



Annual
Report

2010-11

**Tax by the Law,
Service from the Heart**



Inland Revenue Department

Hong Kong Special Administrative Region



Vision, Mission and Values

Vision

We aim to be an excellent tax administration that plays an important part in promoting Hong Kong's prosperity and stability.

Mission

We are committed to —

- collecting revenue efficiently and cost-effectively;
- providing courteous and effective service to the taxpaying public;
- promoting compliance through rigorous enforcement of law, education and publicity programmes; and
- enabling staff to acquire the necessary knowledge, skills and attitude so that they can contribute their best to the achievement of our vision.

Values

Our core values are —

- Professionalism
- Efficiency
- Responsiveness
- Fairness
- Effectiveness
- Courtesy
- Teamwork

Contents

Chapter 1 : Commissioner's Overview	2	Chapter 7 : Information Technology	30
		Information Systems	
Chapter 2 : Revenue	4	IT Enabled Workplace	
		eTAX	
Chapter 3 : Assessing Functions	6	Other Electronic Services	
Profits Tax		Chapter 8 : Human Resources	32
Salaries Tax		Organisation Chart	
Property Tax		Establishment	
Personal Assessment		Staff Promotions and Turnover	
Advance Rulings		Recruitment	
Objections		Training and Development	
Appeals to the Board of Review		Staff Relations and Welfare	
Appeals to the Courts		The IRD Sports Association	
Business Registration		Chapter 9 : Legislative Amendments	42
Stamp Duty		Chapter 10 : Environmental Report	44
Estate Duty		Green Management Policy	
Betting Duty		Green Management and Promotion of Green Awareness	
Hotel Accommodation Tax		Environmental Protection Performance	
Tax Reserve Certificate		New Initiatives and Targets	
Chapter 4 : Collection	19	Chapter 11 : Miscellaneous	49
Collection of Tax		Charitable Institutions	
Refund of Tax		General Inspection	
Recovery of Tax in Default		Internal Audit	
Chapter 5 : Field Audit and Investigation	23	Approval for Tax Return Forms and the Manner of Furnishing the Returns	
Field Audit		Schedules	50
Investigation			
Property Tax Compliance Check			
Chapter 6 : Taxpayer Services	26		
IRD Homepage			
Electronic Enquiry Services			
Telephone and Counter Enquiry Services			
Tax-help Services for Completion of Tax Returns			
Complaints and Compliments			
Performance Pledges			

Commissioner's Overview

In 2010-11, IRD collections climbed to a record high of \$209 billion, an increase of \$30 billion from the previous year. The result was most encouraging.

The Hong Kong economy achieved a full-fledged upturn in 2010, successfully overcoming the global recession triggered by the financial crisis. For each of the major taxes, a significant growth was noted compared to the previous year. Backed by higher business profits, profits tax collection recorded a 22% growth and went up to \$93.2 billion. Salaries tax collection reached an all-time high for the third year in a row, growing by 7% to \$44.3 billion. The vibrant property and stock markets brought in stamp duty of \$51 billion, a 20% increase year-on-year. Betting duty also broke its record and leaped by 16% to \$14.8 billion.

Whilst the growth in our revenue collection is most welcoming, it brought about challenges to IRD at various fronts. Tax assessment and collection work are becoming more complicated, a legacy of the bullish economy and the globalization of business activities, which resulted in more voluminous and complex financial and commercial transactions. This situation is most obvious in profits tax cases. Assessing officers are now required to collect and analyze a large amount of facts to get the full picture for each case before they make a tax assessment. The Department has been actively providing training opportunities to strengthen the professional competency of our staff team and to enhance the overall work efficiency. Indeed, I am always deeply impressed by my colleagues at all ranks, who face the challenges with their usual diligence and perseverance, and deliver excellent results at all times.

The tax laws of Hong Kong are simple and clear. Tax rates are low and tax types are few. Only business profits, salaries and wages, and property rental income derived in Hong Kong are subject to tax. This simple and clear tax system is well proven; it is highly acclaimed by many jurisdictions worldwide and has served Hong Kong well for decades. Its success reflects the Administration's prudent fiscal policies in keeping public expenditure within our means, and taxpayers' high degree of compliance with the tax laws. To strengthen tax education, we constantly update the contents of the IRD website to provide a full range of up-to-date tax information. In particular, we issue Departmental Interpretation & Practice Notes on various tax topics under the Inland Revenue Ordinance and the Stamp Duty Ordinance. These have proved to be very useful to tax practitioners and the taxpaying public in general.

At the same time, we continue to expand our international tax treaty network. In the past year, Hong Kong has made remarkable achievements in this area. Effective from March 2010, the Inland Revenue Ordinance was amended enabling Hong Kong to exchange tax information with our treaty partners using the 2004 version of the Article on Exchange of Information, which is the latest standard promulgated by the Organisation for Economic Cooperation and Development (OECD). Up to 31 March 2011, we have signed comprehensive double taxation agreements (CDTAs) with 16 countries adopting such standard.



Building a wide CDTA network is conducive to Hong Kong's long-term economic development and will enhance our role as an international trading and financial centre. The negotiation timetable and choice of countries are determined with the overall well-being of Hong Kong in mind. We will give priority to our major trading partners and those with potential for economic development. We will also readily consider suggestions from the industry.



Once a tax treaty is signed, Hong Kong will seek to complete the legislative procedures the soonest possible, while time would be allowed for our treaty partner to do the same in her home country. To update the public with the latest position, we have redesigned our web corner on double taxation relief to show the progress of ratification for all our concluded treaties.

As these tax treaties go through the legislative procedures one after the other, I would expect new challenges faced by IRD in putting them into implementation. I am confident that IRD colleagues will take on this new sphere of work with their usual commitment and professionalism.

All along, Hong Kong has shown clear support to the international community in enhancing tax transparency, and participated actively in OECD's relevant Forums. In September 2009 in Mexico, OECD formed a new Global Forum on Tax Transparency and Effective Exchange of Information. Hong Kong is a member of this new Forum and participates in the peer review process administered by the Forum. Phase 1 of the peer review assesses a jurisdiction's legal and regulatory framework, while phase 2 focuses on the actual implementation of the framework. Hong Kong has gone through phase 1 in the first half of this year and is expecting to do phase 2 in the second half of 2012. I well believe that through the review process, it can be established that Hong Kong is a highly transparent tax jurisdiction that diligently fulfills her obligations under the relevant CDTAs entered into.

Last but not the least, I wish to express my hearty thanks to taxpayers, professions, trades and industries as well as my IRD colleagues for their support and assistance in all these years. In a spirit highlighted by our slogan "**Tax by the law Service from the heart**", IRD will continue to serve the people of Hong Kong, by the law and from the heart.

CHU Yam-yuen, J.P.
Commissioner of Inland Revenue

Revenue

The Hong Kong economy staged a full recovery in 2010-11 and the earnings and profits tax collection reached \$143 billion, an increase of \$19.8 billion or 16.1% from the previous year. The bullish stock market and property market brought in stamp duty revenue of \$51 billion, a year-on-year growth of 20.3%. Overall, the total revenue collected by IRD in the year climbed to \$209 billion, \$29.9 billion or 16.7% above the last year's (Figure 1, Schedules 1 and 2).

Figure 1 Revenue collected by tax type

Type of tax	2007-08 (\$m)	2008-09 (\$m)	2009-10 (\$m)	2010-11 (\$m)
Profits tax -				
Corporations	86,775.6	99,294.4	72,224.3	88,191.4
Unincorporated businesses	4,647.1	4,857.1	4,381.1	4,991.7
Salaries tax	37,479.5	39,007.9	41,245.4	44,254.7
Property tax	1,240.6	832.5	1,677.6	1,647.1
Personal assessment	3,586.6	2,151.1	3,655.8	3,921.8
Total earnings & profits tax	133,729.4	146,143.0	123,184.2	143,006.7
Estate duty	353.4	176.0	185.1	212.8
Stamp duty	51,549.1	32,162.1	42,382.6	51,005.1
Betting duty	13,048.4	12,620.3	12,767.1	14,759.1
Business registration fees	1,565.8	154.4	578.7	35.7
Hotel accommodation tax (Tax rate reduced to 0% from 1 July 2008)	450.4	222.9	0.0	0.0
Total revenue collected	<u>200,696.5</u>	<u>191,478.7</u>	<u>179,097.7</u>	<u>209,019.4</u>
% change over previous year	29.4%	-4.6%	-6.5%	16.7%

The revenue collected by the Department during 2010-11 accounted for 72% of the Government General Revenue (Figure 2). Profits tax contributed the largest part of the total revenue collected, followed by stamp duty. Together they made up 69% of the total revenue collected (Figure 3).

Figure 2 Government General Revenue

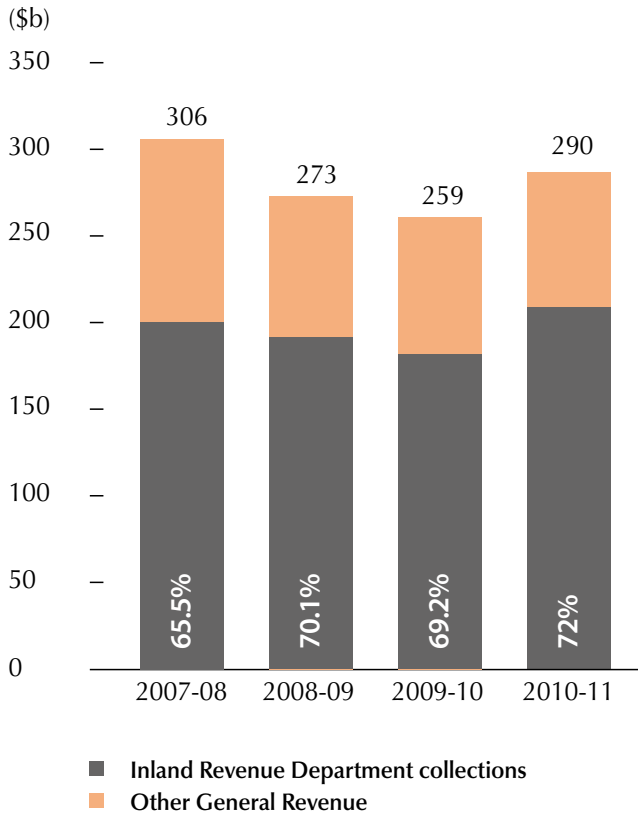
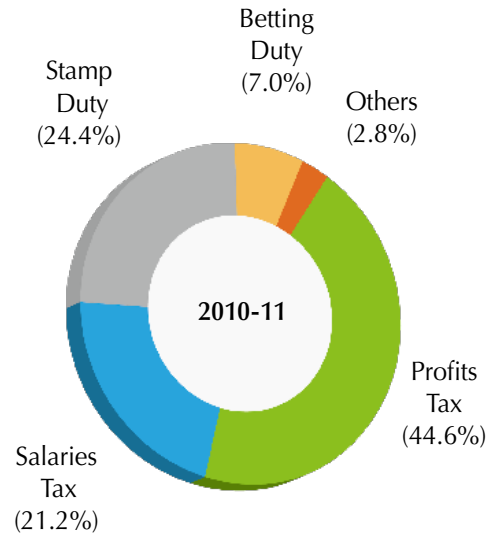
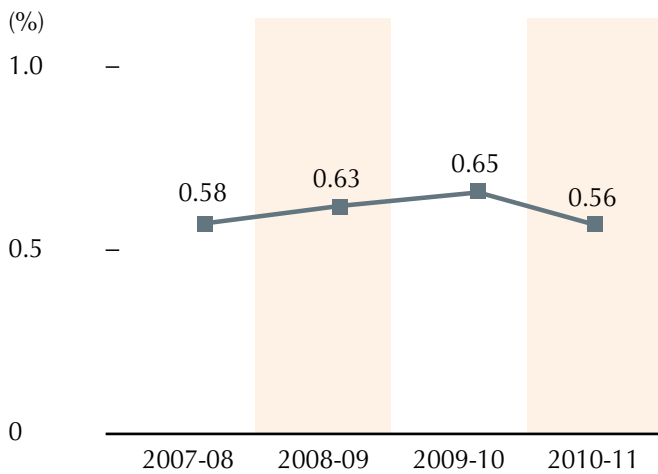


Figure 3 Composition of the revenue collection



With a rise in revenue collections during the year, the cost of collection of revenue dropped from 0.65% to 0.56% (Figure 4).

Figure 4 Cost of collection



Assessing Functions

The Inland Revenue Department raises revenue through taxes, duties and fees in accordance with the relevant legislations. While the duties and fees collected in a year are based on the actual performance of the relevant activities in the year, earnings and profits tax are principally assessed by reference to the incomes / profits of the taxpayers in the previous year. In 2010-11, earnings and profits tax assessed attained a growth of \$18.8 billion (15.3%) (Schedule 2). The total amount of duties and fees collected also increased by \$10.1 billion (18.1%).

Profits Tax

Profits tax is levied on individuals, corporations, bodies of persons and partnerships, in respect of assessable profits arising in or derived from Hong Kong. For the year of assessment 2010-11, the tax rates for corporations and non-corporate persons remained unchanged at 16.5% and 15% respectively.

Having overcome the challenges from the global recession, profits tax assessed in 2010-11 increased to \$89 billion, \$14.8 billion (20%) more than that of the previous year (Figure 5). Of the total tax assessed, the property and financial sectors together contributed 43.7% (Figure 6). Further statistics relating to the tax assessed in respect of different business sectors are shown in Schedules 3 and 4.

Figure 5 Profits tax assessed

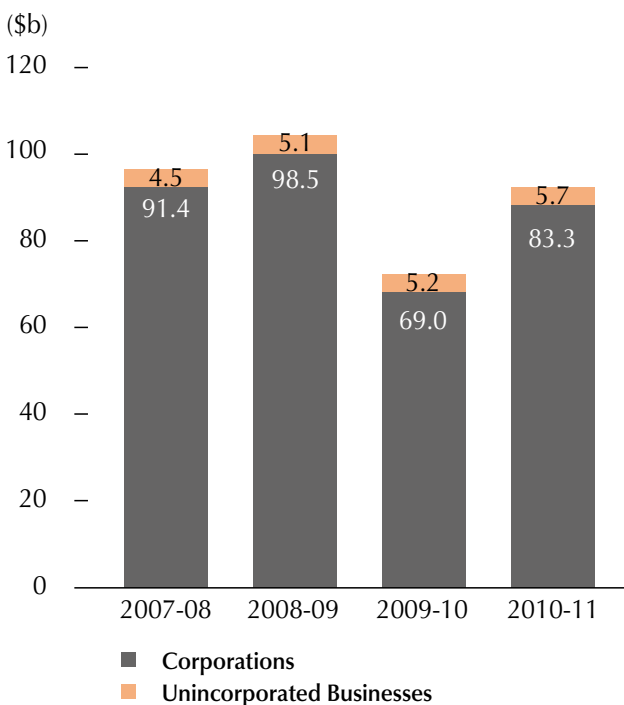
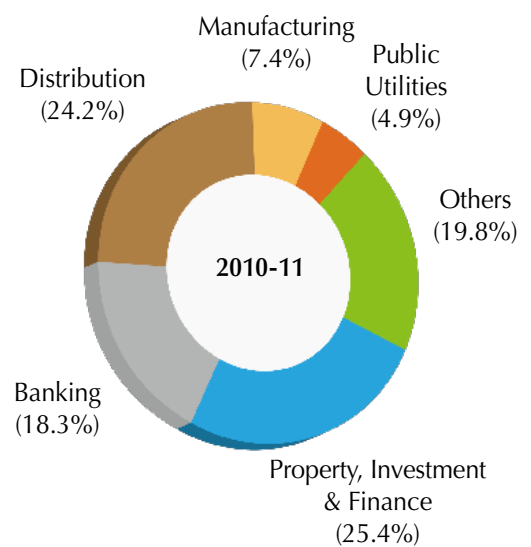


Figure 6 Corporation profits tax assessed ratios by business sectors

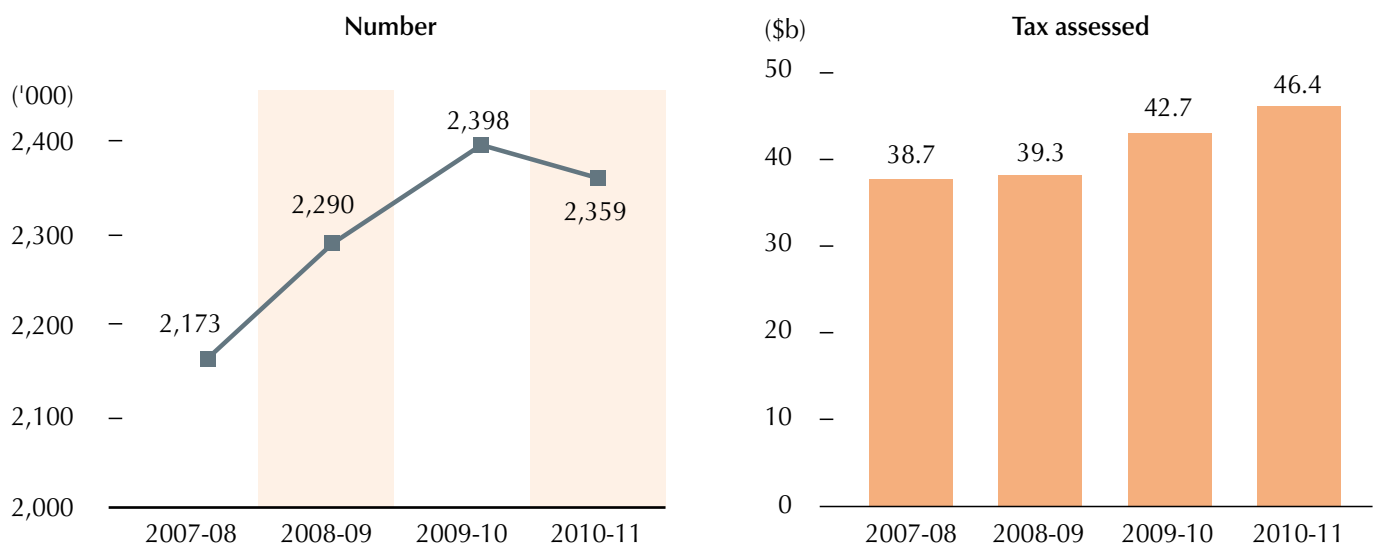


Salaries Tax

Salaries tax is charged on all income arising in or derived from Hong Kong from any office (e.g. a directorship), employment or pension. The total tax payable is restricted to an amount which is the standard rate of the net total income (without allowances) of the individual concerned. For the year of assessment 2010-11, the standard rate remained unchanged at 15%.

