



Initiatives for Cooperation in Tax Affairs in Kyoto Prefecture

June 2014

Kyoto Regional Tax Organization



1. Background of Cooperation in Tax Affairs

- Local taxes are divided into prefectural taxes and municipal taxes, and taxpayers have to declare their income and pay the respective tax.
- The tax payment methods (tax payment at convenience stores, etc.) are not consistent among local public entities.
- The proportion of tax paid as local taxes increased due to the transfer of tax revenue sources as a result of the so-called Trinity Reforms (reform of the finances between the national and local governments). Therefore, the securing of the operational system for local tax administration and improving the efficiency of tax affairs in the system became important again.
- There are entities that have difficulties in securing the operational system for tax affairs due to the advanced administrative and financial reforms.



Aiming at establishing an equitable and fair tax administration as well as improving convenience for the taxpayers, the development of an effective and efficient operational system for tax affairs is an important issue.

◆ Size of the Member Entities of the Organization

Classification		Basic residents register (as of Mar. 31, 2013)		Area (km ²)	Settlement of accounts for revenue in FY2012	
		Population (people)	No. of households (households)		Total revenue amount (million yen)	Local tax (million yen)
Name of Entity						
Fukuchiyama city		81,121	35,286	552.57	46,304	11,315
Maizuru city		87,909	40,238	342.35	36,984	14,043
Ayabe city		36,052	15,711	347.11	17,633	4,348
Uji city		192,188	80,959	67.55	59,838	23,318
Miyazu city		20,064	8,807	169.32	11,441	2,636
Kameoka city		92,472	37,541	224.90	35,029	10,042
Joyo city		79,370	34,014	32.74	25,779	8,583
Hyuga city		54,248	22,909	7.67	17,286	7,008
Nagaokakyo city		80,146	34,767	19.18	25,139	11,904
Yahata city		73,553	31,528	24.37	25,043	9,389
Kyotanabe city		65,410	25,894	42.94	22,573	9,774
Kyotango city		59,633	22,510	501.84	33,455	5,030
Nantan city		33,987	13,761	616.31	23,128	4,373
Kizugawa city		72,114	26,674	85.12	26,874	8,676
Otokuni-gun	Oyamazaki-cho	15,412	6,291	5.97	5,298	2,702
Kuze-gun	Kumiyama-cho	16,584	6,764	13.86	6,848	4,360
Tsuzuki-gun	Ide-cho	8,049	3,351	18.02	4,098	875
Tsuzuki-gun	Ujitawara-cho	9,817	3,489	58.26	3,821	1,593
Soraku-gun	Kasagi-cho	1,608	686	23.57	1,403	166
Soraku-gun	Wazuka-cho	4,558	1,772	64.87	3,161	386
Soraku-gun	Seika-cho	36,965	13,820	25.66	11,630	5,126
Soraku-gun	Minamiyamashiro-mura	3,131	1,252	64.21	2,371	330
Funai-gun	Kyotanba-cho	16,119	6,442	303.07	12,479	1,673
Yosa-gun	Ine-cho	2,421	946	62.00	2,674	172
Yosa-gun	Yosano-cho	23,825	9,187	107.04	11,598	1,821
Total of member municipalities		1,166,756	484,599	3,780.50	471,887	149,643
Kyoto city		1,420,373	683,772	827.90	749,496	242,658
Kyoto prefecture		2,587,129	1,168,371	4,608.40	942,132	234,626



2. Establishment of the Kyoto Regional Tax Organization

- The Kyoto Regional Tax Organization was established as an organization to jointly perform the prefectural and municipal tax affairs in August 2009.
- The Kyoto Regional Tax Organization is a special local public entity (a wide area union) designated by the Local Autonomy Law. It is composed of Kyoto prefecture and 25 municipalities within the prefecture.
- It started with tax collection affairs (in January 2010).

