

Head 76 — INLAND REVENUE DEPARTMENT

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

Estimate 2023–24 **\$1,981.7m**

Establishment ceiling 2023–24 (notional annual mid-point salary value) representing an estimated 2 909 non-directorate posts as at 31 March 2023 rising by 23 posts to 2 932 posts as at 31 March 2024..... **\$1,377.2m**

In addition, there will be an estimated 28 directorate posts as at 31 March 2023 and as at 31 March 2024.

Controlling Officer's Report

Programmes

Programme (1) Assessing Functions
Programme (2) Collection
Programme (3) Investigation and Field Audit
Programme (4) Taxpayer Services

These programmes contribute to Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).

Detail

Programme (1): Assessing Functions

	2021–22 (Actual)	2022–23 (Original)	2022–23 (Revised)	2023–24 (Estimate)
Financial provision (\$m)	1,287.1	1,370.5	1,351.7 (–1.4%)	1,462.1 (+8.2%)
				(or +6.7% on 2022–23 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.

Head 76 — INLAND REVENUE DEPARTMENT

4 In 2022–23, 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, they have another means to login eTAX account. Since 14 August 2022, eTAX has adopted responsive web design to enable users to have quick and convenient access to their tax information with improved user experience. The Department also introduced a new service on the same date to allow taxpayers to keep records for deductions (for example, approved charitable donations) under Salaries Tax and Personal Assessment in their eTAX accounts in advance. Such records will be used for subsequent automatic pre-filling in their Tax Returns – Individuals. Chatbot is also provided in the Department's website to provide round-the-clock real time interactive service in answering general enquiries relating to tax on individuals. In addition, the Department implemented a new foreign-sourced income exemption regime for passive income in Hong Kong so as to support international efforts in combatting cross-border tax evasion and preventing double non-taxation. 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	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Plan)
<i>Written enquiries</i>				
replies to simple enquiries within seven working days (%)	96.0	99.9	96.0	96.0
replies to technical enquiries within 21 working days (%)	98.0	99.9	99.0	99.0
<i>Processing of returns</i>				
assessments made within nine months				
profits tax				
business (%).....	80.0	79.3‡	85.0	85.0
individuals (%).....	96.0	96.4	96.5	96.5
salaries tax (%).....	96.0	96.4	96.5	96.5
property tax (%)	96.0	97.3	97.0	97.0
personal assessment (%)	96.0	96.4	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

Head 76 — INLAND REVENUE DEPARTMENT

	Target	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Plan)
<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
<i>Notices of objection</i>				
replies made				
May to August—within 12 working days (%)	98	99	99	99
September to April—within 18 working days (%)	98.0	99.6	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	99.9	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	99.0	99.0
contract notes/lease agreements stamped on the day submitted (%)	98.0	99.1	99.0	99.0
claims for exemption in respect of intra-group transfers processed within three months (%)	85.0	93.8	85.0	85.0
<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

Head 76 — INLAND REVENUE DEPARTMENT

	Target	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Plan)
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	99.9	99.0	99.0
<p>‡ The longer processing time for some cases is due to the implementation of special work arrangements intermittently in 2021–22 under the COVID-19 epidemic.</p> <p>¶ No notification of chargeability to profits tax was received from first-time taxpayers.</p> <p># Revised description of the previous target “Company deregistration” as from 2022.</p> <p>◇ Revised description of the previous target “stamping of assignments, sale and purchase agreements and lease agreements through GovHK” as from 2022.</p>				
Indicators				
		2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Estimate)
<i>Profits tax</i>				
assessments made		524 000	491 000	489 000
assessments per post		852	788	755
provision per assessment (\$)		752.5	856.6	971.6
<i>Salaries tax</i>				
assessments made		2 856 000	2 715 000	2 707 000
assessments per post		2 987	2 849	2 841
provision per assessment (\$)		180.6	194.0	205.6
<i>Property tax</i>				
assessments made		731 000	754 000	754 000
assessments per post		3 888	4 032	4 076
provision per assessment (\$)		140.1	138.5	146.0
<i>Personal assessment</i>				
assessments made		441 000	415 000	415 000
assessments per post		3 366	3 168	3 168
provision per assessment (\$)		156.2	172.8	184.6
<i>Objections and appeals</i>				
objections and appeals processed		772	810	810
objections and appeals per post		31	32	32
provision per objection or appeal (\$)		36,140	35,062	38,148
<i>Business registration</i>				
business registration certificates (new and renewal)				
certificates issued		1 578 000	1 580 000	1 580 000
certificates per post		12 524	12 540	12 540
provision per certificate (\$)		46.6	48.5	50.9
extracts of information				
extracts issued		445 000	420 000	420 000
extracts per post		14 355	13 548	13 548
provision per extract (\$)		35.5	40.5	43.3
<i>Stamp duty</i>				
documents stamped		1 580 000	1 680 000	1 680 000
stamped documents per post		12 441	13 125	13 125
provision per stamped document (\$)		44.9	43.5	47.5
<i>Estate duty</i>				
cases finalised		357	400	400
cases per post		119	133	133
provision per case (\$)		6,723	6,500	7,000