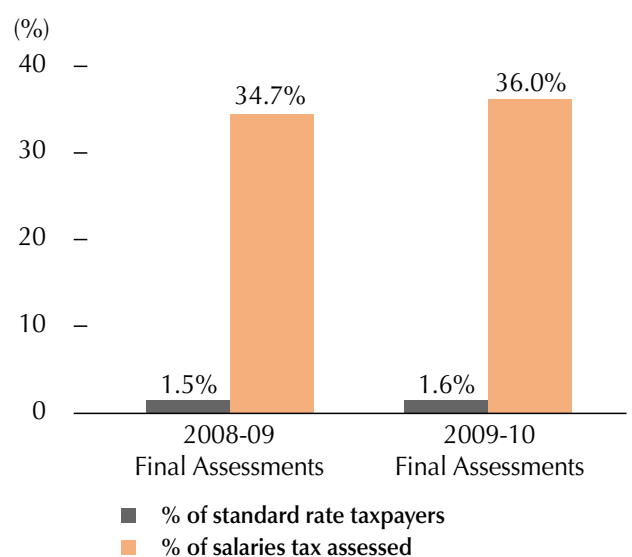
Compared with the previous year, the number of assessments made decreased by 1.6%, and 8.7% more tax was assessed during 2010-11 (**Figure 7**). Analyses of tax assessed and allowances granted in respect of taxpayers at various income levels are provided in **Schedules 5** and **6**.

Figure 7 Salaries tax assessments



The number of standard rate taxpayers increased by 1,267 from 21,140 last year to 22,407 this year. These taxpayers together contributed 36.0% of the salaries tax assessed, compared to 34.7% last year (**Figure 8**).

Figure 8 Standard rate taxpayers



Notification Requirements of Employers

Apart from reporting commencements and cessations of employments, employers are required to prepare annual returns to report the emoluments of each of their employees. During the year, 326,824 employers filed employer’s returns for the year of assessment 2009-10 with the Department.

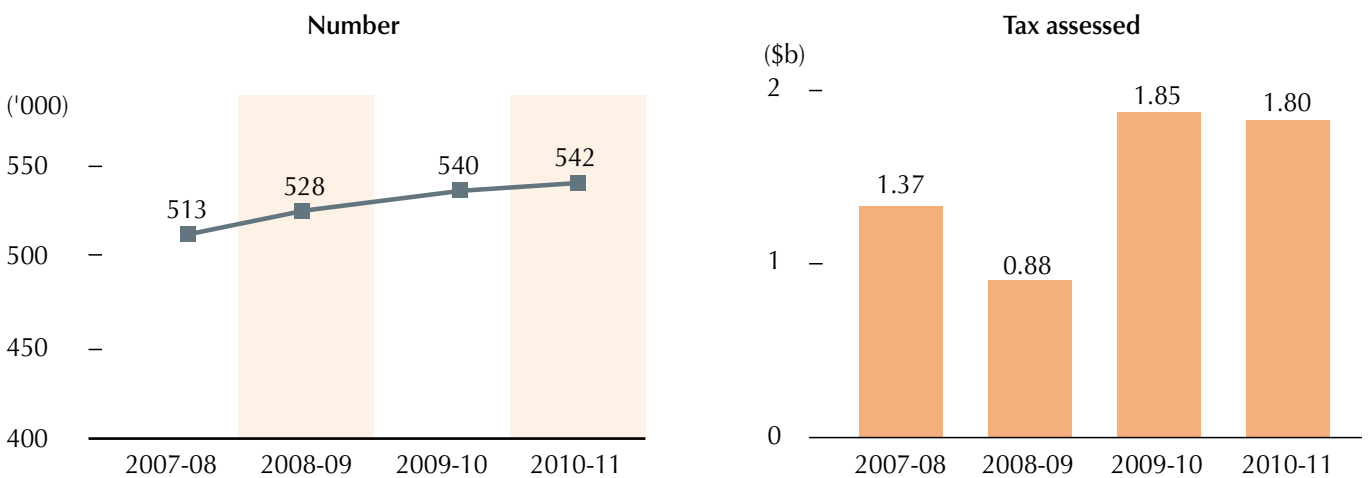
Inland Revenue Department provides e-Seminars and disseminates tax information to employers on the IRD Homepage to assist them in understanding the relevant statutory requirements. The contents cover completion of employer’s returns, employer’s obligations and answers to frequently asked questions. Employers can also obtain specimens of a completed employer’s return and notification forms through the Fax-A-Form service.

Property Tax

Property owners (including corporations) are subject to property tax which is charged at the standard rate in respect of the net assessable value of the property. For the year of assessment 2010-11, the standard rate remained unchanged at 15%. Incorporated and unincorporated businesses that pay property tax in respect of their business premises can have such payments set off against their profits tax liabilities. For corporations, income arising from properties owned by them is also subject to profits tax at the corporate rate. To obviate the need for yearly set-off of property tax against profits tax, a corporation can apply for exemption of property tax on the property concerned.

Statistics on the classification and ownership of properties, based on the records of the Department, are provided in **Schedule 7**. The number of assessments made in 2010-11 was 0.4% slightly more than the previous year while the total amount of property tax assessed decreased by 2.7% (**Figure 9**).

Figure 9 Property tax assessments

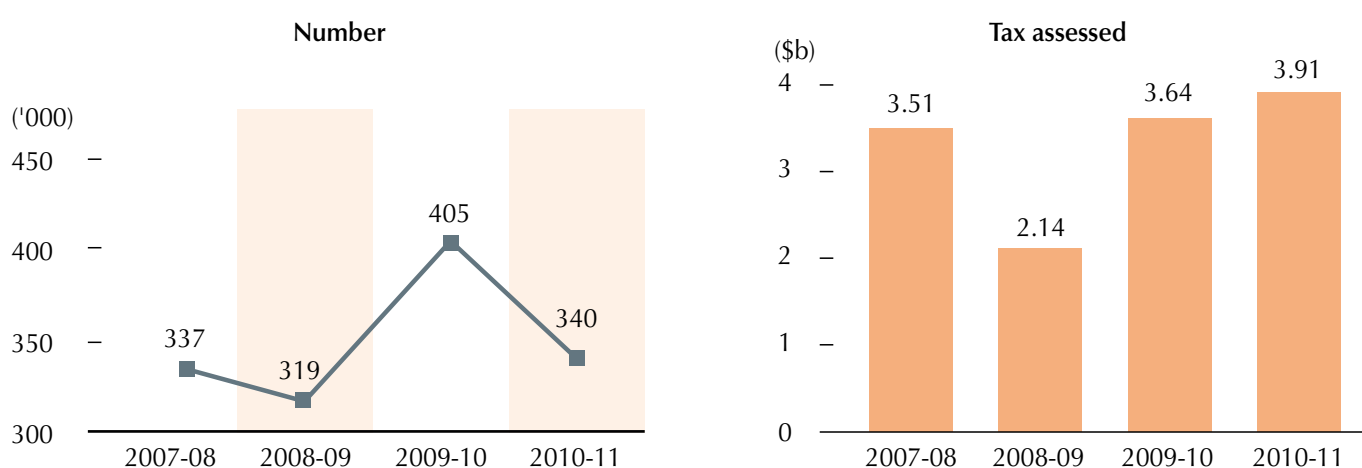


Personal Assessment

An individual may elect personal assessment in respect of his or her total income. Under personal assessment, all the incomes of the taxpayer and his or her spouse are aggregated and, after the deduction of all allowances, assessed at the graduated tax rates. In appropriate circumstances, this reduces the total tax liability of the individual (e.g. an individual who would otherwise be chargeable at the standard rate on each separate income source).

Under personal assessment, taxpayers are granted a tax reduction at 75% of the final tax payable for year of assessment 2009-10, subject to a ceiling of \$6,000 per case. As the magnitude of the tax reduction is lower than that of the previous year, the number of assessments made in 2010-11 was 16% less than 2009-10, but the amount of tax assessed was 7.6% higher (Figure 10).

Figure 10 Assessments made under personal assessment



Advance Rulings

The advance ruling service allows a person to apply for a ruling on how a provision of the Inland Revenue Ordinance applies in relation to a particular arrangement.

A fee is charged for the service on a “cost recovery” basis. The applicant is required to pay an initial application fee of \$30,000 for a ruling concerning the “Territorial Source Principle”, or \$10,000 for a ruling on any other matter.

The Department endeavours to provide a ruling within 6 weeks of the date of application, provided that all relevant information is supplied with the application and further information from the applicant is not required.

During the year, 29 advance ruling applications were processed (Figure 11). Most of the applications were for rulings on profits tax matters.

Figure 11 Advance rulings

	2009-10 Number	2010-11 Number
Awaiting decision at the beginning of the year	19	15
Add: Applications received during the year	<u>35</u>	<u>32</u>
	54	47
Less: Disposed of -		
Rulings made	23	18
Applications withdrawn	9	9
Rulings declined	<u>7</u>	<u>2</u>
	39	29
Awaiting decision at the end of the year	<u><u>15</u></u>	<u><u>18</u></u>

Objections

A taxpayer who is aggrieved by an assessment may lodge a notice of objection to the Commissioner within the prescribed time limit. If the objection is against an estimated assessment issued because of the failure to lodge a tax return on time, a properly completed return together with the supporting accounts, where applicable, must also be submitted with the notice of objection. A significant proportion of the objections received each year arises from estimated assessments. Most of these objections could be settled promptly by reference to the returns subsequently submitted. Many of the other types of objections are also settled by agreement between the taxpayers and the assessors. Only relatively few objections are ultimately referred to the Commissioner for determination. During 2010-11, the Department settled nearly 66,200 objections (Figure 12).

Figure 12 Objection statistics

	2009-10 Number	2010-11 Number
Awaiting settlement at the beginning of the year	24,960	25,826
Add: Received during the year	<u>69,391</u>	<u>67,049</u>
	94,351	92,875
Less: Disposed of -		
Settled without determination	67,834	65,572
Determinations:		
Assessments confirmed	410	356
Assessments reduced	172	170
Assessments increased	94	84
Assessments annulled	<u>15</u>	<u>4</u>
	691	614
	68,525	66,186
Awaiting settlement at the end of the year	<u><u>25,826</u></u>	<u><u>26,689</u></u>

Appeals to the Board of Review

A taxpayer who is dissatisfied with the Commissioner's determination of his objection may appeal to the Board of Review (Inland Revenue Ordinance) (the Board). The Board is an independent statutory body. As at 31 March 2011, the Board consisted of a chairman and 6 deputy chairmen, who have legal training and experience, as well as 85 other members. During 2010-11, the Board settled 83 appeal cases (Figure 13).

Figure 13 Appeals to the Board of Review

	Number
Awaiting hearing or decision as at 1 April 2010	68
Add: Received during the year	<u>81</u>
	149
Less: Disposed of -	
Withdrawn	29
Decided:	
Assessments confirmed	35
Assessments reduced in full	0
Assessments reduced in part	8
Assessments increased	10
Assessments annulled	0
Others	<u>1</u>
	<u>54</u>
	<u>83</u>
Awaiting hearing or decision as at 31 March 2011	<u><u>66</u></u>

Appeals to the Courts

A decision of the Board is final, provided that either the taxpayer or the Commissioner may, pursuant to section 69(1) of the Inland Revenue Ordinance, make an application requiring the Board to state a case on a question of law for the opinion of the Court of First Instance. Apart from appeals by way of case stated, where both parties agree, an appeal can be transmitted to the Court of First Instance direct under section 67 of the Inland Revenue Ordinance without a hearing before the Board.

During 2010-11, the Court of First Instance ruled on one case relating to the Inland Revenue Ordinance, which was in favour of the Commissioner. The case was concerned with the issue of whether the profits of the taxpayer arose partly in Hong Kong and partly in the Mainland. The taxpayer appealed to the Court of Appeal against the judgment of the Court of First Instance. The appeal was dismissed by the Court of Appeal.

The Court of Final Appeal handed down judgment on one case during the year concerning the Inland Revenue Ordinance. The point at issue was the taxability of certain sums received by a taxpayer upon termination of employment.

Figure 14 sets out the statistics concerning appeals to the Courts during 2010-11.

Figure 14 Appeals to the Courts

	Court of First Instance		Court of Appeal		Court of Final Appeal		Total
Awaiting hearing or decision as at 1 April 2010	9		4		1		14
Add: Lodged during the year	<u>1</u>		<u>1</u>		<u>0</u>		<u>2</u>
	10		5		1		16
Less: Disposed of -							
Decided	1		1		1		
Discontinued	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>5</u>
Awaiting hearing or decision as at 31 March 2011	<u>8</u>		<u>3</u>		<u>0</u>		<u>11</u>

Business Registration

Inland Revenue Department aims to maintain an efficient business registration system. A person carrying on a business in Hong Kong must register the business and pay the required fee and levy. Registered businesses may renew their registration certificates annually or every 3 years. Up to 31 March 2011, 13,651 businesses had taken the 3-year certificates.

On 21 February 2011, the Companies Registry and the Inland Revenue Department jointly launched two one-stop services. Firstly, under the one-stop company and business registration regime, a new company is only required to lodge one single application for both company and business registration. Any person who submits an incorporation form for a local company or an application for registration of a non-Hong Kong company at the Companies Registry will be deemed to make a business registration application at the same time.

Secondly, with the one-stop notification of change of company particulars in place, companies are no longer required to notify the Commissioner separately of changes of the corporate name, address of registered office/address of principal place of business in Hong Kong, and name and address of the authorized representative. After registering the changes of these company particulars, the Registrar of Companies will transmit the same to the Commissioner.

The Financial Secretary suggested to waive Business Registration Fees for one year in the 2010-11 Budget. The annual fees in respect of business and branch registration certificates with commencement date falling within the period from 1 August 2010 to 31 July 2011 ("Waiver Period") are waived. Businesses electing for 1-year certificate

are only required to pay the levy for the Protection of Wages on Insolvency Fund of \$450. For 3-year certificates, the business registration fee and levy are \$3,200 and \$1,350 respectively.

