

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 76 – INLAND REVENUE DEPARTMENT Subhead 000 Operational expenses

Members are invited to recommend to the Finance Committee the permanent redeployment of the following post from Unit 2 to the Headquarters Unit in the Inland Revenue Department with effect from 1 April 2010 –

1 Chief Assessor
(D1) (\$97,840 - \$106,925)

PROBLEM

We need to rationalise the directorate structure of Unit 2 and the Headquarters Unit (HQ Unit) of the Inland Revenue Department (IRD) to reflect changes in responsibilities and workload in the two Units.

PROPOSAL

2. We propose to redeploy permanently one Chief Assessor (CA) (D1) post from Unit 2 to the HQ Unit in the IRD with effect from 1 April 2010 upon approval by the Finance Committee (FC)¹.

/JUSTIFICATION.....

¹ Subject to the Establishment Subcommittee's agreement, we will put the redeployment proposal to the FC for approval at its meeting on 5 February 2010.

JUSTIFICATION***The Current Organisation***

3. IRD is currently divided into six units with the following responsibilities –

Unit	Main Responsibilities
Unit 1	Assessment of profits tax for corporations and partnerships
Unit 2	Assessment of tax for individuals, including salaries tax, profits tax for sole-proprietors and property tax for sole owners
Unit 3	Collection of tax and miscellaneous levies, including stamp duty, betting duty, estate duty and business registration fee
Unit 4	Conducting in-depth investigation of suspected tax evasion cases and field audit
Commissioner's Unit	<ul style="list-style-type: none"> (i) Handling objections and appeals against tax assessments made to the Commissioner of Inland Revenue (D6), the Board of Review (Inland Revenue) and the Courts (ii) Technical services, including legislation, research and development, charitable donations, complaints and double taxation arrangement (iii) Internal audit
HQ Unit	<ul style="list-style-type: none"> (i) Assessment of property tax on multiple owners and corporations, and tax processing of test and review files of individuals (ii) Information systems management, including operation and maintenance of existing computer systems and development of new information systems (iii) Bulk processing of returns and mails, despatching and archival of documents (iv) Counter and telephone enquiry services (v) Training

/Each

Encl. 1
Encls. 2&3

Each of Units 1 to 4 is headed by an Assistant Commissioner (AC) (D2), who is assisted by CAs in managing the respective Units. The Commissioner's Unit is under the direct supervision of the Commissioner (D6) and Deputy Commissioners (D3) and is not underpinned by ACs. The HQ Unit is headed by an AC who is designated as AC(HQ). All sections in the HQ Unit except the Computer Section are directly supervised by AC(HQ) without assistance from any CAs or equivalent officers at D1 level. The existing organisation chart of IRD is at Enclosure 1, and those of Unit 2 and HQ Unit at Enclosures 2 and 3 respectively.

Proposed Redeployment

4. In the light of changes in the responsibilities and workload of Unit 2 and the HQ Unit in recent years and in order to meet challenges ahead in the HQ Unit as outlined below, we consider that it is justifiable to redeploy a CA post from Unit 2 to the HQ Unit to strengthen directorate support in the latter –

(a) *Further Centralisation of Business Processes and Functions*

Since the establishment of the Processing Centres² under the HQ Unit in 2004, which served to centralise certain across-unit common functions and business processes, considerable homogenous and straight-forward business processes and functions such as processing of applications for holdover of provisional tax have been transferred from Unit 2 to the HQ Unit. This leads to an unprecedented increase in the workload of the HQ Unit and in turn requires more intensive leadership and steer from AC(HQ);

(b) *Shift of Responsibilities for Information Technology (IT) Application and Support*

For enhanced operational efficiency and cost-effectiveness, relevant teams of the Planning and Management Support Group in Unit 2 responsible for overseeing IT applications to the business processes performed in the Processing Centres of the HQ Unit will be transferred to the HQ Unit so that applications of IT to these business processes will be overseen by the same Unit. The expanded responsibility of the HQ Unit after the transfer of the relevant teams of the Planning and Management Support Group will require stronger steer from the directorate level;

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² The Processing Centres comprise the Document Processing Centre, the Output Despatch Centre and the Tax Records Centre.

