

## Head 76 — INLAND REVENUE DEPARTMENT

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

**Estimate 2020–21** ..... **\$1,811.7m**

**Establishment ceiling 2020–21** (notional annual mid-point salary value) representing an estimated 2 897 non-directorate posts as at 31 March 2020 rising by 14 posts to 2 911 posts as at 31 March 2021 ..... **\$1,318.9m**

In addition, there will be an estimated 28 directorate posts as at 31 March 2020 and as at 31 March 2021.

### Controlling Officer's Report

#### Programmes

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

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	1,160.6	1,251.3	1,266.1 (+1.2%)	<b>1,319.6</b> (+4.2%)
				(or +5.5% on 2019–20 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 2019–20, 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 electronically. Employers can file annual returns and notifications in respect of their employees while small corporations and partnerships can file their profits tax returns electronically. The Department expanded the e-Stamping services to cover instruments related to stock transactions. In addition, the Department prepared for the implementation of new tax deductions under Salaries Tax and Personal Assessment for qualifying premiums paid under the Voluntary Health Insurance Scheme (VHIS), qualifying annuity premiums and tax deductible Mandatory Provident Fund (MPF) 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	2018–19 (Actual)	2019–20 (Revised Estimate)	<b>2020–21 (Plan)</b>
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%) .....	96.0	99.9	96.0	<b>96.0</b>
replies to technical enquiries within 21 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%) .....	80.0	85.4	85.0	<b>85.0</b>
individuals (%) .....	96	97	87	<b>87</b>
salaries tax (%) .....	96	97	87	<b>87</b>
property tax (%) .....	96.0	98.1	97.0	<b>97.0</b>
personal assessment (%) .....	96	97	87	<b>87</b>
<i>Tax returns for first-time taxpayers</i>				
profits tax				
tax returns issued for chargeable cases within three months (%) .....	98	100	98	<b>98</b>
salaries tax				
tax returns issued for taxable cases				
April to November— within three months (%)....	98	100	99	<b>99</b>
December to March— within five months (%) .....	98	100	99	<b>99</b>
<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	<b>98</b>
<i>Tax reserve certificates</i>				
purchase/redemption transactions completed				
January to June—within 12 working days (%) .....	99	100	99	<b>99</b>
July to December—within nine working days (%) .....	99	100	99	<b>99</b>

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	Target	2018–19 (Actual)	2019–20 (Revised Estimate)	2020–21 (Plan)
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>
September to April—within 18 working days (%) .....	98.0	99.9	99.0	<b>99.0</b>
notices of settlement/notifications of decision issued within four months (%).....				
	98.0	99.9	99.0	<b>99.0</b>
<i>Tax holdover claims</i>				
replies made within 12 working days (%) .....				
	98.0	99.9	99.0	<b>99.0</b>
<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	<b>99</b>
issued within two working days through GovHK after receipt of stamp duty payment by offline mode (%).....				
	99	100	99	<b>99</b>
processing of requests for stamping of assignments and sale and purchase agreements within five working days (%) .....				
	98.0	99.9	99.0	<b>99.0</b>
contract notes/lease agreements stamped on the day submitted (%) .....				
	98.0	99.5	99.0	<b>99.0</b>
claims for exemption in respect of intra-group transfers processed within three months (%) .....				
	85.0	99.8	90.0	<b>90.0</b>
<i>Business registration</i>				
new business registration certificates applications over the counter issued within 30 minutes (%) .....				
	99.0	99.9	99.0	<b>99.0</b>
applications by post or through GovHK issued within two working days (%) .....				
	99	100	99	<b>99</b>
certified extracts of information issued within the next working day (%) .....				
	99	100	99	<b>99</b>
change of business registration particulars				
notifications over the counter updated within 30 minutes (%) .....				
	97.0	99.7	99.0	<b>99.0</b>
notifications by post or through GovHK updated within five working days (%) .....				
	99.0	99.1	99.0	<b>99.0</b>

