



**Inland Revenue Department**

The Government of the Hong Kong Special Administrative Region

# Annual Report 2011-12

● ● ● Tax by  
● ● ● the Law  
● ● Service from the Heart

# 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





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# Commissioner's Overview



Collecting revenue efficiently and cost-effectively is always the primary mission of the Inland Revenue Department. I am glad to report that the Department has accomplished this mission with remarkable results in 2011-12.

The total IRD collection was 14% more than that of the previous year, thereby setting a new record. The economic growth had surely accounted for the increase in the revenue collection; the dedicated efforts of my colleagues had no doubt contributed to it. The largest increase in collection for 2011-12 came from profits tax. It was partly attributable to the all-time high collection of back tax and penalties recovered, which had drastically increased by 77% as compared to the previous year. For years, the Field Audit and Investigation Unit had put in great efforts to tackle those tax avoidance schemes involving large amounts of interest deductions that took place before the Inland Revenue (Amendment) Ordinance 2004 came into force. Their perseverance and hard work came to fruition. In 2011-12, they completed the audit of a number of such schemes resulting in handsome amounts of tax recovered.

Besides, all performance targets were achieved or even exceeded. Such good results would not be possible without the staff's commitment to providing quality service to the taxpaying public, and the management's continued efforts in optimizing the use of resources given that the staff establishment has been contained at 2,818 posts since 2007-08. To cope with the increasing workload, the Department has been making intensive use of information technology in business operations, and at the same time providing comprehensive training to develop staff capabilities. Over the past 5 years, the resources put into staff training increased gradually from 2.7 days in 2007-08 to 4 days in 2011-12 for each staff member on average.

The Department is proactive in identifying new initiatives to enhance its productivity and improve the service to the public. In August 2011, the Department launched an electronic filing service for employers on the eTAX platform. For the first time, employers could file electronic notifications for their employees in respect of commencement of employment, cessation of employment and departure from Hong Kong. With effect from 1 April 2012, this eTAX filing service is extended to annual employer's returns.



During the year, the Business Registration Office and the Companies Registry jointly introduced an additional one-stop notification service at the e-Registry of the Companies Registry. By using this electronic service, corporations would have the option to update their registered office address and business address in just one notification. Besides, the Stamp Office developed the service known as “Stock Borrowing Relief” to allow online registration of stock borrowing and lending agreements via eTAX.

In the face of fast technological advancement and changing business needs, the Department must ensure that all computer systems can adequately cope with future needs. The Department has embarked on a huge System Infrastructure Enhancement Project to provide a modernized, secure and reliable platform for operational requirements and to enhance efficiency.

On the taxation arrangement for cross-border employees, the Department and the State of Administration of Taxation of the Mainland (“the SAT”) have recently reached a consensus on the issue of double taxation faced by these employees after rounds of discussion. It helps reduce the incidence of double taxation on individual income of cross-border employees. Taking into consideration the suggestions by various parties, both IRD and the SAT, in a proactive and pragmatic approach, have agreed to adopt “the number of physical presence days” as the basis for allocating taxable income. It is undoubtedly good news to Hong Kong people engaged in cross-boundary employment.

Hong Kong has made remarkable achievement in establishing its international tax treaty network in recent years. The amendment to the Inland Revenue Ordinance in March 2010 enables Hong Kong to adopt the international standard in exchange of information arrangements. Since then, the tax treaty network of Hong Kong has expanded rapidly. As at 31 March 2012, Hong Kong signed a total of 23 comprehensive double taxation agreements, of which 17 were in force by that date.

Tax transparency and effective exchange of information has been under the spotlight in the international arena. The Global Forum on Transparency and Exchange of Information for Tax Purposes (“the Global Forum”), of which Hong Kong is a member, has established a Peer Review Group to review the progress made by member jurisdictions towards full and effective exchange of information in two phases.

The Phase 1 peer review of Hong Kong, which examined the legal and regulatory framework of Hong Kong, was carried out from April to September 2011. The Phase 1 peer review report has affirmed the efforts of Hong Kong in enhancing tax transparency. It concludes that Hong Kong has adequate legal and regulatory framework to facilitate effective exchange of information and that Hong Kong can enter into Phase 2 peer review. It also recommends Hong Kong to put in place the legal framework for entering into Tax Information Exchange Agreements. The Global Forum adopted this report in October 2011. The Phase 2 peer review, which will evaluate the implementation of the standard in practice, will commence towards the end of 2012.

Finally, I wish to express my gratitude to all staff for their staunch support, their unity and dedication to surmount difficulties, and their devotion to the Department’s missions. My sincere thanks go to all partners at work, both inside and outside the government, for their services, assistance and valuable advice. My acknowledgement is also due to the taxpaying public for their cooperation and constructive feedback from time to time.

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

# Revenue

In 2011-12, the Inland Revenue Department collected \$238.3 billion, which is another record high after the previous year. It represents an increase of \$29.3 billion or 14% over the amount collected in the previous year. The increase mainly came from profits tax and salaries tax collections. Profits tax soared by 27% to \$118.6 billion, while salaries tax climbed 17% to \$51.8 billion. Stamp duty, on the other hand, dropped by \$6.6 billion or 13% and stood at \$44.4 billion. An analysis of the revenue collected by tax type is provided in **Figure 1**.

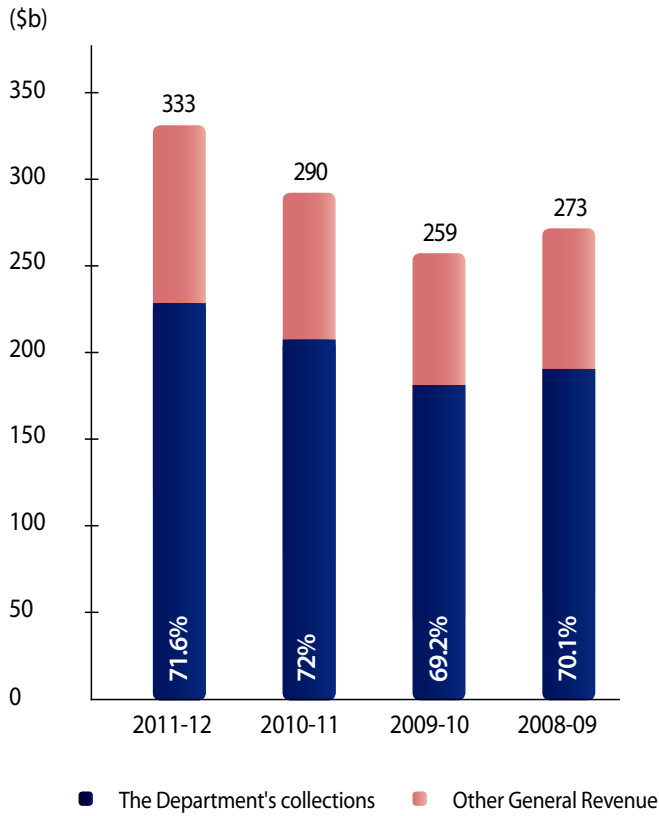
**Figure 1 Revenue collected by tax type**

