

Ensuring smooth and proper consumption tax pass-on - Overall Evaluation

Trade Practices Division · Senior Officer for Consumption Tax Pass-on Issues

Part 1 Summary of the Policy

1 Name of Activity

Ensuring smooth and proper consumption tax pass-on

2 Responsible Department

Trade Practices Division · Senior Officer for Consumption Tax Pass-on Issues

3 Goal

According to the Act Concerning Special Measures for Correcting Practices Impeding Consumption Tax Pass-on, etc. with the Aim to Ensure Smooth and Proper Pass-on of Consumption Tax (enforced on October 1, 2013; hereinafter referred to as the “Act Concerning Special Measures for Consumption Tax Pass-on”), smooth and proper consumption tax pass-on shall be ensured by correcting practices rejecting consumption tax pass-on and other similar actions through activities for public awareness and by correcting representations impeding consumption tax pass-on, among other actions.

4 Outline of Activity

The Japan Fair Trade Commission implemented (1) special measures for correcting practices rejecting consumption tax pass-on, (2) special measures for correcting representations impeding consumption tax pass-on and (3) special measures on concerted practices for determining pass-on methods and representations of consumption tax to ensure smooth and proper consumption tax pass-on upon the increase of the consumption tax rate from April 1, 2014.

Activity	Major actions
① Special measures for correcting practices rejecting consumption tax pass-on	(1) Formulation, announcement and thorough awareness of the guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on, etc. (2) Production and distribution of pamphlets, etc. (3) Meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on and dispatch of lecturers (4) Intensive public relations activities using various media
② Special measures for correcting representations impeding consumption tax pass-on	(1) Gathering of information on the Act Concerning Special Measures for Consumption Tax Pass-on

	(2) Investigation of and recommendation, instructions, etc. on the Act Concerning Special Measures for Consumption Tax Pass-on
③ Special measures on concerted practices for determining pass-on methods and representations of consumption tax	Receipt of reports on pass-on cartels and representation cartels, response to consultations from business operators

5 Evaluation period
October 2013 – March 2016

6 Year/Month for Policy Evaluation
April – July 2016

Part 2 Environment for implementation of the policy

In February 2012, the fundamental principle of integrated reform of the social security and tax systems was decided by the Cabinet to ensure the concurrent achievement of securing stable sources of revenue for social security and fiscal soundness. This principle included a gradual increase in the consumption tax rate and activity for smooth and proper consumption tax pass-on associated with this increase. In addition, the consumption tax rate was to be raised in two stages, in April 2014 and October 2015, according to the Act on Partial Revision to the Consumption Tax Act for Radical Reform of the Tax System to Ensure Stable Sources of Revenue for Social Security that was passed in August 2012¹. Whether or not smooth and proper consumption tax pass-on is achieved upon the increase of the consumption tax rate is one of the biggest concerns for business operators. Accordingly, it has been decided that the necessary special measures for correcting practices impeding consumption tax pass-on shall be taken to ensure smooth and proper consumption tax pass-on. Based on this decision, the Act Concerning Special Measures for Correcting Practices Impeding Consumption Tax Pass-on, etc. with the Aim to Ensure Smooth and Proper Pass-on of Consumption Tax (hereinafter referred to as the “Act Concerning Special Measures for Consumption Tax Pass-on”) was enacted in June 2013.

The Japan Fair Trade Commission implemented (1) special measures for correcting practices rejecting consumption tax pass-on, (2) special measures for correcting representations impeding consumption tax pass-on and (3) special measures on concerted practices for determining pass-on methods and representations of consumption tax to ensure smooth and proper consumption tax pass-on according to the Act Concerning Special Measures for Consumption Tax Pass-on.

¹ Initially, the first increase of the consumption tax rate was scheduled for April 2014 and the second increase of the consumption tax rate was scheduled for October 2015; however, given the economic situation, the second increase of the consumption tax rate was postponed for one and a half years to April 2017.

Part 3 State of progress of the activities

1 Special measures for correcting practices rejecting consumption tax pass-on

The Japan Fair Trade Commission implemented special measures for correcting practices rejecting consumption tax pass-on including thorough awareness of the Act Concerning Special Measures for Consumption Tax Pass-on to ensure smooth and proper consumption tax pass-on.

(1) Formulation, announcement and thorough awareness of the guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on, etc.

In order to secure transparency in the application of the Act Concerning Special Measures for Consumption Tax Pass-on and increase predictability for business operators, the Japan Fair Trade Commission ensured thorough awareness of the views on the Act Concerning Special Measures for Consumption Tax Pass-on, the Antimonopoly Act and the Subcontract Act regarding actions that prevent consumption tax pass-on by developing and publishing guidelines in September 2013 (hereinafter referred to as the “Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on”) in a section on consumption tax pass-on on the website of the Japan Fair Trade Commission and holding explanatory meetings as outlined in (3) below.

In addition, the Japan Fair Trade Commission formulated frequently asked questions about the special measures for correcting practices rejecting consumption tax pass-on based on consultations, etc. on the Act Concerning Special Measures for Consumption Tax Pass-on and posted them in the section on consumption tax pass-on and ensured thorough awareness of them at explanatory meetings as described in (3) below to ensure thorough awareness of the views on the Act Concerning Special Measures for Consumption Tax Pass-on among as many business operators as possible, thereby correcting practices preventing consumption tax pass-on. Moreover, based on consultations with business operators, etc. and questions posed by participants at the meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on, the frequently asked questions about the special measures for correcting practices rejecting consumption tax pass-on were updated from time to time.