Head 76 — INLAND REVENUE DEPARTMENT

	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Estimate)
<i>Betting duty</i>			
returns processed.....	255	274	294
returns per post.....	128	137	147
provision per return (\$)	3,922	3,285	5,782
<i>Tax reserve certificates</i>			
purchase/redemption transactions	180 000	169 000	169 000
transactions per post.....	18 000	16 900	16 900
provision per transaction (\$)	30.0	33.1	34.9

Matters Requiring Special Attention in 2023–24

7 During 2023–24, 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, and participate in other international tax co-operation initiatives.

Programme (2): Collection

	2021–22 (Actual)	2022–23 (Original)	2022–23 (Revised)	2023–24 (Estimate)
Financial provision (\$m)	196.4	216.7	212.4 (–2.0%)	226.8 (+6.8%)
				(or +4.7% on 2022–23 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 2022–23, the Department continued to promote the use of electronic services for tax payment.

11 The key performance measures are:

Targets

	Target	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (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	99.9	98.0	98.0
arising from revision of assessment within ten working days (%)	98	100	99	99

Head 76 — INLAND REVENUE DEPARTMENT

Indicators

	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Estimate)
<i>Collection of tax</i>			
payments processed.....	3 360 000	3 200 000	3 200 000
payments per post.....	65 882	62 745	62 745
provision per payment (\$).....	11.5	13.4	14.8
<i>Refund of tax</i>			
refunds made.....	927 000 ^δ	800 000	750 000
refunds per post.....	29 903	25 806	25 000
provision per refund (\$).....	13.3	19.6	24.7
<i>Recovery of tax</i>			
completed recovery cases.....	344 000	406 000 ^Ω	268 000
completed recovery cases per post.....	1 162	1 376	905
provision per completed recovery case (\$).....	421.5	375.1	594

δ The higher number of refund cases was due to the economic situation in 2020–21 and 2021–22.

Ω The increase in completed recovery cases in 2022–23 was due to the deferment of recovery actions in 2021–22 to 2022–23 following the special work arrangements implemented at the end of 2021–22.

Matters Requiring Special Attention in 2023–24

12 During 2023–24, the Department will continue to promote the use of electronic payment services for tax payment.

Programme (3): Investigation and Field Audit

	2021–22 (Actual)	2022–23 (Original)	2022–23 (Revised)	2023–24 (Estimate)
Financial provision (\$m)	242.5	247.1	246.6 (–0.2%)	258.9 (+5.0%)
				(or +4.8% on 2022–23 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 2022–23, 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	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Plan)
<i>Tax audit and investigation</i>				
field audit and tax investigation cases processed within two years (%).....	80.0	89.4	85.0	85.0

Head 76 — INLAND REVENUE DEPARTMENT

Indicators

	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Estimate)
<i>Field audit and tax investigation</i>			
cases completed.....	1 720	1 800	1 800
back tax and penalty assessed (\$m)	2,897.4	2,600.0	2,600.0
cases per post	6.4	6.7	6.7
provision per case (\$).....	139,942	136,056	142,667
back tax and penalty per case (\$m).....	1.7	1.4	1.4
back tax and penalty per post (\$m).....	10.8	9.7	9.7
back tax and penalty per dollar of provision (\$)	12.0	10.6	10.1
<i>Property tax compliance check</i>			
cases completed.....	318 000	315 000	330 000
back tax assessed (\$m).....	163.3	189.0	204.0
cases per post	63 600	63 000	66 000
provision per case (\$).....	5.7	5.4	6.4
back tax per case (\$).....	514	600	618
back tax per post (\$m).....	32.7	37.8	40.8
back tax per dollar of provision (\$).....	90.7	111.2	97.1

Matters Requiring Special Attention in 2023–24

17 During 2023–24, the Department will continue to exert determined efforts in combatting tax evasion and countering tax avoidance schemes.

Programme (4): Taxpayer Services

	2021–22 (Actual)	2022–23 (Original)	2022–23 (Revised)	2023–24 (Estimate)
Financial provision (\$m)	32.5	32.8	31.4 (–4.3%)	33.9 (+8.0%)
				(or +3.4% on 2022–23 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 2022. 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.

