in assessing their income.

Question: (To those who pay their tax by self-assessment) With whom did you consult in self-assessing your income, or did you do this without aid?

Without aid		52
Consulted with someone		43
Consulted with trade associations	19	
" " other family members	14	
" " neighbors	5	
" " others	5	
	43	
Others (unfamiliar with matters of this nature)		5
		100%

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

(3) SELF-ASSESSMENT TAXPAYERS AND REASSESSMENT

Reassessment cases were greater in number in urban centers than in rural districts. Reassessments as compared to self-assessments were classified as follows: "under 1½ times", "1½ to 3 times", and "over 3 times".

Taxpayers engaged in farming, fishing, and forestry work were reassessed the least. Those engaged in commerce and industry were reassessed the most.

a. How many self-assessment taxpayers were reassessed?

Following questions were asked only to those who paid their taxes by self-assessment:

Question: Have you been reassessed by the tax office?

	Yes	No	Don't Know	Others	Total
	64	31	3	2	100%
By Occupational Group					
Agriculture, forestry & marine products	58	37	4	1	100%
Commerce and industry	74	20	4	2	100%

b. Extent of reassessment

Question: How much larger was the reassessment than your self-assessment?

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1946, subj: "Military Government Public Opinion Research on Tax"

	Below 1½ Times	1½ to 3 Times	Over 3 Times	Don't Know	Total
	40	30	23	7	100%
By Occupational Group					
Agricultural, forestry & marine products	60	22	8	10	100%
Commerce & industry	19	37	39	5	100%
By District					
Urban	19	34	41	6	100%
Rural	51	29	12	8	100%

(4) REACTION OF THE GENERAL PUBLIC TOWARD RE-ASSESSMENT

Answers in regard to the inevitability of re-assessments being greater than self-assessments were almost equally divided into pros and cons. Most of those queried expressed dissatisfaction with their reassessments.

However, it may be pointed out that 43% of those who received reassessments contended that a somewhat larger reassessment was inevitable or obligatory for underestimated self-assessments. Rather paradoxically, as many as 63% voiced dissatisfaction with the size of their own reassessments. Their complaints were described as "unreasonable" or "too much". As many as 65% complained about inadequate investigations and inefficiency of tax officials.

Those dissatisfied with reassessments, those grumbling about their own individual cases, were more numerous in the urban centers than in the rural districts.

Question: (Asked only to those who answered that they were re-assessed by authority) Do you think it inevitable

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd . subj: "Military Government Public Opinion Research on Tax"

that the reassessment was somewhat greater than your self-assessment?

	Affirmative	Negative	Others*	Don't Know	Total
	43	47	3	7	100%
By District					
Urban	39	56	2	3	100%
Rural	47	46	3	4	100%

*Others.....Answers which were affirmative or negative with some conditions.

Question: Are you satisfied with your reassessment?

	Yes	No	Others	Don't Know	Total
	26	63	3	8	100%
By District					
Urban	13	82	3	2	100%
Rural	36	58	3	3	100%

Question: (To those who were dissatisfied with their reassessments) Why aren't you satisfied with your reassessment?

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 775013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 194 , subj: "Military Government Public Opinion Research on Tax"

"Unreasonable", "too hard", "too heavy", and so forth	29
Inadequate investigations of authorities	65
Don't know or others	6
	100%

(E) WHAT DO THE PEOPLE SUGGEST AS THE BEST SOURCE OF STATE REVENUE?

Sixty-five per cent of the people queried had nothing to say. Two-thirds of those with something to say suggested heavier taxes on blackmarket profiteers - "those leading unreasonable, luxurious lives." It must be assumed, therefore, that the people are aware of large fortunes that are not being taxed.

Sixty-three per cent of those suggesting "various tax items" recommended income taxes as the best source of revenue.

Question: What kind of tax do you think is the best source of revenue for the government?

Don't know	65
More taxes imposed on blackmarket profiteers, and so forth	25
Various tax items	10
	100%

Break-down of "Various Tax Items"

Income tax (direct tax)	63
Commodity consuming tax (indirect tax)	15
Corporation tax	8
Others	14
	100%

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

5. RECOMMENDATIONS

Facts obtained from tax program studies and public opinion research polls on tax education which have been conducted by Military Government, this Headquarters, prove that tax information programs should be further strengthened and accelerated at all levels. It is suggested that prefectural officials confer with tax officials and suggest new ideas and techniques in order to implement a stronger tax education program. Constant liaison of all information media be maintained. Tax officials, and prefectural officials, be frequently reminded of their civic responsibilities to give the people sound, accurate, and reliable tax information. It is suggested that tax education programs could include:

a. Informing the people as to how their tax money is spent. This would show the tax payer the services, benefits, and civil rights which he, and his family, receive in return for the money paid as taxes.

b. A training course for tax officials and tax office employees which emphasizes the obligations of duty of a public employee such as being a servant and not the master of the people. Fostering a rational business-like, cooperative attitude obviously is more constructive than subversive activities which can only foster blind resistance.

