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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

HLM/ms

012

7 June 1949

SUBJECT: Tax Surveillance Report

TO : Commanding General
I Corps
APO 301
Attn: Fin & Civil Prop Section

Enclosed is a report on Tax Surveillance Information issued to all teams in the Kinki Region for their guidance and instruction. The information represents abstracts from MG-13 reports of general interest with comments and recommendations of this headquarters and directives of the Finance Ministry and the Regional Bureau to the various tax offices. The latter information is distributed to the tax surveillance officers to insure observance by the various tax offices.

FOR THE COMMANDING OFFICER:

1 Incl:
Tax Surveillance Information
w/7 inclosures

GEORGE MINARIK
Captain CE
Adjutant

(3)

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

HEADQUARTERS
OSAKA MILITARY GOVERNMENT TEAM
APO 25

HCG/kk

6 June 1949

SUBJECT: Model Tax Office

TO: Commanding Officer
Kinki Military Government Region
APO 25

1. In order to improve the tax administration of the Osaka Prefecture local tax offices and more efficiently give assistance in collecting the expected two fold increase in the 1949 goal, this headquarters desires with the help of the Osaka Finance Bureau, to set up a model tax office at the Nishi Tax Office.

2. The present tax superintendent at Nishi Tax Office, Mr. Ito, Hisataro, from our observations during surveillance work, would be suitable to organize this model tax office. The location and structure of the building now occupied by the Nishi Tax Office is believed to be the best of the 28 local offices for this purpose.

3. In organizing the model tax office it would be highly desirable for the Osaka Finance Bureau to select in addition to the chief, the best department and section heads available in Osaka Prefecture for the NISHI TAX Office. It is further suggested that the Chief of the model tax office be designated as the senior tax official in Osaka Prefecture with the responsibility of coordinating tax collection efforts in the entire prefecture. Kyoto currently has one tax chief designated as senior tax official for the prefecture.

4. The model tax office would serve to:

a. Set up a model tax administration.

b. Develop standard operating procedures, which could be used by all tax offices.

c. Develop a personnel training program.

(2)

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

Ltr, Osaka Mil Govt Team, subj: Model Tax Office, dtd 6 Jun 49

d. Conduct training courses for new tax officials.

e. Coordinate MG effort with all local tax offices.

/s/t/ Frank Kowalski, Jr.
Colonel, Infantry
Commanding

1st Ind HDM/ms

Hq. Kinki Mil Govt Region, APO 25, 21 June 1949

TO: CO, Osaka Mil Govt Team, APO 25

1. The desirability of establishing model or example offices has been under consideration by the GHQ, ESS, Internal Revenue Section, for some time. Recommendation was made to the Finance Ministry to consider the advisability of such a program and the final plans for setting up program in operation have been completed only recently.

2. It has been decided to set up 20 tax offices throughout Japan designating them as "e" offices or example offices. It is contemplated that the operation of these offices will be on materially different basis than that of the current office operations. The primary departure in this regard will be relative to the reassessment program. Reassessments in the "e" offices will no longer be made on an arbitrary basis. It is intended to invite taxpayers into the office or contact them by mail when the income in their return appears to be under stated, and invite them to file an amended return. In the event the taxpayer takes exception to the recommendation of the tax office, the reassessment as warranted or investigation may be made as appears desirable from the individual facts. Many other radical departures are contemplated for these offices and will be contained in specific instructions from the national tax agency.

3. Two offices, Nishi Tax Office and Nishinomiya Tax Office, were designated as "e" offices in the Osaka Prefecture. The operation of these offices and the extent of surveillance to be observed over them was discussed during the recent tax conference at Tokyo. It is anticipated that more specific information will be forthcoming relative to the operation of these offices within the very near future.

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

BASIC: Ltr, Osaka Mil Govt Team, subj: "Model Tax Office," dtd 6 June 1949

4. Under the circumstances, it will not be practicable to establish the Nishi Tax Office as a model tax office pursuant to your recommendation. It is essential that these "s" offices be permitted to operate in an uniform manner with a minimum of military government surveillance in order to ascertain whether the proposed methods of operation are feasible and can operate effectively on their own initiative under the new plan.

5. Due to the additional responsibilities incumbent upon the chief of the Nishi Tax Office, it does not appear practicable to have that office designated as the senior tax office responsible for contacting all other tax offices as is currently in effect in other prefectures. If the current plan of coordinating the activities of the Osaka tax offices through liaison with the Osaka National Tax Bureau is not satisfactory or sufficiently effective, the matter will be taken under consideration for change upon your recommendation.

BY ORDER OF COLONEL O'MOHUNDRO:

GEORGE MINARIK
Captain CE
Adjutant

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

RLV/ms

2 June 1949

e12

SUBJECT: Tax Surveillance Informations

TO : All Team Commanders
ATTN: Finance & Civil Property Section

1. Operational Directive Number 53/2 for 1948 eliminates the MG-13, Tax Surveillance Report, as a separate report. In the future, information normally contained therein will be submitted as Annex F of the MG-4, Monthly Activities Report. It will be noted that the tax collection figures are no longer to be included in the report. The tax collection figures are now obtained directly from the Regional Bureau and reported tri-monthly by telephone to I Corps. Collection figures need not be reported by the teams surveillance officers by telephone in the future.

2. Abstracts of MG-13 reports of general interest.

a. Osaka Military Government Team

'All local tax superintendents were again urged to exert pressure on all delinquents with special emphasis on those in the ¥500,000 and over group."

Comment - It is essential that tax surveillance officers make collection of delinquencies a matter of continuing interest and close surveillance. At the end of March, there were more than 1,250,000 cases in this Region involving ¥25,000,000,000. These cases are being settled at the rate of 150,000 to 200,000 per month, but, it appears they are being compromised for substantially less than the correct tax liability. Evidence discloses that some associations have obtained special discount settlements for their members. It is desired that the surveillance officers review a number of specific settlement cases getting all the information possible relative to terms and procedures of settlements.

Emphasis should continue to be placed upon expediting action on large delinquent cases. Hyogo Military Government Team has devised an effective control by requiring tax offices to report on a form drawn up in English and Japanese, listing data as follows: 1 - Personal, 2 - Self-assessment, 3 - Reassessment, 4 - Payments, 5 - Reinvestigation, 6 - Attachment. These were prepared on the 100 leading taxpayers in each of the offices and provides a reference in surveillance to review cases and readily ascertain action being taken on the larger delinquent tax cases. (Schedule of questions attached as inclosure #1.)

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

012, Hq. Kinki Mil Govt Region, Subj: "Tax Surveillance Information", dtd 2 June 1949

b. Kyoto Military Government Team

(1) "Kyoto Municipal Police arrested nine (9) tax officials who accepted bribes and entertainment from taxpayers 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."

Comment - The corruption of the tax officials generally is all too universally recognized and seems to accelerate with time, rather than decrease. During the year 1948, 169 officials were apprehended for various violations of the revenue or criminal laws in the performance of their duties. Embezzlements and bribes involved totaled nearly 8 million yen. For the period January to May 1949, action has been taken against 152 tax officials for accepting bribes and embezzling funds totaling in excess of 11 million yen. The accounting methods and systems of internal control in the Japanese tax structure are antiquated and inadequate. Tax surveillance officers should make this subject a matter of special inquiry in their visits.

Inclosure #2 contains instructions to tax officials issued by the CMFB pursuant to inquiries by this office as to action to be taken in these matters. It is urgent that tax surveillance officers review these instructions with the individual tax chiefs to ascertain whether the dictates are being properly observed.

(2) "This team, the Japanese Government, banks and other corporations are requesting taxpayers 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."

Comment - Official cognizance has been token of the tax savings deposit system. Inclosure #3 explains the purpose and details of establishing and implementing the Tax PaymentReserveDeposit System. Data should be reviewed and compliance therewith observed by surveillance officers.

c. Shiga Military Government Team

"The tax officials still do not use any initiative in prosecuting tax evaders. In some instances, the difference in self-assessed and reassessed amounts would make it apparent that the person intended to evade his fair share of tax. Example: Self-assessed amount

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

012, Hq. Kinki Mil Govt Region, Subj: "Tax Surveillance Information", dtd 2 June 1949

¥15,000, reassessed amount ¥500,000. It is believed that the Osaka Finance Bureau should call in all Chiefs of Tax Offices, and instruct them to prosecute all evaders. If the taxpayers are to respect the law, this must be done, rather than bargaining with them to extort the greatest portion possible of the reassessed amount."

Comment - While prosecution of all cases of intentional evasion are desirable, it is not practicable to do so at present. The volume of cases would soon swamp the procurator's office and courts. Until such time as a special tax court may be established, court dockets must accommodate all criminal and civil cases limiting the consideration that may be given to tax cases. It is essential also that favorable precedents be established in trying tax evasion cases, hence only the largest and most flagrant violations can be considered at present.

This does not obviate punitive action being taken by tax officials to discourage the practice. They may suggest the potential of prosecution even though not feasible, and assert penalties and interest as warranted.

d. Wakayama Military Government Team

"In Shingu City, a mass meeting on taxation, sponsored by Communist, Mr. Jiro Ichikawa, was held on 29 April. The taxation officials, here, were attacked for action taken against a delinquent taxpayer. This Communist, Mr. Jiro Ichikawa, asked the following questions: (1) Was the attachment of this taxpayers property made by the tax office or Military Government? (2) Did the tax chief say attachment was ordered by Military Government? Communist Ichikawa, quoted the tax chiefs answers. The answers to both questions being no. At this meeting the communists then decided to organize a taxation democratic league. Tameo Sanjo defeated Communist candidate for the Diet, was elected chairman of the league. Eight (8) resolutions were passed and handed over to taxation office. The resolution are as follows:

1. Actual income should be investigated and the assessment should be exact and proper.
2. A thorough investigation should be carried out before the assessment so that it will be proper.
3. Re-investigate the amount re-assessed immediately.
4. If it is proved that taxpayer has overpaid, the balance should be returned at once.
5. Immediate investigation should be done for the request for re-investigation.

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

012, Hq. Kinki Mil Govt Region, Subj: "Tax Surveillance Information", dtd 2 June 1949

6. No forcible tax collection shall be made while reinvestigation is requested.

7. Monthly payment or installment should be recognized.

8. We request that democratic taxpayment system under the Shingu Tax Office should be recognized and the tax shall be decided through collective negotiation."

Comment - The items listed in the resolution drawn up by the Communist dominated group are not substantially at variance with the tax enforcement program contemplated. With the exception of the demand that installment payments be accepted and that collective negotiation be recognized, the items are basically similar to aims we are aspiring to in the conduct of the program. It is essential that these facts be made known to the taxpayers lest upon the attainment of them ultimately the Communist groups attempt to claim all the credit for the inauguration of reforms that had been contemplated all along.

3. Mr. Tosuke Yoshida, Director General, of the Osaka Finance Bureau, resigned his position effective 1 June 1949. He will be replaced by Mr. Naomitsu Kubotani, formerly Chief of Bonds and Securities Transaction Committee of the Finance Ministry. Many changes have been effected in the tax offices, resulting in a transfer of between 20 and 30 tax chiefs and many section chiefs.

4. In addition to inclosures previously explained, four additional inclosures are included as follows: Incl #4 - Subject: Remission of Tax on Liquor for Occupation Forces, Incl #5 - Subject: Penalty Tax on Withholding Tax, Incl #6 - Subject: Revision of Transaction Sales Tax Law, and Incl #7 contains information relative to the establishment of a payment expediting board for government contracts.

Wiley H. O'Mchundro

WILEY H. O'MCHUNDRO
Colonel Inf
Commanding

7 Incls:
As indicated

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

TAX OFFICE

I - PERSONAL DATA

1. Name:
2. Address:
3. Occupation:

II - SELF ASSESSMENT DATA

4. Self Assessed gross income reported:
5. Self Assessed taxable income reported:
6. Self Assessed tax:
7. Date Self Assessed income tax report filed:
8. Amount paid:
9. Date paid:
10. Penalty:
11. Amount delinquent:

III - REASSESSMENT DATA

12. Date reassessment made:
13. Reassessed gross income:
14. Reassessed taxable income
15. Reassessed tax:

IV - PAYMENTS

16. Total amount paid:
17. Dates paid:
18. Total penalties:
19. Total amount delinquent

INC 1 #1

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

V - REINVESTIGATION DATA

20. Date of appeal to local office for reinvestigation:

21. Date local tax office started reinvestigation:

22. Date local tax office reinvestigation will be completed:

23. Resultsof reinvestigation:

    a. Gross income:

    b. Taxable income

    c. Tax due on b:

    d. Reason for reducing or increasing tax:

24. Date reinvestigation results sent to Regional Office:

25. Date reinvestigation results returned to local office:

26. Amount paid after reinvestigation:

27. Total unpaid tax

28. Total penalties:

29. Total amount delinquent

VI - ATTACHMENT DATA

30. Date notice for attachment (expediting letter) sentout:

31. Date of actual attachment:

32. Type of property attached:

33. Estimated value of property attached:

34. Date of sale of attached property:

35. Amount received from sale:

36. Remarks:

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

PREVENTION OF FREQUENT GOVERNMENT MONEY MISAPPROPRIATION CASES

Account Dept., Osaka Finance Bureau

Last year government money misappropriation cases happened at no less than ten local tax offices under the supervision of the Bureau. These deplorable cases were mostly the result of the thoughtless conduct of unexperienced junior staffs under the age of twenty-five as well as of the lack of controlling power on the part of senior staffs who have to bear the responsibility to lead and guide their subordinates.

