

## Head 76 — INLAND REVENUE DEPARTMENT

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

**Estimate 2015–16** ..... **\$1,451.1m**

**Establishment ceiling 2015–16** (notional annual mid-point salary value) representing an estimated 2 805 non-directorate posts as at 31 March 2015 rising by one post to 2 806 posts as at 31 March 2016 ..... **\$1,015.2m**

In addition, there will be an estimated 27 directorate posts as at 31 March 2015 and as at 31 March 2016.

### Controlling Officer's Report

#### Programmes

<p><b>Programme (1) Assessing Functions</b>  <b>Programme (2) Collection</b>  <b>Programme (3) Investigation and Field Audit</b>  <b>Programme (4) Taxpayer Services</b></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

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	<b>2015–16 (Estimate)</b>
Financial provision (\$m)	958.4	1,003.4	1,034.4 (+3.1%)	<b>1,046.6</b> (+1.2%)
				(or +4.3% on 2014–15 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 2014–15, the Department continued to enhance the quality and efficiency of its services through a wider use of information technology (IT) and streamlining 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.

6 The key performance measures are:

### *Targets*

	Target	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Plan)
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%) .....	95.0	99.9	95.0	<b>95.0</b>
replies to technical enquiries within 21 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%).....	80.0	90.1	85.0	<b>85.0</b>
individuals (%).....	96.0	97.8	97.0	<b>97.0</b>
salaries tax (%).....	96.0	97.8	97.0	<b>97.0</b>
property tax (%) .....	96.0	97.8	97.0	<b>97.0</b>
personal assessment (%) .....	96.0	97.8	97.0	<b>97.0</b>
<i>Tax returns for first-time taxpayers</i>				
profits tax				
tax returns issued for chargeable cases within three months (%) .....	98	100	98	<b>98</b>
salaries tax				
tax returns issued for taxable cases				
April to November— within three months (%)....	98.0	99.9	99.0	<b>99.0</b>
December to March— within five months (%) .....	98	100	99	<b>99</b>
<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	<b>98.0</b>
<i>Tax reserve certificates</i>				
purchase/redemption transactions completed				
January to June—within 12 working days (%) .....	99	100	99	<b>99</b>
July to December—within nine working days (%).....	99	100	99	<b>99</b>
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>
September to April—within 18 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>
notices of settlement/notifications of decision issued within four months (%).....	98.0	99.9	99.0	<b>99.0</b>
<i>Tax holdover claims</i>				
replies made within 12 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>

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	Target	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (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	<b>99</b>
issued within two working days through GovHK after receipt of stamp duty payment by off-line mode (%) .....	99	100	99	<b>99</b>
processing of requests for stamping of assignments and sale and purchase agreements within five working days (%) .....	98.0	99.7	99.0	<b>99.0</b>
contract notes/lease agreements stamped on the day submitted (%) .....	98.0	99.7	99.0	<b>99.0</b>
claims for exemption in respect of intra-group transfers processed within three months (%) .....	85.0	99.7	90.0	<b>90.0</b>
<i>Business registration</i>				
new business registration certificates applications over the counter issued within 30 minutes (%) .....	99	100	99	<b>99</b>
applications by post or through GovHK issued within two working days (%) .....	99	100	99	<b>99</b>
certified extracts of information issued within the next working day (%) .....	99	100	99	<b>99</b>
change of business registration particulars notifications over the counter updated within 30 minutes (%) .....	97	100	99	<b>99</b>
notifications by post or through GovHK updated within five working days (%) .....	99	100	99	<b>99</b>
<i>Indicators</i>				
		2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Estimate)
<i>Profits tax</i>				
assessments made .....		461 000	453 000	<b>455 000</b>
assessments per post .....		822	807	<b>813</b>
provision per assessment (\$) .....		583.3	631.8	<b>636.5</b>
<i>Salaries tax</i>				
assessments made .....		2 676 000	2 678 000	<b>2 678 000</b>
assessments per post .....		2 859	2 861	<b>2 864</b>
provision per assessment (\$) .....		146.7	155.8	<b>157.9</b>
<i>Property tax</i>				
assessments made .....		571 000	564 000	<b>567 000</b>
assessments per post .....		3 053	3 032	<b>3 048</b>
provision per assessment (\$) .....		136.6	147.3	<b>148.3</b>

