

Head 76 — INLAND REVENUE DEPARTMENT

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

Estimate 2019–20 **\$1,721.9m**

Establishment ceiling 2019–20 (notional annual mid-point salary value) representing an estimated 2 861 non-directorate posts as at 31 March 2019 rising by 36 posts to 2 897 posts as at 31 March 2020 **\$1,246.1m**

In addition, there will be an estimated 28 directorate posts as at 31 March 2019 and as at 31 March 2020.

Controlling Officer's Report

Programmes

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

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	1,107.8	1,184.7	1,181.5 (–0.3%)	1,251.3 (+5.9%)
				(or +5.6% on 2018–19 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.

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4 In 2018–19, the Department continued to enhance the quality and efficiency of its services through a wider use of information technology (IT), upgrading internal computer systems and streamlining procedures. Under eTAX at GovHK, services were provided for individual taxpayers to file tax returns, obtain personal tax information, notify changes of personal particulars as well as lodge requests for revision of assessment electronically. They could also select to receive notices and documents related to tax return filing, assessment and tax payment in an electronic form. Electronic filing was available to small corporations and partnerships for their profits tax returns and employers for annual returns and various notifications in respect of their employees. In addition, the Department prepared for the implementation of a number of new tax measures, including the two-tiered profits tax rates regime, enhanced tax deduction for qualifying expenditures incurred in relation to research and development activities, introduction of the Personal Disability Allowance under Salaries Tax and Personal Assessment, and relaxation of the requirement for election of Personal Assessment by allowing married persons the option to elect Personal Assessment separately. The Department also continued with its efforts to expand Hong Kong's tax treaty network, enacted the necessary legislation to implement the latest international standards for enhancing tax transparency and combating tax evasion, and undertook the first automatic exchange of financial account information and country-by-country (CbC) reports with the relevant tax authorities.

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 to employers, individuals, businesses and tax representatives. Information on a wide range of topics was also disseminated to the public through GovHK.

6 The key performance measures are:

Targets

	Target	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%)	96.0	99.9	96.0	96.0
replies to technical enquiries within 21 working days (%)	98.0	99.9	99.0	99.0
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%).....	80.0	86.1	85.0	85.0
individuals (%).....	96.0	96.9	97.0	97.0
salaries tax (%).....	96.0	96.9	97.0	97.0
property tax (%)	96.0	97.9	97.0	97.0
personal assessment (%)	96.0	96.9	97.0	97.0
<i>Tax returns for first-time taxpayers</i>				
profits tax				
tax returns issued for chargeable cases within three months (%)	98	100	98	98
salaries tax				
tax returns issued for taxable cases				
April to November— within three months (%)....	98.0	99.9	99.0	99.0
December to March— within five months (%)	98	100	99	99
<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	100	98	98
<i>Tax reserve certificates</i>				
purchase/redemption transactions completed				
January to June—within 12 working days (%)	99	100	99	99
July to December—within nine working days (%).....	99	100	99	99

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	Target	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%)	98.0	99.9	99.0	99.0
September to April—within 18 working days (%)	98.0	99.9	99.0	99.0
notices of settlement/notifications of decision issued within four months (%)	98.0	99.9	99.0	99.0
<i>Tax holdover claims</i>				
replies made within 12 working days (%)	98.0	99.9	99.0	99.0
<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	99
issued within two working days through GovHK after receipt of stamp duty payment by offline mode (%)	99	100	99	99
processing of requests for stamping of assignments and sale and purchase agreements within five working days (%)	98.0	99.4	99.0	99.0
contract notes/lease agreements stamped on the day submitted (%)	98.0	99.6	99.0	99.0
claims for exemption in respect of intra-group transfers processed within three months (%)	85.0	99.8	90.0	90.0
<i>Business registration</i>				
new business registration certificates applications over the counter issued within 30 minutes (%)	99.0	99.9	99.0	99.0
applications by post or through GovHK issued within two working days (%)	99	100	99	99
certified extracts of information issued within the next working day (%)	99	100	99	99
change of business registration particulars				
notifications over the counter updated within 30 minutes (%)	97.0	99.9	99.0	99.0
notifications by post or through GovHK updated within five working days (%)	99.0	99.6	99.0	99.0

