GHQ/SCAP Records(RG 331)
Description of contents

THE NATIONAL ARCHIVES OF THE UNITED STATES

(1) Box no. 2311

(2) Folder title/number: (26)
Tax Conference

(3) Date: Jan. 1949

(4) Subject:

Classification	Type of record
530	d

(5) Item description and comment:

(6) Reproduction: (Yes) No

(7) Film no. Sheet no.

MEMO FOR RECORD: 17-18 January 1949.

SUBJECT: Tax Conference

1. Conference was held in School Room 8AMG Hq. for instructing in Japanese Tax Laws, discussion of pending legislation and ways and means of incresing tax collection. Attending were; staff of Internal Revenue Div., ESS/SCAP; 8A Finance and Civil Prop.; Economic; Corps and Region representatives. Considerable time was devoted to talks and discussions by Japanese Tax Bureau officials.

2. Brig. Gen. Beasley gave a short talk stressing importance of program.

3. Mr. Moss ESS spoke on:

a. Tax Program Although there have been people tried and sentenced for evasion of income tax, no jail sentences yet. Need for strict action by Japanese. MG should check appointment of special Procurator and his activity. By ~~one~~ ~~June~~ 1 JUNE 49, reorganization of Tax system is expected with revision of administration, and increased pay for workers with emphasis on training. There will also be greater penalties for evasion. It is very ~~official~~ difficult at present to get courts to act. Excess profits will be taxed and the Land and House Tax Laws will be revised upward for maximum collection. A mission headed by Dr. Shoup is expected to soon survey the tax system to produce maximum revenues, a more equitable spread and reallocation of national and prefectural taxes. The long range arm of ESS is to revise the tax structure to establish a more efficient system.

b. GHQ organization 9 Tax experts in Int. Rev. Div. who review all major changes on proposals of any Ministry that affects taxes.

c. Status of collections As of 31 Dec. only 51% of taxes had been collected. Self assessed income taxes were the poorest with 33% collected. (See Annex F.) Difficulties in collection due to tight money situation, anti-tax drive, non-prosecution by procurators. (Annex H.)

4. Communist activity in Kanagawa - Capt. Tubbs Very interesting discussion on methods employed by communists in anti-tax drive with some effective remedies used by Kanagawa. They advise tax officials not to see petitioners unless they are tax payers from that district. MG officer fakes taking pictures of crowd which soon disappears. Arrests can be made for attacking a public official in line of duty. Communists have excellent organization aiming at one representative

this parallels

per 10 families, 2 chiefs per village, county, & tax district. Tonari Gumi which was banned by SCAPIN.

5. Mr. Nolan - Legal Aspects. Japanese procurators have upheld position of non reporting individuals who claim that since the tax office has assessed, they have in effect made the report. No one can be convicted for failure to report. (This will be corrected in pending laws) Tax payer can pay through an association (such as stall kepper) which probably keeps large percentage and bargains with tax office on amount to be paid. Example of Gifu Pref. where conviction was obtained for demonstrations (ANNEX C&E).

* 6. Mr. Moss gave details of a forth coming command letter that is not yet classified but may be secret. Report will be required of MG Teams.

7. Mr. Maben of CI stressed importance of cooperation with team information officer.

8. Mr. Hirata, Chief of Tax Bureau, Finance Ministry spoke on problems of Bureau. (Annex H) The 1948 calendar year tax on farmers
* (reports due Jan. 1949) has been increased 70% over 1947. This is low in comparison to business increase of 200 - 300% and is in line with increased price of rice. Although there was difficulty in collection from farmers last year, there is expected to be little this year but instead difficulty from business. The quotas below demonstrate increase in self assessed income tax.

Class	1947	1948
Farmers	18.2 Billions	30.4 Billions
Small business	30.0 "	84.2 "
Other (proffessional etc.)	3.1 "	7.4 "
	51.2 "	122.0 "

In addition the increase in dependents deduction from 1,195 to 1,800 yen and the increase in standard deduction from 10,325 to 15,000
* (Annex N) will lower the number of farmers paying. Due to sales of farm land the pre war figure of about 200,000 tax paying farm land owners has increased to about 4 millions.

9. Mr. Miyazawa Sec'y of Tax Bureau. Detailed explanation of Tax Laws and Enforcement Regulations. Annex I through N. The basis of the standard profit rate used by tax offices (such as all barbers recognized as having 18% profit with area variations) allows much abuse and needs careful administration. Farmers are assessed
* on basis of a standard profit rate per ton of farm land. Variations by crop and area. Surplus crop turn in must be taxed with deductions allowed for expenses of labor and fertilizer etc. A standard base is being applied by each tax office but there can be no flat rate. About 3000 yen per ton is practice for normal crop. Taxes on black market operation can only be collected on court conviction that monies are illegal and then standard tax applied.

10. Capt. Tubbs - Organization of Local Tax Office. Detailed discussion of organization. Taxes collected in farming area much greater than city area. Taxes where there is communist concentration are lower than other places. Collection aided by use of trucks to transport collectors. Gasoline allocated by assistance of Economics Officer. Incentive goods sold to collectors. 4000 lbs of canned beef sold for 10 yen/pound, jam at 35 yen. 100 rain boots and rain coats obtained from U.S. Navy. Great increase in collections. During Provost court trials, evidence copied by tax officeman and warrant issued for search are examination of books. Collection made.

11. Mr. ~~Penin~~ Perrin ESS - Organization of Procurators Office (Annex A pages 15 through 19. Charts A & B)

12. Mr. Sutherland ESS - Questions and answers

a. Tax officials cannot use force.

b. Standards for measuring reassessments should be based on careful check of local conditions.

c. Tax goods arrived at by individual office based on local conditions. Revised on National level.

d. Local Gov't collects only 10% of taxes. Aim is to increase this and give local Pref. officials responsibility.

e. Only licensed individuals not organizations can represent tax payer. Others should be prosecuted (Annex E).

13. Mr. Moss ESS - Summary . Avoid direct contact with tax payers. SCAP letter on Chinese. Numerous complaints on Chinese refusing to pay taxes. The assessment and collection of taxes of United Nation Nationals is a Japanese problem, however where criminal action is involved it is a matter for MG Provost Courts. Non compliance with Japanese laws affects Revenue and morals. In the case of U.N. Nationals interfering with Japanese officials in the performance of their duty, criminal laws are violated and should be prosecuted Provost Courts.

14. Major Wolitarsky SA (Annex D) Preservation and protection of U.N. property, Restoration of U.N. property and eviction, noted property.

King

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A

INFORMAL SUMMARY OF TAX DATA
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PART I

SUMMARY OF JAPANESE TAX LAWS

17 January 1949

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

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

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

PERSONAL INCOME TAX
(As of December 1948)

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

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

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

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

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

ASSESSMENT AND COLLECTION DATE:

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

(2) Self-assessed income taxpayers are required to estimate and pay taxes quarterly on provisional returns due by the last day of April, July, October and January. The January return following the taxable year serves as the final return. *Farmers file only the final return. (In 1943, however, no return was required in April). *Those engaged in farming only and having no other source of income.

PENALTIES:

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

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

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

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

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

NOTES:

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

(2) Tax offices may make reassessments following investigations.

LIQUOR, BEER, AND SAKE TAXES
(As of December 1943)

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

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

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

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

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

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

ASSESSMENT AND COLLECTION DATE:

(1) Basic date is collected directly from manufacturer.

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

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

MAJOR PENALTIES:

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

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

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

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

NOTES:

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

TRANSACTION TAX
(As of December 1948)

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

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

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

RATE: 1% of yen basis of transaction.

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

COLLECTION DATE:

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

PENALTIES:

(1) For tax evasion a fine of from 20 to 40 times attempted evasion, or imprisonment not exceeding 5 years, or both.
(2) For failure to declare tax, false reports, misuse of revenue stamps, or resistance to tax officials, a fine not exceeding ¥ 50,000 under Article 44 (or ¥ 100,000 under Article 43).

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

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

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

COMMODITY TAX
(As of December 1948)

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

EFFECTIVE: The provisions described below became effective in 1948.

RATES:

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

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

PENALTIES:

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

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

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

CORPORATION TAX
(As of December 1943)

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

EFFECTIVE DATE: The rates below became effective for calendar year 1943, but such laws have existed for many years.

RATES:

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

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

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

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

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

COLLECTION DATE:

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

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

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

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

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

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

MAJOR PENALTIES:

(1) In case of late payments due to self-assessment, revision of return by taxpayer, or reassessment, interest is charged on the increased tax at the daily rate of ten sen per ¥ 100 (36.5% annual rate). Interest is figured on the number of days elapsed beyond the legal date of payment.

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

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

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

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

ORGANIZATION OF THE NATIONAL TAX ADMINISTRATION SYSTEM
OF THE JAPANESE GOVERNMENT

(17 January 1949)

PART II

MINISTRY OF FINANCE

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

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

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

TAXATION BUREAU

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

REGIONAL FINANCIAL BUREAUS

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

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

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

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

LOCAL TAX OFFICES

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

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

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

ORGANIZATION AND FUNCTION OF THE INSPECTION DIVISION

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

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

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

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

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

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

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

PART III ASSESSMENT AND COLLECTION OF TAX (17 January 1949)

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

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

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

Delinquent:

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

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

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

Other Records:

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

Indexes and Files:

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

Cancellation of Assessed Tax:

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

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

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

PROCEDURE RELATIVE TO SELF-ASSESSED INCOME TAX

I. Normal Procedure for Correctly Filed Returns

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Procedure Relative to Reassessment:

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

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

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

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

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

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

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

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

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

IV. Procedure Relative to Delinquencies:

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

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

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

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

V. Procedure Relative to Seizure of Property:

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

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

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

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

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

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

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

VI. Excess Payment or Mistaken Payment:

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

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

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

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

PART IV (17 January 1949)

PROSECUTIONS IN TAX CASES

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

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

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

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

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

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

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

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

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

COURTS AND APPEALS

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

EVIDENCE

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

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

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

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

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

3. An accused shall not be convicted in case where his own confession, whether made in open court or not, is the only proof against him. Also confessions made under duress, or not voluntarily, shall not be admitted in evidence (Art. 319).