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	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Estimate)
<i>Personal assessment</i>			
assessments made.....	374 000	351 000	<b>350 000</b>
assessments per post.....	2 922	2 742	<b>2 756</b>
provision per assessment (\$).....	140.4	159.5	<b>161.4</b>
<i>Objections and appeals</i>			
objections and appeals processed.....	810	810	<b>810</b>
objections and appeals per post.....	32	32	<b>32</b>
provision per objection or appeal (\$).....	27,778	29,630	<b>30,000</b>
<i>Business registration</i>			
business registration certificates (new and renewal)			
certificates issued.....	1 403 000	1 350 000	<b>1 350 000</b>
certificates per post.....	11 315	10 887	<b>10 887</b>
provision per certificate (\$).....	38.1	42.3	<b>42.7</b>
extracts of information			
extracts issued.....	352 000	350 000	<b>350 000</b>
extracts per post.....	12 138	12 069	<b>12 069</b>
provision per extract (\$).....	31.8	34.3	<b>34.6</b>
<i>Stamp duty</i>			
documents stamped.....	1 718 000	1 860 000	<b>1 800 000</b>
stamped documents per post.....	15 907	16 034	<b>15 385</b>
provision per stamped document (\$).....	27.4	29.0	<b>30.4</b>
<i>Estate duty</i>			
cases finalised.....	976	900	<b>900</b>
cases per post.....	325	300	<b>300</b>
provision per case (\$).....	1,844	2,000	<b>2,000</b>
<i>Betting duty</i>			
returns processed.....	265	263	<b>267</b>
returns per post.....	133	132	<b>134</b>
provision per return (\$).....	3,019	3,042	<b>2,996</b>
<i>Tax reserve certificates</i>			
purchase/redemption transactions.....	181 000	182 000	<b>182 000</b>
transactions per post.....	18 100	18 200	<b>18 200</b>
provision per transaction (\$).....	21.0	22.5	<b>22.5</b>

### ***Matters Requiring Special Attention in 2015–16***

7 During 2015–16, 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 in promoting taxpayers' voluntary compliance through publicity programmes and enhanced services, and
- promote the use of electronic services and launch an eTAX enhancement to allow on-line submission of application for exemption from payment of business registration fee and levy.

### **Programme (2): Collection**

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	2015–16 (Estimate)
Financial provision (\$m)	147.8	153.9	158.2 (+2.8%)	<b>160.9</b> (+1.7%)
				(or +4.5% on 2014–15 Original)

### ***Aim***

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

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### *Brief Description*

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

10 During 2014–15, the Department continued to promote the use of electronic services for tax payment.

11 The key performance measures are:

#### *Targets*

	Target	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Plan)</b>
<i>Tax payment</i>				
receipts issued for tax payments made by electronic means within four working days (%) .....	99	100	99	<b>99</b>
<i>Refund of tax</i>				
arising from overpayment of tax in excess of the amount demanded within 18 working days (%).....	98.0	99.9	98.0	<b>98.0</b>
arising from revision of assessment within ten working days (%).....	98	100	99	<b>99</b>

#### *Indicators*

	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Estimate)</b>
<i>Collection of tax</i>			
payments processed.....	3 102 000	3 100 000	<b>3 100 000</b>
payments per post.....	59 654	59 615	<b>59 615</b>
provision per payment (\$).....	8.4	8.9	<b>9.0</b>
<i>Refund of tax</i>			
refunds made.....	508 000	520 000	<b>520 000</b>
refunds per post.....	21 167	21 667	<b>19 259</b>
provision per refund (\$).....	18.9	19.8	<b>21.3</b>
<i>Recovery of tax</i>			
completed recovery cases.....	247 000	245 000	<b>245 000</b>
completed recovery cases per post.....	832	828	<b>828</b>
provision per completed recovery case (\$).....	446.2	480.4	<b>486.9</b>