In view of the above deplorable happenings, the Bureau is going to enforce the following measures in an effort to stem out such regrettable cases in the future.

A. Cause of misappropriation.

(1) Approximately 80 percent of the tax officials of local offices are under the age of twenty-five and they have only one or two months experience in their work. It is quite natural that their work lacks in efficiency.

(2) It is a general phenomenon that younger generation has weak mind and on the other hand is fonds of indulging in pleasures, mostly under the bad influence of the war. One night pleasures requires a large amount of money nowadays, while young people's income or wages are too small to afford.

(3) Senior officials are neglecting to guide their subordinate to the proper course of doing work.

(4) Taking advantage of the above unfavorable conditions junior staffs are inclined to commit illegal acts which are hard to discover.

(5) At local tax offices custody of important official document or accounts books has not been satisfactory, so senior responsible persons have difficulty in finding if some one has manipulated the figures registered in the Income Tax Investigation Book or the Tax Collection Registry.

(6) It is not unusual that the total amount of the Tax Collection Registry classified by Taxpayers does not coincide with the total amount of collected and collectible tax written on the Master Registry for Tax Collection.

- cont'd -

INCL #2

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

(7) The total amount of the Investigation Book kept by the Direct Tax Section also does not coincide with that of the Tax Collection Registry kept by the General Affairs Section.

(8) If staffs of the Direct Tax Section and the General Affairs Section in conspiracy juggle the Investigation Book, Tax Collection Registry Delinquent Tax Registry and Coercive Collection Slips at the same time, it is almost impossible to discover such a cunning tactics.

(9) Official documents are usually piled high on office chief and other responsible senior staffs' desks waiting their approval. The disposal of these documents is carried out in the buresaucratic manner, affixing the personal seals on them paying the least attention upon the subjects. In some cases, responsible person don't care about the custody of official seals.

B. Strict Measures to be Enforced.

The following procedures shall be put into effect regarding income tax administration where these cases most frequently occur:

(1) As misappropriation cases are committed almost always by unexperienced staffs of low grade, strict supervision and guidance on the part of office chief and other senior staffs are required.

(2) The Income Tax Investigation Book and Tax Collection Registry will hereafter be integrated and filed by a card system. The administrative work in the Direct and General Affairs Sections will be more unified with outside collection and investigation work clearly separated.

(3) The Income Tax Investigation Book and Registry file will be separated into groups of 300 taxpayers with each group assigned to a responsible official.

(4) The Delinquent Tax Registry will be merged with this Income Tax Investigation Book and Registry and officials conducting collection of delinquent taxes will not be concerned with the registry thus avoiding and preventing illegal cases.

(5) Taxpayers will be numbered in consecutive order on the Income Tax Investigation Book and Registry to prevent and easily detect loss or theft of these cards.

(6) All important documents will be kept in boxes for custody purposes and locked after office hours by a designated administrative supervisor.

(7) In order that these documents may be easily kept track of each official responsible will be required to affix his seal in the designated space provided.

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

(8) In case of deleting figures in the Tax Collection Registry and ledger by delivering a notice of receipt to a taxpayer, a responsible person other than the readjustor must examine it and affix his seal beside the deleted figures.

(9) In order to clarify the collected amount and collectible amount as well as for the convenience of book keeping, both index and summary sheet should be prepared, and contents of official documents should be examined and acknowledged by responsible persons in charge at the end of every month.

(10) The current cash book audit should be strictly observed and at least ten competent inspectors must be sent to each local tax office.

(11) The Bureau will inquire 50 to 100 taxpayers chosen at random about the amount of tax paid for checking purposes. These inquiries should be kept in secret toward tax collectors concerned.

(12) Short term lecture course on systematic office work will be opened for junior tax officials in an attempt to let them familiar with the daily taxation work.

(13) The current inspection system should be enlarged and strengthened in order to establish effective measures to prevent illegal cases.

It is a matter of course to put into effect the above instructions on important points, but it is also necessary to observe the directives (see attached sheets) pertaining to the prevention of illegal conduct in order to minimize the happening of law violation cases.

Attached Sheet 1. (Translation)

Kei Cho 1/No.173 Date: 12 March 1949

TO : All Tax Office Chiefs.
SUBJECT: Special Instruction on Cash Accounting.

In view of the fact that the amount of revenue to be handled at local tax offices has considerably increased recently, you are directed to observe strictly the following instructions as well as to comply with the directive of this Bureau, Kei Cho 1/ No.11, dated 8 January 1949, pertaining to the supervision of subordinate officials directly in charge of tax collection.

1. Cash receipt accounts book should be prepared in the following form in order to make sure the status of cash received.

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

(Example)

Date	Seal of Office Chief	Seal of Sec. Chief	Seal of Official in Charge	Received	Disbursed	Balance	
1 Mar 49	(Seal)	(Seal)	(Seal)	1,000		1,000	x
22 Mar 49	(")	(")	(")		Mark 50	950	x
15 Mar 49	(")	(")	(")		Mark 50	900	x
17 Mar 49	(")	(")	(")	Mark 32		932	x

	Remarks	Seal of Receiver
x	Received from Account Official of Articles	(Seal)
x	Transferred to Account Official	(Seal)
x	Handed over to so and so Official	(Seal)
x	Received from so and so Official because of resignation from his post.	

Other accounts books also should be prepared in the same form as above and kept together.

Having these accounts books is one of the fundamental things for bookkeeping, but local offices are neglecting this most important matter.

2. Coercive Collection Slips should be kept in a box with key and only responsible officials in charge can register the slips. The final Collection Slips of revenue officials should also be prepared and kept in order.

3. Revenue gained by coercive collection must handled over to the treasurer and kept in a safe within the day the revenue is received. Only with the permission of section chief or senior official in charge, revenue official can go to distant places for tax collection and hand over the receipt to the treasurer the following day.

4. Delinquent Tax Disposition Record and Cash Accounts Book are to be presented everyday for inspection purposes to office chief or other responsible officials in charge, whose duties are to examine if transfer of receipts to the treasurer is precisely registered in the Delinquent Tax Disposition Record as well as to check if any delay in the transfer of cash revenue to the treasurer is registered in the Cash Account Book. Any delay in the transfer of cash revenue is found, the revenue official concerned will be forced to give the office chief a detailed account of explanation about his delay.

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

5. When a revenue official returns to the office from tax collection, his original cash receipt slips must be examined by the responsible official in charge as well as the actual cash received, and then placed in custody.

6. As to securities mailed from a tax payer, it must be transferred to the treasurer immediately after registering the amount in the Received Securities Accounts Book. Receipt slip should be mailed to the taxpayer concerned without delay.

/signed/ Tosuke Yoshida
Director General
Osaka Finance Bureau

Attached Sheet 2 (Translation)

Kei Cho 1/No.219 Date: 30 March 1949

TO: All Tax Office Chiefs

SUBJECT: Prevention and Early Discovery of Illegal Cases in Respect to Cash Accounts.

Reference to the directive of the Bureau, Kei Cho 1/No. 173, dated 12 March 1949, subject: Supervision of Cash Accounts.

You are hereby directed to observe the following instructions.

1. If you suspect any revenue official or accounting clerk of illegal conduct, you or General Affairs Section Chief must send letter of inquiries to certain number of taxpayers (may be 50 taxpayers will be sufficient) to make sure whether any illegal conduct is committed by the person in question. In quires should, of course, be secretly conducted by office chief or General Affairs Section Chief himself. Although there might be no suspicious persons in the office, such inquiries as above is necessary to be conducted every or every other months.

2. Seals of revenue officials and accounting clerks must be placed in strict custody by separating them from others. And they can be used in the responsibilities of the General Affairs Section Chief. In addition, seals must be affixed on both edges of the Receipt Book and the original slip.

3. Cash Receipt Books should be examined before handed over to revenue officials if any leaf or mark is missed.

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

4. Always keep eyes on the behavior of revenue officials and accounting clerks in order to prevent beforehand the happening of law violation cases.

/s/ Tosuke Yoshida
Director General
Osaka Finance Bureau

Attached Sheet 3. (Translation)

Kei Cho 1/No.236 Date: 5 April 1949

TO: All Tax Office Chiefs

SUBJECT: Progress Report on Prevention and Early Discovery of Illegal Cases pertaining to Cash Accounts.

1. Reference to the directive of this Bureau, Kei Cho 1/No.219, dated 29 March 1949.

2. In the above directive, the sentence of (may be 50 taxpayers will be sufficient) is deleted and insert the following sentence there.
(As to ordinary tax offices 50 to 100 taxpayers; in the case of the office where revenue officials handle rather a large number of taxpayers, 100 to 200 taxpayers should be chosen).

3. You are hereby directed that a monthly progress report on prevention and early discovery of illegal cases in regard to cash accounts will be submitted to the Director of the Accounts Department of this Bureau by 10th of the following month.

4. The monthly report should contain the following items.

a. Number of cases letter of inquiries sent to taxpayers.

b. Number of cases replies of taxpayers received.

c. Number of cases letter of enquiries failed to reach the destination.

d. Number of illegal cases discovered.

If any illegal conduct is discovered, immediately send report on the name (s) of the revenue official(s) or accounting clerk(s) as well as a detailed statement of discovery.

FOR THE DIRECTOR GENERAL

K. Noguchi
Chief of Liaison Section

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

OSAKA FINANCE BUREAU
(Osaka)

10 May 1949

OFB No. 255

TO : Mr. Mangerich,
Kinki Military Government Team.

SUBJECT: Directions as to Implementing the Tax Payment Reserve Deposit System.

TRANSLATION

In view of further additions to the present heavy tax burden on the nation's shoulder it appears necessary for some sort of a system whereby a more smooth and harmonious tax payment can be conducted. The following tax payment reserve deposit system will be implemented in the near future. Therefore it is of high importance that the significance and purport of this system is adequately explained and publicized.

1. It is to be noted that the most effective method of promoting and dessiminating information of this nature would be through various associations and organizations of manufacturers and retail enterprisers. It is urged that meetings with these associations and organizations be held on the widest scale possible to thoroughly explain and orient them with the attached summary table for computing income tax to be placed in the reserve deposit.

2. Proper procedural preparations and arrangements for receipt of these deposits will be carried out by all financial institutions (with the exception of post offices). These institutions will be provided with the list of names, addresses and representativ's names of business associations and organizations including local chapters in the area so that necessary data will be available so that an intensive campaign can be conducted in familiarizing them on the summary table for computing self assessed income tax to be placed in the reserve deposit.

3. The summary table for computing income tax payment to be placed in the reserve deposit and its explanation will be fully advertised through the newspapers.

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INCL #3

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

The final Proposal of the Tax Payment Reserve Deposit System.

1. The following institutions and associations will be permitted to receive savings and deposits from taxpayers; Banks (Including trust banks). Urban District Credit Associations, credit associations, agricultural cooperative associations, mutual loan companies, fisherman's associations receiving savings. The financial institutions will be permitted to receive savings and deposits from the above designated institutions and associations.

2. Tax payable from Tax Payment Reserve Deposit.

All national and local taxes may be paid from this deposit (with the exception of taxes collectible by the person liable to collect such as withholding taxes by employers, etc.).

3. Conditions Regulating the Tax Payment Reserve Deposit System.

a. Deposits by the taxpayer will be free and unrestricted.

b. Withdrawls by the depositor (or his relations residing with him) will be limited to payment of taxes listed in Article 2 above. However in the following circumstances exception to this ruling will be permitted:

(1) Where extensive loss of property or assets resulting from disaster or other unavoidable reasons making it imperative for the depositor to furnish necessary assets and where it is approved by the financial institution.

(2) The amount corresponding to the interest on the principal.

c. The rate of daily interest will not exceed .007 per cent. However when withdrawls are made asin case b(1) the interest rate on the amount will be calculated as in the case of ordinary deposit.

In the case of Urban District Credit Associations, credit associations, agricultural cooperative associations and fisherman's associations whose present daily interest rate is .001 per cent higher than the banks, the amount limited to .001 per cent will be added to the daily interest.

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

d. Income tax pertaining to interest on reserve deposit system.

Tax will not be levied upon interest accruing from these deposits. However in the case of withdrawals as in b(1) the interest will be taxed.

e. Procedures for withdrawal from the Tax Payment Reserve Deposit.

(1) Depositors who have reserve deposits in financial institutions, which also act as agents for the Bank of Japan, national tax or local public entity monetary organs, and desire to pay their tax from their deposits to the above mentioned establishments may do so by simply filling out a payment statement or a tax payment notice and transfer the account.

(2) Depositors who have deposits in financial institutions which are not agents for the Bank of Japan, national tax or local public entity monetary organs and desire to pay their tax must as a rule write out a check (credit checks made out to the Federated Agricultural Cooperative Association by local agricultural associations may be used in districts where it is in practice) to the name of the most convenient Bank of Japan, agent or local public entity monetary organs.

f. Computation of reserve deposit interest amount eligible for taxation.

