

Index Page

**Replies to supplementary questions raised by Finance Committee Members in examining the
Estimates of Expenditure 2014-15**

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 4

File Name : FSTB(Tsy)-2S-e1.doc

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
S-FSTB(Tsy)01	S0022	LEUNG Kenneth	28	(6) Air Passenger Departure Tax Administration
S-FSTB(Tsy)02	S0023	LEUNG Kenneth	28	(6) Air Passenger Departure Tax Administration
S-FSTB(Tsy)03	S0021	WONG Kwok-hing	76	(3) Investigation and Field Audit
S-FSTB(Tsy)04	S0025	TANG Ka-piu	147	(2) Revenue and Financial Control

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)01

(Question Serial No. S0022)

Head: (28) Civil Aviation Department

Subhead (No. & title): (-) Not Specified

Programme: (6) Air Passenger Departure Tax Administration

Controlling Officer: Director-General of Civil Aviation (Norman LO)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 112 (if applicable)

Question:

According to the figures provided by the Administration (Reply Serial No. FSTB(Tsy)007), the number of passengers applying for refund/exemption of the air passenger departure tax ("APDT") in the past five years accounts for a very small percentage of the total number of passengers eligible for tax exemption. In this connection, please advise -

How does the Administration inform eligible passengers of the tax refund arrangement? What is the cost involved?

Asked by: Hon. LEUNG Kenneth

Reply:

In the past five years, the number of passengers applying for refund or exemption of APDT accounts for a very small percentage of the total number of passengers eligible for tax exemption because the airlines did not collect APDT from the majority of the passengers eligible for tax exemption. Therefore, there was no need for passengers to apply for refund / exemption of APDT.

The Civil Aviation Department ("CAD") has set up an APDT counter at the Departure Hall in Terminal 1 of the Hong Kong International Airport to answer passengers' enquiries and handle their applications for APDT refund / exemption. Information on the exemption conditions and refund procedures is also published on the website of the CAD.

It is part of the regular duties of the Finance Division of the CAD to inform passengers about the tax refund / exemption arrangement. As such, we do not have a detailed breakdown of the cost involved.

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)02

(Question Serial No. S0023)

Head: (28) Civil Aviation Department

Subhead (No. & title): (-) Not Specified

Programme: (6) Air Passenger Departure Tax Administration

Controlling Officer: Director-General of Civil Aviation (Norman LO)

Director of Bureau: Secretary for Financial Services and the Treasury

This question originates from: Estimates on Expenditure Volume 1 Page 112 (if applicable)

Question:

According to the figures provided by the Administration (Reply Serial No. FSTB(Tsy)007), the number of passengers applying for refund/exemption of the air passenger departure tax ("APDT") in the past five years accounts for a very small percentage of the total number of passengers eligible for tax exemption. In this connection, please advise the staff establishment and costs involved in administering APDT in the Civil Aviation Department ("CAD") in 2013-14.

Asked by: Hon. LEUNG Kenneth

Reply:

APDT administration is part of the regular duties of the Finance Division of the CAD. The department does not have a dedicated establishment for APDT administration. Therefore, there is no separate breakdown on the manpower and costs involved.

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)03

(Question Serial No. S0021)

Head: (76) Inland Revenue Department
Subhead (No. & title): (-) Not Specified
Programme: (3) Investigation and Field Audit
Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)
Director of Bureau: Secretary for Financial Services and the Treasury
This question originates from: Estimates on Expenditure Volume Page (if applicable)

Question:

According to the reply of FSTB (Tsy)051, there were differences between the amounts of back tax and penalty assessed and the amounts of back tax and penalty received in the past 3 years. What are the reasons for the differences? The Inland Revenue Department (IRD) settled several large tax avoidance cases in 2011-12. Please give a brief description of the cases and state the amounts of tax involved.

Asked by: Hon. WONG Kwok-hing

Reply:

The amount of back tax and penalty assessed refers to the total amount of back tax and penalty of cases completed by the Field Audit and Investigation Unit (the Unit) of the Inland Revenue Department (IRD) in the relevant financial year. Having regard to the progress of the cases, some of the relevant demand notes may have been issued prior to the financial year in which the cases are completed. The amount of back tax and penalty collected refers to the total amount of tax and penalty collected by IRD during the same financial year in respect of tax and penalty demand notes issued by the Unit, but the cases with the demand notes issued may not necessarily be completed in the relevant financial year. For the aforementioned reasons, there are differences between the amounts of back tax and penalty assessed and collected in the same financial year.

The secrecy provision in the Inland Revenue Ordinance prohibits IRD from disclosing information of individual cases. In the financial year 2011-12, the Unit completed 10 large tax-avoidance cases each involving over \$100 million. The total amount of back tax and penalty finalized and assessed was about \$3.2 billion. As tax avoidance schemes are usually very complicated and involve overseas associated companies, the audit work is very complex and time-consuming. All of the said 10 avoidance cases were concluded after at least five years of audit work by IRD.

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)04

(Question Serial No. S025)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch)

Subhead (No. & title):

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)
(Ms Elizabeth TSE)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to Reply Serial No. FSTB(Tsy)119, the Working Group has recommended that the use and *modus operandi* of the "Future Fund" should be left open, and the focus should be on when the amount would be drawn. In this regard, how will the Administration determine the appropriate timing? When should the Administration initiate public discussions on the use and *modus operandi* of the "Future Fund"?

Asked by: Hon. TANG Ka-piu

Reply:

The Working Group on Long-Term Fiscal Planning ("Working Group") has recommended to the Financial Secretary the adoption of a comprehensive package of fiscal measures to cope with the fiscal challenges ahead. Such measures include the recommendation that the Government should start saving for the future and establish a savings scheme as soon as practicable. The objective is to set aside a portion of the fiscal reserves and annual surplus, invest these, so that the provision can be released after a designated period to help relieve the fiscal pressure in the future. The Working Group has also suggested that as a discipline, and to avoid the Future Fund being drawn down too readily at the expense of the future generations, there should be a time bar before withdrawals can be contemplated. The rule may be – no withdrawal earlier than ten years from start, or no earlier than after two successive years of budget deficit.

The Government will carefully examine the recommendations put forward by the Working Group and invite it to provide concrete analyses and assessments in detail on some of the recommendations for further consideration.