### *Matters Requiring Special Attention in 2015–16*

12 During 2015–16, the Department will continue to promote the use of electronic payment services.

#### **Programme (3): Investigation and Field Audit**

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	<b>2015–16 (Estimate)</b>
Financial provision (\$m)	201.2	207.0	214.6 (+3.7%)	<b>217.2</b> (+1.2%)
				(or +4.9% on 2014–15 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 2014–15, the Department continued its determined efforts in combatting tax evasion and countering 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	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Plan)</b>
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	90.2	85.0	<b>85.0</b>

#### *Indicators*

	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Estimate)</b>
<i>Field audit and tax investigation</i>			
cases completed.....	1 802	1 800	<b>1 800</b>
back tax and penalty assessed (\$m) .....	2,540.0	2,500.0	<b>2,500.0</b>
cases per post .....	6.7	6.7	<b>6.7</b>
provision per case (\$).....	110,877	118,389	<b>119,833</b>
back tax and penalty per case (\$m).....	1.4	1.4	<b>1.4</b>
back tax and penalty per post (\$m).....	9.5	9.4	<b>9.4</b>
back tax and penalty per dollar of provision (\$).....	12.7	11.7	<b>11.6</b>
<i>Property tax compliance check</i>			
cases completed.....	141 000	164 000@	<b>169 000</b>
back tax assessed (\$m).....	66.4	77.0	<b>80.0</b>
cases per post .....	28 200	32 800	<b>33 800</b>
provision per case (\$).....	9.9	9.1	<b>8.9</b>
back tax per case (\$).....	471	470	<b>473</b>
back tax per post (\$m).....	13.3	15.4	<b>16.0</b>
back tax per dollar of provision (\$).....	47.4	51.3	<b>53.3</b>

@ 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 2015–16*

17 During 2015–16, the Department will continue to exert determined efforts in combatting tax evasion and countering tax avoidance schemes.

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### Programme (4): Taxpayer Services

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	<b>2015–16 (Estimate)</b>
Financial provision (\$m)	24.4	25.2	26.1 (+3.6%)	<b>26.4</b> (+1.1%)
				(or +4.8% on 2014–15 Original)

#### *Aim*

18 The aim is to provide a high 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 from 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 2014. Service hours from Monday to Friday were extended by one and a half hours till 7:00 p.m. and additional service was also provided on Saturday from 9:00 a.m. till 1:00 p.m. 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	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Plan)</b>
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	99.2	98.0	<b>98.0</b>
outside peak hours (%).....	99	100	99	<b>99</b>
connected telephone calls answered within three minutes				
July to April (%) .....	90.0	94.9	95.0	<b>95.0</b>
May to June (%).....	80.0	88.4	87.2	<b>87.0</b>
<i>Complaints</i>				
interim reply within seven working days (%) .....	99	100	99	<b>99</b>
substantial reply within 15 working days (%) .....	99	100	99	<b>99</b>
<i>eTAX Account</i>				
access code notices issued for applications through GovHK within two working days (%) .....	98	100	98	<b>98</b>
electronic receipts issued for tax payments made by electronic means within two working days (%) .....	99	100	99	<b>99</b>

#### *Indicators*

	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Estimate)</b>
<i>Over-the-counter enquiry service</i>			
enquiries .....	368 000	340 000#	<b>340 000</b>
enquiries processed per post .....	13 143	12 143	<b>12 143</b>

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	2013–14 (Actual)	2014–15 (Revised Estimate)	<b>2015–16 (Estimate)</b>
<i>Telephone enquiry service</i>			
enquiries .....	1 429 000	1 450 000	<b>1 450 000</b>
enquiries processed per post .....	38 622	39 189	<b>39 189</b>
<i>Complaints</i>			
complaints processed .....	317	320	<b>320</b>
complaints processed per post.....	106	107	<b>107</b>

# As a result of improved accessibility of tax information through other channels, there is a reduction in the number of counter enquiries.