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Indicators

	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
<i>Profits tax</i>			
assessments made.....	466 000	470 000	470 000
assessments per post.....	812	797	767
provision per assessment (\$).....	692.5	740.4	797.0
<i>Salaries tax</i>			
assessments made.....	2 866 000	2 960 000	2 960 000
assessments per post.....	3 042	3 126	3 096
provision per assessment (\$).....	162.0	162.9	171.9
<i>Property tax</i>			
assessments made.....	629 000	650 000	650 000
assessments per post.....	3 400	3 495	3 495
provision per assessment (\$).....	142.9	143.2	149.8
<i>Personal assessment</i>			
assessments made.....	373 000	396 000	425 000
assessments per post.....	2 937	3 118	3 295
provision per assessment (\$).....	164.1	160.4	158.8
<i>Objections and appeals</i>			
objections and appeals processed.....	810	810	810
objections and appeals per post.....	32	32	32
provision per objection or appeal (\$).....	32,099	32,099	33,580
<i>Business registration</i>			
business registration certificates (new and renewal)			
certificates issued.....	1 493 000	1 520 000	1 520 000
certificates per post.....	12 040	12 258	12 258
provision per certificate (\$).....	41.7	42.2	44.1
extracts of information			
extracts issued.....	414 000	420 000	420 000
extracts per post.....	14 276	14 483	14 483
provision per extract (\$).....	31.4	32.1	33.6
<i>Stamp duty</i>			
documents stamped.....	1 734 000	1 820 000§	1 820 000
stamped documents per post.....	14 821	14 000	14 000
provision per stamped document (\$).....	33.6	35.9	37.5
<i>Estate duty</i>			
cases finalised.....	635	560^	560
cases per post.....	212	187	187
provision per case (\$).....	3,150	3,750	3,929
<i>Betting duty</i>			
returns processed.....	274	276	279
returns per post.....	137	138	140
provision per return (\$).....	2,920	3,261	3,226
<i>Tax reserve certificates</i>			
purchase/redemption transactions.....	182 000	182 000	182 000
transactions per post.....	18 200	18 200	18 200
provision per transaction (\$).....	25.3	26.9	28.0

§ The increase in the number of documents stamped is due to the anticipated increase in the number of property and stock transactions.

^ The decrease in the number of estate duty cases finalised is due to the anticipated decrease in the number of new cases.

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Matters Requiring Special Attention in 2019–20

7 During 2019–20, the maintenance of yield from taxes and the development of IT opportunities remain matters of high priority. The Department will:

- continue to promote taxpayers' compliance through publicity programmes and enhanced services;
- continue to promote the use of electronic services and encourage taxpayers to make greater use of eTAX services;
- process claims for new tax measures effective from the year of assessment 2018/19, including the two-tiered profits tax rates regime and enhanced tax deduction for qualifying expenditures incurred in relation to research and development activities;
- strive to expand Hong Kong's network of double taxation agreements;
- prepare for the implementation of transfer pricing documentation and continue to implement the automatic exchange of CbC reports and other measures to take forward the Base Erosion and Profit Shifting package promulgated by the Organisation for Economic Co-operation and Development; and
- continue to implement the automatic exchange of financial account information with the relevant tax authorities.

