ANTENNA

War of the Tax Evaders

By Hiroyuki Yamamuro

The yen is on the rampage. Buoyed up by giant trade surpluses at home, the muscular Japanese currency is snapping up precious European art objects, acquiring New York skyscrapers and even buying up historic castles in other countries. Back in Japan, the so-called *zai-tech* money game has left business corporations which should be engaged in productive activities feverishly engrossed in fund management. The stock market has become a favorite topic of conversation even among ordinary housewives and university students.

Tax investigators—an increasingly intense conflict

While today's unprecedented preoccupation with money also reflects legitimate concerns about inadequate social insurance benefits and the graying society said to loom just around the corner, the frenzied pecuniary pursuit increasingly is throwing society out of whack. And no better symbol of the distortions exists than the war between National Tax Administration Audit and Intelligence Department investigators and monied people, an increasingly intense conflict that is being played out behind Japan's affluent facade.

In September, the Tokyo National Tax Administration Bureau disclosed a string of mind-boggling inheritance tax evasions uncovered by an investigation in Tokyo, Kanagawa, Chiba and Yamanashi prefectures. Of 127,000 reported deaths in the four prefectures between July 1986 and June 1987, 14,200 of the deceased left assets in excess of the ¥4 million ($27,600 at the rate of ¥145/$) exemption to which legitimate heirs are entitled. Of these, tax investigators checked 3,585 cases in which declarations appeared suspicious.

Most of their suspicions were confirmed. When an 82-year-old Tokyo real estate broker died, he left plots of land in central Tokyo which had ballooned in value thanks to the recent spiral in land prices. The value of his assets declared by his heirs was ¥680 million, but the investigators were astonished to find 11 men registered as his adopted sons, making them legitimate heirs. Two of the 11 had only been entered in his family register on the day he died. Tax officials found that he had suffered from advanced Alzheimer's disease for several months preceding his death.

Investigators were also shown a certificate stating that the deceased had obtained a ¥150 million loan. But a subsequent interrogation of the man who allegedly extended the loan revealed that the certificate was a fake. It had been written at the request of surviving family members who wanted to take advantage of a tax law provision deducting the debts of the deceased from total assets in computing inheritance tax. In all, the investigation exposed two bogus adopted sons and a fictitious loan certificate. The heirs had to pay additional taxes and penalties totaling ¥160 million.

The inheritance tax is levied on assets built up during a person's lifetime, and which were already subject to income and other taxes during his or her lifetime. One might perhaps sympathize with the desire of the bereaved family to retain as much of the assets left behind as possible.

Harder to understand, however, is tax evasion by self-employed businessmen. An investigation of the proprietor of a precious metals heat-treatment plant by the Osaka Tax Administration Bureau revealed that he had concealed 14 paintings worth ¥72 million and 62 art craft items worth ¥160 million in a storeroom in his house. Another man, a building contractor and reputed workaholic in Tokyo, slept alone in his office and worked day and night. He kept a jar of miso bean paste in the office kitchen and made miso soup for himself every day. Inside the jar investigators found a stash of ¥20 million in bank notes wrapped in plastic.

Paintings are valueless when shut away where people cannot appreciate them, and miso loses its flavor when mixed with impurities. Yet the building contractor concealed his batch of stained bank notes in a jar of miso paste and stuck his hand into it night and day to make sure his money was still there. These two cases of tax evasion are symbolic of Japan today.

According to the 1986 "white paper" on tax evasion compiled by the National Tax Administration, aggregate concealed earnings uncovered last year reached a record ¥57.1 billion. Soaring land prices in central Tokyo were a major factor; investigations exposed 13 real estate brokers who had failed to report their income totaling ¥6.48 billion on windfall profits from land transactions. In fact, 97.9% of the investigations of suspected cases of inheritance tax evasion hit pay dirt, almost always in connection with land inheritance.

The land price spiral has already spread from Tokyo to the neighboring prefectures of Kanagawa, Saitama and Chiba, making it impossible for ordinary workers to purchase land to build homes within commuting distance of their jobs. Real estate operators swap land back and forth, realizing huge profits at every step, while ordinary people are hard put to pay soaring fixed asset and inheritance taxes. In today's money-mad Japan, tax investigators have no time to rest. ●

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