

財經事務及庫務局

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By Email (mleung@legco.gov.hk)

12 November 2018

Legislative Council Secretariat
1 Legislative Council Road
Central, Hong Kong
(Attn: Mr Desmond LAM)

Dear Mr LAM,

**Subcommittee on Tax Reserve Certificates (Rate of Interest)
(Consolidation) (Amendment) Notice 2018**

Follow-up to meeting on 6 November 2018

I refer to your letter dated 7 November 2018 enclosing the list of follow-up actions arising from the Subcommittee meeting on 6 November 2018. Please find the Government's response at **Annex**.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Pecvin YONG'.

(Ms Pecvin YONG)
for Secretary for Financial Services
and the Treasury

c.c. Commissioner of Inland Revenue (Attn: Ms Y Y TSE)

**Subcommittee on Tax Reserve Certificates (Rate of Interest)
(Consolidation) (Amendment) Notice 2018**

**Government's Response to the List of Follow-up Actions
Arising from the Meeting on 6 November 2018**

At the meeting of the Subcommittee on Tax Reserve Certificates (Rate of Interest) (Consolidation) (Amendment) Notice 2018 held on 6 November 2018, the Administration was requested to inform the Subcommittee –

- (a) of the respective numbers of objections in respect of tax assessment being processed at the beginning of 2017-2018 and received by the Inland Revenue Department (“IRD”) during the year; among such objection cases –
 - (i) the number of those which were granted “conditional stand-over order” and the respective numbers of such cases which were required to purchase Tax Reserve Certificates and to furnish IRD with a banker's undertaking in respect of the amount of the tax held over; and
 - (ii) the respective numbers of those which were settled with and without determinations of the Commissioner of Inland Revenue (“CIR”), with a breakdown of the former cases by assessment type (e.g. assessments confirmed, assessments reduced, assessments increased and assessment annulled); and
- (b) of the respective numbers of appeals to the Board of Review (Inland Revenue Ordinance) (“the Board”) awaiting hearing or decision of the Board at the beginning of 2017-2018 and received during the year; among such appeal cases, the respective numbers of those which were withdrawn and disposed of with decisions, with a breakdown of the latter cases by decision type (e.g. assessment confirmed, assessment reduced in part, assessments increased and assessments annulled).

2. It is worthy to note that IRD issued about 2.1 million tax demand notes in 2017-18, including around 164 000 on profits tax, 1.8 million on salaries tax and personal assessment, and 140 000 on property tax. The objection statistics should be viewed in context and they are set out below –

(a) Number of objection cases in 2017-18

Objections being processed at the beginning of 2017-18	40 011
Objections received during the year	80 497
Total	120 508

(i) Number of objection cases which were granted conditional stand-over order

Conditional stand-over order granted with Tax Reserve Certificates purchased	1 628
Conditional stand-over order granted with Banker's undertaking	0
Total	1 628

(ii) Number of objection cases settled with and without determinations of the CIR

Cases settled without determination of the CIR	78 695
Cases settled with determination of the CIR	510
- Assessment Confirmed	(285)
- Assessment Reduced	(122)
- Assessment Increased	(97)
- Assessment Annulled	(6)
Total	79 205

(b) Number of appeals to the Board in 2017-18

Appeals awaiting hearing or decisions as at 1 April 2017	32
Appeals received during the year	54
Total	86
- Appeals withdrawn	(21)
- Appeals disposed of with decisions	(34)
- 13 Assessments Confirmed	
- 3 Assessments Reduced	
- 16 Assessments Increased	
- 1 Assessment Annulled	
- 1 Others	
- Appeals awaiting hearing / decision as at 31 March 2018	(31)