Programme (2): Collection

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	171.6	177.8	177.8 (—)	186.6 (+4.9%)
				(or +4.9% on 2018–19 Original)

Aim

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

Brief Description

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

10 During 2018–19, the Department continued to promote the use of electronic services for tax payment.

11 The key performance measures are:

Targets

	Target	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
<i>Tax payment</i>				
receipts issued for tax payments made by electronic means within four working days (%).....	99	100	99	99
<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	98.0
arising from revision of assessment within ten working days (%).....	98	100	99	99

Indicators

	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
<i>Collection of tax</i>			
payments processed.....	3 355 000	3 300 000	3 300 000
payments per post.....	68 469	67 347	66 000
provision per payment (\$).....	9.1	9.5	10.1

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	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
<i>Refund of tax</i>			
refunds made	617 000	690 000 ^ψ	620 000
refunds per post	19 903	21 563	20 667
provision per refund (\$)	19.8	18.1	21.0
<i>Recovery of tax</i>			
completed recovery cases	256 000	268 000	268 000
completed recovery cases per post	868	912	905
provision per completed recovery case (\$)	499.6	494.4	517.5

ψ The higher number of refund cases is due to the one-off tax reduction and other budget measures.

Matters Requiring Special Attention in 2019–20

12 During 2019–20, the Department will continue to promote the use of electronic payment services for tax payment.

Programme (3): Investigation and Field Audit

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	233.4	241.8	241.2 (–0.2%)	253.1 (+4.9%)
				(or +4.7% on 2018–19 Original)

Aim

13 The aim is to counter tax evasion, minimise opportunities for tax avoidance and promote compliance by taxpayers.

Brief Description

14 This programme involves:

- tax investigation, imposition of penalties and institution of prosecution proceedings to deter tax evasion;
- field audit, including site visits and examination of accounting records of taxpayers, and promotion of 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 2018–19, the Department continued its determined efforts in combating 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	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	92.5	85.0	85.0

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Indicators

	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
<i>Field audit and tax investigation</i>			
cases completed.....	1 804	1 800	1 800
back tax and penalty assessed (\$m)	2,526.2	2,800.0‡	2,500.0
cases per post	6.8	6.7	6.7
provision per case (\$)	128,437	132,944	139,444
back tax and penalty per case (\$m)	1.4	1.6	1.4
back tax and penalty per post (\$m)	9.5	10.4	9.3
back tax and penalty per dollar of provision (\$)	10.9	11.7	10.0
<i>Property tax compliance check</i>			
cases completed.....	235 000	262 000@	307 000@
back tax assessed (\$m)	114.2	134.0	157.0
cases per post	47 000	52 400	61 400
provision per case (\$)	7.2	7.3	6.8
back tax per case (\$)	486	511	511
back tax per post (\$m)	22.8	26.8	31.4
back tax per dollar of provision (\$)	67.2	70.5	74.8

‡ The higher anticipated amount of back tax and penalty assessed in 2018–19 is due to the settlement of a large tax avoidance case.

@ 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 2019–20

17 During 2019–20, the Department will continue to exert determined efforts in combating tax evasion and countering tax avoidance schemes.

Programme (4): Taxpayer Services

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	28.6	29.6	29.6 (—)	30.9 (+4.4%)
				(or +4.4% on 2018–19 Original)

Aim

18 The aim is to provide quality service to the public through the provision of timely and accurate tax information, thereby promoting 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 investigation of complaints received from members of the public.

20 To assist the public in completing tax returns, the Department extended the service hours of telephone enquiry services in May 2018. 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.

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21 The key performance measures are:

Targets

	Target	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Plan)
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	98.1	98.0	98.0
outside peak hours (%).....	99.0	99.9	99.0	99.0
connected telephone calls answered within three minutes				
July to April (%)	90.0	94.2	95.0	95.0
May to June (%).....	80.0	87.3	89.1	87.0
<i>Complaints</i>				
interim reply within seven working days (%)	99	100	99	99
substantial reply within 15 working days (%)	99	100	99	99
<i>eTAX Account</i>				
access code notices issued for applications through GovHK within two working days (%)	98	100	98	98
electronic receipts issued for tax payments made by electronic means within two working days (%)	99	100	99	99

Indicators

	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
<i>Over-the-counter enquiry service</i>			
enquiries	427 000	427 000	427 000
enquiries processed per post	15 250	15 250	15 250
<i>Telephone enquiry service</i>			
enquiries	1 461 000	1 550 000	1 550 000
enquiries processed per post	39 486	41 892	41 892
<i>Complaints</i>			
complaints processed	255	300	300
complaints processed per post.....	85	100	100