c. The businessman or shopkeeper should be the target group for an information campaign stressing the need for accurate records of income, disbursements, and all other transactions connected with the business. The single-entry bookkeeping system lends itself to small business. It is known in Japan and is being used by some - though perhaps too few - shopkeepers. The promotion of such general themes as follows would emphasize accurate bookkeeping and at the same time maintain a tax-conscience populace: (1) Accurate bookkeeping shows good business sense. It saves time and money. (2) Don't guess. Know your income. Keep accurate books (3) Be certain your income tax assessment is correct. Show records to prove it. (4) Your small shop is important to the economy of Japan. Keep accurate, honest records of your business transactions and your income. (5) Help yourself - help the tax office - help Japan.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 713013

BASIC: Ltr, Hq I Corps, AG 012 - BA, dtd 27 JUN 1949, subj: "Military Government Public Opinion Research on Tax"

d. Organization of tax familiarization courses in schools at which simple tax problems are presented, with emphasis on filing procedures.

BY COMMAND OF MAJOR GENERAL COULTER:

A. Serpel
Asst AGD
for: C. C. CARTER
Colonel AGD
Adjutant General

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

FAF/hk

012

13 May 1949

SUBJECT: Letter of Transmittal

TO: Commanding General I Corps, APO 301

1. Reference is made to paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject Military Government Surveillance Japanese Tax Administration.

2. Submitted herewith for your information Report Control Symbol MG-13 for the Kyoto Military Government Team Surveillance of Japanese Tax Administration.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated

THOMAS R. HARBIN
Capt., Infantry
Adjutant

Manager's Conference File

2398

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

FAF/hk

012

13 May 1949

SUBJECT: Letter of Transmittal

TO: Commanding Officer Kinki Military Government Region, APO 25

1. Reference is made to paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject Military Government Surveillance Japanese Tax Administration.

2. Submitted herewith for your information Report Control Symbol MG-13 for the Kyoto Military Government Team Surveillance of Japanese Tax Administration.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated

THOMAS R. HARBIN
Capt., Infantry
Adjutant

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

Report Control Symbol MG-13

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

FAF/ms

012

13 May 1949

SUBJECT: Military Government Surveillance Japanese Tax Administration

TO: Commanding General Eighth Army, APO 343
Attention: Military Government Section

1. In compliance with paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject as above, the following report is submitted.

a. Total National Tax collected at beginning of period:10,446,794,262 yen

b. Total National Tax collected during period 1 - 30 April 1949: 1,080,697,726.. yen.

c. Total National Tax collected for fiscal year up to 30 April 1949: 11,527,473,988. yen.

2. Major Problems:

a. Anti-tax movements were active during April. Several meetings and demonstrations were held in Kyoto and Tanabe, under the auspices of Communists Party and Livilihood Protection Association.

These demonstrations took place in the area of Fushimi and Shimokyo Tax Offices. At Fushimi, 60 participants attempted to enter the tax office. Order was restored by strong action of the police. On 20th April, at Tanabe, a demonstration was participated in by 50 persons, including some communists and Koreans. On the spot investigation determined that there was no excessive difficulties encountered.

In the morning of the 19th, about 100 tax payers, including 20 Communists, attempted to enter the Kamikyo Tax Office. The police took action and arrested 3 violators.

On 23rd April, Kamikyo Tax Officials were disturbed while attaching property by a large crowd of people who gathered around the house and consequently they could not complete the attachment proceedings.

On 27th April, 4 panes of glass from the front door of the Kamikyo Tax Office and an electric line from the pole in front of the office, were found broken.

Anti-tax movements are still active enough to constitute a hazard to tax collection.

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

BASIC: Ltr, Kyoto Mil Govt Team, APO 301, file 012, dtd 14 May 1949,
Subject: Military Government Surveillance Japanese Tax Administration,
(Report Control Symbol MG-13). Cont'd.

b. Kyoto Municipal Police arrested nine (9) tax officials who accepted bribes and entertainment from tax-payers during the period from August 1948 to March 1949. It was publicized that Kawai, Higashiyama Tax Official, was entertained 37 times by Tsuji, president of Nakamura-Ro Hotel during 1948.

Four (4) Higashiyama, three (3) Sakyo and three (3) Ukyo tax officials, and seventeen (17) tax-payers are involved in the investigation which is now before the court.

3. Operational Assistance Rendered:

a. On 5th April, this team called all superintendents of Kyoto Prefecture together and requested them to improve their tax collections in May. This team also advised them how to take measures against anti-tax payment movements in future.

b. This team, the Japanese Government, banks and other corperations are requesting tax-payers to save money each month to assure enough money for tax payment when each payment period arrives.

On 14th April, about 80 small merchants and industrialists of Sakyo Ward, opened a conference on tax payment at Jakkoji Temple. Monthly deposits were approved by all attendants. The deposits amount from 300 yen to 10,000 yen with an average deposit of 3,000 yen. Arrangements have been made for these deposits to be deposited in the Shiga Bank.

FOR THE COMMANDING OFFICER:

THOMAS R. HARBIN
Capt., Infantry
Adjutant

Report Prepared by:

FORREST A. FOWLER
2nd Lt. Inf.

