

Head 76 — INLAND REVENUE DEPARTMENT

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

Estimate 2022–23 **\$1,867.1m**

Establishment ceiling 2022–23 (notional annual mid-point salary value) representing an estimated 2 906 non-directorate posts as at 31 March 2022 rising by three posts to 2 909 posts as at 31 March 2023 **\$1,328.1m**

In addition, there will be an estimated 28 directorate posts as at 31 March 2022 and as at 31 March 2023.

Controlling Officer's Report

Programmes

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

	2020–21 (Actual)	2021–22 (Original)	2021–22 (Revised)	2022–23 (Estimate)
Financial provision (\$m)	1,285.5	1,324.7	1,312.6 (–0.9%)	1,370.5 (+4.4%)
				(or +3.5% on 2021–22 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 2021–22, 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. With the launch of iAM Smart in December 2020, they have another means to login eTAX account, file electronic tax returns and request revision of assessments electronically. The Department has also developed a Chatbot on its website to provide round-the-clock real time interactive service in answering general enquiries relating to tax on individuals. The Department has also prepared to adopt responsive web design to enable eTAX users to have quick and convenient access to their tax information and provide an interface for advance uploading of certain details of tax deductible items in Tax Returns – Individuals under eTAX. On 31 May 2021, the Stamp Office launched a new Online Appointment Booking Service to facilitate users making prior appointments for stamping leases over the counter. The Department also continued with its efforts to expand Hong Kong's network of double taxation agreements 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	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Plan)
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%)	96.0	99.1	96.0	96.0
replies to technical enquiries within 21 working days (%)	98.0	98.6	99.0	99.0
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%).....	80.0	76.9 [‡]	85.0	85.0
individuals (%).....	96.0	81.5 [‡]	96.5	96.5
salaries tax (%).....	96.0	81.5 [‡]	96.5	96.5
property tax (%)	96	98	97	97
personal assessment (%)	96.0	81.5 [‡]	96.5	96.5
<i>Tax returns for first-time taxpayers</i>				
profits tax				
tax returns issued for chargeable cases within three months (%)	98	N.A. [¶]	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 / Limited Partnership Fund 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 (%)	99.0	99.9	99.0	99.0
July to December—within nine working days (%).....	99.0	99.9	99.0	99.0

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	Target	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Plan)
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%)	98.0	90.6 [^]	99.0	99.0
September to April—within 18 working days (%)	98.0	97.6 [^]	99.0	99.0
notices of settlement/notifications of decision issued within four months (%).....	98.0	99.8	99.0	99.0
<i>Tax holdover claims</i>				
replies made within 12 working days (%)	98.0	96.5 [^]	99.0	99.0
<i>Stamping of documents</i>				
stamping of assignments, sale and purchase agreements, lease agreements, contract notes and instruments of transfer 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	99.9	98.0	98.0
contract notes/lease agreements stamped on the day submitted (%)	98.0	99.4	99.0	99.0
claims for exemption in respect of intra-group transfers processed within three months (%)	85	92	90	90
<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	99.2	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.

¶ No notification of chargeability to profits tax was received from first-time taxpayers.

Revised description of the previous target “Company deregistration” as from 2022.

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- ^ The longer processing time for some cases is due to the implementation of special work arrangements intermittently in 2020–21 under the COVID-19 pandemic.
- ◇ Revised description of the previous target “stamping of assignments, sale and purchase agreements and lease agreements through GovHK” as from 2022.

Indicators

	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Estimate)
<i>Profits tax</i>			
assessments made.....	523 000	473 000	470 000
assessments per post.....	849	769	754
provision per assessment (\$).....	744.2	837.4	915.5
<i>Salaries tax</i>			
assessments made.....	3 166 000	2 887 000	2 876 000
assessments per post.....	3 305	3 020	3 018
provision per assessment (\$).....	163.7	179.3	184.8
<i>Property tax</i>			
assessments made.....	729 000	700 000	696 000
assessments per post.....	3 898	3 723	3 722
provision per assessment (\$).....	140.9	148.0	153.0
<i>Personal assessment</i>			
assessments made.....	514 000	452 000	449 000
assessments per post.....	3 924	3 450	3 427
provision per assessment (\$).....	139.1	158.8	164.1
<i>Objections and appeals</i>			
objections and appeals processed.....	774	810	810
objections and appeals per post.....	31	32	32
provision per objection or appeal (\$).....	36,693	33,210	33,951
<i>Business registration</i>			
business registration certificates (new and renewal)			
certificates issued	1 587 000	1 580 000	1 580 000
certificates per post	12 496	12 540	12 540
provision per certificate (\$).....	45.3	47.8	48.4
extracts of information			
extracts issued	457 000	460 000	460 000
extracts per post	15 233	14 839	14 839
provision per extract (\$).....	33.0	37.0	38.5
<i>Stamp duty</i>			
documents stamped.....	1 638 000	1 730 000	1 730 000
stamped documents per post	12 600	13 622	13 516
provision per stamped document (\$).....	42.3	41.0	42.2
<i>Estate duty</i>			
cases finalised	387	500	560
cases per post	129	167	187
provision per case (\$).....	6,202	4,800	4,643
<i>Betting duty</i>			
returns processed.....	165	278	297
returns per post.....	83	139	149
provision per return (\$).....	6,061	3,957	4,714
<i>Tax reserve certificates</i>			
purchase/redemption transactions	202 000	169 000	169 000
transactions per post.....	20 200	16 900	16 900
provision per transaction (\$).....	26.7	33.7	34.3