The calculation of reserve deposit interest amount eligible for taxation is as follows:

(1) The withdrawals from this reserve deposit will be recognized as in the order that the deposits were made in this reserve fund (that is to say the withdrawals be made from the first deposits).

(2) The accrued interest amount will be transferred and carried over into the principal as though it is a deposit.

g. Others.

(1) The calculation of time period, unit to which it will be carried out, etc. on interest accruing from the Tax Payment Reserve Deposit shall be in accordance with the customary procedures followed by the financial instructions handling thedeposits.

- cont'd -

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

(2) Withdrawals from this reserve deposit shall be entered in detail as to year, period and type of tax being paid on the ledger and deposit pass book.

Remarks:

a. This system shall be put into effect beginning from Day Month 1949. (The enforcement date will be determined later).

b. The procedures for handling non taxable interest from Tax Payment Reserve Deposit shall be carried out in accordance to rules and regulations of Temporary Management Law for Taxation.

c. The procedures concerned with the rate of interest for Tax Payment Reserve Deposit shall be carried out in accordance with rules and regulations of the Temporary Interest Adjustment Law.

d. The above directly does not apply to Tax Payment Reserve Deposit system in Post Office savings accounts.

Summary Table for Computing Reserve Deposit for Self Assessed Income Tax

The summary table for computing reserve deposit for self assessed income tax is not reproduced herewith. These tables may be obtained through or seen in the tax offices. They are guides to the 14 classifications of business listedas to the amount of deposit that should be made daily and monthly by those business based upon gross income of 200 to 20,000 yen per day.

The classification table made part of the schedule follows. The listing is so arranged as to reflect the enterprises with the lowest net profit return per gross income dollar to that reflecting the highest, (ie., Meat markets etc., in classification 1 reflect a relatively low net profit return per dollar of sales, whereas carpenters, masons, etc. in classification 14, being primarily a personnal service business with little expense attachedwould reflect a much higher net taxable income per dollar of revenue).

Attached sheet.

CLASSIFICATION TABLE FOR BUSINESS ITEM

Classification	Business Item
Group 1	Retail sale of meat, retail sale of text books, whole-sale of clag thong.
Group 2	Wholesale of kitchenwares, wholesale of hardwares, exen and horses, wholesale of toilet-articles, wholesale of rubber manufactures, wholesale of lumber, wholesale of green grocery, retail sale of wine, wholesale of sports articles, wholesale of edged tools, (includes carpenter's tools), wholesale of machinery and tools, wholesale of miscellaneous goods, wholesale of grocery, wholesale of canned and bottled goods, wholesale of seaweed, wholesale of watches, wholesale of footwears, wholesale of stationeries, wholesale of second-hand clothes, wholesale of toys and wholesale of electric appliances.
Group 3	Wholesale of furnitures, wholesale of paper, retail of lumber, wholesale of eye glass, wholesale of chinawares, wholesale of bicycles, retail sale of soy, sauce, wholesale of tools, construction and engineering works, wholesale and manufacturing of hardwares, wholesale of paper, wholesale of fancy goods, wholesale of pickles, wholesale of tsukudani (cooked food in soy), books and magazines (new ones), manufacturing of drugs and medicines.
Group 4	Retail of household utensil, retail of furnitures, wholesale and manufacture of bags and shoes, retail of green groceries, retail of fresh fish, retail of confectioneries, retail of drugs, retail of toys, retail of sports articles, retail of hardwares, manufacturing of edged tools, (include carpenter's tools), retail of paper, retail of machines and tools, manufacturing of toilet articles, retail of toilet articles, manufacturing of rubber products, retail of salted dry fish, retail of groceries, retail of canned and bottled goods, retail of seaweed, retail of pickles, manufacturing of tsukudani (cooked food in soy), manufacturing of footwears, retail of footwears, manufacturing and retail of stationeries, retail of ready-made clothing (foreign style), manufacturing of toys, retail of electric instruments, manufacturing and wholesale of chinaware, manufacturing of paper boxes, contract for dyeing, transportation business (both oxen and horse and labor) and pawn-broker.

- con'd -

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

Classification	Business Item
Group 5	Manufacturing of household utensils, printing, retail of bags and shoes, retail of watches, retail of clog thong, retail of second-hand clothes, retail of bicycles, retail of straw mats, public bath houses (not owned), manufacturing of rough boxes, retail of edged tools (includes carpenter's tools), retail of rubber manufactures, retail of miscellaneous goods, retail of chinaware, retail of foreign style clothing (order), manufacturing of castings, manufacturing of bicycles, retail of tools (new), manufacturing of iron products, manufacturing of furnitures, lumber manufacturing, dyeing of fabrics.
Group 6	Restaurants, tea-rooms, manufacturing and retail of hardwares, anufacturing of pickles, publishing, retail of eye glasses, tools (second-hand), manufacturing of soy, manufacturing of electric appliances, contract work for castings, contract for textile arrangement in classes, manufacturing and retail of chinaware, hotels (lodging houses), public bath houses (owned).
Group 7	Ice candy, (popicle), seal-engraving and carving, manufacturing and retail of shoe, contract for iron works, electrical works, noodle processing, contract work for printing, hotels (ordinary), manufacturing of furnitures (having no outside employees), dyeing, transportation (sailing-boat with auxilary engine) (engaging a captain).
Group 8	Special tea-room, retail of shiruko and zenzai (red-bean soup with rice-cake in it), contract for lumber manufacturing, transportation (truck), brokerage of every kind of articles, hotels (hotsprings, apartment with board).
Group 9	Social tea-room, retail of second-hand books and magazines, repairing of iron-wares, bread processing bakery, barber and beauty-parlour (having employes), transportation by self-labor (by means of ox or horse power), transportation by sailing boat with engine (being the ship's own captain).
Group 10	Shoe-repairing, laundry, hotel.

- cont'd -

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

Classification	Business Item
Group 11	Repairing watches, tailoring, washing and drying Japanese Kimono, flour milling, tailoring of foreign style clothing, doctor, dentist, printing and carving, repairing of foreign style clothes.
Group 12	Repairing of bicycles, tax-practitioners, public accountants, lawyers.
Group 13	Repairing of straw mats, barber and beauty-parlour (no employees), acupuncture and moxibustion, midwifery, professional performers.
Group 14	Massagers, carpenters (employed), masons (employed).

HOW TO CONSULT THIS TABLE: First the person who is engaged in a business should examine what category his business item falls in by the supplementary list, and next he should see the amount of reserve fund ready for tax payment noted down in the column "Classification" according to the difference of the column "The amount sold and income per day" in the list for a rough estimate of the reserve deposit.

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

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

(TRANSLATION)

KAN NO. 752

April 30, 1949

TO: Tax Chiefs

SUBJECT: Remission of Tax on Liquor for Occupation Force

In reference to the above you were requested to handle the tax on liquor for the Occupation Force in accordance with the instruction dated April 12, 1948, KAN NO. 647 issued by the Bureau. The problem has been carefully studied since then by G.H.Q. and competent authorities and the attached final policy has been set up. However you are requested to notify this policy to the local agencies concerned.

1. Hereafter the liquor produced by Japanese in Japan will not be supplied to the 8th Army Forces. If any force requires such liquor, all kind of liquor (including beer) will be supplied at the price of free sale liquor. Nomatter what it is no liquor will be provided at the price exempted tax or rations liquor price.

2. Regarding the beer for BCOF no tax will be levied on 775 koku beer as stated in the instruction dated April 12, 1949 KAN NO. 647. However the free sale liquor price will be charged to the beer exceed 775 koku. However the beer which is to be supplied in the recreation places of Occupation Force will be provided at the price of ration liquor price. Other liquor will be provided at free sale liquor price. The allocation of liquor supplying will be made on receipt of the receipt of certificates issued by the Commanding Officers of respective local Army as formerly conducted.

3. Date of Commencement.
The revised policy stated in this instruction will be observed from the date of receiving.

4. Report.
In regard to the report the instruction will be issued later.

Price of Liquor for Occupation Force.

A.

Item	Non Tax Price	Ordinary Price	Free Price
Suntory	251.19	1,045	1,245
Beer	25.12	75	130
Sake	200.79	600	1,150

B.

Items	U.S.Army	BCOF	Recreation Use
Suntory	Free Price	Free Price	Free Price
Beer	Free Price	Non Tax Price	Ordinary Price
Sake	Free Price	Free Price	Free Price

If the quantity of beer exceeds 775 Koku (775 Koku for whole country and 15 Koku for Osaka) Free price will be charged.

INCL #4

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

27 April 1949

To Chief of Tax Offices

Subject Re Penalty Tax on withholding Tax.

Regarding the above subject, we are in receipt of an information from the chief of Taxation Bureau, Tokyo, as per separate sheet.
You are requested to be careful in handling of the above tax assessment to avoid any mistakes.

Chief of Osaka Regional Bureau.

INCL #5

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

To Chief of Osaka Regional Bureau.

Chief of Tax Bureau, Tokyo.
23 April 1949

Subject: Re the levying of penalty Tax upon the withholding income Tax.

As specified under the 2nd paragraph of Article No. 57 of the Income Tax Act, we do not assess penalty tax (25% of tax amount) in case when there is "unavoidable reason" on the part of tax payers. We have limited, for the time being, the interpretation of "unavoidable reason" as specified below. Further, as a transiting measure till Sept. of this year.

(A) Chief of tax office, if he found such satisfactory reason on the side of tax payer (person who collect taxes from employees, etc) for not paying taxes on due date, can exempt from levying such taxes for the first error, giving him a strict warning for the future.

(B) For delinquent payer (person who collect taxes from Employees, etc), chief of tax offices are requested to urge collection and payment as soon as possible after the time limit of each month, informing him the penalty tax will be levied strictly for the tax in arrears.

Penalty taxes will be levied on all withholding taxes in arrears except the following two cases.

(1) In the following instances penalty taxes will not be levied as there are "unavoidable reasons". Evil natured delinquent tax payers excluded.

(I) In case when collectors of withholding taxes not paid in to tax offices.

(a) Non payment of such taxes are due to some natural calamities or acts of God. But this is only in case chief of Tax Office has duly been notified of the reason of non-payment soon after such occurence had ceased and payment made within one month.

(b) In case when there is doubt on the part of Tax Office if certain withholding tax should be collected or not. Non-payers with important fault excluded.

(c) Tax Payers with good records in the past, and fresh non-payment by time limit happened only by chance. But even in this instance tax office should be notified, and payment made within one month after the time limit. In this case chief of Tax Office

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

must obtain sanction from chief of Regional Bureau.

(d) When Chief of Tax Office report to the chief of Regional Bureau of a case in detail with full explanation to show the existence of "unavoidable reason", and when necessary sanction be given from the said Bureau.

(II) In case when Payer (person under obligation to collect such tax of make payment) has not collected the withholding taxes.

(a) Collection of such taxes are due to natural calamities or Acts of God. But only in case when chief of tax office has been notified of the reason of non-collection, soon after such occurence has ceased and collection made and paid in within one month.

(b) In case when there is doubt on the part of tax office if a certain withholding tax should be collected or not. Non-collection with important fault excluded.

(c) In case uncollected amount being less than 10% of total amount. (90% already collected and paid in by time limit.)

(d) Tax collectors with good record in the past. Fresh non-collection happend only by chance. But even in this instance tax office should be notified for such delay of collection and payment should be made within one month after the time limit. In this case chief of tax office must obtain sanction from chief of Regional Tax Bureau.

(e) When chief of tax office report to the chief of Regional tax Bureau of a case in detail with explanation to show the existence of "unavoidable reason", and when necessary sanction given by them.

(2) In case when such penalty tax amount being less than one thousand yen, levying of such penalty tax can be withheld. But evil natured tax payers excluded.

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

(TRANSLATION)

MINISTRY OF FINANCE
TAXATION BUREAU

SUBJECT: Revision of Transaction Sales Tax Law.

PREFACE:

The Transaction Sales Tax Law has been revised lately, of which principal points revised, are that the payment system by revenue stamp previously enforced, has been abolished and it has been decided that the tax should be paid in cash every month. Secondly the scope of business or transaction on which no taxes should be levied, has been extended and at the same time, when the amount of the transaction in a month does not come to 30,000 yen. No transaction sales tax should be levied on the business for the month, even if it should be equivalent to the business taxable.

The Bureau wishes all tax payers to understand the purport of this revised Law so that you may cooperate with the Bureau by reliable declarations and tax payment for the establishment of sound Finance.

MAIN POINTS OF REVISION:

(1) Transaction Sales Tax will be paid in cash from 1 May 49.

Transaction Sales Tax payment by revenue stamp as in the past was abolished on April 30 1949, and the tax for transactions on and after May 1st should be paid in cash. Persons who are engaged in a business should submit their declarations in which their amounts of transactions and taxes every month at each of their business office to the tax office concerned through bank or post offices and at the same time, they should pay their amounts of tax recorded in their declarations by the 10th of the following month.

(2) The new establishment of tax exemption limit.

If the transaction amount of a month does not come to 30,000 yen, the transaction sales tax for the month, need not to be paid, however, the above system is not the basic reduction, so if the transaction amount should come to 30,000 yen, the tax assessment should be applied to the whole amount of the above, therefore ¥300 tax shall be paid. On the other hand when persons have more than two business offices, by the total amounts of transactions conducted in each of their offices, decision shall be given whether the above amounts get to 30,000 yen or not.