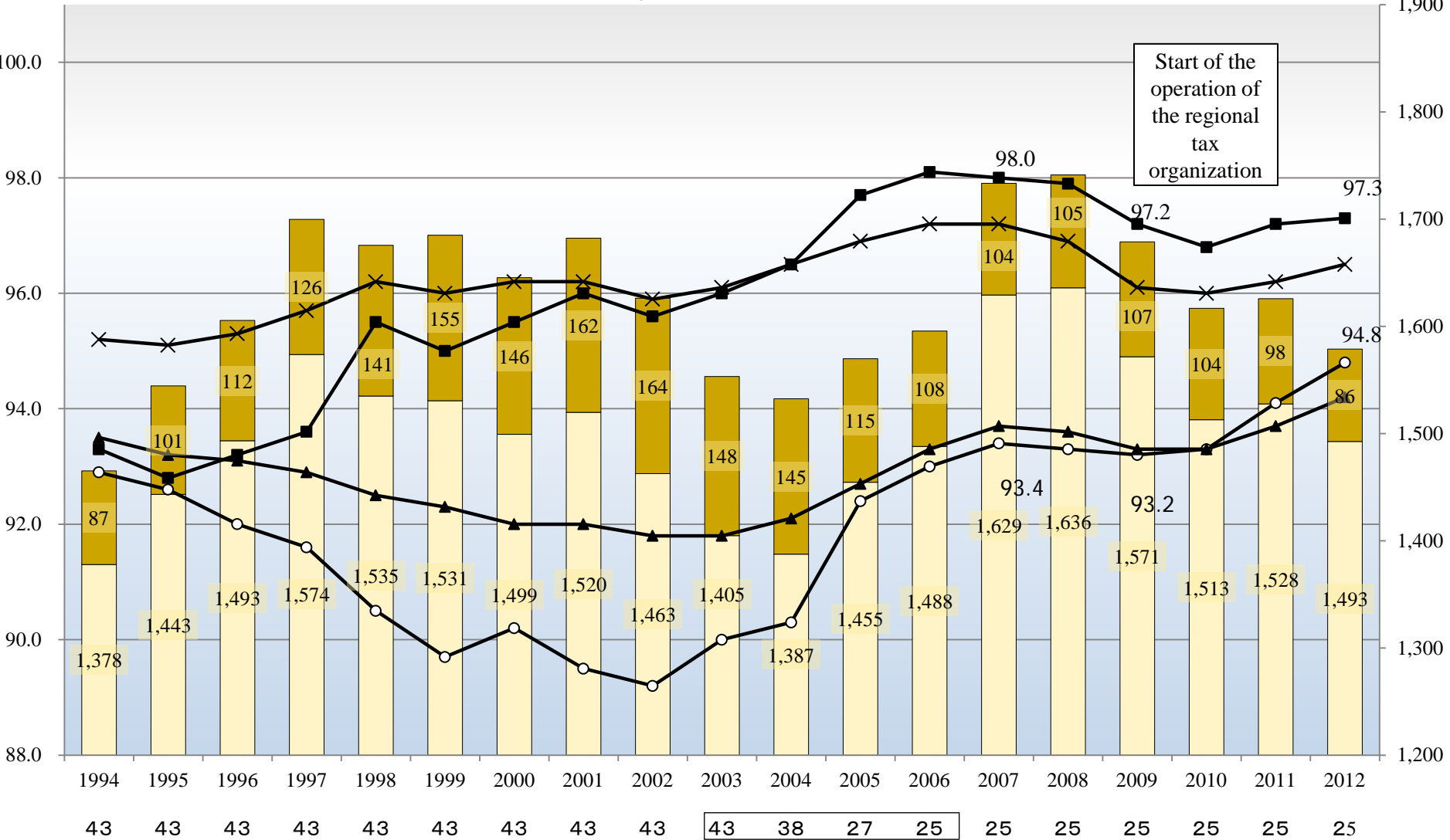
History of its establishment

May 2007	“Committee for the Promotion of Cooperation in Kyoto Prefectural Tax Affairs,” which was composed of persons with the relevant knowledge and experience, etc., was established and examined the means of cooperation in tax affairs.
December 2007	A proposal was made by the committee for the promotion of cooperation in Kyoto prefectural tax affairs
April 2008	The “Preparatory Committee for Establishing an Organization for Cooperation in Kyoto Prefectural and Municipal Tax Affairs,” which was composed of the heads of the member entities, was established.
June 2009	In the assembly of each member entity, the draft statute of the regional tax organization was discussed and approved.
August 2009	Approval for the establishment of the regional tax organization (Ministry of Internal Affairs and Communications)
December 2009	The first assembly of the regional tax organization