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### *Indicators*

	2018–19 (Actual)	2019–20 (Revised Estimate)	<b>2020–21 (Estimate)</b>
<i>Profits tax</i>			
assessments made.....	499 000	447 000	<b>489 000</b>
assessments per post.....	846	729	<b>794</b>
provision per assessment (\$).....	690.4	848.1	<b>806.1</b>
<i>Salaries tax</i>			
assessments made.....	3 017 500	2 828 000	<b>3 050 000</b>
assessments per post.....	3 186	2 958	<b>3 184</b>
provision per assessment (\$).....	160.4	182.1	<b>174.9</b>
<i>Property tax</i>			
assessments made.....	677 000	621 000	<b>667 000</b>
assessments per post.....	3 640	3 339	<b>3 567</b>
provision per assessment (\$).....	138.7	158.6	<b>152.8</b>
<i>Personal assessment</i>			
assessments made.....	410 500	366 000	<b>430 000</b>
assessments per post.....	3 232	2 837	<b>3 282</b>
provision per assessment (\$).....	155.4	186.9	<b>166.5</b>
<i>Objections and appeals</i>			
objections and appeals processed.....	810	810	<b>810</b>
objections and appeals per post.....	32	32	<b>32</b>
provision per objection or appeal (\$).....	32,469	33,951	<b>35,062</b>
<i>Business registration</i>			
business registration certificates (new and renewal)			
certificates issued.....	1 517 800	1 580 000	<b>1 580 000</b>
certificates per post.....	12 240	12 742	<b>12 441</b>
provision per certificate (\$).....	42.5	43.0	<b>45.1</b>
extracts of information			
extracts issued.....	421 700	420 000	<b>420 000</b>
extracts per post.....	14 541	14 483	<b>14 000</b>
provision per extract (\$).....	32.0	34.0	<b>35.5</b>
<i>Stamp duty</i>			
documents stamped.....	1 725 500	1 800 000	<b>1 800 000</b>
stamped documents per post.....	13 273	13 846	<b>13 846</b>
provision per stamped document (\$).....	35.4	38.4	<b>39.6</b>
<i>Estate duty</i>			
cases finalised.....	566	560	<b>560</b>
cases per post.....	189	187	<b>187</b>
provision per case (\$).....	3,710	3,929	<b>4,107</b>
<i>Betting duty</i>			
returns processed.....	275	275	<b>278</b>
returns per post.....	138	138	<b>139</b>
provision per return (\$).....	3,273	3,273	<b>3,597</b>
<i>Tax reserve certificates</i>			
purchase/redemption transactions.....	169 000	169 000	<b>169 000</b>
transactions per post.....	16 900	16 900	<b>16 900</b>
provision per transaction (\$).....	27.2	30.8	<b>31.4</b>

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### *Matters Requiring Special Attention in 2020–21*

7 During 2020–21, 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 2019/20, including deductions for qualifying premiums paid under VHIS policy, qualifying annuity premiums and tax deductible MPF voluntary contributions;
- strive to expand Hong Kong's network of double taxation agreements;
- continue to implement automatic exchange of CbC reports and other measures under the Base Erosion and Profit Shifting package promulgated by the Organisation for Economic Co-operation and Development; and
- continue to conduct the automatic exchange of financial account information with the relevant tax authorities.

### **Programme (2): Collection**

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	<b>2020–21 (Estimate)</b>
Financial provision (\$m)	177.5	186.6	188.9 (+1.2%)	<b>195.8</b> (+3.7%)
				(or +4.9% on 2019–20 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 2019–20, the Department continued to promote the use of electronic services for tax payment.

11 The key performance measures are:

### *Targets*

	Target	2018–19 (Actual)	2019–20 (Revised Estimate)	<b>2020–21 (Plan)</b>
<i>Tax payment</i>				
receipts issued for tax payments made by electronic means within four working days (%).....	99	100	99	<b>99</b>
<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	<b>98.0</b>
arising from revision of assessment within ten working days (%).....	98	100	99	<b>99</b>

### *Indicators*

	2018–19 (Actual)	2019–20 (Revised Estimate)	<b>2020–21 (Estimate)</b>
<i>Collection of tax</i>			
payments processed.....	3 421 400	3 600 000	<b>3 600 000</b>
payments per post.....	69 824	72 000	<b>69 231</b>
provision per payment (\$).....	9.2	9.4	<b>9.9</b>