Type of tax	2011-12 (\$m)	2010-11 (\$m)	2009-10 (\$m)	2008-09 (\$m)
Profits tax -				
Corporations	<b>113,798.6</b>	88,191.4	72,224.3	99,294.4
Unincorporated businesses	<b>4,801.3</b>	4,991.7	4,381.1	4,857.1
Salaries tax	<b>51,761.3</b>	44,254.7	41,245.4	39,007.9
Property tax	<b>1,948.4</b>	1,647.1	1,677.6	832.5
Personal assessment	<b>4,512.2</b>	3,921.8	3,655.8	2,151.1
<b>Total earnings &amp; profits tax</b>	<b>176,821.8</b>	<b>143,006.7</b>	<b>123,184.2</b>	<b>146,143.0</b>
Estate duty	<b>94.2</b>	212.8	185.1	176.0
Stamp duty	<b>44,355.9</b>	51,005.1	42,382.6	32,162.1
Betting duty	<b>15,760.6</b>	14,759.1	12,767.1	12,620.3
Business registration fees	<b>1,292.9</b>	35.7	578.7	154.4
Hotel accommodation tax (Tax rate reduced to 0% from 1 July 2008)	<b>0.0</b>	0.0	0.0	222.9
<b>Total revenue collected</b>	<b>238,325.4</b>	<b>209,019.4</b>	<b>179,097.7</b>	<b>191,478.7</b>
<b>% change over previous year</b>	<b>14.0%</b>	<b>16.7%</b>	<b>-6.5%</b>	<b>-4.6%</b>

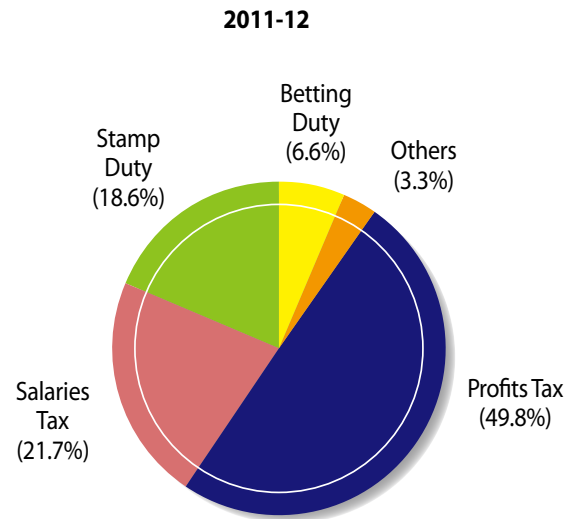
The revenue collected by the Department during 2011-12 accounted for 71.6% of the Government General Revenue (**Figure 2**). Profits tax contributed the largest part of the total revenue collected, followed by salaries tax. Together they made up 71.5% of the total revenue collected (**Figure 3**).



**Figure 2 Government General Revenue**

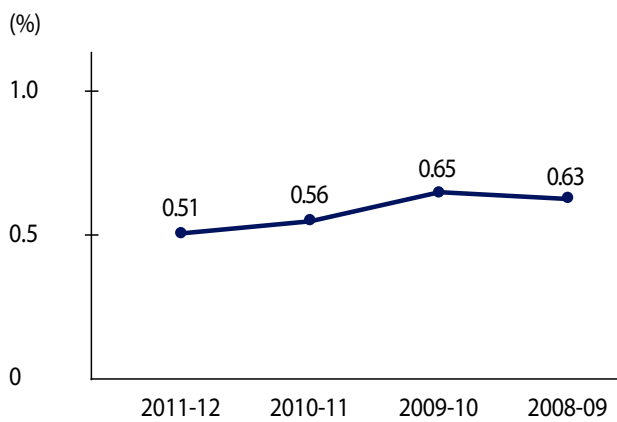


**Figure 3 Composition of the revenue collection**



With a rise in revenue collections during 2011-12, the cost of collection of revenue dropped from 0.56% to 0.51% (**Figure 4**).

**Figure 4 Cost of collection**



# Assessing Functions

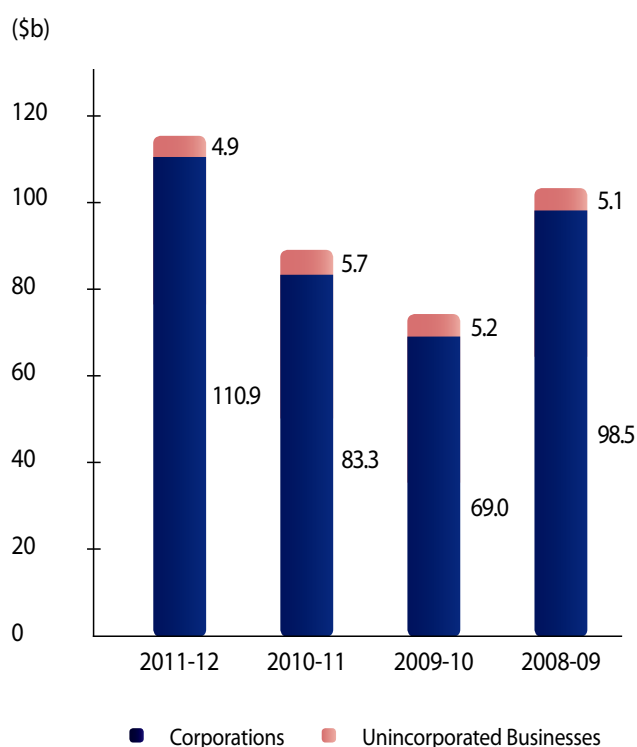
The Department raises revenue through taxes, duties and fees in accordance with the relevant legislation. While the duties and fees collected in a year are based on the actual performance of the relevant activities in the year, earnings and profits tax are principally assessed by reference to the incomes / profits of the taxpayers in the previous year. For 2011-12, earnings and profits tax assessed increased by \$35.9 billion (25.4%) (**Schedule 2**). The total amount of duties and fees collected, however, dropped by \$4.5 billion (6.8%).

## Profits Tax

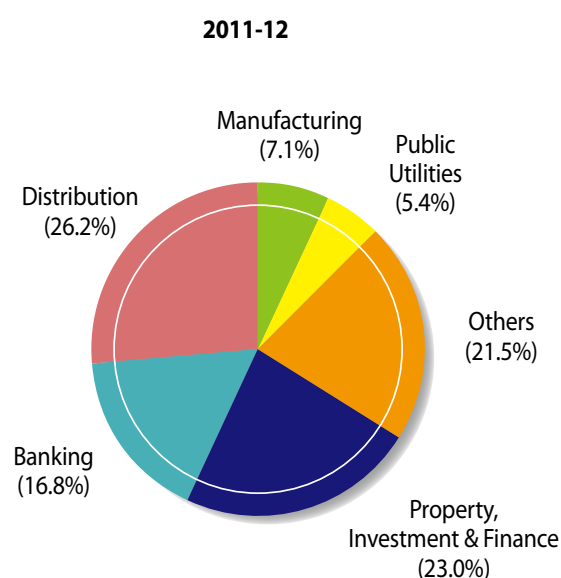
Profits tax is levied on individuals, corporations, bodies of persons and partnerships, in respect of assessable profits arising in or derived from Hong Kong. For the year of assessment 2011-12, the tax rates for corporations and non-corporate persons remained unchanged at 16.5% and 15% respectively.

