

## **ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE**

### **HEAD 76 – INLAND REVENUE DEPARTMENT Subhead 000 Operational expenses**

Members are invited to recommend to the Finance Committee the creation of the following permanent post in the Inland Revenue Department with effect from 3 April 2018 or upon approval of the Finance Committee, whichever is later –

1 Chief Assessor  
(D1) (\$138,500 - \$151,550)

### **PROBLEM**

The Inland Revenue Department (IRD) needs to strengthen directorate support for spearheading international tax cooperation initiatives.

### **PROPOSAL**

2. We propose to create one permanent post of Chief Assessor (CA) (D1) in IRD, with effect from 3 April 2018 or upon approval of the Finance Committee, whichever is later.

### **JUSTIFICATIONS**

3. The international landscape on tax cooperation has been evolving very rapidly in recent years. The Organisation for Economic Co-operation and Development (OECD) has put forward new initiatives to enhance tax transparency and combat cross-border tax evasion. These initiatives include the common reporting standard released in July 2014 for automatic exchange of financial

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account information in tax matters (AEOI), and the package of measures released in October 2015 to combat base erosion and profit shifting (BEPS) by enterprises. As an international financial centre and a responsible member of the international community, Hong Kong has committed to taking forward these initiatives. This has increased the workload of the Tax Treaty Section (TT Section) of IRD significantly.

4. Besides, there has been a strong call to expand Hong Kong's Comprehensive Double Taxation Agreement (CDTA) network. Hong Kong has so far concluded CDTAs with 38 tax jurisdictions, covering 12 of the top 20 trading partners of Hong Kong. A list of our CDTA partners is at Enclosure 1.

5. The TT Section is currently headed by one CA designated as CA(TT), underpinned by six teams each headed by a Senior Assessor (SA). The organisation chart of the TT Section is at Enclosure 2. The current CA post in the TT Section was created in April 2014 to deal with the additional workload arising from the planned expansion of Hong Kong's network of CDTA and Tax Information Exchange Agreement (TIEA) at that time<sup>1</sup>; the subsequent implementation issues such as handling exchange of information (EOI) on request and applications for Certificate of Resident Status (CoR), negotiations on advance pricing arrangement (APA), and the conduct of mutual agreement procedure (MAP) (including arbitration); as well as involvement in other international tax matters. However, given the widening scope for international tax cooperation and the consequent increase in workload, the TT Section has been stretched to its capacity limit and the situation has become increasingly unsustainable.

6. There is an imminent need for IRD to increase the staffing support for the TT Section to cope with the additional workload<sup>2</sup>. It is also essential to strengthen the TT Section's directorate support to meet the challenges ahead. We therefore propose to create an additional permanent CA post with justifications set out in paragraphs 7 to 24 below.

#### *To further expand Hong Kong's CDTA network*

7. As announced in the 2017 Policy Address, we will continue to identify potential CDTA partners, especially countries along the Belt and Road. Quite a number of them are emerging economies with huge business opportunities

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<sup>1</sup> So far, we have signed TIEAs with seven jurisdictions, namely the United States, Norway, Denmark, Sweden, Iceland, Greenland and the Faroes.

<sup>2</sup> With the approval of the Finance Committee, a permanent post of Administrative Officer Staff Grade C (D2) in the Treasury Branch of the Financial Services and the Treasury Bureau has been created with effect from 3 November 2017 to strengthen the support for dealing with policy and legislative matters on various initiatives regarding Hong Kong's cooperation with the international community on tax matters. The holder of the new directorate post leads a team of four non-directorate officers.

and development potential while our CDTA network currently covers only 19 of these countries. The Government is committed to further expanding Hong Kong's CDTA network, bringing the total number of such agreements to 50 over the next few years.