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

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

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

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

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

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

EXAMINATION OF WITNESSES

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

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

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

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

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

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

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

Cross examination of witnesses is provided for in Article 304.

SEARCH AND SEIZURES

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

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

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

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

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

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

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

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

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

CHART "A" THE ATTORNEY GENERAL'S OFFICE ORGANIZATION PERTAINING TO TAX CASES

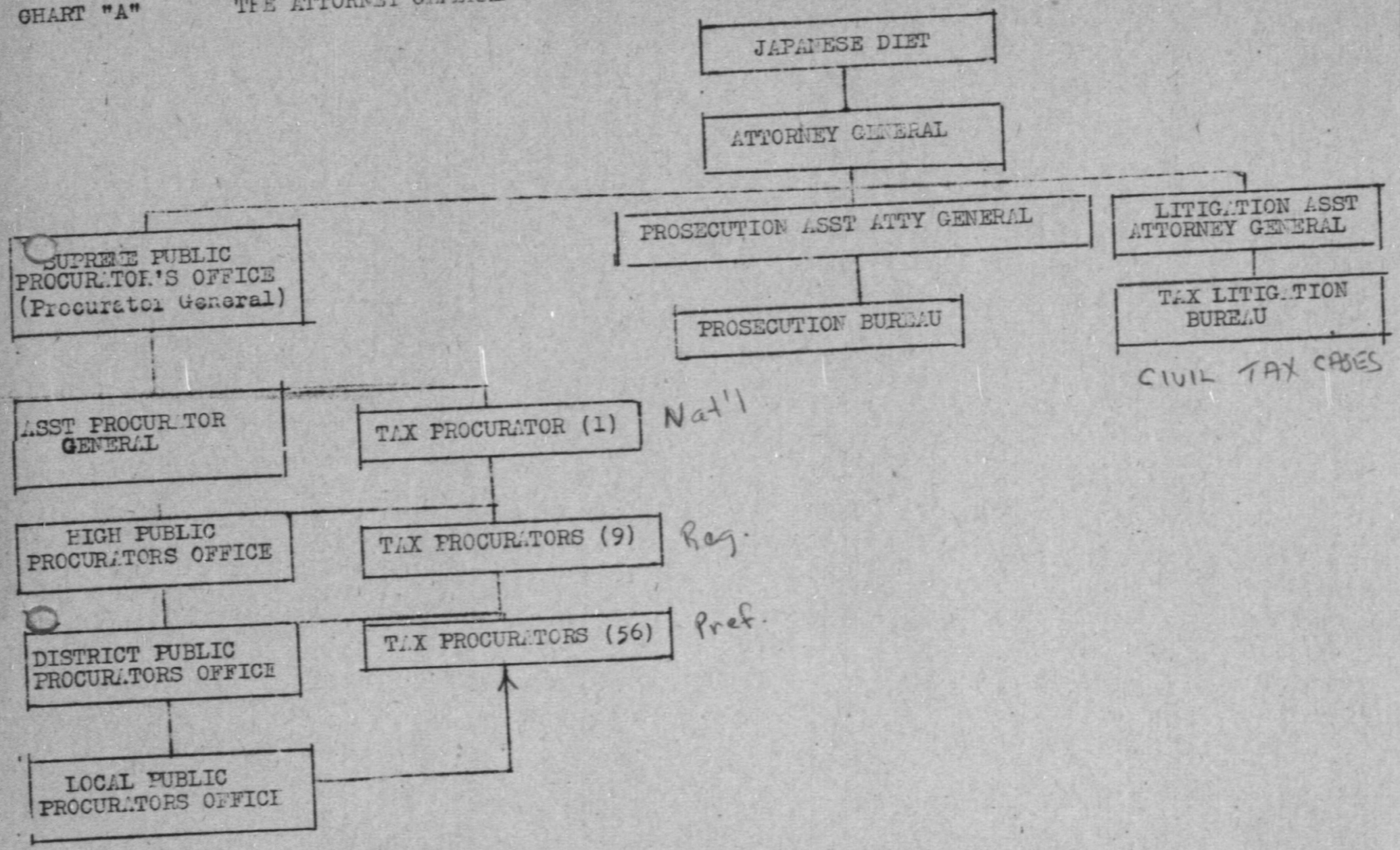
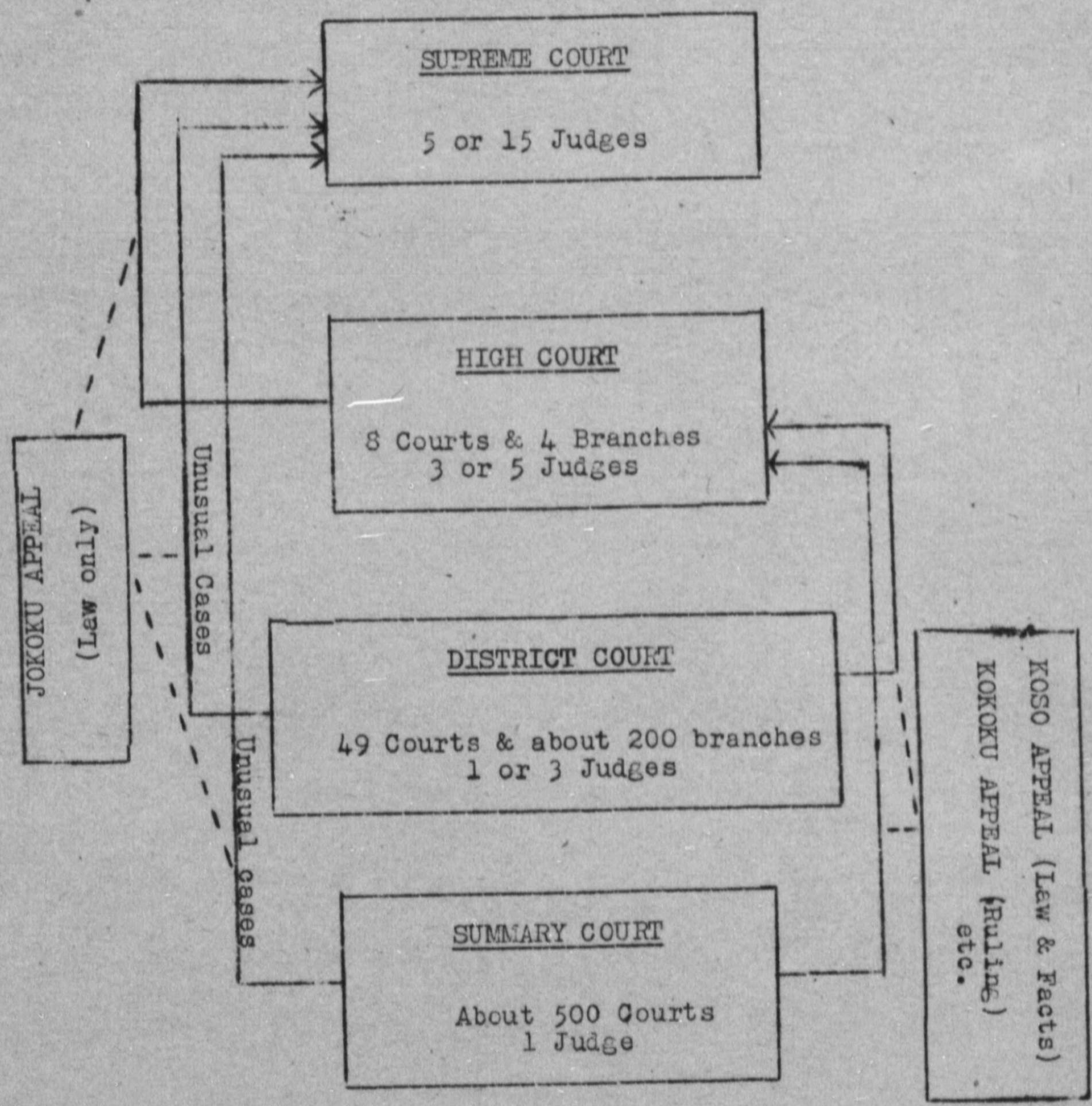


CHART "B"

COURTS AND APPEALS



B

ACTUAL COLLECTION

All Tax Offices in Kanagawa Prefecture combined. 31 December 1948

Name of Taxes	Current Month	1 April to Current Mo.	Goal	Ratio
Withhold Income Tax	428,320,569	2,216,635,838	1,695,410,000	130%
Self Assessed Tax	228,736,847	1,262,818,218	2,814,804,000	44
Increased Income Tax	211,540	9,289,226	10,220,000	90
Corporation Tax	105,692,957	303,504,792	370,590,000	81
Special Corporation Tax	97,353	1,416,764	1,160,000	122
Estate & Gift Tax	7,642,645	31,420,290	43,650,000	71
Non-war Sufferer's Tax	451,793	40,174,985	51,470,000	78
Liquor, Beer, Sake Tax Fundamental	154,181,987	725,627,776	1,003,380,000	72
Liquor, Beer, Sake, Tax Additional	133,691,459	600,876,405	1,045,270,000	57
Soft Drink Tax	2,4[illegible]6,002	63,294,407	87,110,000	72
Textile Excise Tax	5,450,990	36,513,896	38,390,000	95
Commodity Tax	104,325,586	563,370,322	956,800,000	58
Travelling Tax	3,660,299	12,589,321	21,060,000	59
Admission Tax	1,381,598	142,351,316	98,800,000	144
Security Transfer Tax	84,011	333,015	1,640,000	20
Parimutual Tax		7,777,620	3,430,000	226
Special Profit Tax	5,377,374	10,928,001		
Old Tax	233	131,171		
Retrocession Tax	130,670	1,790,963		
Cash collected from sale of stamps	19,828,012	36,780,248	189,790,000	19
Stamp Tax	466,146	2,535,108	1,833,000	138
Sugar Tax	1,193,290	10,022,086	6,536,000	153
TOTAL	1,214,9[illegible],281	6,080,181,788	8,441,343,000	72
Revenue of Sales Transaction Tax in stamps at Post Office	101,466,169	101,466,169	597,770,000	16