(2) Production and distribution of pamphlets, etc.

In October 2013, the Japan Fair Trade Commission produced a pamphlet for business operators, etc. clearly explaining the Act Concerning Special Measures for Consumption Tax Pass-on, “For Smooth and Proper Consumption Tax Pass-on,” in cooperation with the relevant ministries and agencies. It published it on the website of the Japan Fair Trade Commission and distributed copies of it to chambers of commerce and industry, etc. and the National Federation of Small Business Associations (N.F.S.B.A) (229,385 copies) and local governments and municipalities (367,300 copies).

In addition, based on cases of violations of the Act Concerning Special Measures for Consumption Tax Pass-on after the enforcement of the Act, it also produced a pamphlet explaining the major cases of violations, “Major Cases of Violations Concerning

Rejection of Consumption Tax Pass-on,” in March 2015, one and a half years after the enforcement of the Act Concerning Special Measures for Consumption Tax Pass-on, to increase the predictability of business operators. It posted it on the website of the Japan Fair Trade Commission and distributed copies of it to chambers of commerce and industry, etc. and the National Federation of Small Business Associations (N.F.S.B.A) (111,250 copies) and local governments and municipalities (183,700 copies).

Table 1 Number of copies of individual pamphlets distributed

	FY2013	FY2014	FY2015
For Smooth and Proper Consumption Tax Pass-on	348,858 copies	120,099 copies	294,950 copies
Chambers of commerce and industry, etc. and the National Federation of Small Business Associations (N.F.S.B.A)	78,935 copies	39,200 copies	111,250 copies
Local governments and municipalities	183,600 copies	-	183,700 copies
Others	86,323 copies	80,899 copies	-
Major Cases of Violations Concerning Rejection of Consumption Tax Pass-on	-	305,550 copies	-
Chambers of commerce and industry, etc. and the National Federation of Small Business Associations (N.F.S.B.A)	-	111,250 copies	-
Local governments and municipalities	-	183,700 copies	-
Others	-	10,600 copies	-

In addition to the above, a leaflet briefly explaining the provisions of the Act Concerning Special Measures for Consumption Tax Pass-on was produced in July 2013 and distributed to local governments and municipalities (183,600 copies). The leaflet was also enclosed with the documents delivered in written survey in the fiscal year 2013 as described in 2 (1) a below to ensure thorough awareness of the Act Concerning Special Measures for Consumption Tax Pass-on among the public.

Table 2 Entities to which the leaflet was distributed

Prefectures	Municipalities	Total
9,400 copies	174,200 copies	183,600 copies

Moreover, in February 2014, the Japan Fair Trade Commission’s strict implementation of the special measures for correcting practices rejecting consumption tax pass-on was demonstrated. A poster for business operators, etc. was produced to ensure the active reporting of the special measures for correcting practices rejecting consumption tax pass-on to the Japan Fair Trade Commission if any business operators suffer as a result of these practices, and it was distributed to chambers of commerce and

industry, etc. (9,542 copies), local governments and municipalities (9,260 copies) and trade associations (56,148 copies).

Table 3 Entities to which the poster was distributed

	Number of copies distributed	Major entities to which the poster was distributed
Chambers of commerce and industry, etc.	9,542 copies	- Chambers of commerce and industry - Commercial and industrial associations - National Federation of Small Business Associations (N.F.S.B.A.)
Local governments and municipalities	9,260 copies	- Prefectures - Municipalities
Trade associations	56,148 copies	- Organizations under the jurisdiction of the National Policy Agency - Organizations under the jurisdiction of the Ministry of Health, Labour and Welfare - Organizations under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism - Organizations under the jurisdiction of the Ministry of Agriculture, Forestry and Fisheries - Organizations under the jurisdiction of the Ministry of Justice - Organizations under the jurisdiction of the Small and Medium Enterprise Agency - Organizations under the jurisdiction of the Ministry of Internal Affairs and Communications

(3) Meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on and dispatch of lecturers

The Japan Fair Trade Commission organized and held meetings for business operators and trade associations to provide an outline of the Act Concerning Special Measures for Consumption Tax Pass-on and cases of violations, among others, to ensure thorough awareness of the provisions of the Act Concerning Special Measures for Consumption Tax Pass-on among the public. 121 of these meetings had been held by March 2016.

Table 4 Frequency of explanatory meetings organized and held by the Japan Fair Trade Commission

(Unit: times)

FY2013	FY2014	FY2015	Total
40	30	51	121

In addition, personnel from the Japan Fair Trade Commission were dispatched as lecturers to explain the Act Concerning Special Measures for Consumption Tax Pass-on to lectures held by chambers of commerce and industry, commercial and industrial associations and trade associations. Personnel from the Commission had been dispatched 470 times by March 2016.

Table 5 Frequency of dispatch of lecturers

(Unit: times)

FY2013	FY2014	FY2015	Total
384	59	27	470

(4) Intensive public relations activities using various media

The Japan Fair Trade Commission implemented intensive public relations activities aimed at business operators using various media to ensure thorough awareness among the public of the fact that practices rejecting consumption tax pass-on are prohibited, that the Japan Fair Trade Commission strictly supervises the Act Concerning Special Measures for Consumption Tax Pass-on and that the Japan Fair Trade Commission called for active reporting on the rejection of consumption tax pass-on before and after the increase of the consumption tax rate on April 1, 2014. Specifically, immediately prior to the increase of the consumption tax rate (in February and March 2014), intensive public relations activities aimed at business operators were implemented via newspaper advertisements, radio advertising, Internet advertisements and advertising posters in trains. Immediately after the increase of the consumption tax rate (in May and June 2014), intensive public relations activities aimed at business operators were implemented via newspaper advertisements, magazine advertisements and Internet advertisements. Moreover, in February 2016, intensive public relations activities aimed at business operators were implemented via newspaper advertisements and Internet advertisements.