Reflecting a full-fledged upturn in the state of the economy, profits tax assessed in 2011-12 increased to \$115.8 billion, or \$26.8 billion (30.1%) more than that of the previous year (**Figure 5**). The amounts of tax assessed in respect of different business sectors are shown in **Schedules 3** and **4**. Of the total tax assessed, the property and financial sectors together contributed 39.8% while the distribution sector generated 26.2% (**Figure 6**).

**Figure 5 Profits tax assessed**



**Figure 6 Ratios of corporation profits tax assessed by business sectors**



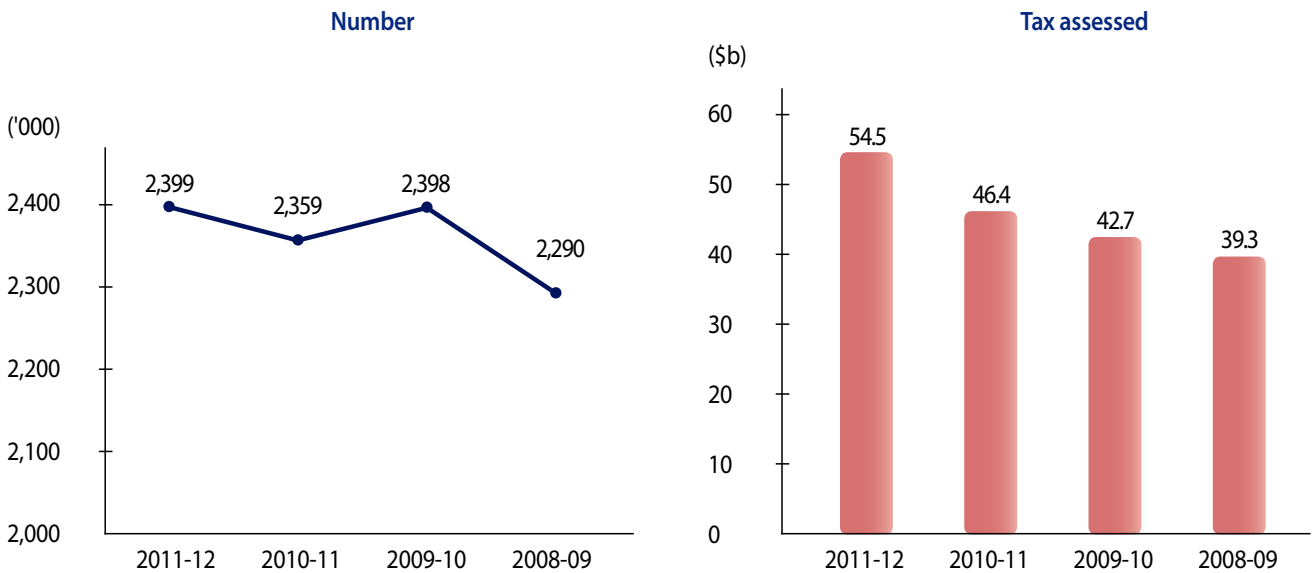


## Salaries Tax

Salaries tax is charged on all income from any office (e.g. a directorship) or employment and pension arising in or derived from Hong Kong. The total amount of tax payable is restricted to the standard rate on the net total income (without allowances) of the individual concerned. For the year of assessment 2011-12, the standard rate remained unchanged at 15%.

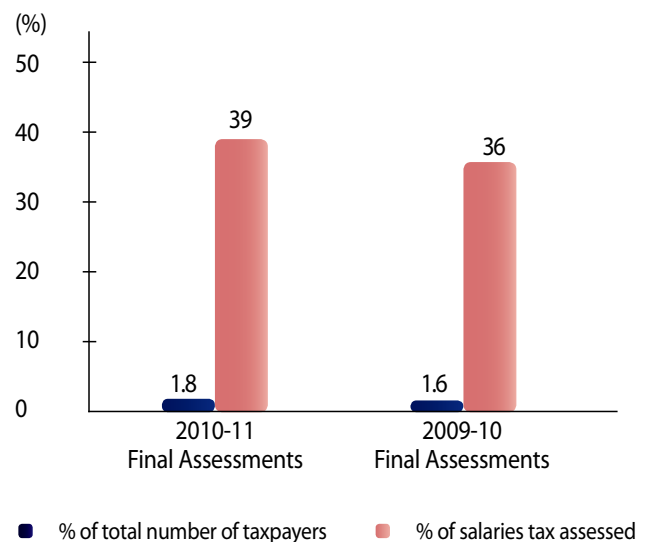
As compared with the previous year, the number of assessments made increased by 1.7%, and 17.4% more tax was assessed during 2011-12 (**Figure 7**). Analyses of the amounts of tax assessed and allowances granted in respect of taxpayers at various income levels are provided in **Schedules 5** and **6**.

**Figure 7** Salaries tax assessments



The number of standard rate taxpayers increased by 4,373 from 22,407 last year to 26,780. These taxpayers together contributed 39% of the salaries tax assessed, compared to 36% 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 employer's returns to report the emoluments of each of their employees. During the year, 277,692 employers filed employer's returns for the year of assessment 2010-11 with the Department.

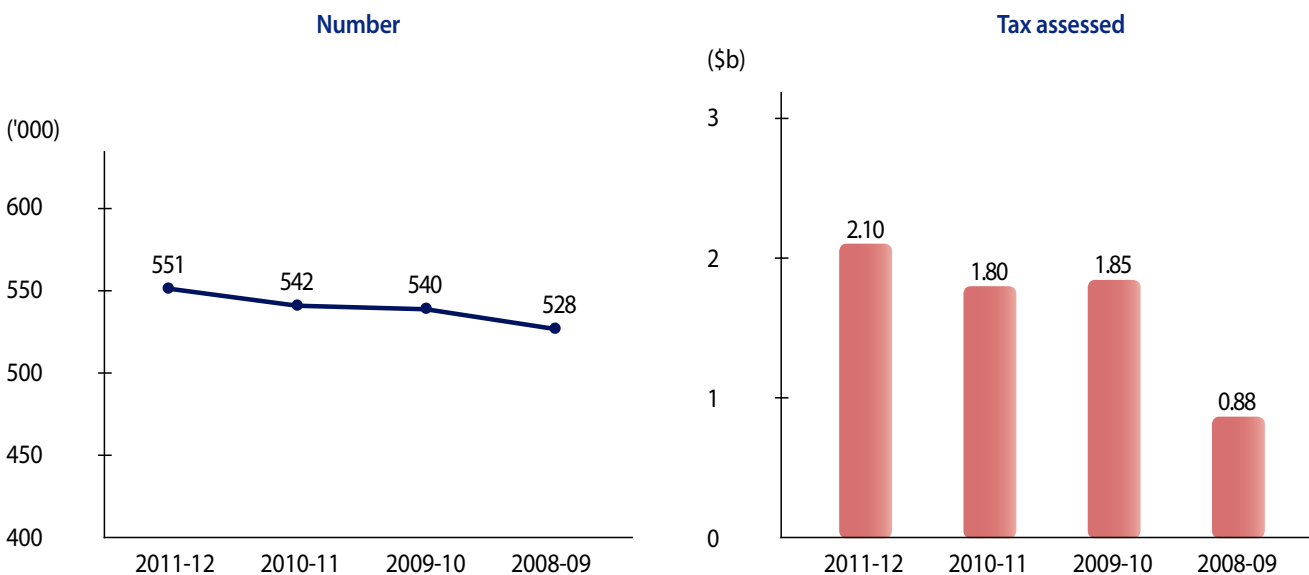
The Department provides e-Seminars and disseminates tax information to employers on the IRD Homepage to help them understand the relevant statutory requirements. The contents cover completion of employer's returns, employer's obligations and answers to frequently asked questions. Employers can also obtain specimens of completed employer's returns 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 2011-12, the standard rate remained unchanged at 15%. Property owners that pay property tax in respect of premises used for their businesses 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 corporation 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 of properties and classification by number of owners, based on the records of the Department, are provided in **Schedule 7**. The number of assessments made in 2011-12 was 1.6% more than that in the previous year. Reflecting a rise in rent, the total amount of property tax assessed increased by 16.5% as compared with the previous year (**Figure 9**).

