

Commissioner's Overview



The Inland Revenue Department has had another busy and fruitful year in 2006-07. On the back of strong economic growth, our total collections hit a new record high. We have been enhancing our work efficiency and service quality by strengthening staff training and, at the same time, making extensive use of the latest information technology. This two-pronged approach has enabled us to tackle the rising workload with delightful results.

IRD collections in 2006-07 climbed to an all-time high of \$155.1 billion, with the largest increase coming from stamp duty. Owing to a very active stock market, stamp duty collections reached \$25 billion, a 40% rise year on year. Profits tax and salaries tax collections were \$71.9 billion and \$38.6 billion respectively, each recording a 3% increase.

Continued economic growth has brought about more assessment cases and higher tax collections. This has been quite a challenge for the Department. Not only has the workload increased in terms of cases, the varied nature of business activities and the complexity of transactions in a transforming economy are also making our assessing work more difficult. This has been most obvious in profits tax cases, with assessing officers dedicating more time to each case. The Department has been providing staff training and promoting self-learning and experience sharing, to improve the skills of our assessment team and hence work efficiency.

At the same time, the IRD has employed the latest information technology and electronic services to improve productivity and service quality. The second phase Document Management System and the Workflow Management System have been in place since 2006. These help to manage documents, files and workflows, and allow the electronic file of each case to be accessed by several officers simultaneously through the computer network. While the Assessor is working on the case in their office, our front-line staff can attend to the taxpayer's enquiry and provide a one-stop over-the-counter service. Management can also review case progress at any time. Both efficiency and accountability are strengthened. Thanks to the efforts of our colleagues, these systems are delivering the desired results.

In 2008, we are launching "eTAX", which will usher in a new era for the Department's e-services. These will include e-tax returns, e-assessment notices, e-reminders for outstanding actions, e-receipts for payments made and e-alerts for filing or payment deadlines. Under the new platform, taxpayers can also view and update their personal particulars, and lodge objections and holdover applications on the Internet.



To ensure an effective and efficient taxation system, IRD relies on the support and co-operation of the tax-paying public. To facilitate compliance and strengthen tax education, the IRD website is being constantly updated to provide a full range of relevant information.

We have been uploading a number of Departmental Interpretation & Practice Notes onto the Internet for Inland Revenue Ordinance, Stamp Duty Office and Estate Duty Office. They covered a range of topics of common concern. Access to more information about various tax issues and the work of the Department gives people a better understanding of their tax obligations. A successful example of this is the "assess first, audit later" system, which automated the tax assessments making process. This system can run smoothly only with the full co-operation of taxpayers in filing their tax returns correctly and on time. Accurate tax returns mean the complicated post-assessment audit procedures can be kept to a minimum.

The IRD is responsible for enforcing the law on tax collection. We have to make sure that everyone is paying their fair share, and to take action against those who fail to do so. In 2007, notable results were achieved from criminal prosecution work with a number of tax evaders convicted and sentenced. The hard work of our colleagues was recognised. I wish these court cases would help to enhance awareness. The effective operation of Hong Kong's simple and low tax system requires a high degree of compliance and discipline from the public.

Equally vital to tax collection is the countering of tax avoidance arrangements. In 2007, the Court of Final Appeal ruled in our favour on the cases of Hongkong International Terminals Ltd. and Tai Hing Cotton Mill (Development) Ltd. These rulings confirmed our power to tackle such arrangements by applying anti-avoidance provisions, and provided a solid authority to our tax assessment work.

Work on the avoidance of double taxation continued to make good progress in the year. The Mainland and the Hong Kong SAR have both implemented the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. This helps investors to assess more accurately their tax liabilities from cross-border economic activities, and fosters bilateral investment and trade. I am particularly thankful for the views and comments expressed by various parties on the Arrangement. We will continue to work hard on the area of international taxation.



In addition to devoting themselves to office work, IRD colleagues volunteered to assist at a variety of charitable events. The Department was again awarded the Caring Organisation Logo in 2006-07 by the Hong Kong Council of Social Service. At MSF Day 2007, we came first in fund raising results among government departments. I am very impressed by these achievements.

In 2007-08 we are celebrating the Department's 60th anniversary. This is an important milestone, and I encourage everyone to share in our joy and pride through our commemorative activities. The performance of the Department in serving our community over the years is a testament to the dedication, perseverance and teamwork of our colleagues. I would like to thank them all. I also thank our partners, including the authorities in the Mainland and overseas, and all those participating in taxation work in Hong Kong in both the public and private sectors.



LAU MAK Yee-ming, Alice, J. P.
Commissioner of Inland Revenue