

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

**HEAD 147 – GOVERNMENT SECRETARIAT: FINANCIAL SERVICES
AND THE TREASURY BUREAU (TREASURY BRANCH)**
Subhead 000 Operational expenses

HEAD 76 – INLAND REVENUE DEPARTMENT
Subhead 000 Operational expenses

Members are invited to recommend to the Finance Committee the creation of the following two permanent posts –

- (a) Treasury Branch of the Financial Services and the Treasury Bureau –

1 Administrative Officer Staff Grade C
(D2) (\$161,450 - \$176,550)

- (b) Inland Revenue Department –

1 Chief Assessor
(D1) (\$135,950 - \$148,750)

PROBLEM

The Treasury Branch of the Financial Services and the Treasury Bureau (FSTB(TsyB)) needs to strengthen directorate support on policy and legislative matters on various initiatives regarding Hong Kong's cooperation with the international community on tax matters. Besides, the Inland Revenue Department (IRD) needs continued dedicated directorate support to cope with the increased workload and various policy initiatives relating to stamp duty.

/PROPOSAL.....

PROPOSAL

2. We propose to create –
- (a) one permanent post of Administrative Officer Staff Grade C (AOSGC) (D2) in FSTB(TsyB); and
 - (b) one permanent post of Chief Assessor (CA) (D1) in IRD,
- upon approval of the Finance Committee (FC).

JUSTIFICATIONS**Proposed creation of one permanent AOSGC post in FSTB(TsyB)**

3. The international landscape on tax co-operation has been evolving very rapidly in recent years. The Organisation for Economic Co-operation and Development (OECD) has from time to time put forward new initiatives to enhance tax transparency and combat cross-border tax evasion. These initiatives include the new common reporting standard released in July 2014 for automatic exchange of financial account information in tax matters (AEOI), and the package of measures endorsed by the Group of Twenty (G20) in November 2015 to tackle base erosion and profit shifting (BEPS) of enterprises. As an international financial centre and a responsible member of the international community, Hong Kong has been supportive of these international efforts. Taking forward these initiatives and coping with the evolving standards has given rise to a significant and persistent increase in the workload for both FSTB(TsyB) and IRD.

Implementation of AEOI

4. In relation to AEOI, Hong Kong has joined the other 100 jurisdictions for this global initiative. We amended the Inland Revenue Ordinance (Cap. 112) in June 2016 to put in place a legal framework for implementing AEOI in Hong Kong, and have signed competent authority agreements (CAAs) with two jurisdictions (i.e. Japan and the United Kingdom) for conducting AEOI on a bilateral basis, so that Hong Kong can commence the first automatic exchanges in 2018. Our work, however, does not end there.

5. In the light of OECD / European Union (EU)'s aspiration to widen the AEOI network, Hong Kong needs to demonstrate our commitment by expanding our AEOI network with other tax jurisdictions. We have approached our tax treaty

/partners

partners which are committed to adopting AEOI for CAA discussions, and will seek to conclude as many CAAs as practicable within 2017. While IRD will provide front-line support in CAA discussions, FSTB(TsyB) will need to deal with the policy aspects, take forward the relevant legislative proposals, and oversee the implementation of AEOI in Hong Kong at a strategic level. FSTB(TsyB) will need to work with IRD to prepare for the peer review to be conducted by the Global Forum on Transparency and Exchange of Information for Tax Purposes to assess Hong Kong's compliance with the OECD standard. Moreover, in view of the mounting pressure for jurisdictions to conduct AEOI on a multilateral basis (as against a bilateral approach which Hong Kong has adopted), the Government will need to keep a close watch on the latest developments, and map out our strategy and response accordingly.

Implementation of measures to tackle BEPS

6. BEPS is another international tax cooperation initiative which Hong Kong has to accord high priority to. The package put forward by the OECD in October 2015 covers 15 action plans, which seek to improve the coherence of international tax rules, realign taxation with economic substance and value creation, and promote a transparent tax environment. In June 2016, Hong Kong committed to the OECD on the BEPS package and its consistent implementation. Hong Kong is now an Associate in the inclusive framework established by the OECD for implementing the BEPS package together with another 90 jurisdictions.

7. To take forward Hong Kong's commitment, FSTB(TsyB) conducted a consultation exercise to gauge stakeholders' views on implementation of the BEPS package. We briefed the Panel on 14 December 2016 on the key proposals in the consultation document. FSTB(TsyB) is analysing the views from stakeholders in formulating the way forward and drawing up the relevant legislative proposals. As set out in the consultation paper, Hong Kong will focus on the four minimum standards as well as measures of direct relevance to their implementation. The priority is to put in place the necessary legislative framework for transfer pricing rules which cover the latest guidance from the OECD, spontaneous exchange of information on tax rulings, the country-by-country (CbC) reporting requirement, the cross-border dispute resolution mechanism and the Multilateral Instrument.

8. We have to meet OECD's very tight timeline and aim to introduce the relevant amendment bill(s) into the Legislative Council (LegCo) in the second half of 2017. Given the wide range of measures involved, the challenges of implementing the BEPS package in Hong Kong should not be under-estimated. In developing our implementation strategy, we need to ensure that Hong Kong can meet the international standard without compromising our simple and low tax regime. FSTB(TsyB) will work closely with IRD in taking forward the exercise, and provide the necessary policy steer.

