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Measures to Promote Integrity of Tax Officials

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Overview



1 Work Incentives

2 Staff Training Program

3 Disciplinary Measures

1. Work Incentives

- (1) Promotion**
- (2) Higher Salary**
- (3) Small Salary Gap among Staff**
- (4) Retirement Remuneration**
- (5) Certification as Tax Accountant**
- (6) Official Job Placement System for Certain Early Retirees**

(Japanese General Labor Market)

(a) Lifetime Employment

(b) Seniority-based Payment

(a) Lifetime Employment until Retirement Age

- Little Flexibility in General Labor Market
→ “*Closed Career System*” (⇔ *Position-based System*)
- Recruitment from New Graduates Only
→ Internal Intensive Training System Needed
- No Mid-Careers Employment, No Layoff

(b) Seniority-Based Payment Scheme

- Based on assumption that employee's ability improves if he/she works longer
- Length of Service determines: the Timing of Promotion, and the Salary increases

(Japanese Civil Service System)

《Basic Motivation for Japanese Civil Service》

- ◆ Lifetime Employment, and No Layoff
- ◆ Slow Pace of Promotion via Job Rotations
- ◆ Ensured Annual Salary Increments and Retirement Remuneration

<NTA> Basic Tools for Work Incentives

(1) Promotion

- Ability/ Performance based Promotion

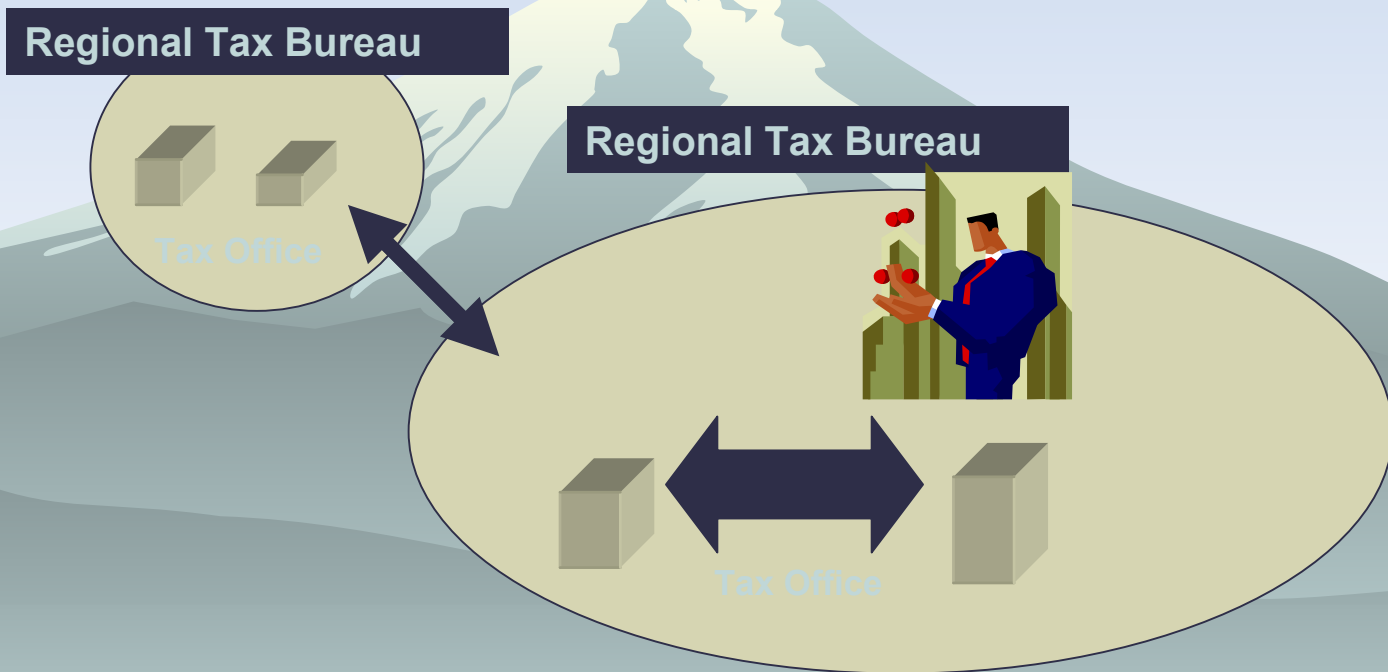
◆ Promotion to Office Appointments (main example)