21 The key performance measures are:

Targets

	Target	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Plan)
<i>Enquiry service centre</i>				
waiting time for over-the-counter enquiry service not to exceed ten minutes				
during peak hours (%).....	95.0	99.2	96.0	96.0
outside peak hours (%).....	99.0	99.8	99.0	99.0

Head 76 — INLAND REVENUE DEPARTMENT

	Target	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Plan)
connected telephone calls answered within three minutes				
July to April (%)	90.0	93.6	93.0	93.0
May to June (%)	80.0	81.3	89.0Φ	81.0
<i>Complaints</i>				
interim reply within seven working days (%)	99	100	99	99
substantial reply within 15 working days (%)	99.0	99.4	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

Φ Due to rescheduling of the bulk issue of 2021/22 Tax Return - Individuals from 3 May 2022 to 1 June 2022, the number of telephone enquiries received in May and June 2022 was reduced, resulting in the achievement of higher than expected performance target.

Indicators

	2021–22 (Actual)	2022–23 (Revised Estimate)	2023–24 (Estimate)
<i>Over-the-counter enquiry service</i>			
enquiries	355 000	381 000	387 000
enquiries processed per post	12 679	13 607	13 821
<i>Telephone enquiry service</i>			
enquiries	1 461 000	1 529 000	1 510 000
enquiries processed per post	39 486	41 324	40 811
<i>Complaints</i>			
complaints processed	159	250	250
complaints processed per post	53	83	83

Matters Requiring Special Attention in 2023–24

22 During 2023–24, 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.

Head 76 — INLAND REVENUE DEPARTMENT

ANALYSIS OF FINANCIAL PROVISION

Programme	2021–22 (Actual) (\$m)	2022–23 (Original) (\$m)	2022–23 (Revised) (\$m)	2023–24 (Estimate) (\$m)
(1) Assessing Functions.....	1,287.1	1,370.5	1,351.7	1,462.1
(2) Collection.....	196.4	216.7	212.4	226.8
(3) Investigation and Field Audit	242.5	247.1	246.6	258.9
(4) Taxpayer Services.....	32.5	32.8	31.4	33.9
	1,758.5	1,867.1	1,842.1 (–1.3%)	1,981.7 (+7.6%)
				(or +6.1% on 2022–23 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2023–24 is \$110.4 million (8.2%) higher than the revised estimate for 2022–23. The increase is mainly due to the salary increments for staff, filling of vacancies, net increase of 23 posts and increased operating expenses.

Programme (2)

Provision for 2023–24 is \$14.4 million (6.8%) higher than the revised estimate for 2022–23. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses.

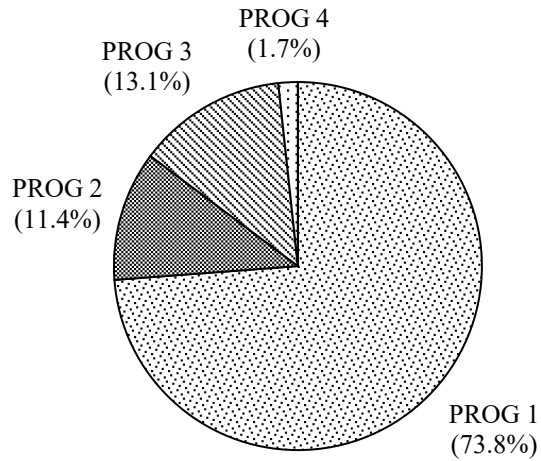
Programme (3)

Provision for 2023–24 is \$12.3 million (5.0%) higher than the revised estimate for 2022–23. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses.

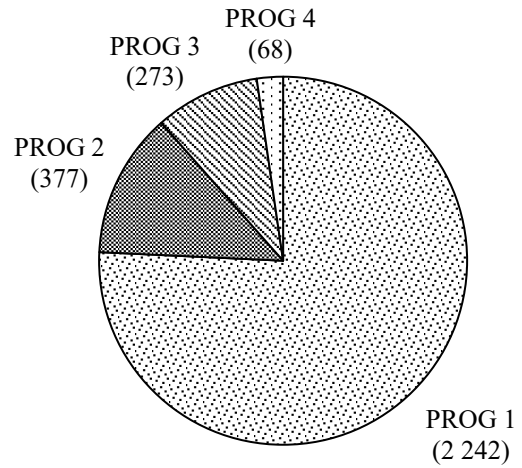
Programme (4)

Provision for 2023–24 is \$2.5 million (8.0%) higher than the revised estimate for 2022–23. The increase is mainly due to the salary increments for staff, filling of vacancies and increased operating expenses.