Concessionary refunds are granted upon application to businesses that have already paid registration fees for the Waiver Period but are not required to renew their registration certificates in the Waiver Period (i.e. businesses holding 3-year certificates with expiry dates on or after 31 July 2011; or between 1 August 2010 and 31 July 2011 but are not required to renew their registration certificates because of cessation of business). Up to 31 March 2011, the Department had issued concessionary refunds to 7,088 businesses and a total of \$9 million was refunded.

With the waiver of registration fee, the total number of active registrations increased by 115,062 and reached its record high of 1,060,196 (Figure 15). The total number of new and re-opened registrations in 2010-11 has increased by 55,729 when compared with that of the previous year (Schedule 8). There was also a corresponding increase in the number of certificates issued. Since the business registration fee has been waived consecutively for 2 years (from 1 August 2009 to 31 July 2011), business registration fees collected in 2010-11 reduced to \$35.8 million (Figure 16).

Figure 15 Active business registration

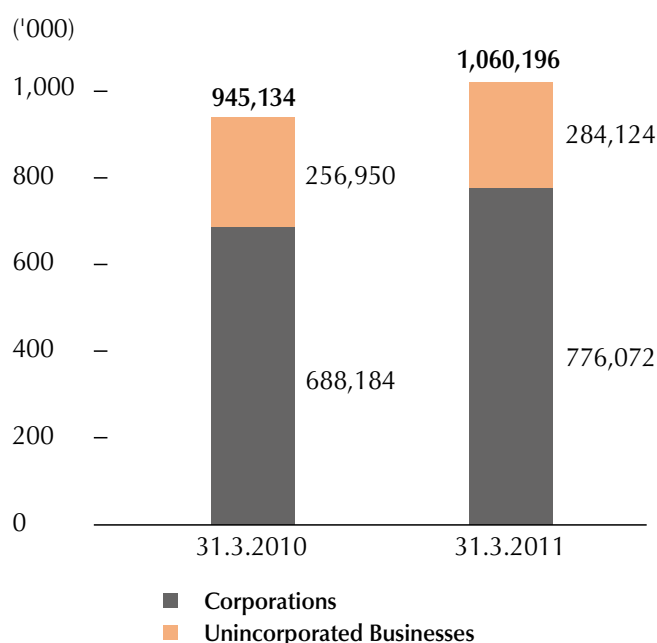


Figure 16 Certificates issued and fees collected

	2009-10	2010-11	Increase/Decrease
Number of certificates issued (Main and Branch)	999,029	1,125,127	+12.6%
Fees (inclusive of penalties) (\$m)	578.7	35.8	-93.8%

Under the Business Registration Ordinance, a small business with average monthly sales or receipts below a specified limit (\$10,000 for a business mainly deriving profits from the sale of services or \$30,000 for other businesses) can apply for exemption from payment of the business registration fee and levy. The number of exemptions granted during the year was 11,839, representing a decrease of 16.9% from the previous year.

Where an application for exemption is not allowed, the business operator may appeal to the Administrative Appeals Board. No appeal case was received by the Board in 2010-11 (Figure 17).

Figure 17 Appeals to the Administrative Appeals Board

	2009-10 Number	2010-11 Number
Awaiting hearing at the beginning of the year	0	0
Add: Lodged during the year	<u>1</u>	<u>0</u>
	1	0
Less: Disposed of -		
Appeal allowed	0	0
Appeal dismissed	0	0
Appeal withdrawn	<u>1</u>	<u>0</u>
	<u>1</u>	<u>0</u>
Awaiting hearing at the end of the year	<u>0</u>	<u>0</u>

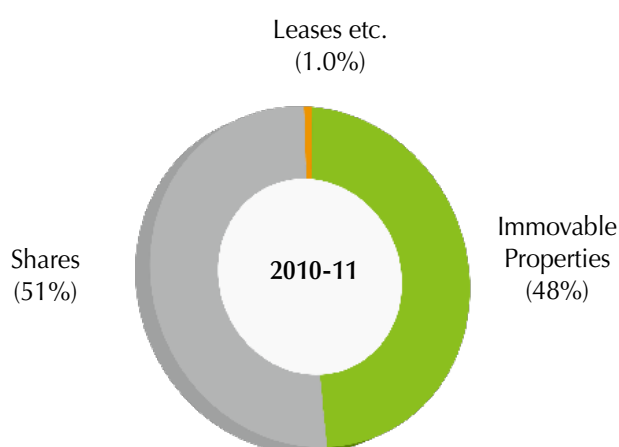
Stamp Duty

Stamp duty is charged on instruments effecting property and stock transactions and leasing of property in Hong Kong (Figure 18).

With the robust economic recovery and persistent low interest rates, the property market was hectic in 2010-11. Both the number and value of property transactions recorded a significant increase. The stamp duty collections from property transactions in 2010-11 increased remarkably by 50.9% to \$24.5 billion. The hectic property market also caused stamp duty collections from leases and other documents to climb to \$624 million, a substantial 46.8% increase from 2009-10.

The Hong Kong stock market remained active. The stamp duty collections from share transactions in 2010-11 recorded \$25.9 billion, an increase of 0.6% from the previous year.

Overall, there was an increase of 20% in total stamp duty collections during the year and the number of documents being stamped also increased by 18.6% (Figure 19 and Schedule 9).

Figure 18 Composition of stamp duty collections**Figure 19 Stamp duty collections**

	2009-10 (\$m)	2010-11 (\$m)	Increase/Decrease
Immovable Properties	16,237	24,504	+50.9%
Shares	25,721	25,877	+0.6%
Leases and other documents	425	624	+46.8%
Total	42,383	51,005	+20.3%

Estate Duty

Estate duty is charged on that part of a deceased person's estate situated in Hong Kong. The threshold for levying duty is \$7.5 million and the duty rates range from 5% to 15%, depending on the value of the estate.

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 abolishing estate duty in respect of persons passing away on or after that date. No estate duty affidavits and accounts need to be filed and no estate duty clearance papers are needed for the application for a grant of representation in respect of deaths occurring on or after that date. The estate duty chargeable in respect of estates of persons dying on or after 15 July 2005 and before 11 February 2006, with the principal value exceeding \$7.5 million, will be reduced to a nominal amount of \$100. With the abolition of estate duty, the number of new cases reduced gradually to 1,564 in 2010-11, a drop of 7.5% from the last year (**Figure 21**).

Figures 20 and 21 show the composition of estates and cases processed for the past two years.

Figure 20 Composition of estates

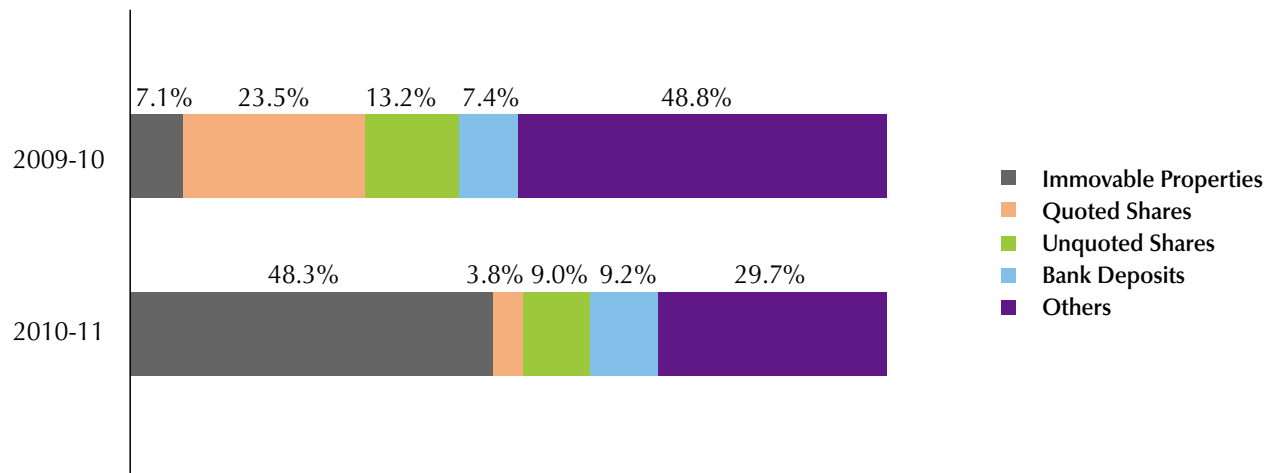


Figure 21 Estate duty cases

	2009-10	2010-11
New cases	<u>1,691</u>	<u>1,564</u>
Cases finalised		
Dutiable	71	66
Exempt	<u>1,611</u>	<u>1,538</u>
	<u>1,682</u>	<u>1,604</u>

Estate duty of \$213 million was collected during the year (**Schedule 10**), an increase of \$28 million (15%) compared with the previous year.

Estate duty is payable on delivery of an estate duty affidavit or account (or within 6 months from the date of the deceased’s death, whichever is the earlier). \$150 million was received during the year in advance of the issue of formal assessments (**Schedule 10**).

Betting Duty

Betting duty is charged on the net stake receipts derived from the conduct of authorised betting on horse races by the HKJC Horse Race Betting Limited, on the proceeds of lotteries conducted by the HKJC Lotteries Limited and on the net stake receipts derived from the conduct of authorised betting on football matches by the HKJC Football Betting Limited.

In 2010-11, the rates of duty on horse racing, lotteries and football betting remained unchanged (**Figure 22**).

Figure 22 Rates of betting duty in 2010-11

		Rate
Horse race betting	Net stake receipts	
	the first \$11 billion	72.5% *
	the next \$1 billion	73%
	the next \$1 billion	73.5%
	the next \$1 billion	74%
	the next \$1 billion	74.5%
	the remainder	75%
Lotteries	Proceeds	25%
Football betting	Net stake receipts	50%

Note: * For overseas bets, the discount rate for specified places (e.g. Macau) is 40%, whereas the discount rate for a place outside Hong Kong (other than specified places) is 50%.

In 2010-11, duty collections from horse racing, lotteries and football betting increased by 14.8%, 7.1% and 22.2% respectively (Schedule 11). Total betting duty collections in 2010-11 was 15.6% higher than the previous year (Figure 23).

Figure 23 Betting duty collections

	2009-10 (\$m)	2010-11 (\$m)	Increase/Decrease
Horse racing	8,291.7	9,516.0	+14.8%
Lotteries	1,497.4	1,604.1	+7.1%
Football betting	2,978.0	3,638.9	+22.2%
Total	12,767.1	14,759.0	+15.6%

Hotel Accommodation Tax

Hotel accommodation tax is imposed on hotel and guesthouse accommodations at the specified rate of the accommodation charges paid by guests and is collected quarterly in arrears. The rate was 3% on or before 30 June 2008.

Effective from 1 July 2008, the rate for hotel accommodation tax was reduced to 0%. During the 0% tax rate period, hotels and guesthouses are not required to impose hotel accommodation tax on accommodations hired by the guests, or to file the hotel accommodation tax return to the Collector of Stamp Revenue quarterly.

Tax Reserve Certificate

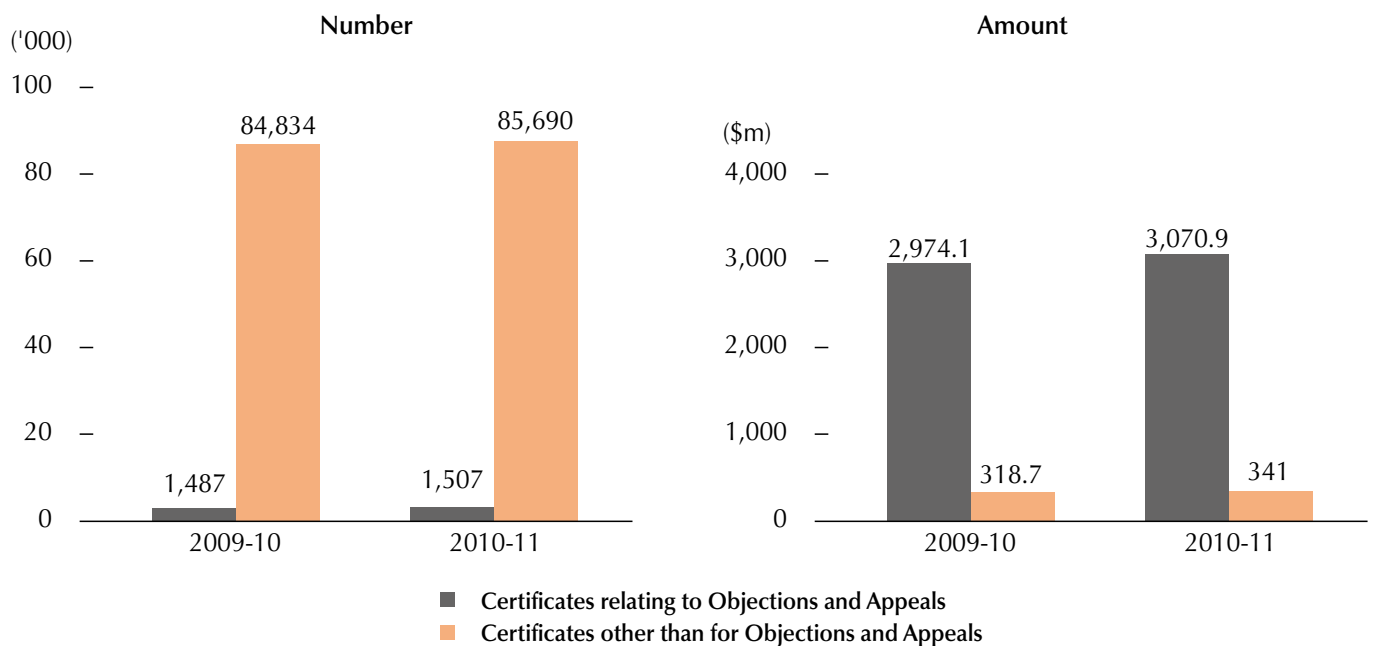
Taxpayers may purchase Tax Reserve Certificates (TRCs) under two situations.

The first situation applies to taxpayers who wish to save for the payment of their future tax liabilities. IRD has set up two schemes, namely the “Electronic Tax Reserve Certificates Scheme” for all taxpayers and the “Save-As-You-Earn” (SAYE) Scheme for civil servants and civil service pensioners. With a Tax Reserve Certificate account, taxpayers may purchase TRCs by various channels, including bank auto-pay, telephone, the Internet and bank ATM. Under the “SAYE Scheme”, civil servants and civil service pensioners can purchase TRCs through monthly deductions from their salaries / pensions. Interest is payable on the TRCs when they are redeemed for settlement of tax liabilities, based on the interest rate prevailing at the time of purchase, for a maximum period of 36 months from the date of purchase.

In 2010-11, there was an increase of 5% and 10% respectively in the number and the amount of TRCs sold under the “Electronic Tax Reserve Certificates Scheme” but a decrease of 2% and 1% respectively for the “SAYE Scheme” (Schedule 12). Overall, the total amount of TRCs sold increased by 7% (Figure 24).

The second situation applies to taxpayers who object to tax assessments and are required to purchase TRCs in respect of the tax in dispute. Such TRCs are used to settle any tax found payable upon the finalisation of the objection or appeal. Interest is only payable on the amount of the TRC, if any, subsequently required to be repaid to the taxpayer, and is computed at floating rates over the tenure of the TRC.

