8A. Tax Administration at Lower Levels of Government

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Japan
Tax Revenue of Local Governments

(trillion Yen)

(FY)


35.4 34.5 35.0 35.0 32.9 32.2 33.0 34.2 35.8 39.5 38.9 34.6 35.1 35.1

0.0 5.0 10.0 15.0 20.0 25.0 30.0 35.0 40.0 45.0

35.0 35.1 35.1


(trillion Yen)
Tax Collection Rate of Local Governments

Note: Major Cities : Cities with over 0.5 million population.
Levels of Unpaid Local Tax

(Billion ¥)

2,500

2,000

1,500

1,000

500

0


(FY)
Japanese Tax System

National Tax

- Income Tax Act
- Corporate Tax Act
- Consumption Tax Act
- etc

Local Tax

Local Tax Act + Local Autonomy Act + Ordinance

- Prefectural Tax
- Inhabitant Tax
- Enterprise Tax
- Automobile Tax
- etc

- Municipality Tax
- Residential Tax
- Fixed Assets Tax
- Vehicle Tax
- etc
Administration Concerns and Costs

- No Leeway
- Revenue Sources (Tax Allocation System)
- Difference of Organization
- Decline in the Number of Civil Servants
- Lack of Unified Long-term Vision
- Difference of Coverage of Administrative Area
Administrative Concerns and Costs

- No Leeway

- Flexibility depends on municipality

- Fixed Area under Acts and ordinance
Administrative Concerns and Costs

- **Revenue Sources (Tax Allocation System)**
  - Yield in the gaps of local government finance.
  - Lack motivation to collect tax independently

### Total Revenue

- **Local Tax**: 34.1%
- **Tax allocation from Central Government**: 21.3%
- **National Treasury Disbursement**: 16.0%
- **Local Government Bonds**: 11.7%
- **Other**: 16.9%

**Total**: 100.7 trillion Yen
Administrative Concerns and Costs

- **Difference of Organization**
  (Size, Tax Collection, Work Coverage, Relationship)

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### Tokyo Metropolitan Area

<table>
<thead>
<tr>
<th>Population</th>
<th>13,222,760 (9,002,488)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>2188.67 km²</td>
</tr>
<tr>
<td>GDP</td>
<td>¥ 91,139 billion</td>
</tr>
<tr>
<td>Income per capita</td>
<td>¥ 4.3 million</td>
</tr>
</tbody>
</table>
### Administrative Concerns and Costs

#### Difference of Organization
(Size, Tax Collection, Work Coverage, Relationship)

#### Kanagawa Prefecture
Including 3 Independent cities

#### Table

<table>
<thead>
<tr>
<th></th>
<th>Kanagawa</th>
<th>Yokohama</th>
<th>Kawasaki</th>
<th>Sagamihara</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>9,081,742</td>
<td>3,703,998</td>
<td>1,449,140</td>
<td>720,570</td>
</tr>
<tr>
<td>Size</td>
<td>2,416 km²</td>
<td>435.17 km²</td>
<td>144 km²</td>
<td>328.83 km²</td>
</tr>
<tr>
<td>GDP</td>
<td>¥ 29,757 billion</td>
<td>¥ 12,601 billion</td>
<td>¥ 5,294 billion</td>
<td></td>
</tr>
<tr>
<td>Income per capita</td>
<td>¥ 2.91 million</td>
<td>¥ 2.97 million</td>
<td>¥ 2.95 million</td>
<td></td>
</tr>
</tbody>
</table>
Administrative Concerns and Costs

- Decline in the Number of Civil Servants

Note: excluding teachers, Police officers, Firefighters
Administrative Concerns and Costs

- Lack of Unified Long-term Vision

Local Governments

Governor

Diet

Tax Administration Department

Other Departments

Re-election
Popularity rating

Own Aims and goals

No Unified Long-term Vision (Individual agendas)

Opposing interests
Administrative Concerns and Costs

- Difference of Coverage of Administrative Area
  (Between Central Government and Local Government)

Ministry of Local Governments/Internal Affairs

Revenue Resources

Local Government

Department of Education

Department of Health

Department of Construction

Performance

Ministry of Education

Ministry of Health

Ministry of Construction

Competing Agendas
# Gaps in Process of Tax Collection

<table>
<thead>
<tr>
<th></th>
<th>Telephone Notification</th>
<th>Telephone Notification at night and weekend</th>
<th>Personal Visit House Calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>A prefecture</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>B city</td>
<td>○</td>
<td>○</td>
<td>×</td>
</tr>
<tr>
<td>C city</td>
<td>○</td>
<td>As necessary</td>
<td>○</td>
</tr>
<tr>
<td>D city</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>E city</td>
<td>○</td>
<td>At night</td>
<td>Final stage</td>
</tr>
</tbody>
</table>
New Initiative of Administration