9. While the minimum standards currently set by the OECD only cover four items of the BEPS package, we envisage that jurisdictions would be required to implement the remaining BEPS action plans progressively in the years to come. FSTB(TsyB)'s work commitments on this front will continue to grow in size and complexity.

Expansion of Hong Kong's CDTA and TIEA network

10. Apart from the above initiatives, the Government is committed to expanding Hong Kong's network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) with our trading partners¹. For jurisdictions with no interest to pursue CDTAs with Hong Kong for the time being, Hong Kong may need to sign Tax Information Exchange Agreements (TIEAs)² with them instead. So far, Hong Kong has signed 36 CDTAs (including the latest three with Russia, and Latvia signed in 2016, and with Belarus in January 2017) and seven TIEAs. Negotiations with some ten jurisdictions are under way. Apart from signing CDTAs/TIEAs with new partners, we also need to upgrade the existing agreements from time to time, so as to catch up with the latest international standards.

11. While IRD will provide front-line support in the negotiations of individual CDTAs/TIEAs, FSTB(TsyB) will need to deal with policy issues which may come up arising from the evolving international standards and unique circumstances for individual cases. FSTB(TsyB) will also take forward the relevant legislative proposals in seeking LegCo's ratification of the agreements signed.

International efforts of monitoring compliance by jurisdictions

12. With the proliferation of new standards and new initiatives on tax cooperation, the international community has been placing greater emphasis on the compliance by jurisdictions. Apart from conducting peer reviews for individual initiatives, the OECD and EU have kicked off their respective exercises to draw up lists of 'non-cooperative tax jurisdictions'. The EU has indicated that common counter-measures will be taken by all its member states against the listed jurisdictions. We must monitor these developments closely and demonstrate Hong Kong's commitment towards tax transparency so as to avert risks of the unilateral imposition of any counter measures. Otherwise, there will be severe adverse impact on our economy and the business relationship with our partners. Such work will require coordination within the Government at a strategic level.

/Need

¹ CDTAs are tax agreements which seek to minimize incidence of double taxation between the contracting parties and provide a mechanism for exchange of information between tax authorities. CDTAs are instrumental in fostering the economic, business and investment ties between Hong Kong and the contracting parties concerned.

² TIEAs serve purely as instruments of exchange of information without offering any taxation relief.

Need for strengthened directorate support

13. The Revenue Division of FSTB(TsyB) comprises one Principal Assistant Secretary (PAS(Tsy)(R)) (at the rank of AOSGC), two Assistant Secretaries (at the rank of Senior Administrative Officer) and a few supporting staff. As the Revenue Division is responsible for policy and legislative matters relating to taxation and government revenue, the various initiatives on international tax cooperation are handled by the same division within FSTB(TsyB). Given the rapid evolution of the international tax landscape over the past few years, IRD has strengthened its manpower to deal with the additional workload at the operational level³. For FSTB(TsyB), the Revenue Division has been trying hard to absorb the additional workload with the existing resources. However, given the growing number of initiatives for international tax cooperation and the increase in workload to deal with the policy and legislative aspects of these matters on an on-going basis, the Revenue Division has been stretched to the very limit. The situation has become untenable and FSTB(TsyB) has to set up a dedicated team to handle Hong Kong's cooperation with the international community on tax matters on a long-term basis.

Encl. 1 14. We propose to create one permanent AOSGC post in FSTB(TsyB), to be designated as the Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (Revenue) 2 (PAS(Tsy)(R)2). The proposed job description of PAS(Tsy)(R)2 is at Enclosure 1. The current PAS(Tsy)(R) post will be re-designated as PAS(Tsy)(R)1.

Encl. 2 15. PAS(Tsy)(R)2 will be underpinned by a small team comprising one Administrative Officer, one Executive Officer I, one Personal Secretary I and one Assistant Clerical Officer. These permanent non-directorate posts will be created under the delegated authority along with the creation of the PAS(Tsy)(R)2 post. The existing and proposed organisation charts of FSTB(TsyB) is at Enclosure 2.

Proposed creation of one permanent CA post in IRD

16. With the imminent lapse of the three-year supernumerary CA post in Unit 3 of IRD on 1 April 2017, we propose to create one permanent CA post in the same Unit, to be designated as Chief Assessor (Stamp Office) (CA(SO)), to continue rendering dedicated directorate support on stamp duty related responsibilities.

/Need

³ For IRD, with the approval of the Finance Committee vide EC(2013-14)16, a permanent post of Chief Assessor has been created with effect from 1 April 2014 to oversee the Tax Treaty Section. At the non-directorate level, seven posts have been created in 2016-17, including five permanent posts and two time-limited posts which will expire by 31 March 2021.

Need to strengthen leadership in Unit 3 of IRD

17. IRD has six units and a departmental administration division. Among them, Unit 3, which is headed by an Assistant Commissioner, is responsible for the assessment and collection of stamp duty for transactions of Hong Kong stocks and immovable properties, administration of the Business Registration Ordinance (Cap. 310), matters relating to betting duty in respect of horse races, football matches and lotteries, tax collection and recovery actions in respect of all assessments and levies made under various ordinances⁴ administered by IRD, as well as handling of estate duty cases, etc.

