

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 76 – INLAND REVENUE DEPARTMENT Subhead 000 Operational expenses

Members are invited to recommend to Finance Committee the following proposals in the Inland Revenue Department with effect from 1 April 2014 –

(a) the creation of the following permanent post –

1 Chief Assessor
(D1) (\$115,050 - \$125,800)

(b) the creation of the following supernumerary post
for three years up to 31 March 2017 –

1 Chief Assessor
(D1) (\$115,050 - \$125,800)

PROBLEM

The Inland Revenue Department (IRD) needs dedicated directorate support to implement a number of initiatives in relation to tax treaties in Hong Kong and to enhance the capacity of the Stamp Office (SO) in the provision of support services for the implementation of various policy initiatives.

PROPOSAL

2. We propose to create one permanent post of Chief Assessor (CA) (D1) in the Tax Treaty Section (TT Section) upon the lapse of one supernumerary CA post on 1 April 2014, and to create one supernumerary post of CA in the SO of the IRD for a period of three years with effect from 1 April 2014.

/JUSTIFICATION

JUSTIFICATION

3. The permanent directorate establishment in the IRD has remained at 25 since 2006-07. Given the surge in workload arising from the latest developments on exchange of information (EoI) for tax purposes and Hong Kong's tax treaty obligations, and the need to cope with new legislative initiatives relating to Islamic bonds, betting duty, stamp duty, scripless securities, proposed levy on behalf of a proposed Property Management Services Authority (PMSA), etc, there is an essential need to enhance the directorate support for the IRD.

Proposed Creation of a Permanent CA Post in the TT Section

4. With approval from the Finance Committee (FC), we created a supernumerary post (i.e. the current Chief Assessor (Tax Treaty) [CA(TT)] post) to head the TT Section for three years from 1 April 2011 to 31 March 2014. For reasons set out in paragraphs 5 to 13 below, we see a permanent need for the post. Thus, we propose to rationalise the current time-limited CA post and create a permanent CA post.

To continue to enhance our efforts in expanding Hong Kong's network of comprehensive avoidance of double taxation agreements (CDTAs)

Encl. 1 5. With our sustained efforts in recent years, we have significantly increased the number of CDTAs signed from five in 2008 to 29 at present, covering 11 of the top 20 trading partners of Hong Kong. A full list of our CDTA partners is at Enclosure 1. We are also at various stages of negotiations with a handful of other jurisdictions such as Bahrain, Bangladesh, Finland, India, Latvia, Pakistan, Russia, Saudi Arabia, South Africa, South Korea and United Arab Emirates. In the coming year, we plan to hold on average one round of negotiations every two months with a view to seeking to conclude at least six more CDTAs.

6. Given that international tax is a highly specialised area, heads of delegations of our negotiation partners are normally dedicated officials from the relevant tax authorities or ministries of finance, who have rich experience in tax treaty negotiations. On the part of Hong Kong, there is a practical need for long-term dedicated directorate leadership to steer CDTA negotiation strategies and to head Hong Kong's delegation. In practice, strategic planning and detailed background research on the tax system and tax treaty policy of the negotiation partners are key to the success in CDTA negotiations. Such preparatory work is immense, technical and resource-demanding before every formal negotiation meeting. Directorate leadership is essential to facilitate the setting of broad directions of the research, review of the adequacy of research conducted and formulating negotiation strategies to strike a better deal for the overall interest of Hong Kong.

/To

To engage in discussions on tax information exchange agreements (TIEAs) to fulfill Hong Kong's international obligation

7. Following the enactment of the Inland Revenue (Amendment) (No. 2) Ordinance 2013, Hong Kong is now able to enter into TIEAs with other jurisdictions. While it remains our priority to expand Hong Kong's CDTA network, we need to engage in TIEA negotiations with certain jurisdictions which have no interest in pursuing CDTAs with Hong Kong, given the international standard that preference for CDTA over TIEA cannot be a reason for refusing to enter into an EoI¹ agreement with relevant partners.

8. Same as CDTAs, prior to every TIEA negotiation, the Hong Kong delegation has to do a lot of preparatory work, which requires close supervision and steering by a dedicated CA. If a permanent CA(TT) post is not created when the supernumerary post lapses, the CDTA and TIEA negotiation programme will be adversely affected.

To cope with increasing workload in the implementation of CDTAs and TIEAs

9. Out of the 29 CDTAs signed, 22 have already taken effect, while the remaining ones are expected to become effective from 2014-15 onwards. Inevitably, the workload arising from the implementation of CDTAs and future TIEAs will increase substantially, in particular in handling EoI requests. The number of EoI requests in recent years has already shown a rising trend –

Year ended 31 March	Number of EoI requests
2007	1
2008	2
2009	14
2010	18
2011	18
2012	13
2013	24

10. To safeguard taxpayers' privacy and confidentiality of information exchanged, the Inland Revenue (Disclosure of Information) Rules require that the decision on whether to accede to an EoI request has to be personally made by a

/directorates

¹ It refers to an arrangement for exchange of information for tax purposes, be it in the form of CDTA or TIEA.

directorate officer. Timeliness in processing EoI requests is also of equal importance given the international practice that EoI should be completed within 90 days. The proposed creation of the permanent CA(TT) post will ensure prompt and close supervision of the TT Section in carrying out proper statutory procedures whilst satisfying treaty partners' expectation, timely resolution of disputes with treaty partners through mutual agreement procedures, and constant review of the effectiveness of Hong Kong's EoI regime.

