

Meeting of the Finance Committee on 2 July 2020

FCR(2020-21)8: Capital Works Reserve Fund

Head 710 – Computerisation

Inland Revenue Department

New Subhead “Enhancement and Relocation of Information Technology Systems and Facilities of the Inland Revenue Department”

Supplementary Information

The Government was requested at the meeting of the Finance Committee on 2 July 2020 to provide supplementary information on the item “Enhancement and Relocation of Information Technology Systems and Facilities of the Inland Revenue Department” (Paper No.: FCR(2020-21)8). The relevant information is set out below.

Life Expectancy and Depreciation Period of the New Information Technology (“IT”) Systems of the Inland Revenue Department (“IRD”)

2. According to the Government’s prevailing “Accrual Accounting Policies and Guidelines” concerning the recognition and depreciation of fixed assets, the depreciation rate for computer hardware and software is 20% per annum. Therefore, the depreciation period of computer hardware and software for the new IT systems of IRD will be five years. Generally speaking, IT systems can continue to operate after expiry of the depreciation period of their hardware and software components, until the systems have aged to such an extent that they require a replacement.

Handling of Taxation Information under “The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region” (“NSL”)

3. Regarding the handling of taxation information under the NSL, Article 62 of the NSL stipulates that the NSL shall prevail where provisions of the local laws of the Hong Kong Special Administrative Region (“HKSAR”) are inconsistent with the NSL. Article 62 of the NSL lays down a rule of principle. Whether the provisions of a local law are inconsistent with the NSL shall be determined according to the actual circumstances and cannot be considered by adopting a generalised approach.

4. Article 50 of the NSL stipulates that the staff of the Office for Safeguarding National Security of the Central People’s Government in the HKSAR (“the Office”) shall abide by the laws of the HKSAR as well as national

laws. Pursuant to Article 61 of the NSL, the relevant departments of the HKSAR Government shall provide necessary facilitation and support to the Office in performing its mandate in accordance with the NSL. These facilitation and support must be provided in accordance with the law, and IRD must also protect the commercial information and the privacy of personal data in accordance with the law.

Project Content and Cost Breakdown

5. The content and cost breakdown of the six items under the IT system development and improvements of IRD are as follows:

(i) Non-recurrent Expenditure for “Enhancement and Relocation of Information Technology Systems and Facilities of the Inland Revenue Department”

							\$'000
	I	II	III	IV	V	VI	Total
	Develop Business Tax Portal	Replace eTAX System with Enhanced Individual Tax Portal	Develop Tax Repre- sentative Portal	Leverage Cloud services	Extend workflow technology	IT Systems and Facilities Relocation	
(a) Hardware	15,795	17,474	1,759	87,592	8,116	48,017	178,753
(b) Software	4,666	2,067	3,591	107,834	1,408	2,896	122,462
(c) Communication network	--	--	--	--	--	432	432
(d) Cloud services	15,547	6,218	9,327	7,256	--	--	38,348
(e) Implementation services	58,363	28,276	15,677	44,325	21,160	7,310	175,111
(f) Contract staff	24,403	13,273	9,549	72,127	15,955	13,469	148,775
(g) Site preparation	--	--	--	--	--	11,085	11,085
(h) Contingency	<u>11,877</u>	<u>6,731</u>	<u>3,990</u>	<u>31,913</u>	<u>4,664</u>	<u>8,321</u>	<u>67,497</u>
Total	130,651	74,039	43,893	351,047	51,303	91,530	742,463

Note: Individual figures may not add up to the total due to rounding.

(ii) Recurrent Expenditure for “Enhancement and Relocation of Information Technology Systems and Facilities of the Inland Revenue Department”

(from 2026-27 onwards)

							\$'000
	I	II	III	IV	V	VI	Total
	Develop Business Tax Portal	Replace eTAX System with Enhanced Individual Tax Portal	Develop Tax Repre- sentative Portal	Leverage Cloud services	Extend workflow technology	IT Systems and Facilities Relocation	
(a) Hardware and software maintenance	3,439	2,914	3,106	19,165	3,174	11,420	43,218
(b) Communication network	--	--	--	--	--	432	432
(c) Cloud services	<u>1,129</u>	<u>452</u>	<u>677</u>	<u>6,775</u>	--	--	<u>9,033</u>
Total	4,568	3,366	3,783	25,940	3,174	11,852	52,683

Note: Individual figures may not add up to the total due to rounding.

**Financial Services and the Treasury Bureau
September 2020**