**Figure 9** Property tax assessments



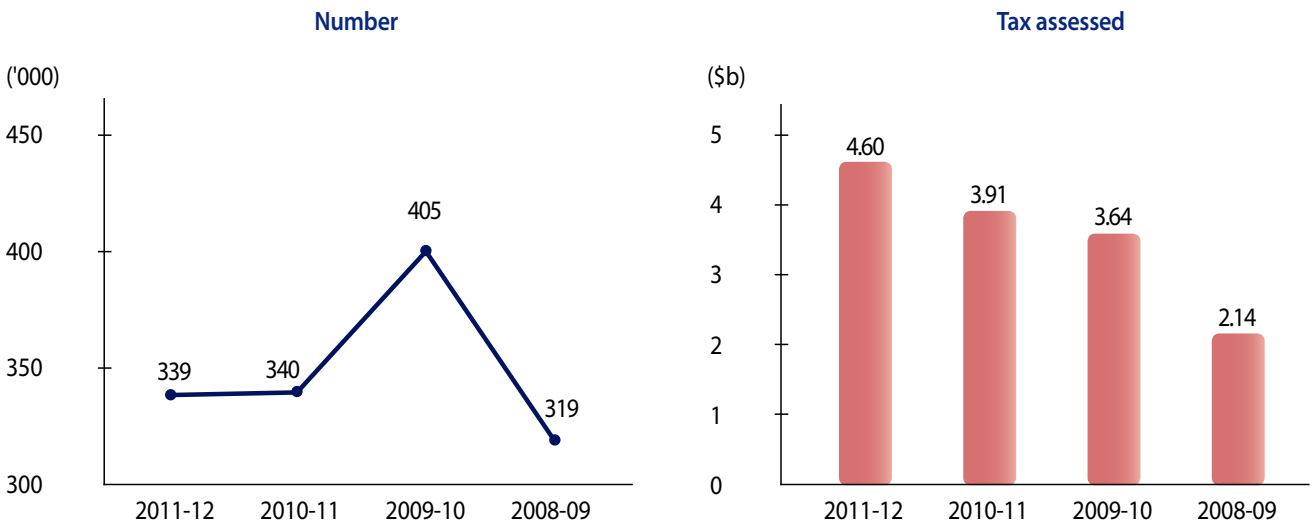


## Personal Assessment

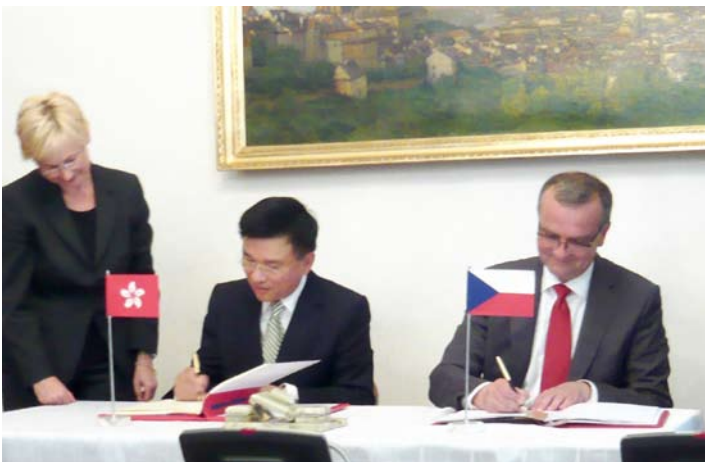
An individual may elect for personal assessment in respect of his or her total income. Under personal assessment, all the incomes of the taxpayer and his or her spouse are aggregated and, after deduction of all allowances, are assessed at the graduated tax rates. In appropriate circumstances, this would reduce the total tax liability of the taxpayer and his or her spouse.

As compared with last year, the number of assessments made in 2011-12 slightly decreased by 0.6%, but the amount of tax assessed was 17.5% higher (Figure 10).

**Figure 10 Assessments made under personal assessment**



## Tax Treaty Network



Double taxation arises where the same item of income or profit of a taxpayer is subject to tax in Hong Kong as well as in another tax jurisdiction. To establish a tax treaty network can help minimise exposure of Hong Kong residents and residents of the tax treaty partners to double taxation. It will also facilitate the flows of trade, investment and talent between Hong Kong and the rest of the world, and enhance Hong Kong's competitiveness as an international financial, investment and commercial hub.

As at 31 March 2012, Hong Kong has signed comprehensive double taxation agreements (covering various types of income) with 23 jurisdictions. They are Belgium, Thailand, the Mainland of China, Luxembourg, Vietnam, Brunei, the Netherlands, Indonesia, Hungary, Kuwait, Austria, the United Kingdom, Ireland, Liechtenstein, France, Japan, New Zealand, Switzerland, Portugal, Spain, the Czech Republic, Malta and Jersey.

## 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. An additional fee is payable if the processing time exceeds the specified limit. 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 2011-12, the Department completed the processing of 53 advance ruling applications (**Figure 11**). Most of the applications were for rulings on profits tax matters.

**Figure 11 Advance rulings**

	2011-12 Number	2010-11 Number
Awaiting decision at the beginning of the year	18	15
Add: Applications received during the year	50	32
	<b>68</b>	47
Less: Disposed of -		
Rulings made	35	18
Applications withdrawn	14	9
Rulings declined	4	2
	<b>53</b>	29
Awaiting decision at the end of the year	<b>15</b>	18

## 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 are settled promptly by reference to the returns subsequently received. Many of the other types of objections are also settled by agreement between the taxpayers and the assessors concerned. Only relatively few objections are ultimately referred to the Commissioner for determination. During 2011-12, the Department settled over 70,300 objections (**Figure 12**).



