

Head 76 — INLAND REVENUE DEPARTMENT

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

Estimate 2021–22 **\$1,822.3m**

Establishment ceiling 2021–22 (notional annual mid-point salary value) representing an estimated 2 911 non-directorate posts as at 31 March 2021 reducing by five posts to 2 906 posts as at 31 March 2022..... **\$1,316.2m**

In addition, there will be an estimated 28 directorate posts as at 31 March 2021 and as at 31 March 2022.

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

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	2021–22 (Estimate)
Financial provision (\$m)	1,236.5	1,319.6	1,305.1 (–1.1%)	1,324.7 (+1.5%)
				(or +0.4% on 2020–21 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 2020–21, the Department continued to enhance the quality and efficiency of its services through 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 electronically. Employers could file annual returns and notifications in respect of their employees while small corporations and partnerships could file their profits tax returns electronically. The e-Stamping of share transfer instruments provided a new service for uploading stamping applications in bulk. The Department also prepared for the introduction of a Chatbot on its website and utilisation of iAM Smart as another means to login to eTAX, file electronic tax returns and request revision of assessments electronically. In addition, the Department processed claims for new tax measures effective from the year of assessment 2019/20, including deductions for qualifying premiums paid under Voluntary Health Insurance Scheme policies, qualifying annuity premiums and tax deductible Mandatory Provident Fund voluntary contributions. The Department also continued with its efforts to expand Hong Kong's tax treaty network and conducted 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	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Plan)
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%)	96.0	99.5	96.0	96.0
replies to technical enquiries within 21 working days (%)	98.0	99.4	99.0	99.0
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%).....	80.0	79.6‡	80.0	85.0
individuals (%).....	96.0	82.2‡	82.0‡	96.0
salaries tax (%).....	96.0	82.2‡	82.0‡	96.0
property tax (%)	96.0	98.5	97.0	97.0
personal assessment (%)	96.0	82.2‡	82.0‡	96.0
<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	100	99	99
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	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Plan)
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%)	98.0	99.6	90.6 [^]	99.0
September to April—within 18 working days (%)	98.0	92.4 [^]	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	82.6 [‡]	95.0 [^]	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	97.7 [^]	98.0	98.0
contract notes/lease agreements stamped on the day submitted (%)				
	98.0	99.5	99.0	99.0
claims for exemption in respect of intra-group transfers processed within three months (%)				
	85.0	92.5	90.0	90.0
<i>Business registration</i>				
new business registration certificates applications over the counter issued within 30 minutes (%)				
	99	100	99	99
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	100	99	99
notifications by post or through GovHK updated within five working days (%)				
	99.0	96.7 [^]	99.0	99.0

[‡] The longer processing time is due to the deferral of the assessing cycle as a result of the late passage of the Inland Revenue (Amendment) (Tax Concessions) Ordinance 2019.

[^] The longer processing time for some cases is due to the implementation of special work arrangements intermittently since end January 2020 in the light of the COVID-19 pandemic.

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Indicators

	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Estimate)
<i>Profits tax</i>			
assessments made.....	451 000	497 000	473 000
assessments per post.....	736	807	769
provision per assessment (\$).....	827.7	786.1	847.6
<i>Salaries tax</i>			
assessments made.....	2 759 000	3 199 000	2 963 000
assessments per post.....	2 886	3 339	3 099
provision per assessment (\$).....	184.6	162.0	176.4
<i>Property tax</i>			
assessments made.....	636 000	692 000	656 000
assessments per post.....	3 419	3 701	3 489
provision per assessment (\$).....	154.9	148.3	159.8
<i>Personal assessment</i>			
assessments made.....	382 000	490 000	429 000
assessments per post.....	2 961	3 740	3 275
provision per assessment (\$).....	179.1	146.1	169.5
<i>Objections and appeals</i>			
objections and appeals processed.....	770	810	810
objections and appeals per post.....	31	32	32
provision per objection or appeal (\$).....	35,714	35,062	35,556
<i>Business registration</i>			
business registration certificates (new and renewal)			
certificates issued.....	1 537 000	1 580 000	1 580 000
certificates per post.....	12 395	12 441	12 540
provision per certificate (\$).....	44.2	46.3	46.7
extracts of information			
extracts issued.....	412 000	440 000	440 000
extracts per post.....	14 207	14 667	14 194
provision per extract (\$).....	34.7	37.0	39.1
<i>Stamp duty</i>			
documents stamped.....	1 600 000	1 650 000	1 650 000
stamped documents per post.....	12 308	12 692	12 992
provision per stamped document (\$).....	41.1	43.2	43.0
<i>Estate duty</i>			
cases finalised.....	458	500	560
cases per post.....	153	167	187
provision per case (\$).....	4,803	4,800	4,286
<i>Betting duty</i>			
returns processed.....	245	150#	277
returns per post.....	123	75	139
provision per return (\$).....	3,673	6,667	3,610
<i>Tax reserve certificates</i>			
purchase/redemption transactions.....	162 000	179 000	169 000
transactions per post.....	16 200	17 900	16 900
provision per transaction (\$).....	29.0	31.3	33.1