8. International tax is a highly specialised area, and CDTA negotiations are normally handled by officials from the tax authorities or ministries of finance with rich experience in tax treaty negotiations. There is a practical need for IRD to enhance the directorate leadership to steer CDTA negotiation strategies and to head Hong Kong's delegation. In practice, strategic planning and detailed research on the tax system and tax treaty policy of negotiation partners are key to the success in CDTA negotiations. Such preparatory work is intensive, technical and resource-demanding. So far, the negotiation work is mainly headed by the Deputy Commissioner of Inland Revenue (Technical) (DCIR(T)), with the assistance of CA(TT). As both DCIR(T) and CA(TT) have been fully stretched by their heavy workload, it is imperative to have an additional directorate officer to share out the leadership role in CDTA negotiations.

9. With more CDTAs entering into force, the numbers of EOI requests from treaty partners and applications for CoR from Hong Kong residents for claiming treaty benefits received by IRD have been soaring over the past six years as shown in the table below –

<b>Year</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>EOI requests<sup>3</sup></b>	13	24	76	144	201	495
<b>CoR applications</b>	1 904	2 664	3 611	3 649	4 748	6 895

10. Volume aside, some of the EOI requests are becoming increasingly complicated and highly demanding. IRD handles every case very cautiously in order to observe the requirements specified in the Inland Revenue (Disclosure of Information) Rules (Cap. 112 BI) (Disclosure Rules). In particular, the Disclosure Rules require that the decision on whether to accede to an EOI request has to be made personally by a directorate officer authorised by the Commissioner of Inland Revenue so as to safeguard the privacy of taxpayers and the confidentiality of information exchanged. Besides, it is an international practice to complete EOI

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<sup>3</sup> Including EOI requests from the United States relating to the implementation of Foreign Account Tax Compliance Act.

within 90 days upon request. As for the handling of CoR applications, steer from a directorate officer is sought from time to time, and his/her decision is required in all dispute cases. The existing manpower of IRD at the directorate level renders it difficult to provide the necessary leadership support.

*To ensure effective implementation of AEOI*

11. In September 2014, Hong Kong indicated its support for implementing AEOI with a view to commencing the first exchanges by the end of 2018. AEOI is a regime completely different from EOI on request. In June 2016, we amended the Inland Revenue Ordinance (Cap. 112) to put in place a legal framework for the implementation of AEOI in Hong Kong. There are now 75 'reportable jurisdictions' under our AEOI regime.

12. The TT Section has been heavily involved in the preparatory work for AEOI. These include developing the AEOI Portal to facilitate financial institutions (FIs) to furnish returns and notifications for AEOI purposes; preparing guidelines, pamphlets and FAQs; conducting briefing sessions for FIs; setting up telephone hotlines and email accounts to handle enquiries; and testing the interface with the Common Transmission System developed by the OECD. Starting from 2018, the TT Section will call for AEOI returns from FIs in January each year, which will be due in the middle of the same year. The TT Section will need to take follow-up actions on the returns as well as enforcement to ensure compliance.

13. Meanwhile, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) under the OECD has put in place a 'Staged Approach' to monitor, assess and assist the implementation of the AEOI standards by jurisdictions. Further, a full peer review process of the AEOI implementation will commence in 2020. It is imperative to strengthen the directorate support in IRD to ensure effective implementation of AEOI in accordance with the required standards and oversee the peer review process.

*To ensure effective implementation of measures to tackle BEPS*

14. The BEPS package promulgated by the OECD seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises (MNE) to artificially shift profits to low or no-tax locations where there is little or no economic activity. In June 2016, Hong Kong indicated its commitment to implementing the BEPS package.

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15. We have introduced the Inland Revenue (Amendment) (No. 6) Bill 2017 (Amendment Bill No. 6) into the Legislative Council (LegCo) on 10 January 2018 to address BEPS-related matters, including the transfer pricing regulatory framework, country-by-country (CbC) reporting and dispute resolution. In parallel, we are also working on another legislative proposal to give effect to the Multilateral Instrument<sup>4</sup> in Hong Kong for the purpose of modifying the existing CDTAs in a synchronised and efficient manner. Given the wide range of measures involved, the workload for the TT Section will grow substantially. Meanwhile, the OECD will conduct a comprehensive peer review on all participating jurisdictions to assess their compliance with the anti-BEPS requirements. It will be crucial for IRD to strengthen the directorate support of the TT Section as soon as possible to ensure the effective implementation of the BEPS package in Hong Kong and oversee the peer review process.

