

**Proposal to introduce provisions in the
Inland Revenue (Amendment) (No. 2) Bill 2001
to require the Inland Revenue Department to use
a Trustworthy System in its Electronic Return Filing Service**

Response of the Administration

The Administration noted the proposal of some Members that specific provisions be added in the Inland Revenue (Amendment) (No. 2) Bill 2001 (the Bill) to prescribe that the Inland Revenue Department (IRD) should use a trustworthy system in its Electronic Return Filing Services.

2. The requirement for a trustworthy system is mentioned in the Electronic Transactions Ordinance (ETO). Section 37 of the ETO provides that -

“A recognized certification authority must use a trustworthy system in performing its services—

- (a) to issue or withdraw a recognized certificate; or
- (b) to publish in a repository or give notice of the issue or withdrawal of a recognized certificate.”

Failure to comply with the stipulated requirements may result in suspension or revocation of the Certification Authority (CA)’s recognized status.

3. The purpose of the above provision is to ensure that, in performing its services, a recognized CA’s systems comply with a trustworthiness standard acceptable to the Government. Under this regime, the public can draw reference to the trustworthiness standard of recognized CAs and make an informed decision when relying on a CA’s services to authenticate the identity of the parties to electronic transactions.

4. The role and function of IRD’s Electronic Return Filing System is different from the systems of the CAs. In a tax return filing transaction using the proposed system, only the taxpayer and IRD are involved. The system will not provide authentication service to third parties. The IRD has always been obliged to ensure the security of its systems, whether for tax returns lodged in the conventional way or through electronic means in the proposal.

In this regard, the existing legislation (e.g. the Personal Data Privacy Ordinance, the secrecy provision in section 4 of the Inland Revenue Ordinance) already provides a comprehensive framework on IRD's responsibility and accountability in the handling and protection of personal information collected from the public. This position will not be changed with the proposed use of a password for return filing purposes. We therefore do not see the need to introduce provisions to benchmark the system security requirement for handling electronic tax returns.

5. The Commerce, Industry and Technology Bureau also considers that the trustworthiness requirement for recognized certification authorities as specified broadly in the ETO may not provide a good reference for the IRD's Electronic Return Filing System to model on as they apply to different types of services and service providers.

6. IRD always attaches great importance to IT security policy and has established strict guidelines and procedures for information and data handling as well as for the protection of its IT systems. The Department will also put in place tight security control measures under the Electronic Return Filing Systems to ensure security and confidentiality of taxpayers' data. Periodic security assessment and review by an independent party has also been planned.

Financial Services and the Treasury Bureau
January 2003