Figure 24 Certificates sold



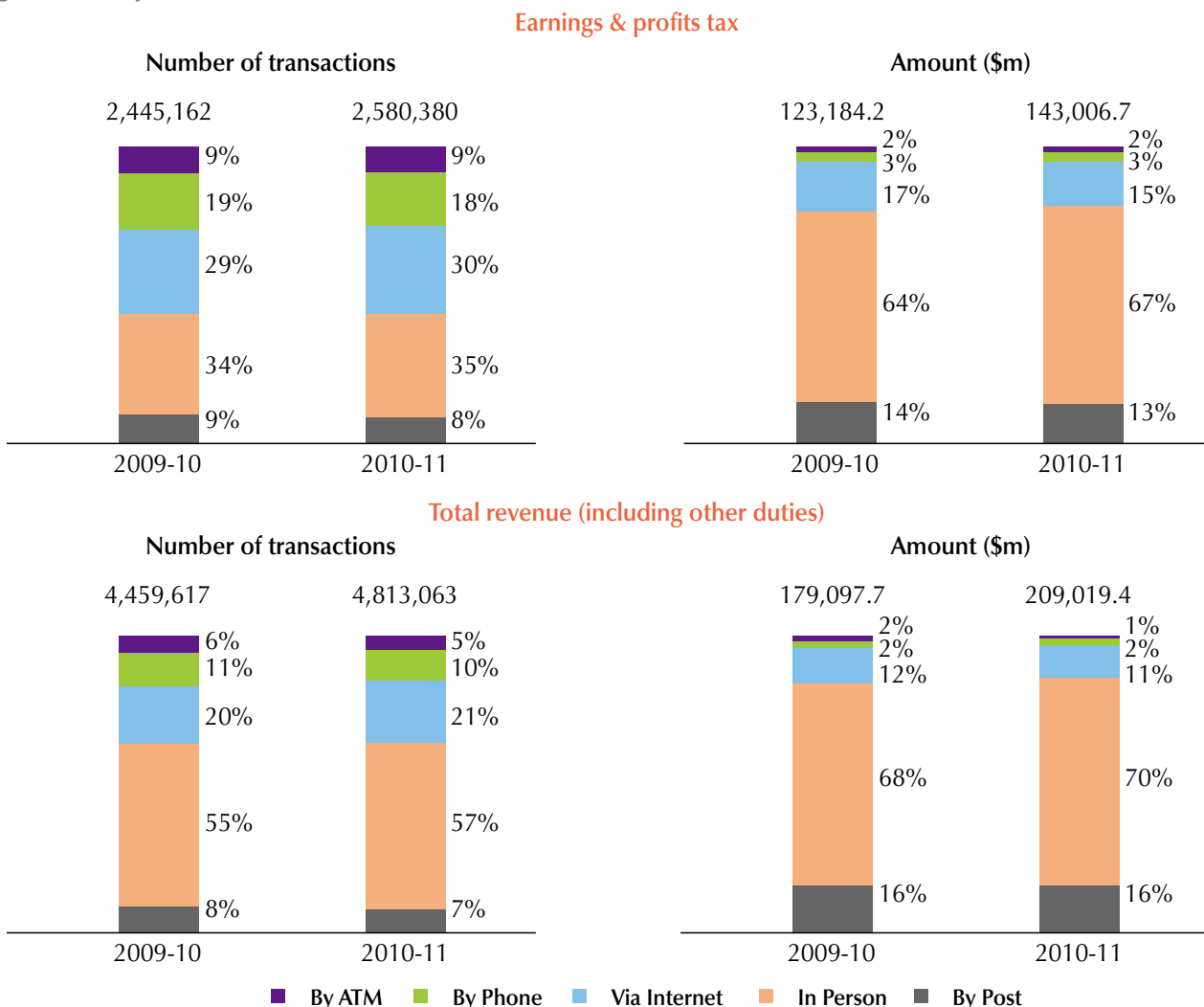
Collection

Revenue collected by the Inland Revenue Department includes tax, additional tax, surcharge and fines. Schedules 13 and 14 provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2010-11.

Collection of Tax

A taxpayer can choose to settle his tax liability by various payment methods, including electronic payments (by phone, bank ATM or the Internet), payment in person or payment by post. Paying tax by electronic means has been well received by the public. For earnings and profits tax, 57% of the payment transactions in 2010-11 were made through electronic means, representing an increase of about 74,000 cases or 5% over last year. Figure 25 shows the respective percentages of the different payment methods used by taxpayers under earnings and profits tax and total revenue.

Figure 25 Payment methods



Refund of Tax

Refunds were made to taxpayers for various reasons, such as overpayment of tax or revision of an assessment. 523,164 refund cases were made in 2010-11, representing an increase of 2.4%. The total amount of refunds was \$10.7 billion, representing an increase of \$0.4 billion or 3.9% as compared with the previous year (Figure 26).

Figure 26 Tax refunds

Type of tax	2009-10		2010-11	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	37,303	6,128.9	35,606	6,672.1
Salaries tax	406,387	2,660.2	420,915	2,438.9
Property tax	17,223	130.7	16,742	128.7
Personal assessment	23,912	246.4	24,499	247.9
Others	25,848	1,148.7	25,402	1,225.9
Total	510,673	10,314.9	523,164	10,713.5

Recovery of Tax in Default

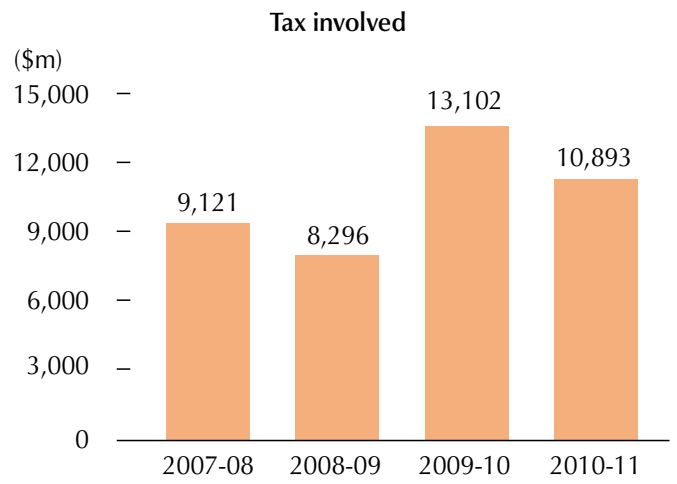
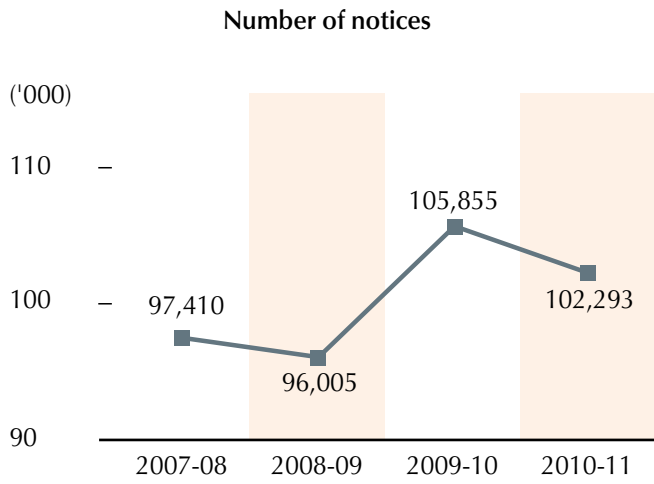
Taxpayers should pay tax on or before the due date shown on the demand notes issued to them. The vast majority of taxpayers settle their tax liabilities in a timely manner.

A late payment surcharge of 5% will generally be imposed where tax is in default. If tax debts remain outstanding for more than six months after the due date, the Department may impose a further surcharge of 10% on the total unpaid amount.

Any tax in default is immediately recoverable. Recovery notices can be issued to third parties (including employers, bankers and other parties owing money to or holding money on behalf of the defaulting taxpayers) to effect collection. Actions may also be commenced in the District Court. **Figure 27** summarises the recovery actions taken by the Department. Upon entry of judgment, a defaulting taxpayer becomes liable to legal costs and interest on judgment debt for the period from the date of commencement of proceedings to the date of full settlement in addition to the outstanding tax. **Figure 28** shows the legal costs and judgment interest collected during 2010-11.

Figure 27 Recovery action

Recovery notices



Recovery actions in the District Court

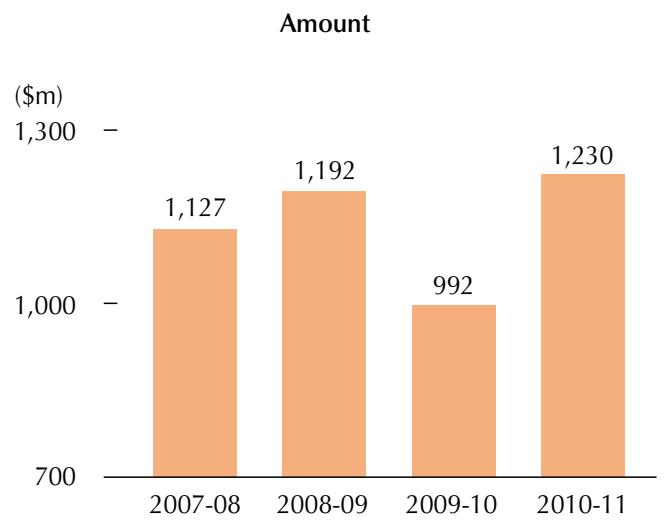
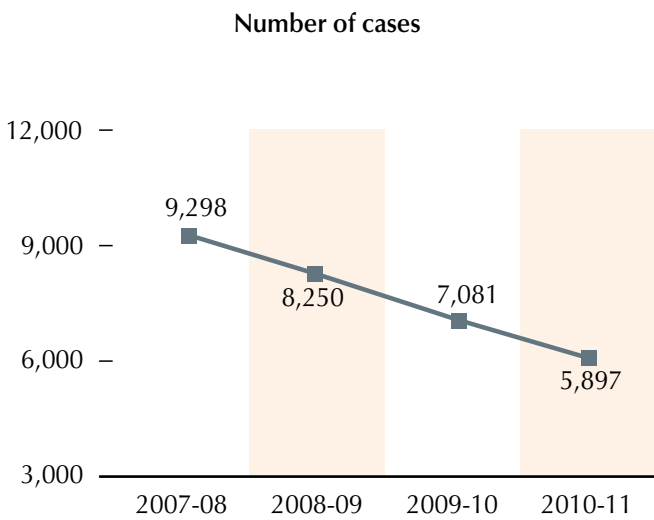


Figure 28 Legal costs and judgment interest collected in 2010-11

	\$	\$
Court cost		
Court fees	2,130,476	
Execution fees	<u>46,773</u>	2,177,249
Fixed cost		940,832
Judgment interest		
Pre-judgment interest	3,673,212	
Post-judgment interest	<u>29,303,487</u>	<u>32,976,699</u>
Total costs and interest collected		<u>36,094,780</u>

The Commissioner may apply to District Court to prevent a person with tax in default from leaving Hong Kong. The Commissioner has to satisfy a District Judge that there are reasonable grounds for believing that the person intends to depart, or has departed, from Hong Kong to reside elsewhere without paying his tax or furnishing adequate security for payment of such tax, for his issuance of the “departure prevention direction”. The relevant legislation also provides that the person concerned may appeal to the Court of First Instance of the High Court against a District Judge’s decision.

Field Audit and Investigation

The Field Audit and Investigation Unit is responsible for conducting field audits and investigations on businesses and individuals with a view to combating tax evasion and avoidance.

Back tax is assessed and penalties are generally imposed where discrepancies are detected. During 2010-11, the Field Audit and Investigation Unit completed 1,805 cases (including avoidance and prosecution cases) and assessed back tax and penalties of about \$3.8 billion (Figure 29).



Figure 29 Results of the Field Audit and Investigation Unit

	2007-08	2008-09	2009-10	2010-11
Number of cases completed	1,864	1,862	1,803	1,805
Understated earnings and profits (\$m)	12,133.2	9,084.7	12,192.8	19,470.1
Average understatement per case (\$m)	6.5	4.9	6.8	10.8
Back tax and penalties assessed (\$m)	2,528.5	2,181.2	2,590.4	3,827.4
Back tax and penalties collected (\$m)	2,548.3	2,566.6	2,385.1	3,881.3

Field Audit

Field audit is conducted on both corporations and unincorporated businesses. The work of field auditors entails site visits to business premises and examination of accounting records of taxpayers in order to ascertain whether correct returns of profits have been made.

In 2010-11, there were 17 Field Audit sections.

Anti-tax Avoidance

Two of the 17 Field Audit sections concentrate on tackling tax avoidance schemes, whereas other investigation officers and field auditors handle avoidance cases on an operational need basis.

During 2010-11, the Field Audit and Investigation Unit completed 234 tax avoidance cases and assessed back tax and penalties of about \$2.19 billion (Figure 30).

Figure 30 Results of the audit on tax avoidance cases

	2007-08	2008-09	2009-10	2010-11
Number of cases completed	188	218	206	234
Understated earnings and profits (\$m)	4,246.7	1,978.4	6,742.0	11,676.1
Average understatement per case (\$m)	22.6	9.1	32.7	49.9
Back tax and penalties assessed (\$m)	591.0	527.1	1,240.5	2,193.2

Investigation

Investigation officers are responsible for conducting in-depth investigations where tax evasion is suspected, and taking penal action (including prosecution proceedings in appropriate cases) to create a deterrent to tax evasion.

In 2010-11, there were 5 Investigation sections.

Prosecution

One of the 5 investigation sections focuses on criminal investigation of tax evasion.

Tax evasion is a serious crime. If a person is convicted of tax evasion, the Inland Revenue Ordinance provides for a maximum custodial sentence of three years.

In the year 2010-11, the Department instituted prosecution on 3 cases. The first case involved false claims for deduction of approved charitable donations. The defendant pleaded guilty and was imposed a community service order. The second case involved false claims for deduction of home loan interest and omission of rental income. The defendant was convicted on her own plead. She was sentenced to 4 months' imprisonment, suspended for 18 months, and a fine. The third case involved understatement of business receipts. The defendant was convicted after trial and sentenced to 7 months' imprisonment with a fine.

The trial of another prosecution case instituted last year for the understatement of employment income was completed this year. The defendant was jailed for 6 months and fined for the charges.



Property Tax Compliance Check

In addition to conducting audits on businesses, the Department also carries out verification checks on the correctness of rental income reported by property owners. Commencing from 2006-07, the Department broadened the scope of review to cover cases with lower rental income. In 2010-11, compliance check was completed on 90,681 property tax cases (Figure 31).

Figure 31 Results of the property tax compliance checks

	2007-08	2008-09	2009-10	2010-11
Number of cases completed	36,703	60,419	79,000	90,681
Understated rental income (\$m)	258.1	257.6	365.2	393.1
Back tax and penalties assessed (\$m)	33.0	33.8	43.8	46.3

Taxpayer Services

The Inland Revenue Department aims to provide high quality customer-oriented services. Particular emphasis is placed on making relevant information readily available to taxpayers. Various means are used, such as the Internet, electronic enquiry services and an interactive telephone answering system.

IRD Homepage

www.ird.gov.hk

The IRD Homepage is an effective platform for disseminating various tax information. It includes:

- information on tax law, tax returns, tax obligations and other hot topics;
- answers to frequently asked questions;
- IRD software and tax forms;
- interactive programs to calculate salaries tax and tax under personal assessment.

The Homepage also provides thematic contents through the Tax Representatives' Corner and e-Seminars for employers, property owners and individual taxpayers.

Electronic Enquiry Services

The Department continues to provide a wide range of instant electronic enquiry services to eTAX users at <www.gov.hk/etax>.

Telephone and Counter Enquiry Services

The Department's Enquiry Service Centre handles telephone and counter enquiries. The Centre is equipped with a computer network linked to the Department's Knowledge Database to enable it to provide, as far as possible, an immediate "one-stop" service.

The Centre makes use of an Interactive Telephone Enquiry System, with 144 telephone lines, to provide service. Callers can gain access on a 24-hour basis to a wide range of tax information by listening to recorded messages and obtaining facsimile copies of the information and forms. Callers can choose to speak to operators during office hours. A "Leave-and-call-back" facility, for recording information requests, and a "Fax-in enquiry" service are also available. The Centre also provides an eTAX help desk hotline to support users of eTAX services.

After the enhancement of the Interactive Telephone Enquiry System last year, the Centre can arrange officers from other units to assist answering telephone calls through the System during busy periods. The number of calls answered by staff through the System during the year was consequentially increased to about 0.68 million. The total number of telephone calls answered was over 1.16 million (Figures 32 and 33).