NEW GOAL

ACTUAL COLLECTION

31 December 1948

Name of Tax Office	Actual Collection 1 Apr to 30 Nov 48	Goal	Ratio
Yokohama	1,407,699,000	2,633,278,000	53.4
Isogo	312,628,321	704,063,000	44.4
Totsuka	208,159,108	366,515,000	56.7
Kanagawa	457,095,107	703,223,000	65.0
Tsurumi	669,286,000	1,113,503,000	60.1
Kawasaki	962,234,000	1,604,238,000	59.9
Yokosuka	499,778,000	830,440,000	60.1
Fujisawa	530,960,000	956,066,000	55.0
Oiso	234,901,495	496,114,000	47.3
Atsugi	190,016,000	332,993,000	57.0
Odawara	607,424,757	1,029,340,000	59.0
TOTAL	6,080,181,788	10,778,773,000	56.4%

OLD GOAL

ACTUAL COLLECTION

All tax offices in Kanagawa
Prefecture combined

31 December 1948

NAME OF TAX OFFICE	ACTUAL COLLECTION 1 Apr to 30 Nov 48	GOAL	RATIO
Yokohama	1,407,699,000	2,057,553,000	68.4
Isogo	312,628,321	523,747,000	59.6
Totsuka	208,159,108	284,234,000	73.2
Kanagawa	457,095,107	505,835,000	90.3
Tsurumi	669,286,000	925,418,000	72.3
Kawasaki	962,234,000	1,273,634,000	75.5
Yokosuka	499,778,000	646,093,000	77.3
Fujisawa	530,960,000	789,773,000	67.2
Oiso	234,901,495	327,083,000	71.8
Atsugi	190,016,000	256,877,000	73.9
Odawara	607,424,757	851,096,000	71.3
TOTAL	6,080,181,788	8,441,343,000	72.0%

AMOUNT AND RATIO OF COLLECTION GOAL
IN EACH REGIONAL FINANCE B
BRUEAU

NAME OF BUREAU	AMOUNT OF GOAL	RATIO
Tokyo	¥ 66,947,000,000	22.8%
Kanto-Shinetsu	30,664,000,000	10.4
Osaka	64,373,000,000	21.9
Sapporo	12,060,000,000	4.1
Sendai	14,845,000,000	5.0
Kanazawa	7,836,000,000	2.6
Nagoya	32,824,000,000	11.2
Hiroshima	19,831,000,000	6.7
Takamtasu	8,473,000,000	2.8
Fukuoka	21,491,000,000	7.3
Kumamoto	13,272,000,000	4.5
Total	292,620,000,000	

* * * * *

Remarks:

Yokohama Tax Office	2,633,000,000	0.9%
Kanagawa Prefecture	10,778,000,000	3.6

6 January 1949

C

Measures Against Mass Petition and Demonstration

1. The rules governing the meeting:

(1) Specify the number of delegation and the time of meeting, and request them to state their opinions in an orderly manner. The number should be limited to less than 10 persons generally, considering the width of the room and the location of the meeting.

(2) Receive the business cards from the visiting delegation, and record their names, addresses, qualifications, etc. clearly.

(3) In order to take measures above mentioned under items (1) and (2), the meeting with chief of taxation office should be held only on matters stated in advance.

2. Matters to be considered, in negotiation.

(1) After action under item (2) of 1., above, the meeting should be held.

(2) At the meeting do not allow yourself to be surrounded by the delegation. Chief of general affairs section, chief of the competent section and chief of the competent charge, etc., (at least 3 persons) should be present as witnesses.

(3) In conference, the minutes should be kept by persons who are selected beforehand, and the speech and behaviour of delegation and any slander, threats or abusive language, etc. should be recorded carefully.

3. Application of penalties:

(1) If the delegation exceeding the specified number, comes into the conference room:

(a) The crime should be construed as "illegal entry". (Art. 130, the former passage, the Penal Code.) In this case, (a) it is necessary to refuse permission to enter. (b) The meeting should be refused.

(b) The crime construed as "persistent demand" (Art. 223, the Penal Code). In this case, the necessary condition is the fact of threat to injure life, body, free action, honor and property.

(2) In the case of item (1) above mentioned, if they refuse to leave the room, the crime is construed as "non-leaving". (Art. 130 the latter passage, the Penal Code). In this case, it is necessary to request the delegation to leave the room.

(3) In case the specified time passes by and delegation refused to close the meeting and to leave the room.

(a) the crime is construed as "non-leaving". In this case, it is necessary to request clearly several times to close the meeting for the reason - specified time has passed.

(b) the crime is construed as "persistent demand".

(4) In negotiation, if there are threats, the crime is construed as "intimidation". (Art. 222, the Penal Code). In this case:

(a) Request clearly to close the meeting. (If this request is refused, the illegality becomes clear and this results in advantageous condition on the confirmation by the authorities.

(b) If there are facts that they show the attitude to hit you with raised hands, or they say, "We will kill you", "We will dismiss you", or "We will expose your scandal", etc., the "intimidation"is a matter of record.

(c) As to the abusive language above mentioned under item (b), this fact should be made clear, asking in return "Did you say you will kill me?" etc. This, in some cases, is an effective measure against their demonstration.

(d) It is necessary, for future reference, to secure firmly the fact of illegality, especially the speech and behaviour (the fact and the person) to injure or about to injure.

(5) In case the crime of "intimidation" is committed at the same time the crime of "illegal obstacle of execution of official business" generally. (Art. 95, Par. 1, the Penal Code).

(6) If it is requested in the sense of confirmation that you sign and seal the document on which the process of negotiation or matters requested are written, this request should be refused. In this case, if there are facts of threat or illegal request, the crime is assumed as "intimidation" or "persistent demand of official business" (Art. 95, Par. 2, the Penal Code). And in this case, the necessary condition is the same as (b) of item (1) above mentioned.

(7) As to the abusive language in negotiation, the crime is considered as "slander to honor" (Art. 230, the Penal Code) or "insult to government official" (Art. 231, the Penal Code). As to the former, the necessary condition is to point out the fact in public, and the words "in public" means "in the presence of persons" generally, therefore this can be applied even "in the presence of five or six officials". As to the latter, it is quite enough, as the necessary condition, to insult persons simply in public. For example, the words "Your fool !" forms the crime in theory. In this case it is necessary to secure the proof firmly.

(8) At the meeting, if there are facts that chief of taxation office or other officials are surrounded, deprived free actions and prevented from going out on official business, or from going home until late, etc., the crime is considered as "illegal confinement" (Art. 220, the Penal Code). In this case:

(a) Show clearly your intent to leave your seat.

(b) Arise from your seat and proceed to leave.

(c) Besides it is necessary to make the fact clear, asking, and repeating, "Are you going to shut me in here?", etc.

(9) In all these cases mentioned above, if there are facts that they take such actions as violence, threat or destruction of furniture by demonstrating the power of union or mass, they shall be held to be punished by "the law relating to the punishment of Violence etc., Art 1 - Art 3". In this case: Refer to the same points in relation to the crime of "intimidation" or "persistent demand".

(10) The attitude to be taken by chief of taxation office.

(a) In relation to the necessary condition of the crime above mentioned under items (1) - (9), it is most important that chief of taxation office should preserve a firm attitude and secure the concrete proof firmly. Therefore, make these points clear and leave on records without fail.

(b) If the situation of mass petition and demonstration are presupposed, inform the competent police station and the competent Military Government Team of the fact in detail, as soon as possible, and ask advice of them about the application of penalties above mentioned. If possible, inform them beforehand and ask the confirmation of the plea of negotiation.

HEADQUARTERS EIGHTH ARMY
United States Army
Office of the Commanding General
APO 343

11 January 1949

DIRECTIVES RELATING TO FINANCE
AND CIVIL PROPERTY FUNCTIONS.