**Figure 12 Objections**

	2011-12 Number		2010-11 Number	
Awaiting settlement at the beginning of the year	26,689		25,826	
Add: Received during the year	72,662		67,049	
	<b>99,351</b>		<b>92,875</b>	
Less: Disposed of -				
Settled without determination	69,637		65,572	
Determinations:				
Assessments confirmed	398		356	
Assessments reduced	228		170	
Assessments increased	92		84	
Assessments annulled	10	728	4	614
		<b>70,365</b>		<b>66,186</b>
Awaiting settlement at the end of the year	<b>28,986</b>		<b>26,689</b>	

## 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 2012, the Board consisted of a chairman and 6 deputy chairmen, who have legal training and experience, as well as 73 other members. During 2011-12, the Board settled 74 appeal cases (**Figure 13**).

**Figure 13 Appeals to the Board of Review**

	Number
Awaiting hearing or decision as at 1 April 2011	66
Add: Received during the year	90
	<u>156</u>
Less: Disposed of -	
Withdrawn	21
Decided:	
Assessments confirmed	39
Assessments reduced in full	4
Assessments reduced in part	3
Assessments increased	7
Assessments annulled	0
Others	0
	<u>53</u>
	<u>74</u>
Awaiting hearing or decision as at 31 March 2012	<u>82</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 appealing to the Board and then further appealing to the Court of First Instance 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 2011-12, the Court of First Instance ruled on three cases relating to the Inland Revenue Ordinance. One case was concerned with two issues, namely whether the profits derived from provision of sourcing and agency services were offshore and whether deduction of a marketing commission was caught by the anti-avoidance provisions. The Court of First Instance found in favour of the taxpayer on the first issue and remitted the second issue to the Board. The second issue remained unsettled as at 31 March 2012. The issues involved in the other two cases were the taxability of unrealized gains arising from revaluation of trading investments and the taxability of a lump sum received by a taxpayer pursuant to the franchise agreement respectively. The Court of First Instance allowed the taxpayers' appeals in both cases.

The Commissioner appealed to the Court of Appeal against the judgments of the Court of First Instance for the above three cases. The Court of Appeal has heard the appeal concerning the source issue and dismissed the Commissioner's appeal.

Under section 69A of the Inland Revenue Ordinance, an appellant or the Commissioner may, with the leave of the Court of Appeal, appeal against the decision of the Board directly to the Court of Appeal instead of the Court of First Instance. During the year, there was an appeal lodged directly to the Court of Appeal pursuant to section 69A of the Inland Revenue Ordinance.

Figure 14 sets out the statistics concerning appeals to the Courts during 2011-12.

**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 2011	8		3		0		11
Add: Lodged during the year	0		4		0		4
	8		7		0		15
Less: Disposed of -							
Decided	2		1		0		3
Partly heard and decided <sup>(Note)</sup>	1		0		0		1
Discontinued	1	4	1	2	0	0	2
	4		5		0		9
Add: Partly heard and decided <sup>(Note)</sup>	1		0		0		1
Awaiting hearing or decision as at 31 March 2012	5		5		0		10

Note: This refers to a case that involved two issues but only one of them was ruled by the Court of First Instance during 2011-12 whilst the other issue remained unsettled as at 31 March 2012.

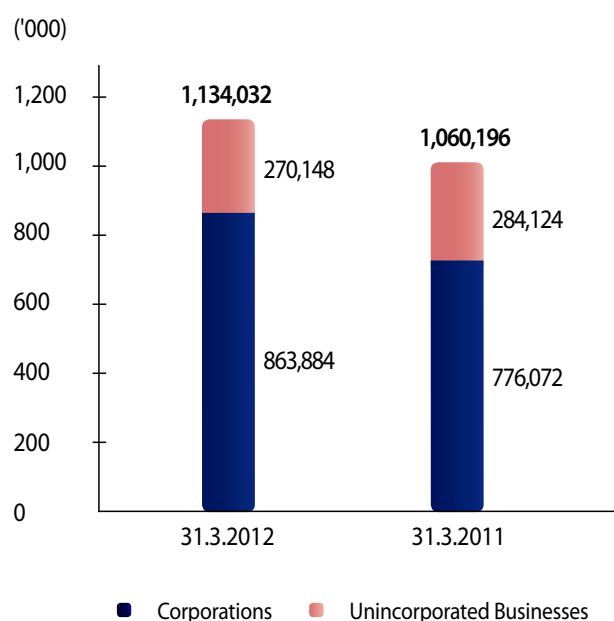
## Business Registration

The 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. Business registration certificates are valid for one year unless 3-year certificates have been elected. As at 31 March 2012, 15,149 businesses had taken 3-year certificates.

The number of business registrations as at 31 March 2012 stood at 1,134,032, which was 73,836 more than that as at 31 March 2011 and was an all time high (Figure 15). There was also a corresponding increase in the number of certificates issued. Comparing to the previous year, the total number of new registrations and re-opened registrations in 2011-12 was 23,747 lesser while the number of cancelled registrations was 17,479 more (Schedule 8).

By virtue of the Revenue (Reduction of Business Registration Fees) Order 2010, the annual fees in respect of business and branch registration certificates with

**Figure 15 Number of business registrations**



commencement dates falling within the period from 1 August 2010 to 31 July 2011 ("Waiver Period") are waived. Businesses issued with 1-year certificates commencing during the Waiver Period only need to pay the levy for the Protection of Wages on Insolvency Fund of \$450, and businesses electing for 3-year certificates are required to pay \$3,200 for the business registration fee and \$1,350 for the levy.

Businesses that are not required to renew their registration certificates in the Waiver Period can apply for concessionary refunds if they have paid the registration fees for the Waiver Period (i.e. businesses holding 3-year certificates with expiry dates falling 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 2012, the Department had issued concessionary refunds to 7,734 businesses totalling \$9.9 million.

As the Waiver Period ended on 31 July 2011, business registration fees are payable for certificates commencing during the period from 1 August 2011 to 31 March 2012. The business registration fees collected in 2011-12 amounted to \$1,292.9 million, representing a drastic increase of 35 times compared to last year (**Figure 16**).

**Figure 16 Certificates issued and fees collected**

	2011-12	2010-11	Increase
Number of certificates issued (Main and Branch)	<b>1,158,838</b>	1,125,127	+3%
Fees (inclusive of penalties) (\$m)	<b>1,292.9</b>	35.8	+3,511%

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 2011-12 was 13,697, representing an increase of 15.7% from the previous year.

Where an application for exemption is not allowed, the business operator may appeal to the Administrative Appeals Board. Two appeals had been received by the Board in 2011-12, but both were withdrawn by the appellants subsequently (**Figure 17**).