To continue to involve actively in international exchanges on taxation matters

11. Over the years, there has been significant increase in the IRD's involvement in the international arena concerning tax cooperation and transparency. These include the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum), the Global Forum Competent Authority Meeting, the Global Forum on Transfer Pricing, the Forum on Tax Administration, the Organisation for Economic Cooperation and Development's annual meeting on tax treaty matters, etc. Active participation in these international fora is instrumental to demonstrate Hong Kong's commitment to tax transparency. Yet, they require intensive inputs and technical knowledge from participants. It is therefore important to have a permanent dedicated directorate officer to closely monitor the world trend on tax matters and to build up network with the tax authorities of other jurisdictions for effective communication as and when necessary.

12. In 2013, Hong Kong as represented by the IRD is an observer on the Peer Review Group (PRG) of the Global Forum. Starting from 2014, Hong Kong will become a PRG member. PRG members have to attend quarterly meetings, review and comment on all peer review reports, and provide inputs on the development of EoI standards and related issues. PRG members will also participate in reviewing the terms of reference of the Global Forum. We envisage that experience gained in serving as a PRG member could be transformed into positive inputs in enhancing the EoI regime of Hong Kong. Given the complexity of the work involved, a directorate level officer would be better placed to participate in the PRG.

To closely monitor international development on tax transparency

13. The international landscape on tax transparency and cooperation is ever-changing. For instance, there is growing aspiration in practising EoI on an automatic basis and signing the Multilateral Convention on Mutual Administrative

Assistance in Tax Matters (the Multilateral Convention)². There is also increasing concern in the international community about tax base erosion and profit shifting. We need to closely monitor international discussions on these important topics and to assess in a timely manner any implications on Hong Kong in the years ahead. There is thus a strong call for a dedicated directorate officer to supervise the expectedly intensive and extensive follow-up work.

14. In view of the commitments and challenges ahead as set out in paragraphs 5 to 13 above, there is a genuine need to rationalise the current time-limited CA post and create a permanent CA post to oversee the TT Section with effect from 1 April 2014.

Proposed Creation of a Supernumerary CA Post in the SO

To strengthen directorate leadership in Unit 3 to cope with additional responsibilities

Encl. 2

15. Currently, Unit 3 in the IRD is responsible for a wide range of duties, including assessment and collection of stamp duty for transactions of Hong Kong stocks and immovable properties, administration of the Business Registration Ordinance, matters relating to betting duty in respect of horse races, football matches and lotteries, tax collection and recovery action, as well as handling of estate duty cases, etc. Unlike the other five Units in the IRD which are underpinned by two to four CAs, there is only one CA in Unit 3 (i.e. CA3) (see the IRD's organisation chart at Enclosure 2). Apart from overseeing the day-to-day operation of Unit 3, CA3 is already over-stretched to take charge of additional assignments as outlined in paragraphs 16 and 17 below which require timely input and intensive supervision in the coming few years.

16. CA3 serves as the unit representative in the Project Assurance Team for Stage III of the IRD System Infrastructure Enhancement (SIE) Project. The implementation of SIE Project Stage III involves the migration of various tax applications currently used by Unit 3 to the new midrange platform, which is a very complicated process. As the unit representative, CA3 is required to closely monitor the undertaking of system analysis and design as well as the performance of the required User Acceptance Testing. All these will have to be completed within the next three years.

/17.

² The Convention is a multilateral agreement designed to facilitate international cooperation among tax authorities to improve their ability to tackle tax evasion and avoidance. It provides for all possible forms of administrative cooperation between jurisdictions in the assessment and collection of taxes, including automatic EoI, simultaneous tax examination and international assistance in the collection of tax debts.

17. In addition, the Business Registration Office (BRO) under the purview of CA3 has committed to launch a new electronic service for business registration targeting small and medium enterprises (SMEs)³ in 2014-15 with a view to enhancing the business-friendly environment for SMEs. CA3 will need to formulate an action plan for such a new service and supervise its implementation in a timely manner. The existing staffing provision at the directorate level in Unit 3 is far from enough to handle all these projects on top of their existing daily duties. It is not feasible for CA3 to undertake all the new responsibilities relating to the SO as detailed below. There is a clear need to strengthen directorate leadership in Unit 3.

To cope with substantial increase in workload in stamping and adjudication cases and implement new initiatives

Encl. 3 18. In recent years, there has been a significant growth in the workload and the number of complicated cases in relation to stamp duty⁴. The increase in the caseload from 2009-10 to 2012-13 ranged from 30% to 1,465% (see Enclosure 3). In addition to the over-stretching of staff resources to clear the caseload amidst the increasing stamping work, the SO has been heavily involved in providing technical support to the relevant policy bureaux in implementing the various policy initiatives in recent years. Two recent initiatives introduced relate to –

- (a) the provision of a comparable taxation framework for some common types of Islamic bonds (sukuk) vis-a-vis conventional bonds, with a view to promoting the development of a sukuk market in Hong Kong; and
- (b) the implementation of the betting duty arrangement for two-way commingling for horse races in Hong Kong.

Following the enactment of relevant legislation on the above initiatives in July 2013, the quantity and complexity of the work of the SO has increased. The existing arrangement, under which the SO is headed by a Senior Superintendent pitched at the rank of Senior Assessor, is clearly not sustainable to render the necessary support for the relevant policy bureaux. In particular, dedicated directorate leadership is essential to supervise the SO in providing expert advice on appropriate stamp duty treatment for new product arrangements under (a) above. As for (b) above, the SO also needs to conduct constant review of the betting duty arrangement in the light of implementation of new two-way commingling for horse races in Hong Kong.