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

FAF/hk

12 May 1949

SUBJECT: Anti-Tax Demonstrations

THRU: Liaison Office

TO: Chief of Kyoto Prefecture National Rural Police; Chief of Police of each City, Town, or Village; Superintendent of each National Tax Office within Kyoto Prefecture

1. Your attention is invited to the enclosure expressing the opinion of this headquarters toward anti-tax demonstrations.

2. With the increasing emphasis which is being put upon anti-tax demonstrations as a means of intimidating tax officials, it is necessary for a strong stand to be taken by the Japanese Law enforcing agencies in order to keep these demonstrations at a minimum.

3. It is desired that the references in the enclosure be used to their full intent, so as to discourage leaders of anti-tax movements.

THOMAS W. LIGON
Col. CAV
Commanding

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

References:

a. Keibo-hatsu No. 21, Chief, Criminal Affairs Division, Headquarters, National Rural Police 10 Feb 1949, subject: Control over Anti-Tax Payment Maneuvers.

b. Keibo-hatsu No. 30, same office, dated 28 Feb 1949, subject: Tax Offense Control. (Both references forwarded by letter Hq I Corps 19 March 1949, subject: Transmittal of Japanese Tax Surveillance Material, file AG 012-BA)

* * * * * * * * * * * * *

E X T R A C T

d. The attention of law enforcing officials should be directed to paragraph 1, Section II (page 3) of reference a. It is the opinion of this Headquarters that any assembly of a threatening nature outside a tax office, for the purpose of influencing tax officials, should be construed as an act of intimidation interfering with the execution of government official business, and dealt with accordingly. Where spokesmen for such groups enter tax offices and in a threatening manner demand action contrary to law, with the remainder of the group waiting outside lending moral support, they should be arrested and the group caused to disperse. Upon arrest of such persons their houses should be searched for further evidence as outlined in paragraph 5, Sec III of above mentioned reference.

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

FAF/hk

012

11 May 1949

SUBJECT: Study of Tax Structure

TO: Commanding Officer, Kinki Military Government Region, APO 25

1. Reference is made to letter your headquarters dated 24 March 1949, subject: Study of Tax Structure.

2. Inclosure contains a translated consolidated study of the Japanese Tax Structure as made by the Kyoto Prefecture Governor and the Mayors or Chiefs of Villages and Cities which are large enough to have an autonomous police force.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated

THOMAS R. HARBIN
Capt. Infantry
Adjutant

G.O.F. Message Center

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

Report Control Symbol MG-13

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

AFA/hk

012

14 April 1949

SUBJECT: Military Government Surveillance Japanese Tax Administration

TO: Commanding General Eighth Army, APO 343
Attention: Military Government Section

1. In compliance with paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject as above, the following report is submitted.

a. Total National Tax collected at beginning of period:8,715,722,312 yen.

b. Total National Tax collected during period 1 - 31 March 1949: 1,731,071,950 yen.

c. Total National Tax collected for fiscal year up to 31 March 1949: 10,446,794,262 yen.

2. Major Problems:

a. Anti-tax payment maneuvers are becoming actively, especially in Kyoto city. On 29 and 31 March, Anti-tax payment meetings and demonstrations sponsored by the Communists Party, Livelihood Protection Associations or Tax Payment Democratization League were held in the jurisdiction of Kamikyo, Nakakyo, Sakyo, Higashiyama and Fushimi Tax Offices.

About 200 taxpayers, who participated in the demonstration procession, tried to enter the Kamikyo Tax Office after the parade was over. Tax officials and police had difficulty stopping them. Their purpose was plainly to cause disorder in the office. One of the participants insisted on paying his tax, but when he obtained entry he paid only 10 yen against his delinquent taxes amounting to over 100,000 yen.

b. The bookkeeping and accounts adjustment sections of the tax offices are still poor. This team pointed out that several taxpayers were in trouble because of faulty or delayed bookkeeping.

3. Operational Assistance rendered:

a. For the last two weeks of March, this team visited the tax offices which had not obtained 100% of their quota. The purpose of these visits were to interview large delinquent taxpayers, find out why they hadn't paid, and encouraged them to pay their taxes.

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Kyoto Mil Govt Team Ltr., file 012, dtd 14 April 1949, subject: "Military Government Surveillance of Japanese Tax Administration". Cont'd.

b. During March, tax offices have collected delinquent taxes from the Shakufu district amounting to 1,342,556 yen.

c. On March 19th, 100,000 handbills urging taxpayment were dropped by plane over Kyoto city.

d. In March six tax evasion cases came under indictment, and fourteen cases were settled.

e. Eight, out of the Kyoto Prefecture thirteen tax offices obtained 100% during the month of March.

FOR THE COMMANDING OFFICER:

HAROLD C. SHEFFIELD
Major, QMC
Executive

Report Prepared by:

FORREST A. FOWLER
2nd Lt. Inf

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

JCS/hk

21 March 1949

SUBJECT: Study of Japanese Tax Administration

TO: Commanding Officer
Kinki Military Government Region,
APO 25

Study of Japanese Tax Administration
Conducted by 1st Lt., John C. Speedy, Jr.