**Figure 17 Appeals to the Administrative Appeals Board**

	2011-12 Number	2010-11 Number
Awaiting hearing at the beginning of the year	0	0
Add: Lodged during the year	2	0
	<u>2</u>	<u>0</u>
Less: Disposed of -		
Appeals allowed	0	0
Appeals dismissed	0	0
Appeals withdrawn	2	0
	<u>2</u>	<u>0</u>
Awaiting hearing at the end of the year	<u>0</u>	<u>0</u>



## Stamp Duty

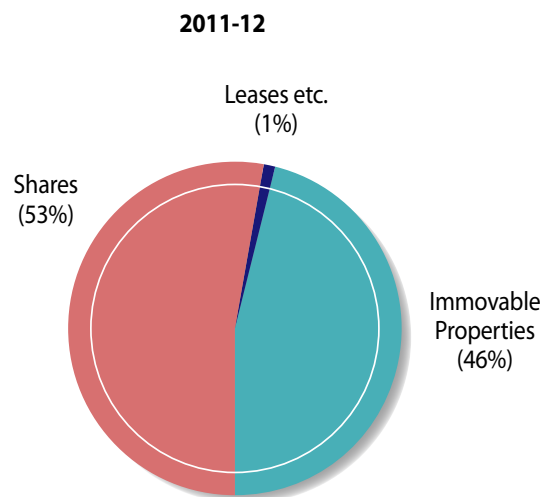
Stamp duty is charged on instruments effecting property transactions, stock transactions and leasing of property in Hong Kong (**Figure 18**).

Due to the deterioration of the global economy and the anti-speculative measures in respect of residential properties adopted by the Government, the property market had slowed down significantly since mid-2011. As a result, the stamp duty collections from property transactions in 2011-12 decreased by 17% to \$20.4 billion. The stamp duty collections from leases and other documents also slightly dropped by 4% to \$602 million.

Amid the bleak global economic outlook, the stock market had also indicated a downturn trend since September 2011. The stamp duty collections from share transactions in 2011-12 recorded \$23.3 billion, a decrease of 10% from the previous year.

Overall, there was a decrease of 13% in the total stamp duty collected during the year and the number of documents stamped also decreased by 13% (**Figure 19** and **Schedule 9**).

**Figure 18** Composition of stamp duty collections



**Figure 19** Stamp duty collections

	2011-12 (\$m)	2010-11 (\$m)	Decrease
Immovable Properties	20,448	24,504	-17%
Shares	23,306	25,877	-10%
Leases and other documents	602	624	-4%
Total	44,356	51,005	-13%

## Estate Duty

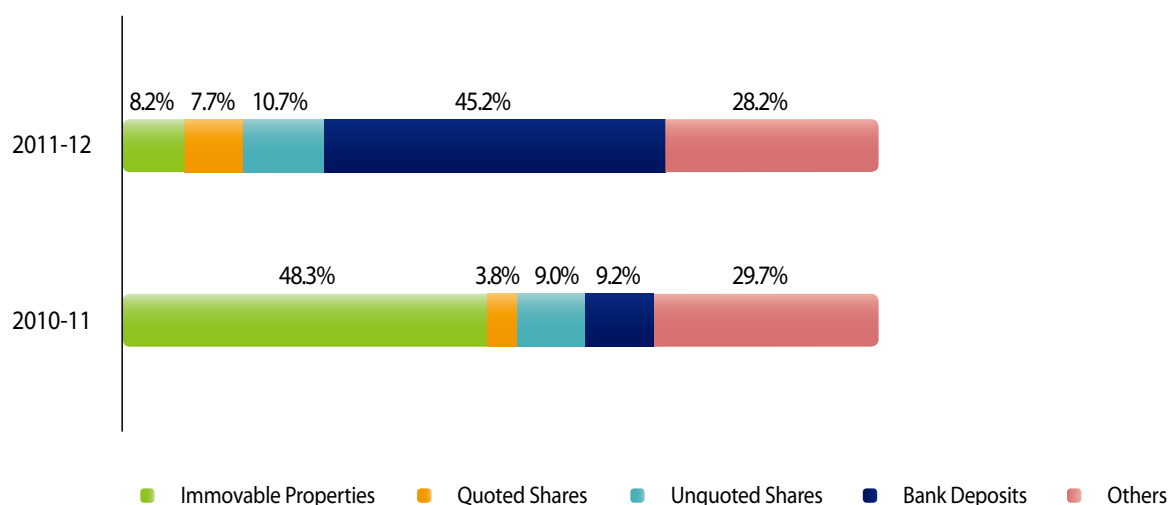
Estate duty is charged on that part of a deceased person's estate situated in Hong Kong. The threshold for levying duty is \$7.5 million and the duty rates range from 5% to 15%, depending on the value of the estate.

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 between the period 15 July 2005 to 10 February 2006, with the

principal value exceeding \$7.5 million, is reduced to a nominal amount of \$100. With the abolition of estate duty, the number of new cases reduced gradually to 1,301 in 2011-12, a drop of 16.8% 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**

	2011-12 Number	2010-11 Number
New cases	<u>1,301</u>	<u>1,564</u>
Cases finalised		
- Dutiable	35	66
- Exempt	<u>1,293</u>	<u>1,538</u>
	<u>1,328</u>	<u>1,604</u>

Estate duty of \$94 million was collected during the year (**Schedule 10**), a decrease of \$119 million (56%) 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). \$38 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 from betting on horse races and football matches and on the proceeds of Mark Six lotteries, all administered by the Hong Kong Jockey Club. In 2011-12, the rates of betting duty on these betting activities remained unchanged (**Figure 22**).

**Figure 22 Rates of betting duty in 2011-12**

		Rate
Horse racing	Net stake receipts	
	the first \$1 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%
Mark Six 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 2011-12, betting duty collections from horse racing, Mark Six lotteries and football betting increased by 5.1%, 25.5% and 2.9% respectively (**Schedule 11**). The total betting duty collected in 2011-12 was 6.8% higher than the previous year (**Figure 23**).

**Figure 23 Betting duty collections**

	2011-12 (\$m)	2010-11 (\$m)	Increase
Horse racing	<b>10,002.4</b>	9,516.0	+5.1%
Mark Six lotteries	<b>2,013.6</b>	1,604.1	+25.5%
Football betting	<b>3,744.6</b>	3,638.9	+2.9%
<b>Total</b>	<b>15,760.6</b>	14,759.0	+6.8%

