

~ Taking various measures to secure liquor tax revenues and lead to the development of liquor industry successfully ~

Since Meiji era (1868–1912), liquor tax revenues had been a major national income along with land tax revenues and been the top rated income, namely, exceeding land tax revenues at one time. Thereafter, there has been an increase in the relative weight of income tax, corporation tax and consumption tax, etc., and in FY2016, liquor tax revenues comprised 2.2% of all tax revenues. Liquor tax is not affected much by the economy, which provides stable tax revenues, and in FY 2016, liquor tax revenues was ¥1,319.5 billion. It fulfills an important role for national tax revenue even today¹. Compared with food items, a high tax rate is imposed on liquor. For securing liquor tax revenues appropriately and smoothly shifting the tax burden onto customers, there is a liquor licensing system for manufactures and sellers.

The environment faced by the liquor industry has been changing considerably, such as decreasing domestic consumers due to a declining birthrate and increased aging population, rising health and safety consciousness among the public, and diversifying lifestyles. As the authority for the liquor industry, the NTA has been making efforts with the private sector to promote the development of Japanese liquor in order to achieve a sound development of the liquor industry in consideration of the environmental changes mentioned above. We have also been taking various measures from a comprehensive perspective, considering consumers and the overall liquor industry.

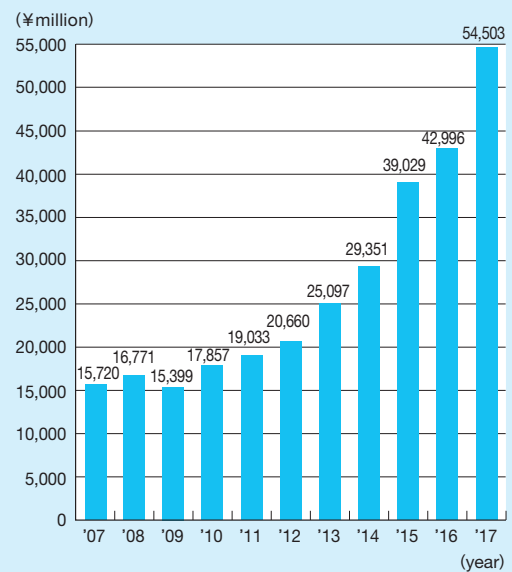
(1) Measures for promoting the development of liquor made in Japan

Although the volume of consumption (taxable volume) of overall liquors is on a decline, the export amount of Japanese liquor has been on the rise in recent years due to an overseas Japanese food boom and other factors, and reached approximately 54.5 billion yen in 2017, marking a record-high for 6 consecutive years. Taking a look at export value by category, sake comprises the largest amount, with 18.7 billion yen (119.9% vs. previous year), boasting the 8th consecutive year of record setting volume, with export volume reaching approximately 23,482KL (119.0% vs. previous year). This is followed by whiskey, with approximately 13.6 billion yen, and beer, with approximately 12.9 billion yen. Whiskey, in particular, has demonstrated significant increase, growing by 11.3 times, from approximately 1.2 billion yen, 10 years ago (2007).

Examining exports by country (region), at the top of the list is the United States, with approximately 12 billion yen, Republic of Korea coming in at 2nd, with approximately 10.8 billion yen, and Taiwan in 3rd position, with approximately 5.3 billion yen.

In terms of promotion of export of Japanese liquor, the NTA is engaged in the following initiatives with the public and private sectors, in cooperation with the promotion of “Cool Japan”, which is an initiative of the overall government.

■ Trend in the export amount of liquor



(Source: “Foreign Trade Statistics” by the Ministry of Finance)

¹ As part of the FY2017 tax reform, the liquor tax rate structure was revised, including the integration of tax rates for beer and malt beverages, and the definition of beer, etc. was also revised.

