

**Information Note for the Legislative Council
Panel on Financial Affairs**

**Closure of the Kowloon and Tsuen Wan Sub-offices
of the Inland Revenue Department**

Purpose

We plan to close the Kowloon and the Tsuen Wan Sub-offices of the Inland Revenue Department ["IRD"] effective from 1 August 2003. This paper sets out, for the information of the Panel members, the background and justifications for the proposal.

Background

2. The Chief Executive announced in his 2003 Policy Address on 8 January 2003 a package of measures to reduce the Government's operating expenditure by \$20 billion by 2006-07. In considering measures to achieve cost savings, we are mindful that the essential services provided to the public should not be affected and that there are alternative means of providing the services. After a critical review on the operations and roles of the two IRD sub-offices, we consider it not cost effective to continue with their operation, and propose to close the two sub-offices as an efficiency enhancement measure.

Justifications

Declining Role of the Sub-offices

3. The two sub-offices provide only a limited range of IRD services. The major services they currently provide include tax and fee collection, assessment and collection of stamp duty for simple cases, processing business registration and answering general tax enquiries. We note that with the outsourcing of the collection service, the increasing popularity in electronic payments and the introduction of various electronic services by IRD, there has been a decline in recent years in demand for some of the major services these two sub-offices

provide. Details of consumption of different types of services at the sub-offices are appended at **Annex A**.

Availability of alternative means of providing the same services

4. The closure of the two sub-offices should not have a significant impact on the public as there are alternative means of gaining the services, which are also convenient, as follows-

(a) Tax and fee collection - Taxpayers can make payments by e-means like telephone, via the Internet or bank ATM. They may also pay in person at over 100 Post Offices or by post.

(b) Stamping of instruments – Dutypayers may submit stamping documents by post or in person at our Wanchai Head Office. The existing Stamp Office counters in Wanchai are being expanded to cope with the possible additional demand for services arising from the closure of the two sub-offices. We have also introduced the Stamp Duty (Amendment) Bill 2002, which seeks to amend the Stamp Duty Ordinance to allow for an alternative system of stamping, into the Legislative Council. Under this newly proposed alternative system, dutypayers or their representatives may submit an application through electronic means without presenting the original instruments. Subject to the passage of the amendment legislation, we will implement the new stamping system in mid-2004. The public may then opt for electronic stamping of instruments without having a need to present the documents to IRD in person.

(c) Processing of business registration - Applications for registration of businesses can be conveniently made online through the Electronic Services Delivery [“ESD”] Scheme of the government or by post. Similarly, the counter service of the Business Registration Office in Wanchai will be expanded to serve the possible additional inflow of applicants after the closure of the two sub-offices.

(d) Answering general enquiries, receipt and dispatch of mail etc. – As we have uploaded a full range of tax information onto the IRD website, taxpayers can obtain general tax information and download forms from it. They can submit their Individual Tax returns and Property Tax returns through the Internet or kiosks under the ESD Scheme, or through our telefiling service by

telephone. They can also notify changes in their addresses through the internet, and through both internet and telephone to request for duplicate tax returns and notices of assessments as well as other specific tax information on outstanding tax return, tax assessment issued, details of tax paid or payable and tax reserve certificate account balance. For those taxpayers who wish to receive counter service, they can visit our Central Enquiry Counter in Wanchai.

Savings in Operational Costs

5. By closing the two sub-offices, a total of 18 staff posts may be deleted. We will dovetail the deletion of posts with natural wastage, retirement and re-deployment and no staff will be made redundant. The net annual savings principally in staff cost will be \$7.45M. Operating sub-offices is costly as a skeleton team of staff has to be maintained at all times. Apart from staff cost, there will also be savings in other operation costs. Having regard to the declining utilization rates for both sub-offices, the availability of alternative means of providing the same services, and the general improvement in transport facilities over the past few years, we consider it appropriate to close the two sub-offices.

Way Forward

6. We propose to close the two IRD sub-offices from 1 August 2003. By then, the expansion work to the counters of the Stamp Office and the Business Registration Office in Wanchai have been completed. As the closure is to take place 3 months after the bulk issue of the annual Tax Returns in May, the immediate impact to the public would be contained to a minimum.

Inland Revenue Department
May 2003

Annex A

Table 1 – Payments Made at Sub-offices in 2000-01 to 2002/03

	1.4.2002 to 31.3.2003	1.4.2001 to 31.3.2002	1.4.2000 to 31.3.2001
	No. of transactions	No. of transactions	No. of transactions
Kowloon Sub-office	158,446	186,803	266,331
Tsuen Wan Sub-office	122,643	140,625	194,148
<i>Total by Sub-offices</i>	<i>281,089</i>	<i>327,428</i>	<i>460,479</i>
+/- over last year	-46,339 [or -14%]	-133,051 [or -29%]	-

Total by Department	3,521,466	3,395,327	3,520,694
% processed by Sub-offices	7.98%	9.64%	13.08%

***Table 2 - Number of Documents Stamped by the Sub-offices
in 2000/01 to 2002/03***

	1.4.2002 to 31.3.2003	1.4.2001 to 31.3.2002	1.4.2000 to 31.3.2001
	No. of document	No. of document	No. of document
Kowloon Sub-office	109,842	105,981	109,249
Tsuen Wan Sub-office	50,626	49,093	50,312
<i>Total by Sub-offices</i>	<i>160,468</i>	<i>155,074</i>	<i>159,561</i>
+/- over last year	+5,394 [or +3%]	-4,487 [or -3%]	-

Total by Department	1,117,692	1,060,263	1,089,017
% processed by Sub-offices	14.36%	14.63%	14.65%

**Table 3 –Applications for Business / Branch Registration
Processed by the Sub-Offices for the years 2000/01 to 2002/03**

	1.4.2002 to 31.3.2003	1.4.2001 to 31.3.2002	1.4.2000 to 31.3.2001
	No. of cases	No. of cases	No. of cases
Kowloon Sub-office	24,607	18,327	21,043
Tsuen Wan Sub-office	11,117	7,920	8,973
<i>Total by Sub-offices</i>	35,724	26,247	30,016
+/- over last year	+9,477 [or+36%]	-3,769 [or -13%]	-

Total by Department	116,528	91,109	100,818
% processed by Sub-offices	30.66%	28.80%	29.77%

**Table 4 - Number of Enquiry, Receipt & Dispatch of forms
in 2000/01 to 2002/03**

	1.4.2002 to 31.3.2003	1.4.2001 to 31.3.2002	1.4.2000 to 31.3.2001
	No. of cases	No. of cases	No. of cases
Kowloon Sub-office	250,195	338,727	382,212
Tsuen Wan Sub-office	231,177	207,361	251,749
<i>Total by sub-office</i>	481,372	546,088	633,961
+/- over last year	-64,716 [or -12%]	-87,873 [or -14%]	-

Total by Department	2,751,090	2,782,693	2,697,110
% processed by Sub-offices	17.50%	19.62%	23.51%