1. Directives from SCAP to Japanese Government

a. SCAPIN 26, 13 September 1945 - "Protection of Allied and Axis Property."

b. SCAPIN 44, 22 September 1945 - "Controls over Exports and Imports of Gold, Silver, Securities and Financial Instruments."

c. SCAPIN 45, 22 September 1945 - "Control of Financial Transactions."

d. SCAPIN 74, 30 September 1945 - "Closing of Colonial and Foreign Banks and Special Wartime Institutions."

e. SCAPIN 96, 6 October 1945 - "Reports of Foreign Exchange Assets and Related Matters."

f. SCAPIN 104, 8 October 1945 - "Supplemental Instructions Pertaining to the Closing of Financial Institutions."

g. SCAPIN 359, 28 November 1945, subject: "Control Over Issue of New Currency."

h. SCAPIN 403, 8 December 1945 - "Establishment of a Schedule of Restricted Concerns."

i. SCAPIN 572, 10 January 1946 - "Addition of Oji Paper Manufacturing Company, Ltd. and Subsidiaries on Schedule of Restricted Concerns."

j. SCAPIN 732, 12 February 1946 - "Delivery of Gold, Silver, Precious Metals and Stones by Bank of Japan Branches to the Eighth Army."

k. SCAPIN 764, 22 February 1946 - "Unreported Precious Metals."

l. SCAPIN 775, 27 February 1946 - "Public Assistance."

m. SCAPIN 831, 20 March 1946 - "Addition of Subsidiaries of Fuji Industrial Company on Schedule of Restricted Concerns."

n. SCAPIN 835, 22 March 1946 - "Addition of Onoda Cement Company, Ltd. to Schedule of Restricted Concerns."

o. SCAPIN 844, 27 March 1946 - "Currencies Brought to Japan by Repatriates."

p. SCAPIN 845, 29 March 1946 - "Addition of Sumitomo Honsha, Ltd. Subsidiaries to Schedule of Restricted Concerns."

q. SCAPIN 855, 3 April 1946 - "Addition of Subsidiaries of Yasuda Hozensha, Ltd., to Schedule of Restricted Concerns."

r. SCAPIN 858, 4 April 1946 - "Addition of Subsidiaries of Nomura and Company, Ltd. to Schedule of Restricted Concerns."

s. SCAPIN 862, 5 April 1946 - "Addition of Furukawa Mining Company, Ltd. Subsidiaries to Schedule of Restricted Concerns."

t. SCAPIN 875, 12 April 1946 - "Amendment to Memorandum to Imperial Japanese Government" AG 410.2 (12 February 1946)ESS-FI (SCAPIN 5132) - "Delivery of Gold, Silver and Precious Metals and Stones by Bank of Japan Branches to Eighth Army."

u. SCAPIN 885, 19 April 1946 - "Impounding and Reporting of Looted Property."

v. SCAPIN 893, 22 April 1946 - "Addition of Subsidiaries of Mitsui Honshu to Schedule of Restricted Concerns."

w. SCAPIN 908, 28 April 1946 - "Currency Carried Into Japan by Japanese Nationals Repatriating from Korea."

x. SCAPIN 927, 7 May 1946 - "Repatriation."

y. SCAPIN 931, 7 May 1946 - "Addition of Subsidiaries of Kawasaki Heavy Industry, Ltd., to Schedule of Restricted Concerns."

z. SCAPIN 950, 13 May 1946 - "Addition of Showa Electric Industry Company, Ltd., (Showa Denko Kabushiki Kaisha) and Subsidiaries to Schedule of Restricted Concerns."

aa. SCAPIN 970, 21 May 1946 - "Addition of Subsidiaries of Hitachi, Ltd., to Schedule of Restricted Concerns."

bb. SCAPIN 998, 4 June 1946 - "Addition of Nippon Mail Steamship Co., Ltd., and Subsidiaries; Osaka Commercial Steamship Co., Ltd., and Subsidiaries; and Yamashita Steamship Co., Ltd., and Subsidiaries to Schedule of Restricted Concerns."

cc. SCAPIN 1077, 23 July 1946 - "Addition of Daiwa Industry Company, Ltd., (Daiwa Kogyo K.K.), and Its Subsidiaries to Schedule of Restricted Concerns."

dd. SCAPIN 1098-A, 22 April 1946 - "Reports of Precious Metals."

ee. SCAPIN 1115, 8 August 1946 - "Addition of Teikoku Compressed Gas Company, Ltd., (Teikoku Asshugugasu K.K.), to the Schedule of Restricted Concerns."

ff. SCAPIN 1119, 10 August 1946 - "Addition of Toyo High Pressure Company, Ltd., (Toyo Koatsu K.K.), to the Schedule of Restricted Concerns."

gg. SCAPIN 1368, 29 November 1946 - "Surrender of Foreign Exchange Assets."

hh. SCAPIN 1370, 30 November 1946 - "Preservation of Property in Japan Owned by United Nations and Their Nationals."

ii. SCAPIN 1446, 8 January 1947 - "Application of Ishihara Steel Manufacturing Company, Ltd, (Ishihara Seiko K.K.), for Removal from Schedule of Restricted Concerns."

jj. SCAPIN 1585, 26 March 1947 - "Application of Japan Y. S. Soap Company, Ltd. (Nippon Y. S. Sekken K.K.), to be Removed from the Schedule of Restricted Concerns."

kk. SCAPIN 1604, 10 April 1947 - "Application of Kasumi Provision Company, Ltd. (Kasumi Shokuhin K.K.), for Removal from the Schedule of Restricted Concerns."

ll. SCAPIN 1641, 30 April 1947 - "Application of Tokai Motor Transportation Company, Ltd. (Tokai Jidosha K.K.), for Removal from Schedule of Restricted Concerns."

mm. SCAPIN 1645, 1 May 1947 - "Joint Application of Dai Nippon Cotton Spinning Company, Ltd. (Dai Nippon Boseki K.K.), and Suzumasa Woolen Weaving Company, Ltd. (Suzumasa Chome Orimono K.K.), for Removal of the Latter from the Schedule of Restricted Concerns."

nn. SCAPIN 1652, 2 May 1947 - "Impounding and Reporting of Looted Property."

oo. SCAPIN 1690, 20 May 1947 - "Amendments to Regulations Affecting Restricted Concerns."

pp. SCAPIN 1743, 8 July 1947 - "Addition of Ube Industrial Company, Ltd. (Ube Kosan K.K.) to the Schedule of Restricted Concerns."

qq. SCAPIN 1775, 12 September 1947 - "Reduction of Governmental Expenditures."

rr. SCAPIN 1806, 22 October 1947 - "Approval to Abrogate Imperial Ordinance No. 243, Concerning Prohibition of and Restriction of Dividend Payments."

ss. SCAPINs 1845, 12 January 1948 and 1845/1 - "Application of Provisions of SCAPIN 26, 13 September 1945, and Ministry of Finance Ordinance No. 78, 20 September 1945, as amended."

tt. SCAPIN 1858, 13 February 1948 - "Responsibilities of Japanese Government for the Packaging, Transfer, and Delivery of Property Being Restored to Claimant Nations Under the Restitution Program."

uu. SCAPIN 1878, 7 April 1948 - "Property Produced in Occupied Areas."

vv. SCAPIN 1880, 22 April 1948 - "Procedure for Restoration of Property in Japan to Nationals of United Nations."

ww. SCAPIN 1880/1, 8 March 1948 - "Perpetual Leases."

xx. SCAPIN 1905, 8 June 1948 - "Removal of Certain Companies from the Schedule of Restricted Concerns."

yy. SCAPIN 1909, 15 June 1948 - "Removal of Yamada Industry, Ltd. (Yamada Kogyo K.K.) from the Schedule of Restricted Concerns."

zz. SCAPIN 1912, 21 June 1948 - "Definition of United, Neutral, Enemy, Special Status and Undetermined Status Nations."

aaa. SCAPIN 1918, 6 July 1948 - "Removal of Taisei Woolen and Worsted Textile Manufacturing Company, Ltd. (Taisei Keori K.K.) from the Schedule of Restricted Concerns."

bbb. SCAPIN 3355-A, 6 March 1947 - "Joint Application of Hitachi, Ltd, (Hitachi Seisakusho K.K.), and Liquidator of Toyo Sharp Instrument Company, Ltd. (Toyo Riki K.K.), for Removal of Latter from Schedule of Restricted Concerns."

ccc. SCAPIN 5133-A, 24 April 1947 - "Investigation of Looted Vehicles."

ddd. SCAPIN 3674-A, 24 April 1947 - "Precious Metals Confiscated by Japanese Courts."

eee. SCAPIN 3674-A/1, 2 December 1948 - "Precious Metals Confiscated by Japanese Courts."

fff. SCAPIN 5358-A, 6 March 1948 - "Disposal of Certain German Property."

2. Operational Directives, Headquarters Eighth Army

a. OD 60, 25 June 1946 - "Unauthorized Transactions in Precious Metals."

b. OD 88, 12 November 1946 and OD 88/2 for 1946, subjects: "Rehabilitation of Postal Savings Branches."

c. OD 13, 22 January 1947 - "Repatriation of Foreign Nationals."

d. OD 43, 9 June 1947 and ODs 48/1 and 48/2 for 1947 - "Surveillance of Preservation and Protection of Property of United Nations Nationals."

e. OD 54, 21 July 1947 - "Repatriation of Foreign Nationals."

f. OD 56, 13 August 1947 and ODs 56/1, 56/2, 56/3, 56/4 and 56/5 for 1947 - "Inventory and Transfer of Looted Property."

g. OD 58, 20 August 1947 - "Passes for Entrance to Depositories of Blocked or Impounded Property Under Control of Eighth Army."

h. OD 18, 19 March 1948 - "Surveillance of Axis Property."

i. OD 19, 19 March 1948 - "Repatriation of German Nationals."

j. OD 20, 26 March 1948 and OD 20/1 for 1948 - "Deliveries and Releases to or from the United States Vaults, Bank of Japan, Tokyo, and the United States Vaults, Osaka Mint."

k. OD 48, 17 August 1948 and OD 48/1 for 1948 - "Surveillance of Japanese Tax Administration."

l. OD 55, 20 October 1948 - "Restoration of United Nations Nationals' Property."

Mr. Nolan

Legal and Government (Cont'd) (Commy)

Legality of Activities by Anti-Tax Payment Democratization Federation. - Activities of the various Anti-Tax Federations are well known to teams. This article points out the methods and tactics which the federation uses in violation of Japanese laws, as well as what legal action can be taken to counteract their program.