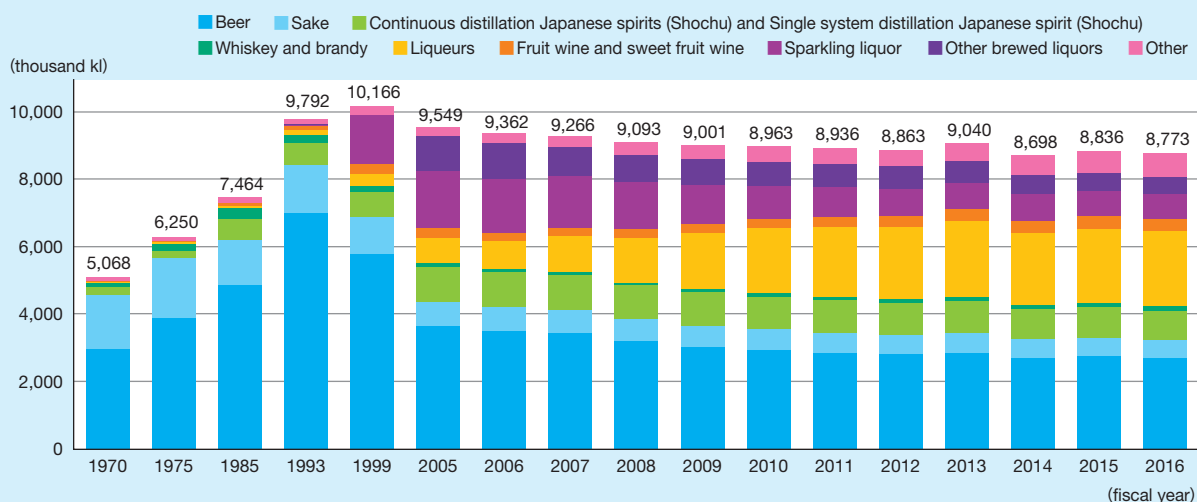
V Proper Management of Liquor Administration

- The NTA has been endeavoring to make Japanese liquor widely well-known overseas through the promotion of Japanese liquor by means of sending NTA officials to international conferences and events (e.g., the Rio Olympics and Paralympics) and gaining cooperation from relevant organizations.
- In cooperation with related government offices, the NTA is requesting for tariff elimination, resolution of non-tariff barriers and protection of Geographical Indication for Japanese liquor, at opportunities at the seat of various international negotiations.¹
- The NTA is engaged in supporting the development of foreign specialists in Nihonshu (Japanese sake), with the objective to develop correct knowledge concerning Japanese liquor.
- The NTA is promoting dissemination and awareness of the attractiveness of liquor made in Japan, e.g., to conduct tours at sake brewery for foreign ambassadors in Japan in cooperation with the liquor industry.
- The NTA is striving for proper management of the Export Alcohol Market System, which was enacted on October 1, 2017, while aiming to promote and enhance recognition for proliferation and expansion of the system in cooperation with related government offices and associations.

In addition, the NTA establishes labeling standards for liquors such as wine and sake with the perspective to promote the use of the Geographical Indication, which is effective in enhancing brand value of Japanese liquor, and to assist consumers' choice of merchandises.

Moreover, the NTA is organizing a variety of seminars conducted by business-guidance experts, providing information with regard to the actual cases of revitalization and management innovation attempted by liquor business operators and to the measures for small- and medium-sized companies. NTA also examines and analyzes the trends in liquor industry by conducting various surveys on manufacturers and distributors, followed by providing these results on the NTA website.

Changes in taxable volume



(Source: National Tax Agency Annual Statistics Report)

* Taxable volume indicates the volume of liquor shipped from a factory or imported on which a liquor tax was imposed.

¹ After the accident at Fukushima No. 1 Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions. The NTA has been urging these countries to lift or to mitigate the restrictions in cooperation with the Ministry of Foreign Affairs and the National Research Institute of Brewing. As the result, restrictions on Japanese liquors have been lifted or mitigated in the EU, Brazil, Malaysia, Russia, Thailand, Egypt, French Polynesia, Dubai and Abu Dhabi.