## Tax Reserve Certificates

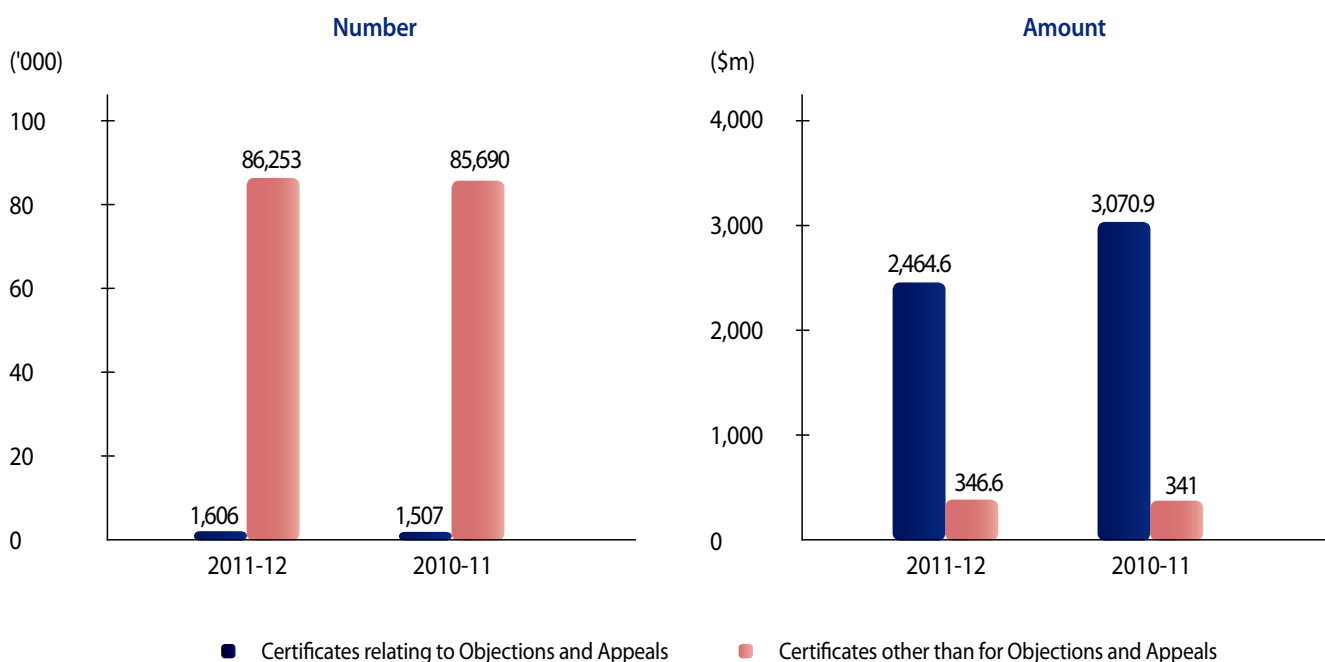
Taxpayers may purchase Tax Reserve Certificates (TRCs) under two situations.

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.

Compared with last year, there was an increase of 4.3% and 2.4% respectively in the number and the amount of TRCs sold under the "Electronic Tax Reserve Certificates Scheme" but a decrease of 2.4% and 1% respectively for the "SAYE Scheme" in 2011-12 (**Schedule 12**). Overall, the total amount of TRCs sold increased by 1.6% (**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**



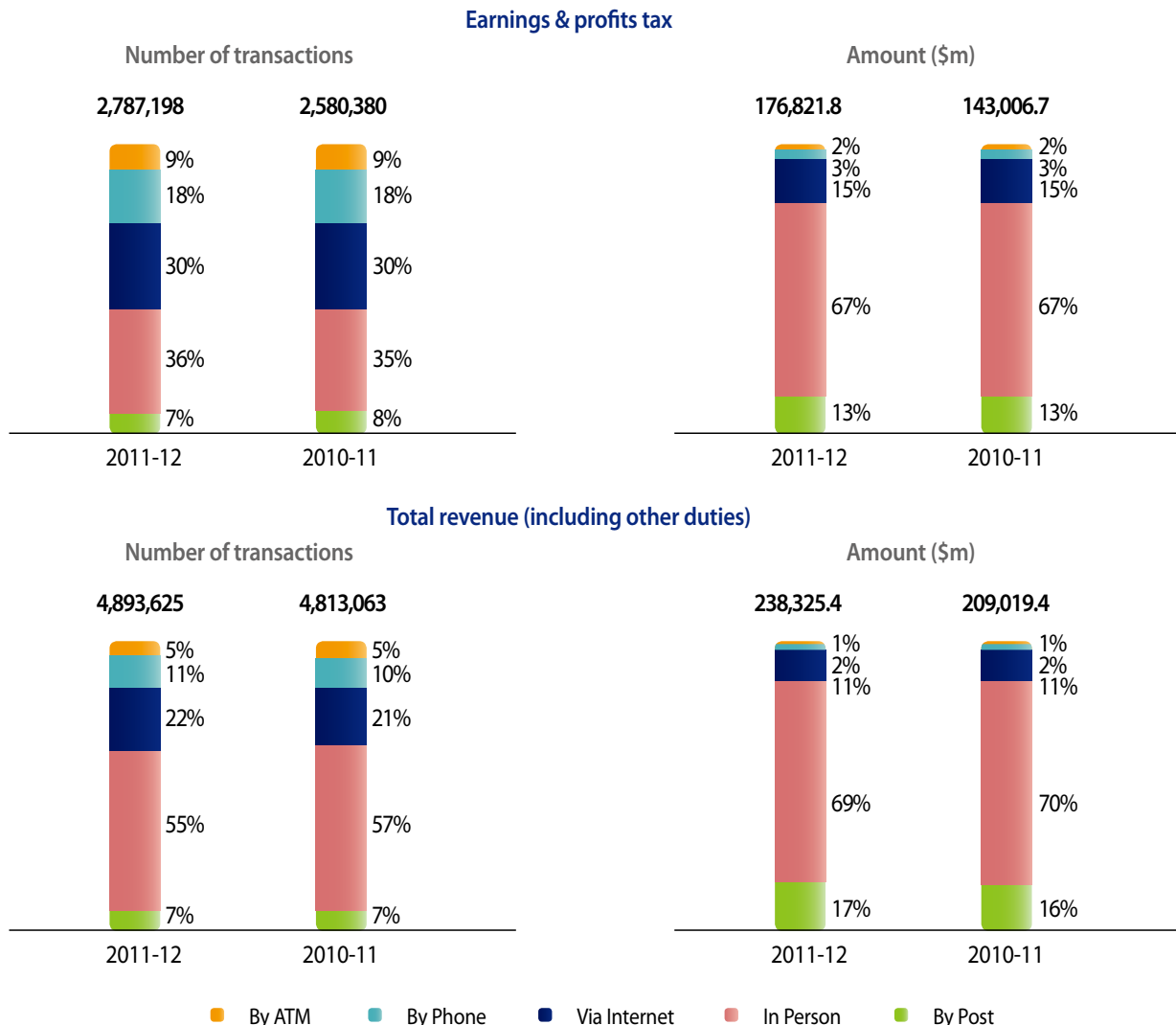
# Collection

Revenue collected by the 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 2011-12.

## 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 2011-12 were made through electronic means, representing an increase of about 107,000 cases or 7% 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

Tax refunds were made mainly due to overpayment of tax by taxpayers and revision of assessments. 491,536 refund cases were made in 2011-12, representing a decrease of 6%. The total amount of refunds was \$9.3 billion, representing a decrease of \$1.5 billion or 13.7% compared with the previous year (**Figure 26**).