/To

³ The new electronic service refers to electronic application for exemption from payment of business fee and levy for small businesses.

⁴ There has been a significant increase in the number of adjudication and valuation cases filed over the years and more objections lodged by the duty payers against the assessments made by the SO.

To support the introduction of scripless securities

19. Currently, Hong Kong has a paper-based securities regime. The law compels the issue of paper certificates and the use of paper instruments of transfer for certain securities (namely, shares, debentures and units in unit trust schemes). To enhance the overall efficiency and competitiveness in the securities market, and secure an appropriate and improved level of investor choice and protection, the Government proposes that Hong Kong should progress to a scripless securities regime. To this end, it is imperative to amend the Stamp Duty Ordinance. The legislative exercise requires intensive work on the part of the SO in the coming few years. There is a strong call for dedicated directorate leadership to provide prompt steer from a strategic perspective to the SO.

To make necessary arrangement for levy collection to fund the proposed PMSA

20. The Government has proposed to establish a PMSA to take up the roles of both a regulatory body for the property management industry and an industry promoter. The PMSA will be self-financed and supported by, among others, a levy to be imposed on property transactions in Hong Kong. Under the preliminary proposal, the SO will be appointed as the collection agent of the levy on behalf of the PMSA, subject to a recharge of handling fees by the IRD. Given the complexity of the property management industry, the proposed supernumerary CA post is required to establish close liaison with the relevant policy bureau and be heavily involved in working out the necessary legal framework and logistical arrangement for levy collection in the coming few years.

To support the implementation of stamp duty measures to address the overheated property market

21. Since 2010, the Government has implemented a number of measures to stabilise the development of the property market. The Stamp Duty (Amendment) Ordinance 2011 was passed on 22 June 2011 to impose Special Stamp Duty (SSD) to curb short-term resale activities. The Government proposed to introduce two demand-side management measures with effect from 27 October 2012, i.e. the enhanced SSD and Buyer's Stamp Duty. The Government further proposed to introduce a new round of measures, by doubling the rates of the ad valorem stamp duty, with effect from 23 February 2013. The two Amendment Bills are currently scrutinised by the relevant Bills Committees of the Legislative Council (LegCo). The SO has been providing technical support to the policy bureaux concerned, monitoring the caseload, and addressing enquiries from stakeholders and members of the community. The SO has to re-visit no less than 63 000 transactions for residential properties and no less than 19 000 transactions for non-residential properties recorded since November 2012 and March 2013 respectively.

22. All the initiatives pertaining to the SO are in fact highly specialised and time-critical. There is thus a strong call for a dedicated CA to head the SO to facilitate policy deliberations, legislative exercises and delivery of various initiatives in an effective manner. Of particular note, the proposed CA is expected to dedicate the majority of his/her time to steer the increasingly complicated work of the SO and to support various new legislative initiatives relating to Islamic bonds, betting duty, stamp duty, scripless securities, proposed levy on behalf of the proposed PMSA, etc. As such, the need for the proposed supernumerary CA post does not hinge on the passage of the relevant legislation for implementation of the stamp duty measures to address the overheated property market.

Duration of the Supernumerary CA Post

23. The proposed creation of a supernumerary CA post in the SO is necessary for the IRD to undertake the expanding scope of work as outlined in paragraphs 18 to 21 above. As we are at various stages of preparation for the above initiatives, we propose to create the supernumerary post for three years and would review critically towards the end of the three-year period the need of this supernumerary post in the light of the latest circumstances. We will consult the relevant Panel and the Establishment Subcommittee if an extension of the supernumerary post is considered necessary then.

Proposed Organisation Structure

24. The proposed permanent CA post in the TT Section will continue to be designated as CA(TT). The proposed job description of CA(TT) is at Encl. 4 Enclosure 4. The existing organisation structure of the TT Section which will remain unchanged is at Encl. 5 Enclosure 5.

25. The proposed supernumerary CA post in the SO will be designated as Chief Assessor (Stamp Office) (CA(SO)). The proposed job description of CA(SO) is at Encl. 6 Enclosure 6. The proposed organisation structure of Unit 3 is at Encl. 7 Enclosure 7.

NON-DIRECTORATE SUPPORT

26. The proposed permanent CA(TT) post will continue to be supported by eight non-directorate professional posts, namely four Senior Assessors and four Assessors.

27. To provide necessary support to the proposed supernumerary CA post in the SO and to relieve the increasing workload and enhance service delivery in the SO, the IRD proposes to create eight permanent non-directorate posts in 2014-15.

/ALTERNATIVES

ALTERNATIVES CONSIDERED**Existing Organisation Structure**

28. IRD is currently divided into six units with the following major 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 and recovery of tax and miscellaneous levies, including stamp duty, betting duty, estate duty and business registration fee
Unit 4	Conducting in-depth investigation and field audit on suspected tax evasion and avoidance cases
Headquarters Unit	<ul style="list-style-type: none"> (a) Assessment of property tax on multiple owners and corporations, and tax processing of test and review files of individuals (b) Information systems management, including operation and maintenance of existing computer systems and development of new information systems (c) Bulk processing of returns and mails, despatching and archival of documents (d) Counter and telephone enquiry services (e) Training programmes
Commissioner's Unit	<ul style="list-style-type: none"> (a) Handling objections and appeals against tax assessments made to the Commissioner of Inland Revenue (D6), the Board of Review (Inland Revenue) and the Courts, as the case may be (b) Technical services, including legislative amendments, research, approval of tax exemption for charitable institutions, complaints handling, advance rulings and CDTA/TIEA negotiations (c) Internal audit

29. Each of Units 1 to 4 and the Headquarters Unit is headed by an Assistant Commissioner of Inland Revenue (ACIR) (D2). The Commissioner's Unit is under the direct supervision of the Commissioner and Deputy Commissioner of Inland Revenue (Technical) (DCIR(T)) (D3) with no underpinning ACIR. The existing organisation chart of the IRD is at Enclosure 2.