Table 6 Intensive public relations activities using various media

	February to March 2014	May to June 2014	February 2016
Newspaper advertisements	○	○	○
Magazine advertisements	-	○	-
Radio advertisements	○	-	-
Internet advertisements	○	○	○
Advertising posters in trains	○	-	-

2. Special measures for correcting representations impeding consumption tax pass-on

(1) Gathering information on the rejection of consumption tax pass-on

a Written survey

While business operators may have difficulty making voluntary reports on the rejection of consumption tax pass-on, the Japan Fair Trade Commission actively gathered information on the rejection of consumption tax pass-on by conducting a written survey jointly with the Small and Medium Enterprise Agency rather than passively waiting for reports on the rejection of consumption tax pass-on from the business operators suffering as a result of practices rejecting consumption tax pass-on (specific service providers).

In addition, large-scale retailers, major companies, etc. that tend to be the offenders were subject to the duty of reporting according to the Act Concerning Special Measures for Consumption Tax Pass-on in the written survey to promote the voluntary review of the state of consumption tax pass-on and the voluntary reporting of acts of violations.

Table 7 Number of written surveys delivered (conducted jointly with the Small and Medium Enterprise Agency)

Fiscal year	Number delivered
FY2013	Small and medium-sized enterprises/small-scale enterprises, etc.: 150,000
FY2014	Small and medium-sized enterprises/small-scale enterprises, etc.: approximately 4 million; sole proprietors: approximately 3.5 million Large-scale retailers/major companies, etc.: approximately 40,000
FY2015	Small and medium-sized enterprises/small-scale enterprises, etc.: approximately 2.9 million; sole proprietors: approximately 3.5 million Large-scale retailers/major companies, etc.: approximately 80,000

b Response to requests for consultations on the rejection of consumption tax pass-on

The Japan Fair Trade Commission provided contact details for the acceptance of requests for consultations within the main office and local offices throughout Japan. Requests for consultations and reporting on the rejection of consumption tax pass-on from business operators were accepted via these contact details.

In March and April 2014, a telephone number available exclusively on holidays was provided to respond to consultations, which increased upon the increase of the consumption tax rate. Consultations via telephone were accepted not only on weekdays, but also every Saturday, to strengthen the response to consultations.

Table 8 Number of consultations on the rejection of consumption tax pass-on

(Unit: cases)

FY2013	FY2014	FY2015	Total
1,944	1,370	543	3,857

c Surveys aimed at business operators and trade associations

The Japan Fair Trade Commission conducted surveys to obtain information on the rejection of consumption tax pass-on and the actual state of transactions in various industries.

Table 9 Number of surveys conducted aimed at business operators and trade associations
(Unit: cases)

Fiscal year	Number of cases	
	Business operators	Trade associations
FY2013	1,326	401
FY2014	8,744	1,263
FY2015	4,344	682
Total	14,414	2,346

(2) Investigation of and recommendations, instructions, etc. on the rejection of consumption tax pass-on

The Japan Fair Trade Commission actively conducted on-site inspections and other investigations based on the information about the rejection of consumption tax pass-on that it obtained through its various information-gathering activities, and promptly took the necessary improvement measures (recommendations and instructions). In addition, when serious rejections of consumption tax pass-on were identified, recommendations were provided and the names of the identified business operators and a summary of the acts of violation were publicly announced.

As a result of the recommendations and instructions described above, any loss experienced by specific service providers due to the rejection of consumption tax pass-on was recovered from the identified business operators. The amount of losses incurred by small and medium-sized enterprises due to the rejection of consumption tax pass-on was recovered from 228 business operators that engaged in acts of violation for the benefit of 33,094 business operators that suffered as a result of the practices rejection consumption tax pass-on (total amount recovered: 411.53 million yen) in the fiscal year 2014, and from 333 violating business operators for the benefit of 25,059 aggrieved business operators (total amount recovered: 674.44 million yen) in the fiscal year 2015.

Table 10 Number of recommendations and instructions

		FY2013	FY2014	FY2015	Total [See Note]
Activity	Recommendations	0 (0)	19 (4)	13 (3)	32 (7)
	Instructions	724 (35)	316 (45)	349 (24)	1,389 (104)
	Total	724 (35)	335 (49)	362 (27)	1,421 (111)
No instances of violations		94	366	472	932

Note: The total figures are the aggregate for the period from October 2013 to March 2016. The numbers in parentheses show the included number of recommendations or instructions to large-scale retailers.