*To cope with the increased workload arising from the Multilateral Convention on Mutual Administrative Assistance in Tax Matters*

16. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention), jointly developed by OECD and the Council of Europe, provides for all possible forms of administrative cooperation between state parties in the assessment and collection of taxes with a view to combating tax avoidance and evasion. The Multilateral Convention has been open for signature by states since 1 June 2011. As at 15 December 2017, 116 jurisdictions participated in the Multilateral Convention, of which 15 jurisdictions are covered by territorial extension.

17. We introduced the Inland Revenue (Amendment) (No. 5) Bill 2017 (Amendment Bill No. 5) into the LegCo on 18 October 2017 to pave the way for the extension of the Multilateral Convention to Hong Kong. This will enable Hong Kong to take a multilateral approach in implementing AEOI and taking forward the automatic exchange of CbC reports and spontaneous exchange of information (SEOI) on tax rulings under the BEPS package<sup>5</sup>. The Amendment Bill No. 5 was passed by the LegCo on 24 January 2018. Even though less time would be spent on negotiations for bilateral AEOI arrangements after the Multilateral Convention has

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<sup>4</sup> As one of the action plans under the BEPS package, the Multilateral Instrument seeks to ensure swift, co-ordinated and consistent implementation of treaty-related BEPS measures in a multilateral context. Hong Kong obtained the endorsement of the Central People's Government in December 2016 to extend the application of the Multilateral Instrument to Hong Kong. On 7 June 2017, China became a signatory of the Multilateral Instrument and Hong Kong was covered by way of territorial extension.

<sup>5</sup> Automatic exchange of CbC reports and SEOI on tax rulings are minimum standards of the BEPS package.

entered into force in Hong Kong, the number of our EOI partners will rise from 45 at present to all participating jurisdictions of the Multilateral Convention (i.e. 116), leading to a surge in both the number and complexity of EOI requests to be handled. There is a genuine need to have one more directorate officer in the TT Section to process EOI requests timely and effectively in accordance with the statutory procedures.

*To cope with the increased workload attributable to MAP and APA*

18. As mentioned in paragraph 15 above, we have introduced the Amendment Bill No. 6 into LegCo on 10 January 2018 on BEPS-related matters including codification of the international transfer pricing standard into our domestic legislation such that enterprises operating in Hong Kong will be required to transact with their associated enterprises at arm's length. The number of cross-border treaty-related disputes requiring resolution via MAP or arbitration will inevitably increase thereafter. As one of the minimum standards of the BEPS package, we will establish a statutory dispute resolution mechanism so as to resolve such disputes in a timely, effective and efficient manner. The OECD's peer review on this minimum standard is scheduled to be conducted on Hong Kong at the end of 2018. To prepare for the peer review process, IRD will promulgate a set of rules, guidelines and procedures relating to MAP. An additional directorate officer is urgently required to oversee the preparatory work and ensure the effective operation of the statutory dispute resolution mechanism.

19. Since 2012, IRD has been implementing an APA regime which seeks to provide enterprises with an opportunity to reach prior agreement with IRD on the method of applying the arm's length principle to major transactions or arrangements between associated enterprises. With the implementation of statutory transfer pricing rules, we anticipate that there will be a rising demand for APAs, particularly for high-valued transactions within large MNE groups. Legislative proposal has been introduced to strengthen our APA regime by providing it with a statutory basis<sup>6</sup>. As APA cases are highly technical, IRD will have to collect and examine substantial information including comparable pricing information, pricing methodologies and critical assumptions when processing these cases. Strengthening the directorate support at the TT Section will facilitate the processing of APA cases in a timely and effective manner.

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<sup>6</sup> This legislative proposal has been included in the amendment bill on BEPS-related matters as mentioned in paragraph 15 above.