Encl. 3

18. While the other five units in IRD are each underpinned by two to four CAs, there used to be only one CA in Unit 3 (i.e. CA3). Apart from overseeing the day-to-day operation of Unit 3, CA3 also had to take on several additional assignments, including the implementation of system infrastructure enhancement project in Unit 3 and the launch of a new electronic service for business registration targeting small and medium enterprises. To cope with the situation, with approval from the FC vide EC(2013-14)16, we created a supernumerary CA post for three years to strengthen the directorate support for matters relating to stamp duties on 1 April 2014. The existing organisation chart of IRD is at Enclosure 3. The supernumerary post will expire on 31 March 2017. IRD has critically reviewed the manpower situation of Unit 3, and finds it not feasible for CA3 alone to cope with the ever-increasing workload relating to stamp duty on top of his daily tasks upon the expiry of the supernumerary CA post. There is a genuine need to sustain the directorate leadership in Unit 3 by creating the proposed permanent CA post, following the lapse of the supernumerary CA post.

19. The proposed permanent CA post will head the Stamp Office (SO) within Unit 3. The SO oversees, among others, the collection of stamp duty and betting duty, which are amongst the major sources of government revenue. For 2015-16, the stamp duty and betting duty receipts were \$63 billion and \$20 billion respectively, together accounting for 28% of the total revenue collected by IRD in the year. Given SO's important role in collecting stamp duty and betting duty, it is necessary to assign a dedicated directorate officer to head the SO and oversee its daily operation.

Increasing workload from property transactions

20. In recent years, the SO in Unit 3 has to cope with the rapidly increasing workload arising from property transactions. The number of stamp duty cases on property transactions has maintained at a consistently high level (i.e. about 98 000 cases in 2014 and 89 000 cases in 2015).

/21.

⁴ Including the Inland Revenue Ordinance (Cap. 112), Business Registration Ordinance (Cap. 310), Stamp Duty Ordinance (Cap. 117), Betting Duty Ordinance (Cap. 108) and Estate Duty Ordinance (Cap. 111).

21. In addition, the SO has to deal with an escalating number of appeal cases. The number of appeal cases received per annum has surged rapidly, from six cases in 2010-11 to 57 cases in 2015-16, and to 92 cases in the first nine months of 2016-17 (as at end-Dec 2016). As the head of the SO, CA(SO) is responsible for handling these appeal cases, making the submissions to courts, and preparing for the appeal hearings in consultation with the Department of Justice.

22. Volume aside, the stamp duty cases dealt with by the SO have become increasingly complicated. In some complex cases, the stamp duty payers and the SO may hold different views on the interpretation of provisions under the Stamp Duty Ordinance (Cap. 117) (SDO). A directorate officer is essential to help scrutinise these complex cases with his professional knowledge and judgment. It is also incumbent upon the proposed CA(SO) post to ensure that the stamp duty provisions under the SDO are properly administered across different stamp duty cases.

Support services for implementation of various policy initiatives

23. The SO has also been heavily engaged in providing technical support to other policy bureaux in implementing new policy initiatives over the past few years. These include –

- (a) implementation of various demand-side management measures to address the overheated property market;
- (b) stamp duty exemption for transfer of shares or units of exchange traded funds and transactions of regulatory capital securities under Basel III;
- (c) stamp duty arrangement for the new open-ended fund company structure, resolution regime for financial institutions and the uncertificated securities market regime;
- (d) levy collection on behalf of the Property Management Services Authority; and
- (e) implementation of the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and mutual recognition of funds between the Mainland and Hong Kong.

24. The above initiatives pertaining to the SO are highly specialised and time-critical. Most of them involve legislative amendments to the SDO. Given the continued growth of SO's work in terms of scope, volume and complexity, there is a strong need for creating the CA(SO) post in the SO in Unit 3 on a permanent basis.

/25.

- Encl. 4 25. There is a genuine operational need to create the permanent CA(SO) post⁵. The proposed job description is at Enclosure 4. The proposed permanent CA(SO) post will continue to be supported by a team of 24 non-directorate professional posts, namely two Senior Assessors, five Assessors and 17 Assistant Assessors. The proposed organisation chart of Unit 3 (including the SO) is at Enclosure 5.
- Encl. 5

ALTERNATIVES CONSIDERED

- Encls. 6 & 7 26. We have critically examined the option for FSTB(TsyB) and IRD to redeploy internal resources to take up the new tasks. However, all existing Principal Assistant Secretaries (PASs) in FSTB(TsyB) and CAs in IRD are already fully engaged in their existing schedules with distinctively different duties, as set out in Enclosure 6 and Enclosure 7 respectively. We have come to the conclusion that redeployment is neither practicable nor desirable as a long term solution. We have also examined but do not consider it appropriate to create a supernumerary PAS(Tsy)(R)2 post or extend the current supernumerary CA post for another three years having regard to the on-going nature of the additional duties involved.