Trends in the Settled Amount and the Collection Rate of Municipalities in Kyoto Prefecture

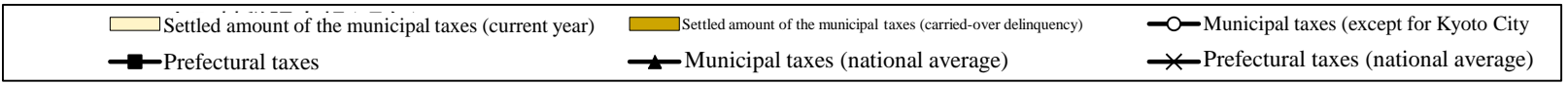
(100 million yen)

(%)



Start of the operation of the regional tax organization

(Except Kyoto City)
No. of municipalities in Kyoto prefecture





3. Profile of the Kyoto Regional Tax Organization

(1) Objectives of its establishment

- **To further promote equitable and fair tax affairs** as well as **improve convenience for taxpayers and work efficiency** through performing the tax affairs of Kyoto Prefecture and 25 municipalities within the prefecture in an integrated manner.

(2) Organization

- The organization's headquarters and 9 local offices
- 214 staff members (those who are dispatched from Kyoto Prefecture and the municipalities)

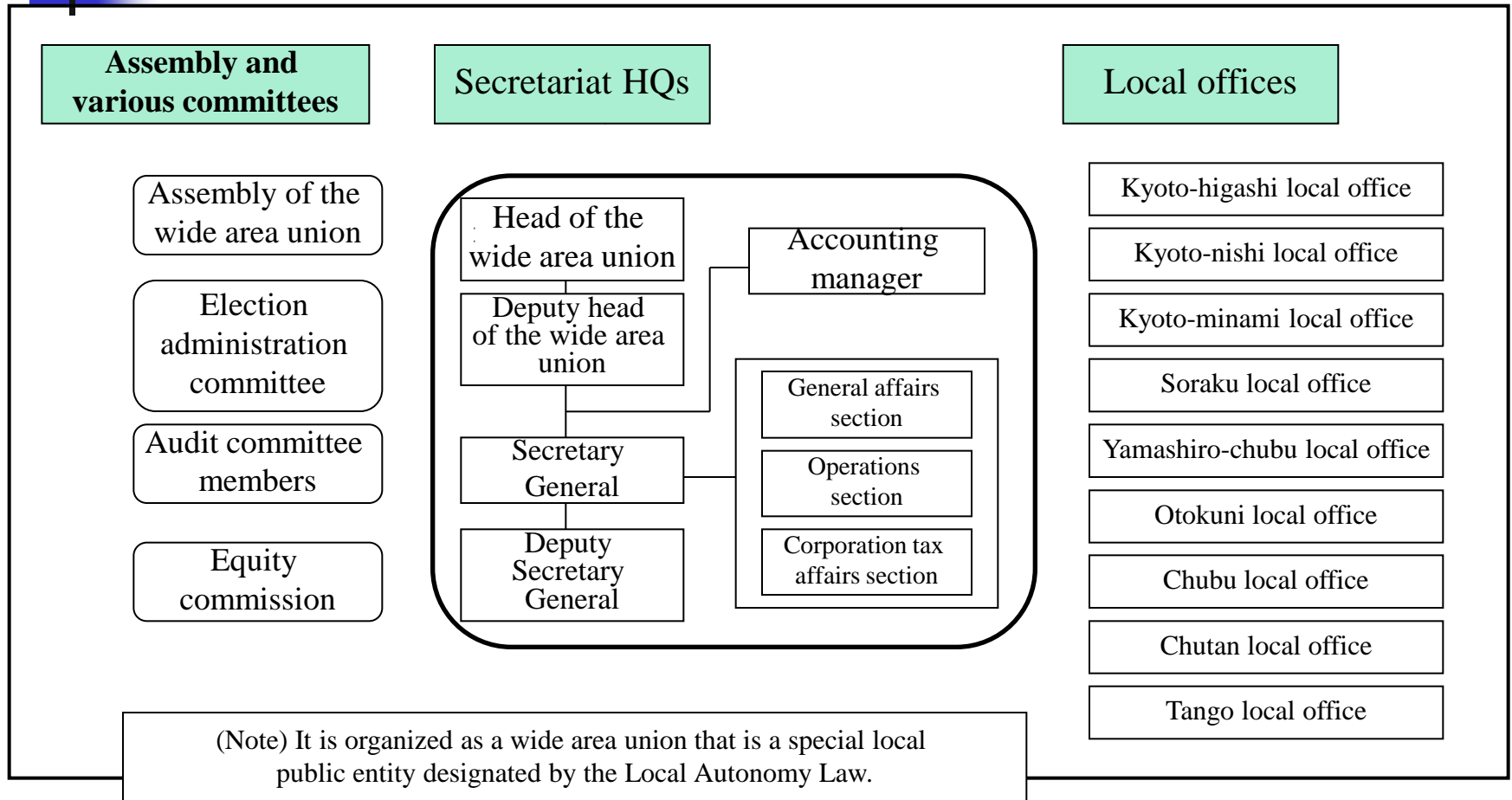
(3) Budget size (FY2013) **1.991 billion yen** (out of which 1.464 billion yen is for personnel expenses)