*To participate actively in meetings on international tax cooperation*

20. Over the past few years, IRD has participated more actively in meetings on international tax cooperation. These include meetings of the Global Forum, the Inclusive Framework on BEPS, the Forum on Harmful Tax Practices, the MAP Forum, the Ad Hoc Group on the Multilateral Instrument, the OECD's Annual Tax Treaty meeting and various working parties of OECD's Committee on Fiscal Affairs, etc. Active participation in these international fora enables Hong Kong to keep track of major developments and safeguard our interest. It also demonstrates Hong Kong's commitment to international tax cooperation. They require intensive inputs and technical knowledge from participants to achieve the desired effects. Having an additional directorate officer to participate in these meetings is highly warranted in order to closely monitor the global trend on tax matters and to build up networks with the tax authorities of other jurisdictions for effective communication as and when necessary.

*To plan and supervise the computerisation work of the TT Section*

21. With the development of the AEOI Portal, it is necessary to maintain the system on an ongoing basis so that AEOI can be carried out smoothly and securely. Also, with more functions being carried out by the TT Section, there is a need to develop the IT system further so that the operational efficiency can be enhanced in the long term. As a number of IT enhancements/projects will be launched in the near future, an additional directorate officer is essential for the planning and supervision work.

*To lead the additional teams to be created in the TT Section*

22. As mentioned in paragraph 5, CA(TT) now oversees six teams, each headed by an SA. There is also a support team comprising of three Taxation Officers and three Assistant Taxation Officers. Given the increasing workload arising from various initiatives, three additional teams each comprising of one SA, one Assessor and one Assistant Assessor will be created in the TT Section in 2018-19. In addition, the support team will be strengthened by the creation of one Senior Taxation Officer and three Clerical Assistant posts. Hence 13 new non-directorate permanent posts will be created in the TT Section with effect from 2018-19.

23. The expansion of the TT Section is beyond the effective management span of the existing CA(TT). It is imperative to have an additional CA to share out the management work and strengthen the leadership so as to ensure operational efficiency.

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24. The proposed permanent CA post in the TT Section will be designated as CA(TT)2 whereas CA(TT) will be re-designated as CA(TT)1. Both CAs will directly report to DCIR(T). The proposed job description of CA(TT)2 and the revised job description of CA(TT)1 are at Enclosure 3. CA(TT)2 will share out the heavy workload of the current CA(TT) on various subjects by, for example, geographical locations of the tax treaty partners or negotiation parties. The proposed organisation chart of the TT Section is at Enclosure 4.
- Encl. 3
- Encl. 4

### **ALTERNATIVES CONSIDERED**

25. We have critically examined the option for IRD to redeploy internal resources to take up the new tasks. However, all CAs in IRD are already fully engaged in their existing schedules with distinctively different duties, as set out in Enclosure 5. 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 CA post having regard to the on-going nature of the additional duties involved.
- Encl. 5

### **FINANCIAL IMPLICATIONS**

26. The proposed creation of one permanent CA post in IRD will incur an additional notional annual salary cost at mid-point of \$1,765,200. The full annual average staff cost, including salaries and staff on-cost is \$2,578,000.
27. For the 13 new non-directorate posts as set out in paragraph 22 above, their notional annual salary cost at mid-point is \$9,634,920 and the full annual average staff cost, including salaries and staff on-cost, is \$14,665,000.
28. IRD will include sufficient provision in the draft Estimates of 2018-19 and subsequent years to meet their costs.

### **PUBLIC CONSULTATION**

29. We consulted the LegCo Panel on Financial Affairs on 8 January 2018 on the above proposal. Members generally supported the creation of one permanent CA post to enhance the directorate support in IRD.

### **ESTABLISHMENT CHANGES**

30. The establishment changes in IRD in the past three years are as follows –

**/Establishment .....**

Establishment (Note)	Number of posts			
	Existing (As at 1 January 2018)	As at 1 April 2017	As at 1 April 2016	As at 1 April 2015
A	27	26	26+(1)	26+(1)
B	359	357	355	352
C	2 466	2 457	2455	2454
<b>Total</b>	<b>2 852</b>	<b>2 840</b>	<b>2 836+(1)</b>	<b>2 832+(1)</b>

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

### **CIVIL SERVICE BUREAU COMMENTS**

31. The Civil Service Bureau supports the proposed creation of one permanent CA post in IRD. The grading and ranking of the post are considered appropriate having regard to the level and scope of responsibilities.