INCL #6

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

(3) Extension of Scope connected with tax free business and transactions:

Besides those business and transactions that have been decided to be free from tax, the following business and transactions have been recently added to the above.

a. Pawn Broker Business

b. Hotel
(By the Regulation of Hotel Business Law, the hotel which is equivalent to the standard of being a plain hotel.)

c. Beauty-parlour business

d. When the transaction amount for the sale of the articles, performed by exchanging them for food tickets is less than 50 yen every time.

e. Manufacturing, agency and sale of marine products worked, distributed by the regulation of marine products worked Distribution.

f. Sale and agency of staple food and seeds and young shoots of vegetables.

g. Contract for funeral services.

h. Loans given for the benefit of mutual aid among the members of the association established for the object of their mutual aid.

The following transactions which are conducted between a cooperative association and members attached to the association.

(1) Sales of commodities which the members of the cooperative association established by the Law, perform to the association of themselves, by the order, based on the Law concerning the Temporary Adjustment of Demand and Supply of Commodities.

(2) The cooperative association receives collectively allotment of commodities which originally should be individually alloted to the members of the association by the order based on the Law concerning the Temporary Adjustment of Demand and Supply of commodities and again when the association sell them to the members of the association who are original consumers.

The transaction sales revenue stamp and certificate stamp owned by the person engaging in the business should be disposed as follows:
The transaction sales tax should be paid in cash after it's

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

revision, therefore, as to the business transaction performed after 1 May, even if the transaction sales revenue stamp or the transaction sales certificate stamp were delivered to the consumers, tax payment would not be done. But if the person should happen to hold the above transaction sales revenue stamps or certificate stamps, the following matters may be executed by him by 10 August 49.

a. The person is able to request payment of the amount equivalent to the face value of transaction sales revenue stamp or the certificate stamp to the chief of tax office concerned.

b. Otherwise when transaction sales tax to the business transaction on and after 1 May is paid in cash, the above revenue stamps and certificate stamps may be applied to transaction sales tax which should be paid. In this case the person should directly submit his declaration, together with the transaction sales tax revenue stamp or the certificate stamp with no cancellation stamp on it, to the tax office concerned.

Revenue Stamp Purchase Book should be returned to the tax office concerned from which it was delivered by 10 August 49.

APPENDIX:

a. It has become that transaction sales tax stamp may be used as a substitute for the revenue stamp, applied to payment of registration tax or other taxes for the time being, so the above stamps will be sold at any post-office or stamp store.

b. The declarations for transaction sales tax for the period March and April should be submitted by 10 May 49 to the tax office concerned.

c. The tax payers may ask the method of writing their declarations, tax payment, or revised points of the Tax Law of the nearest tax office or tax information center if they are not understood.

Taxation Bureau of
Ministry of Finance

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

(Translation)

RI ZAI No. 2/5 20 May 49

TO:

SUBJECT: Regarding the Establishment of Osaka Finance Bureau Branch of Temporary Japanese Government Payment Expedition Investigators' Room.

In view of the fact that the delay of Japanese Government payment is now in question, the government payment Expedition Inspecting Committee has been established in the present cabinet. In cooperation with that, swift disposition for the delay of the government payment is now being planned, securing their real circumstances by Temporary Japanese Government Payment Expedition Investigator's Room of Ministry of Finance, which has lately been established.

The Bureau opened the above branch on 16 May within this office, and has been handling the general peoples' complaints about Japanese Government payment delay. You are requested to make the people in every quarter concerned throughly understand about this, referring to the attached summary.

Financial Department Chief
OSAKA FINANCE BUREAU

Summary of Established Osaka Finance Bureau Branch of Temporary Government Payment Expedition Investigator's Room

1. In cooperation with the establishment of Temporary Government Payment Expedition Investigator's Room in Ministry of Finance, the branch office was established in the Financial Department of this Bureau and opened their business on 16 May for the object of hearing complaints of general people in Osaka area as to Government payment delay.

2. People who have any complaints about the government payment delay towards their enterprises, etc., may apply orally or by letters for the branch office in regard to the simple matters, such as the name of the government office which is indebted to the contractors, official's name in charge of the contract, date of contract, object of contract, date of completion or supply and date of submitting bills for payment.

3. The branch office should send those applications received, if recognized that they should be disposed after having arranged them, to government payment Expedition Inspecting Committee in the Cabinet as soon as possible (The Inspecting Committee will submit them to the cabinet council, asking for the responsible disposition of the Minister concerned.

INCL #7

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

May

	SUBJECT	FROM	TO	DATE
1.	Tax Information Compaign	KMGR	All Team C	3 May49
2.	Tondabayashi Tax Demonstration	KMGR	OFB	4 May 49
3.	Tax Surveillance Program	KMGR	All Team C	13 May 49
4.	Military Government Surveillance Japanese Tax Administration	KMGT	8th Army	13 May 49
5.	Surveillance of Japanese Tax Administration	KMGR	8th Army	16 May 49
6.	Report in the Case of Processed Marine Products Assessment of Sales Trans Tax.	NMGT	Hickman	17 May 49
7.	Tax Surveillance Report	KMGR	I Corps	19 May 49
8.	Opening of a New Tax Office	KMGR	HM&GT	31 May 49
9.	Transmittal of Report	KMGR	I Corps	31 May 49
10.	~~Memorandum~~ Memo. file	I Corps	All Region	31 May 49

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

TAX

file

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

WT/ys

AG 012 - BA

31 May 1949

SUBJECT: Transmittal of Report

TO : Commanding General
I Corps
APO 301

Attn: Mil Govt Section, Civil Information Division

1. Reference is made to letter, your headquarters, dated 8 April 1949, subj: "Public Opinion Research - Tax Education Programs."

2. Inclosed herewith in five copies is "Report on Public Opinion Survey on Tax Education Program", recently completed by this headquarters.

FOR THE COMMANDING OFFICER:

GEORGE MINARIK
Captain CE
Adjutant

~~5 Encls:~~
~~as above~~
1 Incl
as above (5 copies)

(9)

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

31 May 1949

PUBLIC OPINION SURVEY ON TAX EDUCATION PROGRAM

BACKGROUND OF THE SURVEY:

In March of 1949, the Tax Officer, Finance and Civil Property Division, Military Government Section, Headquarters, I Corps, expressed a strong interest in determining what the average Japanese person knows about the tax program. Questions such as the following were voiced:

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

2. Are rumors and complaints regarding currupt tax officials widespread?

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

4. Do the people know their individual annual income?

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

From 18 through 27 April 1949, a total of 1,598 registered voters in the six prefectures of the Kinki Military Government Region were interviewed. Five members of the Public Opinion Research Branch, Civil Information Division, Military Government Section, Headquarters, I Corps, who were temporarily assigned to the Kinki Military Govern-

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

ment Region, trained and supervised 80 field workers in the six prefectures. Actual interviewing was done by the field workers. In keeping with the objectives of the economic recovery program, the cost of interviewing was kept at a minimum level. This was done by using personnel already employed by the prefectural governments. No publicity was given the survey.

Members of the aforementioned Public Opinion Research Branch were under the direct supervision of the Civil Information Officer, Kinki Military Government Region.

BRIEF SUMMARY OF THE FINDINGS:

Almost one-half of the respondents did not realize at all how their tax money is spent. Almost two-thirds of them had no comment to make about their tax officials. About one-quarter of the people queried 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 know their income, but over one-half of these admitted that they do 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 black-market profiteers.

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

*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

* * * *

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 at all 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. 16% 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.

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

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
	157%*

* Some respondents gave more than one answer.

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

(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 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 money be spent?

Interest	
Strong	10
Moderate	30
Weak	18
Non-existent	42
	100%

Regarding Expenditure of Tax Money	
Did not answer	62
Did answer	38
	100%

Recommendations as to How Tax Money Should Be Spent	
Repatriates' relief fund	26
Public utilities	25
Education fund	15
Housing reconstruction	15
Stabilization of commodity prices	15
Government investments	4
Others	17
	117%*

* Some respondents gave more than one answer.

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

(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 theunreasonableness and perhaps arbitrariness of the tax officials.

63% 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 .

24% 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%

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

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?

	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.

61% 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."

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

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

	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?

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

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

(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

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

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?

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.

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

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%	

(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?

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

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?

	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%

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

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

Answers in regard to the inevitability of reassessments 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 reassessed by authority)) Do you think it inevitable 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%

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

*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 re-assessments))

Why aren't you satisfied with your reassessment?

"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?

65% 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.

63% of those suggesting "various tax items" recom-

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

mended 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?

		Break-down of "Various Tax Items"	
Don't know	65	Income tax (direct tax)	63
More taxes imposed on blackmarket profiteers, and so forth	25	Commodity consuming tax (indirect tax)	15
Various tax items	10	Corporation tax	8
	100%	Others	14
			100%

RECOMMENDATIONS

Information programs dealing with tax education must be further strengthened and vitalized on all levels. Civil Information Officers should, if at all possible, confer weekly with tax officials in their prefectures, suggesting new ideas, new techniques, new devices. Frequent liaison with all of the media of information should be maintained. They should be reminded again and again of their civic responsibility to give the people sound, accurate, and reliable information.

The various themes and techniques suggested by Military Government Section, Headquarters, Eighth Army, and by other headquarters should receive constant attention. Espe-

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

cially effective at this time might be the use of "town hall meetings" conducted not by Military Government but by the Japanese tax officials in all of the cities and towns of the prefectures. Officials in charge must be impressed with the necessity for using language which the average person will understand. Also effective might be the organization of tax familiarization courses in schools at which simple tax problems are presented, with emphasis on filing procedures.

Tax office personnel should be reminded that they are the servants, not the masters, of the people. As such, they should act accordingly.

The necessity for publicity dealing with accurate records of income cannot possibly receive too much emphasis.

Briefly, tax collection must remain first on the Civil Information prority list for many months to come.

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

HLM/ms

31 May 1949

File

012

SUBJECT: Opening of a New Tax Office

TO : Commanding Officer
Hyogo Military Government Team
APO 317

1. There is attached a copy of information received recently from the Osaka Finance Bureau relative to the proposed opening of a new tax office in Hyogo Prefecture.

2. The new office has been approved by theDiet and will be opened within the next two months. Its purpose is to relieve the burden on the Toyooka Tax Office.

FOR THE COMMANDING OFFICER:

1 Incl:
Translation

GEORGE MINARIK
Captain, CE
Adjutant

(8)

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

SO No. 77 May 30, 1949

SUBJECT: Establishment of New Tax Office

Establishment of new tax office has been approved by the Diet. The Details are as follows:

	New Office	Old Office
Prefecture	Hyogo	Hyogo
Name of Tax Office	Kasumi	Toyooka
Location	Kasumi-cho, Kinosaki	Toyooka-cho, Kinosaki
Area	711 Sq. Km.	619 Sq. Km.
Houses	15,000	19,000
Population	77,000	97,000
Goal for 1948-1949	98,000,000	218,000,000
Direct Tax	83,000,000	156,000,000
Indirect Tax	15,000,000	62,000,000
No. of corporation	65	170
Anticipated No. of Tax Payer (Self-assessed tax)	10,000	13,000

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka,Honshu)

HLM/km

012

19 May 1949

SUBJECT: Tax Surveillance Report

TO: Commanding General
I Corps
APO 301

Submitted herewith for consideration is a tax surveillance report covering specifically the Tax Administration Betterment Suggestion Program.

FOR THE COMMANDING OFFICER:

GEORGE MINARIK
Captain, CE
Adjutant

1 Incl:
Tax surveillance rpt
w/2 attachments

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

FINANCE AND CIVIL PROPERTY SECTION
NARA MILITARY GOVERNMENT TEAM
APO 25, Unit 4

17 May 1949

SUBJECT: Report in the Case of Processed Marine Products Assessment of Sales Trans Tax

TO : Lt Col EDWIN G. HICKMAN

1. Inclosed herewith is letter of petition from the processed marine products dealers in protest of the heavy assessment of the sales transaction tax, (Incl 1) and the report of investigation by Mr. Miki, chief of the national tax office, Katsuragi, (Incl 2).

2. This section accepts the assessment made by the Katsuragi tax office as justifiable.

/s/ Robert B. Schoos
ROBERT B. SCHOOS
Capt, FA
Fin & Civi Prop Officer

012

1st Ind

Nara Mil Govt Team, APO 25, Unit 4, 20 May 49

TO: CO, Kinki Mil Govt Region, APO 25

Forwarded as a matter of interest for your information.

E. G. HICKMAN
Lt Col, FA
Commanding

Incls:
n/c

(6)

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

BASIC: Ltr, Nara Mil Govt Team, subj: "Report in the Case of Processed Marine Products Assessment of Sales Trans Tax", dtd 17 May 49

012 2nd Ind HLM/km

Hq Kinki Mil Govt Region, APO 25, 25 May 1949

TO: CG, I Corps, APO 301

1. Forwarded for information purposes.

2. The petition and subsequent investigation, it is felt, are representative examples of the status of many tax complaints. A self-righteous and persecuted attitude is assumed by many purportedly respectable businessmen. Their pleas and statements of information however, upon investigation are found not consonant with the facts.