(c) *Implementation of E-Government Initiatives*

In line with the e-Government strategy, IRD plans to extend its existing eTAX services by stages. Besides, to tie in with the launch of a government-wide programme (i.e. *myGovHK*) by phases starting from late 2010 to provide a single account and a single sign-on to every user for accessing all government services, it is necessary for IRD to integrate its eTAX services with *myGovHK*. Leadership at the directorate level in the HQ Unit needs to be strengthened to ensure successful implementation of these e-Government initiatives;

(d) *Better Management and Protection of Tax Data*

With the wide adoption of IT in handling data in recent years, IRD has to strengthen data management and security risk monitoring to prevent leakage of taxpayers' information. Additional directorate input is essential for the HQ Unit to draw up a holistic privacy protection programme at the department level with a high standard of security and to keep under constant review the effectiveness of the programme;

(e) *Enhanced Supervision of Taxpayer Services and the Property Tax (Joint Ownership) and Review (Individuals) Section (PTR Section)*

Public aspiration for better taxpayer services is ever increasing. More directorate input is needed in overseeing the overall strategy for maintaining high-quality taxpayer services. At present, the PTR Section requires intensive directorate support from AC(HQ). With the proposed CA to be redeployed to manage the PTR Section and to give technical advice on property tax matters, AC(HQ) could be relieved to focus on other planning and strategic work; and

(f) *Stepping-up of Staff Training*

Before the open recruitment freeze in 2003, the Training Section in the HQ Unit used to be supervised by a CA. Since the need for training dwindled after the open recruitment freeze, the Training Section was subsequently headed by an Assessor. Following the resumption of open recruitment of some of the professional grades in 2007, there is revived need to provide technical training to newly recruited Assistant Assessors systematically. This, coupled with the need to draw up a concrete training plan and design training programmes for professional and departmental officers in various grades, calls for additional directorate input in planning ahead.

5. Having regard to the substantial volume of activities and functions that has been transferred from Unit 2 to the HQ Unit since 2004 and in the light of the circumstances outlined in paragraph 4 above, we propose to redeploy one CA post from Unit 2 to the HQ Unit with effect from 1 April 2010 to even out the management resources between the two Units and to relieve the administrative burden on AC(HQ). The CA will be designated as CA(HQ). The proposal also involves the redeployment of 15 non-directorate officers from Unit 2 to the HQ Unit in the transfer of teams under the Planning and Management Support Group as set out in paragraph 4(b) above.

Encls. 4(a)-4(b)
Encl. 5
Encls. 6(a)-6(c)

6. CA(HQ) will report to AC(HQ). The proposed organisational structures of the HQ Unit and Unit 2 after the redeployment are shown at Enclosures 4(a) and 4(b) respectively. The proposed job description of CA(HQ) is at Enclosure 5. With the redeployment of a CA and the transfer of certain IT functions currently under Unit 2's purview to the HQ Unit, the workload and responsibilities in Unit 2 will be redistributed among the remaining three CAs. Their proposed job descriptions are at Enclosures 6(a), 6(b) and 6(c).

Alternative Considered

7. An alternative is for the two existing D1 officers in the HQ Unit (i.e. CA(Computer) (CA(C)) and the Chief Systems Manager (Inland Revenue) (CSM(IR)) to take up the extra responsibilities mentioned in paragraph 4 above. With the implementation of a number of new IT projects in recent years, the IT systems in IRD have become increasingly sophisticated. New service developments also add burden to the Computer Section. Both CA(C) and CSM(IR) are heavily engaged in the management and servicing of the systems and applications used by IRD and in the projects of extending electronic services to the public. They have no spare capacity to relieve the increased burden of AC(HQ) in meeting the changes set out in paragraph 4 above.

FINANCIAL IMPLICATIONS

8. The proposal is cost-neutral to the Government in terms of additional notional annual salary at mid-point as follows –

		Notional Annual Salary Cost at Mid-point	
	Post	(\$)	No. of Post
	CA(HQ)	1,245,600	1
<i>Less</i>	CA(2)	1,245,600	1
	Total	0	0

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The full annual average staff costs, including salaries and on-cost, of a CA post is \$1,652,000. There will be no net increase upon the proposed redeployment of one CA post from Unit 2 to the HQ Unit.