1. References: Japanese Tax Law, dated 31 March 1947, O.D. 48 dated 17 Aug. 48 (Surveillance of Japanese Tax Administration Conferences with Japanese Tax Officials).

2. Purpose:

A more solid structure of Japanese tax administration and the resulting benefits therein.

3. Discussion:

a. Physical facilities:

The tax offices are overcrowded and dingy and are not conducive to a healthy, bright outlook on the part of the tax office employees. At present there is approximately one tax office per 200,000 persons. This condition tends to overwork the tax officials and the result in many instances is a slipshod, carelessly run office. There is unsufficient transportation in each tax office for the investigation and tax collectors. Cleanliness of a tax office seems of minor concern to the tax official. There is a universal compliant of tax offices of unsufficient electric power.

b. Personnel:

There is a definite shortage of trained tax personnel. The pay scale of this service is low so as to be unattractive to the higher type, capable personnel. The tax superintendents during the slack period (May - Sept) conduct tax educations programs to as certain of the higher type tax office employees. There is also a growing tendency among the general public to look upon tax officials with disfavor, thus another block is thrown against. He would be aspirant for a tax position.

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c. Tax System:

The tax system as it stands today is not clearly understood by the majority of the tax payers. There is definite need for a large scale education program as regards the tax system as a whole. From discussions with Japanese tax officials the following points were brought out.

1. The basic deduction of 15,000 yen should be increased to 30,000 yen.

2. The family deduction of 1000 yen should be increased to 2400 yen.

3. The law ordering individual business owners to keep a true set of books, and making him responsible for same, should be clarified and enforced.

4. Enlarge the secret (third persons) report system and to give 10 % reward regardless of the amount of tax evasion.

5. Regional offices should make exhaustive studies of the capabilities of tax payment of each prefecture and quotas distributed accordingly.

4. Conclusions:

The present organization is inadequate to function properly. With the establishment of a tax office for every 100,000 persons it would tend to alleviate much overwork and make for a higher degree of competency among existing tax offices. The buildings themselves should be modernized and a program of cleanliness instituted. The salaries of tax officials should be increased and the prestige of the offices brought before the public in an agreeable light.

5. Recommendations:

1. There should be a broader education system, as regards taxes, brought before the public, using all available means, such as newspaper, radios, educational classes.

2. The tax positions should be made attractive to higher type personnel, though increased wages, prestige and requirements.

FOR THE COMMANDING OFFICER:

THOMAS R. HARBIN
1st Lt., Infantry
Adjutant

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

Report Control Symbol Mg-13

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

JCS/hk

012

15 March 1949

SUBJECT: Letter of Transmittal

THRU: Commanding Officer Kinki Mil Govt Region, APO 25

TO: Commanding General I Corps, APO 301

In compliance with Operational Directive Number 48, Headquarters Eighth Army, dated 17 August 1948, transmitted herewith is Report on Surveillance of Japanese Tax Administration.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated.

THOMAS R. HANDIN
1st Lt. Infantry
Adjutant

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

Report Control Symbol MG-13

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

JCS/hk

012

15 March 1949

SUBJECT: Military Government Surveillance of Japanese Tax Administration

TO: Commanding General Eighth Army, APO 343
Attention: Military Government Section

1. In compliance with paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject as above, the following report is submitted.

a. Total National Tax collected at beginning of period: 6,937,804,921 yen.

b. Total National Tax collected during period 1- 28 February 1949: 1,777,917,391 yen.

c. Total National Tax collected for fiscal year up to 28th February 1949: 8,715,722,312 yen.

2. Major Problems:

a. Because of low estimated self-assessment by the tax payers, the tax offices have made reassessments. However, the amount of reassessment is usually considered high. The majority of tax payers are dissatisfied, complaining about such high reassessment. The communists take advantage of this as one of their propaganda measures. Attention was given to this campaign and counter propaganda encouraged.

b. The team instructed all tax superintendents of the Prefecture to collect the delinquent taxes and SHAKUFU's evaded taxes at a conference held on 2nd and 10th, February. In spite of this concentrated effort, the results still leave much to be desired.

c. With reference to the Chinese delinquent taxes, this team met with the representatives of their association during February. At this meeting the team stressed cooperation with tax officials and completion of the full payment of their delinquent taxes by the end of February. The taxes in arrears amount to 12,790,275 yen.

3. Operational Assistance rendered:

a. Disclosure of a tax evasion case amounting to 5,000,000 yen

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

committed by Chinese bakers, GOSEIKO, KOSEITO and others, was made on 14th and 15th February.

b. The Gunze Textile Company, located at Ayabe, Kyoto Prefecture has kept dual account books and evaded corporation taxes amounting to ¥34,000,000 since last year. This case was disclosed by the Osaka Regional Finance Bureau. It is under investigation by the Kyoto Procurator's Office.

c. This team met with all superintendents of the city tax offices for the purpose of discussing reports that the officials use abusive language and adopt a rude attitude toward the public and also for misusing the name of M.M.G.T. Their unsatisfactory attitude was pointed out and they were given a warning about future policy.

d. A "Tax payment bus" arrived from Tokyo and a placard exhibition concerning payment of taxes was held in this city on 18th, February.

e. Local tax problems were discussed at a conference held at Kyoto Chamber of Commerce and Industry on 15th, February. Attended by approximately 300 people. This team visited city ward offices from time to time.

f. Fushimi Tax Office is the only office which has attained its quota (including transaction tax) by the end of February, however, it is believed that by the 10th of March, Fukuchiyama and Sonobe Tax Offices will attain their quota.

