

## What to do if there's a dispute over tax?

Let's learn from the latest tribunal case  
where a taxpayer won and think together!



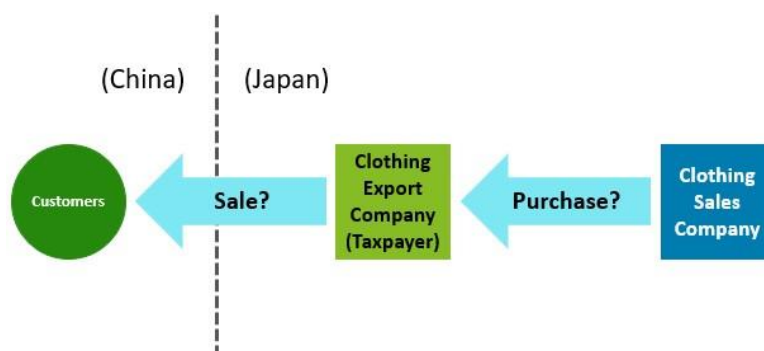
### I Don't Understand the Reason!

#### Executive Summary

- In dispute cases where it is not possible for the taxpayer to understand the tax authorities' judgment from only the description in the assessment notice, the National Tax Tribunal will also deem this unacceptable.
- We will provide an explanation based on the National Tax Tribunal Decision on 15 December 2023.
- You can also watch our YouTube lecture on this episode in Japanese [here](#).

#### 1. Transaction conducted by the Taxpayer

- The taxpayer in this case (the "Taxpayer") was a clothing export company with a fiscal year ending in November. The Taxpayer received orders for clothing from customers in China and purchased the clothing from an online shop operated by a Japanese clothing sales company. The Taxpayer paid the purchase price in cash to the delivery company upon receiving the clothing.
- For businesses subject to consumption tax, the amount payable is generally calculated by subtracting the consumption tax included in the purchase price from the consumption tax on sales. However, if there is an amount that cannot be subtracted, a refund can be obtained by filing a tax return. Therefore, for the fiscal years from November 2017 to November 2020, the Taxpayer filed tax returns to obtain a refund of the consumption tax that could not be subtracted from the consumption tax on sales.
- The issue was whether the Taxpayer itself had purchased the clothing. If the Taxpayer itself purchased the clothing from the clothing sales company and then resold it to the customers in China, it would be eligible for a refund of the portion of the consumption tax included in the purchase price that could not be subtracted.
- On the other hand, if the customers in China directly purchased the clothing from the clothing sales company and the Taxpayer merely acted as an intermediary, the consumption tax included in the purchase price cannot be subtracted in the first place. Therefore, a refund for the portion that could not be subtracted cannot be obtained. Thus, the issue was whether the Taxpayer itself had purchased the clothing from the clothing sales company.



## 2. Assessment issued by the Tax Authorities

- In recent years, the number of corporate consumption tax refund claims has been on the rise. Additionally, there are always those who attempt to fraudulently claim consumption tax refunds. Therefore, the tax authorities have positioned countermeasures against fraudulent refunds as a priority issue. Since this case also involved a refund claim, the tax authorities in this case (the "Tax Authorities") investigated whether the Taxpayer itself had actually made the purchases.
- As a result, it was found that customers in China placed orders for clothing through the internet, and a sales contract was established between them and the clothing sales company. In that case, since it cannot be said that the Taxpayer itself purchased the clothing from the clothing sales company, it is not eligible to receive a consumption tax refund. The Tax Authorities issued an assessment notice increasing the consumption tax.
- The Taxpayer was astonished when it saw the assessment notice that was sent to it. The assessment notice included a list of purchase transactions from the clothing sales company, with the total amount of consumption tax included in each purchase transaction listed.
- Looking at this list, it would normally be expected that the total amount of consumption tax would be the disallowed amount, that is, the amount by which the consumption tax would increase. However, the increase in consumption tax listed on the cover of the assessment notice was lower than this total, resulting in a discrepancy. This made it completely unclear which purchase transactions were recognized and which were disallowed. Accordingly, the Taxpayer filed a tax appeal.