- The member entities of the organization bear the costs according to the work volume, etc.
The amount borne by Kyoto Prefecture is 1.195 billion yen.

(4) Work contents

- Delinquency arrangements for cases transferred to the regional tax organization among the delinquency cases of local taxes imposed by the member entities of the organization
- Taxation affairs for corporation-related taxes that should be imposed and collected by the member entities of the organization (from April 2012)
- Other work such as computer system maintenance and training for the staff of the member entities of the organization

4. Organization of the Kyoto Regional Tax Organization



5. Effects of the Cooperation in Tax Affairs

Items	Contents
Improvement of convenience for the taxpayers	<ul style="list-style-type: none"> ○ Implementation of the payment of all items of prefectural and municipal taxes at convenience stores (only for those transferred to the regional tax organization) ○ Expansion of the tax payment counters (it is possible to pay taxes at all offices of the prefecture, municipalities, and the regional tax organization) ○ Expansion of the tax payment channels (diversified tax payment methods including payment at convenience stores, using credit cards, via internet banking, etc.) ○ Unification of the tax declaration counters (unification of the submission address of various declaration forms and salary payment reports)
Improvement of the collection capacity	<ul style="list-style-type: none"> ○ Increased by approx. 8 billion yen through the increase in the municipal tax collection rate (achievements in 2007: 93.4% → 98%) ○ Increased by approx. 500 million yen through an increase in the personal prefectural residents' tax (prefecture)
Improvement of the tax investigation capacity	<ul style="list-style-type: none"> ○ Revenue-increasing effects through improvement in the capture ratio of the object of taxation <ul style="list-style-type: none"> - Guidance on declaration for corporations that have not declared - Investigation of non-registered corporations - Investigation of the status of possession of depreciable property - Efficient information gathering on the object of taxation (information gathering on the transfer of fixed property)
Reduction of the tax collection costs	<ul style="list-style-type: none"> ○ Reduction of the personnel expenses that account for approx. 80% of the tax collection expenses
Reduction of the system expenses	<ul style="list-style-type: none"> ○ Drastic cut in the expenses on system changes due to the annual tax reform through the development of support systems for taxation affairs.



