

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!



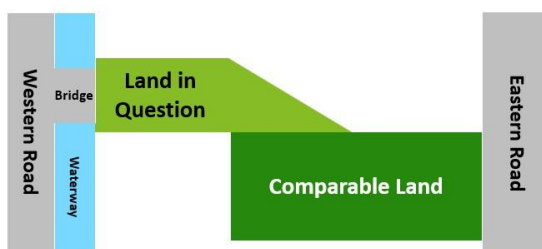
Clear as Day When You Visit the Site

Executive Summary

- Especially in cases where real estate is the subject of the dispute, nothing can begin without visiting the site. This is because the issues are often as clear as day once you see the location in person.
- We will provide an explanation based on the National Tax Tribunal Decision on 27 May 2024.
- 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 real estate company. The land in question had been used as a park by the local community association. By chance, the Taxpayer came to know that the owner of the land was planning to let go of it. After negotiating with the owner, the Taxpayer decided to purchase the land in December 2022. Subsequently, the Taxpayer requested a judicial scrivener to handle the registration of ownership transfer for the land.
- When purchasing land and registering the transfer of ownership, it is necessary to pay a registration and license tax equivalent to 1.5% of the assessed value of the land. The judicial scrivener inquired about the assessed value of the land with the Legal Affairs Bureau. Based on the value provided by the bureau, the registration and license tax was calculated. The scrivener then affixed revenue stamps to the application for the transfer of ownership registration and paid the required tax.
- The issue in question was whether the assessed value of the land provided by the Legal Affairs Bureau in December 2022 was accurate. Around May 2023, the Taxpayer received a property tax notification for the land. According to the notification, the assessed value of the land as of January 1, 2023, was lower than the value provided by the Legal Affairs Bureau in December 2022.
- However, after the land ceased to be used as a community park, it was left vacant and remained in the same condition without any significant changes between 2022 and 2023. As a result, the Taxpayer suspected that the assessed value provided by the Legal Affairs Bureau in December 2022 might have been incorrect. In July 2023, the Taxpayer requested a refund for the overpaid registration and license tax.



2. Disposition issued by the Tax Authorities

- The assessed value of land is generally determined based on the price registered in the property tax ledger for land that has a registered price. On the other hand, for land without a registered price in the property tax ledger, the assessed value is calculated based on the price of similar land that has a registered price in the ledger as of the date of the registration application.
- Upon receiving the Taxpayer's request, the tax authorities in this case (the "Tax Authorities") re-examined the assessed value of the land in question. The land in question did not have a registered price in the property tax ledger. However, there was a comparable parcel of land adjacent to the land in question that did have a registered price.
- The Legal Affairs Bureau considered the adjacent land to be similar to the land in question and calculated the assessed value of the land in question based on the registered price of the adjacent land. Consequently, the Tax Authorities determined that the assessed value provided by the Legal Affairs Bureau was not incorrect and issued a decision denying the refund request.
- However, the Taxpayer was well aware of the conditions of both the land in question and the comparable land. Given the differences, it was difficult for the Taxpayer to accept the claim that the land in question and the comparable land were similar. The Taxpayer filed a tax appeal.



3. Decision made by the National Tax Tribunal

- For land without a registered price in the property tax ledger, the reason for calculating its assessed value based on the registered price of similar land is to ensure consistency in the assessed values of land with and without registered prices. This means that the "similar land" in question refers to nearby land that is sufficiently comparable to the land in question to maintain balance in their assessed values.
- Therefore, the determination of similarity should be based on a comparison of factors that influence the assessed value, such as the shape of the land, its area, frontage, depth, usage, road access, administrative regulations related to land use, and road pricing (rosenka), among other considerations.
- Indeed, both the land in question and the comparable land were located in a Category I residential zone and within the same general residential district, with identical administrative regulations. However, the land in question was nearly trapezoidal, whereas the comparable land was rectangular. The area of the land in question was smaller than that of the comparable, and both its frontage and depth were also smaller, making its usability significantly lower.
- Furthermore, the land in question was a former park site, accessible only via a bridge on the western road at the back. In contrast, the comparable land was a building site that directly faced the eastern road at the front, which had a higher road pricing (rosenka). Given these differences in shape, area, frontage, depth, usage, and road access, the comparable land could not be considered similar to the land in question.
- Ultimately, there was no land near the land in question that could be considered similar at the time of registration. Therefore, based on the Fixed Asset Valuation Standards, the National Tax Tribunal recalculated the assessed value of the land in question as of the time of registration, and the result was lower than the assessed value provided by the Legal Affairs Bureau. The National Tax Tribunal hereby revoked the decision denying the refund of the overpaid registration and license tax.

4. Tips for resolving differences of opinion

- Recently, with the rapid spread of convenient communication tools such as online meetings, the amount of work that can be completed without ever leaving the office or home has significantly increased. However, especially in cases where real estate is the subject of the dispute, visiting the site is essential. While maps and photos may not clearly reveal the issues, once you visit the site, the problems often become immediately apparent.
- In fact, even when you are stuck and unable to organize your thoughts on how to argue from the taxpayer's perspective, simply seeing the site can often dispel any lingering doubts and make the writing process much smoother. This underscores that the importance of a hands-on, site-based approach remains unchanged, both now and in the past.

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.

	Legal opinion	Accrual basis principle	Rebuttal letter	Inheritance tax
2025	Rebuttal letter	Requirements for re-examination	Rebuttal letter	Taxable sales ratio
	Tax appeal	Entertainment expenses	Legal opinion	CFC regime
	Rebuttal letter	Donations	Legal opinion	Heavy penalty tax
2024	Tax litigation	Article 132-2 of Corporation Tax Act	Tax appeal	Revocation of blue form tax return approval
	Legal opinion	CFC regime	Tax appeal	Property tax
	Legal opinion	Bad debt losses and losses on sale of receivables	Legal opinion	Entertainment expenses
2023	Legal opinion	Article 132-2 of Corporation Tax Act	Legal opinion	Advantageous placement of shares
	Tax litigation	CFC regime		
	Legal opinion	Property tax	Tax appeal	Deemed capital gains
2022	Tax appeal	Corporate gains on donations	Legal opinion	Deemed capital gains
	Tax appeal	Reorganization tax regime		
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

Tsutomu Yamatoya

Counsel at DT Legal Japan
email 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
Corporate Info www.deloitte.com/jp/en/dtlegal
Dai-ichi Tokyo Bar Association (Tokyo Office)

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