Figure 32 Number of telephone calls answered

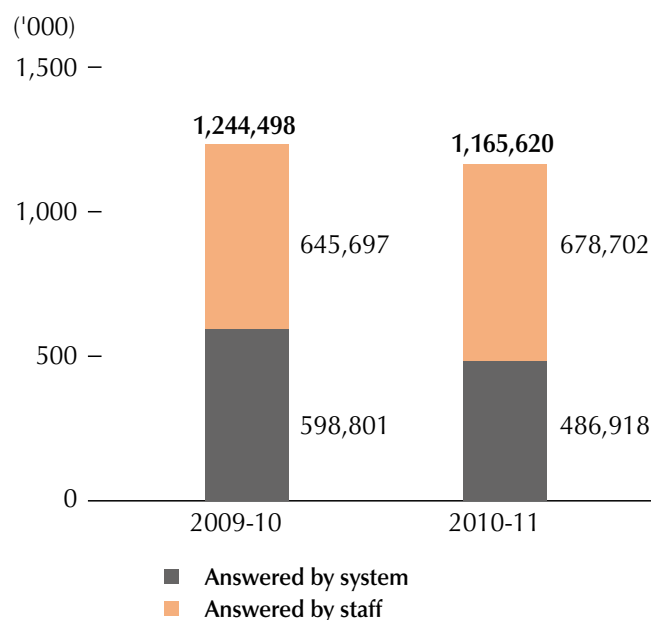


Figure 33 Telephone enquiries

	2009-10	2010-11	Increase/Decrease
No. of calls answered by staff	645,697	678,702	+5.1%
No. of calls answered by system	598,801	486,918	-18.7%
No. of leave-and-call-back messages	28,522	34,963	+22.6%
No. of fax supplied by the system	9,103	5,085	-44.1%

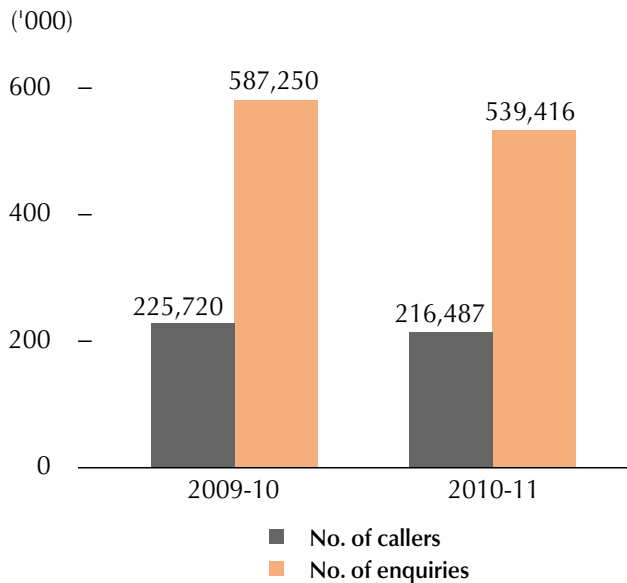
Generally, the counter staff of the Centre is able to handle enquiries, collect mail items and issue forms collectively without the need of referring the callers to other officers in the Department for assistance.

Counter enquiries are attended within the shortest possible time. The Centre's electronic queuing system ensures that taxpayers are served in the order of their arrival time. The number of counter enquiries handled during the year was 0.54 million (Figure 34).



Information leaflets on topics of general interest are available at the two form stands located on the ground and first floors of Revenue Tower. The public may also obtain tax information and download forms from the Department's web site <www.ird.gov.hk>.

Figure 34 Counter enquiries



Tax-help Services for Completion of Tax Returns

On the IRD Homepage we provide e-Seminars for tax representatives, employers, property owners and individual taxpayers. Information on how to complete tax returns, fulfill tax obligations and overcome difficulties in compliance are uploaded to the website. After reading the information, taxpayers can raise enquiries electronically at the “Q&A Column”. IRD will reply the questions on a regular basis.

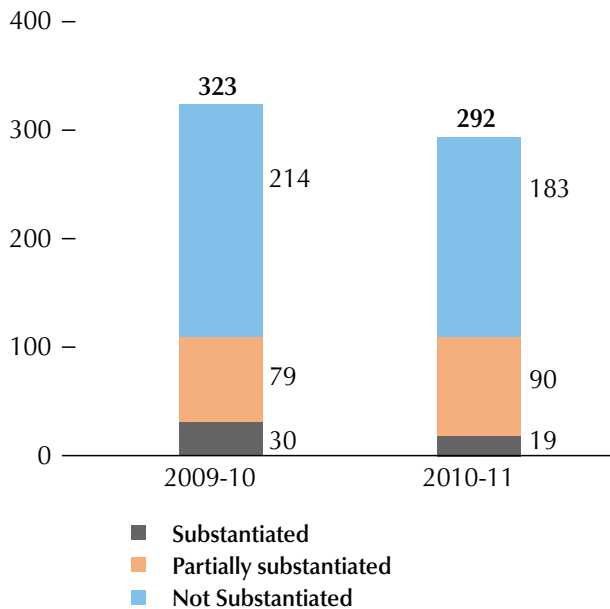
IRD issued tax returns to all individual taxpayers on 3 May 2010. To answer taxpayers’ enquiries on tax filing, the Department extended service hours of telephone operators from that date for one month, up to 7 p.m. from Mondays to Fridays, and 9 a.m. to 1 p.m. on Saturdays.

Complaints and Compliments

If a taxpayer is dissatisfied with the services provided by the Department or cannot solve his or her problem satisfactorily through normal channels, the Complaints Officer may be approached for assistance. The complaint channel provides taxpayers with the means of having individual grievances dealt with independently at a senior level. This ensures that such cases are properly handled in a fair and unbiased manner. During 2010-11, 292 complaints cases were received (Figure 35). This represents a decrease of 10%, as compared with the previous year.

If a taxpayer is dissatisfied with any administrative action taken by the Department, the person concerned may refer the matter to the Ombudsman. During the year, the Ombudsman sought written comments from the Department in respect of 12 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

Figure 35 Complaint cases



Taxpayers may compliment the service of Inland Revenue Department. During the year, 127 Letters of Compliments were received.

Performance Pledges

The service standards a taxpayer can expect from IRD are set out in the Performance Pledges. Through the performance pledge programme, a customer-oriented culture has taken a strong hold within the Department.



Information Technology

During the year, the Department continued to employ information technology in our day-to-day operations and providing quality services to the public.

Information Systems

After years of efforts, the Department has developed comprehensive information systems. Both the quality and efficiency of services to the public are enhanced through the integration of these systems. With the “Assess-First-Audit-Later” system in place, the Department can automate most of the assessment processes. Tax audit and investigation works are facilitated by the use of data mining and advanced analysis tools. With extensive utilization of the Document Management System and Workflow Management System, the management, control and monitoring of documents, files and workflows are strengthened. Our staff can also have access to the Department’s Intranet and General Enquiry Knowledge Database for general and technical information to answer public enquiries.

To update and upgrade the IT infrastructure of the Department to better meet operational requirements and enhance efficiency, we had applied for funding of HK\$305 million in November 2010 to implement a large scale System Infrastructure Enhancement Project. The project involves the upgrade of the file server and workstation infrastructure, upgrade of the Document Management System and migration of mainframe applications to midrange platform by stages in the coming years.



IT Enabled Workplace

The Department has a well-developed network of around 2,800 workstations. Under this computerized environment, our staff can perform various work tasks instantly and efficiently, including viewing tax returns, making online enquiries, raising assessments, updating transactions etc. Different staff members can have concurrent access to electronic documents through the computer network. This facilitates the handling of multiple tasks simultaneously. Moreover, e-mail accounts and Internet facilities are provided to staff of the Department to facilitate communication and reduce paper consumption.

eTAX

eTAX provides a wide range of personalised online services to assist taxpayers to manage their tax affairs. As at 31 March 2011, some 341,000 taxpayers have registered as eTAX users. Apart from enjoying the convenience offered by the electronic services, they also contribute to environment protection. More than half of the eTAX users selected to receive e-correspondence from the Department. In the year, eTAX brought about a saving of 5.1 million sheets of A4 paper.

In 2010-11, e-filing of tax returns has increased by 15% to over 288,000 cases. There were about 428,000 e-stamping transactions. A total of 2,135,000 online enquiries for Business Registration Number were received and there were 99,000 requests (related to around 220,000 business registration cases) for supply of information on the Business Register. Starting from 1 April 2010, small corporations and partnerships can file profits tax returns online.

Other Electronic Services

Electronic submission of annual returns in respect of employee's emoluments by diskettes or CD-ROMs is one of our popular e-services. This service is well accepted by relatively large-sized employers. During 2010-11, some 48,600 employers furnished electronic returns for 2,573,000 employees (constituted around 78% of all annual employee's emoluments records received in that year), 74% of these employers used the free software provided by the Department.

With effect from 21 February 2011, the Companies Registry and the Department jointly launched a one-stop registration service. The Companies Registry will process company and business registration applications simultaneously. The relevant applications can be made electronically to the Companies Registry.

Human Resources



Mr CHU Yam-yuen
Commissioner
of Inland Revenue

Mr WONG Kuen-fai
Deputy Commissioner
of Inland Revenue

Mrs CHU WONG Lai-fun, Teresa
Deputy Commissioner
of Inland Revenue

Ms LEE Kit-ye, Fion
Departmental
Secretary

Mr LI Yiu-kuen, Thomas
Assistant Commissioner
of Inland Revenue

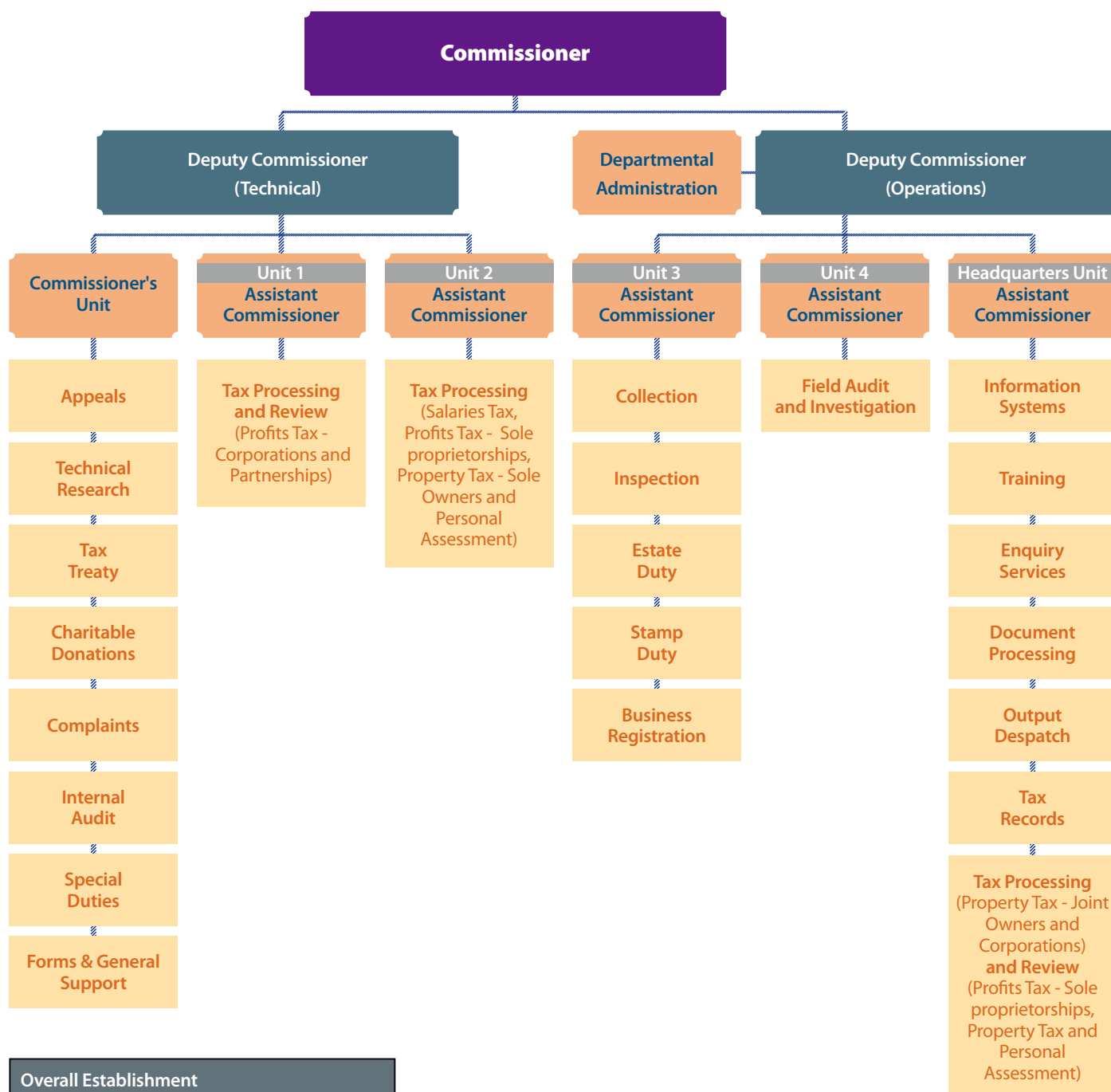
Ms TSE Yuk-yip
Assistant Commissioner
of Inland Revenue

Ms LEE Kong-chun, Doris
Assistant Commissioner
of Inland Revenue

Mrs LAI CHI Lai-ming
Assistant Commissioner
of Inland Revenue

Mr CHIU Kwok-kit
Assistant Commissioner
of Inland Revenue

Organisation Chart of Inland Revenue Department as at 31.3.2011



Overall Establishment	
	No. of Staff
Commissioner's Office	84
Commissioner's Unit	64
Headquarters Unit	703
Unit 1	340
Unit 2	789
Unit 3	596
Unit 4	242
Total	2,818

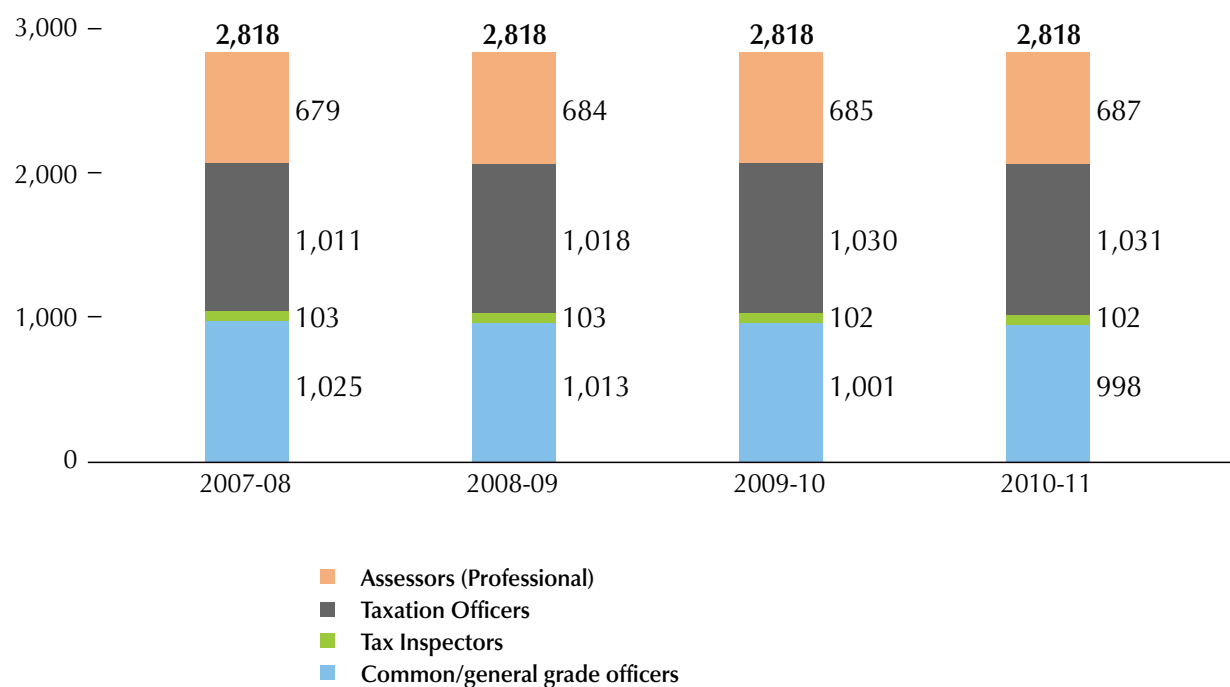
Establishment



The Commissioner, the two Deputy Commissioners and the five Assistant Commissioners form the top management of Inland Revenue Department.

As at 31 March 2011, the Department had an establishment of 2,818 permanent posts (including 25 posts for directorate officers) in the Commissioner's Office and six Units. Of the total, 1,820 posts were in departmental grades (namely Assessor, Taxation Officer and Tax Inspector grades), performing duties directly concerned with taxation. The remaining 998 posts were in common / general grades, providing administrative, information technology and clerical support services (**Figure 36**).

Most of the professional officers serving in the Department were below the age of 45 (**Figure 37**). The ratio of male to female professional officers was 1:1.5.