PUBLIC CONSULTATION

9. We consulted the Legislative Council Panel on Financial Affairs on the proposal vide an information paper. Members noted the proposal and raised no objection to the proposal at the Panel meeting on 7 December 2009.

ESTABLISHMENT CHANGES

10. The current proposal will not result in any changes in the establishment of IRD. For Members' reference, the establishment changes in IRD for the last two years are as follows –

Establishment (Note)	Number of posts			
	Existing (As at 1 January 2010)	As at 1 April 2009	As at 1 April 2008	As at 1 April 2007
A	25#	25	25	25
B	337	337	336	335
C	2 456	2 456	2 457	2 463
Total	2 818	2 818	2 818	2 823

Note:

- A - ranks in the directorate pay scale or equivalent
- B - non-directorate ranks the maximum pay point of which is above MPS Point 33 or equivalent
- C - non-directorate ranks the maximum pay point of which is at or below MPS Point 33 or equivalent
- # - As at 1 January 2010, there was no unfilled directorate post in IRD.

CIVIL SERVICE BUREAU COMMENTS

11. The Civil Service Bureau supports the proposed permanent redeployment of one CA post from Unit 2 to the HQ Unit in the IRD. The proposed ranking of the post is considered appropriate having regard to the level and scope of the responsibilities concerned. The redeployment should also ensure a more even distribution of duties and management resources between Unit 2 and the HQ Unit.

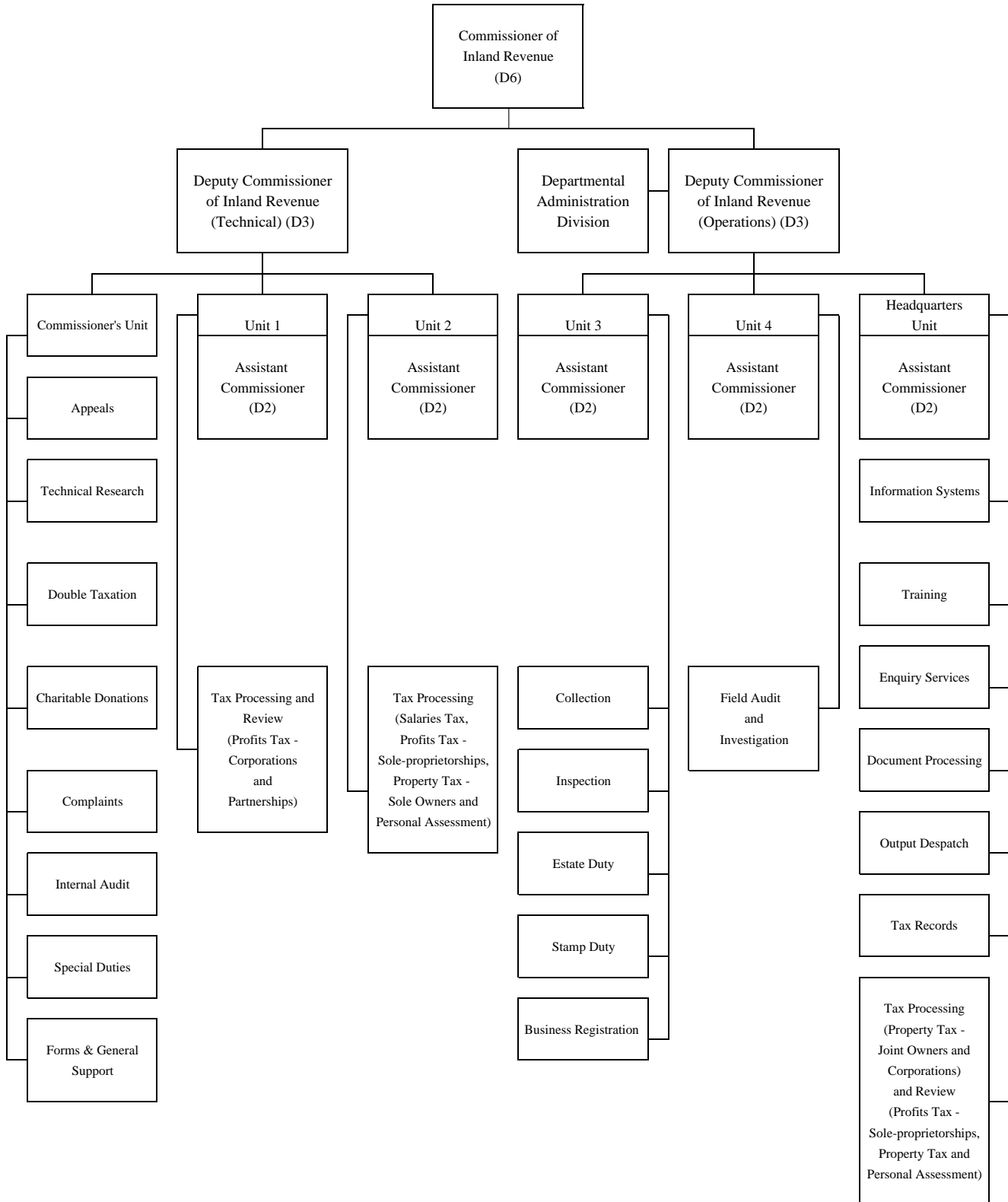
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ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

