

Head 76 — INLAND REVENUE DEPARTMENT

Controlling officer: the Commissioner of Inland Revenue will account for expenditure under this Head.

Estimate 2014–15 **\$1,389.5m**

Establishment ceiling 2014–15 (notional annual mid-point salary value) representing an estimated 2 800 non-directorate posts as at 31 March 2014 rising by five posts to 2 805 posts as at 31 March 2015 **\$964.9m**

In addition, there will be an estimated 26 directorate posts as at 31 March 2014 rising by one post to 27 posts as at 31 March 2015.

Controlling Officer's Report

Programmes

<p>Programme (1) Assessing Functions Programme (2) Collection Programme (3) Investigation and Field Audit Programme (4) Taxpayer Services</p>	<p>These programmes contribute to Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).</p>
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Detail

Programme (1): Assessing Functions

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	908.1	1,045.4	998.7 (–4.5%)	1,003.4 (+0.5%)
				(or –4.0% on 2013–14 Original)

Aim

2 The aim is to raise revenue through taxes, duties and fees in accordance with the relevant legislation in a cost-effective manner.

Brief Description

3 This programme involves:

- establishing the liabilities of taxpayers under profits tax, salaries tax, property tax and personal assessment;
- processing objections and appeals in relation to tax assessments raised under the Inland Revenue Ordinance (Cap. 112) which involve complicated issues of fact or law, or disputed assessments that cannot be settled by agreement;
- maintaining an accurate and efficient system for business registration;
- assessing stamp duty chargeable on assignments, agreements for sale and purchase, leases of immovable property and transfers of shares;
- examining estate duty affidavits or accounts, and issuing assessments for dutiable cases and certificates of exemption for exempt cases in respect of persons who passed away before 11 February 2006, following the enactment of the Revenue (Abolition of Estate Duty) Ordinance 2005;
- administering betting duty in respect of horse races, football matches and lotteries; and
- issuing and redeeming tax reserve certificates.

4 In 2013–14, the Department continued to enhance the quality and efficiency of its services through a wider use of information technology (IT) and streamlining of procedures. Under eTAX at GovHK, individual taxpayers can file tax returns, obtain personal tax information, notify changes of personal particulars as well as lodge requests for revision of assessment electronically. They may also select to receive notices and documents related to tax return filing, assessment and tax payment in an electronic form. Electronic filing is available to small corporations and partnerships for their profits tax returns and to employers for annual returns and various notifications in respect of their employees.

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5 To assist taxpayers in understanding their rights and fulfilling their obligations under the Inland Revenue Ordinance, the Department continued to make use of its website and a 24-hour fax system to provide comprehensive information for employers, individuals, businesses and tax representatives. Information on a wide range of topics is also disseminated to the public through GovHK. In June 2013, the Department revamped its website and introduced a new mobile version.

6 The key performance measures are:

Targets

	Target	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Plan)
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%)	95.0	99.9	95.0	95.0
replies to technical enquiries within 21 working days (%)	98.0	99.9	99.0	99.0
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%).....	80.0	90.3	85.0	85.0
individuals (%).....	96.0	98.2	98.0	98.0
salaries tax (%).....	96.0	98.2	98.0	98.0
property tax (%)	96	98	97	97
personal assessment (%)	96.0	98.2	98.0	98.0
<i>Tax returns for first-time taxpayers</i>				
profits tax				
tax returns issued for chargeable cases within three months (%)	98	100	98	98
salaries tax				
tax returns issued for taxable cases				
April to November— within three months (%)....	98.0	99.9	99.0	99.0
December to March— within five months (%)	98	100	99	99
<i>Company deregistration</i>				
processing of requests for issuance of Notice of No Objection by the Commissioner of Inland Revenue within 21 working days (%)	98.0	99.9	98.0	98.0
<i>Tax reserve certificates</i>				
purchase/redemption transactions completed				
January to June—within 12 working days (%)	99	100	99	99
July to December—within nine working days (%).....	99	100	99	99
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%)	98.0	99.9	99.0	99.0
September to April—within 18 working days (%)	98.0	99.9	99.0	99.0
notices of settlement/notifications of decision issued within four months (%).....	98.0	99.9	99.0	99.0
<i>Tax holdover claims</i>				
replies made within 12 working days (%)	98.0	99.9	99.0	99.0