Figure 36 Staff establishment**Figure 37 Age profile of professionals (on strength basis)**

Age Group	Male	Female	Total
Below 25	4 (2%)	8 (2%)	12 (2%)
25 to below 35	33 (12%)	96 (24%)	129 (19%)
35 to below 45	93 (33%)	139 (34%)	232 (34%)
45 to below 55	115 (41%)	144 (35%)	259 (38%)
55 and over	33 (12%)	20 (5%)	53 (7%)
Total	278 (100%)	407 (100%)	685 (100%)

Staff Promotions and Turnover

In 2010-11, a total of 57 departmental grade officers and 9 common / general grade officers were promoted, 7 of them were in directorate ranks. 89 officers joined the Department, of which 66 were new appointees and 23 were officers transferred from other departments. A total of 118 officers (including 34 transferred to other departments) left the Department.

Recruitment

HKICPA Career Forum 2010

Inland Revenue Department participated in the Career Forum 2010 organised by the Hong Kong Institute of Certified Public Accountants on 10 October 2010 at the Cyberport Conference and Exhibition Centre. The Forum provided a good opportunity for the Department to introduce its work and career opportunities to those interested in pursuing their career in the Department. IRD's booth attracted about 700 visitors.



Training and Development

The Department continues to offer a variety of training courses, including taxation and accounting knowledge, interpersonal skills, management and languages. In 2010-11, our staff undertook a total of 10,142 man-day trainings, which was equivalent to about 3.7 man-days per officer. Major training programmes included:

- Induction courses for all grades of staff upon joining the Department
- Two-part taxation law and practice course for newly appointed assistant assessors
- Briefing sessions for legislative amendments or new services
- Refresher courses on professional knowledge
- Course on Hong Kong Accounting Standards
- Oral and written English courses
- Chinese writing course
- Performance appraisal workshop on writing and interviewing skills
- Putonghua and Computer courses for all staff

Soft Skills Training Courses

In 2010-11, the Department continued to provide training courses for professional officers to enhance their soft skills. Highlights of these training courses are:

- Workshop on time management and stress management
- Workshop on public speaking for senior assessors to enhance their presentation skills
- Effective negotiation skills workshops for officers working in Field Audit and Investigation Unit
- Leadership and teamwork workshop for officers to enhance the leadership skills and raise team spirit by experiential learning through games and outdoor activities

Mentorship Scheme

A Mentorship Scheme for Assistant Assessors was launched since 2008. In this scheme, experienced officers (the mentors) will guide newly recruited Assistant Assessors (the mentees) to broaden their perception about the Department and help them to integrate into the civil service. During the year, a survey was conducted to obtain feedback from mentors and mentees to further enhance the scheme. On 21 March 2011, the Commissioner officiated the Mentorship Scheme Closing cum Opening Ceremony during which appreciation was extended to the 2010 mentors and the third year of the scheme was launched. Since 2008, we have recruited a total of 55 mentors and 73 mentees. To facilitate communications, we launched an IRD's blog for dedicated use by mentors and mentees.

Continuing Professional Education

During the year, 13 seminars were held under the in-house Continuing Professional Education (CPE) Programme. The seminars covered a wide range of subjects including Exchange of Information in the Agreement for the Avoidance of Double Taxation, Hong Kong Financial Reporting Standard for Private Entities, Implementation Measures of Special Tax Adjustments, Rules of Evidence, Stress Management, Taxation of Termination Payments, Managing Y-generation, Mutual Agreement Procedure in the Agreement for the Avoidance of Double Taxation, Customer Services and Taxation of Shipping Profits. Speakers for five of the seminars were staff members and other speakers were experts from various fields. A total of 1,847 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Intranet and a total of 332 staff members had viewed these video files.

Overseas and China Training

We offer our officers opportunities to participate in overseas training programmes to broaden their horizons and to acquire the necessary knowledge for new and complex global issues. During the past year, 72 officers attended the following overseas training courses:

- 35 officers attended various overseas courses in the United States of America, Korea, Malaysia, Singapore, the United Kingdom, the Philippines and the United Arab Emirates
- 25 attended training courses jointly organised by the State Administration of Taxation and OECD in China
- 11 attended various national studies courses at Peking University, Tsinghua University, Peking University Shenzhen Graduate School and Guangzhou Sun Yat-sen University
- One attended the Thematic Study Programme – Coastal Development Plan of Jiangsu Province

Seminar

In May 2010, the Department organised a joint seminar on “Implementation Measures of Special Tax Adjustments” with the State Administration of Taxation. Speakers included two officers of the State Administration of Taxation, the Commissioner of Inland Revenue and the Deputy Commissioner of Inland Revenue. The seminar was open to members of 12 professional bodies and four chambers of commerce and recorded an attendance of over 560.



Continuous Learning

Staff are the Department’s valuable assets. We recognize the importance of providing opportunities of continuous learning to our staff to keep them abreast of the changing environment and to acquire the necessary knowledge to perform their duties. Apart from the conventional classroom training, the Department employs various means to promote the culture of continuous self-learning. These include encouraging staff to take the web courses provided by the CLC Plus of CSTDI and providing financial support to officers to attend seminars and courses organised by academic and professional institutes. 110 officers were sponsored by the Department to attend the relevant courses. Training materials and information were uploaded onto our Intranet for officers to study in their own time and at their own pace. This provides an effective way for the staff to acquire new knowledge and refresh what they have learnt.

Staff Relations and Welfare

The Department puts great emphasis on staff relations and welfare. We strive to maintain effective communication with staff at all levels and promote co-operation and mutual trust between staff and the management in enhancing the Department’s operational efficiency and productivity.

The Departmental Consultative Committee (DCC)

The Departmental Consultative Committee provides a formal and effective platform for the management and staff to exchange views on matters of mutual concern such as recruitment, promotion, career posting, training, working environment, staff welfare, office security and safety. The Committee is chaired by the Deputy Commissioner (Operations) and composed of representatives from all staff unions / associations and staff groups in the Department.

The General Grades Consultative Committee (GGCC)

The General Grades Consultative Committee is chaired by the Departmental Secretary. It also allows staff members of the secretarial and clerical grades to discuss with the management about issues that are of specific interest to their grades.

The “Meet-the-Staff Programme”

First launched in 1996-97, the Programme enables the senior management of each Unit and staff of different Sections / groups to meet regularly for exchanging ideas on departmental and service-wide issues in an open and relaxed manner. It serves to supplement the formal consultative channel and effectively enhances communication between staff and the management.

The IRD Staff Suggestions Scheme

During 2010-11, 5 out of 19 suggestions received were granted cash awards and certificates of commendation in recognition of their contributions to enhancing operational efficiency and quality of services.

The Inland Revenue Department Newsletter

Published quarterly, the Departmental Newsletter is another channel of communication between staff and the management that serves to promote a sense of belonging in the Department. Service-related issues, staff welfare, occupational and safety matters are disseminated through articles contributed by staff and unit management. The Newsletter also provides a regular roundup on the recreational activities organised by the Department’s Sports Association as well as volunteer activities organised by the Department’s Volunteer Team.

The Inland Revenue General Staff Welfare Fund (IRGSWF)

The Inland Revenue General Staff Welfare Fund was established voluntarily by a group of staff in 1972. It operates on funds donated by staff on a voluntary basis. With the endorsement of the Claims Subcommittee, which is formed to consider applications for financial assistance, small amount of interest-free loans or grants will be provided as an additional, quick source of emergency relief to help staff with unexpected financial hardship.





Commissioner's Commendation Letter Scheme

In 2010-11, 53 officers were awarded the Commissioner's Commendation Letter in recognition of their exemplary performance in the Civil Service. The presentation ceremony was held in March 2011.

Secretary for the Civil Service (SCS)'s Commendation Award 2010

In 2010, a Senior Assistant Assessor was awarded the SCS's Commendation in recognition of his consistently outstanding services and exemplary performance in his daily work. The presentation ceremony was held in November 2010.

The Long and Meritorious Service Travel Awards Scheme

In 2010-11, 30 officers with long and meritorious service were granted awards of overseas travel with their spouses under the Long and Meritorious Service Travel Award Scheme.



The IRD Sports Association

The Sports Association plays a very important role in fostering staff relationship and sense of belonging. To enrich the intellectual, social and athletic interests of its members, in 2010-11, other than thematic talks, interest

classes, workshops, outings, sports competition and the annual dinner 2010, the Association organised two cross-border trips to Shenzhen, Kaiping and Panyu. The activities were well received by colleagues and their family members.



The IRD Volunteer Team under the auspices of the Association is an active participant in numerous charitable and community works, extending love and care to the less privileged in the society. Throughout the year, there were 362 colleagues participated in various kinds of voluntary services, recording a total of 2,430 service hours. In recognition of the continuous efforts in caring the community, the Hong Kong Council of Social Service awarded the “5 Years Plus Caring Organisation Logo” to the Department. This marks the sixth consecutive year in which the Department was granted the award.



As regards fund-raising activities, the Association also actively took part in “Medecins Sans Frontieres Day” and “ORBIS Pin Campaign”. The results in terms of the amounts raised and the number of donors were both very satisfactory. The generous contributions by our colleagues were highly praised by both charitable organizations.



Legislative Amendments

The following legislations enacted during the year are related to matters under the purview of the Department.

Inland Revenue (Amendment) (No. 3) Ordinance 2010 (Ordinance No. 10 of 2010)

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2010-11 financial year:

- (i) to reduce the amounts of salaries tax and tax under personal assessment payable for the year of assessment 2009-10; and
- (ii) to accelerate profits tax deduction for capital expenditure incurred on the provision of environment-friendly vehicles.

Business Registration (Amendment) Ordinance 2010 (Ordinance No. 13 of 2010)

This Ordinance amended the Business Registration Ordinance to provide mainly for a one-stop company incorporation and business registration service, and the use of password for new applications for registration of a sole proprietorship or partnership business.

Stamp Duty (Amendment) Ordinance 2010 (Ordinance No. 16 of 2010)

This Ordinance amended the Stamp Duty Ordinance to give effect to the following proposals in the Budget for the 2010-11 financial year:

- (i) to increase the stamp duty rate to 4.25% in relation to transactions of immoveable property with consideration exceeding \$20 million; and
- (ii) to disallow deferred payment of stamp duty chargeable on agreements for sale in respect of residential property with consideration exceeding \$20 million.

Inland Revenue (Amendment) Ordinance 2011 (Ordinance No. 4 of 2011)

This Ordinance amended the Inland Revenue Ordinance to give effect to the proposals in the Budget for the 2010-11 financial year concerning tax concessions for qualifying debt instruments and matters related thereto.

Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income/ Taxes on Income and Capital/ Taxes on Income and Capital Gains) Orders

Country / Region	Date of Order	Nature
Brunei	22 June 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income
Indonesia	22 June 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income
Netherlands	22 June 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income
Austria	28 September 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital
Hungary	28 September 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income
Ireland	28 September 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income
United Kingdom	28 September 2010	Double Taxation Relief and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains

Specification of Arrangements (Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) (Third Protocol) Order

Country / Region	Date of Order	Nature
Mainland of China	28 September 2010	Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income

Inland Revenue (Double Taxation Relief on Income from Aircraft Operations) Order

Country / Region	Date of Order	Nature
Fiji	11 May 2010	Double Taxation Relief on Income from Aircraft Operations

Environmental Report

Green Management Policy

Inland Revenue Department is committed to providing a green office environment and to ensuring that its operation is conducted in an environmentally conscious and responsible manner. Reducing consumption of paper and energy in the office remains the Department's green target in view of its office-based operations. We strive to protect and conserve the environment through -



- Ensuring that the Department's operations will comply with the relevant environmental protection Ordinances;
- Adopting green housekeeping measures in the Department such as avoiding, reducing and controlling environmental pollution / wastage arising from the day-to-day work practice;
- Requiring our contractors to implement sound environmental management systems and pollution control measures;
- Using environmental friendly products such as energy saving photocopiers, batteries without mercury and unleaded petrol for motor vehicles and products with Environment or Energy Efficiency Labels;
- Ensuring that all staff are aware of the Green Management Policy with adequate information accessible by those who are interested in the subject; and
- Providing training courses and workshops on green management for staff to increase their awareness on green issues and encourage them to participate in environmental protection programmes.

Green Management and Promotion of Green Awareness

Green Management

The Environment and Records Management Committee which is chaired by the Departmental Secretary, the Department's Green Manager, and composed of green executives from various Units and Sections, is mandated to

seek staff's suggestions, set directions in our green policies, issue green office guidelines and update staff on new green initiatives adopted. The appointed floor green ambassadors assisted the Green Manager in promoting green awareness and implementing environmental programmes on a floor basis.

Green Education

Various measures were taken during the year to promote environmental awareness amongst staff, including -

- Updating regularly and displaying environmental protection promotional materials on notice boards;
- Posting notices and affixing stickers adjacent to relevant facilities to remind staff of energy saving;
- Releasing updated environmental protection information in the "Green Corner" of the Department's Intranet; and
- Disseminating useful and practical "Green Tips" through e-mails on a monthly basis and the Departmental Newsletter on a quarterly basis to all staff to promote green habits.

The Department also participated in various activities such as "Green Day" which was organised by the Community Chest with a view to arousing our staff's awareness on environmental protection. Besides, the Sports Association also assisted in promoting green awareness and healthy living among staff by organising a variety of activities in the year, including thematic talks and outings to the countryside.



Environmental Protection Performance

To balance operational needs with environmental care and social responsibility, the Department focuses its efforts to provide a healthy working environment with satisfactory indoor air quality, and to conserve energy, reduce paper consumption, minimise waste production and encourage waste recycling.

Smoke-free Workplace

Smoking has been prohibited in Revenue Tower since 1996. The Department continued to adopt the smoke-free workplace policy by designating all indoor areas as no-smoking areas. No-smoking signs are displayed at conspicuous locations. Departmental circulars are re-circulated regularly to remind staff about the importance of maintaining a smoke-free working environment and providing green healthy public areas to visitors.

Indoor Air Quality (IAQ)

Our staff spend most of the time in offices and other indoor environment. We therefore strive to provide and ensure good indoor air quality for them. During the year, the Electrical and Mechanical Services Department commissioned a contractor to conduct a comprehensive IAQ measurement in offices located in the Revenue Tower. The continued award of the "Indoor Air Quality Certificate (Good Class)" to Revenue Tower in September 2010 shows that our office fully meets the requirements of the IAQ.

Energy Conservation

The Department is proactive in energy conservation and implemented various energy saving measures to reduce electricity consumption. An overall drop of 4.6% in electricity consumption was observed in the past three years. Energy saving measures adopted include -

- Modifying group lighting switches to individual switches;
- Reducing lighting to the minimum required level for illumination;
- Adopting the "last-man-out" arrangement to ensure that lights and electric facilities / appliances are switched off during lunch hour, after office hours or when not in use;
- Adjusting timers so that lights in the corridors and lift lobbies are switched off on Saturdays, Sundays and public holidays;
- Using computers, fluorescent tubes and other electrical appliances with Energy Efficiency Label;
- Controlling use of personal electric appliances in office;
- Maintaining air-conditioned room temperature at 25.5°C; and
- Encouraging the use of electric fans to improve air circulation when necessary.

These measures will continue to be implemented in the Department to conserve energy.

Adherence to the “3R” Principle

The Department continued to adhere to the 3R principle - “Reduce, Reuse and Recycle” in the consumption of materials.

Reduction and Reuse of Paper

In specific, the Department continued to adopt the following measures in the year to reduce paper and envelope consumption –

- Encouraging staff to minimise photocopying and use both sides of recycled paper and / or the clean side of waste paper for printing and photocopying instead of virgin paper;
- Encouraging paperless means of internal and external communication by using e-mail and floppy diskettes;
- Implementing the “Electronic Leave Application and Processing System” for leave applications and approvals;
- Making optimum use of the Department’s Intranet to enable more environmental friendly and speedy internal information transmission. Administrative Instructions, Staff Handbooks, training materials, reference materials, guidelines, monthly reports, meeting minutes, etc. are uploaded onto the Intranet to facilitate updating and retrieval on-line, and dispensing with the keeping of personal hard copies;
- Circulating and re-circulating Departmental and Unit Circulars / Circular Memoranda / Posting Notices by e-mail;
- Reviewing regularly the need for the preparation of periodical reports, the distribution lists of outgoing correspondence and hard copies required for circulation;
- Promoting the use of multiple screen method in printing on-line enquiries;
- Replacing pre-printed forms with templates or use overlay printing. The templates of the forms are uploaded onto the Intranet so that the forms can be printed as and when required;
- Continuing to view reports on-line through the Computer Output On-line Retrieval System, thus obviating the need for printing computer reports in hard copies;
- Encouraging the public to file tax returns electronically by eTAX and to use the Department’s electronic services under the GovHK website; and
- Uploading e-Seminars for employers and tax representatives to reduce paper consumption by obviating the need to print invitation letters, tickets and handouts.