Table 11 Breakdown of number of recommendations and instructions (by type of act)
(Unit: cases)

Type of act	Fiscal year	Recommendations	Instructions	Total (ratio)
Reduction	FY2013	0	1	1 (0.1%)
	FY2014	3	32	35 (9.7%)
	FY2015	0	18	18 (4.9%)
	Total	3	51	54 (3.7%)
Driving a hard bargain	FY2013	0	480	480 (65.8%)
	FY2014	19	268	287 (79.9%)
	FY2015	13	331	344 (92.7%)
	Total	32	1,079	1,111 (76.1%)
Demand for use of service or provision of interests	FY2013	0	24	24 (3.3%)
	FY2014	0	22	22 (6.1%)
	FY2015	0	3	3 (0.8%)
	Total	0	49	49 (3.4%)
Refusal of negotiations on the price before taxes	FY2013	0	224	224 (30.7%)
	FY2014	0	15	15 (4.2%)
	FY2015	0	6	6 (1.6%)
	Total	0	245	245 (16.8%)
Total	FY2013	0	729	729 (100%)
	FY2014	22	337	359 (100%)
	FY2015	13	358	371 (100%)
	Total	35	1,424	1,459 (100%)

(Note 1) Some business operators engaged in multiple acts, and thus the number in Table 11 does not necessarily correspond to that in Table 10.

(Note 2) The figures in parentheses are rounded off to one decimal place, and thus their total does not necessarily constitute 100.

Table 12 State of recovery of loss incurred by specific service providers

Fiscal year	Number of identified business operators from which loss was recovered	Number of specific service providers whose loss was recovered	Amount of loss recovered [See Note 1]
FY2013 [See Note 2]	-	-	-
FY2014	228	33,094	411.53 million yen
FY2015	333	25,059	674.44 million yen
Total	561	58,153	1,085.98 million yen

Note1: The amount of loss recovered for each period does not correspond to their total sum because fractions below 10,000 yen were discarded.

Note2: For the fiscal year 2013, there was no recovery of loss because it was before the increase in the consumption tax rate.

Table 13 State of recovery of loss by type of act

Type of act	Fiscal year	Number of identified business operators from which loss was recovered	Number of specific service providers whose loss was recovered	Amount of loss recovered
Reduction	FY2014	17	5,418	13.04 million yen
	FY2015	15	1,842	20.17 million yen
Driving a hard bargain	FY2014	177	22,948	200.41 million yen
	FY2015	321	23,202	654.18 million yen
Demand for use of service or provision of interests	FY2014	43	4,806	198.06 million yen
	FY2015	1	15	80,000 yen
Total	FY2014	237	33,172	411.53 million yen
	FY2015	337	25,059	674.44 million yen
	Total	574	58,231	1,085.98 million yen

(Note 1) The number of the business operators identified and the number of specific service providers are total numbers, and do not necessarily correspond to the total number of business operators shown in Table 12. In addition, the sum of the loss recovered for the individual types of acts of violation and the respective periods does not correspond to the total amount because fractions of the amount of loss recovered for each type of act of violation and each period below 10,000 yen are discarded.

(Note 2) For the fiscal year 2013, there was restoration because it was before the increase in the consumption tax rate.

3 Special measures on concerted practices for determining pass-on methods and representations of consumption tax

The Act Concerning Special Measures for Consumption Tax Pass-on provides that concerted practices in relation to decisions on pass-on methods (pass-on cartels) and concerted practices in relation to decisions on representation methods (representation cartels) by business operators or trade associations shall be taken without violation of the

Antimonopoly Act upon prior notice to the Japan Fair Trade Commission to ensure smooth and proper consumption tax pass-on.

The Japan Fair Trade Commission began accepting notices for pass-on cartels and representation cartels at its main office and local offices throughout Japan from October 1, 2013. It has accepted notices for 315 cases in total, including notices for 176 cases of pass-on cartels and notices for 139 cases of representation cartels.

In addition, regarding the statement method of the form for notice, the Commission has handled 1,290 consultations to date.

Table 14 Number of notices for pass-on cartels and representation cartels

(Unit: cases)

	FY2013 [See Note]	FY2014	FY2015	Total
Pass-on cartels	152	13	11	176
Representation cartels	136	3	0	139
Total	288	16	11	315

Note: The number of notices for the period from October 1, 2013 to March 31, 2014 is shown.

Table 15 Number of consultations on notices

(Unit: cases)

FY2013	FY2014	FY2015	Total
1,235	50	5	1,290

Part 4 Evaluation

1 Special measures for correcting practices rejecting consumption tax pass-on

(1) Necessity

The entire government will conduct comprehensive public relations activities to announce the activities for smooth and proper consumption tax pass-on for the purpose of ensuring that small and medium-sized enterprises whose transaction position is weak can implement smooth and proper consumption tax pass-on upon the increase of the consumption tax rate. As part of these activities, the production and distribution of the Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on and pamphlets, the holding of explanatory meetings and intensive public relations activities using a variety of media are necessary to correct practices rejecting consumption tax pass-on and ensure smooth and proper consumption tax pass-on.

The review of the administrative business for FY2015 concluded that “the activities, etc. for smooth and proper consumption tax pass-on are matters of policy of the entire government, and the continuation of public relations activities aimed at business operators, in particular, is important in the special measures for correcting practices rejecting consumption tax pass-on.”

(2) Effectiveness

- a Formulation, announcement and thorough awareness of the Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on, etc.

A section on consumption tax pass-on was established on the website of the Japan Fair Trade Commission, and the Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on and frequently asked questions about special measures for correcting practices rejecting consumption tax pass-on, among others, were published to ensure thorough awareness of the Act Concerning Special Measures for Consumption Tax Pass-on. As shown in Table 16 below, there have been numerous accesses to this information.