Encl. 8 30. At present, all day-to-day supervisory support for the TT Section is rendered by the incumbent of the supernumerary CA(TT) post, which would lapse on 1 April 2014. We have explored the possibility of re-deploying the supervisory duties to DCIR(T). As evidenced by the job description of DCIR(T) at Enclosure 8, DCIR(T) is already fully stretched by the heavy workload of his duties. In the light of the expanding scope of work of the TT Section, we do not consider it practicable to have all the non-directorate officers reporting directly to DCIR(T) as the latter would then have to spend considerable time to manage the day-to-day operation of the TT Section, which could otherwise be gainfully spent on other planning and strategic tasks. This arrangement would not be conducive to pursuing tax treaty-related initiatives. For the SO, we have explored the possibility of maintaining the status quo that the SO be under the supervision of CA3, but found that it is not viable to do so. CA3 is already heavily engaged in overseeing the operation of the BRO, Collection Enforcement Section, Collection Management Section and Inspection Section, and has to take charge of additional assignments as outlined in paragraphs 16 and 17 above. There is no spare capacity for CA3 to steer the work of the SO.

Encl. 9 31. Furthermore, we have critically examined the feasibility of internal redeployment of resources to take up the new responsibilities. However, all existing CAs are already fully engaged in their existing schedules with distinctively different duties. The major duties of existing CAs are provided at Enclosure 9. None of them has the spare capacity to lead the TT Section or to head the SO without adversely affecting the discharge of their current duties.

FINANCIAL IMPLICATIONS

32. The proposed creation of a permanent CA post and a supernumerary CA post will bring about an additional notional annual salary cost at mid-point of \$2,930,400. The additional full annual average staff cost, including salaries and staff on-cost, is \$4,046,000.

33. The additional notional annual staff cost at mid-point for the proposed eight non-directorate posts is \$3,675,480 and the full annual average staff cost, including salaries and staff on-cost, is \$5,636,000.

34. Subject to the FC's approval of the above directorate posts, we will include sufficient provision in the draft Estimates of 2014-15 and subsequent years to meet the cost of the proposals.

PUBLIC CONSULTATION

35. We consulted the LegCo Panel on Financial Affairs on 4 November 2013 on the above proposal. In general, Members supported the creation of one permanent CA(TT) post and one supernumerary CA(SO) post to enhance the directorate support to the TT Section and the SO respectively.

ESTABLISHMENT CHANGES

36. The establishment changes in the IRD for the last three years are as follows –

Establishment (Note)	Number of posts			
	Existing (As at 1 December 2013)	As at 1 April 2013	As at 1 April 2012	As at 1 April 2011
A	25+(1)#	25+(1)	25+(1)	25+(1)
B	350	347	341	340
C	2 450	2 445	2 451	2 452
Total	2 825+(1)	2 817+(1)	2 817+(1)	2 817+(1)

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

() Number of supernumerary directorate posts

- As at 1 December 2013, there was no unfilled directorate post in the IRD.

CIVIL SERVICE BUREAU COMMENTS

37. The Civil Service Bureau supports the proposed creation of one permanent CA post in the TT Section and one supernumerary CA post in the SO. The grading and ranking of the posts are considered appropriate having regard to the level and scope of responsibilities.