Matters Requiring Special Attention in 2019–20

22 During 2019–20, the Department will continue to deliver quality customer service and promote the wider 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

Programme	2017–18 (Actual) (\$m)	2018–19 (Original) (\$m)	2018–19 (Revised) (\$m)	2019–20 (Estimate) (\$m)
(1) Assessing Functions	1,107.8	1,184.7	1,181.5	1,251.3
(2) Collection	171.6	177.8	177.8	186.6
(3) Investigation and Field Audit.....	233.4	241.8	241.2	253.1
(4) Taxpayer Services	28.6	29.6	29.6	30.9
	1,541.4	1,633.9	1,630.1 (–0.2%)	1,721.9 (+5.6%)

**(or +5.4% on
2018–19 Original)**

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2019–20 is \$69.8 million (5.9%) higher than the revised estimate for 2018–19. The increase is mainly due to the salary increments for staff, filling of vacancies, increase of 34 posts and the increased operating expenses.

Programme (2)

Provision for 2019–20 is \$8.8 million (4.9%) higher than the revised estimate for 2018–19. The increase is mainly due to the salary increments for staff, filling of vacancies, increase of one post and the increased operating expenses.

Programme (3)

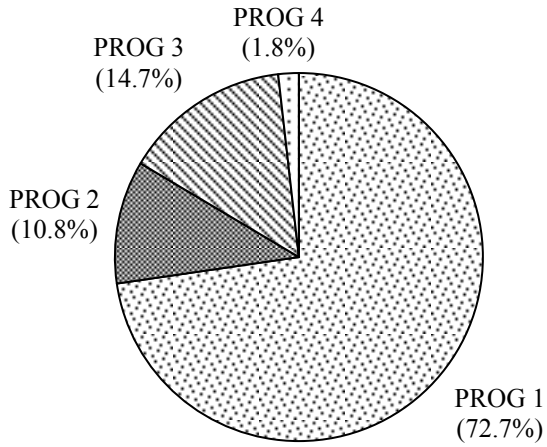
Provision for 2019–20 is \$11.9 million (4.9%) higher than the revised estimate for 2018–19. The increase is mainly due to the salary increments for staff, filling of vacancies, increase of one post and the increased operating expenses.

Programme (4)

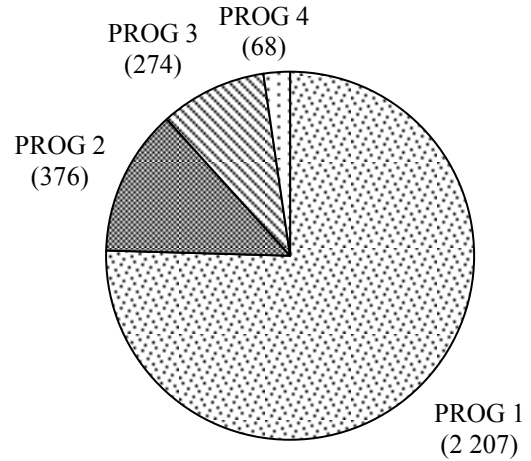
Provision for 2019–20 is \$1.3 million (4.4%) higher than the revised estimate for 2018–19. The increase is mainly due to the salary increments for staff, filling of vacancies and the increased operating expenses.