◎ Result of the EPA negotiation between Japan and EU

Through the EPA negotiation between Japan and EU, which resulted in a settlement with EU in December 2017, the following achievements, which will contribute to promotion of Japanese liquor and the export of these products, were achieved in the EU side: ① Tariff elimination for all liquors, ② Protection GI for Japanese liquor, including the GI “Nihonshu”(Japanese sake), ③ Removal or relaxation of import restrictions on “Japan wine” (fruit wine manufactured exclusively within Japan and from grapes harvested in Japan), and container and capacity constraint on single system distillation Japanese spirit (shochu).

As a result, while only wines which complied with the EU’s regulation regarding to winemaking, with the attachment of certificate that certifies the conformity with such regulation and is issued by the competent authority, could have been imported into the EU region, now, after the Agreement is entry into force, most of Japan wines originally manufactured for domestic consumption without the conformity with EU regulation, may be exported with only a self-certification, leading to significant reduction in monetary and resource burdens. Moreover, before, single system distillation Japanese spirit (shochu) could be distributed and sold only in the designated volumes, such as 700ml and 1,750ml, but after the Agreement is entry into force, the product in 720ml (yongo-bin) bottles and 1.8 liter (issho-bin) bottles can be exported.

Column 6 Labeling Rules for Wines

1 Wine Market Trends and Background of Enactment of the Labeling Rule

As taxable volume of overall liquors is on a decline, taxable volume of fruit wines is on an increase. There is also an increase in the number of those newly obtaining manufacturing license for fruit wines. In 2017, 39 new entities were granted manufacturing licenses.

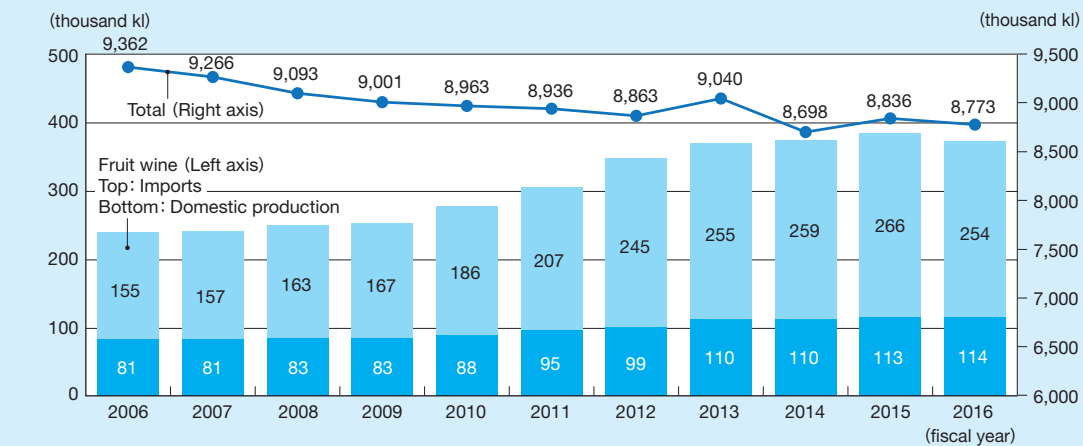
In such manner, as public interest in fruit wine (including grape wine) in Japan was on an increase, there had never been any official labeling rules on wines.

For this reason, “Japan wine,” which is made exclusively from domestic grapes, and wines made from imported concentrated fruit juice or imported wines, existed together in the market, causing the problem that distinguish one from the other by referencing the label was difficult.

In such backdrop, in October 2015, an official labeling rule for wines, “Standard for Wine Production Process and Quality Indication” (hereinafter, “Wine Labeling Rule”) was established, with the objective to make the contents of label easily understandable so that consumers could make proper selections.