Table 16 Number of accesses to the section on consumption tax pass-on

(Unit: accesses)

FY2013	FY2014	FY2015
146,879	139,981	94,216

The frequently asked questions about special measures for correcting practices rejecting consumption tax pass-on were updated based on past consultations from business operators, etc. and questions, etc. from participants at the meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on from time to time. When updating them, views not included in the Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on were added and announced for thorough awareness. This information helped not only the questioners, but also other business operators. It appears to have contributed to increasing predictability for business operators, etc. In addition, this activity is judged to have had a certain impact in preventing the rejection of consumption tax pass-on and in ensuring smooth and proper consumption tax pass-on. On the other hand, the number of accesses has been declining year after year. Accordingly, activity to increase the number of accesses is needed toward the next increase of the consumption tax rate.

- b Production and distribution of pamphlets, etc.

The Act Concerning Special Measures for Consumption Tax Pass-on is supervised by the Japan Fair Trade Commission. However, multiple ministries and agencies are involved in control and regulation: crackdowns on the rejection of consumption tax pass-on and notice for pass-on cartels and representation cartels is to be handled by the Japan Fair Trade Commission; special exemption from required tax-included price display is to be handled by the Ministry of Finance; and the regulation of representations indicating that no consumption tax is passed on to customers is to be handled by the Consumer Affairs Agency. The activity regarding consumption tax pass-on is to be conducted by the government as one. To ensure an overall grasp of all activities, the pamphlet “For Smooth and Proper Consumption Tax Pass-on” was produced and distributed jointly by the relevant ministries and agencies. The pamphlet

was recognized by a member of the committee for cooperation in antimonopoly policy with the remark, “It was very easy to understand, so it should also be highly regarded in terms of joint production by multiple ministries and agencies, unlike the usual cases where such pamphlets are produced separately by individual ministries and agencies.”

The pamphlet “Major Cases of Violations Concerning Rejection of Consumption Tax Pass-on” analyzes cases subject to recommendation and instruction after the enforcement of the Act Concerning Special Measures for Consumption Tax Pass-on and provides a summary of cases of violations with illustrations. The pamphlet is regarded as being conducive to thorough awareness of the types of acts constituting the rejection of consumption tax pass-on in a manner that is easier to understand for business operators, etc. In addition, it was produced and distributed just one and a half years after the enforcement of the Act Concerning Special Measures for Consumption Tax Pass-on. Prompt actions for correcting practices rejecting consumption tax pass-on were recognized.

c Meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on and dispatch of lecturers

When a questionnaire survey was conducted of participants at the meeting to explain the Act Concerning Special Measures for Consumption Tax Pass-on, in terms of understanding, over 90% of the participants answered that they “understood” or “generally understood” as shown in Table 17, and in terms of satisfaction, over 85% of the participants answered that they were “satisfied” or “generally satisfied” as shown in Table 18.

In addition, when asking about the opinions and demands of the explanatory meetings in the questionnaire survey described above, there were opinions that “a little more time should be taken for the explanation” and that “the explanation of cases of violation was good.”

Based on the results of these questionnaire surveys, the contents of the explanation were reviewed and an explanation meeting the needs of the participants was provided. As a result, the ratio of participants answering that they “understood” or “generally understood” increased from 92.7% to 95.9% and then 97.0% from the fiscal year 2013 to the fiscal year 2015. In addition, in terms of satisfaction, the ratio of participants answering that they were “satisfied” or “generally satisfied” increased from 86.5% to 90.2% and then 92.3% from the fiscal year 2013 to the fiscal year 2015.

As described above, this activity is judged to be effective in preventing the rejection of consumption tax pass-on and in ensuring smooth and proper consumption tax pass-on.

Table 17 Understanding of participants at the meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on

	Understood	Generally understood	Did not understand well	Did not understand at all
FY2013	19.0%	73.7%	7.1%	0.2%
FY2014	34.7%	61.2%	4.2%	0.0%
FY2015	30.8%	66.2%	3.1%	0.0%

Table 18 Satisfaction of participants at the meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on

	Satisfied	Generally satisfied	Not fully satisfied	Not satisfied at all
FY2013	14.7%	71.8%	13.1%	0.5%
FY2014	25.0%	65.2%	9.7%	0.2%
FY2015	25.9%	66.4%	7.7%	0.1%

As shown in Table 4 and Table 5, the frequency of holding the explanatory meetings by the Japan Fair Trade Commission remains steady, while the frequency of the dispatch of lecturers decreased year after year. The dispatch of lecturers begins with a request from the chambers of commerce and industry, the commercial and industrial association and the trade associations. Accordingly, the frequency of the dispatch of lecturers cannot be increased under any plans. However, the implementation of the dispatch of lecturers should be actively called for.

d Intensive public relations activities using various media

When intensive public relations activities were conducted in February 2016 using newspapers and the Internet, among other means, the number of consultations in February 2016 increased by about 40% from the number of consultations in January 2016. In addition, in advertisements using the Internet, etc., the special site that clearly explains the special measures for correcting practices rejecting consumption tax pass-on was provided separately from the section on consumption tax pass-on. There were about 100,000 accesses to the special site in the month of February 2016. Moreover, a link to the page of the section on consumption tax pass-on is posted on the special site to encourage access to the section on consumption tax pass-on, among other efforts. The number of accesses to the section on consumption tax pass-on in February 2016 increased by about 36% from the number of accesses in January 2016.

From the above, intensive public relations activities using newspapers, the Internet and other means are judged to be effective as part of the special measures for correcting practices rejecting consumption tax pass-on and in ensuring smooth and proper consumption tax pass-on.

(3) Efficiency

- a Formulation, announcement and thorough awareness of the Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on, etc.

The Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on, frequently asked questions about the special measures for correcting practices rejecting consumption tax pass-on and other information were gathered in the section on consumption tax pass-on established on the website of the Japan Fair Trade Commission. This section helped business operators to efficiently gather information. In addition, business operators, etc. who could not attend the explanatory meetings held by the Japan Fair Trade Commission and the lectures held by the trade associations could gain an understanding of the provisions of the Act Concerning Special Measures for Consumption Tax Pass-on by referring to the information on the website.

- b Production and distribution of pamphlets, etc.

The pamphlet on the Act Concerning Special Measures for Consumption Tax Pass-on for smooth and proper consumption tax pass-on was initially to be sent to all the relevant business operators by the Japan Fair Trade Commission. However, with the cooperation of the relevant ministries and agencies upon the provision of the data for the printing of the pamphlet to the competent ministries and agencies, printing and distribution to the trade associations, etc. were handled by the individual competent ministries and agencies, resulting in a substantial reduction from the number of print copies estimated beforehand.

Table 19 Number of print copies of the pamphlet

	FY2013	FY2014	FY2015
Number of print copies estimated beforehand	About 0.9 million copies	About 3.6 million copies	About 5 million copies
Number of actual print copies	About 0.35 million copies	About 0.4 million copies	About 0.35 million copies

- c Meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on and dispatch of lecturers

In the selection of the venues for the meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on, efforts were made to ensure that the venues were within walking distance from major stations to encourage more business operators to participate in the explanatory meetings and to ensure that the venues were public facilities to reduce the cost of holding the meetings.

- d Intensive public relations activities using various media

In the implementation of public relations activities using newspapers and the Internet, among other means, competition for planning was provided for a contract

with the person who proposed the best plan upon the request for plans from multiple persons and the review of them to select the contractor, because excellent planning capability is required for the advertisement contents. These plans included a statement of the area for the newspaper advertisement and the frequency of display on the Internet, as well as the contents of the plans and the design. Higher quality public relations were secured through comprehensive judgment including the element of price competition.

In addition, the actual contract price was lower than the price announced by the individual newspaper companies.

2 Special measures for correcting representations impeding consumption tax pass-on

(1) Necessity

While business operators whose transaction position is weak may have difficulty making voluntary reports on the rejection of consumption tax pass-on considering the effect on future transactions, it is necessary to meet their requests for consultations on the rejection of consumption tax pass-on, conduct written surveys and actively gather information.

In addition, on-site inspections and other investigations should be actively conducted against the rejection of consumption tax pass-on, which should be promptly and strictly dealt with through recommendations, instructions, etc., to ensure smooth and proper consumption tax pass-on.

(2) Effectiveness

a Gathering information on the rejection of consumption tax pass-on

While business operators whose transaction position is weak may have difficulty making voluntary reports on the rejection of consumption tax pass-on that they suffer considering the effect on future transactions, gathering information on the rejection of consumption tax pass-on through written surveys is effective in gathering information widely. In addition, the imposition of the duty to report in written surveys on large-scale retailers, etc., which tend to be the offenders, especially reports on the state of consumption tax pass-on, is expected to have the effect of leading to the voluntary review of the state of consumption tax pass-on and voluntary reporting on acts of violations. In fact, the information obtained through such written surveys accounts for over 90% of the clues to the start of investigation, leading to many investigations of cases. As a result, such information was effective in correcting representations impeding consumption tax pass-on. Moreover, the delivery of the pamphlet on the Act Concerning Special Measures for Consumption Tax Pass-on and other documents in written surveys contributed to the spread of understanding of the Act Concerning Special Measures for Consumption Tax Pass-on and the prevention of the rejection of consumption tax pass-on.

In terms of response to the consultations, the contact was clearly identified by establishing a window exclusively for consultation, and consultations on the special

measures for correcting practices rejecting consumption tax pass-on were handled appropriately. In addition, the provision of a telephone number available exclusively on holidays in March and April 2014 led to a more effective response to consultation on the rejection of consumption tax pass-on immediately prior to the increase in the consumption tax rate.

In surveys aimed at business operators and trade associations, the targets were limited to trade associations whose members included suppliers and small and medium-sized enterprises, which tend to be the victims. As a result, more detailed information on the state of consumption tax pass-on was gathered widely.

b Investigation of and recommendations, instructions, etc. on the rejection of consumption tax pass-on

There were 32 recommendations and 1,389 instructions for the period from October 2013 to March 2016. In addition, the identified business operators that received recommendations/instructions were directed to personally recover the loss that the specific service providers incurred, resulting in the recovery of loss of a total amount of 1,085.98 million yen for the period from October 2013 to March 31, 2016. In addition, even when the investigation found no instances of violations, the promotion of the spread of the understanding of the Act Concerning Special Measures for Consumption Tax Pass-on among the business operators through the investigation must have been effective in preventing the rejection of consumption tax pass-on and in ensuring smooth and proper consumption tax pass-on. Moreover, when a serious rejection of consumption tax pass-on was identified, recommendations were provided and the details were publicly announced on the website of the Japan Fair Trade Commission. There were numerous accesses to this information, as shown in Table 20 below. The publication of the offenders and the summary of the acts of violation, among other information, led to an increase in predictability for business operators. It is judged to be effective in preventing the rejection of consumption tax pass-on and in ensuring smooth and proper consumption tax pass-on.

Table 20 Number of accesses to cases of recommendations

(Unit: accesses)

FY2013	FY2014	FY2015
—	202,733	148,543

(3) Efficiency

a Gathering information on the rejection of consumption tax pass-on

In the implementation of written surveys, the list of entities to which the survey forms were sent in the previous fiscal year was closely examined to reduce delivery omissions and overlaps as much as possible.