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Matters Requiring Special Attention in 2022–23

7 During 2022–23, 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;
- 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 measures promulgated by the Organisation for Economic Co-operation and Development to counter base erosion and profit shifting, notably the new two-pillar solution to address the tax challenges arising from the digitalisation of the economy.

Programme (2): Collection

	2020–21 (Actual)	2021–22 (Original)	2021–22 (Revised)	2022–23 (Estimate)
Financial provision (\$m)	197.6	210.8	210.4 (–0.2%)	216.7 (+3.0%)
				(or +2.8% on 2021–22 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 2021–22, the Department continued to promote the use of electronic services for tax payment.

11 The key performance measures are:

Targets

	Target	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (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	99.8	98.0	98.0
arising from revision of assessment within ten working days (%)	98.0	99.8	99.0	99.0

Indicators

	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Estimate)
<i>Collection of tax</i>			
payments processed.....	4 247 000	3 700 000	3 700 000
payments per post.....	81 673	72 549	72 549
provision per payment (\$)	9.8	12.1	12.4
<i>Refund of tax</i>			
refunds made	861 000	1 100 000\$	1 000 000
refunds per post.....	28 700	35 484	32 258
provision per refund (\$)	14.4	14.5	16.3

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	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Estimate)
<i>Recovery of tax</i>			
completed recovery cases.....	245 000	445 000Ψ	268 000
completed recovery cases per post.....	828	1 503	908
provision per completed recovery case (\$).....	584.1	332.6	570.5

§ The increase in the estimated number of refunds made in 2021–22 is due to the economic situation in 2020–21 and 2021–22.

Ψ The increase in completed recovery cases in 2021–22 is due to the deferment of tax payment deadlines as a result of the special work arrangements implemented intermittently in 2020–21 under the COVID-19 pandemic.

Matters Requiring Special Attention in 2022–23

12 During 2022–23, the Department will continue to promote the use of electronic payment services for tax payment.

Programme (3): Investigation and Field Audit

	2020–21 (Actual)	2021–22 (Original)	2021–22 (Revised)	2022–23 (Estimate)
Financial provision (\$m)	241.7	255.0	240.3 (–5.8%)	247.1 (+2.8%)
				(or –3.1% on 2021–22 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 2021–22, the Department continued its determined efforts in combatting 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	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Plan)
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	89.5	85.0	85.0

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Indicators

	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Estimate)
<i>Field audit and tax investigation</i>			
cases completed.....	1 801	1 800	1 800
back tax and penalty assessed (\$m)	2,802.7	2,900.0	2,600.0
cases per post	6.7	6.7	6.7
provision per case (\$).....	133,093	132,500	136,278
back tax and penalty per case (\$m).....	1.6	1.6	1.4
back tax and penalty per post (\$m).....	10.4	10.8	9.7
back tax and penalty per dollar of provision (\$)	11.7	12.2	10.6
<i>Property tax compliance check</i>			
cases completed.....	335 000	276 000 ^λ	315 000^δ
back tax assessed (\$m).....	150.3	141.0	189.0
cases per post	67 000	55 200	63 000
provision per case (\$).....	6.0	6.5	5.7
back tax per case (\$).....	449	511	600
back tax per post (\$m).....	30.1	28.2	37.8
back tax per dollar of provision (\$).....	75.2	78.3	105.0

- λ The decrease in cases completed in 2021–22 is due to the implementation of special work arrangements intermittently in 2020–21 under the COVID-19 pandemic, resulting in fewer tenancy agreements updated.
- δ Upon resumption of normal operations after special work arrangements, progress of updating tenancy agreements largely resumed to normal in 2021–22 and the number of property tax compliance check cases to be completed in 2022–23 is expected to increase.