This Wine Labeling Rule will enter into force on October 30, 2018. Shipments of “Japan wines” continue its growing trend in 2016, an increase of 5.2% against previous year results. (Source: NTA “General Condition of Domestic Manufactured Wines (results from 2016 research)”)

■ Transition of Fruit Wine Shipments (Taxable Volume)



(Source: National Tax Agency Annual Statistics Report)

2 Outline of the Wine Labeling Rule

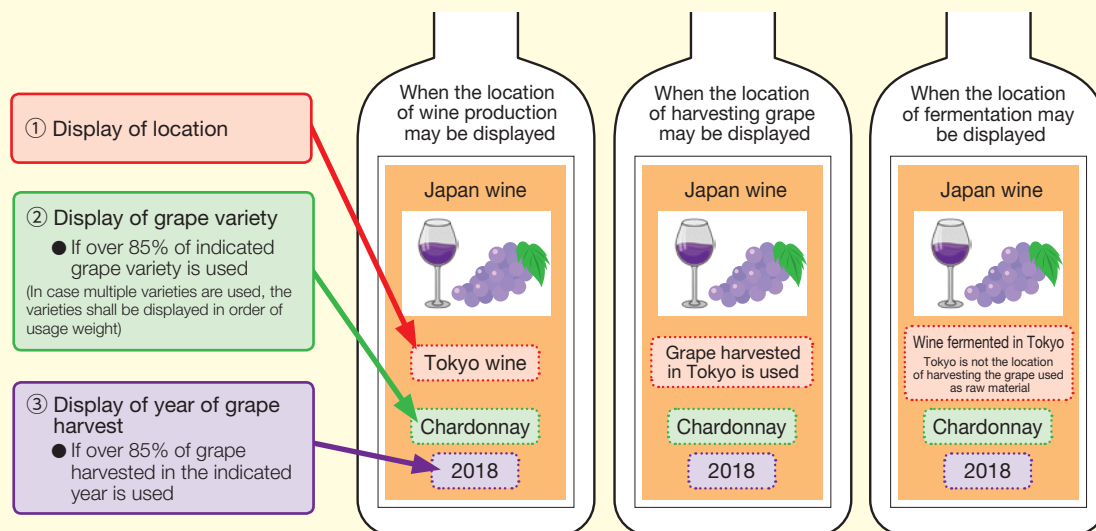
- According to the Wine Labeling Rule, fruit wines will be categorized as follows
 - ・ Japan wine: fruit wine manufactured within Japan, using domestic grapes exclusively
 - ・ Domestically manufactured wine: fruit wine, etc.^(*), manufactured within Japan, including Japan wine
 - ・ Imported wine: fruit wine, etc.^(*) imported from abroad

(* Fruit wine, etc. means fruit wine and sweet fruit wine.)
- Of these, only Japan wines shall be labeled as “Japan wine,” and according to a certain set rules, the label may display: ① geographic location, ② grape variety, and ③ year of grape harvest.

【When geographic location may be displayed】

- **Display of location of wine production** ⇒ if the location of harvesting the grape (over 85% of usage) and location of fermentation is located within the region of the indicated location
- **Display of location of harvesting grape** ⇒ if the location of harvesting the grape (over 85% of usage) is located within the region of the indicated location
- **Display of location of fermentation** ⇒ if the location of fermentation is located within the region of indicated location (with supplemental display that declares the respective location is not the location of harvesting the grape, e.g., “Tokyo is not the location of harvesting the grape used as raw material.”)