3. The case illustrates and emphasizes the need for more stringent and expeditious methods of severely castigating these individuals and associations who profess to be so sorely abused by the tax program and officials, while deliberately and maliciously perpetrating an act of fraud in understating their incomes and tax liabilities.

FOR THE COMMANDING OFFICER:

2 Incls:
n/c

GEORGE MINARIK
Captain CE
Adjutant

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

REPORTS CONTROL
SYMBOL: MG-13

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

HLM/km

16 May 1949

SUBJECT: Surveillance of Japanese Tax Administration

TO: Commanding General
Eighth Army
APO 343
Attn: MG Section

1. In compliance with Operational Directive #48, Headquarters Eighth Army, 17 August 1948, the following information is submitted:

a. Total tax collections in the Kinki Military Government Region ¥ 59,668,651,000

b. Total April collections 5,835,678,000

c. Total for fiscal year 1948-49 65,504,329,000

d. Final collection figures indicate Kinki Region attained 101.7% of assigned goals for the year on overall tax collections, and 72.7% of the self-assessed tax goal.

2. Major Problems:

a. Lack of personnel or proper direction of the efforts of personnel on hand continues to be a very serious problem. The delinquent tax cases in this region exceeded 1,250,000 cases, involving more than 24 billion yen in taxes at the end of the year. Every effort is purportedly being taken to clear up these accounts, and they are being reduced by 150,000 to 250,000 cases per month. Despite direction and advice however, the tax chiefs are failing to concentrate on the major cases. The system of administrative control and cooperation currently in practice allows too wide a latitude in the individual operations of the tax offices. The Regional Bureau has been advised and encouraged to establish a separate group of personnel to concentrate on the collections of the delinquent tax accounts. Currently the group so employed numbers about 120 men, and will be supplemented until approximately 200 are so employed. These willact as mobile teams, operating out of the tax offices experiencing the greatest difficulty in effecting collections. They will be specially trained as to collection measures that may be resorted to

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

and be qualified to appraise the records of taxpayers in order to ascertain whether the reassessments made are relatively equitable and whether re-examinations are warranted. The use of these teams should aid materially in reducing the great backlog of these cases. The existence of these cases and the substantial amounts involved have been widely publicized in the region and is most deleterious to the morale of prompt paying taxpayers. It is considered urgent that the delinquencies be cleared up as soon as practicable and efforts of the tax officials are being directed, through contact with the Osaka Finance Bureau, to do so as expeditiously as possible.

b. Lack of tax consciousness, cooperativeness and integrity of taxpayers is another serious aspect that prevents the program from operating as effectively as it might. Much of the ignorance may be more feigned than real, but it is difficult to distinguish between the two in the normal course of tax enforcement as currently practiced. Gross discrepancies frequently arise between the amounts of tax self-assessed and the amounts reassessed or determined by re-examination. Despite this too frequent occurrence, relatively few taxpayers are recommended for prosecution. One of the reasons for this appears to be the conflict of interests created by the goal system. Tax chiefs are much more interested in getting taxes collected toward the attainment of their goals than in the prosecution of evaders. As a result, the evasion cases are too frequently compromised in the tax offices rather than submitted to the procurators for consideration of the punitive measures that might be taken to correct this deficiency on the part of the taxpayer.

c. Tax officials and other personnel demonstrate very little esprit de corps, ingenuity or initiative in carrying out their assigned duties. There appears to be a resigned, even defeatist attitude. It is most important that the morale of the office organization be built up to where the personnel take more pride in every aspect of their work than is now evidenced. Ignorance of the law and of their duties appears to be in a large measure responsible for this attitude. Also the frequent defalcations that have been brought to light in this area lately have created a spirit of ill-will toward tax personnel generally and toward the revenue service by some of the more public spirited employees.

3. Operation assistance:

Visits have been made to tax offices and the Regional Bureau and problems of collection and administration discussed for whatever advice and guidance may be feasible. It is contemplated that the

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

reorganization of the Finance Ministry and the Regional Bureaus to create the new external taxation bureau outlined in SCAPIN 2001, will give rise to many problems for the consideration and guidance of this office.

FOR THE COMMANDING OFFICER:

GEORGE MINARIK
Captain CE
Adjutant

Info cpy:
CG, I Corps

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

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 suspices 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 Hamikyo Tax Office. The police took action and arrested 3 violators.

On 23rd April, Hamikyo 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 Hamikyo 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.

(4) Incl 1

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

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.

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

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Honshu)

FAF/hk

13 May 1949

012

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. 775013

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

012

13 May 1949

SUBJECT: Tax Surveillance Program

TO: All Team Commanders

1. Recission of previous instructions:

Reference is made to letter of this office dated 31 March 1949, subject: "Tax Surveillance During April". So much of paragraph 4, b, thereof as pertains to extension of authority of surveillance personnel to contact taxpayers personally is hereby rescinded. Surveillance activities in the future will be conducted within the provisions of OD #48, dated 17 August 1948, Headquarters Eighth Army.

2. Maintenance of tax offices:

Despite frequent admonitions and specific directives of military government representatives and of the Osaka Finance Bureau, the tax offices of this Region are generally maintained in a deplorable condition. (Inclosure #5 to letter of this office, dated 25 April 1949, subject: "Directives to Tax Offices", copy inclosed.)

The existence of such conditions in a tax office is generally indicative of the over-all operational conditions existing. Records are poorly maintained and difficult to locate, materially handicapping the proper administrative controls that must be exercised. The general atmosphere is mentally and physically detrimental to the employees of these offices. No measure of "esprit de corps" is in evidence. This feeling is readily conveyed to taxpayers who frequent these offices, and is likewise detrimental to their morale and spirit of cooperativeness.

Lack of space and of proper equipment to correct these deficiencies are not valid excuses. Offices of other regions operating under similar conditions have been observed to present a far superior appearance in every respect. Correction lies in direction of attention to these shortcomings and the application of all employees toward that end. If the matter were put on a competitive basis between the sections and possibly a plaque prepared to recognize the most effective cooperation monthly, the matter would be one of continuing interest.

(3)

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

It is desired that all offices be visited by tax survillance personnel within the next two weeks; that the above-mentioned directive be brought to their attention again; and that the tax chiefs be directed to comply with its provisions. Failure to cooperate wholeheartedly with this directive should be invited to the attention of the Senior Military Government Officer and the tax official be subjected to his personal censure for failure to cooperate. Continued failure to improve the conditions of the office thereafter should be made the matter of a special report to this office, and action will be taken for removal from office or transfer to a less desirable position .

3. Tax administration reforms contemplated:

Reproduction of a newspaper article expressing the needs for tax reform as expressed by Harold Moss, Chief of the Internal Revenue Division, ESS, SCAP, is inclosed herewith for your information and guidance. It will be noted that it expresses the need for vigorous, but fair and equitable tax administration and enforcement. This contemplates advising taxpayers of all their rights under the tax law irrespective of the potential administrative difficulties thus created. (Copy of SCAPIN 2001, dated 4 May 1949, is also inclosed.It contemplates the revision of the Finance Ministry to create a separate function thereof solely responsible for tax administration.

4. Tax collections for the fiscal year 1948-49:

Revised and final tax collection figures for the year are as shown below. These figures vary slightly from those reported previously and published in Headquarters I Corps letter dated 10 May 1949, subject: "Status of Japanese Tax Collections for the Fiscal Year 1948-49."

Prefecture	All Taxes Total Collections	Percentage	Self-Assessed Taxes Total Collections	Percentage
Osaka	29,246,216	100.002	6,612,324	62.9
Kyoto	11,444,922	102.8	3,967,325	78.8
Hyogo	16,565,600	103.8	3,969,496	73.9
Nara	2,164,377	95.0	982,725	75.6
Wakayama	2,953,746	99.0	1,350,712	81.6

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

Shiga	3,129,468	112.3	1,566,517	105.6
Total	65,404,329	101.7	18,398,551	72.7

3 Incls:
As indicated

WILEY H. O'MOHUNDRO
Colonel INF
Commanding

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

HLM/km

012

4 May 1949

SUBJECT: Tondabayashi Tax Demonstration

TO: Director
Osaka Finance Bureau
Osaka, Honshu

1. The report of the Commanding Officer of the Osaka Military Government Team relative to the tax demonstration at Tondabayashi Tax Office is forwarded herewith for your information.

2. The report indicates that the tax chief, Mr. Tochinaro Kotaro, failed to carry out previous specific agreements of cooperation with the police, the mayor, and military government representatives. Delay and inaction as demonstrated inconveniences the police, causing them to hold large reserves idle for extended periods of time. By permitting large groups to enter and remain in the office, disrupting activities, he failed to observe specific instructions of the Finance Bureau relative to limiting groups in the office, representatives to be heard, and time spent in discussions. Further, as chief of the office, his tardiness seems indefensible and most deleterious to office morale.

3. Action against this official is indicated and specific instructions should be issued to guide all tax officials under similar circumstances.

4. It is requested that this office be advised of action taken.

3 Incls:
1. Ltr, Osaka Team
2. Police Rpt
3. Tax Office Rpt

WILEY H. O'MOHUNDRO
Colonel INF
Commanding

(2)

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

HEADQUARTERS
OSAKA MILITARY GOVERNMENT TEAM
APO 25

25 April 1949

SUBJECT: Tondabayashi Tax Demonstration

TO: Commanding Officer
Kinki Military Government Region
APO 25

1. The purpose of this report is to bring to the attention of Osaka Regional Finance Bureau the Anti-tax demonstration that occurred at the Tondabayashi tax office on 11 April 1949 and the actions of the responsible Japanese tax officials during the demonstration.

2. On 1 April 1949 a conference was held at the Tondabayashi tax office. The Finance and Civil Property section chief from Osaka Military Government, the Tondabayashi tax superintendent, the chief of the Tondabayashi Municipal Police, and the Mayor of Tondabayashi were present. At this conference the methods of handling anti-tax demonstrations and representatives of tax leagues who petitioned for a meeting with the tax superintendent were discussed. All present agreed to cooperate and prevent large groups from entering the tax office and to limit the time of meetings of the tax superintendent and representatives of the tax leagues to a minimum.

3. According to the report submitted by the Tondabayashi tax office (see inclosure 2) 400 people assembled at the tax office at 09:30 11 April 1949. At 09:00, Mr Fujimoto, chief of general affairs, was told by the police that the demonstration would take place and sent a clerk to the information desk to see that no more than five representatives were allowed inside the tax office. The crowd, or mob as the report states, came in the side door and pushed into the office. When, the tax superintendent, Mr Tochino Kotaro, arrived at 10:00 hrs the representatives, fifteen in number according to the police, (inclosure 1) were allowed three hours to present their views. The police were prepared to take action but the tax superintendent did not request police assistance.

Incl #1

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

Osaka MG Team, APO 25
Subj: Tondabayashi Tax Demonstration 25 Apr 49

4. It is recommended that the Osaka Regional Finance Bureau issue definite instructions to the local tax superintendents as to their actions in the handling of mass demonstrations and large representative groups and insist that these measures be followed in order to prevent anti-tax groups from disrupting the work of the tax office.

2 Incls:
1 Police report
2 Tax office report

FRANK KOWALSKI, JR
Colonel, Infantry
Commanding

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

Inclosure 1

12 April 1949

SUBJECT: Report of Guarding the Tax Office on 11th April 1949

TO: CMGT

FROM The Chief
Tondabayashi Municipal Police

1. It was communicated by Minami-kawachi NRP at 1750 on 9 April that many people of the Tax Democratization League and Farmers' Association would come to the Tax Office for submitting the petition on 11th April.

2. At 1800 hrs 9 April, the information was connected immediately to the Tax Office through NRP, but the staffs were not in.

3. At 1600 hrs 10 April, we connected with Hq of NRP and some MP's to ask for making preparations.

4. On 11 April, Hq of the guarding was set up at the chief's room of MP and all the policement were ordered to stay in for preparations. And at 830 hrs we connected with the Tax Office, but, as there were no staffs in, the Chief of The General Affairs sub-section was requested to report to the MP.

5. At 0910 hrs Mr Maeda, the Chief of General Affairs sub-section reported to the MP and the information up to the time was told to him by the Cheif of Public Security Section and the Tax Office was requested to connect with the MP about the occurrence in turn at the Tax Office.

6. At 0915 hrs a policeman was sent to talk about the guarding system and the communication of occurrence with the chief of General Affairs Section and Direct Tax Section.

7. At 0930 hrs it was informed that about 200 people gathered in front of the Tax Office.

8. About 0950 hrs while the responsible staffs were not in, about 50 people entered the Tax Office for petition, but we can not get them out of the office by the police power because there was no order of letting them out.

Incdosure 1

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

9. To use the complete power of the police when the order of liaving was issued or the violent conduct happened, we asked Hq of NRP to sent the assisting troops at 1:00 hrs.

10 The Chief of the Tax Office appeared to the office past 10 o' clock, but he did not issue the order of leaving. It seemed that he approved the meeting with the representatives.

11. 4 Policemen with plain clothes were sent for inspecting the situation.

12. 22 Policemen were in readiness at the town hall, 100 metres from the tax office.