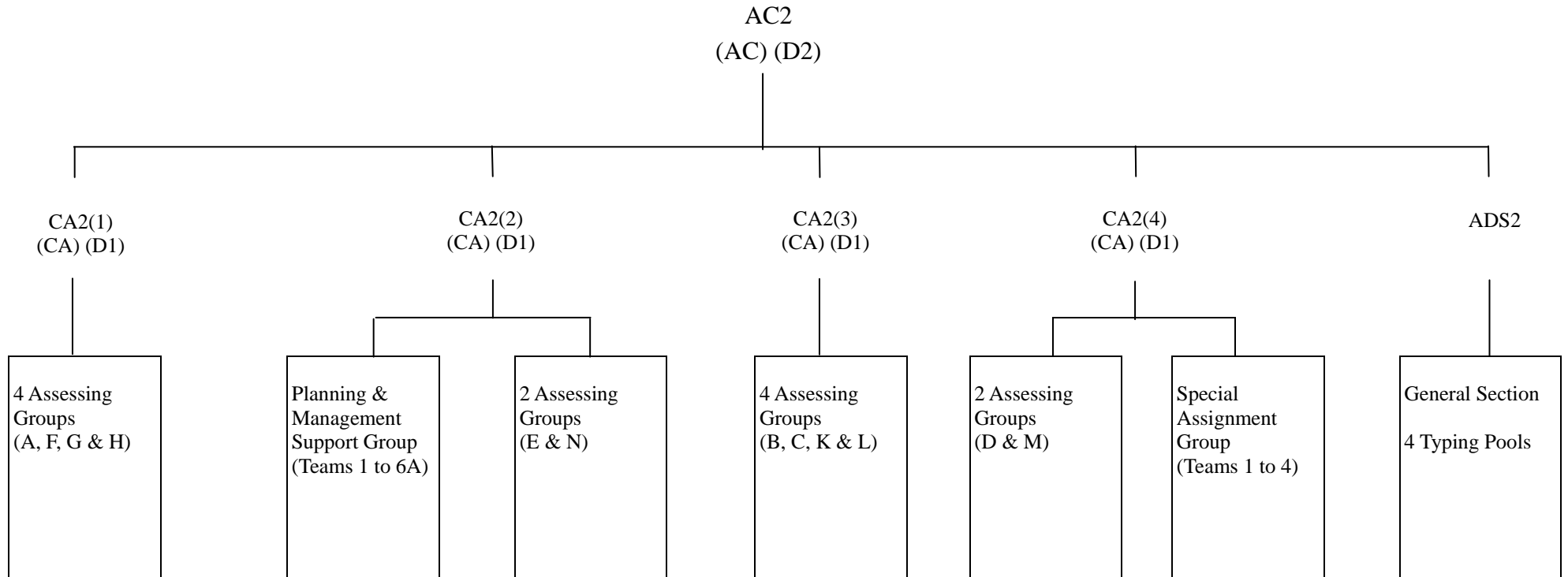
12. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the post would be appropriate if the proposal were to be implemented.