【Example of a front label of Japan wine】



Column 7 Initiatives to improve the brand value of liquor made in Japan

Promotion of the use of the Geographical Indication system

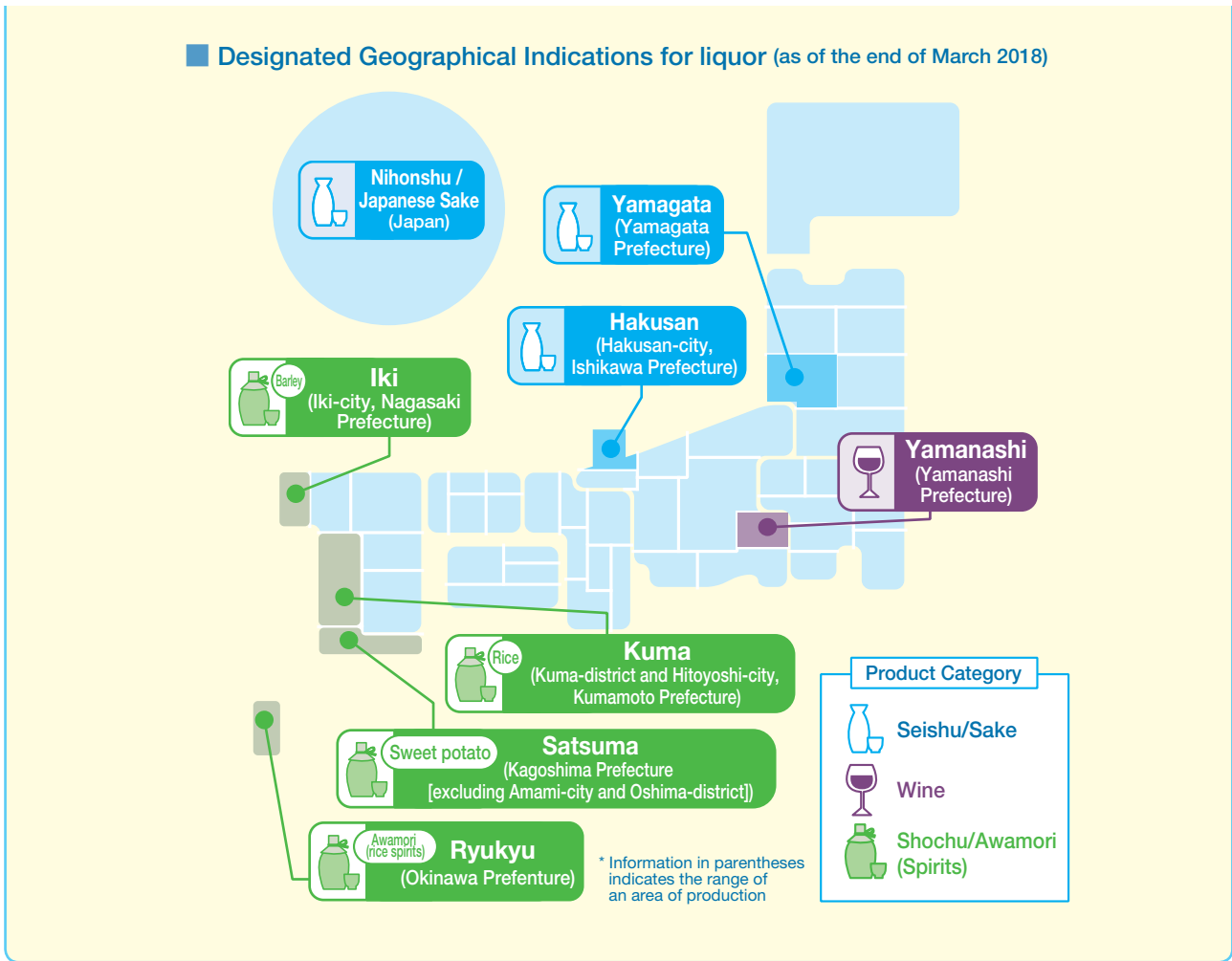
Under the Geographical Indication system for liquor, a liquor made from a ingredient or by production method characteristically originated in a specific production area can exclusively label the production area.

The NTA has designated the following as a Geographical Indication so far (as of March 2018).

- “Iki”, “Kuma”, “Satsuma”, and “Ryukyu” for spirits
- “Nihonshu / Japanese sake”, “Hakusan”, and “Yamagata” for sake
- “Yamanashi” for wine

The use of Geographical Indications may be effective in improving the brand value of Japanese liquor and promoting exports. Therefore, the NTA has been promoting the use of the system through publicity and raising awareness by means of creating pamphlets and holding explanatory meetings.