- ❖ Regular public servant
- ❖ Examiner & Collector
- ❖ Senior Examiner & Collector
- ❖ Chief Examiner & Collector
- ❖ Tax Office Director



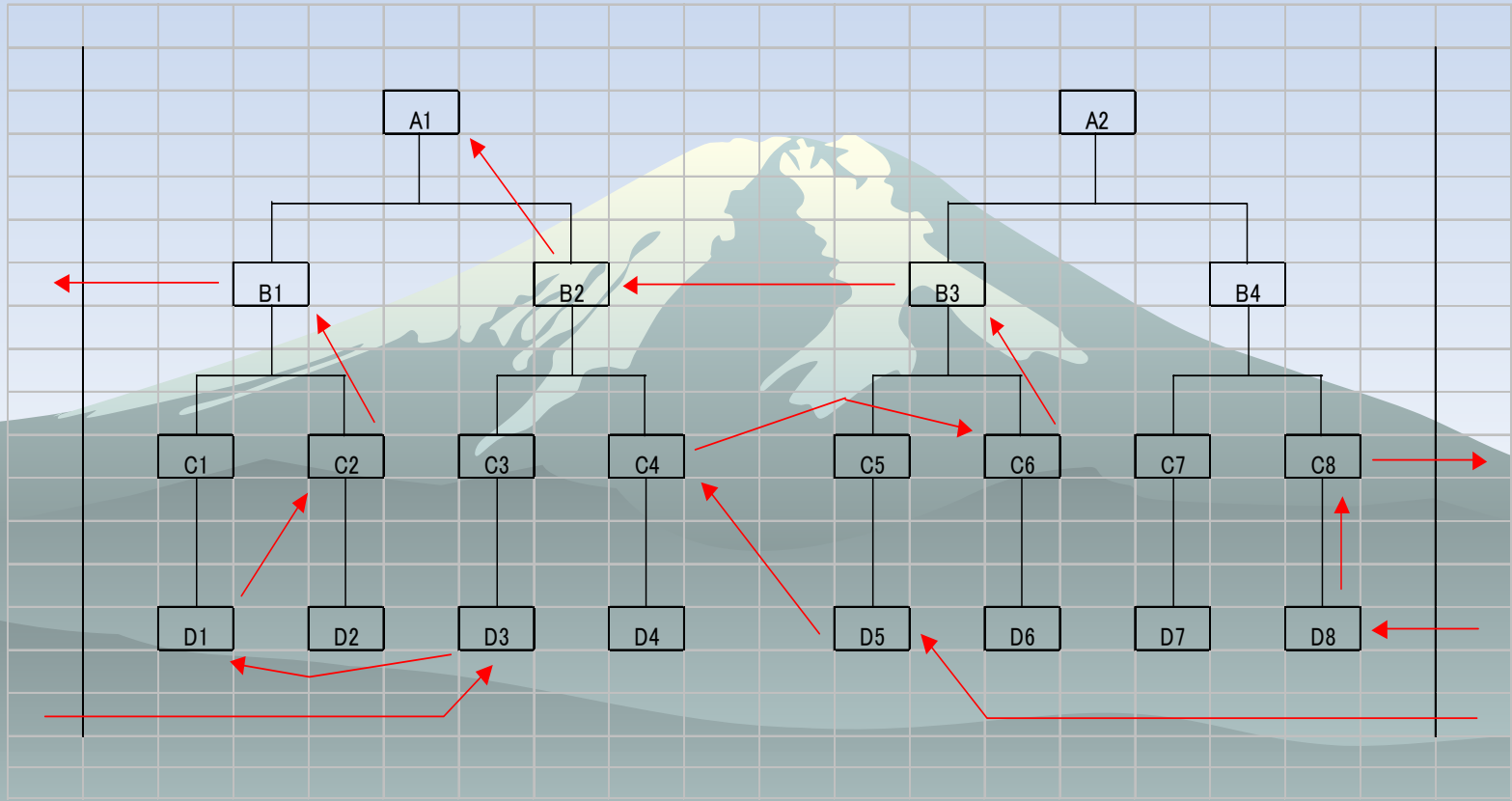
Personnel Transfers

- ◆ Every July, approximately one third of personnel are transferred



(2) Frequent Transfer among Posts or Region

Image of Annual Reshuffle in the NTA



<NTA> Basic Tools for Work Incentives

(2) Higher Salary

- National Tax Officials authorized 10% higher salary than other public officials
(Specialty and difficulty of the job)
- Rises in Remuneration (Class 1 - Class 11)
- Performance reward