- Outsourcing

- Integrated Tax and Fee Collection across Municipal (Claims under public and private law)

- Prefecture- municipality Integration

- Cross- municipality Collaboration

- Increase of Payment Methods: Credit Card, Convenience Stores, Internet Banking

- Integration of Information
Outsourcing

<table>
<thead>
<tr>
<th>Outsourcing Item</th>
<th>Prefecture (47)</th>
<th>Municipality (1719)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Auction</td>
<td>37</td>
<td>568</td>
</tr>
<tr>
<td>Telephone notification</td>
<td>13</td>
<td>152</td>
</tr>
<tr>
<td>Personal Visit</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Printing of tax notices</td>
<td>47</td>
<td>1141</td>
</tr>
<tr>
<td>Mailing of tax notices</td>
<td>44</td>
<td>658</td>
</tr>
<tr>
<td>Printing of demand notices</td>
<td>45</td>
<td>542</td>
</tr>
<tr>
<td>Mailing of demand notices</td>
<td>42</td>
<td>189</td>
</tr>
</tbody>
</table>

**Issues**

- Security: Personal information protection
- Cost effectiveness
- Speed of response time
- Quality control
- Lack of outsourcing companies
Case study: Sakai City

Rate of tax collection 92.5%  
(13th of 15 ordinance-designated cities)

Sakai City outsourced the issuance of demand notices for nonpayers amounts less than 100,000 yen of municipal tax and fixed asset tax.

<table>
<thead>
<tr>
<th>Number of people</th>
<th>Target</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>\</td>
<td>31,876</td>
<td>15,000</td>
</tr>
<tr>
<td>Amounts Million</td>
<td>863</td>
<td>335</td>
</tr>
</tbody>
</table>

Cost: 16 million yen  
Collection: 335 million yen (5 months)
Integrated tax and fee collection across the government

Matsuura-City in Nagasaki

Collection Management Office

<table>
<thead>
<tr>
<th>Tax</th>
<th>House Rent</th>
<th>Water Charges</th>
<th>Nursery Fee</th>
<th>Hospital Fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,067,950</td>
<td>399,255</td>
<td>1,943,050</td>
<td>70,000</td>
<td>386,558</td>
<td>4,112,975</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>9</td>
<td>1</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>(million Yen)</td>
<td>(cases)</td>
<td>(million Yen)</td>
<td>(cases)</td>
<td>(million Yen)</td>
<td>(cases)</td>
</tr>
</tbody>
</table>

Total 30 items
Prefecture - municipality integration
Kyoto Regional Tax Organization

Inter-city alliance
Started January 2010
1 prefecture + 25 municipalities
217 staff

Collection results for the Kyoto Regional Tax Organization (FY 2010-2012)
(million yen, %)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Outstanding amount (a)</th>
<th>Collection amount (b)</th>
<th>Collection rate (b/a)</th>
<th>Arrears (a-b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>29,319</td>
<td>10,207</td>
<td>34.8</td>
<td>19,112</td>
</tr>
<tr>
<td>2011</td>
<td>28,847</td>
<td>11,775</td>
<td>40.8</td>
<td>17,072</td>
</tr>
<tr>
<td>2012</td>
<td>27,198</td>
<td>11,752</td>
<td>43.2</td>
<td>15,446</td>
</tr>
</tbody>
</table>

Revenue from coercive collection

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Seized Goods</th>
<th>Monetary Seizure</th>
<th>Received from other seizures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>94</td>
<td>18</td>
<td>36</td>
</tr>
<tr>
<td>FY2011</td>
<td>196</td>
<td>451</td>
<td>123</td>
</tr>
<tr>
<td>FY2012</td>
<td>728</td>
<td>99</td>
<td>18</td>
</tr>
</tbody>
</table>
Cross-municipality Collaboration

Case study: Mutual staff deployment scheme among neighboring towns

Towns of Kashima, Mifune, Kosa, Mashiki and Misato in Kumamoto Prefecture

Kashima office: 7 staff
Lack of staff, No budget, No office
→ Deployment on demand
Increase of Payment Methods

Convenience Stores

Credit Card

Internet Banking (Pay-easy)
Integration of Information

Delinquency
- Outstanding Fixed Asset Tax
- Outstanding Automobile Tax
- Outstanding Residential Tax

Integrated Data

E-filing

E-payment
Next challenge

How do we collect tax?

Taxation Environment

- Low-growth economy
- Globalization
- Internet Society

Challenges

- Allocation of resources
- Redistribution
- Decreasing a gap of burden

Exchanging opinions  Sharing knowledge  Making common policies