/ADVISE

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

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

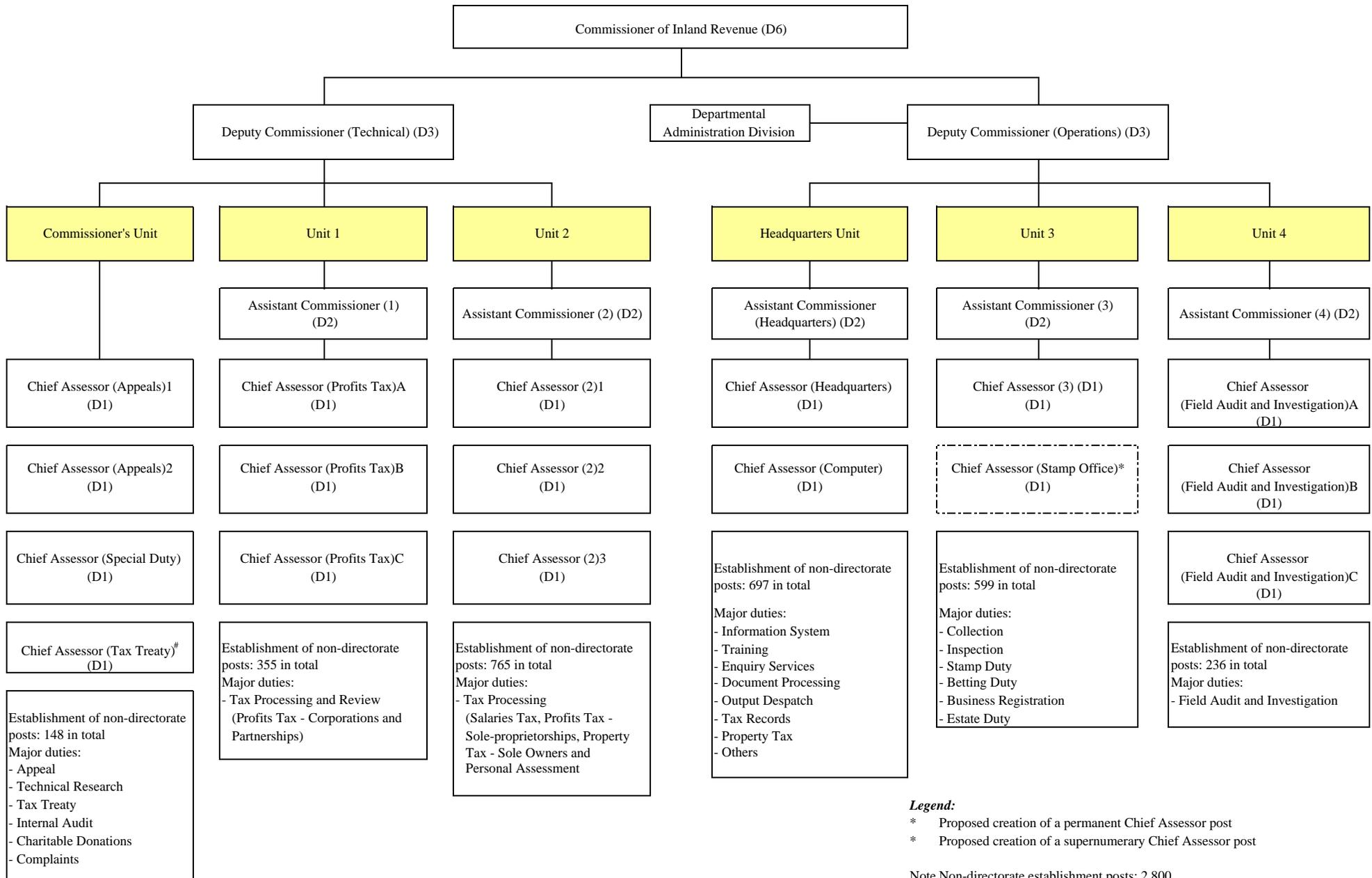
Financial Services and the Treasury Bureau
December 2013

**List of Hong Kong's CDTA Partners
(as at 30 November 2013)**

	Jurisdictions	Date of Signing
1	Belgium*	10 December 2003
2	Thailand*	7 September 2005
3	Mainland China*	21 August 2006
4	Luxembourg	2 November 2007
5	Vietnam*	16 December 2008
6	Brunei	20 March 2010
7	Netherlands*	22 March 2010
8	Indonesia	23 March 2010
9	Hungary	12 May 2010
10	Kuwait	13 May 2010
11	Austria	25 May 2010
12	United Kingdom*	21 June 2010
13	Ireland	22 June 2010
14	Liechtenstein	12 August 2010
15	France*	21 October 2010
16	Japan*	9 November 2010
17	New Zealand	1 December 2010
18	Portugal	22 March 2011
19	Spain	1 April 2011
20	Czech Republic	6 June 2011
21	Switzerland*	4 October 2011
22	Malta	8 November 2011
23	Jersey	22 February 2012
24	Malaysia*	25 April 2012
25	Mexico	18 June 2012
26	Canada	11 November 2012
27	Italy*	14 January 2013
28	Guernsey	22 April 2013
29	Qatar	15 May 2013

* Among the top 20 trading partners of Hong Kong

**Inland Revenue Department
Organisation Chart**



Legend:

- * Proposed creation of a permanent Chief Assessor post
- * Proposed creation of a supernumerary Chief Assessor post

Note Non-directorate establishment posts: 2 800

**Upsurge in the Stamp Office's Workload relating to Property Transactions
Monthly caseload for inflow cases**

	2009-10⁽¹⁾	2012-13⁽¹⁾	% Change
Adjudication cases	40	111	+178%
Valuation cases ⁽²⁾	354	461	+30%
Enquiry cases ⁽³⁾	62	970	+1,465%

Note: (1) The figures represent the monthly average number of inflow cases during the periods from 1 April 2009 to 31 March 2010 (2009-10) and from 1 April 2012 to 31 March 2013 (2012-13).

(2) The efficiency in completing valuation cases largely depends on (a) the time spent by the Commissioner of Rating and Valuation (CRV) in providing property valuations, and (b) the duty payers' willingness to accept the CRV's valuations. Amidst the hectic property market, there has been a significant increase in the number of cases referred to the CRV for valuation. There have also been more objections lodged by the duty payers against the CRV's valuations.

(3) It is the Inland Revenue Department's performance pledge that written enquiries on simple matters and on technical matters should be replied within 7 days and 21 days respectively.