Matters Requiring Special Attention in 2022–23

17 During 2022–23, the Department will continue to exert determined efforts in combating tax evasion and countering tax avoidance schemes.

Programme (4): Taxpayer Services

	2020–21 (Actual)	2021–22 (Original)	2021–22 (Revised)	2022–23 (Estimate)
Financial provision (\$m)	31.5	31.8	31.7 (–0.3%)	32.8 (+3.5%)
				(or +3.1% on 2021–22 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 2021. 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	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Plan)
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	88.4Φ	96.0	96.0
outside peak hours (%).....	99	98Φ	99	99
connected telephone calls answered within three minutes				
July to April (%)	90.0	82.5Φ	93.0	93.0
May to June (%).....	80.0	86.5	81.0	81.0
<i>Complaints</i>				
interim reply within seven working days (%)	99	100	99	99
substantial reply within 15 working days (%)	99	100	99	99
<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

Φ The longer processing time for some cases is due to the implementation of special work arrangements intermittently in 2020–21 under the COVID-19 pandemic.

Indicators

	2020–21 (Actual)	2021–22 (Revised Estimate)	2022–23 (Estimate)
<i>Over-the-counter enquiry service</i>			
enquiries	342 000	420 000	420 000
enquiries processed per post	12 214	15 000	15 000
<i>Telephone enquiry service</i>			
enquiries	1 915 000	1 624 000	1 593 000
enquiries processed per post	51 757	43 892	43 054
<i>Complaints</i>			
complaints processed	154	270	270
complaints processed per post.....	51	90	90

Matters Requiring Special Attention in 2022–23

22 During 2022–23, 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

	2020–21 (Actual) (\$m)	2021–22 (Original) (\$m)	2021–22 (Revised) (\$m)	2022–23 (Estimate) (\$m)
Programme				
(1) Assessing Functions.....	1,285.5	1,324.7	1,312.6	1,370.5
(2) Collection.....	197.6	210.8	210.4	216.7
(3) Investigation and Field Audit	241.7	255.0	240.3	247.1
(4) Taxpayer Services.....	31.5	31.8	31.7	32.8
	1,756.3	1,822.3	1,795.0 (–1.5%)	1,867.1 (+4.0%)
				(or +2.5% on 2021–22 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2022–23 is \$57.9 million (4.4%) higher than the revised estimate for 2021–22. The increase is mainly due to the salary increments for staff, filling of vacancies, net increase of five posts and increased operating expenses.

Programme (2)

Provision for 2022–23 is \$6.3 million (3.0%) higher than the revised estimate for 2021–22. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses, which is partly offset by the decrease of one post.

Programme (3)

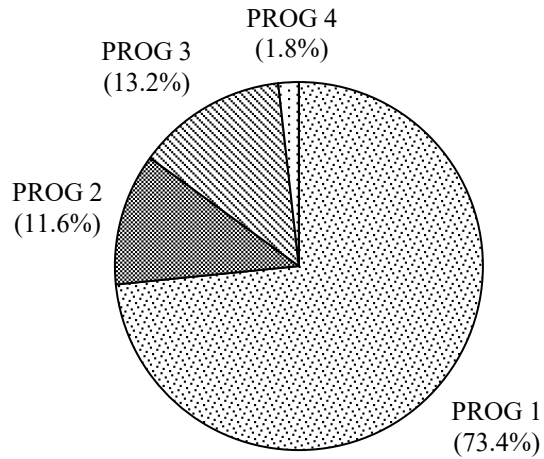
Provision for 2022–23 is \$6.8 million (2.8%) higher than the revised estimate for 2021–22. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses, which is partly offset by the decrease of one post.

Programme (4)

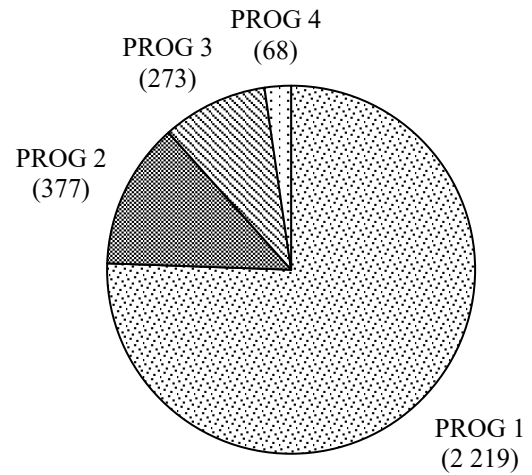
Provision for 2022–23 is \$1.1 million (3.5%) higher than the revised estimate for 2021–22. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses.