The substantial decrease in the number of returns processed in 2020–21 is due to the suspension and reduction of Mark Six Lottery draws during the year in the light of the COVID-19 pandemic.

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Matters Requiring Special Attention in 2021–22

7 During 2021–22, 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;
- introduce a Chatbot on its website and utilise iAM Smart as another means to login to eTAX, file electronic tax returns and request revision of assessments electronically;
- continue to promote the use of electronic services and encourage taxpayers to make greater use of eTAX services;
- strive to expand Hong Kong's network of double taxation agreements;
- continue to conduct the automatic exchange of financial account information and CbC reports with the relevant tax authorities; and
- continue to implement other measures under the Base Erosion and Profit Shifting package promulgated by the Organisation for Economic Co-operation and Development.

Programme (2): Collection

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	2021–22 (Estimate)
Financial provision (\$m)	187.9	195.8	218.5 (+11.6%)	210.8 (–3.5%)
				(or +7.7% on 2020–21 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 2020–21, the Department continued to promote the use of electronic services for tax payment.

11 The key performance measures are:

Targets

	Target	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (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	90.1Φ	98.0	98.0
arising from revision of assessment within ten working days (%).....	98.0	99.8	99.0	99.0

Φ The longer processing time for some cases is due to the implementation of special work arrangements intermittently since end January 2020 in the light of the COVID-19 pandemic.

Indicators

	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Estimate)
<i>Collection of tax</i>			
payments processed.....	2 674 000	4 200 000 ^α	3 400 000
payments per post.....	53 480	80 769	66 667
provision per payment (\$).....	12.6	13.9	14.3

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	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Estimate)
<i>Refund of tax</i>			
refunds made	702 000	795 000 ^β	760 000
refunds per post	23 400	26 500	24 516
provision per refund (\$)	18.7	16.7	18.4
<i>Recovery of tax</i>			
completed recovery cases	132 000	268 000	268 000
completed recovery cases per post	446	905	905
provision per completed recovery case (\$)	1,062.1	541.4	546.6

α The substantial increase in the number of payments processed in 2020–21 is due to the anticipated increase in the number of demand notes fallen due in the year and in the number of settlements by instalments.

β The increase in the number of refunds made in 2020–21 is due to the anticipated increase in the number of assessments made in the year.

Matters Requiring Special Attention in 2021–22

12 During 2021–22, the Department will continue to promote the use of electronic payment services for tax payment.

Programme (3): Investigation and Field Audit

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	2021–22 (Estimate)
Financial provision (\$m)	246.1	264.0	253.0 (–4.2%)	255.0 (+0.8%)
				(or –3.4% on 2020–21 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 2020–21, 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	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Plan)
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	88.2	85.0	85.0

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Indicators

	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Estimate)
<i>Field audit and tax investigation</i>			
cases completed.....	1 716	1 800	1 800
back tax and penalty assessed (\$m)	2,548.5	2,500.0	2,500.0
cases per post	6.4	6.7	6.7
provision per case (\$).....	142,191	139,333	140,389
back tax and penalty per case (\$m).....	1.5	1.4	1.4
back tax and penalty per post (\$m).....	9.5	9.3	9.3
back tax and penalty per dollar of provision (\$).....	10.4	10.0	9.9
<i>Property tax compliance check</i>			
cases completed.....	267 000	316 000	322 000
back tax assessed (\$m).....	118.9	142.0	147.0
cases per post	53 400	63 200	64 400
provision per case (\$).....	7.9	7.0	7.1
back tax per case (\$).....	445	449	457
back tax per post (\$m).....	23.8	28.4	29.4
back tax per dollar of provision (\$).....	56.6	64.5	63.9

Matters Requiring Special Attention in 2021–22

17 During 2021–22, the Department will continue to exert determined efforts in combating tax evasion and countering tax avoidance schemes.