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

32. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the proposed grading for the post concerned will be appropriate if the proposal is to be implemented.

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Financial Services and the Treasury Bureau  
Inland Revenue Department  
January 2018

**Enclosure 1 to EC(2017-18)23**

**List of Hong Kong's Comprehensive Double Taxation  
Agreement (CDTA) Partners  
(as at 31 December 2017)**

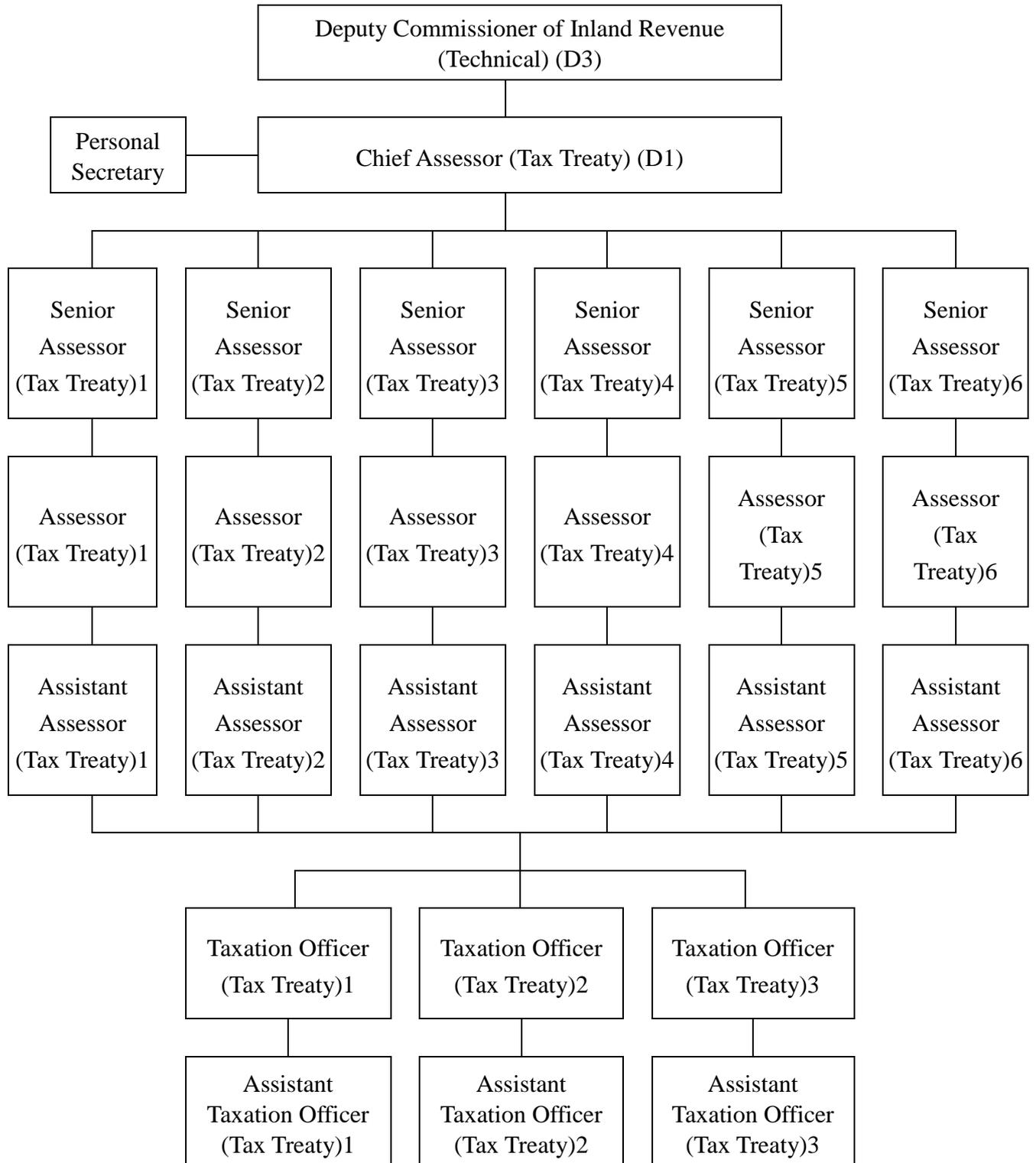
	<b>Jurisdictions</b>	<b>Date of Signing</b>
1	Belgium	10.12.2003
2	Thailand* <sup>#</sup>	7.9.2005
3	Mainland China*	21.8.2006
4	Luxembourg	2.11.2007
5	Vietnam* <sup>#</sup>	16.12.2008
6	Brunei <sup>#</sup>	20.3.2010
7	Netherlands*	22.3.2010
8	Indonesia <sup>#</sup>	23.3.2010
9	Hungary <sup>#</sup>	12.5.2010
10	Kuwait <sup>#</sup>	13.5.2010
11	Austria	25.5.2010
12	United Kingdom*	21.6.2010
13	Ireland	22.6.2010
14	Liechtenstein	12.8.2010
15	France*	21.10.2010
16	Japan*	9.11.2010
17	New Zealand <sup>#</sup>	1.12.2010
18	Portugal	22.3.2011
19	Spain	1.4.2011
20	Czech Republic <sup>#</sup>	6.6.2011
21	Switzerland*	4.10.2011
22	Malta	8.11.2011
23	Jersey	22.2.2012
24	Malaysia* <sup>#</sup>	25.4.2012
25	Mexico	18.6.2012
26	Canada	11.11.2012
27	Italy*	14.1.2013
28	Guernsey	22.4.2013
29	Qatar <sup>#</sup>	15.5.2013