Job Description
Chief Assessor (Tax Treaty)

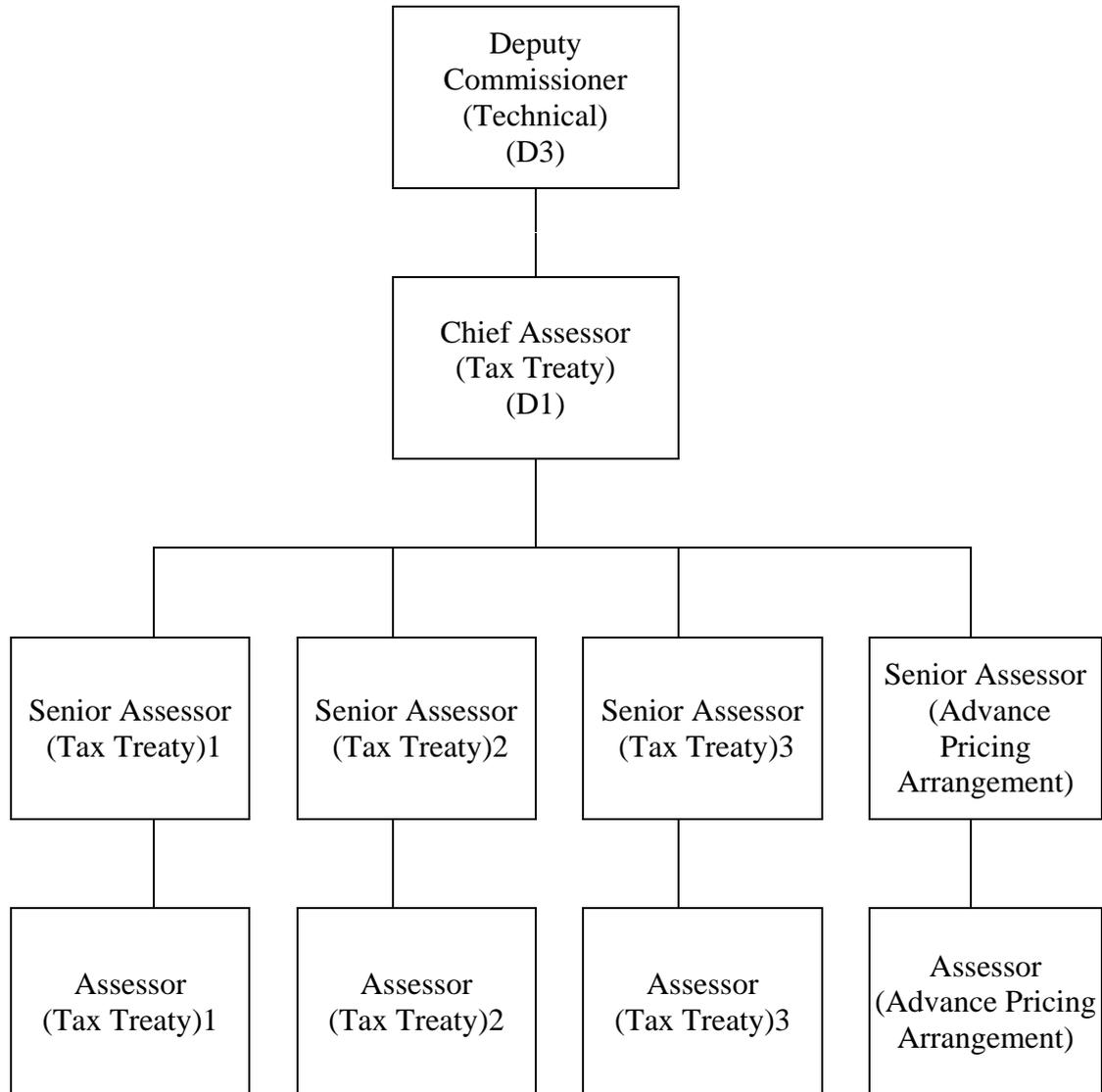
Rank : Chief Assessor (D1)

Responsible to : Deputy Commissioner (Technical) [DCIR(T)]

Main Duties and Responsibilities –

1. To update the model Comprehensive Avoidance of Double Taxation Agreement (CDTA) and Tax Information Exchange Agreement (TIEA) of Hong Kong in consultation with the Financial Services and the Treasury Bureau, supervise preparatory work for CDTA/TIEA negotiations, lead the negotiations and formulate negotiation strategies.
2. To vet draft Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) Orders for submission to the Executive Council and the Legislative Council.
3. To oversee the adoption of and compliance with the latest exchange of information (EoI) standards in CDTAs/TIEAs that Hong Kong has entered into.
4. To safeguard the privacy of taxpayers and confidentiality of information exchanged under the Inland Revenue (Disclosure of Information) Rules; personally consider and approve/disapprove EoI requests having regard to the proper statutory procedures.
5. To resolve disputes with treaty partners through the Mutual Agreement Procedure (including arbitration); liaise and negotiate with treaty partners on Advance Pricing Arrangements with multi-national companies on the acceptable transfer prices.
6. To represent the IRD at international meetings concerning tax treaties and oversee the overall operation and administration of the Tax Treaty Section.