Financial Services and the Treasury Bureau
January 2010

Organisation Chart of Inland Revenue Department



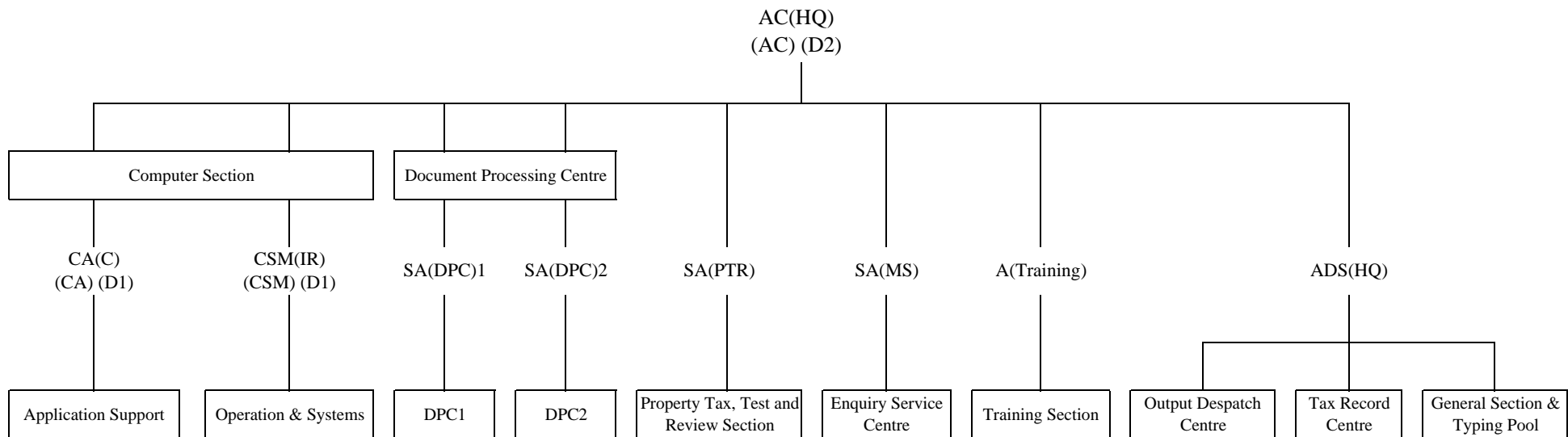
Existing Organisation Chart of Inland Revenue Department – Unit 2



Legend :

- AC - Assistant Commissioner of Inland Revenue
- ADS - Assistant Departmental Secretary
- CA - Chief Assessor