The legal and government officer at Gifu MG took action and thereby set a pattern that could well be followed in other prefectures when the problem arises. After the first mass demonstrations against tax officers were held, the legal and government officer called a conference to discuss the situation and determine a course of action. The procurator, the National Rural Police chief, the chiefs of the tax offices, the commanding officer and the tax surveillance officer of the team met in the first conference. The procurator was reluctant to take any action as he felt no convictions could be obtained. A second conference was called the following week and the procurator then felt he could bring a case under the Public Accountants Law as well as under the Criminal Code. Two days later the procurator ordered the closing of 13 league offices and arrested 5 of the leaders. At the time of the arrests, search warrants were issued. The homes and offices were searched and evidence found of expense accounts, league membership applications, etc. Seven hearings were held, and during them red flags were displayed and songs were sung - except at the last one. All the leaders were convicted. One received the maximum of 1 year; one received 8 months and the others were given suspended sentences. Recent information received from the legal and government officer indicates that this action has proven so successful that there has been no recurrence of organized anti-tax activities.

The plan of action outlined above is an excellent one to follow, being based on actual cases that have been successfully concluded. Investigation into the applicable Japanese laws discloses that heavier sentences could be levied by bringing charges under the Income Tax Law (see below). While the action under the Public Accountants Law carries a sentence up to one year, the feature which gives the procurator the right to order the offices closed as a violation of the Income Tax Law, is very effective and should not be minimized.

In the average case, the charges can include a violation of all three of the following provisions of Japanese laws:

Legal and Government (Cont'd)

1. The Certified Public Accountants Law, No. 103, found on page 6 of the 6 July 1948 Gazette, Chapter 8. This provides for penalties of over one year and up to 10,000 yen fine.

2. The original Income Tax Law No. 67 of 17 March 1900, as amended by Laws No. 11 of 1904, No. 8 of 1908, No. 9 of 1944, Nos. 29 and 142 of 1947, and No. 107 of 1948. Article 22 covers interference with tax collections, and is the basis for charges in the average case.

"Whoever, if he is liable to pay national tax, does not report a standard of taxation of national tax, or makes a false report, or instigates not to collect or pay national tax shall be liable to imprisonment with hard work for not more than three years or to fine of not more than ¥200,000.

"Whoever makes a taxpayer of national tax not report a declaration which is a duty of taxpayers, or makes him report a false declaration, or assaults or threatens for the purpose of making one not collect or not pay national tax shall be liable to the same."

This article is specific on the qu stion of taxes and provides for penalties up to 3 years and not more than ¥200,000. It should be sufficient in itself, in the average case. Advising taxpayers orally or in writing, or by handbills or posters, not to pay their taxes, or to assault and threaten the tax officials, is clearly a violation of this section.

3. The Criminal Code, Law No. 45 of 1907, as amended by Laws No. 77 of 1921, No. 61 of 1941, and No. 124 of 1947. It is particularly applicable to the assault or threatening feature of the type of activities disclosed in the reports. The pertinent provision is Article 95 of the law:

"Whoever assaults or threatens public officials in the execution of their duties shall be liable to imprisonment or to imprisonment with hard labor for not more than 3 years.

"Whoever assaults or threatens public officials for the purpose of making them take or not take a disposition or making them retire from public office, shall be liable to the same."

Legal and Government (Cont'd)

It is believed that in those prefectures and cities in which the anti-tax organizations are active to the extent of actual interference with the execution of the tax laws, satisfactory results will be obtained if a conference of the interested officials is called and the procurators are given the above citations for their consideration.

Reinstatement of Purged Special Higher Policemen. - The municipal police force of Susami, Wakayama prefecture, hired a former member of the special higher police. A Japanese citizen, knowing that this party was purged, wrote a letter of complaint. The complainant was correct about the purge, but he did not know that this man as well as others had been reinstated on an eligible list.

Special higher police were purged under SCAPIN 93 (4 October 1945). Widespread publicity was given to this directive, so the average Japanese knows about it. However, the FEC memorandum, dated 13 June 1947, authorized the police bureau to reinstate former special higher police who had served less than one year. Apparently little general publicity has been given to this memo, although officers have applied and been reinstated under its provisions. The individual in this particular case was reinstated in a letter from the police bureau, dated 25 September 1947, which makes his employment legal in spite of the 1945 purge.

It should be noted that merely finding an individual's name on a purge list is not conclusive. You must make sure that the name on the list refers to the suspect individual and not another person of the same name. The Japanese have their share of "Mr. Smiths".

Teacher Refuses to Vacate Room. - The problem of a school teacher who refused to vacate his room in a school billet after dismissal was presented at the legal and government officers conference in November by the Akita officer. SCAP legislation and Justice Division speakers requested a detailed report from the team. According to this report both the procurator and the civil judge agreed that an immediate eviction order could not be granted. The case would have to follow the usual channels of a civil suit for eviction, which will take about one year to conclude. The procurator says that no criminal action can be taken until after the civil suit is completed.

Receipt of Taxes as of the End of December 1948

Table 1. 14 the January 1949

(in million yen)

Tax	Cumulative as of the end of November	December: Actual receipt of 1st ten days	December: Actual receipt of 2nd ten days	December: Actual receipt of 3rd ten days	December: Total	Cumulative as of the end of December	Amount in the Budget.	Percentage of receipt %	Percentage of the corresponding term of the preceding year %
Income Tax (withheld	35.373	2.078	2.917	3.050	8.045	43.418	61.271	70.9	59.4
Income Tax (self-assessed	33.869	1.684	1.849	2.958	6.491	40.360	122.197	33.0	10.9
Income Tax (Total	69.242	3.762	4.766	6.008	14.536	83.778	183.468	45.7	27.2
Corporation Tax	8.303	1.242	896	1.421	3.559	11.862	18.056	65.7	36.6
Liquor Tax	21.645	2.259	327	3.251	5.837	27.482	45.776	60.0	29.3
Taxtile Excise	5.219	322	351	676	1.349	6.568	10.090	65.1	38.8
Commodity Tax	8.242	619	360	852	1.831	10.073	17.508	57.5	45.3
Transaction Tax(receipt in cash)	581	136	422	96	654	1.235	2.405	51.4	-
Admission Tax	3.921	8	12	18	38	3.959	4.035	98.1	46.1
Receipt from Stamps (receipt on cash)	173	12	12	14	38	211	74	285.1	74.7

April 1947

Corporation Tax	8.303	1.242	896	1.421	3.559	11.862	18.056	65.7	36.6
Liquor Tax	21.645	2.259	327	3.251	5.837	27.482	45.776	60.0	29.3
Taxtile Excise	5.219	322	351	676	1.349	6.568	10.090	65.1	38.8
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Transaction Tax(receipt in cash)	581	136	422	96	654	1.235	2.405	51.4	-
Admission Tax	3.921	8	12	18	38	3.959	4.035	98.1	46.1
Receipt from Stamps (receipt on cash)	173	12	12	14	38	211	74	285.1	74.7
Others	5.162	276	411	406	1,093	6.255	9.231	67.8	44.7
Sub-Total (From Regional Financial Bureaur)	122.488	8.636	7.557	12.742	28.935	151.423	290.643	52.1	31.7
From Custom-House	128	3	1	28	32	160	1.893	8.5	45.3
Ministry of Communications: Transaction Tax Stamp	4.933	-	-	-	-	4.933	18.995	26.0	-
Ministry of Communications: Revenue Stamp	2.446	-	-	-	-	2.446	4.565	53.6	63.0
Total	129.995	8.639	7.558	12.770	28.967	158.962	316.096	50.3	32.0

(in million yen)

Bureau	Cumulative as of the end of November	December						Cumulative as of the end of December	Goal amount	Percentage of receipt %
		Actual receipt of 1st ten days	Actual receipt of 2nd ten days	Actual receipt of 3rd ten days	Total	Percentage of each bureau %	Percentage of the corresponding term of the preceeding year %			
Tokyo	27,315	2,255	2,328	3,188	7,771	26.9	31.3	35,086	66,943	52.4
Kanto-Shinetsu	13,199	782	566	1,075	2,423	8.4	-	15,622	30,664	50.9
Osaka	25,821	1,809	1,502	3,185	6,496	22.5	23.4	32,317	64,373	
Sapporo	5,635	472	327	630	1,429	4.9	4.8	7,064	12,060	
Sendai	7,241	391	296	622	1,309	4.5	7.1	8,550	14,845	
Kanazawa	3,094	226	167	378	771	2.6	-	3,865	7,836	
Nagoya	14,134	879	753	1,144	2,776	9.6	12.4	16,910	32,804	
Hiroshima	8,051	605	470	1,068	2,143	7.4	6.9	10,194	19,835	5
Takamatsu	4,024	230	225	361	816	2.8	4.0	4,840	9,473	51
Kumamoto	4,711	311	331	311	953	3.3	10.1	5,664	13,072	43
Fukuoka	9,263	676	592	780	2,048	7.1	-	11,311	21,491	52.
Total	122,488	8,636	7,557	12,742	28,935	100.0	100.0	151,423	293,396	51.6

Activities of national tax inspectors

Sept. 15 — Dec. 31, 1948

(I) For Regional Finance Bureau

	Investigation closed		Under investigation		Total	
	No. of cases	Tax evasion uncovered (in thousand yen)	No. of cases	Tax evasion uncovered (in thousand yen)	No. of cases	Tax evasion uncovered (in thousand yen)
Tax Bureau M/F	80	308,073	17	412,926	97	720,999
Tokyo RB	65	291,417	25	102,025	90	393,442
Kanto-Shinetsu RB	-	-	12	15,098	12	15,098
Osaka RB	208	873,236	40	739,482	248	1,612,718
Sapporo RB	40	34,258	6	26,920	46	62,178
Sendai RB	44	139,118	9	5,109	53	144,227
Nagoya RB	19	50,993	26	160,117	45	211,110
Kanazawa RB	-	-	2	5,637	2	5,637
Hiroshima RB	58	29,856	5	211,000	63	240,856
Takamatsu RB	27	13,392	6	54,997	33	68,389
Fukuoka RB	11	17,331	8	12,992	19	30,323
Kumamoto RB	21	221,351	6	7,350	27	228,701
Total	573	1,979,025	162	1,753,653	735	3,732,678

(II) For Taxes

Tokyo RB	[illegible]	[illegible]				
Kanto-Shinetsu RB	-	-	12	15,098	12	15,098
Osaka RB	208	873,236	40	739,482	248	1,612,718
Sapporo RB	40	34,258	6	26,920	46	62,178
Sendai RB	44	139,118	9	5,109	53	144,227
Nagoya RB	19	50,993	26	160,117	45	211,110
Kanazawa RB	-	-	2	5,637	2	5,637
Hiroshima RB	58	29,856	5	211,000	63	240,856
Takamatsu RB	27	13,392	6	54,997	33	68,389
Fukuoka RB	11	17,331	8	12,992	19	30,323
Kumamoto RB	21	221,351	6	7,350	27	228,701
Total	573	1,979,025	162	1,753,653	735	3,732,678

(II) For Taxes

Corporation	132	1,016,430	66	1,536,358	199	2,552,788
Income	210	727,611	66	165,224	276	892,835
Others	230	234,984	30	52,071	260	287,055
Total	573	1,979,025	162	1,753,653	735	3,732,678

※ ("Tax evasion uncovered" includes penalty tax)

H

Immediate problems and their Solutions in
tax administration

- January, 1949, Tax Bureau.