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	2018–19 (Actual)	2019–20 (Revised Estimate)	2020–21 (Estimate)
<i>Refund of tax</i>			
refunds made .....	757 700	760 000	<b>690 000</b>
refunds per post .....	23 678	25 333	<b>23 000</b>
provision per refund (\$) .....	16.5	17.4	<b>19.6</b>
<i>Recovery of tax</i>			
completed recovery cases .....	264 100	268 000	<b>268 000</b>
completed recovery cases per post .....	898	905	<b>905</b>
provision per completed recovery case (\$) .....	500.6	523.9	<b>541.4</b>

### *Matters Requiring Special Attention in 2020–21*

**12** During 2020–21, the Department will continue to promote the use of electronic payment services for tax payment.

### **Programme (3): Investigation and Field Audit**

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	237.4	253.1	255.8 (+1.1%)	<b>264.0</b> (+3.2%)
				(or +4.3% on 2019–20 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 2019–20, 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	2018–19 (Actual)	2019–20 (Revised Estimate)	2020–21 (Plan)
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	92.6	85.0	<b>85.0</b>

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### Indicators

	2018–19 (Actual)	2019–20 (Revised Estimate)	2020–21 (Estimate)
<i>Field audit and tax investigation</i>			
cases completed.....	1 802	1 800	<b>1 800</b>
back tax and penalty assessed (\$m) .....	2,826.6‡	2,500.0	<b>2,500.0</b>
cases per post .....	6.7	6.7	<b>6.7</b>
provision per case (\$).....	130,744	140,944	<b>145,444</b>
back tax and penalty per case (\$m).....	1.6	1.4	<b>1.4</b>
back tax and penalty per post (\$m).....	10.5	9.3	<b>9.3</b>
back tax and penalty per dollar of provision (\$).....	12.0	9.9	<b>9.5</b>
<i>Property tax compliance check</i>			
cases completed.....	261 200	267 000	<b>338 000@</b>
back tax assessed (\$m).....	133.4	119.0	<b>146.0</b>
cases per post .....	52 240	53 400	<b>67 600</b>
provision per case (\$).....	6.9	7.9	<b>6.5</b>
back tax per case (\$).....	511	446	<b>432</b>
back tax per post (\$m).....	26.7	23.8	<b>29.2</b>
back tax per dollar of provision (\$).....	74.1	56.7	<b>66.4</b>

‡ The higher amount of back tax and penalty assessed in 2018–19 was 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 2020–21

17 During 2020–21, the Department will continue to exert determined efforts in combating tax evasion and countering tax avoidance schemes.

### Programme (4): Taxpayer Services

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	29.6	30.9	31.3 (+1.3%)	<b>32.3</b> (+3.2%)  (or +4.5% on 2019–20 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 2019. 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	2018–19 (Actual)	2019–20 (Revised Estimate)	<b>2020–21 (Plan)</b>
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	98.9	98.0	<b>98.0</b>
outside peak hours (%).....	99.0	99.9	99.0	<b>99.0</b>
connected telephone calls answered within three minutes				
July to April (%) .....	90.0	93.4	93.0	<b>93.0</b>
May to June (%).....	80.0	89.1	83.2	<b>83.0</b>
<i>Complaints</i>				
interim reply within seven working days (%) .....	99.0	99.6	99.0	<b>99.0</b>
substantial reply within 15 working days (%) .....	99	100	99	<b>99</b>
<i>eTAX Account</i>				
access code notices issued for applications through GovHK within two working days (%) .....	98	100	98	<b>98</b>
electronic receipts issued for tax payments made by electronic means within two working days (%) .....	99	100	99	<b>99</b>

### *Indicators*

	2018–19 (Actual)	2019–20 (Revised Estimate)	<b>2020–21 (Estimate)</b>
<i>Over-the-counter enquiry service</i>			
enquiries .....	469 500	485 000	<b>457 000</b>
enquiries processed per post .....	16 768	17 321	<b>16 321</b>
<i>Telephone enquiry service</i>			
enquiries .....	1 525 800	1 655 000	<b>1 584 000</b>
enquiries processed per post .....	41 238	44 730	<b>42 811</b>
<i>Complaints</i>			
complaints processed .....	256	300	<b>300</b>
complaints processed per post.....	85	100	<b>100</b>