## 3. Decision made by the National Tax Tribunal

- It is stipulated that when making an adverse disposition, the reason must be simultaneously presented to the affected party. The purpose of this is to ensure that the administrative authorities make a careful and rational judgment, thereby restraining arbitrariness and informing the affected party of the reasons for the disposition to facilitate the filing of an appeal.
- Therefore, if the reasons for the assessment presented include a sufficient description to verify the decision-making process of the tax authorities and explicitly state the grounds for the assessment to the extent that the objectives of restraining arbitrariness and facilitating appeals are achieved, it can be considered acceptable.
- In this case, the discrepancy between the increase in consumption tax listed on the cover of the assessment notice and the total amount of consumption tax listed in the list of purchase transactions was due to the fact that the Tax Authorities recognized that part of the purchase transactions was conducted by the Taxpayer itself and allowed the deduction of the consumption tax included in the purchase price.
- However, this point was not mentioned in the assessment notice. As a result, the Taxpayer could not understand from the notice alone that part of the purchase transactions was recognized as being conducted by the Taxpayer itself. In other words, the description in the assessment notice alone did not allow for a thorough verification of the Tax Authorities' decision-making process, making it unclear whether an appeal should be filed.
- Furthermore, after the assessment was made, the Tax Authorities could change transactions that were not recognized as being made by the Taxpayer itself, which meant that arbitrary judgment by the Tax Authorities could not be restrained. Therefore, due to the inadequacy in presenting the reasons for the assessment to increase the consumption tax in this case, the National Tax Tribunal cancelled the entire assessment.

## 4. Tips for resolving differences of opinion

- In tax appeal cases, it is often seen that taxpayers argue that there are deficiencies in the presentation of the reasons for the assessment. This is likely because, in practice, many assessment notices are overly simplistic in their descriptions of the reasons.
- However, decisions that determine there to be deficiencies in the presentation of reasons for the assessment are extremely rare. This is likely because the National Tax Tribunal considers that as long as it is possible to understand what judgment the tax authorities made from the description in the assessment notice, it is acceptable even if the detailed reasons for that judgment are not clear.
- Nonetheless, in cases like this one, where it is not possible to understand what judgment the tax authorities made from the description in the assessment notice alone, the National Tax Tribunal also deems it unacceptable. For taxpayers, if they can understand what judgment the tax authorities made and why they made the assessment by reading the assessment notice, they might be able to avoid filing a tax appeal. It is very important to at least clarify what judgment was made, as it helps in resolving tax controversy at an early stage.

# We provide a way to resolve differences in opinion with the tax authorities

## Guide to tax controversy services

Deloitte Tohmatsu comprehensively provides tax controversy services.

We examine the causes of differences in opinion and consult with clients regarding the likelihood, procedures, and costs of having the taxpayer's view accepted. We provide comprehensive services, including the preparation of rebuttal letters and legal opinions, consultations with tax examiners, and representation in tax appeals and tax litigation.



## Our strong credentials make us a top choice

### Track record of tax controversy services

Deloitte Tohmatsu has a proven track record of resolving differences of opinion with the tax authorities.

In numerous cases that we have undertaken and been involved in, the taxpayers' views have been accepted. Some recent examples where the taxpayers' views were accepted are as follows.

2025	Legal opinion	CFC regime		
2024	Rebuttal letter	Donations	Legal opinion	Heavy penalty tax
	Tax litigation	Article 132-2 of CTA	Tax appeal	Revocation of blue form tax return approval
	Legal opinion	CFC regime	Tax appeal	Property tax
2023	Legal opinion	Bad debt losses and losses on sale of receivables	Legal opinion	Entertainment expenses
	Legal opinion	Article 132-2 of CTA	Legal opinion	Advantageous placement of shares
	Tax litigation	CFC regime		
2022	Legal opinion	Property tax	Tax appeal	Deemed capital gains
	Tax appeal	Corporate gains on donations	Legal opinion	Deemed capital gains
2021	Tax appeal	Reorganization tax regime		
2020	Legal opinion	Stamp tax		

### Introduction to the tax controversy team

At Deloitte Tohmatsu, there is a team dedicated to resolving differences in opinion with the tax authorities.

This team is composed of lawyers, CPTA, CPA, ex-tribunal judges, and ex-tax officials. We work together as a unified group to address and resolve these differences in opinion with the tax authorities.