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	Target	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Plan)
<i>Stamping of documents</i>				
stamping of assignments, sale and purchase agreements and lease agreements through GovHK issued instantly through GovHK after receipt of stamp duty payment by online mode (%)	99	100	99	99
issued within two working days through GovHK after receipt of stamp duty payment by off-line mode (%)	99	100	99	99
processing of requests for stamping of assignments and sale and purchase agreements (including applications to defer payment of stamp duty) within five working days (%)	98.0	99.9	99.0	99.0
contract notes/lease agreements stamped on the day submitted (%)	98.0	99.7	99.0	99.0
claims for exemption in respect of intra-group transfers processed within three months (%)	85.0	99.8	90.0	90.0
<i>Business registration</i>				
new business registration certificates applications over the counter issued within 30 minutes (%)	99	100	99	99
applications by post or through GovHK issued within two working days (%)	99	100	99	99
certified extracts of information issued within the next working day (%)	99	100	99	99
change of business registration particulars notifications over the counter updated within 30 minutes (%)	97	100	99	99
notifications by post or through GovHK updated within five working days (%)	99	100	99	99
<i>Indicators</i>				
		2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Estimate)
<i>Profits tax</i>				
assessments made		452 000	450 000	453 000
assessments per post		816	802	807
provision per assessment (\$)		568.1	604.0	611.7
<i>Salaries tax</i>				
assessments made		2 575 000	2 620 000	2 620 000
assessments per post		2 754	2 799	2 799
provision per assessment (\$)		144.7	150.1	152.9
<i>Property tax</i>				
assessments made		552 000	552 000	556 000
assessments per post		2 952	2 952	2 989
provision per assessment (\$)		135.1	142.0	143.7
<i>Personal assessment</i>				
assessments made		353 000	350 000	340 000
assessments per post		2 758	2 734	2 656
provision per assessment (\$)		142.8	151.1	158.5

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	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Estimate)
<i>Objections and appeals</i>			
objections and appeals processed.....	810	810	810
objections and appeals per post.....	32	32	32
provision per objection or appeal (\$).....	26,914	28,272	28,765
<i>Business registration</i>			
business registration certificates (new and renewal)			
certificates issued.....	1 265 000	1 300 000	1 250 000
certificates per post.....	10 202	10 484	10 081
provision per certificate (\$).....	40.6	41.8	44.3
extracts of information			
extracts issued.....	344 000	340 000	340 000
extracts per post.....	11 862	11 724	11 724
provision per extract (\$).....	31.4	33.5	34.1
<i>Stamp duty</i>			
documents stamped.....	1 650 000	1 700 000	1 700 000
stamped documents per post.....	15 278	15 741	14 655
provision per stamped document (\$).....	27.3	27.8	30.6
<i>Estate duty</i>			
cases finalised.....	1 097	1 080	1 080
cases per post.....	366	360	360
provision per case (\$).....	1,550	1,667	1,667
<i>Betting duty</i>			
returns processed.....	262	267	266
returns per post.....	131	134	133
provision per return (\$).....	2,672	2,996	3,008
<i>Tax reserve certificates</i>			
purchase/redemption transactions.....	168 000	173 000	173 000
transactions per post.....	16 800	17 300	17 300
provision per transaction (\$).....	22.0	22.5	23.1

Matters Requiring Special Attention in 2014–15

7 During 2014–15, the maintenance of yield from taxes and the development of IT opportunities will continue to be matters of high priority. The Department will:

- continue to step up efforts to promote taxpayers' voluntary compliance through publicity programmes and enhanced services, and
- promote the use of electronic services and enhance eTAX services to allow online submission of application for exemption from payment of business registration fee and levy.

Programme (2): Collection

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	142.2	154.1	150.1 (–2.6%)	153.9 (+2.5%)
				(or –0.1% on 2013–14 Original)

Aim

8 The aim is to collect taxes due under the relevant ordinances in a cost-effective manner.

Brief Description

9 This programme involves processing tax payments and refunds, and taking recovery action in relation to tax in default.

10 During 2013–14, the Department continued to promote the use of electronic services for tax payment.

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11 The key performance measures are:

Targets

	Target	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Plan)
<i>Tax payment</i>				
receipts issued for tax payments made by electronic means				
July to November—within four working days (%)‡	99	100	N.A.	N.A.
December to June—within six working days (%)‡	99	100	N.A.	N.A.
within four working days (%)‡	99	N.A.	99	99
<i>Refund of tax</i>				
arising from overpayment of tax in excess of the amount demanded within 18 working days (%).....	98.0	99.7	98.0	98.0
arising from revision of assessment within 10 working days (%).....	98	100	99	99

‡ For receipts issued for tax payments made by electronic means, the two-tier targets have been enhanced and consolidated as a single target from 2013–14 onwards.