### *Matters Requiring Special Attention in 2020–21*

22 During 2020–21, 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

	2018–19 (Actual) (\$m)	2019–20 (Original) (\$m)	2019–20 (Revised) (\$m)	2020–21 (Estimate) (\$m)
<b>Programme</b>				
(1) Assessing Functions.....	1,160.6	1,251.3	1,266.1	1,319.6
(2) Collection.....	177.5	186.6	188.9	195.8
(3) Investigation and Field Audit .....	237.4	253.1	255.8	264.0
(4) Taxpayer Services.....	29.6	30.9	31.3	32.3
	1,605.1	1,721.9	1,742.1 (+1.2%)	1,811.7 (+4.0%)
				(or +5.2% on 2019–20 Original)

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2020–21 is \$53.5 million (4.2%) higher than the revised estimate for 2019–20. The increase is mainly due to the salary increments for staff, filling of vacancies, increase of 12 posts and the increased operating expenses.

##### Programme (2)

Provision for 2020–21 is \$6.9 million (3.7%) higher than the revised estimate for 2019–20. The increase is mainly due to the salary increments for staff, filling of vacancies, increase of two posts and the increased operating expenses.

##### Programme (3)

Provision for 2020–21 is \$8.2 million (3.2%) higher than the revised estimate for 2019–20. The increase is mainly due to the salary increments for staff, filling of vacancies and the increased operating expenses.

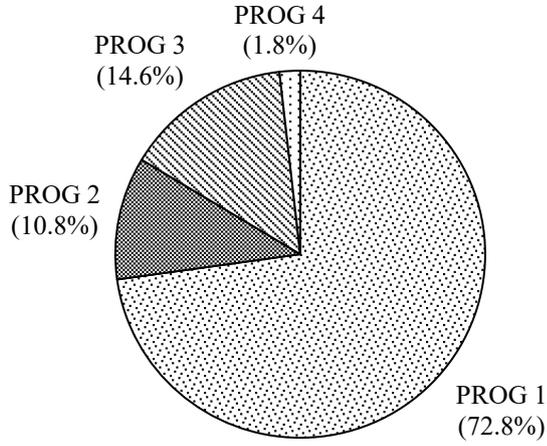
##### Programme (4)

Provision for 2020–21 is \$1.0 million (3.2%) higher than the revised estimate for 2019–20. The increase is mainly due to the salary increments for staff, filling of vacancies and the increased operating expenses.