Waste recycling

We encourage staff to participate in the recycling programmes. Bags and recycling boxes are placed at various conspicuous locations on all floors of the Department to facilitate the collection of three recyclable wastes, namely papers, aluminium cans and plastic bottles. Besides, used printer cartridges are also collected for recycling. The Department collected some 308,270 kg of waste paper, 67 kg of aluminium cans, 218 kg of plastic bottles and 7,550 used printer cartridges during the year.

New Initiatives and Targets

Inland Revenue Department will strive to enhance its green performance through formulating and taking forward new initiatives and targets for environmental protection. The Intranet and the Departmental Portal will continue to be widely utilised for the enhancement of e-office facilities. Continuous efforts will be made to economise on the consumption of electricity and papers, and to promote the selection of recycled papers and green products in our procurement.

Miscellaneous

Charitable Institutions

Charitable institutions are exempt from tax under the Inland Revenue Ordinance. As at 31 March 2011, the number of charities exempt from tax was 6,788, of which 510 charities were granted exemption during the year. The list of charities exempt from tax is available on IRD Homepage.

Donations to charities exempt from tax may be tax deductible. For the year of assessment 2009-10, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$3.82 billion and \$4.95 billion respectively.

General Inspection

Tax inspectors carry out on-site inspections of businesses and call on individuals to check their compliance with the various Ordinances administered by the Department. A total of 106,933 visits were made during the year.

Internal Audit

Internal auditors perform an important role within the Department. Their activities are directed at ensuring that work carried out within the Department complies with relevant legislation and departmental procedures. They also examine internal control systems and work methods with a view to identifying areas where changes can be made to improve output and efficiency.

Approval for Tax Return Forms and the Manner of Furnishing the Returns

The Board of Inland Revenue is constituted under the Inland Revenue Ordinance. It operates independently of the Inland Revenue Department and one of its functions is to approve returns to be used for property tax, salaries tax, profits tax and personal assessment, and the manner in which the tax returns are furnished.

Schedules

- 1 Tax Assessed and Collections for the year ended 31 March 2011
- 2 Demand Notes Issued, Tax Assessed and Collections (2007-08 to 2010-11)
- 3 Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2007-08 to 2009-10
- 4 Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2007-08 to 2009-10
- 5 Analysis of Salaries Tax Assessments for the year of assessment 2009-10
- 6 Analysis of Allowances for the year of assessment 2009-10
- 7 Property Statistics (as at 31 March 2011)
- 8 Business Registration Statistics (2007-08 to 2010-11)
- 9 Stamp Duty Collections and Stamp Office Activities (2007-08 to 2010-11)
- 10 Estate Duty Assessed and Collections for the year ended 31 March 2011
- 11 Betting Duty Statistics (2008-09 to 2010-11)
- 12 Tax Reserve Certificates Statistics (2007-08 to 2010-11)
- 13 Offences Committed and Court Fines Imposed
- 14 Surcharges Added, Offences Compounded, Additional Tax Imposed and Costs Awarded by the Board of Review

SCHEDULE 1 EARNINGS AND PROFITS TAX – TAX ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2011

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year —						
2008-09 and earlier years	86,103,946	382,194,542	(3,031,283,752)	208,518,678	371,366,395	(1,983,100,191)
2009-10 Final Tax only	221,043,600	365,390,936	(1,823,083,964)	159,446,399	3,540,744,041	2,463,541,012
2010-11 Provisional Payments and Final Tax	1,497,793,093	45,628,422,151	88,171,606,980	5,374,780,077	1,884,092	140,674,486,393
Total Tax Assessed	1,804,940,639	46,376,007,629	83,317,239,264	5,742,745,154	3,913,994,528	141,154,927,214
Add: Collectables —						
Tax outstanding as at 31 March 2010 b/f	359,688,611	7,658,015,093	50,501,587,819	2,641,866,344	606,411,794	61,767,569,661
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	13,779,788	207,618,675	798,480,547	156,483,589	6,074,402	1,182,437,001
Interest on Tax Heldover	39,741	1,811,057	113,947,753	1,184,720	426,742	117,410,013
Write-off re-opened	2,623,845	38,454,119	20,396,538	18,011,838	14,172,993	93,659,333
Total of Tax Assessed and Collectables (a)	2,181,072,624	54,281,906,573	134,751,651,921	8,560,291,645	4,541,080,459	204,316,003,222
Collections during the year —						
Net Tax collected	1,633,592,083	44,045,477,174	87,315,408,202	4,832,808,387	3,912,168,130	141,739,453,976
(After allowing for refunds of tax)	75,316,967	2,218,901,585	6,477,635,895	130,875,574	238,649,253	9,141,379,274
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	13,504,116	207,627,484	763,417,247	157,627,677	8,911,843	1,151,088,367
Interest on Tax Heldover	38,055	1,633,332	112,566,777	1,221,927	672,628	116,132,719
Total Net Collections (b)	1,647,134,254	44,254,737,990	88,191,392,226	4,991,657,991	3,921,752,601	143,006,675,062
Balance of Tax, Surcharge, etc. payable (a) - (b)	533,938,370	10,027,168,583	46,560,259,695	3,568,633,654	619,327,858	61,309,328,160
Less: Not collected by virtue of set-off	155,885,792	1,770,554,551	-	514,114,858	-	2,440,555,201
Written-off as irrecoverable	2,537,540	59,984,197	443,175,052	32,223,008	16,210,875	554,130,672
Tax, Surcharge, etc. outstanding as at 31 March 2011 carried forward	375,515,038	8,196,629,835	46,117,084,643	3,022,295,788	603,116,983	58,314,642,287
Less: Under objection or appeal	5,617,407	816,697,331	33,610,595,991	1,571,456,843	244,549,900	36,248,917,472
Listed for write-off but awaiting approval	1,864,628	351,755	451,964	3,487,048	224,485	6,379,880
Assessed but not yet due	220,490,295	5,713,641,873	8,443,479,673	429,130,768	194,972,070	15,001,714,679
Net Tax, Surcharge, etc. in arrears as at 31 March 2011	147,542,708	1,665,938,876	4,062,557,015	1,018,221,129	163,370,528	7,057,630,256

SCHEDULE 2 EARNINGS AND PROFITS TAX — DEMAND NOTES ISSUED, TAX ASSESSED AND COLLECTIONS

	2007-08		2008-09		2009-10		2010-11	
	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed
		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Profits Tax —								
Corporations	92,014	91,400,615	91,812	98,454,019	96,435	69,030,850	102,024	83,317,239
Unincorporated Businesses	26,121	4,458,033	29,031	5,138,156	32,282	5,190,379	30,145	5,742,745
Salaries Tax	1,213,934	38,724,744	1,219,526	39,348,226	1,240,606	42,671,919	1,275,831	46,376,008
Property Tax	90,587	1,369,413	107,574	876,848	114,141	1,854,647	112,898	1,804,941
Personal Assessment	172,687	3,508,279	164,028	2,143,154	109,896	3,638,011	177,449	3,913,994
Total	1,595,343	139,461,084	1,611,971	145,960,403	1,593,360	122,385,806	1,698,347	141,154,927

	2007-08 Collections	2008-09 Collections	2009-10 Collections	2010-11 Collections
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Profits Tax —				
Corporations	86,775,624	99,294,434	72,224,310	88,191,392
Unincorporated Businesses	4,647,082	4,857,058	4,381,053	4,991,658
Salaries Tax	37,479,476	39,007,872	41,245,415	44,254,738
Property Tax	1,240,606	832,547	1,677,621	1,647,134
Personal Assessment	3,586,574	2,151,110	3,655,847	3,921,753
Total	133,729,362	146,143,021	123,184,246	143,006,675

SCHEDULE 3 CORPORATIONS — PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2007-08		2008-09		2009-10	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Distribution —						
Retail	2,424,375	2.6	2,394,349	3.3	2,737,633	3.5
Wholesale, Import and Export	17,482,100	18.9	16,401,805	22.4	16,227,073	20.6
Foreign Corporations carrying on Import and Export	96,156	0.1	70,543	0.1	68,243	0.1
Public Utilities	4,822,133	5.2	4,011,957	5.5	3,874,354	4.9
Property, Investment and Finance (other than Banking)	20,285,071	22.0	16,214,119	22.1	20,010,333	25.4
Banking	23,401,224	25.3	12,927,015	17.6	14,477,228	18.3
Manufacturing —						
Clothing and Textiles	975,119	1.1	962,922	1.3	991,844	1.3
Food and Beverage Products	434,009	0.5	434,148	0.6	467,527	0.6
Steel and Other Metals	391,660	0.4	317,377	0.4	265,064	0.3
Printing and Publishing	637,613	0.7	452,174	0.6	498,836	0.6
Others	4,011,621	4.3	3,036,536	4.1	3,612,283	4.6
Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,531,199	1.7	1,393,476	1.9	1,097,236	1.4
Hotels, Restaurants and Amusement Centres	1,689,152	1.8	1,720,584	2.3	1,583,119	2.0
Stevedoring, Wharfing and Godowns	1,089,141	1.2	1,097,682	1.5	1,053,717	1.3
Clubs and Associations	943,134	1.0	868,913	1.2	885,679	1.1
Insurance Companies	1,548,329	1.7	809,360	1.1	1,037,796	1.3
Non-resident Corporations Trading through Agents (including Consignment Tax)	1,300,820	1.4	1,284,165	1.8	1,221,071	1.5
Building Contractors and Engineering Works	986,918	1.1	1,046,004	1.4	1,129,470	1.4
Aircraft Owners and Operators	123,003	0.1	52,977	0.1	43,745	0.1
Taxis, Hire Cars, Public Light Buses and Motor Boats	136,974	0.2	152,509	0.3	193,545	0.3
Miscellaneous	8,060,838	8.7	7,595,267	10.4	7,421,218	9.4
Total	92,370,589	100.0	73,243,882	100.0	78,897,014	100.0

SCHEDULE 4 UNINCORPORATED BUSINESSES — PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2007-08		2008-09		2009-10	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Property Developers, Property Dealers, Property Agents and Subletting Businesses	86,728	3.3	63,621	2.6	42,288	1.7
Finance and Securities including Brokers, Dealers and Insurance Agents	194,515	7.4	148,165	6.0	145,100	5.7
Builders, Decorators and Civil Engineering Works	16,028	0.6	22,805	0.9	20,801	0.8
Distribution —						
Import and Export	73,234	2.8	74,571	3.0	67,970	2.7
Wholesale	49,248	1.9	37,151	1.5	36,076	1.4
Retail	149,671	5.7	144,573	5.8	150,209	5.9
Manufacturing —						
Agricultural Trades and Food & Beverage Products Manufacturers	3,200	0.1	4,229	0.2	5,384	0.2
Cloth and Clothing	17,365	0.7	14,102	0.6	13,488	0.5
Chemical Products and Mechanical Engineering	22,760	0.9	25,473	1.0	27,269	1.1
Printing and Publishing	7,306	0.3	8,982	0.4	10,929	0.4
Others	23,494	0.9	25,501	1.0	16,095	0.6
Hotels, Restaurants and Amusement Centres	21,211	0.8	30,030	1.2	37,017	1.5
Transport (including Wharfing and Godowns)	25,681	1.0	36,136	1.5	31,087	1.2
Professions —						
Accountants	362,205	13.8	328,551	13.3	395,136	15.5
Architects, Engineers, Surveyors, etc.	5,899	0.2	4,457	0.2	4,792	0.2
Doctors and Dentists	674,258	25.6	605,987	24.4	612,463	24.0
Solicitors and Barristers	784,392	29.8	770,091	31.0	808,638	31.7
Other Professions	100,238	3.8	126,496	5.1	118,907	4.7
Miscellaneous	11,273	0.4	7,385	0.3	5,791	0.2
Non-resident Businesses (Note)	196	0.0	63	0.0	21	0.0
Total	2,628,902	100.0	2,478,369	100.0	2,549,461	100.0

Note : Consignment Tax under Section 20A(3) of the Ordinance

SCHEDULE 5 ANALYSIS OF SALARIES TAX ASSESSMENTS FOR THE YEAR OF ASSESSMENT 2009-10 BY INCOME GROUP

Annual Income	No. of Taxpayers	Percentage of Taxpayers	No. of Elections for Joint Assessment	Total Income (After Deductions other than Self Education Expenses and Concessional Deductions)	Total Allowances (See analysis Per Schedule 6)	Self Education Expenses	Concessional Deductions				Total Net Chargeable Income	Final Tax	Percentage of Total Final Tax	Average Tax per Taxpayer
							Total Donations to Charities	Home Loan Interest	Elderly Residential Care Expenses	Contribution to Recognized Retirement Scheme				
(\$)		(%)		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(%)	(\$)
108,001 - 110,000	6,208	0.44	0	677,656	670,464	5	55	3	0	31	7,098	33	0.00	5
110,001 - 120,000	51,252	3.59	0	5,940,864	5,535,216	2,636	5,900	1,838	0	87,476	307,798	1,518	0.00	30
120,001 - 130,000	53,820	3.77	0	6,737,240	5,815,350	15,443	16,201	9,939	36	143,731	736,540	3,658	0.01	68
130,001 - 140,000	48,694	3.42	0	6,567,401	5,275,987	30,352	22,642	18,189	266	148,534	1,071,431	5,336	0.01	110
140,001 - 150,000	50,761	3.56	0	7,360,390	5,576,403	45,556	28,985	28,052	323	168,935	1,512,136	7,601	0.02	150
150,001 - 180,000	138,263	9.70	0	22,808,142	15,770,929	206,234	104,586	125,507	1,855	576,349	6,022,682	45,349	0.11	328
180,001 - 210,000	124,738	8.75	0	24,226,472	15,397,428	259,220	143,339	178,669	4,269	674,663	7,568,884	80,021	0.19	642
210,001 - 240,000	114,669	8.04	5,321	25,870,325	16,064,745	220,079	155,521	201,148	5,739	696,564	8,526,529	129,179	0.30	1,127
240,001 - 270,000	105,040	7.37	7,387	26,691,323	16,050,338	214,643	188,855	221,342	12,433	684,692	9,319,020	245,635	0.57	2,338
270,001 - 300,000	94,409	6.62	10,475	26,871,908	16,117,603	199,171	197,329	236,989	12,992	631,540	9,476,284	363,996	0.85	3,856
300,001 - 400,000	229,663	16.11	31,262	79,686,460	44,458,500	501,295	669,351	790,458	51,595	1,655,393	31,559,868	1,958,591	4.58	8,528
400,001 - 500,000	130,349	9.14	17,727	58,189,093	27,703,217	325,713	547,162	673,606	48,139	990,819	27,900,437	2,549,863	5.96	19,562
500,001 - 600,000	76,567	5.37	7,988	41,938,651	16,477,518	187,189	441,255	452,578	36,412	618,675	23,725,024	2,674,698	6.26	34,933
600,001 - 700,000	45,128	3.17	3,898	29,103,408	9,727,117	107,721	300,681	281,737	20,185	340,842	18,325,125	2,304,597	5.39	51,068
700,001 - 800,000	32,459	2.28	2,279	24,191,276	7,028,271	76,007	252,149	207,760	17,893	244,585	16,364,611	2,198,032	5.14	67,717
800,001 - 900,000	21,122	1.48	1,430	17,846,774	4,542,593	46,285	173,324	149,275	10,714	157,987	12,766,596	1,790,243	4.19	84,757
900,001 - 1,000,000	18,347	1.29	995	17,336,325	3,967,472	38,208	173,078	126,232	9,862	114,881	12,906,592	1,863,899	4.36	101,591
1,000,001 - 1,500,000	43,397	3.04	2,453	51,985,860	9,427,751	81,019	479,071	348,381	20,273	291,514	41,337,851	6,246,509	14.62	143,939
1,500,001 - 2,000,000	16,456	1.15	878	28,301,662	3,016,285	22,895	224,124	161,400	6,168	104,663	24,766,127	3,806,136	8.90	231,292
2,000,001 - 3,000,000	12,411	0.87	445	29,867,042	1,781,989	12,031	212,414	130,055	2,277	79,888	27,648,388	4,243,865	9.93	341,944
3,000,001 - 5,000,000	6,757	0.47	50	25,459,365	264,592	3,722	186,224	61,394	1,020	43,593	24,898,820	3,727,545	8.72	551,657
5,000,001 - 7,500,000	2,659	0.19	4	15,985,400	1,008	1,424	112,561	23,812	202	16,679	15,829,714	2,358,609	5.52	887,029
7,500,001 - 10,000,000	1,019	0.07	0	8,757,073	0	468	52,930	10,056	70	6,231	8,687,318	1,296,983	3.03	1,272,800
10,000,001 & over	1,598	0.11	1	32,665,198	0	602	258,524	13,371	61	9,716	32,382,924	4,847,862	11.34	3,033,706
Total	1,425,786	100.00	92,593	615,065,308	230,670,776	2,597,918	4,946,261	4,451,791	262,784	8,487,981	363,647,797	42,749,758	100.00	29,983