Programme (4): Taxpayer Services

	2019–20 (Actual)	2020–21 (Original)	2020–21 (Revised)	2021–22 (Estimate)
Financial provision (\$m)	31.3	32.3	31.5 (–2.5%)	31.8 (+1.0%)
				(or –1.5% on 2020–21 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 June 2020. 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	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Plan)
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	96.3	93.0 λ	96.0
outside peak hours (%).....	99.0	99.8	98.0 λ	99.0
connected telephone calls answered within three minutes				
July to April (%)	90.0	92.4	88.0 λ	92.0
May to June (%).....	80.0	83.2	86.5	83.0
<i>Complaints</i>				
interim reply within seven working days (%)	99	99	99	99
substantial reply within 15 working days (%)	99.0	98.1 λ	99.0	99.0
<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

λ The longer waiting or processing time for some cases is due to the implementation of special work arrangements intermittently since end January 2020 in the light of the COVID-19 pandemic.

Indicators

	2019–20 (Actual)	2020–21 (Revised Estimate)	2021–22 (Estimate)
<i>Over-the-counter enquiry service</i>			
enquiries	444 000	406 000	460 000
enquiries processed per post	15 857	14 500	16 429
<i>Telephone enquiry service</i>			
enquiries	1 775 000	1 780 000	1 624 000
enquiries processed per post	47 973	48 108	43 892
<i>Complaints</i>			
complaints processed	212	290	300
complaints processed per post.....	71	97	100

Matters Requiring Special Attention in 2021–22

22 During 2021–22, 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

	2019–20 (Actual) (\$m)	2020–21 (Original) (\$m)	2020–21 (Revised) (\$m)	2021–22 (Estimate) (\$m)
Programme				
(1) Assessing Functions.....	1,236.5	1,319.6	1,305.1	1,324.7
(2) Collection.....	187.9	195.8	218.5	210.8
(3) Investigation and Field Audit	246.1	264.0	253.0	255.0
(4) Taxpayer Services.....	31.3	32.3	31.5	31.8
	1,701.8	1,811.7	1,808.1 (-0.2%)	1,822.3 (+0.8%)
				(or +0.6% on 2020–21 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2021–22 is \$19.6 million (1.5%) higher than the revised estimate for 2020–21. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses, partly offset by the decrease of five posts.

Programme (2)

Provision for 2021–22 is \$7.7 million (3.5%) lower than the revised estimate for 2020–21. The decrease is mainly due to the reduced operating expenses, partly offset by the salary increments for staff and filling of vacancies.

Programme (3)

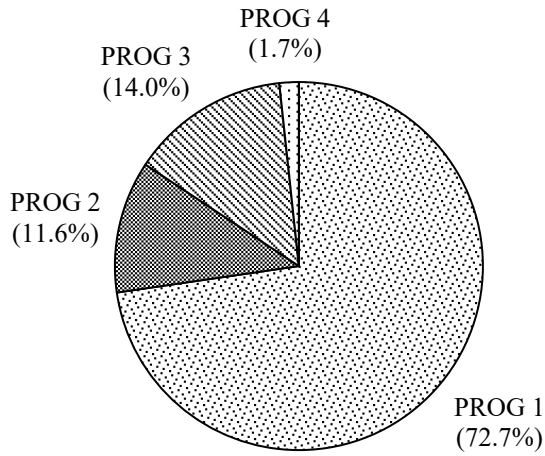
Provision for 2021–22 is \$2.0 million (0.8%) higher than the revised estimate for 2020–21. The increase is mainly due to the salary increments for staff and filling of vacancies, partly offset by the reduced operating expenses.

Programme (4)

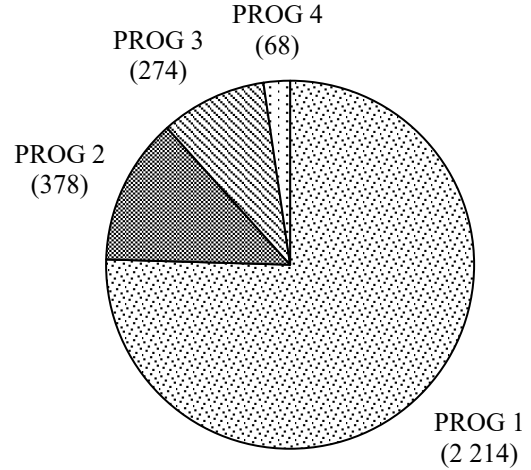
Provision for 2021–22 is \$0.3 million (1.0%) higher than the revised estimate for 2020–21. The increase is mainly due to the salary increments for staff and filling of vacancies, partly offset by the reduced operating expenses.