FOR THE COMMANDING OFFICER:

THOMAS R. HAPPEIN
1st Lt., Infantry
Adjutant

Report Prepared by:

JOHN C. SPRENY JR
1st Lt. FA

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 775013

Report Control Symbol MG-13

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

JCS/cs

012

11 February 1949

SUBJECT: Letter of Transmittal

THRU: Commanding Officer Kinki Mil Govt Region, APO 25

TO: Commanding General I Corps, APO 301

In compliance with Operational Directive Number 48, Headquarters Eighth Army, dated 17 August 1948, transmitted herewith is Report on Surveillance of Japanese Tax Administration.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated.

THOMAS R. HARBIN
1st Lt. Infantry
Adjutant

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Message Center

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

Report Control Symbol MG-13

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

JCS/cs

012

11 February 1949

SUBJECT: Military Government Surveillance of Japanese Tax Administration

TO: Commanding General Eighth Army, APO 343
Attention: Military Government Section

1. In compliance with paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject as above, the following report is submitted.

a. Total National Tax collected at beginning of period: 5,773,922,201 yen.

b. Total National Tax collection during period 1 - 31 January 1949, in Kyoto Prefecture: 1,163,882,723 yen.

c. Total National Taxes collected for fiscal year through 31 January 1949: 6,937,804,924 yen.

2. Major Problems:

a. On 8 January 1949, Kyoto Military Government Team met with all the superintendents of the Tax Offices in Kyoto city and the leading members of the Chinese Associations, with reference to the delinquent amount of tax for 1947-48, made by the Chinese. As a result, all the Chinese solemnly promised that they will pay all delinquent taxes for 1947-48 by February 15, 1949, and also that they will file the final returns for 1948-49 to their respective tax offices without fail. In spite of this concentrated effort only 1% of the final returns were in by the end of January 1949. Work on this problem is continuing.

b. The investigation of the income tax evasion of both Shakufu (Prostitute) House-owner, and Shakufu belonging to the Gay Quarters of Kyoto Prefecture is as follows: Shakufu: The taxes evaded amount to 8,754,000 yen on a taxable income of 49,761,000 yen. House owner: The taxable amount is estimated at 71,014,000 yen of their taxable income of 195,187,000 yen.

c. With reference to the attachment and sale of tax evaders' property tax offices are continuing this program with the following results:

Attachments: 4660 cases.
Sales : 209 cases.
Amount realized from sales: 1,851,507 yen 90 sen.

d. With reference to the prosecution against the evaders, we have been urging the chief procurator of Kyoto District Procurator's Office to do

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

BASIC: Kyoto M. Govt Team Ltr., file 012, dtd [illegible] Feb 49, subject: Military Government Surveillance of Japanese Tax Administration". Cont'd

his best to increase his efficiency and to cooperate with us. As th result, the decisions, including the corporation tax ebasion case of Kyoto Press, and other cases were settled. In addition prosecution was made on the corporation income tax evasion case of "Hokkai Marine Product Company" amounting to 1,654,000 yen and its president's income tax evasion case and 9 other cases. Early in January 1949, tax office officials expose the Korean's Alcoholic drinks distilling cases under the jurisdiction of Fushimi Tax Office. This time they gained good results, instead of any re-occurrence, such as occurred at the Nakakyo Tax Office. However there are still some small illegal distillers left in the villages, efforts to effect prosecution are continuing.

3. Operational Assistance rendered:

a. In order to promote tax payments, on 28 January 1949, this team distributed 300,000 handbills by airplane over towns throughout Kyoto Prefecture. Signs have been put on team Jeeps with slogans designed to expedite tax payment. On 31 january 1949, in order to promote tax consciousness among Kyoto citizens, lectures and entertainment were given at the Kyoto theater under the auspices of Osaka Regional Office. Approximately 2,000 persons attended.

b. On 29 January 1949, an anti-tax mass-meeting was held within the Jurisdiction of Higashiyama Tax Office, under the auspices of Japan Communist Party, and the Tax Payment Democratization League. Approximately 500 persons participated in the demonstration parade past the tax office. No disturbance occurred. This maybe the forerunner of other such anti-tax campaigns in other tax districts in the city.

c. The date of the final returns for 1948 was 31 January 1949. The attitude of the general tax payer and tax collections still leave much to be desired. Pressure is being maintained on all tax offices and officials to exert utmost effort in obtaining at least 120% collections.

FOR THE COMMANDING OFFICER:

THOMAS R. HARBIN
1st Lt. Infantry
Adjutant

Report Prepated BY:

JOHN C. SPEEDY JR
1st Lt. FA

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715013

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KYOTO MILITARY GOVERNMENT TEAM
APO (Kyoto, Japan.)