**Existing Organisation Chart of Tax Treaty Section
(as at November 2013)**



**Proposed Job Description
Chief Assessor (Stamp Office)**

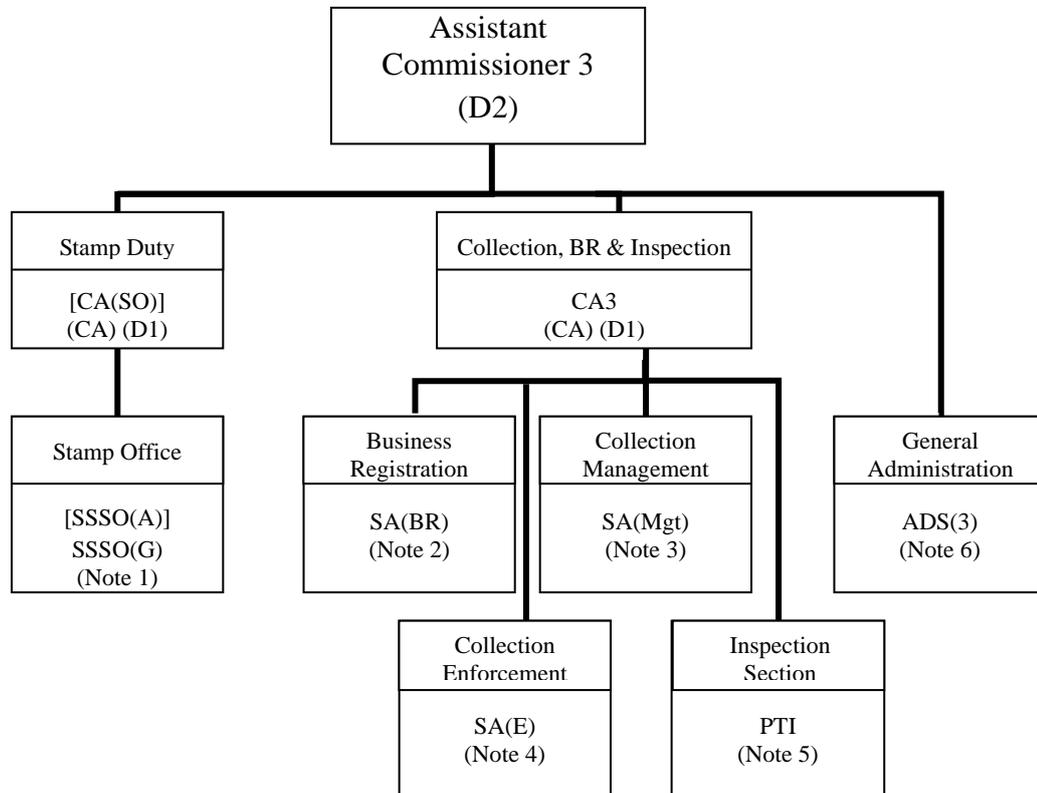
Rank : Chief Assessor (D1)

Responsible to : Assistant Commissioner of Inland Revenue 3 [AC3]

Main Duties and Responsibilities –

1. To supervise and plan for the administration of the Stamp Office of Unit 3 to ensure that all work programmes of the Stamp Office are carried out efficiently to achieve the overall objectives.
2. To administer and exercise specific duties under the Stamp Duty Ordinance, including remission or refund of stamp duty, remission of late stamping penalty or additional stamp duty, conduct of operational reviews on intra-group exemption cases, approving settlement of informer cases and review of adjudication cases.
3. To provide guidance and give instructions to Senior Superintendent of Stamp Office (Assignment) and Senior Superintendent of Stamp Office (General), on management and technical matters, including the handling of computer projects, system infrastructure enhancement, complaint cases, audit queries, informer cases, drafting staff handbook, stamp circulars and Stamp Office Interpretation and Practice Notes.
4. To make and comment on submissions on procedural and technical matters in relation to the Stamp Office, including rendering advice to the senior management on policies and practices, and on formulation of Budgets, betting duty reform, law amendments and procedural changes relating to the Stamp Duty Ordinance and Betting Duty Ordinance.
5. To liaise with other Units of the Department and to represent the Department in liaising with other Government departments and outside bodies on matters relating to stamp duty and betting duty.
6. To take up committee work and other duties as assigned by the management.

Proposed Organisation Chart of Unit 3



Legend

- [CA(SO)] - Chief Assessor (Stamp Office) proposed to be created
- [SSSO(A)] - Senior Superintendent of Stamp Office (Assignment) proposed to be created
- SSSO(G) - Senior Superintendent of Stamp Office (General)

Responsible duties of each section –

Note:

- (1) Assessing stamp duty chargeable on assignments, agreements for sale and purchase, leases of immovable property and transfers of shares
- (2) Maintaining a system for business registration
- (3) Collecting tax payments and processing refunds; issuing and redeeming tax reserve certificates, examining estate duty affidavits/accounts, and issuing assessments for dutiable cases and certificates of exemption for exempt cases
- (4) Taking recovery action in relation to tax in default
- (5) Performing various inspection activities, conducting court proceedings on behalf of the IRD when the cases are not undertaken or represented by the Department of Justice, and administering betting duty in respect of horse races, football matches and lotteries
- (6) Handling all matters of general administration including personnel matters, provision of secretarial and clerical support to the Unit and handling all the inward and outward mail.

**Job Description
Deputy Commissioner (Technical)**

Rank : Deputy Commissioner of Inland Revenue (D3)

Responsible to : Commissioner of Inland Revenue (D6)

Main Duties and Responsibilities –

1. To issue formal determinations of objections under the Inland Revenue Ordinance and recommend appropriate actions on adverse decisions of the Board of Review and the Courts and on imposition of penalties.
2. To issue advance rulings on the tax treatment of service companies, change of accounting date, share awards and options, and the application of the territorial source principle, and general and specific anti-tax avoidance provisions on seriously contemplated transactions.
3. To provide guidance and decisions to senior officers on technical and administrative matters of complexity like the issue of Departmental Interpretation and Practice Notes and Technical Documents.
4. To make recommendations on new policies and legislative proposals, attend relevant meetings and oversee their implementation.
5. To assist the Commissioner in the supervision, management and control of the work of the various Units in the Department; provide technical support in connection with Financial Secretary's Budget; identify areas of potential problems and make recommendations on areas for improvement and important issues.
6. To oversee the Internal Audit Section and attend to matters in relation to section 87 Exemption Orders.
7. To oversee tax treaty issues and provide steer on CDTA/TIEA strategies and negotiations.
8. To act as Secretary to the Board of Inland Revenue on the design of tax returns and statutory forms.
9. To provide strategic steer to the Departmental Training Committee, Career Development & Planning Committee, ISSP Progress Review Committee and IT Executive Steering Committee.