In response to the consultations, a telephone number available exclusively on holidays was provided to meet the demand for consultations, which increased upon the

increase of the consumption tax rate, and requests for consultations by phone were accepted every Saturday in March and April 2014 to provide an efficient response according to the level of activity. Typical questions that were frequently asked were put together as frequently asked questions about the special measures for correcting practices rejecting consumption tax pass-on and published on the website of the Japan Fair Trade Commission. If any consultations related to these questions, they were used to provide an efficient response.

In addition, in surveys of business operators and trade associations, the targets of the surveys were limited as described in (2) a, above, which led to the efficient allocation of the officers in charge of investigation.

b Investigation of and recommendation, instruction, etc. on the rejection of consumption tax pass-on

To effectively process the information on violations obtained through written surveys, etc., former officers of the Japan Trade Fair Commission, persons with experience in similar investigation operations, persons with a good knowledge of laws, taxation, etc., and persons familiar with practical affairs in transactions between business operators, among others, were hired as temporary employees. These persons hired were provided with the opportunity to learn the investigation method, etc. through on-the-job training, including the implementation of the investigation together with the existing officers with experience in practical business relating to the Antimonopoly Act and the Subcontract Act. In this way, the personnel required for investigation were efficiently developed and trained. In addition, the average length of time for processing the cases for recommendations and instructions to correct the rejection of consumption tax pass-on was 56.2 days for the fiscal year 2014 and 65.1 days for the fiscal year 2015. This means that cases were processed promptly in both of these fiscal years.

The longer length of time for processing cases for the fiscal year 2015 than for the fiscal year 2014 was caused by the revision to the Administrative Procedure Act and the introduction of the system for requesting the suspension of administrative guidance in the fiscal year 2015, which provides for a period for the statement of opinions by the entities subject to instructions of at least one week as well as the fact that it took time to calculate the amount of loss recovered for the benefit of business operators suffering as a result of the rejection of consumption tax pass-on, while one year passed from the increase of the consumption tax rate. Given these factors, it is judged that the prompt processing of cases is maintained.

3 Special measures on concerted practices for determining pass-on methods and representations of consumption tax

(1) Necessity

To ensure an environment that facilitates smooth and proper consumption tax pass-on by business operators whose transaction position is weak to ensure smooth and proper

consumption tax pass-on, pass-on cartels and representation cartels should be exempted from the application of the Antimonopoly Act, and the treatment of consumption tax pass-on among industrial associations and trades should be unified under the Act Concerning Special Measures for Consumption Tax Pass-on.

(2) Effectiveness

Upon the confirmation of the state of consumption tax pass-on with 176 organizations that engaged in pass-on cartels before March 31, 2016, 157 organizations (89.2%) answered, “Tax pass-on was secured.” Accordingly, it is judged that pass-on cartels are generally implemented effectively.

Table 21 State of consumption tax pass-on of the organizations that engaged in pass-on cartels (Unit: entities)

	Number of organizations (ratio)
Consumption tax pass-on was secured.	157 (89.2%)
There was no refusal of consumption tax pass-on; however, the state of consumption tax pass-on was not grasped.	11 (6.3%)
Consumption tax pass-on was partially not secured.	8 (4.6%)
Total	176 (100%)

Upon confirmation of whether the indication actually conforms to the notification with 139 organizations that engaged in representation cartels before March 31, 2016, 128 organizations (92.1%) answered, “The indication conformed to the notification.” Accordingly, it is judged that representation cartels are generally implemented effectively.

Table 22 State of implementation by the organizations that engaged in representation cartels (Unit: entities)

	Number of organizations (ratio)
The indication conformed to the notification.	128 (92.1%)
The state of implementation was not grasped.	11 (7.9%)
Total	139 (100%)

From the above, the special measures on concerted practices for determining pass-on methods and representations of consumption tax are judged to be implemented effectively in terms of establishing an environment for facilitating consumption tax pass-on by business operators whose transaction position is weak.

(3) Efficiency

To reduce the burden on notifiers relating to administrative work, the forms of notification and examples of statements on the forms, among other information, were

published on the website, and notifications were accepted by the main office and local offices. In addition, when notifications for pass-on cartels and notifications for representation cartels were made at the same time, the omission of some documents attached to the notifications was permitted.

Upon confirmation of the evaluation of the notification procedures with all the organizations that made notifications for pass-on cartels or representation cartels before March 2016 (208 organizations), 194 organizations (93.3%) answered, “There were no problems.” Accordingly, the measures for reducing the burden relating to administrative work for the notification procedures were judged to be generally recognized.

From the above, this activity is judged to be effective in ensuring an environment that facilitates consumption tax pass-on while reducing the burden of notifiers as much as possible.

Table 23 Evaluation of burden in administrative work for notification

Evaluation of burden in administrative work for notification	Number of answers (ratio)
There were no problems.	194 (93.3%)
There was no particular difficulty.	180 (86.5%)
The procedures were simple and straightforward.	7 (3.4%)
The procedures were completed efficiently owing to thorough explanations upon consultation.	7 (3.4%)
There were problems.	4 (1.9%)
There were difficulties in the preparation of documents.	2 (1.0%)
There was a burden in terms of collecting the lists of affiliated organizations.	1 (0.5%)
It was bothersome to submit so many documents.	1 (0.5%)
Others	10 (4.8%)
Total	208 (100.0%)

(Note) The major evaluations in “Others” include “It was difficult to reach a united decision internally,” “It was difficult to put the sanctions together” and “It was bothersome to hold the general meeting.”