Indicators

	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Estimate)
<i>Collection of tax</i>			
payments processed.....	2 842 000	3 050 000	3 100 000
payments per post.....	55 725	58 654	59 615
provision per payment (\$)	8.7	8.6	8.6
<i>Refund of tax</i>			
refunds made	642 000§	480 000	480 000
refunds per post.....	26 750	20 000	20 000
provision per refund (\$)	14.3	20.2	20.6
<i>Recovery of tax</i>			
completed recovery cases.....	216 000	230 000	230 000
completed recovery cases per post.....	725	774	777
provision per completed recovery case (\$)	489.4	484.8	498.3

§ The higher number of refund cases was due to the one-off tax reduction and other budget measures.

Matters Requiring Special Attention in 2014–15

12 During 2014–15, the Department will continue to promote the use of electronic payment services.

Programme (3): Investigation and Field Audit

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	191.4	207.1	202.8 (–2.1%)	207.0 (+2.1%)

(or comparable with
2013–14 Original)

Aim

13 The aim is to counter tax evasion, minimise opportunities for tax avoidance and promote voluntary compliance by taxpayers.

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Brief Description

14 This programme involves:

- tax investigation, imposition of penalties and institution of prosecution proceedings to create a deterrent to tax evasion;
- field audit, including site visits and examination of accounting records of taxpayers, and promotion of voluntary compliance with taxation requirements; and
- audit on tax avoidance cases and rejection of unacceptable avoidance schemes so as to uphold the tax base of Hong Kong.

15 In 2013–14, the Department continued its determined effort to combat tax evasion and counter tax avoidance schemes. The computer-assisted risk-based case selection programme was used to facilitate the identification of high-risk cases for audit and investigation.

16 The key performance measures are:

Target

	Target	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Plan)
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	91.6	85.0	85.0

Indicators

	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Estimate)
<i>Field audit and tax investigation</i>			
cases completed.....	1 802	1 800	1 800
back tax and penalty assessed (\$m)	3,447.7#	2,500.0	2,500.0
cases per post	6.7	6.7	6.7
provision per case (\$).....	105,494	111,889	114,167
back tax and penalty per case (\$m).....	1.9	1.4	1.4
back tax and penalty per post (\$m).....	12.9	9.4	9.4
back tax and penalty per dollar of provision (\$).....	18.1	12.4	12.2
<i>Property tax compliance check</i>			
cases completed.....	117 900	142 000@	146 000
back tax assessed (\$m).....	55.4	67.0	69.0
cases per post	23 580	28 400	29 200
provision per case (\$).....	11.0	9.9	10.3
back tax per case (\$).....	470	472	473
back tax per post (\$m).....	11.1	13.4	13.8
back tax per dollar of provision (\$).....	42.6	47.9	46.0

The higher amount of back tax and penalty assessed in 2012-13 was due to the settlement of several large tax avoidance cases.

@ The increase in the number of property tax compliance check cases is due to the anticipated increase in the number of tenancy agreements.

Matters Requiring Special Attention in 2014–15

17 During 2014–15, the Department will continue to exert determined effort to combat tax evasion and counter tax avoidance schemes.

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Programme (4): Taxpayer Services

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	23.5	25.4	24.7 (–2.8%)	25.2 (+2.0%)
				(or –0.8% on 2013–14 Original)

Aim

18 The aim is to provide a high level and quality service to the public through the provision of timely and accurate tax information, thereby promoting voluntary tax compliance.

Brief Description

19 This programme involves the provision of telephone and over-the-counter enquiry services as well as personalised electronic services through the Internet, and the investigation of complaints made by members of the public.

20 To assist the taxpaying public in completing tax returns, the Department extended the service hours of telephone enquiry services in May 2013, and provided service up to 7:00 p.m. from Monday to Friday and from 9:00 a.m. to 1:00 p.m. on Saturday. During peak periods, the Department also redeployed manpower resources and employed part-time staff to strengthen the daytime telephone enquiry services.