Standard Job Description by Job Grade (as of APR2002)
(Taxation Service Salary Schedule)

Grade	Standard Job Description	Number of Staff in the NTA
1	Section Staff (RTB, LTO)	1,384
2	Section Staff (RTB, LTO)	1,895
3	Examiner/Revenue Officer (RTB, LTO), Section Staff (HQ)	12,457
4	Examiner/Revenue Officer (HQ, RTB, LTO)	6,404
5	Examiner/Revenue Officer (HQ, RTB, LTO)	6,684
6	Examiner/Revenue Officer (HQ, RTB) Senior Examiner/Senior Revenue Officer (LTO)	9,548
7	Examiner/Revenue Officer (HQ, RTB) Senior Examiner/Senior Revenue Officer (LTO)	5,702
8	Deputy Director of Division (RTB) Chief Examiner/Chief Revenue Officer (LTO)	7,655
9	Director of Division (RTB), Deputy Head (LTO)	1,694
10	Director of Division (RTB), Head (LTO)	570
11	Assistant Regional Commissioner (RTB), Head (61 large LTO)	115

HQ : NTA Headquarters

RTB : NTA Regional Tax Bureau

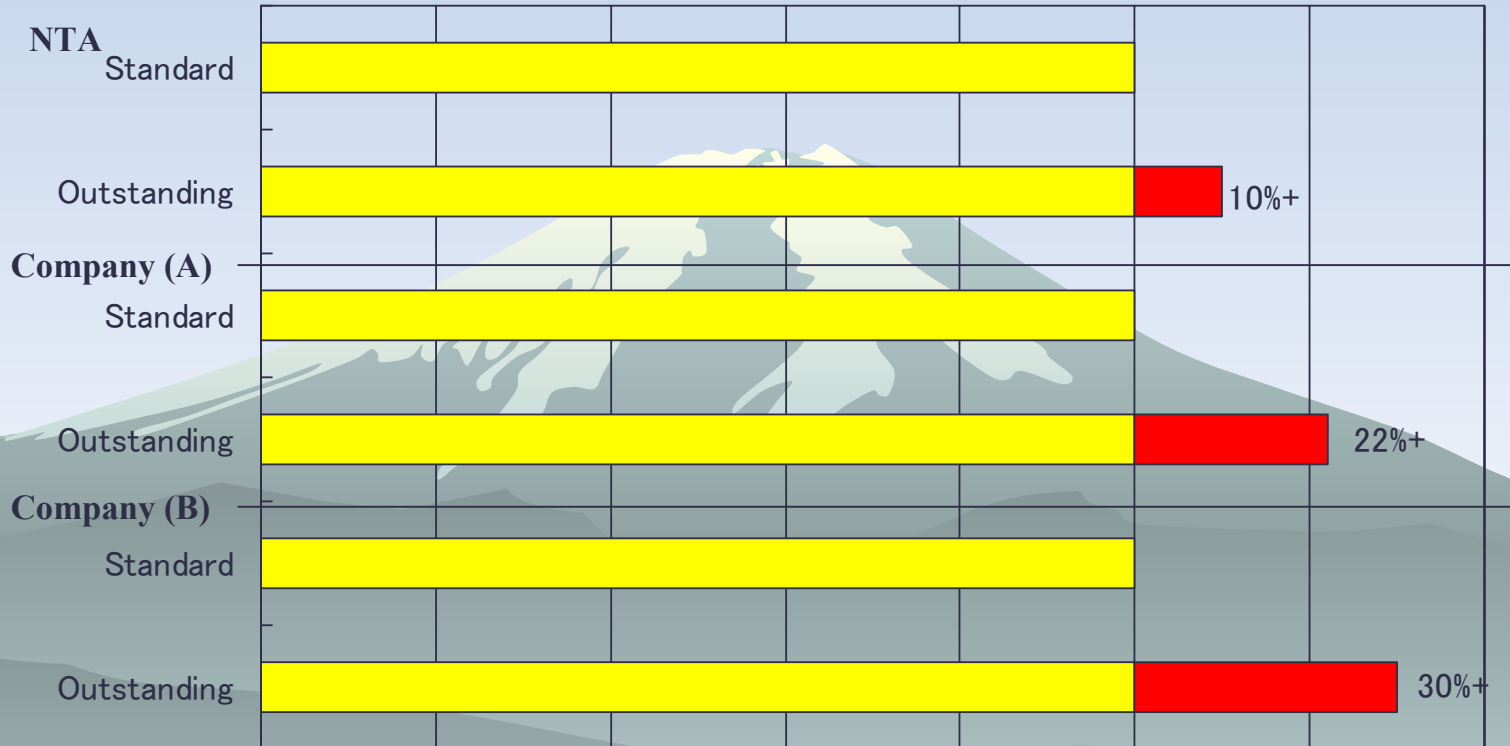
LTO : NTA Local Tax Office

<NTA> Basic Tools for Work Incentives

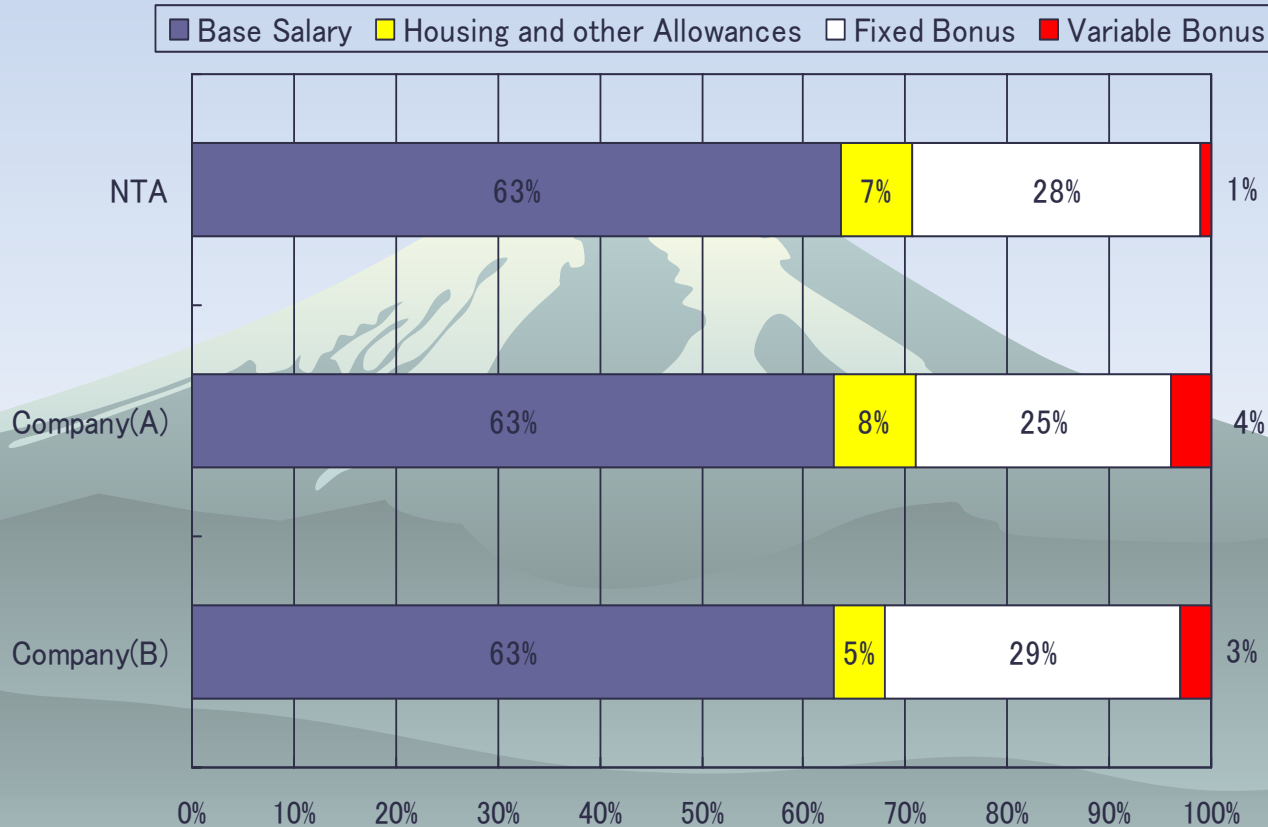
(3) Small Salary Gap Among Staff

- Regardless of their job assignments or work experiences

Comparison of Annual Income
between a Standard Employee and an Outstanding Employee
(The case of 20th year employee)