13. The chief detective was sent to the Tax Office for inspecting the situation. He reported that about 15 people were still appealing to the staffs of the Tax Office and the situation was quiet. Then there was no proposal from the Tax Office.

14. At 1100 hrs the assisting troops arrived in turn.

15. As there was no information from the Tax Office, we could not use our power. The chief police was sent to take the chief of Direct Tax Section to the Police Station.

16. From the information by the chief of Direct Tax Section it was found out that the meeting for petition was allowed by 1200 hrs, and then we told the tax office to be sure to issue the order of leaving at 1200 hrs and we told that we would use the police power of about 250 policemen in readiness to get them out of the office if they did not leave at 1200 hrs. And we let the Chief of Direct Tax Section go back to the office.

17. It was informed by the name of the chief of Leagal and Government Section, CMGT to get the people inside out of the office and to get out the representatives with the intention of the Tax Chief and to use the police power on the people who did not follow the order.

18. At that time there was nobody inside the office and the people with the petition postponed the time of meeting. At noon the Chief of the Tax Office approved the postponement of the time up to 1300 hrs.

19. At 1300 hrs the people knew the gathering of many policemen and then they left the tax office of their own will.

20. At 1530 hrs the assisting troops has started to dismiss.

21. We warned the Chiefs of the Tax Office to keep the arrangements to be set up beforehand for the occurrence of emergency, and we hoped them to take a drastic attitude in the future.

Inclosure 1

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

THE GUARDING ORGANIZATION

Name of Unit	No. of Police	Time of Arrival	Time of Dismiss
Under the chief of NRP Guarding Troops	7	1100	1530
Under the Chief of NRP Investigation Unit	7	1100	1530
NRP Policemen School	116	1130	1740
Kuroyama NRP	18	1130	1740
Under the Chief of Naka-kawachi NRP	11	1140	1740
Under the Chief of Minami-Kawachi NRP	30	0900	1800
Under the Chief of Tonda-bayashi Municipal Police	30	0900	1800
Total:	219		

Inclosure 1

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

R-E-P-O-R-T

Inclosure 2 Tondabayashi Tax Office

The following is the detail of a mob of about 400 people who are members of either the Livelihood Protecting Association or the Tax Democratization League or the Neppon Farmer Party of Minami Kawachi-gun, under leadership of one Mizuno of Hikishomura and Waichi Jinko of Tondabayashi-chō, visited the Tondabayashi Taxation Office about 0930 on April 11 1949 to make representations.

It seemed about 0600 P.M. on April 9, 1949 when the Tondabayashi Police called up the tax office and told about information regarding a mob coming up to the tax office but it was after the chief and all other sectional mangers had left the place and so they knew nothing about the message until next morning.

It was about 830 A.M. on the day in question when Ishihara, chief of general affairs and Kumagai, policeman called on the tax office and told Mr Okudaira who was on night duty that the mob will come today and the police is taking every precaution for safety and dispatching two policemen to guard the tax office.

Mr Okudaira told this message to Mr Fujimoto, Chief of General Affairs and Mr Iwasaki, Chief of Direct Tax when they came to the office about 9 O'clock. Upon hearing this Mr Fujimoto ordered Mr Wakida, a clerk at the direct tax section, to stay at the information desk and if they come tell them that only five representatives are allowed to come in for only 30 minutes talk.

It was just about half past nine when one of the girl clerks reported that people are gathering at the headquarters of the communist party. We called up the police station and soon two plain cloth policemen came to whom we offered use of our automobile for speedy contact with the police station and every thing was set in rediness.

It was about 9:40 when the mob appeared to the tax office but instead of coming to the information desk they went around to the side door which was for employees only and rushed into the office through this entrance. Mr. Wakida and Nishikawa told the crowd to select five representatives and the rest must go out at once but the crowd paid not a bit of attention to this and they began to go upstairs to the chief's office. After seeing this situation Mr Nishikawa hurried to the police station and told a man at the information desk that about 120 or 130 communists acting rather threateningly

Incl #3

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

so please come to the tax office at once, then he came back after he was told that policemen are now getting ready and will be there in a very short time.

By this time people were all in upstair and tried to get in to the chief's office but, as chief was not there yet, they went into the next room to see chief of General Affairs and every boy shouted and screamed at him and could not make anything out of it. Just then chief of direct tax came up and also tried to quiet them and advised them to pick up five representatives and all others must leave at once; but these people not only listened to him but also stopped him from making contact with the police and they were arguing untill about 10 o'clock when chief of the tax office came in. The mob crowded around him and tried to take him down to the General Affairs Room but he refused this and told them that he is ready to meet with representatives only at his own office with chief of Direct Tax, General Affairs, Collection Department, and Secretary untill noon time. We made them go out except the representatives but the question of attendance of a reporter of the Kongo People's NewsPaper took so much time untill about 1150 and so the meeting time was extended untill 1 p.m. and talked about the following matters:

1. Q. What is chief's opinion on a case where a man was attached for the full reassessed amount of tax of 1947 self assessed tax which has been already reinvestigated and a reduction was promised by the investigator at that time?

   A. Only thing our investigators can do is to make investigations and fixing of the amount of tax is always done directly by the chief and ony other promise or agreement with our employees can not be recognized and therefore it shall be attached for full amount of reassessed tax it was delinquent.

2. Q. Does chief pay much respect to the investigation made by his employees?

   A. Yes, I do because they are all under my command and that is why we make decision by these investigation unless reinvestigation seemed necessary.

3. Q. Do you make a correction of the amount of reassessed tax of 1948 if it was plainly shown as your mistake?

   A. Yes, we do if it could be proved to be our mistake.

4. Q. It seems as though the amount of tax assessed on so called "Bosses" are too low. Do you make reinvestigation if we offered you reasonable materials?

   A. Of course we do because there is "third party report system" provided in the Income Tax Law so we will make investigation if it is necessary but by the tax office itself.

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

A. Of course we do because there is "third party report system" provided in the Income Tax Law so we will make investigations if it is necessary but by the tax office itself.

5. Q. We want postponement of attachment proceeding on those very poor families who could not pay their taxes before the dead line and their cases are being protested.

A. Attachment shall be made on all delinquent regardless of their individual condition without delay.

6. Q. We want speedy investigation so the people can pay their taxes before attachment.

A. We are doing our best so to finish investigations before the tax paying day but it often delays due to the shortage of men.

It was just one o'clock when we closed our meeting and all representative got out of the room and with the rest they all went away. During the meeting we kept informing the police as follows:

There wasn't much contact been kept except what was already stated in a previous paragraph before the chief came in. It was about 1130hrs when when the Chief of Direct Taxes was called out from the conference room to meet a policeman who asked him to come to the police station and explain all about the situtation of the conference; so he went to the police station and told before chief of welfares, local police, National Police of Minami Kawachi, National Police of Nakakawachi and other police chiefs about the progress of the meeting up to that time and told them that the meeting will be closed at noon and the members who are not representatives are waiting in outside of the room. Then they told him to let them know if the people do not leave by noon. When he came back to the conference he was very much surprised because the meeting has not showed much progress and learned afterward that the chief ext cded closing hour of the meeting up to 1 P.M. after lost so much time over the matter of attendance of a reporter of the Kongo People's Newspaper at the meeting. This was reported to the police at once; again police called us about 10 0'clock to know how things are moving after that so we told them that the meeting is about through. Soon 1 o'clock came and all people left the place so the tax office chief and chief of direct tax and Chief of general affairs all reported to the police about leaving of the crowd.

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

HLM/km

012

3 May 1949

SUBJECT: Tax Information Campaign

TO: All Team Commanders

1. Attached is material disseminated by I Corps containing suggestions concerning the self-assessed income tax information campaign. The material is non-directive in nature and is transmitted for whatever possible use might be made of it in inaugurating and supplementing taxpayer information services.

2. The accounting forms may not be practicable for use in most types of businesses but will give some idea of the nature of forms available and may be supplemented by additional material obtained in your vicinity. It may be found useful in connection with the establishment of taxpayer forums and instruction groups.

3. The article contained in the Shiga Shimbun should be invited to the attention of tax officials. It is hoped that it may serve as a guide of conduct and that similar articles will be found warranted and forthcoming from all tax offices.

BY ORDER OF COLONEL O'MOHUNDRO:

3 Incls:
1. Suggestions for CI officers
2. Examples of bkg forms
3. Newspaper story

GEORGE MINARIK
Captain CE
Adjutant

(1)

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

4-42

HEADQUARTERS I CORPS
APO 301 (Kyoto, Honshu)

MCC/tn

AG 000.1 - BA

APR 21 1949

SUBJECT: Self Assessed Income Tax

TO : Commanding Officer, Kinki Military Government Region, APO 25
Commanding Officer, Tokai-Hokuriku Military Government Region, APO 710
Commanding Officer, Kyushu Military Government Region, APO 24-5
Commanding Officer, Chugoku Military Government Region, APO 248
Commanding Officer, Shikoku Military Government Region, APO 1050

Attached is material containing suggestions concerning the self assessed income tax information campaign. This is non-directive in nature and transmitted for your possible use.

BY COMMAND OF MAJOR GENERAL COULTER:

A. SEIREL
Lt Col, AGD
Asst Adj General

3 Incls:
1. Suggestions for CI Officers
2. Examples of Japanese bookkeeping forms
3. Newspaper story

RECORDED HQ I CORPS

1171

4431

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

April

	SUBJECT	FROM	TO	DATE
1.	Tax Collection Status	KMGR	O'Mojundro	7 Apr 49
2.	Tax Collection	KMGR	All Team C	8 Apr 49
3.	Public Opinion Research- Tax Eduction Programs	I Corps	KMGR	8 Apr 49
4.	Surveillance of Japanese Tax Administration	HMGT	8th Army	11 Apr 49
5.	Reports on Tax Surveillance Activities	KMGR	8th Army	14 Apr 49
6.	Request for Investigation of Tax Office Employee	KMGR	OFB	15 Apr 49
7.	Report on Large Scale Delinquent Tax Cases	KMGR	8th Army	18 Apr 49
8.	Surveillance of Japanese Tax Administration	KMGR	8th Army	18 Apr 49
9.	Report on Tax Officials	KMGR	KMGT	18 Apr 49
10.	Directives to Tax Offices	KMGR	All Team C	25 Apr 49
11.	Delinquent Tax Cases	KMGR	Ea Team	25 Apr 49
12.	Organization of Village Tax Practitioning Agencies	NMGT	NMGT	25 Apr 49
13.	Report on Investigation of Tax Office Employee	KMGR	HMGT	30 Apr 49
14.	Abstracts of MG-13 Reports of General Interest	KMGR	All Team C	30 Apr 49

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

HLM/sy

012

30 April 1949

SUBJECT: Abstracts of MG-13 Reports of General Interest

TO : All Team Commanders:
ATTN: Fin & Civ Prop Section

The following extracts from MG-13 Reports of teams and comments thereon are submitted for your information and guidance.

OSAKA

1. "Presentation of an analysis of the relative increases in goals assigned to the prefectures of this region may be a reasonable explanation why this prefecture experiences difficulty in reaching greater collection percentages currently."

Prefecture	47-48 Goal	47-48 % Collected	48-49 Goal	% Increase 3 over 1
Osaka	12,102,556,000	100.9	31,525,449,000	260
Kyoto	5,035,629,000	106.1	11,784,868,000	234
Nara	1,144,470,000	125.1	2,395,961,000	209
Shiga	1,334,723,000	134.2	2,912,100,000	218
Hyogo	7,512,870,000	108.5	16,759,700,000	223
Wakayama	1,576,769,000	103.0	3,148,922,000	199

2. "Many firms apparently are unable to meet tax obligations because of failure of the government to pay on its contracts. Comment: This anomalous condition creates undue hardship upon the taxpayer and reflects a distorted tax delinquency balance for the region. The matter will be made the subject of a special report recommending that tax credits be allowed to the extent of approved government obligations due taxpayers."

3. "A conference between Col. Kowalski and the head of one of the city's more affluent prostitution areas resulted in a very substantial increase in tax revenue paid on behalf of the residents." Comment: The income from this profession continues very lucrative and it should

(14)

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

be emphasized by all teams to the tax offices as primary source of revenue. Police records prove a valuable source in determining areas and activities, and tax offices should be checked to make certain they reflect income commensurate therewith.

4. "A meeting of the mayor, procurator, chief of police, and tax officials, the team commander, and legal-government and tax officers, was held to clarify the responsibilities of all and procedures to be taken against various anti-tax agitations under the proxy law, criminal law, and city ordinances. Coordination and cooperation were thus assured." Comment: Meetings of this nature are desirable in all prefectures as frequently as appears warranted.

SHIGA

1. "Anti-tax groups are attempting to add to tax officials problems and delay collections by advocating taxpayers to file for re-examinations and then carry petitions for review to courts." Comment: The movement is suggested as containing dangerous potentialities, which is true; if carried out extensively, it could substantially cripple the current tax collection system. The device however, is perfectly legal, and as it is a right of the taxpayer to have his correct tax ascertained, it should not be discouraged simply on the grounds that it interferes with administrative procedure. The cost and inconvenience, plus burden of proof placed upon the taxpayers in court should soon prove a deterrent to nuisance cases presented pursuant to this movement.