21 The key performance measures are:

Targets

	Target	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Plan)
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	99.6	98.0	98.0
outside peak hours (%).....	99	100	99	99
connected telephone calls answered within three minutes				
July to April (%)	90.0	93.9	95.0	95.0
May to June (%).....	80.0	90.2	88.4	90.0
<i>Complaints</i>				
interim reply within seven working days (%)	99	100	99	99
substantial reply within 15 working days (%)	99	100	99	99
<i>eTAX Account</i>				
access code notices issued for applications through GovHK within two working days (%)	98	100	98	98
electronic receipts issued for tax payments made by electronic means within two working days (%)	99	100	99	99

Indicators

	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Estimate)
<i>Over-the-counter enquiry service</i>			
enquiries	359 000	365 000	370 000
enquiries processed per post	12 821	13 036	13 214
<i>Telephone enquiry service</i>			
enquiries	1 399 000	1 450 000	1 450 000
enquiries processed per post	37 811	39 189	39 189

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	2012–13 (Actual)	2013–14 (Revised Estimate)	2014–15 (Estimate)
<i>Complaints</i>			
complaints processed	290	330	330
complaints processed per post.....	97	110	110

Matters Requiring Special Attention in 2014–15

22 During 2014–15, the Department will continue to deliver quality customer service and promote the use of electronic services through which taxpayers can file tax returns, obtain their personal tax information and documents, notify changes of personal particulars and lodge requests for holdover of provisional tax and revision of assessment.

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ANALYSIS OF FINANCIAL PROVISION

	2012-13 (Actual) (\$m)	2013-14 (Original) (\$m)	2013-14 (Revised) (\$m)	2014-15 (Estimate) (\$m)
Programme				
(1) Assessing Functions	908.1	1,045.4	998.7	1,003.4
(2) Collection	142.2	154.1	150.1	153.9
(3) Investigation and Field Audit.....	191.4	207.1	202.8	207.0
(4) Taxpayer Services	23.5	25.4	24.7	25.2
	1,265.2	1,432.0	1,376.3 (-3.9%)	1,389.5 (+1.0%)

**(or -3.0% on
2013-14 Original)**

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2014-15 is \$4.7 million (0.5%) higher than the revised estimate for 2013-14. This is mainly due to the filling of vacancies, salary increments for staff, increase in operating expenses and the net increase of seven posts, partly offset by the anticipated decrease in expenditure on interest on tax reserve certificates.

Programme (2)

Provision for 2014-15 is \$3.8 million (2.5%) higher than the revised estimate for 2013-14. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses, partly offset by the net decrease of one post.

Programme (3)

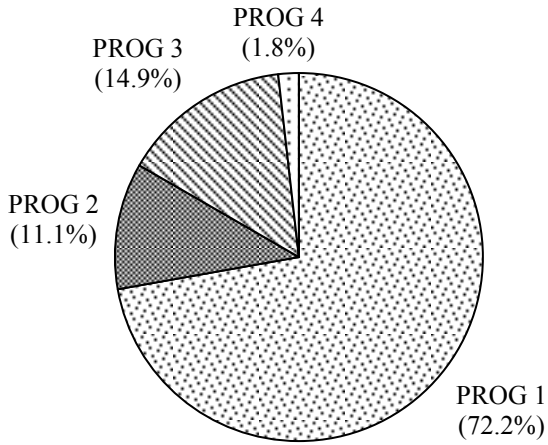
Provision for 2014-15 is \$4.2 million (2.1%) higher than the revised estimate for 2013-14. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses.

Programme (4)

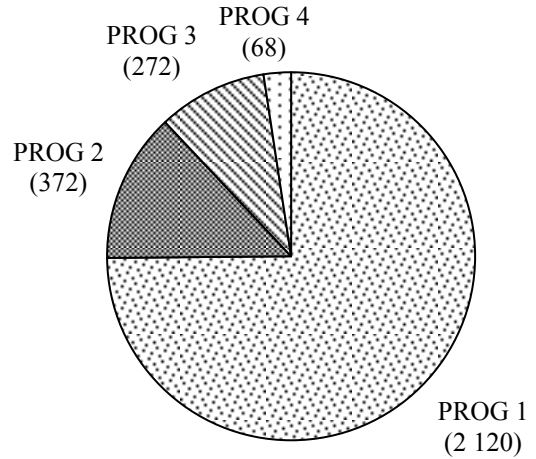
Provision for 2014-15 is \$0.5 million (2.0%) higher than the revised estimate for 2013-14. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses.