Annual Income Structure and the Share of Performance Reward



<NTA> Basic Tools for Work Incentives

(4) Retirement Remuneration

- Gets Larger if work longer

Basic Tools for Work Incentives

(5) Certification as Tax Accountant

- 23 years or more tax-related work experience, and certain training required

Tax Accountant

(Certified Public Tax Accountant: CPTA)

- ◆ Private sector professionals for assisting taxpayers
 - ❖ Counseling on tax affairs
 - ❖ Preparing tax documents
 - ❖ Representing taxpayers in filing returns
- ◆ Profession certified by the state with public mission under the CPTA Law
- ◆ Qualification through public examination

Examination subjects

- ◆ 3 tax law subjects (choice from 7)
- ◆ 2 accounting subjects (book keeping and financial statement)
- ◆ Average pass rate of each subject: 12.7%

Total number of CPTA ··· about 69,000

(of which former NTA official ··· about 23,000)

c.f.

■ Attorneys ··· about 21,000

■ Certified public accountants (CPAs)
··· about 15,000

About 300 attorneys and 6,500 CPAs are also registered as CPTA

Profession of CPTA



- ◆ Tax agency
- ◆ Preparation of taxation documents
- ◆ Tax counsel

✿ *Tax Agency*

- Acting as an agent or a deputy for return, application, claim and appeal to be filed with tax offices in accordance with the provisions of tax laws

✿ *Preparation of taxation documents*

- Preparing returns, and other documents (application forms, claim forms, appeal forms, etc.) to be submitted to tax offices

✿ *Tax counsel*

- Giving counsel on the matters relating to calculation of taxable basis in filing returns and submitting other statements to tax offices

Protection of the profession

- ◆ No person other than CPTA or CPTA firm shall engage in the profession of a CPTA unless otherwise provided for in this Law.
- ◆ No person other than CPTA or CPTA firm shall use the name of CPTA or CPTA firm or the like.

Basic Tools for Work Incentives

(6) Official Job Placement System for Certain Early Retirees

2. Staff Training Programs

Goals

- ◆ **Help Staff Improve their Expertise on Taxation**
- ◆ **Eliminate Negative Effects of Lifetime Employment and Seniority-based Pay on the Development of Expertise within the Organization**
- ◆ **Encourage the Staff to Retain within the NTA**