012

27 January 1949.

SUBJECT: Letter of Transmittal

TO: Commanding General, I Corps, APO 301.
ATT: Mil Govt Section

1. Submitted herewith, for your information, is a copy of a Report on Tax Evasion Cases.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated above

THOMAS R. HARBIN,
1st Lt, Inf
Adjutant

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DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto Japan)

012 JCS/hy

27 January 1949.

SUBJECT: Report on Tax Evasion Cases.

TO: Commanding General Eighth Army. APO 343.
Attention: Military Government Section.

I. In compliance with letter Headquarters Eighth Army, Dated 14 January 1949, subject as above, report on persons under indictment, Person under sentence but sentence not carried out because of appeal and persons serving sentence in prison is herewith submitted.

a. Under Indictment

NAME	ADDRESS	PROCURATOR'S OFFICE	LAWS APPLIED
kataoka kazuo	Kyoto city, shimokyo-ku Higashishichijo, Nishi - moto-machi, #161	Kyoto District Court	Transaction Tax Law
Tei Zunko	Kyoto city, Kamikyo-ku, Murasakino, Kita-hananobo cho # 512	"	Liquor Tax Law Art. 14 & 60
Sai meiretsu	Kyoto-city Ukyo-ku Hanazono Kitsuzi Minami-cho #20	"	Liquor Tax Law Art. 14, 17, 60 & 64
Nakamura Kiyosi	Kyoto-city Ukyo-ku Katura Ashahara-cho # 61.	"	Liquor Tax Law Art. 14 & 60
Kin Nanshun	Kyoto-city Nakakyo-ku Nishinokyo Hinamihara-machi	"	Liquor Tax Law Adr. 14 & 60
Kin Hakuju	Kyoto-city Nakakyo-ku Nishi-nokyo Kitakoji-mach #24	"	" Art. 14 & 60
Ri Shonan	Kyoto-city Nakakyo-ku Nakasai-machi #22	"	" Art. 14 & 60
Ri Hozun	Kyoto-Prifec Tsuzuki-gun Yahata-cho Yamamoto #6	Ukyo Summary Court	" Art. 14 & 60
Kan Seiretsu	Kyoto-city Kamikyo-ku Kamigamo Hukadoroike-cho #45.	Kyoto District Court	" Art.14 & 60
R i S hokoku	Kyoto-city Nishinokyo Minami-hara-machi # 15.	"	" A rt. 60 & 16 & 64
Kin Okusun	Kyoto-city Nakakyo-ku Nishino-kyo Kitakozi-machi	"	" Art. 16 & 14
Chin Mizun	Kyoto-city Nakakyo-ku Nichinokyo Kitakozicho # 56	"	" Art. 16 & 64
Shiota Kametaro	Kyoto-city Kamikyo-ku Senbon Kamitachuri agaru Sajuan-cho	"	Transaction Tax Law 13 & 21
Mitsuda Showa	Kyoto-city Simokyo-ku Kuzyo Horikawa Nishiiru Harakozi-cho # 28.	"	Commodity Tax Law Art. 18 & 34

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Yamada Eimei	Kyoto-city Sakyo-ku Yoshida Konoe-cho #7.	Kyoto District Court	Commodity Tax Law Art 18
Morimoto Yashiharu	Kyoto-city Kamikyo-ku Higashi-canbob-cho Marutamachi agaru Minami-cho # 517.	"	" Art 17
Ri Seiki H	Kyoto-city Ukyo-ku Saiin Iamada-cho #24.	Ukyo Summary Court	
Hashimoto Taizen	Kyoto-prifec Yoshagun Yoshizu-mura Sutsu.	Miyazu Branch	

b. Under sentence but sentence not carried out because of appeal to Higher Court.

NAME	ADDRESS	PROCURATOR'S OFFICE	LAWS APPLIED
Nagano Ishiro	Kyoto-city S himokyo-ku Kawara-machi Shizyo agaru Kotobuki Building.	Kyoto District	Income Tax Law Art. 69
Miyake Torao	Kyoto-city Kamikyo-ku S enbon demizu Higashi 14-ken-machi #413.	"	Liquor Tax Law Art. 14 & 60
Kin S hohaku	Tokyo-city Tachihamaku Mumi-cho # 6.	"	" Art 14 & 60
Ka Keisan	Fukuchiyama-city Hori-Katanioka #761.	Fukuchiyama Branch	
Kin Shodai	Kyoto-city Nakakyo-ku Mibu-nakagawa-cho #6	Kyoto District	Liquor Tax Law Art. 14 & 60
Hinikiyama Masao m	Kyoto-city Nakakyo-ku Nishi-nokyo Samaryo-cho # 17.	"	" Art. 14 & 60
Yoshimura Teiro	Hukuchiyama-city sasao #1001.	Fukuchiyama Branch	
Ri Huichi	Kyoto-Prefec Takeno-gun Aminocho #171.	Miyazyama Branch	
Sin Kokin	Kyoto-Prefec Takeno-gun Aminocho S imooka.	"	
Oo Chugen	Nagoya-city Nakagawaku S himo I chi cho	"	
Sen Chogo	Kyoto-Prefec Naka-gun Kawabe Mura	"	
Inoue Sahei	Kyoto-Prefec Miyazu-cho Ban machi # 613.	Miyazu Branch	
Soku Kishitsu	Kyoto city Sakyo-ku, Kitashira-kawa Inari-cho #52	Kyoto District	Incometax Law Arts 69 & 72
Ito Giichi	Kyoto city Sakyo-ku Ichijoji Ikemoto-cho shi Kawara-machi	"	" Art. 62
Kurokawa Industry Co. Ltd.	Kyoto-city Fushimi-ku Fukakusa Nishi Kawara-machi	"	Oporation Tax Law Art. 48 & 51