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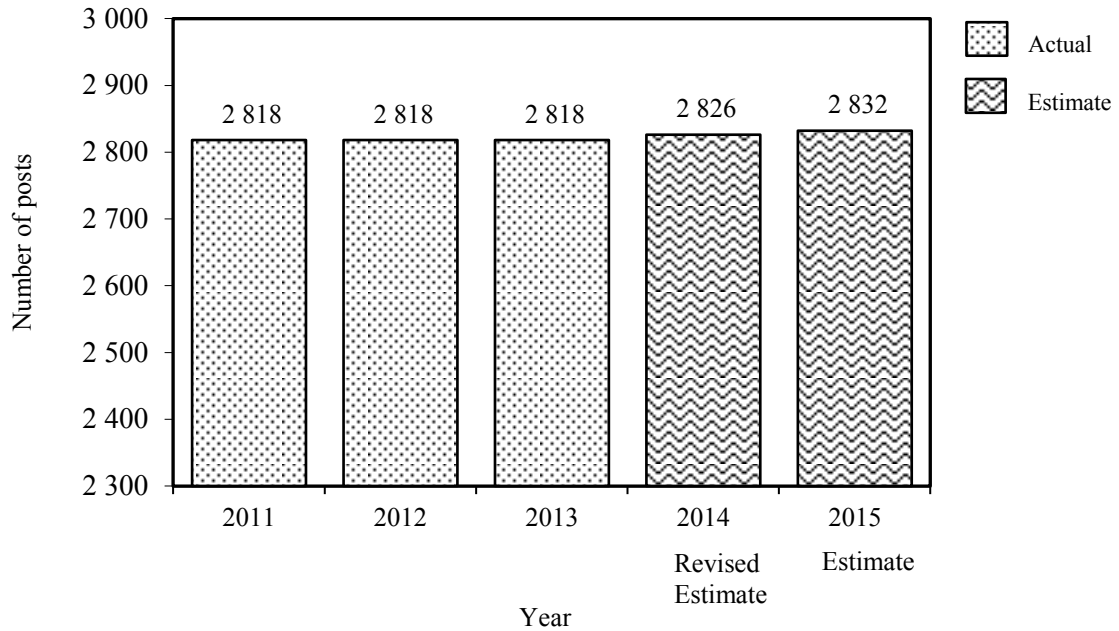
*Allocation of provision
to programmes
(2014-15)*



*Staff by programme
(as at 31 March 2015)*



*Changes in the size of the establishment
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2012-13	Approved estimate 2013-14	Revised estimate 2013-14	Estimate 2014-15	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,244,132	1,341,994	1,307,251	1,343,798
189	Interest on tax reserve certificates.....	18,591	86,000	60,000	43,000
209	Special legal expenses.....	2,469	4,005	2,705	2,705
	Total, Recurrent.....	1,265,192	1,431,999	1,369,956	1,389,503
	Total, Operating Account	1,265,192	1,431,999	1,369,956	1,389,503
Capital Account					
Plant, Equipment and Works					
	Plant, vehicles and equipment.....	—	—	6,360	—
	Total, Plant, Equipment and Works.....	—	—	6,360	—
	Total, Capital Account.....	—	—	6,360	—
	Total Expenditure	1,265,192	1,431,999	1,376,316	1,389,503

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Details of Expenditure by Subhead

The estimate of the amount required in 2014–15 for the salaries and expenses of the Inland Revenue Department is \$1,389,503,000. This represents an increase of \$13,187,000 over the revised estimate for 2013–14 and of \$124,311,000 over actual expenditure in 2012–13.

Operating Account

Recurrent

2 Provision of \$1,343,798,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Inland Revenue Department.

3 The establishment as at 31 March 2014 will be 2 826 posts including one supernumerary post. It is expected that there will be a net increase of six permanent posts in 2014–15. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2014–15, but the notional annual mid-point salary value of all such posts must not exceed \$964,881,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2012–13 (Actual) (\$'000)	2013–14 (Original) (\$'000)	2013–14 (Revised) (\$'000)	2014–15 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	1,074,653	1,096,489	1,107,821	1,131,075
- Allowances.....	12,885	16,685	16,234	17,641
- Job-related allowances.....	47	51	19	49
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	2,395	2,048	3,025	3,047
- Civil Service Provident Fund contribution.....	11,124	13,919	14,232	18,973
Departmental Expenses				
- General departmental expenses	143,028	212,802	165,920	173,013
	1,244,132	1,341,994	1,307,251	1,343,798

5 Provision of \$43,000,000 under *Subhead 189 Interest on tax reserve certificates* is for the payment of interest on tax reserve certificates (TRCs) by the Commissioner of Inland Revenue under the Tax Reserve Certificates Ordinance (Cap. 289). The decrease of \$17,000,000 (28.3%) against the revised estimate for 2013–14 is mainly due to the anticipated decrease in the amount of interest payable in respect of conditional standover order TRCs, having regard to the value of this particular type of TRCs in hand, the amount of interest that has accrued and the possibility of the finalisation in 2014–15 of tax objection and appeal cases entailing redemption of these TRCs with payment of substantial amount of interest.

6 Provision of \$2,705,000 under *Subhead 209 Special legal expenses* is for expenditure on court fees in connection with the registration of writs for tax recovery.