In the interest of a sound public finance, the full collection of 316 billion yen of taxes as is budgeted is imperative. It is the most effective combat-inflation measure and if realized will mark a great setp toward the economic stabilization.

The fact is however that as of the end of ~~November~~ December 1948 the collection stands at ~~122.4~~ 158.9 billion yen or about ~~38%~~ 50 of the budget. Among all the showing of the income tax is, despite the fact that the tax is by far the most important revenue maker, alarming. Aggregate of the tax as declared in July returns shows 29.5 billion yen in annual amount which is not more than 24% of the budget goal of 122.2 billion yen.

When compared to the tax collection in the last fiscal year some improvement is seen in the showing of this fiscal year's. Last year, we had collected as of the end of ~~September~~ December 1947 ~~33.6~~ 46.4 billion yen from taxes or about ~~29%~~ 36 of the budget. First income tax returns which were filed June 30 declared in total the annual income tax of 8.3 billion yen or 16% of the budget goal. This comparison, however, should not be used as any basis for optimism. Money is, and will remain as, tighter in business than last year. Some taxpayers are as non-cooperative as they were last year. Toward the end of this fiscal year, the tax authorities will face many difficult problems in collecting the rest of the amount.

As has been in the past, Ministry of Finance will try its best through policy making and field operation to see that tax measures are carried fairly and equitablly in order to contribute to the anti-inflati

than 24% of the budget goal of 122.2 billion yen.

When compared to the tax collection in the last fiscal year some improvement is seen in the showing of this fiscal year's. Last year, we had collected as of the end of ~~September~~ December 1947 ~~38.8~~ 46.4 billion yen from taxes or about ~~29%~~ 34% of the budget. First income tax returns which were filed June 30 declared in total the annual income tax of 8.3 billion yen or 16% of the budget goal. This comparison, however, should not be used as any basis for optimism. Money is, and will remain as, tighter in business than last year. Some taxpayers are as non-cooperative as they were last year. Toward the end of this fiscal year, the tax authorities will face many difficult problems in collecting the rest of the amount.

As has been in the past, Ministry of Finance will try its best through policy making and field operation to see that tax measures are carried fairly and equitablly in order to contribute to the anti-inflation combat.

In the following, the present condition and its background of the tax administration will be explained and analyzed:

I. General

It was in the 1947-48 fiscal year, third year after the surrender, that the Japanese Government firstly recognized the importance of, and aggressively interested in the realization of a sound public finance. However, as of Dec. 31, 1947, that is after the elapse of nine months since the beginning of the fiscal year, only 46.4 billion yen or 34% of the budget was collected. That is to say, 66% of the budget or 89 billion yen was left to be collected in the remaining three months. In spite of some frictions and confusions seen from place to place, the Government was fortunately able by the end of the fiscal year to collect 147.4 billion yen, well in excess of the budgeted goal of 135.4 billion yen. This success was attributable to 1) patriotism of taxpayers 2) well organized and timely carried tax publicity 3) all out and coordinated efforts of tax officials in Ministry of Finance, Regional Bureaux and field offices, and 4) support given by GHQ, SCAP, 8th Army and its local MG teams. This success is generally recognized as a great contributor in keeping the inflation under control.

~~While every effort has been made during the fiscal 1948~~ 1948-49 fiscal year toward rationalized taxation in accord with fluctuations in income, prices, etc., the government expenditures indispensable for the present Japan has amounted to an enormous sum. They added up to a huge amount of ¥473,100 million, including those of the latest supplementary budget, only for the General Account. The itemization shows that the termination of war expenditures amount to ¥113,500 million, representing 24%, the largest proportion, of the total. The second largest item is the expenditures for the industrial rehabilitation, amounting to ¥64,600 million, or 14%, followed by ¥62,500 million, 11%, for expenditures required for the adjustment of consumer's and producer's prices in the stabilization of the price system, by ¥49,500 million, 10%, for public works such as civil engineering, maintenance and repairing works on rivers, roads, ports, harbors, etc., by ¥32,700 million, 7%, for the stabilization of people's livelihood and for educational facilities, and finally by expenditures for various other measures and purposes. All those appropriations are being used properly and effectively for the speeding up of reconstruction of Japan. In order to keep to the sound finance policy on the one hand, while providing funds on the other for such expenditures indispensable to the present Japan as referred to above, it was necessary to rely upon tax and stamp revenues for a major part of the national revenue. Thus, the budgetary estimate of tax and stamp revenues for the current fiscal year has reached an enormous amount of 316,000 million yen.

In view of what happened in the last fiscal year and judging from the circumstances the economy of this country is placed under, the full collection is no easy job. The basic policies set up by Ministry of Finance in June 1948 to cope with this task are:

1) Elevate the tax-morale. Clear out all tax arrears and give full publicity to the self-assessment taxes
2) Timely and dependable guidance to the income tax self-assessment and

for the stabilization of people's livelihood and for educational facilities, and finally by expenditures for various other measures and purposes. All those appropriations are being used properly and effectively for the ~~of~~ speeding up of reconstruction of Japan. In order to keep to the sound finance policy on the one hand, while providing funds on the other for such expenditures indispensable to the present Japan as referred to above, it was necessary to rely upon tax and stamp revenues for a major part of the national revenue. Thus, the budgetary estimate of tax and stamp revenues for the current fiscal year has reached an enormous amount of 316,000 million yen.

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1) Elevate the tax-morale. Clear out all tax arrears and give full publicity to the self-assessment taxes
2) Timely and dependable guidance to the income tax self-assessment and quick realization of the reassessment
3) More field investigations to search out inflation riches
4) Smooth and fair tax administration, central and local, through higher efficiency and good discipline.

By giving full realization to the above policies, Ministry of Finance expects to minimize such frictions in this year as were seen in the last fiscal year. Also, the establishment of national tax inspectors divisions in Ministry of Finance and in ~~eight~~ eleven Regional Bureaux is aimed at inflation riches who will be placed under the penetrating and scrutinizing eyes of inspectors.

As

As was pointed out, however, the tax collection for the first eight months since April 1948 and the first income tax declaration were far from being satisfactory, and an extraordinary measure was called for in order to attain the budgeted goal as well as to meet seasonal disbursement requirements of the national treasury. Accordingly respective Regional Bureaux and, through those, respective tax offices have been given a goal of tax collection for the 1948-49 fiscal year as broken down quarterly, whereby they are indicated what they must work for.

This goal should not be interpreted as the allocated quota of tax collection. Rather it indicates what the Ministry of Finance believes as collectible in case legal tax obligations are properly met by taxpayers and also provided that tax officials work at 100% efficiency in order to faithfully carry out the provisions of tax laws. The goal is also designed to help realize across - the - nation equity of tax burdens by placing respective Bureaux and field offices under a single and uniform control of Finance Ministry.

The establishment of the goal is designed to encourage, instead of discourage, tax collectors to collect as they are ordered to collect by laws and taxpayers to pay as they ought to pay under laws. It is erroneous to conjecture of any direct link as existing between the goal and tax liability of individual taxpayers.

Among many things, this Ministry is giving emphasis to the

collection. Rather it indicates what the Ministry of Finance believes as collectible in case legal tax obligations are properly met by taxpayers and also provided that tax officials work at 100% efficiency in order to faithfully carry out the provisions of tax laws. The goal is also designed to help realize across - the - nation equity of tax burdens by placing respective Bureaux and field offices under a single and uniform control of Finance Ministry.

The establishment of the goal is designed to encourage, instead of discourage, tax collectors to collect as they are ordered to collect by laws and taxpayers to pay as they ought to pay under laws. It is erroneous to conjecture of any direct link as existing between the goal and tax liability of individual taxpayers.

Among many things, this Ministry is giving enphasis to the following items which are to be delineated in the following in their order:

1) Fair assessment and full collection of the self-assessed income tax
2) Transactions tax - its full collection through the delivery of stamps
3) Thorough assessment and better collection of the corporation tax
4) Strict control of bootleg
5) Collection of tax arrears

With regard to the self assessed income tax the self-assessment tax system will be given further emphasis and development. In order to secure revenue from the tax according to the ability to pay of taxpayers, efforts will be made to increase receipts from self-assessed tax as far as possible by giving adequate guidance in the filing of returns, while on the other hand re-assessment in the case of insufficient declarations will be effected promptly so as to hasten the collection of tax in deficit.

(1) Results of guidance in the filing of returns as compared with the orig. budget estimates for the present fiscal year are as follows. They show that the number of taxpayers reaches 83% of the expectation, but the declared tax amounts only to 27% because taxpayers declared their income as about a half of the expectation.