	<b>Jurisdictions</b>	<b>Date of Signing</b>
30	Korea* <sup>#</sup>	8.7.2014
31	South Africa <sup>#</sup>	16.10.2014
32	United Arab Emirates* <sup>#</sup>	11.12.2014
33	Romania <sup>#</sup>	18.11.2015
34	Russia <sup>#</sup>	18.1.2016
35	Latvia <sup>#</sup>	13.4.2016
36	Belarus <sup>#</sup>	16.1.2017
37	Pakistan <sup>#</sup>	17.2.2017
38	Saudi Arabia <sup>#</sup>	24.8.2017

\* *These 12 CDTA partners are among the top 20 trading partners of Hong Kong.*

# *These 19 CDTA partners are Belt and Road countries.*

**Existing Organisation Chart of Tax Treaty Section,  
Inland Revenue Department**  
(Position as at 31 December 2017)



**Proposed Job Description  
Chief Assessor (Tax Treaty) 2**

**Rank** : Chief Assessor (D1)

**Responsible to** : Deputy Commissioner of Inland Revenue (Technical) (D3)

**Main Duties and Responsibilities –**

1. To supervise preparatory work for Comprehensive Double Taxation Agreement (CDTA)/Tax Information Exchange Agreement (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 and other treaty related legislative proposals 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 CDATAs, TIEAs and other multilateral conventions. To monitor the implementation of automatic exchange of financial account information in tax matters (AEOI) and other relevant measures to tackle base erosion and profit shifting relating to automatic exchange of Country-by-Country Reports and spontaneous exchange of tax rulings.
4. To safeguard the privacy of taxpayers and confidentiality of information exchanged under the Inland Revenue (Disclosure of Information) Rules; to personally consider and decide on EOI requests having regard to the 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 Hong Kong/the Inland Revenue Department at meetings on international tax cooperation, including the AEOI Group Meeting, the Forum on Tax Administration, the Mutual Agreement Procedures Forum and the Annual Tax Treaty Meeting.
7. To oversee the IT development and computerisation work of the Tax Treaty Section.