4 Comprehensive evaluation

As a result of the measures implemented as described above, it is judged that all the activities, i.e. (1) the special measures for correcting practices rejecting consumption tax pass-on, (2) the special measures for correcting representations impeding consumption tax pass-on and (3) the special measures on concerted practices for determining pass-on methods and representations of consumption tax, are necessary to promote smooth and proper consumption tax pass-on, and they were implemented effectively and efficiently. The progress of these activities toward ensuring smooth and proper consumption tax pass-on was judged to be generally smooth.

In addition, with respect to the special measures for correcting practices rejecting consumption tax pass-on, thorough awareness to increase the number of accesses to the

section on consumption tax pass-on should be ensured, and the implementation of the dispatch of lecturers should be actively called for toward the next increase of the consumption tax rate.

Part 5 Future issues and the course of action for future activities

1 Special measures for correcting practices rejecting consumption tax pass-on

Upon the next increase of the consumption tax rate, it is expected that the public interest will grow again and consultations from business operators will also increase. Accordingly, the special measures for correcting practices rejecting consumption tax pass-on should be promoted to ensure smooth and proper consumption tax pass-on.

In addition, the improvement of the following matters will be considered.

(1) Formulation, announcement and thorough awareness of the Guidelines for the Act Concerning Special Measures for Consumption Tax Pass-on, etc.

To clarify the views on the Act Concerning Special Measures for Consumption Tax Pass-on and increase predictability for business operators upon the next increase of the consumption tax rate, the frequently asked questions about the special measures for correcting practices rejecting consumption tax pass-on shall be revised as necessary. In addition, to promote activity for thorough awareness by using the section on consumption tax pass-on on the website of the Japan Fair Trade Commission, activity to increase the number of accesses to the said section shall be conducted by improving the contents of the section and by ensuring thorough awareness at the explanatory meetings, etc.

In addition, to prepare for the scheduled introduction of the system for reduced tax rates upon the next increase of the consumption tax, the views on the Act Concerning Special Measures for Consumption Tax Pass-on upon the introduction of the system for reduced tax rates shall be clarified by the guidelines, etc.

(2) Meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on and dispatch of lecturers

With the next increase of the consumption tax rate, explanatory meetings shall be held throughout Japan, and lecturers shall be actively dispatched upon demand. In particular, the explanatory meetings shall be held aimed at the industry with numerous acts of violations for correcting practices rejecting consumption tax pass-on.

In addition, for the dispatch of lecturers, the page providing information on the dispatch of lecturers on the website of the Japan Fair Trade Commission shall be improved, and requests for the dispatch of lecturers from small business associations and other trade associations will be widely met and the dispatch of personnel from the Japan Fair Trade Commission as lecturer shall be actively called for.

Moreover, to increase the understanding of the Act Concerning Special Measures for Consumption Tax Pass-on and satisfaction with the explanatory meetings, the level of understanding among the participants will be confirmed and explanations according to

this level will be provided to ensure the provision of explanatory meetings that better satisfy the needs of the participants.

2 Special measures for correcting representations impeding consumption tax pass-on

While it is feared that rejection of consumption tax pass-on may occur upon the next increase of the consumption tax rate, including “driving a hard bargain,” active information gathering through written surveys, etc. and the investigation of and recommendations, instructions, etc. on the rejection of consumption tax pass-on, among other existing activities, shall be continued to ensure smooth and proper consumption tax pass-on. The special measures for correcting representations impeding consumption tax pass-on shall be continually implemented.

3 Special measures on concerted practices for determining pass-on methods and representations of consumption tax

Frequently asked questions about notification and examples of notification statements, among other information published on the website of the Japan Fair Trade Commission, shall be reviewed as necessary, and consideration will continue to be paid to reducing the administrative work burden for the notifiers.

Part 6 Use of Expert Knowledge

The major opinions of members of the committee for policy evaluation are as follows.

- | |
|--|
| <p>○ Over 90% of the clues to the rejection of consumption tax pass-on are written surveys, and the ratio of complaint is less than 10%. Is this state caused by inadequate public relations activities for the Act Concerning Special Measures for Consumption Tax Pass-on?</p> <p>(An answer was provided stating that because business operators whose transaction position is weak may have difficulty making voluntary reports on the rejection of consumption tax pass-on that they suffer considering the effect on future transactions, written surveys provided the clues in many cases.)</p> |
| <p>○ Regarding the number of written surveys delivered as stated in Table 7, why did the number of small and medium-sized enterprises, small-scale enterprises, etc. decrease from the fiscal year 2014 to the fiscal year 2015?</p> <p>(An answer was provided stating that the entities that the written surveys did not reach in the fiscal year 2014 upon the delivery of written surveys were excluded from the entities to which surveys were delivered in the fiscal year 2015.)</p> |
| <p>○ Regarding the understanding among the participants at the meetings to explain the Act Concerning Special Measures for Consumption Tax Pass-on, how about including the understanding before receiving the explanation in the scope of the questionnaire survey in addition to the understanding after receiving the explanation for comparative evaluation purposes?</p> |

(An answer was provided stating that based on this opinion, consideration will be given to the way the explanatory meetings are held in future.)

Part 7 Materials and Other Information Used During Policy Evaluation

- Activity for Consumption Tax Pass-on for the fiscal year 2015 (announced on June 2, 2016)
- Questionnaire survey aimed at the participants at the explanatory meetings held by the Japan Fair Trade Commission