FINANCIAL IMPLICATIONS

27. The proposed creation of one permanent AOSGC post in FSTB(TsyB) and one permanent CA post in IRD will bring about an additional notional annual salary cost at mid-point of \$3,789,000. The full annual average staff cost, including salaries and staff on-cost is \$5,300,000.

28. For the four non-directorate permanent posts in FSTB(TsyB) as set out in paragraph 15 above, the notional annual salary cost at mid-point is \$2,418,300 and the full annual average staff cost, including salaries and staff on-cost, is \$2,696,000.

29. Subject to FC's approval of the two proposed directorate posts, we will include sufficient provision in the draft Estimates of 2017-18 and subsequent years to meet their costs.

/PUBLIC

⁵ IRD will arrange short-term re-deployment to provide necessary relief for the interim period between 1 April (i.e. after the supernumerary post has expired) and the date of creation of the proposed permanent post.

PUBLIC CONSULTATION

30. We consulted the LegCo Panel on Financial Affairs on 3 January 2017 on the above proposal. Members generally supported the creation of one permanent AOSGC post and one permanent CA post to enhance the directorate support to FSTB(TsyB) and IRD respectively.

ESTABLISHMENT CHANGES

31. The establishment changes in FSTB(TsyB) and IRD in these three years are as follows –

FSTB(TsyB)

Establishment (Note)	Number of posts			
	Existing (As at 1 January 2017)	As at 1 April 2016	As at 1 April 2015	As at 1 April 2014
A	18 [#]	18	18	18
B	46	46	46	46
C	116	116	116	115
Total	180	180	180	179

IRD

Establishment (Note)	Number of posts			
	Existing (As at 1 January 2017)	As at 1 April 2016	As at 1 April 2015	As at 1 April 2014
A	26+(1) [#]	26+(1)	26+(1)	26+(1)
B	357	355	352	352
C	2458	2455	2454	2451
Total	2841+(1)	2836+(1)	2832+(1)	2829+(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 January 2017, there was no unfilled directorate post in FSTB(TsyB) and IRD.

/CIVIL

CIVIL SERVICE BUREAU COMMENTS

32. The Civil Service Bureau supports the proposed creation of one permanent AOSGC post in FSTB(TsyB) and one permanent CA post in IRD. The grading and ranking of the posts are considered appropriate having regard to the level and scope of responsibilities.

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

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

Financial Services and the Treasury Bureau
Inland Revenue Department
January 2017

**Proposed Job Description –
Principal Assistant Secretary for Financial Services and the Treasury
(Treasury) (Revenue) 2**

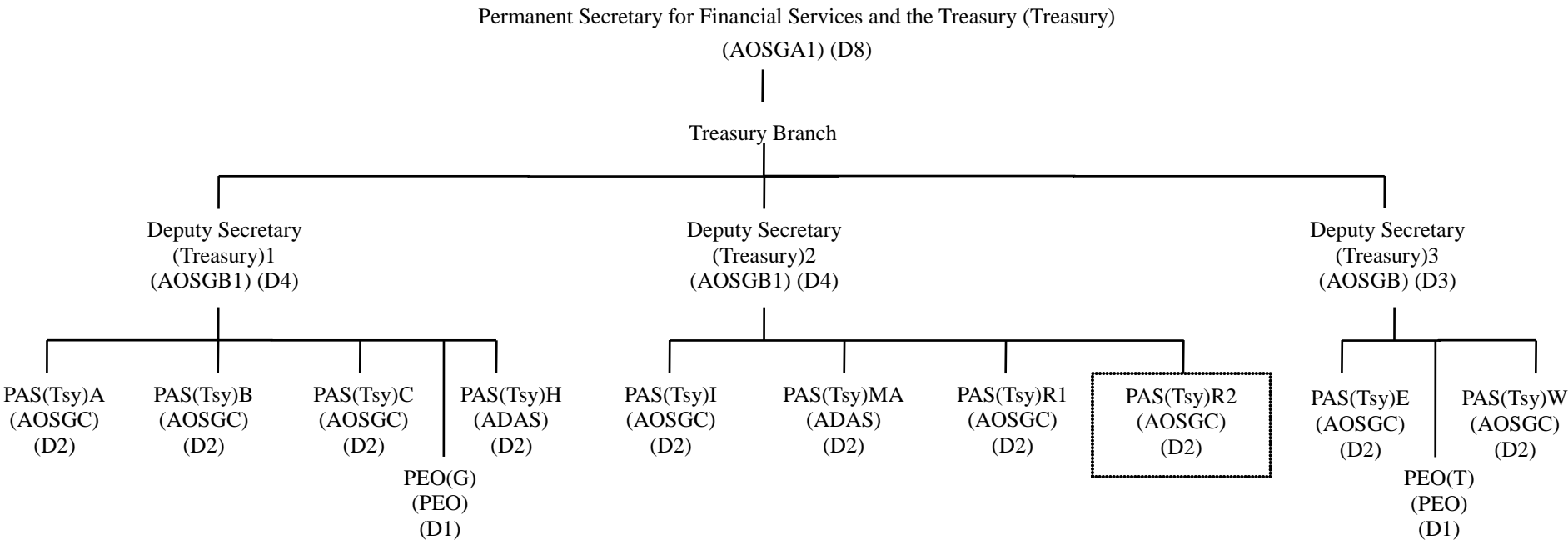
Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary for Financial Services and the
Treasury (Treasury) 2 (D4)