**/Revised .....**

**Revised Job Description  
Chief Assessor (Tax Treaty) 1**

**Rank** : Chief Assessor (D1)

**Responsible to** : Deputy Commissioner of Inland Revenue (Technical) (D3)

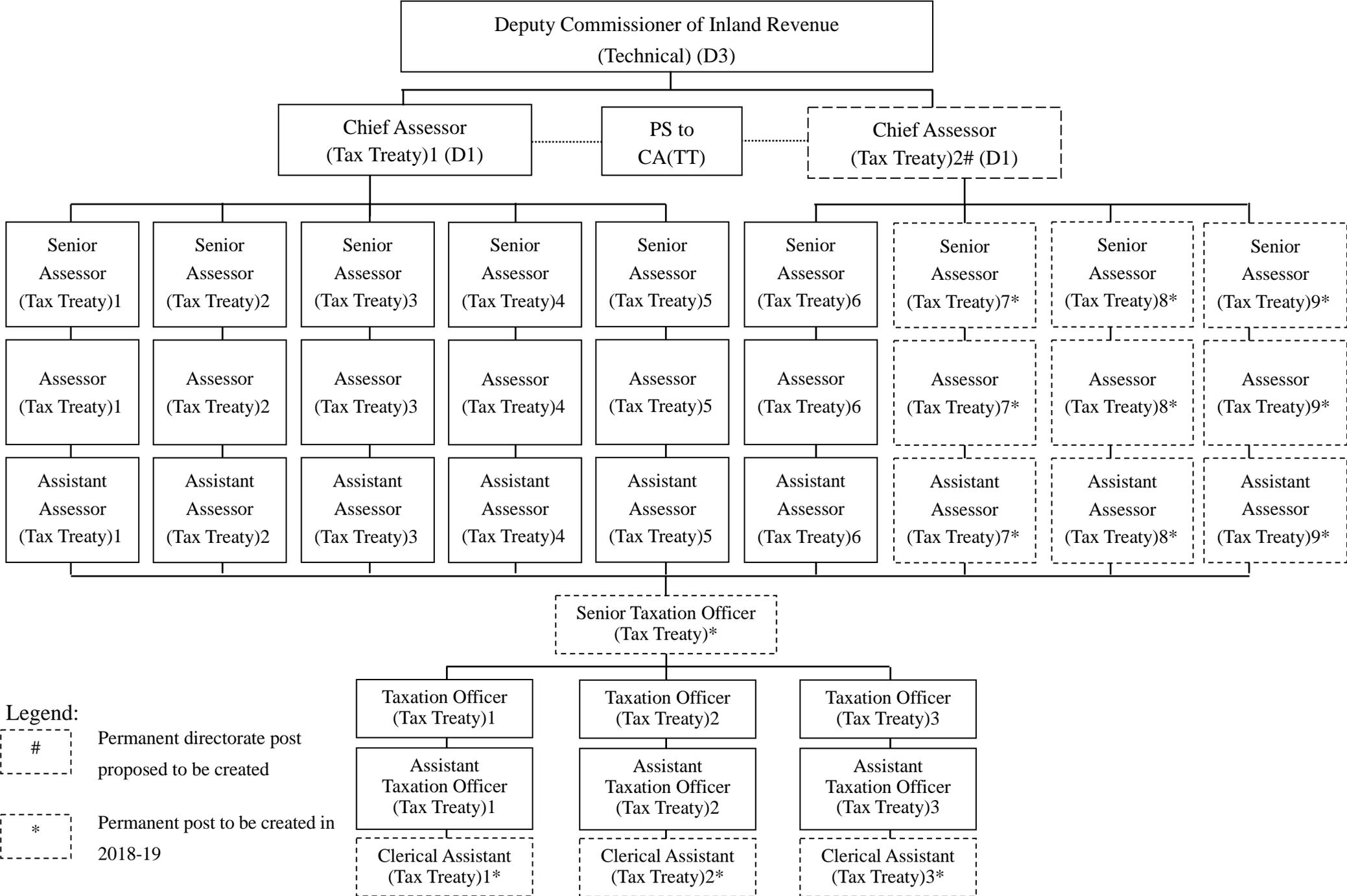
**Main Duties and Responsibilities –**

1. To update the model CDTA and TIEA of Hong Kong in consultation with the Financial Services and the Treasury Bureau (FSTB), 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 and other treaty related legislative proposals for submission to the Executive Council and the Legislative Council.
3. To safeguard the privacy of taxpayers and confidentiality of information exchanged under the Inland Revenue (Disclosure of Information) Rules; to personally consider and decide on EOI requests having regard to the statutory procedures.
4. 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.
5. To maintain and monitor the operating system for processing the applications for certificate of resident status and to give guidance on the determination of residence status.
6. To represent Hong Kong/the Inland Revenue Department at meetings on international tax cooperation, including the Global Forum on Transparency and Exchange of Information for Tax Purposes, the meetings of the Ad Hoc Group on Multilateral Instrument and the Working Party No. 1 of the Organisation for Economic Co-operation and Development Committee of Fiscal Affairs.

7. To oversee the overall administration of the Tax Treaty Section, deciding on human resources management, monitoring work programs and ensuring staff discipline. To work out the tax treaty negotiation programme in consultation with FSTB and to provide FSTB with regular updates on the progress of negotiations and other relevant statistics.
8. To act as the liaison officer of the Tax Treaty Section for the purposes of liaising with other Units on matters regarding the implementation of tax treaties, including EOI, AEOI and Country-by-Country reporting. To develop and update technical and procedural guidance to officers of the Tax Treaty Section.

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**Proposed Organisation Chart of Tax Treaty Section, Inland Revenue Department**



**Legend:**

# Permanent directorate post proposed to be created

\* Permanent post to be created in 2018-19

**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 international tax affairs.

**Unit 1**

2. Each of the three CAs in Unit 1 is responsible for the overall management and supervision 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, objections and desk audit cases are handled promptly, requests for exchange of information by other tax jurisdictions under Hong Kong's tax treaty network referred to Unit 1 are dealt with swiftly and in compliance with the international standards, and applications for advance ruling are handled professionally. The number of files handled by Unit 1 reached 1 340 000. The CAs also have to personally