SCHEDULE 6 ANALYSIS OF ALLOWANCES FOR THE YEAR OF ASSESSMENT 2009-10 BY INCOME GROUP

Annual Income	Basic Allowance	Married Person's Allowance	Child Allowance	Dependent Brother/Sister Allowance	Single Parent Allowance	Dependent Parent Allowance	Additional Dependent Parent Allowance	Dependent Grandparent Allowance	Additional Dependent Grandparent Allowance	Disabled Spouse Allowance	Disabled Parent Allowance	Disabled Grandparent Allowance	Disabled Child Allowance	Disabled Brother/Sister Allowance	Total Allowances
(\$)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
108,001 - 110,000	670,464	0	0	0	0	0	0	0	0	0	0	0	0	0	670,464
110,001 - 120,000	5,535,216	0	0	0	0	0	0	0	0	0	0	0	0	0	5,535,216
120,001 - 130,000	5,812,560	0	0	0	0	2,790	0	0	0	0	0	0	0	0	5,815,350
130,001 - 140,000	5,258,952	0	25	1,980	0	12,690	2,100	240	0	0	0	0	0	0	5,275,987
140,001 - 150,000	5,482,188	0	0	15,030	0	59,055	17,730	2,385	15	0	0	0	0	0	5,576,403
150,001 - 180,000	14,932,404	0	162,790	71,670	0	416,130	168,465	17,070	2,280	0	60	60	0	0	15,770,929
180,001 - 210,000	13,471,704	0	336,879	88,380	0	931,335	510,990	38,310	12,750	0	4,560	600	0	1,920	15,397,428
210,001 - 240,000	11,054,340	2,659,824	589,731	86,010	45	1,021,335	558,660	40,845	13,575	0	27,780	1,500	1,200	9,900	16,064,745
240,001 - 270,000	9,577,548	3,533,544	759,995	72,960	5,076	1,237,860	705,375	46,860	15,630	0	75,240	4,440	2,910	12,900	16,050,338
270,001 - 300,000	7,765,200	4,861,944	1,273,540	67,170	77,274	1,235,625	667,155	48,375	15,420	1,920	79,260	6,060	4,080	14,580	16,117,603
300,001 - 400,000	17,215,740	15,175,944	5,417,249	154,380	337,117	3,767,970	1,787,505	135,735	40,740	13,860	296,760	21,000	34,020	60,480	44,458,500
400,001 - 500,000	9,448,488	9,258,408	4,136,234	80,490	231,792	2,794,650	1,233,015	94,080	26,280	13,440	267,900	19,920	44,400	54,120	27,703,217
500,001 - 600,000	5,643,216	5,252,040	2,563,251	48,780	127,386	1,764,960	734,085	54,645	16,455	7,680	182,580	13,800	29,160	39,480	16,477,518
600,001 - 700,000	3,336,444	3,074,760	1,585,906	26,400	76,857	1,029,585	400,860	31,050	8,865	4,560	102,900	7,200	18,810	22,920	9,727,117
700,001 - 800,000	2,368,980	2,273,184	1,207,176	15,690	53,136	713,970	264,255	18,375	3,945	3,120	73,800	4,620	12,780	15,240	7,028,271
800,001 - 900,000	1,508,868	1,544,616	776,633	10,170	31,881	439,425	155,025	12,165	2,430	2,100	39,300	2,760	7,740	9,480	4,542,593
900,001 - 1,000,000	1,301,076	1,360,800	709,118	7,710	27,108	371,130	121,755	11,175	2,220	1,740	36,900	2,280	6,960	7,500	3,967,472
1,000,001 - 1,500,000	2,887,380	3,598,992	1,744,737	16,650	58,007	754,245	231,675	22,350	5,355	2,040	70,800	6,060	13,800	15,660	9,427,751
1,500,001 - 2,000,000	488,808	1,550,880	669,325	3,930	19,332	196,095	55,185	5,040	990	660	15,480	960	6,000	3,600	3,016,285
2,000,001 - 3,000,000	116,532	1,073,736	464,218	1,470	14,688	74,655	22,890	1,710	450	240	6,180	600	2,820	1,800	1,781,989
3,000,001 - 5,000,000	3,456	151,632	91,000	300	1,944	10,230	3,690	360	60	60	720	120	600	420	264,592
5,000,001 - 7,500,000	0	648	300	0	0	60	0	0	0	0	0	0	0	0	1,008
7,500,001 - 10,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	123,879,564	55,370,952	22,488,107	769,170	1,061,643	16,833,795	7,640,415	580,770	167,460	51,420	1,280,220	91,980	185,280	270,000	230,670,776

SCHEDULE 7 PROPERTY STATISTICS (AS AT 31 MARCH 2011)

Classification of Properties	No. of Properties	%
(i) Solely owned by individuals (with rental income, if any, reported in Composite Tax Returns)	767,684	33.16
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals —		
Letting	112,163	
Other usage or vacant	547,950	28.52
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	414,078	17.89
(iv) Home Ownership Scheme or Private Sector Participation Scheme [excluding those reported under items (i) or (ii)]	292,148	12.62
(v) New Ownership — awaiting classification	180,937	7.81
Total	2,314,960	100.00

Classification of Ownership	No. of Properties	%
Properties owned by :		
1 owner	1,421,337	61.40
2 owners	833,320	36.00
3 owners	40,108	1.73
4 owners	10,106	0.43
5 owners	4,146	0.18
6 - 10 owners	4,865	0.21
11 - 20 owners	941	0.04
Over 20 owners	137	0.01
Total	2,314,960	100.00

SCHEDULE 8 BUSINESS REGISTRATION STATISTICS

Fiscal Year	2007-08	2008-09	2009-10	2010-11
New registrations	130,972	143,737	149,854	203,499
Re-opened registrations	8,515	10,144	8,698	10,782
Cancelled registrations	85,019	90,352	97,714	99,219
Current registrations as at 31 March	820,767	884,296	945,134	1,060,196
Certificates issued (fee payable cases)	856,489	951,345	999,029	1,125,127
Businesses exempted from payment of fees	18,120	13,737	14,244	11,839
Extracts of information issued	290,532	294,368	317,325	339,453
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)	1,565,848	154,448	578,647	35,752
Court fines	7,036	7,831	5,578	6,009
Fees and penalties in arrears as at 31 March (excluding levy)	72,590	19,762	32,658	14,379

SCHEDULE 9 STAMP DUTY COLLECTIONS AND STAMP OFFICE ACTIVITIES

Fiscal Year	2007-08		2008-09		2009-10		2010-11	
		(\$m)		(\$m)		(\$m)		(\$m)
Duties on -								
• Assignments and Chargeable Agreements		15,701.6		10,009.2		16,236.7		24,504.5
• Contract notes								
- Collected by Stamp Office	2,673.2		2,876.4		2,084.5		2,543.4	
- Collected through The Stock Exchange of Hong Kong Limited	32,773.8	35,447.0	18,825.5	21,701.9	23,636.1	25,720.6	23,333.9	25,877.3
• Leases		328.0		366.9		343.3		484.8
• Transfer deeds		10.9		1.7		3.5		4.2
• Other documents		40.2		48.3		50.7		57.6
Penalties		21.3		33.7		27.7		76.5
Additional duties for delays in payment		0.1		0.4		0.1		0.2
Total duty collections		51,549.1		32,162.1		42,382.6		51,005.1
Average number of callers per day		2,204		1,758		1,866		1,890
Number of documents stamped		1,957,358		1,515,385		1,648,131		1,955,228

SCHEDULE 10 ESTATE DUTY – DUTY ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2011

	Assessments issued before 1 April 2010	Assessments issued in 2010-11						Additional Assessment	Total
		Original Assessments							
		Estates valued under \$2m	Estates valued \$2m to \$4m	Estates valued \$4m to \$10m	Estates valued \$10m to \$20m	Estates valued over \$20m			
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	
Outstanding charges brought forward from 2009-10	194,297	-	-	-	-	-	-	194,297	
Less: Amount discharged	35,190	-	-	-	-	-	-	35,190	
Amount written-off as irrecoverable	4,445	-	-	-	-	-	-	4,445	
Net outstanding charges brought forward from 2009-10	154,662	-	-	-	-	-	-	154,662	
Net duty assessed	0	9	0	5,444	17,849	201,938	3,079	228,319	
Penalties charged	0	5	0	219	627	4,888	25	5,764	
Interest charged	3,476	30	0	2,060	8,743	87,077	611	101,997	
Total amount payable	158,138	44	0	7,723	27,219	293,903	3,715	490,742	
Less: Amount paid on account before 1 April 2010	0	17	0	5,297	12,517	181,562	3,383	202,776	
Net duty, penalties and interest payable in 2010-11	158,138	27	0	2,426	14,702	112,341	332	287,966	
Less: Outstanding charges carried forward to 2011-12	121,205	0	0	1,710	8,838	93,614	0	225,367	
Net duty, penalties and interest paid in 2010-11	36,933	27	0	716	5,864	18,727	332	62,599	
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	1,502	0	9,015	13,522	126,205	0	150,244	
Total collections in 2010-11	36,933	1,529	0	9,731	19,386	144,932	332	212,843	

SCHEDULE 11 RACING ATTENDANCE AND BETTING DUTY COLLECTED

Fiscal Year	2008-09		2009-10		2010-11	
Racing Attendances	Day Meeting	Night Meeting	Day Meeting	Night Meeting	Day Meeting	Night Meeting
Number of race meetings	46	31	45	33	48	37
Attendances -						
Public	782,889	318,498	684,835	313,221	665,186	348,521
Members' Stand	20,845	10,769	23,136	10,715	21,183	13,579
Infield Enclosure	0	0	0	0	0	0
Total	803,734	329,267	707,971	323,936	686,369	362,100
Average per meeting	17,472	10,622	15,733	9,816	14,299	9,786

Betting Duty Collections	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Horse Racing						
Day Meeting						
Net Stake Receipts	7,285,924		7,208,471		8,008,988	
Betting Duty		5,265,509		5,211,027		5,793,397
Night Meeting						
Net Stake Receipts	3,907,890		4,263,794		5,139,379	
Betting Duty		2,823,639		3,080,704		3,722,583
Horse Race Betting Duty (For rates, please refer to Figure 22 of Chapter 3)		8,089,148		8,291,731		* 9,515,980
Lotteries (Mark Six)						
Proceeds from Lotteries	6,341,294		5,989,721		6,416,584	
Lotteries Duty (Rate: 25%)		1,585,324		1,497,430		1,604,146
Football Betting						
Net Stake Receipts	5,891,634		5,955,946		* 7,277,868	
Football Betting Duty (Rate: 50%)		2,945,817		2,977,973		* 3,638,934
Total duty collected		12,620,289		12,767,134		14,759,060

Note: * Provisional payment

SCHEDULE 12 TAX RESERVE CERTIFICATES

Fiscal Year	Sales		Redemption		
	Number of Certificates	Value	Number of Certificates	Value	Interest
2007-08		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	7	389	46	725	70
• Save-As-You-Earn Scheme	50,727	88,558	36,629	72,483	909
• Electronic Tax Reserve Certificates Scheme	36,115	215,840	29,992	207,864	2,041
Objections/Appeals	1,503	3,143,224	1,179	2,160,054	70,581
Total	88,352	3,448,011	67,846	2,441,126	73,601
2008-09		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	5	101	14	541	100
• Save-As-You-Earn Scheme	48,158	80,421	35,348	66,135	769
• Electronic Tax Reserve Certificates Scheme	35,752	200,659	29,858	180,137	1,375
Objections/Appeals	1,371	2,597,533	1,328	2,756,227	54,970
Total	85,286	2,878,714	66,548	3,003,040	57,214
2009-10		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	5	79	82	739	33
• Save-As-You-Earn Scheme	47,459	76,715	44,511	80,699	895
• Electronic Tax Reserve Certificates Scheme	37,370	241,932	37,909	238,717	824
Objections/Appeals	1,487	2,974,050	1,176	1,824,821	28,556
Total	86,321	3,292,776	83,678	2,144,976	30,308
2010-11		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	7	20	21	119	6
• Save-As-You-Earn Scheme	46,602	75,917	48,079	77,604	570
• Electronic Tax Reserve Certificates Scheme	39,081	265,017	37,695	252,047	335
Objections/Appeals	1,507	3,070,899	1,594	2,739,933	34,024
Total	87,197	3,411,853	87,389	3,069,703	34,935

SCHEDULE 13 EARNINGS AND PROFITS TAX — OFFENCES COMMITTED AND COURT FINES IMPOSED

2010-11

	Inland Revenue Ordinance										Total	
	Failure to submit return and other offences [section 80(1)&(2)(d)]		Failure to comply with Court Order [section 80(2B)]		Wilfully with intent to evade tax or to assist other persons to evade tax [section 82]		Furnishing incorrect Return, Statement or Information [section 80(2)(a),(b)&(c)]		Failure to comply with the requirement of section 51(2) to notify the chargeability [section 80(2)(e)]			
	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines
Profits Tax		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
• Corporations	7,903	18,342,800	921	4,843,950	0	0	0	0	0	0	8,824	23,186,750
• Unincorporated Businesses	465	872,000	19	107,400	0	0	0	0	0	0	484	979,400
Salaries Tax												
• Employees	1,319	2,748,650	264	1,140,900	25	1,150,850	0	0	0	0	1,608	5,040,400
• Employers	840	1,931,800	182	828,300	0	0	0	0	-	-	1,022	2,760,100
Property Tax												
• Individuals	20	40,500	3	9,600	0	0	0	0	0	0	23	50,100
Total	10,547	23,935,750	1,389	6,930,150	25	1,150,850	0	0	0	0	11,961	32,016,750

Note 1 : Fines do not form part of the revenue collected by the Inland Revenue Department

Note 2 : The number of summonses pending hearing as at 31 March 2011 is 12,545

SCHEDULE 14 EARNINGS AND PROFITS TAX – SURCHARGES ADDED, OFFENCES COMPOUNDED, ADDITIONAL TAX IMPOSED AND COSTS AWARDED BY THE BOARD OF REVIEW

2010-11

	Property Tax		Salaries Tax		Profits Tax (Corporations)		Profits Tax (Unincorporated Businesses)		Personal Assessment		Total	
	No. of Impositions	Amount	No. of Impositions	Amount	No. of Impositions	Amount	No. of Impositions	Amount	No. of Impositions	Amount	No. of Impositions	Amount
Surcharge for late payment of tax	17,222	10,569,374	154,187	117,479,923	10,375	89,023,049	6,822	31,230,345	12,416	5,460,852	201,022	253,763,543
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	0	0	13	26,800	1	600	0	0	14	27,400
• section 80(1)	4	12,000	678	2,714,364	124	6,468,400	105	6,384,000	0	0	911	15,578,764
• section 80(2)	592	2,939,814	6,772	73,054,931	6,147	420,328,713	1,096	105,188,944	62	570,200	14,669	602,082,602
• section 82(1)	0	0	37	5,978,107	20	60,500,185	22	5,378,000	1	1,000	80	71,857,292
• section 82(2)	0	0	0	0	0	0	0	0	0	0	0	0
Additional Tax imposed under section 82A of the Inland Revenue Ordinance	66	258,600	252	8,368,350	723	222,108,400	115	8,296,700	5	42,350	1,161	239,074,400
Costs awarded by the Board of Review	0	0	4	23,000	5	25,000	1	5,000	0	0	10	53,000
Total	17,884	13,779,788	161,930	207,618,675	17,407	798,480,547	8,162	156,483,589	12,484	6,074,402	217,867	1,182,437,001

* Including penalties imposed by the Court