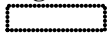
Main Duties and Responsibilities –

1. Policy and legislative matters for tax treaties between Hong Kong and other jurisdictions, including Comprehensive Avoidance of Double Taxation Agreements and Tax Information Exchange Agreements.
2. Policy and legislative matters for exchange of information for tax purposes, including the implementation of automatic exchange of financial account information in tax matters in Hong Kong.
3. Policy and legislative matters for implementation of the Organisation for Economic Co-operation and Development's package to tackle base erosion and profit shifting in Hong Kong.
4. Policy matters concerning Hong Kong's participation in international organizations and conferences relating to tax cooperation, and peer reviews on Hong Kong's compliance with the relevant international standards.
5. Monitoring other on-going and new developments on the international tax landscape and working on the corresponding enhancements for Hong Kong's tax regime.
6. Policy and legislative matters relating to the Inland Revenue Ordinance (Cap. 112).

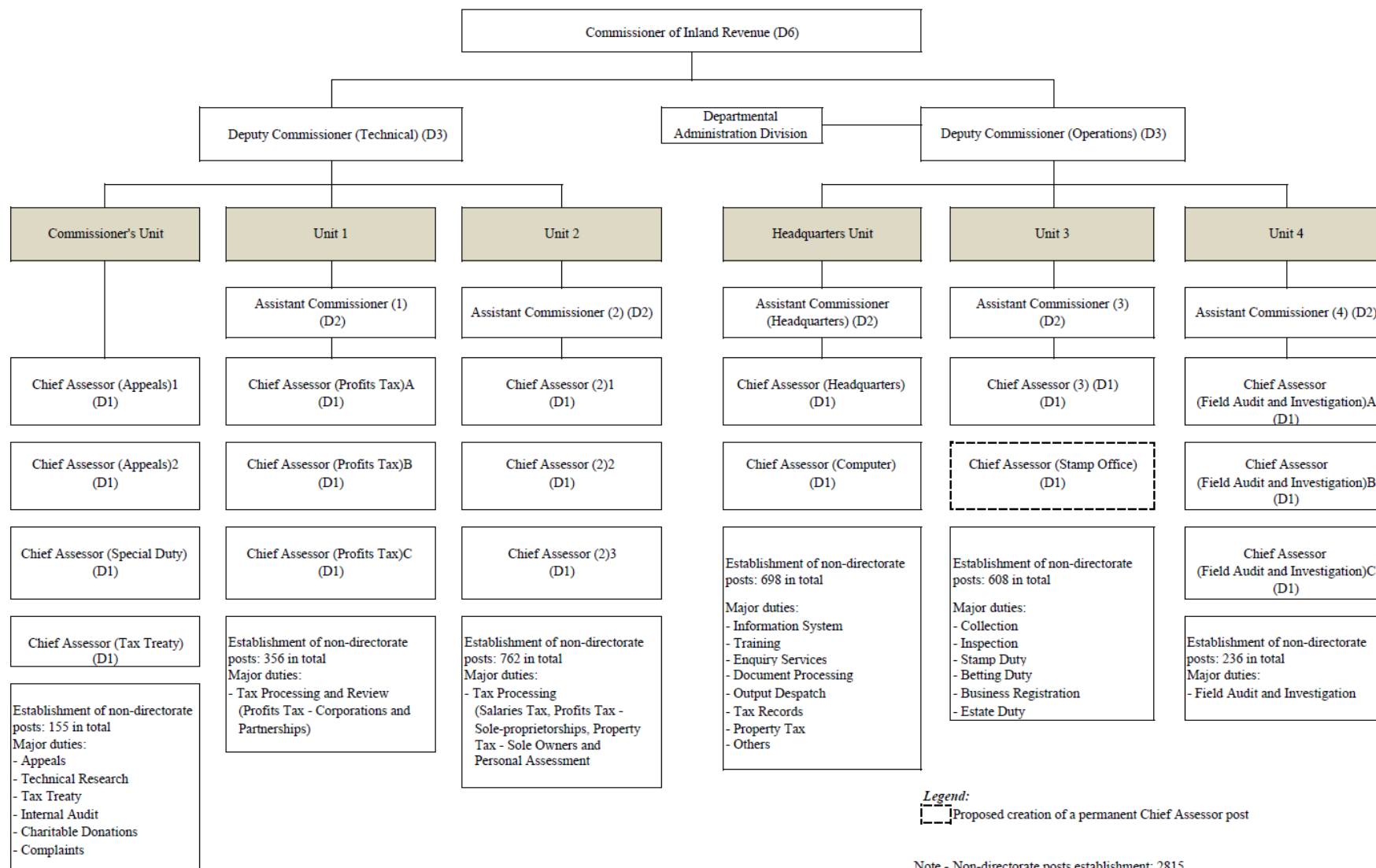
Organisation Chart of the Financial Services and the Treasury Bureau (Treasury Branch)



Legend:

-  - Permanent directorate post to be created
- AOSGA1 - Administrative Officer Staff Grade A1
- AOSGB1 - Administrative Officer Staff Grade B1
- AOSGB - Administrative Officer Staff Grade B
- AOSGC - Administrative Officer Staff Grade C
- ADAS - Assistant Director of the Accounting Services
- PAS(Tsy) - Principal Assistant Secretary for Financial Services and the Treasury (Treasury)
- PEO - Principal Executive Officer
- Note - Non-directorate posts establishment: 162

Organisation Chart of the Inland Revenue Department



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

Rank : Chief Assessor (D1)

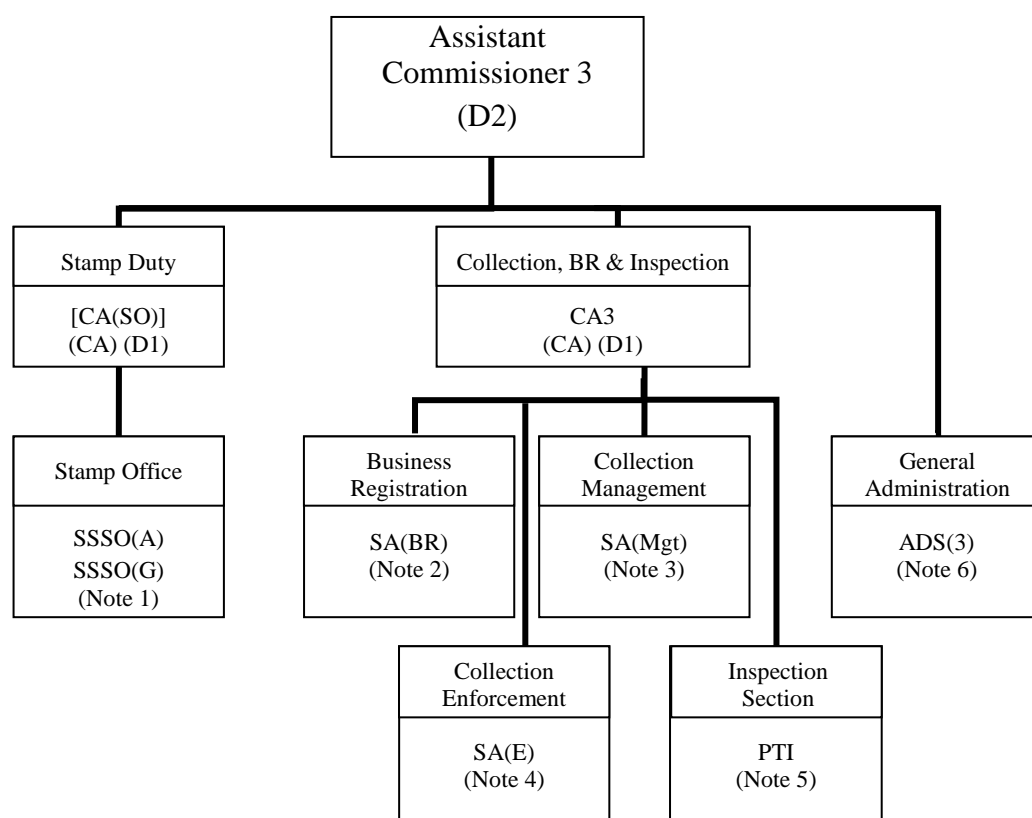
Responsible to : Assistant Commissioner of Inland Revenue 3 (D2)

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 (Cap. 117), 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 (Cap. 117) and Betting Duty Ordinance (Cap. 108).
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 (including Stamp Office) of Inland Revenue Department (IRD)

Unit 3:



Legend

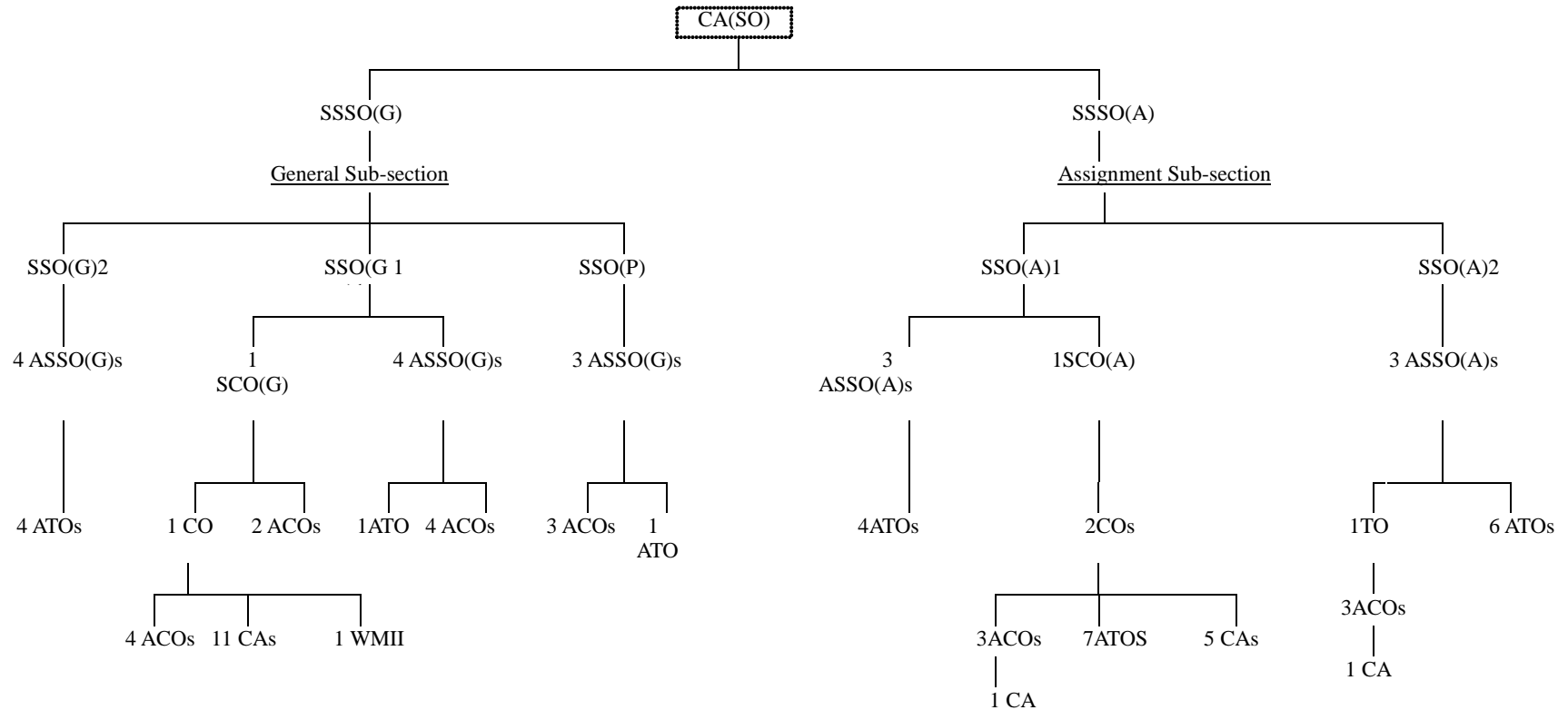
[CA(SO)] - One permanent Chief Assessor (Stamp Office) post proposed to be created

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.

Stamp Office:



Legend:

CA(SO)	-	Chief Assessor (Stamp Office) (permanent post proposed for creation)
SSSO	-	Senior Superintendent of Stamp Office [at the rank of Senior Assessor]
SSO	-	Superintendent of Stamp Office [at the rank of Assessor]
ASSO	-	Assistant Superintendent of Stamp Office [at the rank of Assistant Assessor]
SCO	-	Senior Clerical Officer
CO	-	Clerical Officer
TO	-	Taxation Officer
ACO	-	Assistant Clerical Officer
ATO	-	Assistant Taxation Officer
CA	-	Clerical Assistant

Major duties of existing Principal Assistant Secretaries (PASs) in the Treasury Branch of the Financial Services and the Treasury Bureau (FSTB(TsyB))

The existing PASs under different divisions of FSTB(TsyB) are fully engaged in their respective duties. As shown in the ensuing paragraphs, they each have a heavy portfolio of work, and none of them has the capacity to take on the additional workload in dealing with policy and legislative matters on various initiatives regarding Hong Kong's cooperation with the international community on tax matters.

Division 1

2. PAS(Tsy)(A) is responsible for financial aspects of policies and the use and provision of resources relating to the Food and Health Bureau, Civil Service Bureau, Commerce and Economic Development Bureau, Environment Bureau, Constitutional and Mainland Affairs Bureau and Innovation and Technology Bureau.

3. PAS(Tsy)(B) is responsible for financial aspects of policies and the use and provision of resources relating to the Education Bureau, Labour and Welfare Bureau, Financial Services and the Treasury Bureau, Chief Executive's Office, Director of Administration, Department of Justice, Judiciary, Independent Commission Against Corruption, Legislative Council Commission and The Ombudsman.

4. PAS(Tsy)(C) is responsible for financial aspects of policies and the use and provision of resources relating to the Security Bureau, Development Bureau, Transport and Housing Bureau and Home Affairs Bureau.

5. PAS(Tsy)(H) is responsible for co-ordinating the annual resource allocation exercises; co-ordinating the annual estimates preparation and carrying out the Medium Range Forecast exercise; conducting in-year review of and providing analytical support on matters relating to the overall fiscal and budget position; co-ordinating International Monetary Fund's annual Article IV Consultation relating to fiscal transparency matters and Government Finance Statistics; and co-ordinating central requirements on financial information systems.

/Division 2

Division 2

6. PAS(Tsy)(I) is responsible for financial policy relating to designated public bodies which Government has strong financial interests in; evaluation of proposals for Government to invest in particular projects or to extend loans to third parties; and evaluation of the financial aspects of corporatisation, privatisation and infrastructure-related project proposals.

7. PAS(Tsy)(MA) is responsible for policy, budgeting, financial monitoring and review of fees and charges; assessing the revenue aspects of inter-departmental charging proposals; evaluation of financial viability of proposals referred by bureaux/departments and resource divisions of the Treasury Branch; advising on consultancy briefs and appointment of financial consultants; and providing management accounting support to other divisions of the Treasury Branch.