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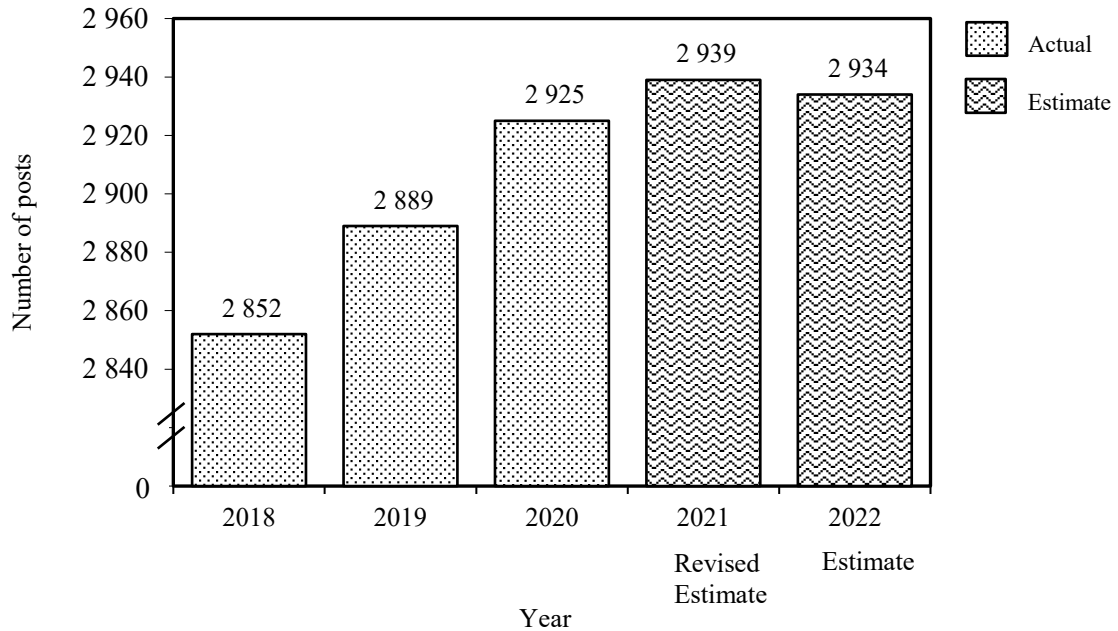
*Allocation of provision
to programmes
(2021-22)*



*Staff by programme
(as at 31 March 2022)*



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



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Sub-head (Code)	Actual expenditure 2019–20	Approved estimate 2020–21	Revised estimate 2020–21	Estimate 2021–22	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,697,163	1,786,082	1,782,549	1,796,697
189	Interest on tax reserve certificates.....	3,719	24,000	24,000	24,000
209	Special legal expenses.....	963	1,600	1,600	1,600
	Total, Recurrent.....	<u>1,701,845</u>	<u>1,811,682</u>	<u>1,808,149</u>	<u>1,822,297</u>
	Total, Operating Account	<u>1,701,845</u>	<u>1,811,682</u>	<u>1,808,149</u>	<u>1,822,297</u>
<hr/>					
	Total Expenditure	<u><u>1,701,845</u></u>	<u><u>1,811,682</u></u>	<u><u>1,808,149</u></u>	<u><u>1,822,297</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2021–22 for the salaries and expenses of the Inland Revenue Department is \$1,822,297,000. This represents an increase of \$14,148,000 over the revised estimate for 2020–21 and \$120,452,000 over the actual expenditure in 2019–20.

Operating Account

Recurrent

2 Provision of \$1,796,697,000 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 2021 will be 2 939 permanent posts. It is expected that there will be a decrease of five posts in 2021–22. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2021–22, but the notional annual mid-point salary value of all such posts must not exceed \$1,316,236,000.

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

	2019–20 (Actual) (\$'000)	2020–21 (Original) (\$'000)	2020–21 (Revised) (\$'000)	2021–22 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	1,384,398	1,427,472	1,393,255	1,417,613
- Allowances	24,003	37,985	42,799	38,659
- Job-related allowances.....	17	58	56	69
Personnel Related Expenses				
- Mandatory Provident Fund contribution	6,139	7,558	6,661	7,258
- Civil Service Provident Fund contribution	54,530	65,284	62,241	74,755
Departmental Expenses				
- General departmental expenses	228,076	247,725	277,537	258,343
	1,697,163	1,786,082	1,782,549	1,796,697

5 Provision of \$24 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.