

Commissioner's Overview

The Inland Revenue Department (IRD) collected \$200.7 billion in 2007–08, whilst Hong Kong enjoyed a strong economy and the Department commenced the celebrations of its diamond jubilee. The revenue collected was a record high. Compared to the \$14 million collected in our first financial year, 1947–48, our collections have soared more than 14 thousand-fold!



The transformation of Hong Kong over the past six decades has taken the territory from a small entrepot in the post-war era, through light industry, to the international financial centre it is today. The role of IRD has also been growing. In the early days, the Inland Revenue Ordinance was the only legislation administered by the Department, covering salaries tax, property tax, interest tax and profits tax. The Department was subsequently given responsibility for estate duty, stamp duty, entertainment tax, betting duty, public dance-halls tax, business registration and hotel accommodation tax.

But taxes come and go. In the process of Hong Kong's economic transformation, we have abandoned public dance-halls tax, interest tax, entertainment tax and estate duty. Most recently, hotel accommodation tax has been waived since 1 July 2008. The tax laws of Hong Kong are well regarded, not only for their low rates, but also for their simplicity and clarity. Only business profits, salaries and wages, and property rental income are subject to tax. We have no capital gains tax or dividends tax, and most interest income is tax free. Basically, only income and profits derived in Hong Kong are taxable here. This proven tax system has long been recognised as a major contributing factor to the economic development and competitiveness of Hong Kong.

As the Government Department responsible for administering the tax laws, IRD strives for excellence in carrying out this role and thus contribute towards promoting Hong Kong's prosperity and stability. During the past 60 years we have been continuously improving our structure, operations and services, in order to better respond to social development and functional changes. We have recognised the merits of employing the latest information technology, streamlining work procedures and emphasising staff training – measures directed at enhancing our work efficiency and professionalism. At the

same time, IRD has cultivated a customer-centric service culture. Over the years IRD has faced various challenges, such as those posed by ups and downs in the economy, increasing workloads, and the growing complexity of taxation issues as business and financial operations become more sophisticated. Fortunately, our staff team has consistently risen to the task at hand, working together with perseverance and resilience to produce commendable results. The Department's 60th Anniversary slogan – "Tax by the law Service from the heart" – accurately reflects our service to Hong Kong with best efforts and devotion.

Today, IRD is a highly effective department, having a quality staff force and an advanced operation system. The staff team is our most valuable asset and maintaining the quality of our human resources is given a high priority. To do so, we have adopted a three-pronged approach, namely staff training, personnel management and team building. In addition to in-house staff development programmes, we make good use of external training opportunities, both within Hong Kong and overseas. The collaborative efforts of staff, reflecting the team spirit and loyalty within the Department, are greatly appreciated and treasured by the management.

While the staff team is our foundation, information technology has become increasingly an important tool in the development and refinement of our operations. IRD has implemented two Information Systems Strategy Plans to strengthen our computer systems, allowing the introduction of automated processes and facilitating progress towards a paperless office. We have enhanced the infrastructure of our internal information systems, and at the same time built up a database of taxpayer information. Through our "Assess-First-Audit-Later" (AFAL) system, most tax assessments are processed automatically. The Department's "Document Management System" allows paper tax returns and documents to be converted into electronic files of digitised images. Different officers can access the same electronic file simultaneously in their respective workstations, enabling two or more processes to be performed concurrently. Coupled with our "Workflow Management System", we are able to assign cases automatically, and then record and monitor the subsequent workflow processes. Also, with the help of advanced analytical tools, IRD's database facilitates tax audits and back duty investigations. With the AFAL system in place, we put strong emphasis on selecting appropriate cases for tax audits and investigations, to help ensure that taxpayers fulfill their obligations.



Implementation of the Information Systems Strategy Plans has allowed the provision of a range of electronic tax services to taxpayers. The IRD web site is a handy source for a full range of tax information. This year we launched "eTAX", opening up a new era of tax e-services. E-alerts for filing and payment deadlines have won wide appreciation since their introduction, and I believe e-tax returns, e-tax bills and e-tax receipts will become equally popular. On the new platform, taxpayers are able to view and update their personal particulars online. E-objection and e-holdover application services have also been introduced for taxpayers' added convenience. In addition, e-stamping and e-services for business registration are attracting large numbers of users.

Whilst we can be justifiably proud of our accomplishments, we are also mindful of the ongoing need to plan ahead for the future. IRD will no doubt continue to face challenges, which may be caused by: developments in the economy, such as those relating to globalisation and e-commerce; compliance issues; and the need to ensure that our administration possess the capacity and skills to perform effectively and efficiently in times of great change.

Since reunification with the Mainland, Hong Kong has followed the principle of "one country two systems". Under the Basic Law, Hong Kong SAR practises an independent taxation system. We are actively seeking to enter into tax treaties with other countries and regions, to foster closer economic ties with our trade partners and to provide added incentives for bilateral investment and trade.



The commemorative activities for IRD's diamond jubilee have provided us with opportunities to share our history and acknowledge achievements. I am truly grateful to the advice and support given to me by my colleagues from various grades and all along at different stages to enable me in fulfilling my duties satisfactorily. And by taking a leaf from the past 60 years' experience, I am sure we have formed a solid foundation from which IRD will steadily move forward.

Last but not the least, I would express my hearty thanks to all in the private and public sectors who have provided IRD with support and advice during the year. I sincerely wish to continue working with each partner, and to attain a triple-win situation – benefiting IRD, our partners and the community as a whole.

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Commissioner of Inland Revenue