**Major duties of existing Chief Assessors (CAs) (D1)
in Inland Revenue Department (IRD)**

Each of the three CAs in Unit 1 is responsible for the overall management of a division in the Unit to ensure that all work programmes are carried out, profits tax returns are examined and assessed in a timely manner, and objections and desk audit cases are handled promptly. As at 31 October 2013, the number of files handled by Unit 1 exceeded 1 000 000. They also have to personally process a total of 30 profits tax files of large corporations which always involve substantial technical issues. From time to time, they have to review and update the IRD Departmental Interpretation and Practice Notes which are provided to taxpayers and practitioners for reference. They also lead transfer pricing negotiations with taxpayers.

2. The three CAs in Unit 2, which handles over 2 500 000 tax files for Individuals as at 31 October 2013, have to oversee the supervision and control of 10 Assessing Groups, the Special Assignment Group as well as the Planning and Management Support Group to ensure that tax assessments under Salaries Tax, Profits Tax, Property Tax and Personal Assessment are issued to taxpayers for collection within the current fiscal year. They have to give advice and instructions to their subordinates on management and technical matters, review objection and informer cases, etc. In addition to their normal duties, they would participate in the implementation of the System Infrastructure Enhancement (SIE) Project and coordinate the consequential organisational and procedural changes to facilitate the smooth implementation of the Project.

3. There is only one CA in Unit 3. At present, this CA has to supervise and administer the Unit's operation and oversee the upgrading of the Government Cash Receiving System as well as various computer system enhancement projects. In the coming few years, the CA will continue to serve as the unit representative in the Project Assurance Team for Stage III of the SIE Project and be committed to launching a new electronic service for business registration targeting at small and medium enterprises (SMEs) in 2014-15 with a view to enhancing the business-friendly environment for SMEs.

4. The three CAs in Unit 4 lead a total of 22 Field Audit and Investigation Sections, including two Anti-avoidance Sections concentrating on tackling tax avoidance cases and one Prosecution Section focusing on criminal investigation of tax evasion. At present, they are fully engaged in overseeing and supervising the normal investigation and audit work, as well as reviewing and

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clearing outstanding cases. In view of the growing complexity of business operations and the increasing number of litigations stemming from cases handled by the Unit, the workload of the three CAs is invariably heavy. In this increasingly globalised and interconnected world, important tax issues such as transfer mispricing and the use of offshore tax havens pose a threat to tax revenue. Tackling these issues requires specialised skills and intensive resources. The three CAs in Unit 4 are responsible for directing and supervising their subordinates in uncovering and dealing with these complex cases.

5. One of the two CAs in the HQs Unit is responsible for overseeing the operation and administration of the Property Tax Section which handles 1 340 000 files for jointly-owned properties as at 31 October 2013. The CA also has to oversee the Training Section, Special Support Section and four departmental centralised processing centres, namely the Document Processing Centre, the Output Despatch Centre, the Tax Records Centre and the Enquiry Service Centre. In 2012-13, these Centres handled 2 400 000 enquiries; processed 5 200 000 inward mails and 7 400 000 returns. The CA is also dedicated to overseeing the extension of eTAX services and the integration of eTAX services with *myGovHK*. In addition to his/her normal duties, he/she will also take charge of new projects, including Property Tax System Rewrite, enhancing the telephone enquiry services and the e-filing services for employer's returns. He/she also has to participate in the SIE Project and monitor the consequential procedural changes to ensure a smooth implementation of the Project. The other CA in the HQs Unit is responsible for the day-to-day application of the IRD's various computer systems, formulating functional requirements for new systems and system enhancement, and monitoring and coordinating their implementation. In addition to his/her normal duties, the CA has to assist Assistant Commissioner (Headquarters) in the implementation of the SIE Project.

6. Two of the three CAs in the Commissioner's Unit jointly lead the Appeals Section mainly responsible for handling objection cases to be determined by DCIR or CIR, and representing CIR in appeal cases before the Board of Review or the Courts. This requires thorough research on statutory provisions, precedent court cases and prevailing practices. The engagement of the Department of Justice (DoJ) and outside Counsel would be required if the case involves substantial amount of tax or of great or general importance in tax principle, where DoJ would seek instructions from the Appeals Section. As businesses are practising more aggressive tax planning schemes and technical issues have been developing rapidly, the nature of objection and appeal cases are becoming more complicated than ever and the amount of tax at stake is huge. The other CA in the Commissioner's Unit is leading the Charitable Donations Section, the Complaints Section and the Internal Audit Section which handle a wide spectrum of work. In addition to supervising the teams, the CA has to handle complaint cases referred by the Ombudsman and

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the Privacy Commissioner for Personal Data; deal with requests under the Code of Access to Information; prepare the Controlling Officer's Report; oversee the control of advance ruling applications as well as provide assistance to the CIR and both DCIRs on both technical and administrative matters. Besides, he/she participates in the Charities Sub-committee of the Law Reform Commission to review the legal and regulatory framework relating to charities. With the recent release of the final report on the subject and increasing public concern about the operations of charities, public enquiries relating to charities are expected to further increase.