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BAS TIC: Ltr Kyoto Mil Govt Team APO file 012, dtd 49, subfect:
Report on Tax Evasion Cases. Cont'd.

Hori K Kenosuke	Kyoto City S akyo, Enshoji-cho, #65	Kyoto District	I ncome Tax Law Art. 69
To Toshukei	Kyoto-Prefec Yasagun Miyazu-cho	Miyazu Branch	
S ai Toshun	Osaka-city Asahiju Ikuno-cho	"	
Sai Tutaku	Kyoto Prefec Yosagun Miyazu Niihama	"	
Kan S hudo	Kyoto Prefec Takeno Gun Yasaka Mura	"	
Kin Risan	Kobe-city Fukiaiku Kunoi-dori Kokusai Market	"	
Tadokoro Takeo	Osaka-city Higashinariku Oimazato I chome #1517.	"	
Kurokawa Rokuzo	Kyoto-city Fushimi-ku Fukakusa Nishi Kawaramachi	K yoto District	Corporation Tax Law Art.48
Asano Kakuji	Kyoto-city Fushimiku Kaido-cho	"	" Art.48

c. Serving Sentence in Prison

Kin Toryu	Kyoto-Prifec Takeno-gun Taiza-cho Kurakath	Mineyama Branch	"
Ree Kocheku	S higa Prefec Yasugun Kitazato Mura No		"
Itani Kichizo	Kyoto Prefec Takeno-gun Kizu Mura		"
Inoue Tamotsu	Kyoto Prefec Nama-gun Mineyama-cho S ugitani		"
Kin Hozun	Fukuchiyama-city Naiki 5 chome #156	Fukuchiyama Branch	
Kanamoto Kiyokukan	Fukuchiyama-city Okano S hita #28		"
Ouichi Takao	Kyoto Prefec Naka-gun Kuchi Ono Mura	Mineyama Branch	Admission Tax Law A rt. 16
Kin Sogo	S hizuoka Prefec. Numazu City Midori Machi		"
Ree Shohuku	Fukuoka City Ohamacho #75		"
Kin Seiritsu	Tokyo Prefec. Katsushika-ku Mirai cho		"
Kin Yota	Kyoto City Nakakyo-ku Minami hara cho	Kyoto District	Liquar Tax Law Art. 14 & 64
Cho Mikan	Kyoto Prefec. Tsuzuki-gun Yahata Cho Yamamoto	"	" Art. 14 & 60
Tei Chuichi	Kyoto City Ukyo-ku Nichi Kyogoku Tsujido cho #1.	"	" Art. 16 & 64

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BASIC: Ltr Kyoto Mil Govt Team, APO 301, file 012, dtd 26 Jan 49, subject: Report on Tax Evasion Cases. Cont'd.

Kin Shui	Kyoto-city Nakakyo-ku Mibu Nakagawa cho # 11.	Kyoto District	Liquar Tax Law Art. 64 & 64
Ashida Harue	Kyoto P refec. Amada-gun Kami Toyotomi Mura Hata Naka	Fukuchiyama Branch	
Jyo Zaishuku	Fukuchiyama city Minami Sakaemachi # 10		
Jyo Jintentsu	Wakayama P refec. Kaiso-gun Shimotsu Mura	Mineyama Branch	
Kin Kosin	Amagasaki City Tsubuya Tomo onmae cho #436	"	
Boku Sanchu	Kobe city Hukiai-ku Azuma Dori 5 chome	"	
Ree Meishu	Kyoto city Ukyo-ku S himotsu bayashi Kusunoki cho	"	Liquar Tax Law Art. 60
Kin Keiso	Hyogo Prefec. Himeji City Aboshi Shinzaike Taisho Cho.	"	
Kin Takugen	Kyoto Prefec. Yosa-gun Miyazu cho Tsuruga/	Miyazu Branch	
Kin Hoi	Kyoto Prefec. Yasa-gun Miyazu Cho	"	
Ryu Kaisei	Kyoto P refec. Yosa-Gun Miyazu Cho Mannen	"	
Kin Shin-kichi	Osaka city Ikuno-ku Igai cho Naka I chome	"	
Ree Ryutoku	Osaka city Higashinariku Higashi Kohashi Minamino cho 3 chome #85.	"	
Oi Matakiyo	Kyoto prefec. Takeno-gun shimozu mura Kakezu	Mineyama Branch	
Kin Bunseki	Kyoto Prefec. Yosa-gun Yuwataki Cho Yumiki.	Miyazu Branch	
Kin Fukuseki	Kyoto Prefec. Yosa-gun Yuwataki cho Yumiki	"	
Kin Eichin	Kyoto Prefec. Yosa-gun Yuwataki Cho Yumiki		