***Matters Requiring Special Attention in 2015–16***

**22** During 2015–16, 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

	2013-14 (Actual) (\$m)	2014-15 (Original) (\$m)	2014-15 (Revised) (\$m)	2015-16 (Estimate) (\$m)
<b>Programme</b>				
(1) Assessing Functions .....	958.4	1,003.4	1,034.4	<b>1,046.6</b>
(2) Collection .....	147.8	153.9	158.2	<b>160.9</b>
(3) Investigation and Field Audit.....	201.2	207.0	214.6	<b>217.2</b>
(4) Taxpayer Services .....	24.4	25.2	26.1	<b>26.4</b>
	1,331.8	1,389.5	1,433.3 (+3.2%)	<b>1,451.1</b> (+1.2%)
				<b>(or +4.4% on 2014-15 Original)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2015-16 is \$12.2 million (1.2%) higher than the revised estimate for 2014-15. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses.

##### Programme (2)

Provision for 2015-16 is \$2.7 million (1.7%) higher than the revised estimate for 2014-15. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses.

##### Programme (3)

Provision for 2015-16 is \$2.6 million (1.2%) higher than the revised estimate for 2014-15. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses.

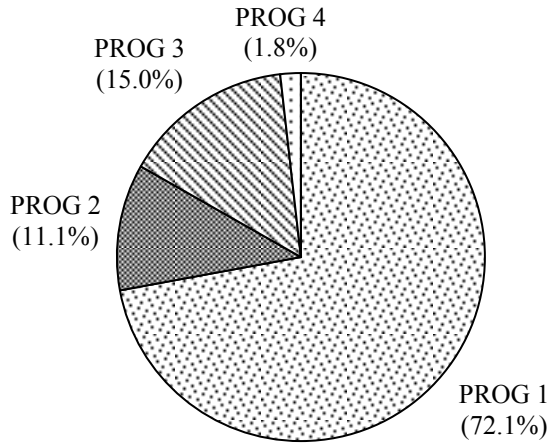
##### Programme (4)

Provision for 2015-16 is \$0.3 million (1.1%) higher than the revised estimate for 2014-15. This is mainly due to the filling of vacancies, salary increments for staff and increase in operating expenses.

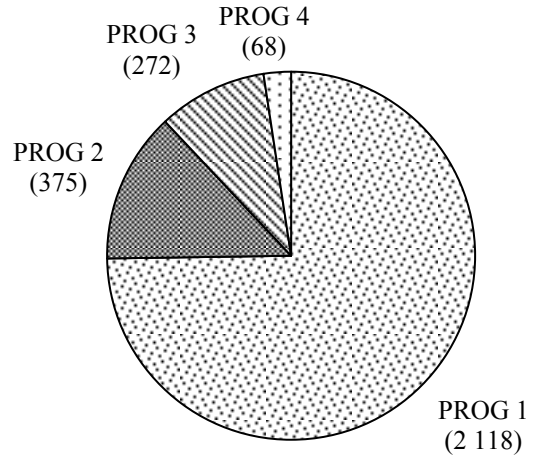
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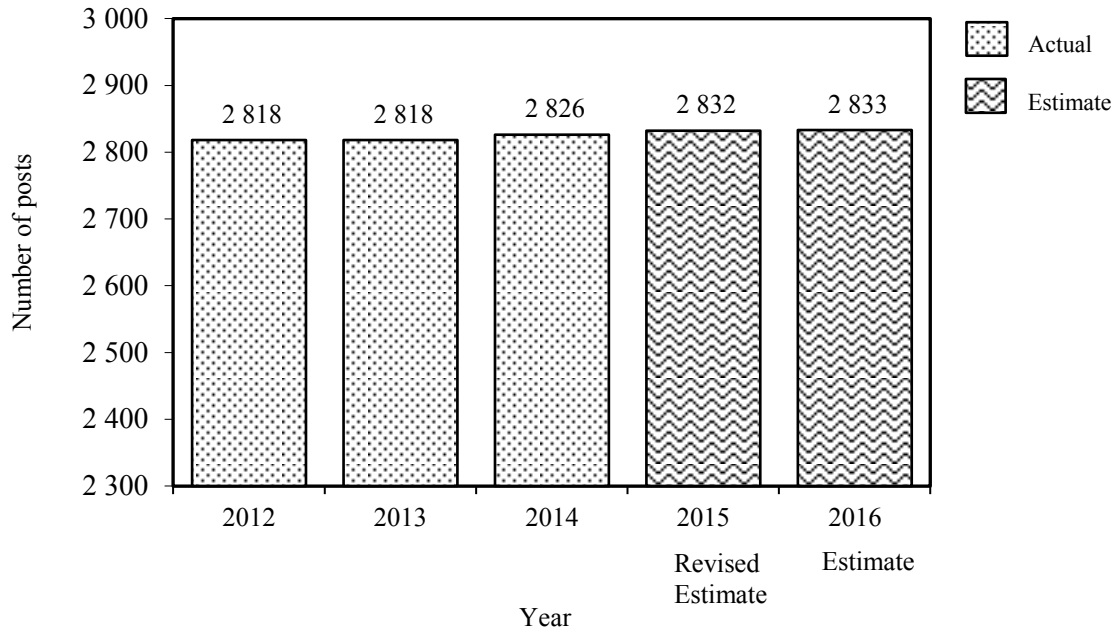
*Allocation of provision  
to programmes  
(2015-16)*