Existing Organisation Chart of Inland Revenue Department - Headquarters Unit

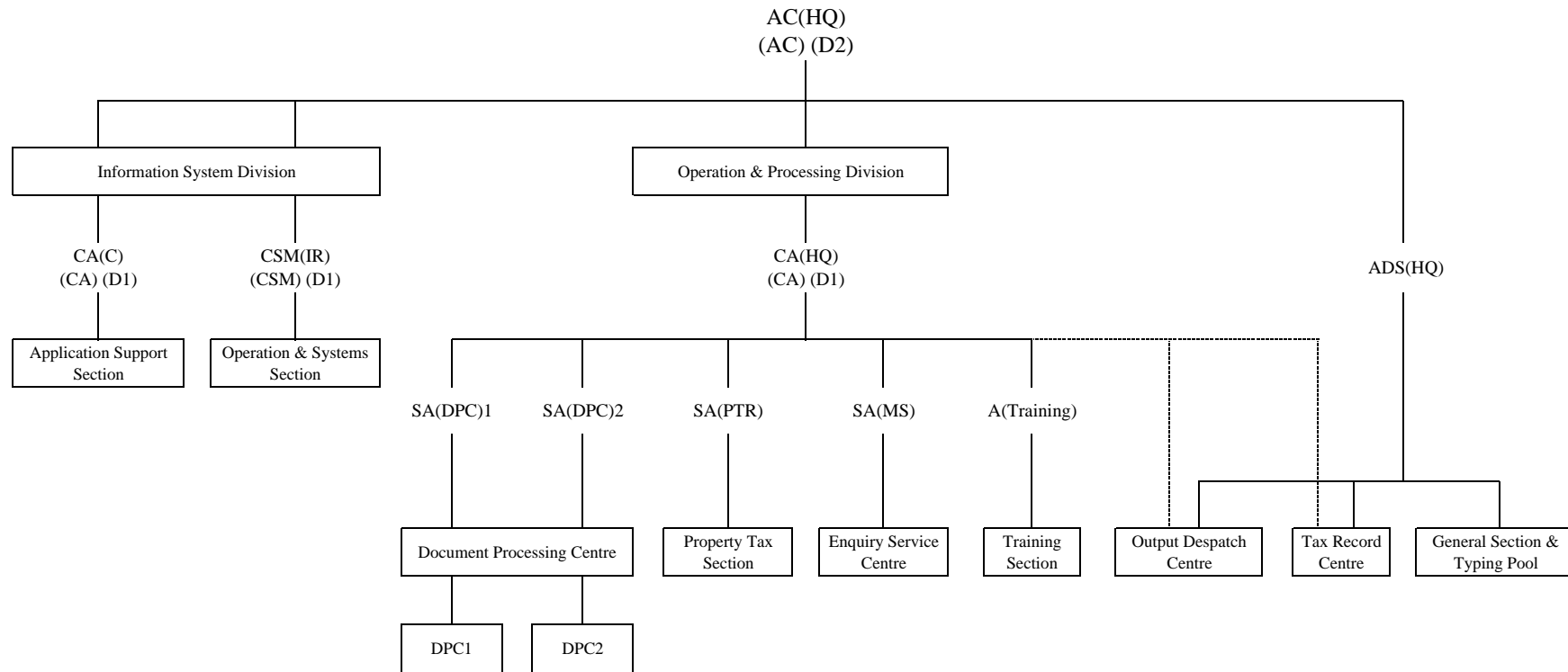


Legend:

- A - Assessor
- AC - Assistant Commissioner of Inland Revenue
- ADS - Assistant Departmental Secretary
- CA - Chief Assessor
- CSM - Chief Systems Manager
- IR - Inland Revenue
- MS - Management Support
- SA - Senior Assessor

Proposed Organisation Chart of Inland Revenue Department - Headquarters Unit

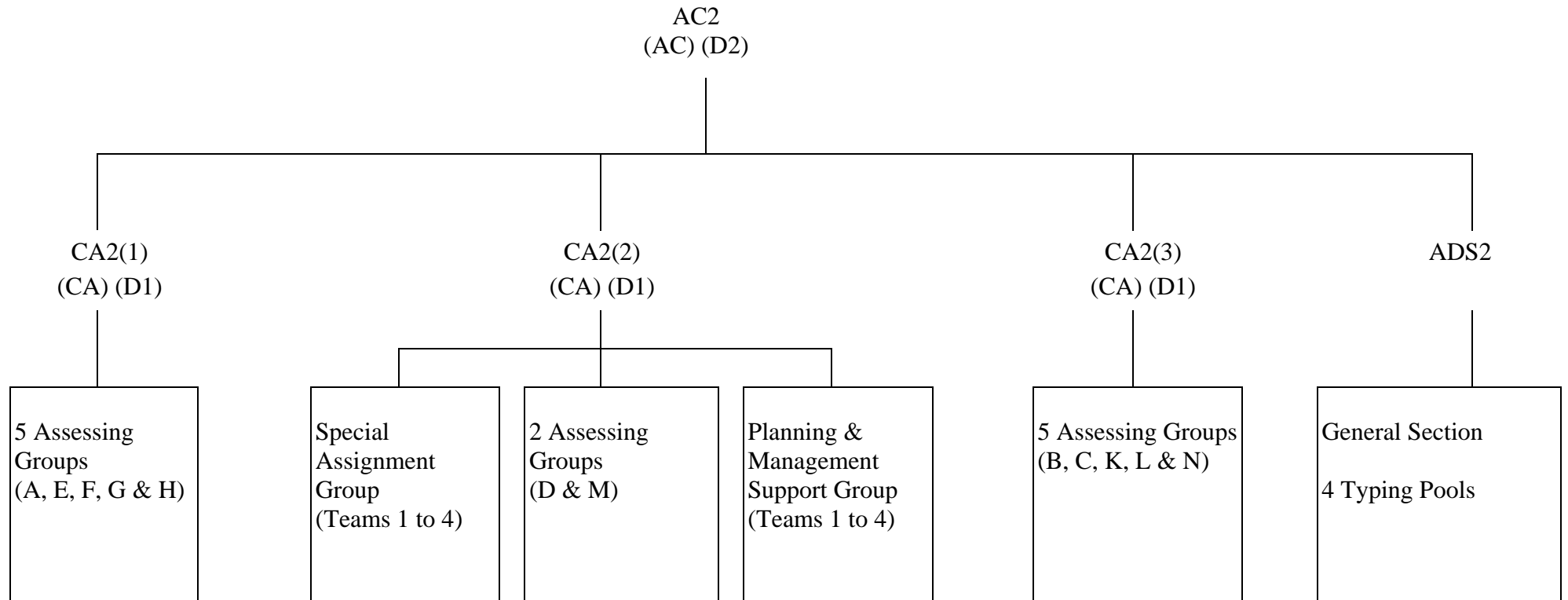
(After the Redeployment of Chief Assessor post from Unit 2 to Headquarters Unit)