6. Cooperation in Collection Affairs

(1) **Transfer the right of collection to the regional tax organization**

- The regional tax organization will perform the disposition of delinquency, etc.
- Taxes collected by the regional tax organization will be remitted from the financial institution designated by the regional tax organization to each member entity of the organization.

(2) **Implement delinquency arrangements using computer systems**

- Name collation, receivables management
- Operating support such as the accumulation of data related to delinquents and simplification of the preparation of written statements of disposition, etc.

(3) **Perform efficient delinquency arrangements**

- Establish a notification center in the secretariat headquarters
Reduction of the number of delinquencies by centralizing notification via telephone and documents
- Establish a special task force in the secretariat headquarters
Centralized processing of large amounts (over 5 million yen)

(4) **Accumulate know-how on delinquency arrangements**

- Implement strict disposition against malicious delinquents
- Investigate property thoroughly, conduct searches, and implement tax payment at convenience stores and holding public auctions via the internet



7. The Current Status of the Initiatives of the Kyoto Regional Tax Organization (1)

(1) Initiatives for delinquency arrangement affairs (FY2012)

Collection affairs started from January 2010. From April 2010, with the transfer of the delinquency cases of the member entities on a full scale (from 18 entities regarding the national health insurance fee (tax)), the delinquency arrangements such as simultaneous notification via telephone and documents, public auctions, and searches as well as taxpayers' name collation are under implementation.

- (i) The total amount transferred to the regional tax organization
27.198 billion yen (6.6% of the settled amount of the member entities)
- (ii) The amount received by the regional tax organization
11.752 billion yen (3.0% of the revenue amount of the member entities)
- (iii) The receiving rate ((ii)/(i)) 43.2% (increased by 2.4 points compared to that of the previous fiscal year)

(2) Initiatives for taxation affairs for corporation-related taxes

Taxation affairs for corporation municipal tax, prefectural tax, and business tax started on a full scale from April 2012.

Taxation affairs such as the sending of declaration notices to corporations, receiving of declaration forms, inputting them into computer systems, and reassessment processing are under implementation.

- (i) Number of target corporations 63,000 enterprises
- (ii) Number of acceptances and declaration forms processed 105,000 cases
- (iii) Increased revenue amount due to the investigation of non-declared corporations, etc. 31 million yen



7. The Current Status of the Initiatives of Kyoto Regional Tax Organization (2)

(3) Effects on the member entities of the organization (comparison between FY2009 and FY2012)

Comparison of the status of the member entities prior to cooperation (FY2009) and after cooperation (FY2012) indicates the effects of this cooperation as below.

- (i) Collection rate: prefecture - increased by 0.1 points, municipalities – increased by 1.6 points
(Carried-over delinquency: prefecture – increased by 4.7 points,
municipalities – increased by 7.9 points)
- (ii) The amount of carried-over delinquency: prefecture – decreased by 1.222 billion yen,
municipalities – decreased by 2.843 billion yen
- (iii) Revenues from arrears: prefecture – increased by 71 million yen,
municipalities – increased by 208 million yen



8. Future Challenges

(1) **Advanced cooperation in tax affairs**

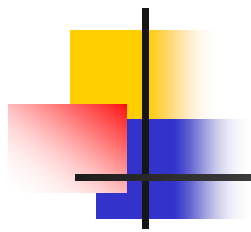
- To maximize the effects of cooperation, it is necessary to achieve a series of objectives for cooperation in tax affairs, such as coordination between taxation affairs and collection affairs.

(2) **Standardization of tax affairs and integration of the systems**

- For improved cooperation, it is necessary to standardize the work procedures of each member entity of the organization and integrate the system. But there is resistance to reviewing past procedures.

(3) **Develop professional tax staff in the regional tax organization**

- The staff members of the regional tax organization are dispatched from the member entities of the organization for a certain fixed period, and it is difficult to develop professional staff dedicate to tax affairs.



Thank you for your attention.