



Commissioner's Overview

The Inland Revenue Department collected \$127.7 billion in 2004-05. This is 20% more than the collections last year and the highest collections we have ever recorded for Earnings and Profits Tax. Apart from the favourable economic performance, the figure reflected the dedicated efforts of IRD colleagues in a number of work areas.

In June 2004, we saw the enactment of the Inland Revenue (Amendment) Bill 2000 into the Inland Revenue (Amendment) Ordinance 2004 after four years' deliberation. The amendment clarified the scope of deduction for interest expenses, strengthened the arguments we consistently adopted in combating tax avoidance schemes and helped fighting against tax avoidance. For the year 2004-05, IRD recovered tax and penalty of some \$2.8 billion from field audit and investigation cases, an increase of 37% over the amount recovered in the previous year. The increase mainly came from the cracking down of large tax avoidance cases involving abuses in interest deduction claims.

Other than tightening up our enforcement measures and making sure that tax dodgers pay their share of tax and penalty, the IRD is committed to making tax compliance easier for taxpayers by the provision of quality services through vigorous use of IT.



Last year, the Department sought views from more than 20,000 e-filers. Based on their valuable comments, we have upgraded the system performance, redesigned the screen flow and introduced over 40 new functions/improvements to our e-filing function. Major improvements included the "pre-filling of data", "estimation of salaries tax payable", "saving of data" and "viewing and printing". These will effectively reduce the time required to complete the electronic tax return and help taxpayers to plan early for tax payment.

In August 2004, we launched the new "Property e-stamping service". Customers can now stamp property documents (including tenancy agreements, agreements for sales and assignments) via the Internet without approaching IRD in person. The e-stamping system also provides linkage with the Rating and Valuation Department (RVD) for the provision of one-stop service for filing certain tenancy forms with RVD for lease cases. I am pleased that the new initiative has been well received, with take-up rate rising from the initial 6% in August 2004 to 22% in March 2005. A customer survey was conducted in March 2005 with encouraging feedback. We will enhance the system further to meet customer needs.



IRD always takes customer's feedback seriously. Where circumstances warrant, we proactively seek views from our customers in order to tailor our services to meet their needs. Lately, in response to comments from taxpayers, IRD set up a working committee to review the design of salaries tax and personal assessment demand notes and the Assessor's Notes. The committee came up with a new design for the demand note and a new set of Assessor's Notes, which aims at providing taxpayers with more information and making the tax demand notes more comprehensible. The new demand notes were put to use in July 2005.

In 2004, the Department continues to trim its size, with a yet leaner organisational structure of 2,908 posts as at March 2005, which is 13% less than what we were in 2000. To achieve more with less and to excel, we need a professional team. In this regard, substantial resources have been devoted to the maintenance and enhancing our officers' professional knowledge and skill as well as to foster a customer-oriented culture amongst our staff. Not only have we organised various training workshops and seminars for the staff, we have also built information and technology systems such as the knowledge-based database and the departmental intranet to enable quick access by our staff to the up-to-date information relating to their jobs. Competitions like the annual Outstanding Customer Service Awards Competition were also held to boost the service spirit of our frontline officers.

I am very honoured and happy that our efforts in providing quality services have received public recognition. IRD was selected for the Ombudsman Award for the fourth time in 2005. Individual awards were also given to two of our officers for their excellent services in handling customers and complainants.



The Department has gone through another successful year. This could not be achieved without the dedicated efforts of all our staff, with the assistance from our working partners, in particular the professional tax representatives and, most important of all, the support from the public at large. I would like to express my hearty gratitude to them all. We shall continue to serve with devotion and strive for perfection and, as our vision statement says, we aim to be an excellent tax administration that plays an important part in promoting Hong Kong's prosperity and stability.

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Commissioner of Inland Revenue