*Staff by programme  
(as at 31 March 2016)*



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



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Sub-head (Code)	Actual expenditure 2013-14	Approved estimate 2014-15	Revised estimate 2014-15	<b>Estimate 2015-16</b>
	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Operating Account</b>				
Recurrent				
000	Operational expenses .....	1,297,700	1,343,798	1,392,798
189	Interest on tax reserve certificates.....	25,783	43,000	38,000
209	Special legal expenses.....	1,961	2,705	2,500
	Total, Recurrent.....	1,325,444	1,389,503	1,433,298
	Total, Operating Account .....	1,325,444	1,389,503	1,433,298
<b>Capital Account</b>				
Plant, Equipment and Works				
	Plant, vehicles and equipment.....	6,360	—	—
	Total, Plant, Equipment and Works.....	6,360	—	—
	Total, Capital Account.....	6,360	—	—
	Total Expenditure .....	1,331,804	1,389,503	1,433,298
		<b>1,331,804</b>	<b>1,389,503</b>	<b>1,433,298</b>
		<b>1,331,804</b>	<b>1,389,503</b>	<b>1,451,062</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2015–16 for the salaries and expenses of the Inland Revenue Department is \$1,451,062,000. This represents an increase of \$17,764,000 over the revised estimate for 2014–15 and of \$119,258,000 over the actual expenditure in 2013–14.

#### *Operating Account*

#### Recurrent

**2** Provision of \$1,410,562,000 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 2015 will be 2 832 permanent posts. It is expected that there will be a net increase of one time-limited post in 2015–16. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2015–16, but the notional annual mid-point salary value of all such posts must not exceed \$1,015,223,000.

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

	2013–14 (Actual) (\$'000)	2014–15 (Original) (\$'000)	2014–15 (Revised) (\$'000)	2015–16 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	1,103,692	1,131,075	1,162,593	<b>1,165,655</b>
- Allowances.....	14,740	17,641	22,315	<b>22,061</b>
- Job-related allowances.....	34	49	24	<b>50</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	2,883	3,047	3,461	<b>3,599</b>
- Civil Service Provident Fund contribution.....	14,196	18,973	20,032	<b>24,004</b>
Departmental Expenses				
- General departmental expenses .....	162,155	173,013	184,373	<b>195,193</b>
	1,297,700	1,343,798	1,392,798	<b>1,410,562</b>

**5** Provision of \$38,000,000 under *Subhead 189 Interest on tax reserve certificates* is for the payment of interest on tax reserve certificates by the Commissioner of Inland Revenue under the Tax Reserve Certificates Ordinance (Cap. 289).

**6** Provision of \$2,500,000 under *Subhead 209 Special legal expenses* is for expenditure on court fees in connection with the registration of writs for tax recovery.