FOR THE COMMANDING OFFICER:

THOMAS R. HARBIN
1st Lt, Inf
Adjutant.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

Report Control Symbol MC - 13

HEADQUARTERS
KYOTO MIL GOVT TEAM
APO 301 (Kyoto, Honshu)

CS/cs

012

10 January 1949

SUBJECT: Letter of Transmittal

THRU: Commanding Officer, Kinki Mil Govt Region, APO 301

TO: Commanding General I Corps, APO 301

In compliance with Operational Directive Number 48, Headquarters Eighth Army, dated 17 August 1948, transmitted herewith is Report on Surveillance of Japanese Tax Administration.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated

THOMAS R. HARBIN
1st Lt. Infantry
Adjutant

Mikuriya Collection File

1441kT

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 713 013

Report Control Symbol MG - 13

HEADQUARTERS
KYOTO MIL GOVT TEAM
APO 301 (Kyoto, Honshu)

CS/cs

012

10 January 1948

SUBJECT: Military Government Surveillance of Japanese Tax Administration.

TO: Commanding General Eighth Army, APO 343
Attention: Military Government Section

1. In compliance with paragraph 5, Operational Directive No. 48, Headquarters Eighth Army, dated 17 August 1948, subject as above, the following report is submitted.

a. Total National Tax collected at beginning of period: 4,462,134,165 yen.

b. Total National Tax Collection during period 1 - 31 December 1948, in Kyoto Prefecture: 1,311,788,036 yen.

c. Total National Taxes collected for Fiscal year through 31 December 1948, 5,773,922,201 yen.

2. Major problems:

a. The uncooperative spirit and unwillingness of Chinese Foreign Nationals to comply with Japanese Tax Laws severely impedes collection of taxes owed by that group. Special report, subject: Collecting 1947 - 48 delinquent taxes owed by Chinese Nationals, Report Symbol 48/LO/T/#48, dated 23 December 1948, gives a detailed report of this problem. It is requested that special consideration be given to this matter to effect the collection of the current and delinquent taxes.

b. On 23, 26, and 27 December approximately 50 Korean nationals mobbed the Nakakyo Tax Office in Kyoto protesting against the confiscation by the police of illegally manufactured sake, which had been turned over to the tax officials for sale in lieu of unpaid taxes. Action of this group brought work in the tax office to a standstill until the third day when Municipal Police dispersed the mob by arresting the leaders.

c. For the purpose of educating the public in the importance of paying taxes a parade and demonstration was sponsored by the taxation officials in Kyoto city during the period 21 - 27 December. One hundred secondary school students with a brass band paraded in the streets with slogans explaining the necessity of paying taxes promptly. Also thirty high school girls mounted on a truck rode through the streets calling from house to house urging the citizens to begin the new year free of taxes.

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 715 013

BASIC: Ltr Kyoto Mil Govt Team, APO 301, file 012, dtd 10 Jan 49, subj: Mil Int Surveillance of Jap Tax Administration, report symbol MG - 13. Cont'd.

3. Operational Assistance rendered:

a. During the month the Team discovered a tax evasion on an annual income of approximately 1,500,000 yen. This income is earned by the six (6) Shakufu (Prostitution) Districts in Kyoto city. Personnel from the Team together with taxation officials confiscated records of the above six (6) districts. Inspection of the records revealed that the average monthly earnings per girl is 50,000 yen. Of this amount the girl receives, 23,000 yen, 24,000 yen is kept by the house, and the remaining 3,000 yen goes to the Shakufu Association as welfare and association dues. No taxes have been collected by the tax officials on the above taxable income. At a conference called by the Team commander the vice mayor, chief of police, chief judge, chief procurator, press reporters and tax officials of Kyoto city were encouraged to take immediate and positive action to punish any tax evasion cases and to effect a complete collection of the current and delinquent taxes. Photostatic copies of the most important records were made and the originals were turned over to the taxation officials.

b. Special emphasis was placed by the Team on the prosecution of tax evaders. Particular attention was given the case of Fukuya Toshii, #25 Okazaki Irie-cho, Sakyo Ward, Kyoto city, president of the Hokkai Marine Products & Receiving Company Ltd., who was investigated by request of the Team and turned over to the procurator for filing a false return and evading 200,000 yen income tax. Twelve (12) new cases were turned over to the procurator during the month, bringing the total for the current fiscal year to 78 tax evasion cases.

c. A conference attended by approximately 300 leading merchants, business men and cooperation members of Kyoto city was held at the Chamber of Commerce building on 21 December by the Team for the purpose of obtaining better cooperation between Big Business and taxation officials. It is believed that this conference will aid in the collection of taxes in the larger income brackets and will further the collection of the cooperation and excise taxes.

FOR THE COMMANDING OFFICER:

THOMAS R. HARBIN
1st Lt. Infantry
Adjutant

Report Prepared By:

CLAUD SMITH
Capt CAV

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