The total number of the Geographical Indications for Japanese liquor has become eight at present. We will make Japanese Geographical Indications well-known such as “Nihonshu / Japanese sake,” a Geographical Indication at a country level, and other Geographical Indications in Japan, for example, by sending messages overseas with the government and the private sector acting together. We will also urge the protection of these Geographical Indications through international negotiations.



(2) Initiatives to develop a fair trading environment in liquor

Since provision of an environment of fair trade is important for the sound development of the liquor industry, the NTA announced and educated liquor businesses on the “Guideline for the Fair Trade of Liquor” (hereinafter, “guideline”) which was established and announced in August of 2006, and “Standards for the Fair Trade of Liquor” (hereinafter, “trade standard”), which was established and announced in March of 2017. The NTA promoted voluntary actions of liquor businesses aimed towards ensuring fair trade, while at the same time, carrying out fact-finding surveys on liquor trade (hereinafter, “survey on actual trade”), and issuing guidance for reform, when a trade is recognized as having issues, compared against trading standards.

Moreover, from the perspective of promoting voluntary action to ensure fair trade by liquor businesses, the NTA announces examples of major trades which are in violation of fair trade rules indicated by the guideline.

(3) Initiatives to ensure safety of liquor and enhance quality levels

The NTA works to ensure safety and high level of quality from the process of production to the consumption of liquors.

Specifically, the NTA provides the liquor business operators with technical guidance and consultation concerning the safety of liquors, examines safety, quality and labeling of commercially sold liquor. The results of examination are provided in the NTA website.

With regard to the Fukushima No.1 Nuclear Power Plant accident, the NTA has been taking measures to ensure the safety of liquors in alliance with the National Research Institute of Brewing by radioactive examination on liquors.

National Research Institute of Brewing (NRIB)

National Research Institute of Brewing (NRIB) is, for the mission of NTA, namely, proper and fair taxation of liquor tax and the sound development of the liquor industry, performing advanced analyses and appraisals of liquor and conducting studies and researches that may theoretically support its analyses and appraisals. The NRIB is also providing human resources development courses that combine advanced skills and practical management, and, for maintaining and strengthening the manufactures' technical level, holding Annual Japan Sake Awards. In addition, the NRIB has recently been addressing measures on the basis of government's important policies including the promotion of Cool Japan Strategy, and enhancing cooperation with related Japanese and foreign organizations as a national center for liquor.

For further details, please visit the NRIB website (<http://www.nrib.go.jp/English/index.htm>).

The NRIB distributes the latest information concerning liquor information magazines and event information through its e-mail magazine. To register, please send a blank e-mail to ssn@m.nrib.go.jp (Registration is also available with the code on the right).



Analysis on liquor for export

QR code



(4) Response to social demands

~ Preventing inducement to improperly drink of liquors ~

Social demand for prevention of alcohol consumption by minors and for moderate drinking has become strong. In June 2014, “The Basic Act on Measures against Health Problems Caused by Alcohol” was entry into force.

Based on the law, the government established the “Basic Plan on Promotion of Measures against Health Problems Caused by Alcohol” through a cabinet decision in May 2016, which includes “prevention of inducement to improperly drink of liquors,” and is engaged in advancing measures declared in the plan, with relevant government offices and associations acting as one.

The NTA is making announcements and communicating with liquor retailers about observation of display requirement in the alcohol sales sections, and on prohibition of liquor sales to minors.

In addition, for the purpose of assuring proper sales management of liquor, it became mandatory in June 2017 for liquor sales managers, who shall be designated for each sales area, to participate in a liquor sale management training. The NTA will continue to promote actions to respond to the demands of the society, such as by increasing the opportunity for training and enhancing the training content concerning prevention of inducement to improperly drink liquors.

~ Recycling liquor containers effectively ~

In order to ensure effective use of resources, the NTA keeps liquor business operators informed about the recycling of liquor container and reducing food waste generated in liquor manufacturing processes, etc.