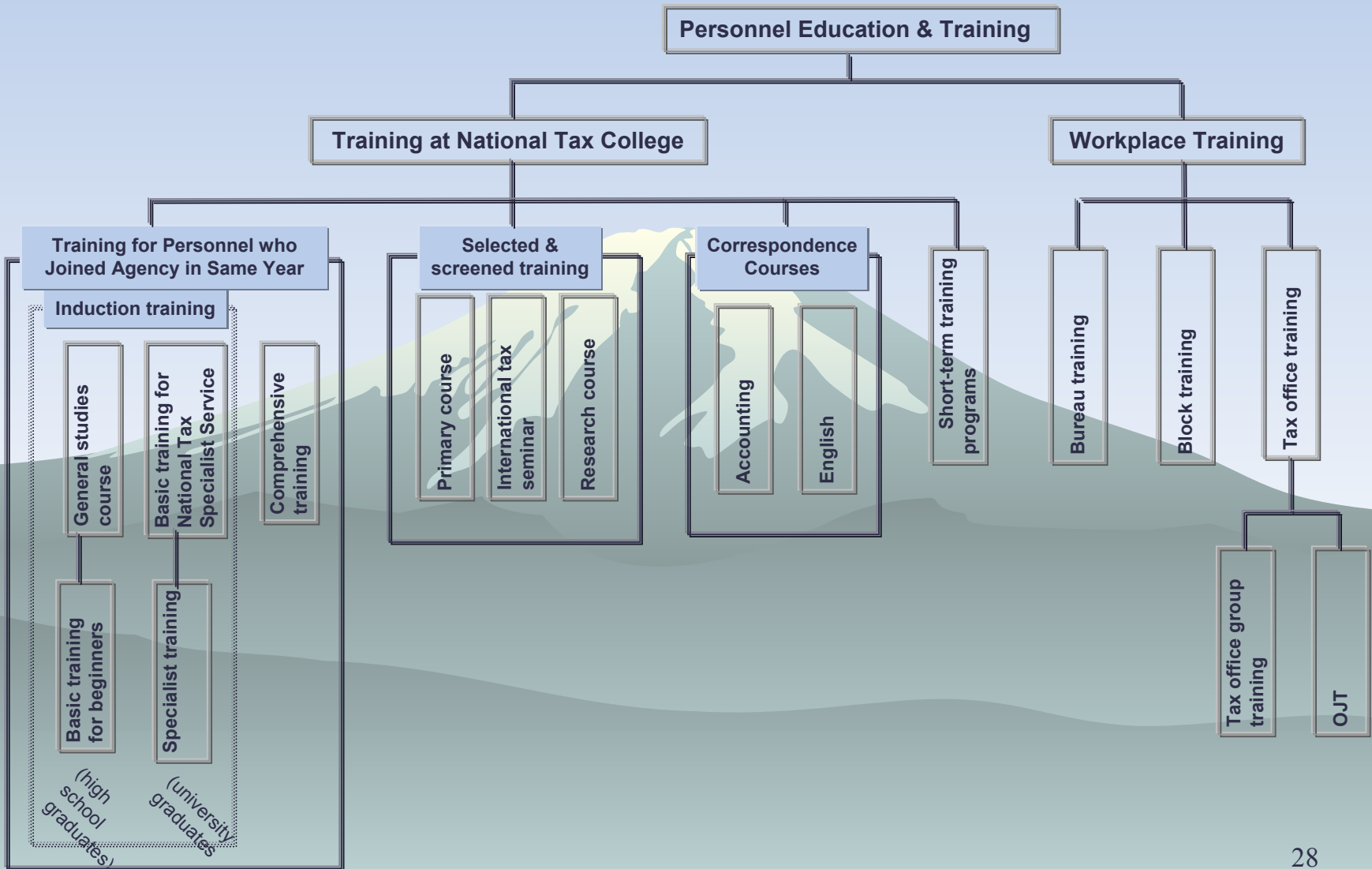
Background

- ◆ Life-time employment
 - ❖ Once entered the NTA, he/she is expected to continue work until retirement.
 - ❖ Comprehensive, long-term training is possible.
 - ❖ Kind of “in-house” human resource development

Staff Training Policy

- ◆ Responding correctly to changes in the taxation system
- ◆ Improving the experience of young staff
- ◆ Responding to Internationalization and Information Technology

