

Solution Services for Tax Disputes (STaDi)

As part of the measure to implement a more practical judicial system, the certified tax accountant law was amended (effective from April 1, 2004) allowing tax accountants to make statements on behalf of taxpayers in court. It has been pointed out that the amount of tax litigation in Japan is relatively small compared with that of foreign countries. However, in accordance with the new amendments that allow lawyers and certified tax accountants to work together, it is thought that tax litigation will become more actively brought against the Tax authorities in the future.

The globalization and increasing complexity of transactions has made it more difficult for taxpayers to interpret tax statutes properly and to apply for numerous transactions. Due to the amendments made, taxpayers will be able to have impartial and clear guidance on the interpretation and operation of tax statutes by filing tax litigation against the assessment given by the tax authorities.

StaDi, a dedicated team of Solution Services for Tax Disputes was formed in Zeirishi Hojin ChuoAoyama to provide support services for the tax disputes of our clients. Services provided by StaDi include research and dissemination of the tribunal case as well as court rulings, consultation services for specific tax planning by reference to past cases, advisory services and assistance for tax disputes.

Reasons why “tax litigation” draws the taxpayers’ attention?

As a part of the judicial system reform currently under way, a systematic review of administrative litigation procedures is underway, including tax suit procedures. According to the NTA’s data, there are 5,119 cases requesting reconsideration (against the tax disposition issued by the local tax office) and re-examination requests (against the Regional Tax Bureau), of which only 380 cases (7.4%) were brought to court. It is said that a rate like 7.4% explains why under the current situation, tax litigation has thus far not played a sufficient role in protecting the rights of the taxpayer.

To cope with the functional incompetence of the judicial system, the creation of a certified public accountant counsel system is very welcome, with the expectation that it will pave the way to the reform of the tax suit procedures. As seen in the recent trend

of tax audits, the tax authorities have taken an aggressive stance on tax imposition in cases where complex transactions exist or the reduction of tax liability cannot be overlooked. To ensure the protection of the taxpayers' rights, it has become increasingly more necessary to bring the case to court to settle problems.

Scope of services provided by STaDi

1. Consultation services for specific planning

In line with globalization and the complexity of economic transactions, the implementation and interpretation of tax laws and regulations has become much more difficult. Consequently, it is more important for taxpayers to recognize potential tax risk and prepare the suitable measures for future tax audits before implementing a proposed plan. STaDi will investigate past cases and the decisions relevant to the proposed plan and identify potential tax exposure.

2. Tax audit supporting services

While the tax return is prepared and filed by the client or its tax counsel, dealing with the tax auditors is always a hard job. In order to cope with such situations, STaDi will defend the client's tax position.

3. Tax litigation supporting services

Some taxpayers are subject to unexpected tax liability because of tax audits. STaDi will give advice for filing an examination for reconsideration and/or bringing the case to court. At the next stage of tax litigation, STaDi will work together with associated lawyers.