process a total of 32 profits tax files of large corporations which always involve substantial technical issues. From time to time, the CAs have to review and update the IRD Departmental Interpretation and Practice Notes for the reference of taxpayers and practitioners. The CAs also lead preparation and implementation of new tax initiatives (e.g. two-tiered profits tax rates regime and the Organisation for Economic Co-operation and Development's country-by-country reporting) as well as transfer pricing negotiations with taxpayers.

**Unit 2**

3. The three CAs in Unit 2 are responsible for overseeing 12 Assessing Groups, the Special Assignment Group as well as the Planning and Management Support (P&MS) Group to handle over 2 800 000 tax files for Individuals. They manage and supervise over 760 staff 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 individual taxpayers in a timely manner within the current fiscal year. They have to train the staff, give advice and instructions to their subordinates on management and technical matters, review objection and informer cases, etc. One of the CAs has to oversee the service standards and monitor the performance pledges of the Unit. The CA supervising the P&MS Group and the

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Special Assignment Group also has to oversee the file maintenance and assessing programme, oversee all system enhancements to cater for operational and legislative changes, plan and initiate desk audit programmes and other post-assessment reviews, oversee the electronic services provided to taxpayers and participate in Departmental Information Technology Plan Study.

### **Unit 3**

4. One of the two CAs 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 other CA has to supervise and plan for the administration of the Stamp Office, administer and exercise specific duties under the Stamp Duty Ordinance (Cap. 117), make and comment on submissions on procedural and technical matters in relation to the Stamp Office, and to represent IRD in liaising with other Government departments and outside bodies on matters relating to stamp duty and betting duty.

### **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

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Records Centre and the Enquiry Service Centre. In 2016-17, these Centres handled 2 412 000 enquiries; processed 4 960 000 inward mails and 8 485 000 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.

### **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 the Deputy Commissioner of Inland Revenue (DCIR) or Commissioner of Inland Revenue (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 45 in 2017, the related work has increased significantly, such as negotiations of treaties and dispute resolutions upon

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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.

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