2. "The national tax office in cooperation with the Chamber of Commerce and the Bankers Association, have sponsored a plan effective 1 April, initiated and encouraged by the Shiga Team, which encompasses a course in bookkeeping for taxpayers and a savings plan to meet taxes by periodic bank deposits." Comment: The combination promises to be a great forward step in boosting taxpayer cooperation and morale. A copy of the special report of the Shiga Team is inclosed. It appears desirable that all teams take measures to initiate a similar program by obtaining the interest and cooperation of the tax offices, the Chamber of Commerce, the press and other influential business groups.

3. "A tax collection committee was formed as part of the Economic Recovery Commission, with the cooperation of officials of the national and ken offices, the local police, Chamber of Commerce, Bankers' Association, Agricultural Cooperative, and the procurator." Comment: The potential of such a group is inestimable in encouraging the average taxpayer to do his duty. The group may represent the embryo of a plan of taxpayer coordination wherein lies the real solution to effective tax collections here.

4. "A publicity campaign to remind the public of its responsibility to file the first self-assessment return and pay one-third of the self-assessed amount on June 1st is being prepared for the month of May."

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

Comment: It is important that taxpayers be cognizant of this and teams should be certain that every publicity device possible be used to spread the information.

SAKAIMA

1. "Finance Workers Union members in the tax office appear to be interfering with collection activities by slow-down measures." Comment: The tax chiefs are responsible for reporting specific instances of this so the employees may be discharged or transferred. Evidence of such tactics should be reported to this office and an investigation will be requested, to be conducted by the Osaka Finance Bureau.

BY ORDER OF COLONEL O'MORNDRO:

1 Incl:
Copy Ltr Shiga MG Tm

GEORGE MINARIK
Captain CE
Adjutant

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

COPY

HEADQUARTERS
SHIGA MILITARY GOVERNMENT TEAM
APO 25, Unit 3, (Otsu, Honshu)

GK/rs

319.1

23 April 1949

SUBJECT: Special Report on Tax School

THRU : Commanding Officer, Kinki Mil Govt Region, APO 25

TO : Commanding General, I Corps, APO 301

1. The Problem

a. Surveillance of the tax program during the past year indicated unanimous opinion by the tax surveillance officer and MG personnel of a healthy tax collection program. This has directly resulted in the submission of improperly filled tax return forms.

2. The Plan

a. With the objective of initiating an information program which will be lasting and which will help to reduce the problems encountered in previous collection drive, the tax officer and the CE Officer met on numerous occasions to develop a program which would assist in future tax collection drive. It was agreed that: 1) a lasting program would be accomplished only through an organized education program, 2) that such a program should be aimed to get the businessman, 3) that a committee of sponsors was necessary to continue interest in this plan.

b. It was decided that since Shiga had 9 school districts, each with a senior high school, those schools would be designated centers for a school for tax payers with commercial teachers as instructors.

3. The Operation

a. The Education Department, tax office, chamber of commerce was called to MG and a plan for this school was presented. Cooperation of the above offices were assured and the plan was then handled to the committee to develop and initiate.

b. The Education Department and the Tax Office jointly agreed to appropriate a subsidy for the establishment of these classes in the afternoon including wages for the instructors.

COPY

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

319.1
Subject: Special Report on Tax School

23 April 1949

c. An invitation form was made and through the chamber of commerce was distributed to each business firm requesting their attendance at these classes in their respective district senior high school.

d. All the commercial school teacher was recruited, 25 in all and 2 teachers were appointed for each school to carry on the instruction.

e. Lesson plans were developed by the Tax Office and the orientation was given to future tax teachers on 30 April 1949.

4. The Program

a. Actual lesson plans covered five subjects: introduction, one hour: planning for tax payment, 1 hour; budgeting, one hour; bookkeeping, four hours; income tax forms, one hour.

b. Classes were devided to be held twice weekly over a period of one month.

5. Evaluation

a. This program will enhance education program for tax.

b. A part of a Adult Education Program in each district.

c. Be prefecture wide.

E. D. LUCAS
Lt Col, CAV
Commanding

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka,Honshu)

HLM/km

012

30 April 1949

SUBJECT: Report on Investigation of Tax Office Employee

TO: Commanding Officer
Hyogo Mil Govt Team
APO 317

Inclosed herewith is a report on investigation of Mr. Mamoru Fukuoka of the Akashi Tax Office. The investigation was initiated at the request of this office pursuant to information provided by Captain Crowe.

FOR THE COMMANDING OFFICER:

1 Incl:
As indicated

GEORGE MINARIK
Captain CE
Adjutant

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

NARA MILITARY GOVERNMENT TEAM
APO 25, Unit 4
FINANCE AND CIVIL PROPERTY

25 April 1949

SUBJECT: Organization of Village Tax Practitioning Agencies

TO : Commanding Officer, Nara Military Government Team, APO 25, Unit 4

1. The village officials of Nara Prefecture have unanimously recommended the establishment of an official tax practitioning agency for each village. Organization and duties of this agency would be as follows:

a. Duties.

1. Conduct an educational program

2. Advise and assist in the filling out of returns and dissemination of other tax media to the tax payers level.

3. Investigate the incomes of all tax payers and submit to city, prefectural and national tax offices assessments of all tax payers. One faction recommends that this agency receive the final returns, check them for correctness and reassess in necessary cases.

4. Surveillance over and investigation into anti-tax campaigns.

b. Organization. There are variances of opinions as to how this agency should be officially delegated and members chosen. The following points can be considered:

1. The members should number from 3 to 5 for each village.

2. At least one member should be a scholar, at least one an ordinary citizen and at least one a village official.

3. The agency should have official sanctioning. It is recommended that the members be elected at public election.

c. The need and desirability for such a tax agency is substantiated by the fact that there are obvious weaknesses in the present system of tax collection and that tax payers are not prepared philosophically or otherwise to accept the responsibilities of tax payment. There is a unanimity of voice in admitting the following factors:

1. The general public does not understand tax laws. Subsequent revisions in recent years have further confused the public.

2. Most tax payers are dis-honest and do not file correct returns.

(12)

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

3. Tax payers do not understand the necessity for payment of taxes and will not accept the responsibility.

4. Tax payers do not save money with which to pay taxes. Business men usually re-invest in building a larger business. Many citizens live beyond their means.

5. Tax payers do not keep books or accounts.

6. The shortage of tax office personnel has necessitated in tax officials making re-assessments with-out proper investigation. Too many tax officials lack the necessary experience and education to carry out their duties properly. Tax office administration is slow and gets bogged down.

7. Tax officials cannot successfully cope with black market and new yen dealers, evaders, etc..

8. Tax officials are unable to travel to far away villages except on special occasions.

9. Anti-tax campaigns are able to fight tax payment by using the weaknesses of tax office administration, the foremost of them being the unreal re-assessment.

d. Until such a time when the tax payer has learned to accept the responsibility of tax payment and individual assessments are honest and true, it is felt that such an agency should be sanctioned to impose these real assessments and thus alleviate the over-burden on the tax offices and the tension now existing in the tax program. The tax office could accept the assessments recommended by this agency and only make spot checks patterned after the United States Internal Revenue inspections. It is not anticipated that such an agency would be corrupt. This agency would be in a position to know the real state of each taxpayer and could implement the tax program very successfully, and without causing all the resentment so prevelant under the present system. A few civic minded mayors required that all final returns of national taxes be submitted to the village office for checking. Consequently, the tax payers were advised of their under estimation and made to correct same. The result was that these tax payers were not re-assessed and the moral of the tax payers greatly improved even though they paid their taxes in full.

e. There have been no recommendations as to how this agency would be financed. The members would act as a board it is supposed and as such would only receive partial payment for services rendered if payment is proposed.

2. Request that this plan be considered.

Robert B. Schoos

ROBERT B. SCHOOS
Capt, FA
Finance & Civil Property Officer

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

BASIC: Ltr, Nara Mil Govt Team, APO 25, Unit 4 dtd 25 Apr 49, subj: Organization of Village Tax Practitioning Agencies"

012 1st Ind EGH/md

Nara Mil Govt Team, apo 25, Unit 4, 25 Apr 49

TO: Commanding Officer, Kinki Mil Govt Region, APO 25

1. I strongly recommend that such a plan as outlined in basic communication be considered for general adoption.

2. The very slow tax collection in this prefecture has accentuated the fallacies in the present system. The comprehensive study made by mayors of towns and villages at the suggestion of the Tax Surveillance Officer has been general enough to warrant serious consideration of the recommendations made.

/s/ E. G. Hickman
E. G. HICKMAN
Lt Col, FA
Commanding

012 2nd Ind WHO/km

Hq Kinki Mil Govt Region, APO 25, 9 May 1949

TO: CG, I Corps, APO 301
Attn: MG Section

1. Plan of the Nara MG Team to foster better tax collections is forwarded for consideration.

2. It is the view of this headquarters that many aspects of the plan are desirable and would probably stimulate better taxpayer cooperation.

3. The plan is not recommended for adoption, however. Cooperation of civic bodies and officials should be encouraged, but to establish them as an official intermediate agency to review returns is not feasible or compatible with the basic tax collection program contemplated. The measure could be at best a temporary expedient. It is preferable to concentrate efforts on the perfection of the long-range permanent structure to be established rather than deviate solely to improve current collection techniques as contemplated in paragraph 1 (a) 3 of basic plan.

WILEY H. O'MOHUNDRO
Colonel INF
Commanding

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

012

25 April 1949

SUBJECT: Delinquent Tax Cases

TO : See Distribution

1. Inclosed are reports of large scale tax delinquents in your prefecture.

2. It is desired that a check be made of action taken by tax officers and a report made to this Headquarters of the results of action taken.

BY ORDER OF COLONEL O'MOHUNDRO:

GEORGE MINARIK
Captain CE
Adjutant

1 Incl:
a/s

DISTRIBUTION
Ea Team (except Wakayama)

FILE C-

(11)

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

REPORT ON LARGE SCALE DELINQUENT CASES
(As of 28 Feb 1949)

15 April 1949

CFB No. 247

(Unit 1,000 yen)

Fiscal Year	Type of Tax	Total Amount of Delinquent as of Feb 28	Am't of Dur Mar	Amount of Delinquent as of Mar 31	Remarks
1. Horinuki Hat Co., (Itami Tax Office)					
1948-49	Commodity	3,879)) 27,167 23,288)	4,424	22,743	The products of this concern are primarily export items and their public sale here is unfavorable. At the present time the tax office is in contact with the concern and it is expected that they will pay 10 million yen in April and the balance in May.
2. Tokyo Shibaura Electric Co., Ltd. (Himeji Tax Office)					
1948-49	Withholding	10,039	4,000	6,039	The corporation is a restricted concern and a claim of obligation has been filed. Payment is expected by end of April. The tax officials concerned to expedite the payment.

Incl 1 to Hyogo

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 445013

REPORT ON LARGE SCALE DELINQUENT CASES
(as of 28 Feb 1949)

OMB No. 247

15 April 1949

(Unit 1,000 yen)

Osaka Finance Bureau

1. **Matsushita Electric Co., Ltd. (Hirakata Tax Office)**

Fiscal Year	Type of Tax	Total Amount of Delinquent as of Feb 28	Amount paid during Mar.	Amount of Delinquent as of Mar 31	Remarks
1948-49	Commodity	18,343	15,671	2,671	Notice has been sent to the company requesting payment of the remaining amount.
2. 1949-49	Income Tax	1,000)	14,900 ----	14,900	The disposition of property seized at Yokkaichi has been delayed by a demurrer filed by the co. The tax office has been notified to dispose the property as quickly as possible.
	Corporation	13,900)			

2. **Nakayama Densaku (Kishiwada Tax Office)**

1947-48	Income Tax	14,385	-----	14,385	The individual has paid his self assessed income. The tax office is conducting reinvestigation of the reassessed amount. As a result of this reinvestigation if evasion is found out and its payment not fulfilled, the siezed property (value 300,000 yen) will be disposed through public sale

3. **Morimoto Tomozo (Abeno Tax Office)**

1947-48	Income Tax	13,828	----	13,828	The property and assets at present seized will be disposed by public sale as quickly as possible. The property in the Minami Area, however, cannot be disposed pending a dicision now in court regarding its registration.

4. **Futaba Electric Co., Ltd (Yodagawa Tax Office)**

1948-49	Commodity	13,811	1,288	12,288	The company held a directors meeting on April 4,

fwd 1 to osaka

Fiscal Year	Type of Tax	Total Amount of Delinquent as of Feb 28	Amount paid during Mar	Amount of Delinquent as of Mar. 31	Remarks
4. (Cont'd)					1949 to solve the delinquent tax problem and the suitableness of continuing the enterprise. Otherwise, the property and assets now seized will be disposed through public sale.
5. So Sanki (Higashi Tax Office)					
1947-48	Income Tax	13,196	-----	13,196	The individual has returned to Hong-Kong, China and investigation is in progress for his property and assets here but so far none has been found under his name.
6. Asaki Denki Seiko Co., Ltd (Asahi Tax Office)					
1948-49	Corporation Commodity Withholding	8,430) 2,125) 1,366) 11,921	1,050	10,871	The evaluation of the seized property is far below the delinquent amount and the bureau has studied this case and decided to notify the tax office to contact officials of the concern and demand that they solve this delinquent tax problem so as to fulfill payment by July 31 the date designated in the promiss written by the company to the tax office.
7. Osaka Prefecture Fuel Dist. Corp. (Tennoji Tax Office)					
1948-49	Corporation	10,526	203 (Adjusted)	10,323	The corporation is a restricted concern and a claim of obligation has been filed. Payment is expected by end of April. The tax office has been notified to contact the officials concerned to expedite the payment.
8. Moriguchi Hosiery Co., Ltd. (Asaki Tax Office)					
1948-49	Corporation	10,000	2,000	8,000	Payment of the corporation tax submitted by that company has been paid. The Asahi Tax Office has been directed to expedite and finish the reinvestigation procedure on the reassessed amount.