Legend:

- A - Assessor
- AC - Assistant Commissioner of Inland Revenue
- ADS - Assistant Departmental Secretary
- CA - Chief Assessor
- CSM - Chief Systems Manager
- IR - Inland Revenue
- MS - Management Support
- SA - Senior Assessor

Proposed Organisation Chart of Inland revenue Department – Unit 2
(After the Redeployment of Chief Assessor post from Unit 2 to Headquarters Unit)



Legend :

- AC – Assistant Commissioner of Inland Revenue
- ADS – Assistant Departmental Secretary
- CA – Chief Assessor

**Proposed Job Description
Chief Assessor (Headquarters)**

Rank : Chief Assessor (D1)

Responsible to : Assistant Commissioner (Headquarters) [AC(HQ)] (D2)

Main Duties and Responsibilities –

- (1) To oversee the overall operation and administration of the Property Tax Section and the Training Section (the Sections) and the departmental centralised processing centres, viz. the Document Processing Centre, the Output Despatch Centre, the Tax Records Centre and the Enquiry Service Centre (the Centres) to ensure that all work programmes of the Sections and the Centres are carried out efficiently and a high standard of staff discipline is maintained.
- (2) To give guidance and instructions to the leaders of the Sections and the Centres on management, technical and computer matters, including handling tax assessment and objections, conducting tax compliance review, dealing with complaint cases and audit queries, penal action, drawing up jobs schedule, manpower planning, staff management and training and co-ordination of work with other Units, the Information Systems Division and among the Sections and Centres within the HQ Unit.
- (3) To evaluate and co-ordinate any necessary change to the business processes to be taken up by the Sections and the Centres so as to optimise the use of the department's resources.
- (4) To give technical advice on property tax matters and deal with legislative amendments relating to property tax.
- (5) To oversee the extension of the eTAX services and the integration of the eTAX services with *myGovHK*.
- (6) To oversee the training programme on technical matters for professional staff in the Department.

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- (7) To oversee the formulation and implementation of the department-wide data privacy policy and to participate in departmental standing and ad hoc committees.
- (8) To act as Head of Grade for all Taxation Officers and Assistant Taxation Officers in the Headquarters Unit.
- (9) To assist the Assistant Commissioner (Headquarters) in the administration of the Headquarters Unit.

**Proposed Job Description after the Redeployment
Chief Assessor 2(1)**

Rank : Chief Assessor (D1)

Responsible to : Assistant Commissioner 2 [AC2] (D2)

Main Duties and Responsibilities –

1. Overseeing the supervision and control of the Assessing Groups A, E, F, G and H to ensure that all work programmes are carried out, maintaining a high standard of staff discipline and providing training to staff under his/her supervision.
2. Giving advice and instructions to Senior Assessors under his/her supervision on management and technical matters, reviewing objection and informer cases, vetting replies to complaint cases, Advance Rulings and recommending s.82A penalty to Deputy Commissioner of Inland Revenue (Technical) and other penalty actions.
3. Acting as Unit Liaison Officer with the Property Tax and Review Section in the HQ Unit, to co-ordinate the opening and re-opening of active composite tax return (CTR) files and review the effectiveness of the CTR Advice Letter in identifying potential tax liable cases.
4. Acting as Unit Liaison Officer with Unit 3, including overseeing the annual tax write-off arising from CTR files and ensuring the smooth co-ordination between the two Units in relation to tax collection and recovery matters.
5. Overseeing the destruction of records in Unit 2 to comply with laid-down policies and procedures.
6. Special assignments and committee work –
 - ◆ Acting as Unit Representative in the Service Standards Committee.
 - ◆ Monitoring the Unit's Performance Pledge.
 - ◆ Leading an ad hoc committee to participate in the annual "Extended Telephone Enquiry Service" exercise.
 - ◆ Acting as Unit Liaison Officer with the Double Taxation Section of the Commissioner's Unit for issuance of Certificate of Hong Kong Resident Status and request for information under Comprehensive Double Taxation Agreement.