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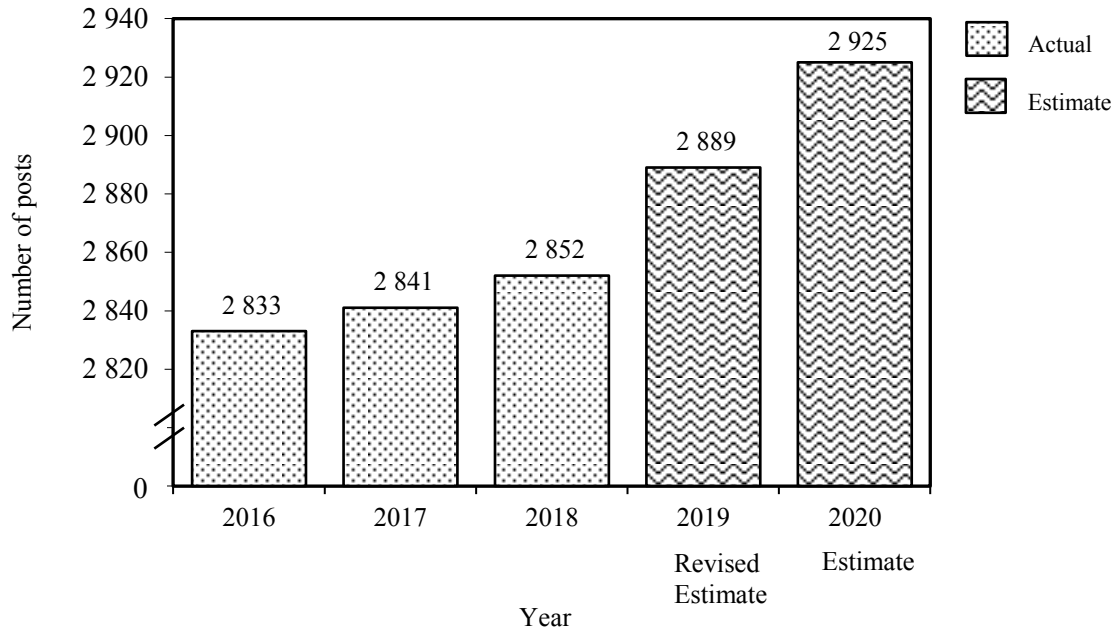
*Allocation of provision
to programmes
(2019-20)*



*Staff by programme
(as at 31 March 2020)*



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



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Sub-head (Code)	Actual expenditure 2017-18	Approved estimate 2018-19	Revised estimate 2018-19	Estimate 2019-20	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,535,534	1,614,397	1,610,640	1,702,302
189	Interest on tax reserve certificates.....	2,740	18,000	18,000	18,000
209	Special legal expenses.....	1,026	1,500	1,500	1,600
	Total, Recurrent.....	1,539,300	1,633,897	1,630,140	1,721,902
	Total, Operating Account	1,539,300	1,633,897	1,630,140	1,721,902
Capital Account					
Plant, Equipment and Works					
	Minor plant, vehicles and equipment (block vote).....	2,101	—	—	—
	Total, Plant, Equipment and Works.....	2,101	—	—	—
	Total, Capital Account.....	2,101	—	—	—
	Total Expenditure	1,541,401	1,633,897	1,630,140	1,721,902

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Details of Expenditure by Subhead

The estimate of the amount required in 2019–20 for the salaries and expenses of the Inland Revenue Department is \$1,721,902,000. This represents an increase of \$91,762,000 over the revised estimate for 2018–19 and \$180,501,000 over the actual expenditure in 2017–18.

Operating Account

Recurrent

2 Provision of \$1,702,302,000 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 2019 will be 2 889 permanent posts. It is expected that there will be a net increase of 36 posts in 2019–20. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2019–20, but the notional annual mid-point salary value of all such posts must not exceed \$1,246,132,000.

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

	2017–18 (Actual) (\$'000)	2018–19 (Original) (\$'000)	2018–19 (Revised) (\$'000)	2019–20 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	1,275,695	1,319,725	1,314,097	1,357,402
- Allowances.....	22,067	26,954	30,997	40,109
- Job-related allowances.....	66	34	61	37
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	4,709	6,339	5,474	7,092
- Civil Service Provident Fund contribution.....	37,488	47,344	44,644	53,958
Departmental Expenses				
- General departmental expenses	195,509	214,001	215,367	243,704
	1,535,534	1,614,397	1,610,640	1,702,302

5 Provision of \$18 million 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 \$1,600,000 under *Subhead 209 Special legal expenses* is for expenditure on court fees in connection with the registration of writs for tax recovery.