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

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

9. Yamada String Co., Ltd. (Yao Tax Office)

Fiscal Year	Type of Tax	Total amount of Delinquent as of Feb. 28	Amount paid during Mar	Amount of Delinquent as of Mar. 31	Remarks
1948-49	Corporation	5,468	3,522	1,946	Payment of the remaining amount will be submitted during April. If payment is not forthcomming the seized property will be disposed through public sale.

10. Osaka Metal Industry Co., Ltd. (Sakai Tax Office)

1948-49	War Indemnity Special Tax	8,373	8,373	0	Full payment March 31.

11. Go Hyaku Fuku (Izumi Otsu Tax Office)

1947-48	Income Tax	5,701	-----	5,701	Portion of the seized property and assets valued at 3 million will be disposed of during Apr. The balance will be obtained by disposing the remaining assets as quickly as possible.

12. Daito Shoe Co., Ltd. (Higashinari Tax Office)

1947-48	Corporation	5,150.	1,000	4,150	Payment of 2 million was received on Apr 12 and application to pay the remainder during May. The tax office has been instructed to prepare disposal of seized property and assets if payment is not forthcoming.

13. Shikishima Industrial Co., Ltd. (Kita Tax Office)

1947-48	Comodity	7,800	----	7,800	The tax office attached all the reported properties and assets belonging to the company. Tax office has been instructed to continue investigation and surveillance of any other assets which can be seized.
	Corporation	889	----	889	

DECLASSIFIED E.O. 12065 SECTION 3-402/NNDG NO. 445013

14. Kobatsu Commercial Co., Ltd. (Kita Tax Office)

Fiscal Year	Type of Tax	Total Amount of Delinquent as of Feb 28	Amount paid During Mar	Amount of Delinquent as of Mar 31	Remarks
1948-49	Corporation	8,963	6	8,957	The tax office notified the co. about their attached 2 vessels during May and the office is now preparing for their public sale. The tax office expects to notice to the co. for the public sales of the immoval property (houses) situated in the jurisdiction of Suma, Higashi, Fukushima tax office, ready for them. The tax office authorities are observing conducts of the president, Asai Jisaburo, as he seems to have connection with several companies as a director. The tax office is now urging the company for the early payment investigating the rights of properties.

15. Miyazaki Masutoro (Higashisumiyoshi Tax Office)

1947-48	Income Tax	4,796	-----	4,796	The tax Office has reported that the properties now under attachment will be put to public sale during May. At the same time the tax office has been urging the tax payer to clear off his taxes in arrears.
1948-49	Increased income tax	3,361	-----	3,361	

16 Osaka River Transportation Co., Ltd. (Osaka Fukushima Tax Office)

1948-49	Withholding income tax	6,643	-----	6,643	Application to the Closed Institution Liquidation Commission for claim of obligation has been filed. The expected payment will be in ZJuly.
	Corporation	407	-----	407	

17. ~~16.~~ AGEHARA, Gonsaburo (Nishinari Tax Office)

1947-48	Income Tax	6,658	-----	6,648	The tax office is preparing plans for disposal of seized property and assets during May. The in dividual is in-fuential among his fellow Koreans and there is reason to believe that he is actively connected with several companies which the tax office has under surveillance. They have also urged his early payment of delinquent taxes.

18. SUGA Yoshio (Tennoji Tax Office)

Fiscal Year	Type of Tax	Total amount of Delinquent as of Feb. 28	Amount paid dur Mar	Amount of Delinquent as of Mar 31	Remarks
1947-48	Income	5.530	-----	5.525	The tax office is preparing plan for disposal of seized property during May. The reinvestigation so far has revealed that some adjustment will be necessary and will be necessary and will finished as soon as possible. After complete investigation of his assets is made collection of the tax balance will be demanded.

19. Tone Radio Co., Ltd. (Joto Tax Office)

1948-49	Commodity	30m801	-----	30,801	Notice will be sent out to the effect that the company hold a directors' meeting on solging this arreart of tax and the suitableness of continuing the enterprise, otherwise the property and assets now seized will be disposed through public sale.

20. Nitto Sangyo Co., Ltd. (Kita Tax Office)

1948-49	Income Tax 1,000) Corporation 13,900)	14,900	------	14,900	The dispositon of property seized at Yokkaichi has been delayed by a demurrer filed by the compnay. The tax office has been notified to dispose the property as quickly as possible.

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

NARA

REPORT ON LARGE SCALE DELINQUENT CASES
(As of Feb 28, 1949)

OFB No. 247

(Unit 1,000 yen)

15 April 1949

Osaka Finance Bureau

1. Yamato Pickling Co., Ltd. (Katsuragi Tax Office)

Fiscal Year	Type of Tax	Total Amount of Delinquent as of Feb. 28	Amount paid during Mar.	Amount of Delinquent as of Mar. 31
1948-48	Corporation	4,781	1,450	3,331
1948-49	"	2,121	---	2,121

Remarks

The tax office expects a partial payment of 3,331,000 during Apr. They have been instructed to prepare plans for disposal of seized property and assets and demand payment of the arrears from the company.

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

Sent to Nara

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

REPORT ON LARGE SCALE DELINQUENT CASES
(As of 28 Feb 1949)

OFB No. 247

15 April 1949

(Unit 1,000 yen)

Osaka Finance Bureau

1. Shinoho Textile Co., Ltd. (Kamikyo Tax Office)

Fiscal Year	Type of Tax	Total amount of Delinquent as of Feb. 28	Amount of paid during Mar.	Amount of Delinquent as of Mar 31	Remarks
1948-49	Corporation	6,173	-----	6,173	Portion of the seized property and assets valued at 1 million will be disposed of during Apr. The tax office has been notified to prepare disposal of the remainder as quickly as possible.

2. Watanabe Saichire (Shimokyo Tax Office)

1947-48	Income Tax	4,538	-----	4,538	The tax office has been instructed to speed up reinvestigation of his reassessment and prepare disposal of his seized property as quickly as possible.

Sent to Kyoto

SHIGA

REPORT ON LARGE SCALE DELINQUENT CASES
(As of 28 Feb 1949)

OFB No. 247

15 April 1949

(Unit 1000 yen)

Osaka Finance Bureau

1. Shiga Staple Food Distribution Corp (Otsu Tax Office)

Fiscal Year	Type of tax	Total amount of Delinquent as of Feb. 28	Amount paid during Mar.	Amount of Delinquentas of Mar. 31	
1947-48	Corporation	7,686	----	7,686	This is a restricted concern and tax office is awaiting payment from Closed Institution Liquidation Commission by end of April.

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

Encl 1 to Shiga

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

HEADQUARTERS
KINKI MIL GOVT REGION
APO 25 (Osaka, Honshu)

012

25 April 1949

SUBJECT: Directives to Tax Offices

TO : All Team Commanders

1. Transmitted herewith translations of directives to Tax Office pertaining to policy and operation.

2. These are for use as information copies only.

BY ORDER OF COLONEL O'MOHUNDRO:

GEORGE MINARIK
Captain CE
Adjutant

5 Incls:
1. Ltr, re: Petition thru Private Orgns and Political Parties
2. Ltr, re: Detection of pers liable to collect withholding taxes
3. Regs, re: Special awards for Tax Officials
4. Ltr, re: Bill for postponement of filing period for income tax return
5. Ltr, re: Arrangement of records and office maintenance

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

TRANSLATION

1. NAIKAKU-KAKU KO-No.55 11 March 1949

FROM: Director General of Cabinet's Secretariat

TO: Vice Minister of Finance

It is observed that the various Government Board, especially local dispatched official organs utilize the private organization concerned and make the petition to the Government or political parties to accomplish their whishes.

Hereafter, in such occasion, the responsible person should be punished after investigation of the matter.

It is directed that you should notify the above principal to the officials concerned.

2. TO: Iosuke Yoshida 28 March 1949
Director General, Osaka Finance Bureau

It is directed that you should study the contents of the attached notification regarding the above subject sent from the Director General, Cabinet's Secretariat and the principal should be notified to the officials under the jurisdiction of your bureau.

3. TO: Director and Section Chiefs, Osaka Fin Bureau 1 April 1949
Chief of Local Offices, Osaka Finance Bureau
Chief of Tax Office

It is directed that you should study the contents of the attached notification regarding the above subject which Director General of Cabinet's Secretariat addressed to Vice Minister of Finance and sent through Director General of Taxations Bureau in view of recent increasing of the same kind of petition, and your careful attention is invited in handling the matter.

Encl 1

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

TRANSLATION

(Choku 1 No. 118) **2 April 1949**

TO: Tax Office Chief

SUBJECT: Regarding the complete detection of persons liable to collect withholding income tax.

In accordance with the above, the bereau submitted the investigations reporting on the detection of persons liable to collect withholding taxes to the chief officials engaging in withholding tax business for their attention at the time of their conference held during the period from 19 Jan to 24 of the same month, however, because of the fact that some imperfect points were especially pointed out concerning the above detection as a result of inspection conducted by the authorities concerned, proper measures should be taken according to house to house investigations, requests of reinvestigation of their incomes, and other various kinds of data to expect the complete detection of the persons liable to collect withholding income taxes.

DIRECTOR GENERAL
Osaka Fin Bureau

Encl 2

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

REQULATION ON SPECIAL AWARD FOR TAX OFFICIALS

In order to give special awards to those tax officials of the Finance Bureau and tax offices, who have rendered their valuable services for swift tax collections for 1948-49 fiscal year and for maintaining balance of national finance the requlation of special Award for the tax officials has been as follows:

The award is classified as special award and interim award.

1. Special Award:
the award will be given to the following tax offices by the Minister of Finance in May 1949, according to the result conducted.

A Class

The tax office which surpassed the goal, conducted good tax administration and which is considered as a model.

B Class

The tax office which surpassed the goal and which is deemed as next to A Class.

C Class

The other tax offices which surpassed the goal.

(note) The above goal includes the goal of stamp revenue of transaction tax.

2. The above classes will be classified according to the date when the tax office surpassed the goal, the result of collection on items (Especially the result of collections of self assessed income tax and the effort conducted in order to surpass the goal will be much attended) The report submitted by The Finance Bureau, the result of administration in the office, the dixterity of investigation and the efficiency, the discipline maintained in the office.

3. Such awards stated above will be given to the Finance Bureau which is considered to be appreciated.

4. Interim Award.

Interim Award will be given to the tax office which exert its effort for tax collections by the Director of Finance Bureau.

A. Finance Bureau will check the date when the tax office surpassed the goal. The business efficiency of the said tax office and award to be given. The Finance Bureau will give the award in adquate time when such award

Incl 3

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

is considered to be encouragecus to improve the office efficiency of the tax office in checking on the present condition of tax collections during February.

The kind of interim award will be classified as specified in 3. 1a. 1b. and 1c. The careful consideration should be given to the present tax collection situation.

Such interim award also will be given to the Finance Bureau by the Minister of Finance.

5. The award money will be received by the tax chiefs, departmental Chiefs concerned.

Such money shall be spent for the staff welfare, offficial and cultural purpose.

The award money shall not be considered as a kind of bonus or allowances to be shared among the staffs.

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

1 April 1949

TO: Tax Office Chief

1. The bureau herewith submit you for reference the following notice by the Director of Taxation Bureau informing us of the bill concerning the postponement of the period of filing of the provisional return of the income tax in April in the fiscal year 1949-1950 and its period of payment for the first term.

2. Bill setting forth Special Rules for the filing of provisional return and period of payment of the Income Tax for the 1st term in the fiscal year 1949 to 1950.

a. The filing of provisional return in April and items to be stated therein by the regulation of Art 21, clause 1 of Income Tax Law, (Law No. 27, 1947) should be depended upon the actual condition on 1 June for the fiscal year 1949 to 1950 only and the filing date should be limited to the 30th of the same month from the very day.

b. For the fiscal year 1949-1950 only, the period such as 31 March on Art 21, clause 6 of the Income tax Law should be considered as 31 May.

c. For the fiscal year 1949-1950 only, the period of paying Income Tax for the first term by the regulation of Art 30, clause 1 on the Income Tax Law should be limited to the 30th of the same month from the 1st of June in the year.

The above law shall be enforced from the day promulgated.

Reason:

In accordance with the change of economic situations revised bill for the Income Tax Law should be investigated for the object of adjusting tax burdens of the people, therefore it is considered to be necessary that the exception should be provided for, concerning the filing the provisional return of the income tax in April of 1949 and its period of payment for the first term.

Incl 4