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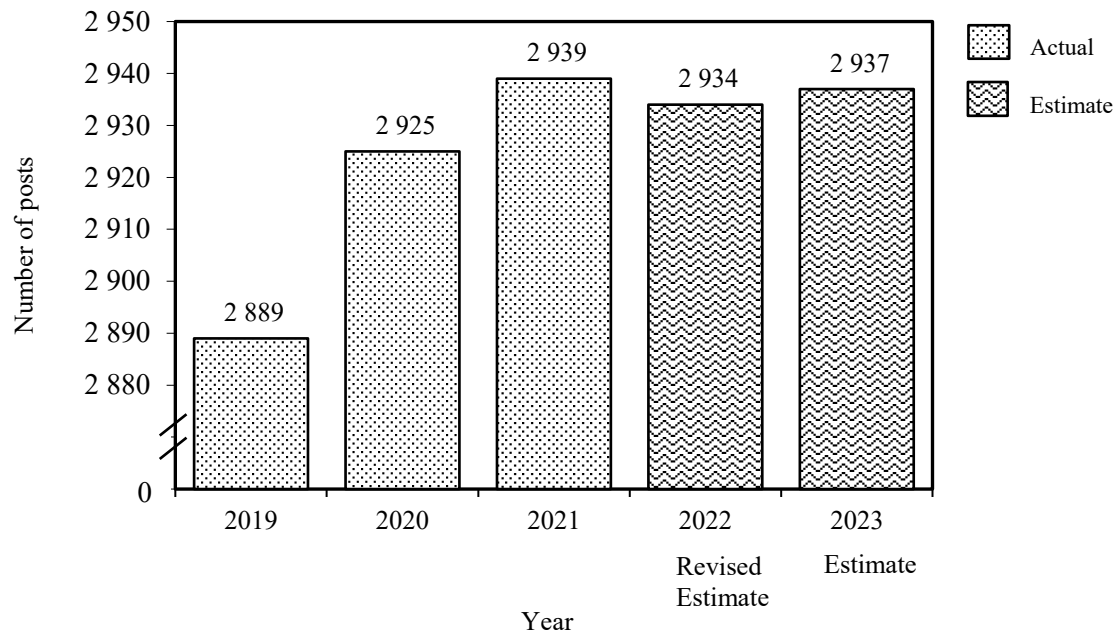
*Allocation of provision
to programmes
(2022-23)*



*Staff by programme
(as at 31 March 2023)*



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



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Sub-head (Code)		Actual expenditure 2020–21	Approved estimate 2021–22	Revised estimate 2021–22	Estimate 2022–23
		\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	1,745,586	1,796,697	1,769,400	1,841,474
189	Interest on tax reserve certificates.....	10,254	24,000	24,000	24,000
209	Special legal expenses.....	420	1,600	1,600	1,600
	Total, Recurrent.....	1,756,260	1,822,297	1,795,000	1,867,074
	Total, Operating Account	1,756,260	1,822,297	1,795,000	1,867,074
<hr/>					
	Total Expenditure	1,756,260	1,822,297	1,795,000	1,867,074
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2022–23 for the salaries and expenses of the Inland Revenue Department is \$1,867,074,000. This represents an increase of \$72,074,000 over the revised estimate for 2021–22 and \$110,814,000 over the actual expenditure in 2020–21.

Operating Account

Recurrent

2 Provision of \$1,841,474,000 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 2022 will be 2 934 permanent posts. It is expected that there will be a net increase of three posts in 2022–23. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2022–23, but the notional annual mid-point salary value of all such posts must not exceed \$1,328,124,000.

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

	2020–21 (Actual) (\$'000)	2021–22 (Original) (\$'000)	2021–22 (Revised) (\$'000)	2022–23 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	1,383,289	1,417,613	1,375,450	1,404,175
- Allowances	34,617	38,659	42,670	49,217
- Job-related allowances.....	42	69	483	59
Personnel Related Expenses				
- Mandatory Provident Fund contribution	6,151	7,258	6,329	7,265
- Civil Service Provident Fund contribution	62,573	74,755	70,192	83,454
Departmental Expenses				
- General departmental expenses	258,914	258,343	274,276	297,304
	<u>1,745,586</u>	<u>1,796,697</u>	<u>1,769,400</u>	<u>1,841,474</u>

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.