**Proposed Job Description after the Redeployment
Chief Assessor 2(2)**

Rank : Chief Assessor (D1)

Responsible to : Assistant Commissioner 2 [AC2] (D2)

Main Duties and Responsibilities –

1. Overseeing the supervision and control of the Special Assignment Group, the Planning & Management Support Group, Assessing Groups D and M to ensure that all work programmes are carried out, maintaining a high standard of staff discipline and providing training to staff under his/her supervision. Giving advice and instructions to Senior Assessors under his/her supervision on management and technical matters, reviewing objection and informer cases, vetting replies to complaint cases, Advance Rulings and recommending s.82A penalty to Deputy Commissioner of Inland Revenue (Technical) and other penalty actions.
2. Overseeing file maintenance and the assessing programme including production target, output and Programme Management Structure. Suggesting enhancements to file maintenance and assessment functions when required. Planning and initiating desk audit programmes and other post-assessment reviews. Acting as Unit Liaison Officer in matters in connection with the Internal Audit Section. Overseeing the penalty actions taken by all groups.
3. Overseeing the electronic services provided to taxpayers, including e-filing and other e-services, specification of all BIR forms for both paper form and electronic filing and publicity matters. Acting as Unit Liaison Officer with the Computer Section. Overseeing all system enhancements required by Unit 2, approving user requirements on new computer functions and enhancements to existing functions, monitoring and overseeing the implementation of Information System Strategy Plan projects in Unit 2.
4. Overseeing the control of data and IT security in Unit 2 to ensure their compliance with the laid down policies and standards.
5. Acting as Unit Liaison Officer with the Document Processing Centre. Designing schedules for issue, follow up and processing of composite tax returns and employer's returns. Suggesting enhancement of software and computer functions when required.

6. Special assignments and committee work –

- ◆ Issuing Annual Exercise Instructions and updating Staff Handbook relating to 2 and 5 above and those arising from the implementation of computer functions.
- ◆ Overseeing the Unit training programmes.
- ◆ Following up on Director of Audit's Reports as assigned by AC2.
- ◆ Approving and reviewing forms and standard letters used in Unit 2.

**Proposed Job Description after the Redeployment
Chief Assessor 2(3)**

Rank : Chief Assessor (D1)

Responsible to : Assistant Commissioner 2 [AC2] (D2)

Main Duties and Responsibilities –

1. Overseeing the supervision and control of Assessing Groups B, C, K, L and N to ensure that all work programmes are carried out, maintaining a high standard of staff discipline and providing training to staff under his/her supervision.
2. Giving advice and instructions to Senior Assessors under his/her supervision on management and technical matters, reviewing objection and informer cases, vetting replies to compliant cases, Advance Rulings and recommending s.82A penalty to Deputy Commissioner of Inland Revenue (Technical) and other penalty actions.
3. Acting as Unit Liaison officer on complaints received through The Ombudsman and Complaint Officer, reviewing complaints, vetting replies to The Ombudsman and other complaints, proposing remedial measures and providing training on handling complaints.
4. Preparing staff posting of assessing officers and assisting AC2 in miscellaneous Unit administration and staff matters.
5. Acting as Unit Liaison Officer on requests for taxpayer information, including requests made under the Code on Access to Information and the Personal Data (Privacy) Ordinance, and requests from other Government departments, and ensuring that a Unit Register of requests is properly maintained.
6. Taking up other special assignments and committee work –
 - ◆ Handling written enquiries from the press.
 - ◆ Reviewing organisational structure as required.