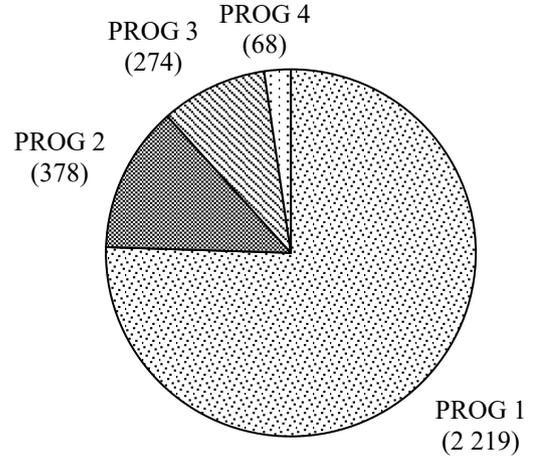
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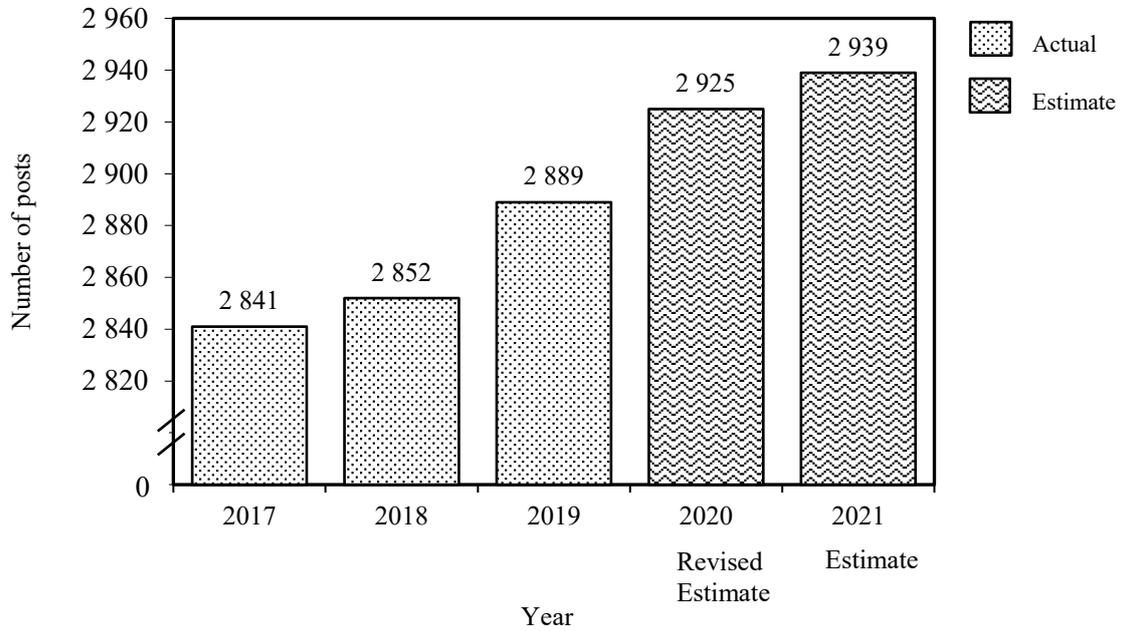
*Allocation of provision  
to programmes  
(2020-21)*



*Staff by programme  
(as at 31 March 2021)*



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



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Sub-head (Code)	Actual expenditure 2018-19	Approved estimate 2019-20	Revised estimate 2019-20	<b>Estimate 2020-21</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	1,602,316	1,702,302	1,722,527	<b>1,786,082</b>
189	Interest on tax reserve certificates.....	1,610	18,000	18,000	<b>24,000</b>
209	Special legal expenses.....	1,152	1,600	1,600	<b>1,600</b>
	Total, Recurrent.....	<u>1,605,078</u>	<u>1,721,902</u>	<u>1,742,127</u>	<b><u>1,811,682</u></b>
	Total, Operating Account .....	<u>1,605,078</u>	<u>1,721,902</u>	<u>1,742,127</u>	<b><u>1,811,682</u></b>
<hr/>					
	Total Expenditure .....	<u><u>1,605,078</u></u>	<u><u>1,721,902</u></u>	<u><u>1,742,127</u></u>	<b><u><u>1,811,682</u></u></b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2020–21 for the salaries and expenses of the Inland Revenue Department is \$1,811,682,000. This represents an increase of \$69,555,000 over the revised estimate for 2019–20 and \$206,604,000 over the actual expenditure in 2018–19.

#### *Operating Account*

#### Recurrent

**2** Provision of \$1,786,082,000 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 2020 will be 2 925 permanent posts. It is expected that there will be an increase of 14 posts in 2020–21. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2020–21, but the notional annual mid-point salary value of all such posts must not exceed \$1,318,918,000.

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

	2018–19 (Actual) (\$'000)	2019–20 (Original) (\$'000)	2019–20 (Revised) (\$'000)	2020–21 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	1,317,668	1,357,402	1,382,519	1,427,472
- Allowances .....	25,142	40,109	35,941	37,985
- Job-related allowances.....	56	37	34	58
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	5,350	7,092	6,451	7,558
- Civil Service Provident Fund contribution .....	44,944	53,958	54,082	65,284
Departmental Expenses				
- General departmental expenses .....	209,156	243,704	243,500	247,725
	1,602,316	1,702,302	1,722,527	1,786,082

**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). The increase of \$6 million (33.3%) over the revised estimate for 2019-20 is mainly due to the requirement for settling interest on Tax Reserve Certificates for “Conditional Standover Order”.

**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.