	Provisional returns, July, 1948	Expectation	Ratio of returns to expectation
Number of taxpayers	5,190,000	6,245,000	83%
Aggregate of the declared income	253,000 million yen	490,000 million yen	51%
Aggregate of the declared tax	29,500 "	108,200 "	24% ~~27%~~

In the following the comparison with the final assessment for the 1947-48 fiscal year. is given. the number of taxpayers shows 64% and amount of income 90%, but the tax amounts only to 40%.

Provisional

	Provisional returns, July, 1948	Expectation	Ratio of returns to expectation
Number of taxpayers	5,190,000	6,245,000	83%
Aggregate of the declared income	253,000 million yen	490,000 million yen	51%
Aggregate of the declared tax	29,500 "	108,200 "	~~27%~~ 24%

In the following the comparison with the final assessment for the 1947-48 fiscal year. is given. the number of taxpayers shows 64% and amount of income 90%, but the tax amounts only to 40%.

	Provisional returns, July,1948	Assessment for 1947-48	Ratio of returns to assessment
Number of taxpayers	5,190,000	7,942,000	64%
Aggregate of declared (assessed) income	253,000 million yen	283,000 million yen	90%
Aggregate of declared (assessed) tax	29,500 "	73,400 "	40%

As a result of revision in the taxation system effected to rectify tax burden on the people according to the recent changes in income, commodity prices and cost of living, the amount of basic deduction and dependency credit was raised and the tax rates were lowered in this year. As a result, the aggregate amount of the declared tax for the whole year presents but a poor showing, because the declared income is only equal to the amount of assessment for the previous fiscal year.

It

With regard to the self assessed income tax the self-assessment tax system will be given further emphasis and development. In order to secure revenue from the tax according to the ability to pay of taxpayers, efforts will be made to increase receipts from self-assessed tax as far as possible by giving adequate guidance in the filing of returns, while on the other hand re-assessment in the case of insufficient declarations will be effected promptly so as to hasten the collection of tax in defiit.

(1) Results of guidance in the filing of returns as compared with the orig budget estimates for the present fiscal year are as follows. They show that the number of taxpayers reaches 83% of the expectation, but the declared tax amounts only to 27% because taxpayers declared their income as about a half of the expectation.

	Provisional returns, July, 1948	Expectation	Ratio of returns to expectation
Number of taxpayers	5,190,000	6,245,000	83%
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Aggregate of the declared tax	29,500 "	108,200 "	27%

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It has therefore become necessary to adjust assessment and promote increase in tax revenue by effecting provisional reassessment in regard to taxpayers who failed to file returns or whose assessment is deemed insufficient, whether for the realization of reasonable imposition of tax burden on the people or in fairness to those taxpayers who honestly submitted accurate returns. For this purpose it has been decided that taxpayers be urged to file additional returns or revised returns, and provisional re-assessment be effected positively at an early date.

(2) In order to give guidance in the filing of returns for income from business and miscellaneous trades and facilitate re-assessment thereof, investigations were carried out into the general trend of each category of business and trades in various parts of the country, and the results have been examined in the light of assessment for 1947-48 as well as of the economic situation in general. They reveal that the taxpayers' incomes are for the most part twice or three times their incomes for the preceding year, while the increase income is more remarkable in larger cities than in other districts. From these points we have endeavore to obtain a clear idea about the assessable income for the current year. As the income of individuals naturally differ according to kinds of business, regions and persons, it has been avoided to deal uniformly with all taxpayers.

(3) With regard to provisional returns from farm population, farmer were advised to report their income derived from the estimated year's crops which were made the basis of the pre-plant delivery quota, according to the estimated rice price announced in July and to prices of wheat and barley. As the inquiries made at that time about farmers in various parts the country showed that the estimated income of most of them was 1.7 time that of the preceding year, the guidance in the filing of returns was on the whole given on that basis, taking into consideration the particular circumstances of individual taxpayers.

Further, as the new official prices of such staple foods as rice and sweet potatoes were fixed in October 1948, the amount of income was revised according to these new prices and the condition of crops, as of the time. also, in order to give ideas as to the computation of income to facilitate preparation of returns, examples of calculation of agriculturs income were provided for each city, town and village. It is expected the as a result of this revision, the farmers' assessable incomes will for the most part become twice those of the last fiscal

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(4) With regard to the re-assessment made against business (tradesmen and manufacturers), it is expexted that protests will amount to a considerable number due to the increase of assessed amount over last year. However, as it is provided by law that even when request for review is filed the collection of tax should not be postponed, coercive collection will be promptly effected for delinquent taxpayers, except in cases where mistake in re-assessment are prima facie and obvious, while on the other handreinvestigation is to be carried out as soon as possible by promptly inquiring into actual circumstances.

It seems that there are suggestions in regard to the re-assessment and the ensueing request for review or investigation, that a collective negotiation should be admitted or that the assessment of taxes should be carried out by a committee elected from among the people. But such measures are deemed detrimental to the development of self-assessment tax system. It is, however, our desire that tax administration be conducted by taking into consideration good suggestions from well meaning organizations and well-informed persons.

Those persons who induce others by instigation or coercion to refuse the filling of returns or payment of taxes will be severly punished in accordance with the Anti-National Tax Evasion Law. But is is hoped that in order to tide over the financial crisis we are now faced, the taxpayers will co-operate with the authorities with a thorough understanding and cognizance of their tax duty.

(5) Payment of tax by provisional declaration is based upon estimated income as of July 1 or October 1, and the tax on the actual income for the whole year 1948 is to be paid by filing final returns by the end of January 1949. However, as the income of taxpayers is deemed to have increased considerably due to the recent trend of the prices level and conditions of production, the recent supplemental budget has been prepared in anticipation of the natural increase in income tax. The following is the comparison of the declaration in July provisional returns with the estimates basic to the budgeted revenues including those of the supplemental budget, which shows only 69 % in the number of taxpayers, 40% in the amount of income and 20% in the amount of tax has been realized in the July declarations:

Provisional returns July 1948 (1)	General budget estimates (2)	Ratio (1)/(2)

(5) Payment of tax by provisional returns

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	Provisional returns July 1948 (1)	General budget estimates (2)	Ratio (1)/(2)
Number of taxpayers (1,000)	5,190	7,478	69%
Income (Billion yen)	253	618	40%
Tax (Billion yen)	29.5	122.2	24%

Thus

Thus in the final returns a considerable increase should be realized in the number of taxpayers and in the amount of income and tax. Especially from the actual condition of commerce and industry a considerable increase in income and resultant growth in the amount of tax are seen after provisional declarations. Therefore, proper guidance will be given to encourage the filing of corect final returns, while as regards taxpayers whose final returns are deemed inadequate reassessment is to be effected in February 1949 and the tax in deficit collected as soon as possible.

(6) As stated above, various efforts are being made to secure estimated revenue. But as the total receipt from income tax by self-assessment as of ~~November 30~~ December 31 amounts to ~~55,869~~ 40360 million yen, which is only ~~27~~ 33 of the budget estimate, nearly ~~20~~ 80,000 million yen must still be collected in the course of the remaining ~~five~~ four months of the present fiscal year. In view of the various circumstances now prevailing, considerable difficulties will have to be overcome to attain the purpose. The whole nation is therefore urged to realize that for the rehabilitation of the country, it is essential for them to bear the burden of tax which is heavy but nontheless fair.

3. Transactions tax.

(1) This tax was instituted in September ~~this~~ last year. It was created with the view of making up for the decrease in revenue caused by the lightening of the burden of income tax, and in anticipation that it will bring in a considerable amount of receipt every month and contribute to checking the spiralling inflation of currency. Payment of the tax in revenue stamps is showing satisfactory results

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(2) However, there seem to be taxpayers who do not deliver the stamps for all their transactions. Tax officials are ordered to maintain strict surveillance and uncover tax evasions relentlessly. Government offices concerned will also be asked to co-operate in preventing evasion. Supervision will be exercised also over taxpayers who pay the tax in cash. As regards theatrical performances who tend to fail to show the good compliance with tax payment, strict supervision and regulation will be exercised whenever it is deemed necessary.

(3) In order to secure early receipt, the transactions tax is made payable in the form of revenue stamps as a general rule. To attain this purpose, not only the revenue officials maintain thorough supervision and continue guidance in the purchase of stamps, but measures will be taken to convince the consumers in general of the aim of this tax and obtain satisfactory results through the understanding on the part of the public and their watching eyes over dishonest taxpayers.

(4) However, as the successful collection of the transactions tax cannot be expected merely by supervision over taxpayers and giving publicity to the importance of the tax, preparations are now being made to effect re-assessment as promptly as possible and collect the tax in deficit at an early date.

4. Corporation Tax.

The collection of the corporation tax through ~~November 30~~ December 31, 1948, is ~~8.5~~ 11.8 billion yen, which represents ~~40%~~ 65% of the budget for this fiscal year of 18 billion. A considerable improvement can be noticed when this figure is compared with the last year's for the corresponding period, which was ~~1.9~~ 2.1 billion yen or ~~30%~~ 44% of the budget.

However, it is necessary to speed up the self assessment of corporations which are behind in filing their returns, Therefore, it has been decided, when any of the corporations have not filed returns or filed under-assessed returns, to get hold of their true picture and make re-assessments, and take the undermentioned measures:

1) For corporations that are behind in filing their returns, to make continued endeavors to let them file returns quickly and faithfully.

2) To pay especial attention to full taxation of corporations engaged in newly rising enterprises and prospering industries. Assessments will be made after close scruting of their incomes, free from superficial statements in returns and books, and efforts will be made to persuade filing of revised returns and re-assessment will be strengthened to help securing of revenue.

Out of regard for equity in tax-burden between corporations and individuals, determination of tax amount will be made as early as possible based on date available for those cases where superficial bookkeeping is deemed little justifiable.