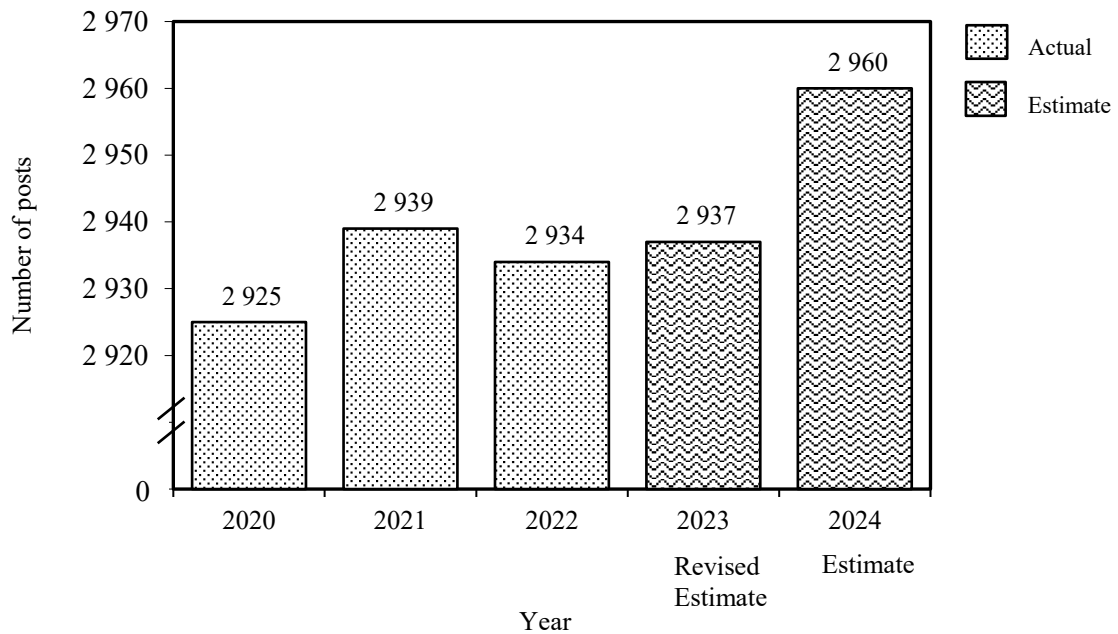
*Allocation of provision
to programmes
(2023-24)*



*Staff by programme
(as at 31 March 2024)*



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



Head 76 — INLAND REVENUE DEPARTMENT

Sub-head (Code)		Actual expenditure 2021-22	Approved estimate 2022-23	Revised estimate 2022-23	Estimate 2023-24
		\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	1,749,319	1,841,474	1,816,474	1,956,130
189	Interest on tax reserve certificates.....	8,678	24,000	24,000	24,000
209	Special legal expenses.....	528	1,600	1,600	1,600
		<hr/>	<hr/>	<hr/>	<hr/>
	Total, Recurrent.....	1,758,525	1,867,074	1,842,074	1,981,730
		<hr/>	<hr/>	<hr/>	<hr/>
	Total, Operating Account	1,758,525	1,867,074	1,842,074	1,981,730
<hr/>					
	Total Expenditure	1,758,525	1,867,074	1,842,074	1,981,730
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Head 76 — INLAND REVENUE DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2023–24 for the salaries and expenses of the Inland Revenue Department is \$1,981,730,000. This represents an increase of \$139,656,000 over the revised estimate for 2022–23 and \$223,205,000 over the actual expenditure in 2021–22.

Operating Account

Recurrent

2 Provision of \$1,956,130,000 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 2023 will be 2 937 permanent posts. It is expected that there will be a net increase of 23 posts in 2023–24. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2023–24, but the notional annual mid-point salary value of all such posts must not exceed \$1,377,159,000.

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

	2021–22 (Actual) (\$'000)	2022–23 (Original) (\$'000)	2022–23 (Revised) (\$'000)	2023–24 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	1,364,693	1,404,175	1,379,175	1,442,586
- Allowances	34,128	49,217	54,315	48,897
- Job-related allowances.....	500	59	226	58
Personnel Related Expenses				
- Mandatory Provident Fund contribution	6,322	7,265	5,613	7,423
- Civil Service Provident Fund contribution	70,341	83,454	80,818	92,644
Departmental Expenses				
- General departmental expenses	273,335	297,304	296,327	364,522
	<u>1,749,319</u>	<u>1,841,474</u>	<u>1,816,474</u>	<u>1,956,130</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.