 Yutaka Kitamura Lawyer / CPTA Lawyer (NY)	 Tsutomu Yamatoya Lawyer Lawyer (NY)	 Ichiro Tsumimori Lawyer Lawyer (NY)	 Yoichi Noda Lawyer Ex-tribunal judge	 Masataka Miyaji Lawyer Ex-tribunal judge	 Yasuyuki Miyai Lawyer / CPA Ex-tribunal judge	 Takuma Sasaki Lawyer Ex-tax official
 Junko Takahashi Lawyer	 Yusuke Fukase Lawyer	 Takahiro Suwa Lawyer	 Yuta Shimada Lawyer	 Yuki Kotani Lawyer	 Ryo Hasegawa Lawyer	 Masaya Yamamura Lawyer

## Introduction to YouTube lectures and publications

Deloitte Tohmatsu provides tips for resolving differences in opinion through various channels.

The YouTube lectures, "What to do if there's a dispute over tax," are released once a month, with each session lasting about 10 minutes. We also publish English newsletters, "What to do if there's a dispute over tax," once a month based on the YouTube lectures.



## Contact

### Yutaka Kitamura

Tax Controversy Leader at Tax & Legal of Deloitte Tohmatsu Group  
Partner at DT Legal Japan  
email [yutaka.kitamura@tohmatsu.co.jp](mailto:yutaka.kitamura@tohmatsu.co.jp)

### Tsutomu Yamatoya

Counsel at DT Legal Japan  
email [tsutomu.yamatoya@tohmatsu.co.jp](mailto:tsutomu.yamatoya@tohmatsu.co.jp)

### DT Legal Japan

Tokyo Office Shin-Tokyo Building, 3-3-1 Marunouchi  
Chiyoda-Ku, Tokyo, 100-0005, Japan  
Tel +81 3 6870 3300  
Osaka Office Yodoyabashi Mitsui Building, 4-1-1 Imabashi,  
Chuo-Ku, Osaka-shi, Osaka, 541-0042, Japan  
Tel +81 6 7711 2540  
email [dtlegal@tohmatsu.co.jp](mailto:dtlegal@tohmatsu.co.jp)  
Corporate Info [www.deloitte.com/jp/en/dtlegal](http://www.deloitte.com/jp/en/dtlegal)  
Dai-ichi Tokyo Bar Association (Tokyo Office)

Deloitte Tohmatsu Group (Deloitte Japan) is a collective term that refers to Deloitte Tohmatsu LLC, which is the Member of Deloitte Asia Pacific Limited and of the Deloitte Network in Japan, and firms affiliated with Deloitte Tohmatsu LLC that include Deloitte Touche Tohmatsu LLC, Deloitte Tohmatsu Risk Advisory LLC, Deloitte Tohmatsu Consulting LLC, Deloitte Tohmatsu Financial Advisory LLC, Deloitte Tohmatsu Tax Co., DT Legal Japan, and Deloitte Tohmatsu Group LLC. Deloitte Tohmatsu Group is known as one of the largest professional services groups in Japan. Through the firms in the Group, Deloitte Tohmatsu Group provides audit & assurance, risk advisory, consulting, financial advisory, tax, legal and related services in accordance with applicable laws and regulations. With approximately 20,000 people in about 30 cities throughout Japan, Deloitte Tohmatsu Group serves a number of clients including multinational enterprises and major Japanese businesses. For more information, please visit the Group's website at [www.deloitte.com/jp](http://www.deloitte.com/jp).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/jp/about](http://www.deloitte.com/jp/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's more than 450,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

All of the contents of these materials are copyrighted by Deloitte Touche Tohmatsu Limited, its member firms, or their related entities including, but not limited to, Deloitte Tohmatsu Tax Co. (collectively, the "Deloitte Network") and may not be reprinted, duplicated, etc., without the prior written permission of the Deloitte Network under relevant copyright laws.

These materials describe only our general and current observations about a sample case in accordance with relevant tax laws and other effective authorities, and none of Deloitte Network is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. The opinions expressed in the materials represent the personal views of individual writers and do not represent the official views of Deloitte Network. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Member of  
**Deloitte Touche Tohmatsu Limited**

© 2025. For information, contact Deloitte Tohmatsu Group.



IS 669126 / ISO 27001



BCMS 764479 / ISO 22301