3) Efforts will be made to speed up administrative work for assessment of tax on corporations, and quick-payment set-up will be strengthened to the utmost to cope with the progress of inflation.

5. Control of illicit brewing of liquors.

Receipts from liquor tax as of the end of ~~November~~ December 2nd is ~~21.6~~ billion yen, or ~~45%~~ 60% of budget which is 45.7 billion yen. If situation continues thus, it would be difficult to secure collection of liquor tax as budgeted. Furthermore, illicit brewing of liquors has increased conspicuously of

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In accordance with the foregoing, the Central Council for Counter-Measures against Illicit Brewing of Liquor has been established in Tokyo with the Director of the Tax Bureau as its Chairman, and such matters as the concrete policies for control, administrative assigments for each of the agencies concerned, have already been determined. In prefectures, the establishment of Local Councils for Counter-measures against Illicit Brewing of Lequor is under way, with prefectural vice-governors as chairmen, and further strengthening of control is on the way. Especially, by such measures as the uncovering of communities or individuals that fall far short of quotas in their delivery of staple food, detection of unregistered persons, fictitious population etc., and the full use of informational data on the illegal use of staple food etc., it is intended to take speedy actions for control in close cooperation with the agencies concerned.

6. Other taxes.

6. Other taxes.

For other taxes also, concrete measures at appropriate times will be taken for the full and adequate assessment and promotion of collection, in due consideration of circumstances peculiar to each type of tax.

For instance, in case of such taxes as the estate tax, evaluation of property in line with the change in prices will be done, along with the advancement of pay-date. For registration tax, preparations will be made to make assessment that reflect the recent trend of prices of real estate, in concent with the Attorney General's Office. For commodity tax and textile excise too, studies will be made of the circumstances of production and distribution of taxable articles and price situations, according to each type of commodity, and efforts will be made for their full assessment.

7. Measures for delinquencies.

1) The amount of tax in arrearage in the previous fiscal years and carried over into this fiscal year is 29.4 billion yen, and the number of cases 2,510,000. In this figure, the income tax alone occupies 21 billion, or 72% of the whole so that the success of liquidating any big sum of delinquencies hinged on income tax.

2) Tax delinquencies not only devauge financial program of the government, and force periddical unbalance in the government receipts and disbursements, thereby causing inflation to worsen, but they also give unwarranted benefit to the delinquents by enabling them to play for time as inflation proceeds. It is therefore necessary to liquidate these delinquencies at the earliest date. For this purpose, it was decided that arrearage charge be raised from 10 sen per diem per 100 yen to 20 sen per diem to prevent delinquency, and that coercive measures be strictly enforced to promote collection. In compliance with this the first round of special collection of delinquency taxes for the last year, for all types of taxes, was staged in June, and the second round in September, in both of which the Tax Bureau acted as the central figure, with all the Regional finance bureaus and taxation offices working as one. The Tax Bureau and the regional bureaus, especially, laid stress on the attachment and sales by auction of conspicuous cases, as a result of which they were able to collect approximately 2 billion yen in the first round program, and approximately 13.8 billion yen in the second. All efforts are now being made collect the remainder of the last year's delinquencies still amounting to about 13.9 billion yen. Of these, where investigations are yet incomplete, steps are being taken to accelerate such investigations, and as in some cases taxpayers are unable to pay owing to indigency or unavailability of funds etc., circumstances of each individual case are to be studied so that

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3) As stated above collection of last year's delinquencies has come to have some sort of a clear prospect, but this year's delinquencies are also expected to run to a considerable figure, for which collection of delinquencies must be continued and strengthened, as outlined below:

(1) All efforts will be made to speed up collection of delinquencies with due consideration for the circumstances for each individual taxpayer. In other words, for those taxpayers who are reluctant to pay even though they have fund or means to pay, attachment and sales by auction will be resorted to without scruple, but on the other hand, they will be expected and advised to pay up voluntarily, from the standpoint of democratic tax-payment.

(2) It is the rule not to allow postponement of payment even though request for review has been filed. However, considerations will be given so that review can be speeded up and taxpayers can feel convinced when they pay, and postponement of collection of the portion of tax thought mistaken will also be considered when the mistake is evident.

8. Operation of the Inspection Divisions.

1) In order to cary out tax administration scientifically both at central and local levels, and to establish a machinery whereby survey and auditing can be executed constantly, men of good calibre were selected, as a primary measure, from among the tax officials of the country to be appointed national tax inspectors, who were assigned to the Inspection Division of the Tax Bureau, Ministry of Finance, and National Tax Inspection Division in Regional Financial Bureaus. Particular stress was laid on a thorough investigation and uncovering of persons making big profits or persons committing substantial tax evasions in connection with such taxes as income tax, corporation tax and commodity tax. The authorized number for national tax inspectors is 500 for the present, but future increase to some 1000 is being contemplated. With this, it is intended to respond to the demand for thorough tax imposition on big black-market profiteers etc., and to elevate the tax-paying morale of the people and to further enhance collection.

2) The number of cases investigated since the middle of September when the national tax inspectors actually started work, through the ~~beginning~~ end of ~~November~~ December, reached 2,000, and the amount of tax to be collected accordingly amounts as high as ~~1,890~~ 3,400 million yen. With increase in staff of the Inspection Divisions, preparations are being made for a still more systematic investigation and detection hereafter. Especially,

(1) As regards big profiteers, a thorough investigation will be executed to attain full assessment, and in such cases as when request for review has been file by taxpayers against original assessments, search for truth will be made in parallel with the review.

(2) Findings of and informational data obtained through investigations made by Inspection Divisions will be notified to taxation offices, and will be used as influential data for re-assessment and examination purposes, to conduce to adequacy and equity of assessment in general.

9. Action against tax evaders

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2) The number of cases investigated since the middle of September when the national tax inspectors actually started work, through the ~~beginning~~ end of ~~November~~ December, reached 200, and the amount of tax to be collected accordingly amounts as high as ~~1,890~~ 3400 million yen. With increase in staff of the Inspection Divisions, preparations are being made for a still more systematic investigation and detection hereafter. Especially,

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9. Action against tax evaders.

Now that a new tax system featuring self-assessment has been adopted, taxpayers have the obligation to calculate their own taxes faithfully as prescribed by tax laws on their own responsibility, and to pay the taxes voluntarily, and it has become necessary to have full recognition of the fact that it constitutes an ignominious crime to violate obligations set forth in tax laws. Moreover, tax evasion means that the evader gains unwarranted profit at the expense of the people, and the loss in revenue caused by evasion prejudices the sound operation of the country's finance, slows down the process of bringing the Japanese economy back to its feet again, and causes the people's life to become yet more unstable. Therefore, from the viewpoints of permeation of the law-abiding spirit, appropriateness of tax-burden, securing of tax revenues, etc., it has been decided to be strict with tax evaders, by imposing such penalties as penal servitude and fine specified by tax laws. To grave offenders, especially, corporal punishment will be meted out, and in case of punishment for corporations, such penalties as penal servitude will be imposed on directors also, to pursue their responsibility. Taxation agencies and

prosecutor's

procurator's offices are working in close concert for the detection of tax evasion cases, etc.

The effect of these actions on promoting the faithful payment on the part of the taxpayers, along with the activities of the Inspection Divisions aforementioned, is considered fairly conspicuous.

10. Renovation of tax administration.

In the performance of the tax administration of today which is based upon self-assessment system, tax administrators are working as bona fide advisors of taxpayers on the one hand, and on the other hand they are endeavoring to attain fair and appropriate taxation as specified in tax laws, as judges of right and wrong in taxpayments. In their contact with taxpayers, kindness and politeness are made the rule, and special attention is paid to their words and actions not to give any impression of taking an overbearing attitude. Care is also taken not to incur criticism for conducting investigation resembling coercive search without due procedure.

If this graveness of responsibility is realized, it will become necessary to improve the quality of tax administrators, and to train and assign as many men of high calibre as possible. At the same time, full considerations must be given also to the promotion of tax administration efficiency, if scientific and rational tax-assessment is to be hoped for. At present, the Ministry of Finance has, as training organs for tax administrators, tax collectors training institutes and the higher financial workers training institute, besides which short-term taxation training courses are held from time to time. In future, it is planned, besides increasing the number of these institutes, to set up re-education system by means of correspondence courses in taxation. For the efficient working of tax administration, orderly and regular handling of work will be achieved by such means as the analyzing of administrative work in connection with taxation, equipment of laws, regulations, notifications and other reference material, and the scientific re-allocation of personnel. Furthermore, to conduct fundamental

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For filing of returns and payment of taxes, also, efforts are being made to take measures to give all possible convenience to taxpayers, in response to the demands of the moment.

Epilogue

In spite of the efforts of the tax authorities the collection of the entire 316 billion yen by the end of this fiscal year seems remote. The greatest difficulty exists in the fact that tax burden is fairly heavy on citizens. (Actually, the total ~~national~~ tax burden in Japan in 1948-49 fiscal year is about ~~15%~~ 17% of the national income, which is lower than the percentages in the U.S. and Great Britain.) However, citizens here must recognize that this is an inevitable outcome of the defeat and an inescapable condition to the economic rehabilitation of their own nation. It is clearly stated in the 9 principle economic stabilization program as instructed from Washington that Japan should have a balanced budget, accelerate tax collections and take strict and extensive actions against tax evaders. To have inflation under control in the way of maximizing tax revenue and balancing the budget is the only means whereby we may be able to obtain foreign investment, private or Governmental.

1949 is the year of the first step toward reconstruction; and in that, it must be the year of austerity.

Taxes may be heavy but the way they are assessed is, and will remain as, fair and equitable. The success or failure of the reconstruction hinges upon the fulfillment of all the taxpayers of their duty.