Staff Training Program



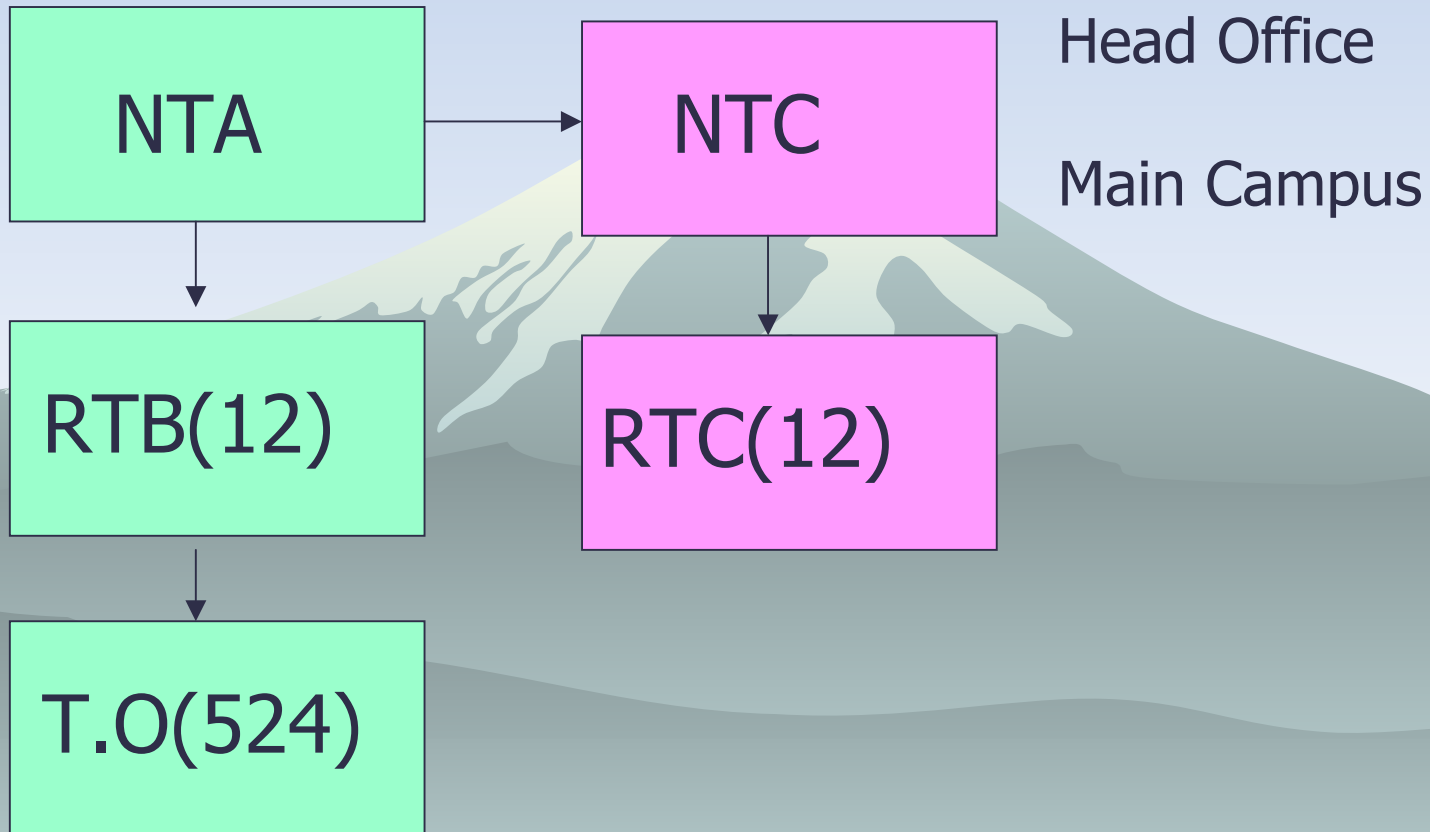
Types of Training

- ❖ Training at the NTC
 - ◆ Most comprehensive
- ❖ Training in the Workplace (by RTB)
 - ◆ Practical
 - ❖ Block training
 - ❖ Training focused on special subject
 - ❖ Seminars on revised tax law
- ❖ On-the job training (tax office)
 - ◆ More practical
 - ❖ Examination with chief/senior examiner

National Tax College (1)

- ◆ <http://www.ntc.nta.go.jp/english/index.html>
- ◆ Training institute solely for national tax officials
- ◆ Think tank of the National Tax Agency
 - ❖ Research for national tax affairs
- ◆ Organization
 - ❖ *Kasumigaseki* Office (Head office)
 - ❖ *Wako* Campus (Main campus)
 - ❖ 12 Regional Training Centers
- ◆ Number of Staff: 355

National Tax College (2)



National Tax College



National Tax College



Training at NTC

◆ Long-term training courses

- ❖ To improve the overall skills and qualities
 - ◆ For high school graduates (age 18 -)
 - ◆ For university graduates (age 22 -)
 - ◆ International tax seminar
 - ◆ Research course

◆ Short-term training courses

- ❖ To acquire the skills and knowledge necessary to carry out specialized assignments

◆ Correspondence courses

- ❖ To acquire skills and knowledge in a specific field related to their duties

Programs

- ◆ **Programs for the Contemporaries, who joined the NTA in the same year**
 - Training held immediate after entry into the NTA (For College Grads for 4 months, High School Grads 13 months) , and every 7 years of service



- ◆ **Selective Programs**

- Training for Medium Class Examiners, Specialists, and Researchers

- ◆ **Mandatory Programs for Specific Type of Jobs**

(Ex. Individual Income Taxation, Corporate taxation, Int'l Taxation, etc.)