8. PAS(Tsy)(R) is responsible for policy and resource management matters relating to Inland Revenue Department and Rating and Valuation Department; taxation policy and related legislation; formulating revenue proposals for the Budget; evaluation of revenue implications of major policy proposals; formulation of financial policy in respect of revenue and the preparation of Estimates for Duties, General Rates, Internal Revenue, Motor Vehicle Taxes, Fines, Forfeitures and Penalties, Royalties and Concessions, Properties and Investments, as well as Loans, Reimbursements, Contributions and Other Receipts; liaison with the Joint and Liaison Committee on Taxation; and providing administrative support to Board of Review (Inland Revenue Ordinance).

Division 3

9. PAS(Tsy)(E) is responsible for policy and housekeeping matters relating to Government Logistics Department, Government Property Agency, Treasury, and Property Services Branch of Architectural Services Department; policy for tendering, consultants selection and government procurement; housekeeping matters for Audit Commission; and resource management of the central service departments.

10. PAS(Tsy)(W) is responsible for financial aspects of lands and works, and the use and provision of resources for the respective Heads of Capital Works Reserve Fund; and handling matters in relation to ex-gratia compensation allowances, financial aspects of lands planning and development matters, major infrastructure items under planning and extra-contractual settlement of claims under Government works contracts.

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

The existing CAs under different units of IRD are fully engaged in their respective duties. As shown in the ensuing paragraphs, they each have a heavy portfolio of work, and none of them has the capacity to cope with the increasing workload and support the implementation of policy initiatives relating to stamp duty.

Unit 1

2. 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. The number of files handled by Unit 1 reached 1 300 000. They also have to personally process a total of 35 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 for the reference of taxpayers and practitioners. They also lead transfer pricing negotiations with taxpayers.

Unit 2

3. The three CAs in Unit 2 handle over 2 800 000 tax files for Individuals. They have to oversee 12 Assessing Groups, the Special Assignment Group as well as the Planning and Management Support (P&MS) Group to ensure that all work programmes are carried out and tax assessments under Salaries Tax, Profits Tax, Property Tax and Personal Assessment are issued to taxpayers in a timely manner 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. The CA supervising the P&MS Group and the Special Assignment Group also has to oversee the file maintenance and assessing programme, oversee all system enhancements, plan and initiate desk audit programmes and other post-assessment reviews, and oversee the electronic services provided to taxpayers. The CAs have to 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.

/Unit 3

Unit 3

4. There is only one CA in Unit 3. This CA has to supervise and administer the Unit's operation which includes the Business Registration Office and the Tax Inspection Section, matters relating to tax collection and recovery actions in respect of all assessments and levies made under various ordinances administered by IRD, and oversee the upgrading of the Government Cash Receipting System as well as various computer system enhancement projects. The CA also serves as the unit representative in the Project Assurance Team for Stage III of the SIE Project.

Unit 4

5. The three CAs in Unit 4 lead a total of 22 Field Audit and Investigation Sections, including two Anti-avoidance Sections tackling tax avoidance cases and one Prosecution Section focusing on criminal investigation of tax evasion. They are fully engaged in overseeing and supervising the normal investigation and audit work, as well as reviewing and clearing outstanding cases. Given 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 supervising their subordinates in vigilantly uncovering these complex cases and effectively tackling them.

Headquarters Unit

6. One of the two CAs in the HQs Unit is responsible for overseeing the operation and administration of the Property Tax Section which handles 1 304 000 files for jointly-owned properties. The CA 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 2015-16, these Centres handled 2 252 000 enquiries; processed 4 948 000 inward mails and 8 354 000 returns. The CA is dedicated to overseeing the extension of eTAX services and the integration of eTAX services with *myGovHK*. In addition, the CA will take charge of new projects, including Property Tax System Rewrite, enhancing telephone enquiry services and monitoring e-filing services for employer's returns. He participates in the SIE Project and monitors 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 IRD's various computer systems, formulating functional requirements for new systems and system enhancement, and monitoring and coordinating their implementation. This CA also assists Assistant Commissioner (Headquarters) in the implementation of the SIE Project.

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Commissioner's Unit

7. Of the four CAs in the Commissioner's Unit, two CAs 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. 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 having 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.

8. The third CA in the 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 the Privacy Commissioner for Personal Data; deal with requests under the Code on Access to Information and Production Orders initiated by the Police; prepare the Controlling Officer's Report; oversee the control of advance ruling applications as well as provide assistance to CIR and DCIRs on both technical and administrative matters. The fourth CA in the Unit leads the Tax Treaty Section which is dedicated to handling international tax affairs. Apart from supervising the negotiation, conclusion and implementation of tax treaties, the CA has to follow up closely the development of new standards in the international tax arena and provide support to the senior management and the policy bureau in respect of responses and actions. With Hong Kong's expanding treaty network, from five tax treaties in 2008 to 42 in 2016, the related work has increased significantly, such as negotiations of treaties and dispute resolutions upon implementation. Besides, new international standards on exchange of information and anti-treaty abuses evolved at an accelerating speed. The CA has been fully engaged in the corresponding follow up actions which include attending international tax conferences, assisting in legislative amendment work, preparing for peer reviews on the progress of implementation of the international standards.