- ◆ **On-the-Job Training**

Evaluation Method of Training Results

- ◆ Evaluation of learning results (four levels)
- ◆ Honor prize
- ◆ Achievement prize

Training in the Workplace

- ◆ Regional Tax Bureaus
 - By type of administrative work
 - Freshman Training
- ◆ Tax Office
 - Individual units/combination units
 - On-the-Job Training

On-the-Job Training

Principal Class Ⅲ

Primary Course(13 months)

Work Experience
(11 months)

Basic Training (3 months)

Work Experience
(12 months)

Work Experience in Training section (12 months)

Tax Expert Service Exam

Basic Training (4 months)

Freshman training (10 days)

Advanced Course Ⅱ (7 months)

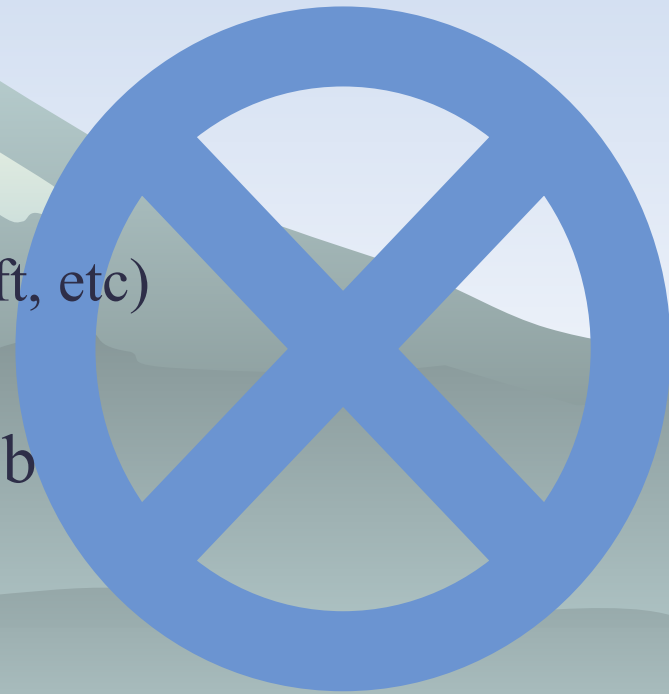
Work Experience (5 months)

3 Disciplinary Measures

- **Service Discipline**
- **Internal Inspector System**

Service Discipline (1)

- ◆ Duty to observe laws and instructions of superiors
- ◆ Prohibition of behavior which undermines credibility
 - ❖ accepting bribes
 - ❖ misappropriations
 - ❖ general misconduct (violence, theft, etc)
- ◆ Duty not to break confidentiality
- ◆ Duty to dedicate oneself to the job
- ◆ Restraint on political activities



Service Discipline (2)

- ◆ Prohibition of undertaking additional work
- ◆ National Public Service Ethics Law (Apr 2002)
- ◆ Guidelines related to the preservation of discipline and morals in NTA personnel



Internal Inspector System

- **Creation of the Internal Inspector System**
- **Background to the establishing the Internal Inspector Office**
- **Purpose of establishing the Internal Inspector Office**
- **Duties of the Internal Inspectors**

Steps in the inspection process

- **a. Preventive inspection**
- **b. Data inspection**
- **c. Misconduct inspection**

- **Administrative disposition**
 - **Dismissal from office**
 - **Suspension from office**
 - **Salary cut**
 - **Reprimand**



- 
- **Present state of misconduct committed by public officials**
 - **Present state of misconduct committed by NTA officials**

(Life after Retirement)

- ◆ Retirement remuneration
- ◆ Pension system
- ◆ Certified tax accountant qualifications



<NTA> Future Issues

(Background)

- ◆ Globalization and IT Revolution
- ◆ Liquidation of the Japanese General Labor Market
- ◆ Staff's Philosophy Changes
- ◆ Advancement of Gender Equal Society
- ◆ Civil Service Reform

(Civil Service Reform)

- **Help Employees Motivated to Improve Themselves and the Whole Office**
- **Introduce Performance-based Employee Evaluation, and Enhance Promotion and Pay**
- **Set Clear Performance Evaluation Measures in line with Organisational Goals**
- **Restrict Employment of Retired Civil Servants in the Private Sector**
- **Maintain Current Labor Rights Restrictions**

(Issues)

- ◆ **More Ability/Performance-based Promotion and Pay Scheme**
- ◆ **More Specialists and Their Retention**
- ◆ **Mid-Careers Recruitment**
- ◆ **More Woman's Participation in Higher, and Decision-Making Positions**
- ◆ **Cost-Effectiveness, Accountability to the Public**

Thank you