**Figure 26 Tax refunds**

Type of tax	2011-12		2010-11	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	32,899	5,257.6	35,606	6,672.1
Salaries tax	398,986	2,355.7	420,915	2,438.9
Property tax	17,212	127.1	16,742	128.7
Personal assessment	25,484	245.4	24,499	247.9
Others	16,955	1,264.9	25,402	1,225.9
<b>Total</b>	<b>491,536</b>	<b>9,250.7</b>	<b>523,164</b>	<b>10,713.5</b>

## Recovery of Tax in Default

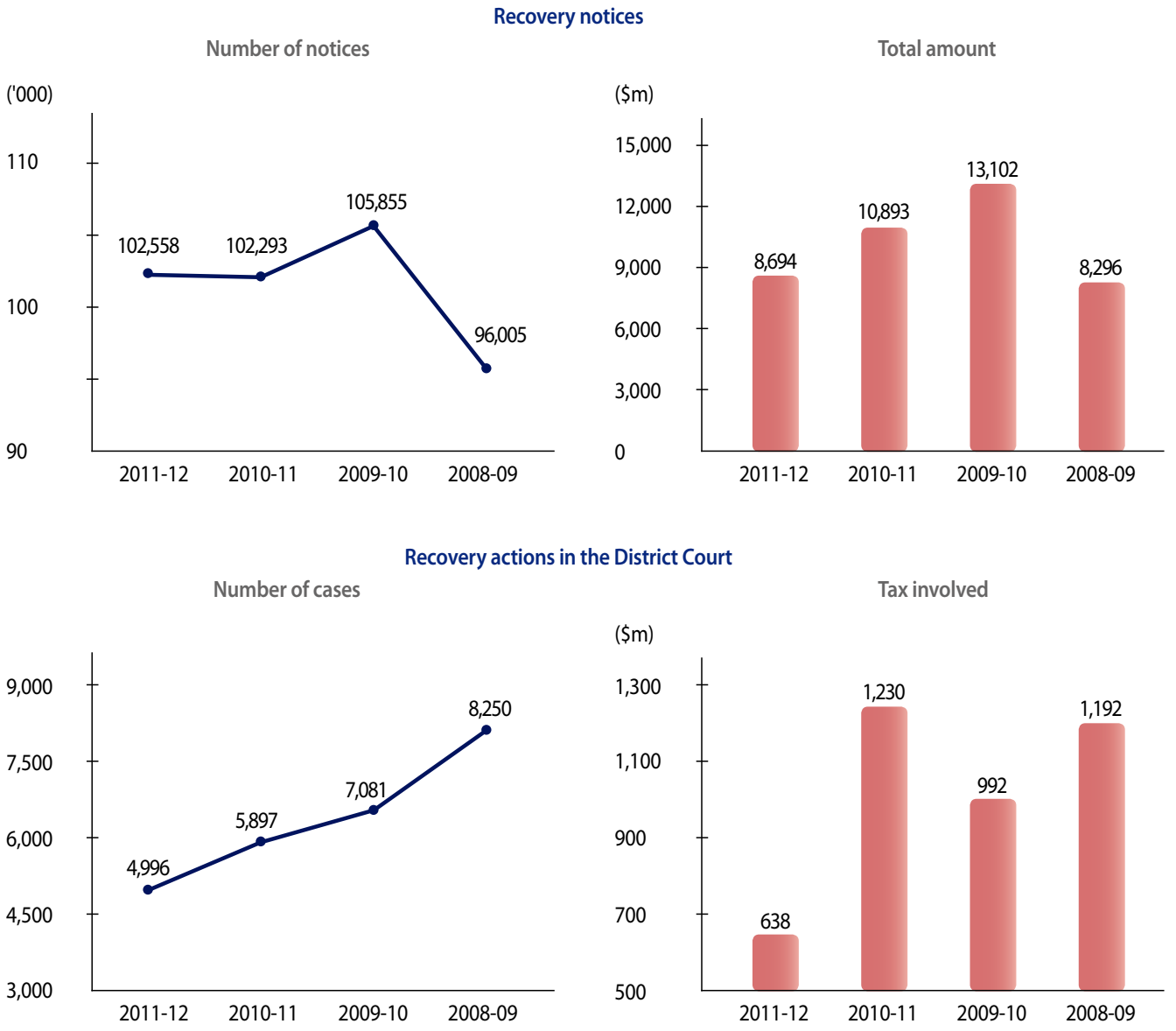
Taxpayers should pay tax on or before the due date shown on the demand notes issued to them. The vast majority of taxpayers settle their tax liabilities in a timely manner.

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 employers, bankers, debtors and persons 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 2011-12.



**Figure 27 Recovery action**



**Figure 28 Legal costs and judgment interest collected in 2011-12**

	\$	\$
Court cost		
Court fees	1,754,264	
Execution fees	<u>36,389</u>	1,790,653
Fixed cost		757,721
Judgment interest		
Pre-judgment interest	2,719,230	
Post-judgment interest	<u>18,851,927</u>	<u>21,571,157</u>
<b>Total costs and interest collected</b>		<b><u>24,119,531</u></b>

Furthermore, the Commissioner may apply to a District Judge to prevent a person with tax in default from leaving Hong Kong. If the District Judge is satisfied that it is in the public interest to ensure that the person does not depart from Hong Kong, or if he returns, does not depart again, without first paying the tax or furnishing security to the satisfaction of the Inland Revenue Department for payment of that tax, he shall issue the "departure prevention direction". The person concerned has the right to appeal to the Court of First Instance of the High Court against the 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 2011-12, the Field Audit and Investigation Unit completed 1,804 cases (including tax avoidance cases) and collected back tax and penalties of about \$6.8 billion (**Figure 29**).

**Figure 29 Results of the Field Audit and Investigation Unit**

	2011-12	2010-11	2009-10	2008-09
Number of cases completed	<b>1,804</b>	1,805	1,803	1,862
Understated earnings and profits (\$m)	<b>34,083.4</b>	19,470.1	12,192.8	9,084.7
Average understatement per case (\$m)	<b>18.9</b>	10.8	6.8	4.9
Back tax and penalties assessed (\$m)	<b>6,003.0</b>	3,827.4	2,590.4	2,181.2
Back tax and penalties collected (\$m)	<b>6,852.4</b>	3,881.3	2,385.1	2,566.6

## 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 2011-12, there were 17 Field Audit sections in the Field Audit and Investigation Unit.

## 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 2011-12, the Field Audit and Investigation Unit completed 226 tax avoidance cases and assessed back tax and penalties of about \$4.36 billion (**Figure 30**).

**Figure 30 Results of the audit on tax avoidance cases**

	2011-12	2010-11	2009-10	2008-09
Number of cases completed	226	234	206	218
Understated earnings and profits (\$m)	26,864.3	11,676.1	6,742.0	1,978.4
Average understatement per case (\$m)	118.9	49.9	32.7	9.1
Back tax and penalties assessed (\$m)	4,356.7	2,193.2	1,240.5	527.1

## Investigation



Investigation officers are responsible for conducting in-depth investigations into suspected tax evasion, and taking penal action (including prosecution proceedings in appropriate cases) as a deterrent. Tax evasion is a serious crime. A person convicted of tax evasion could be sentenced to imprisonment for up to three years and fined.

In 2011-12, there were 5 Investigation sections, one of which is the prosecution section focusing on criminal investigation of tax evasion. During the year, the prosecution section has completed the investigation of 6 cases with prosecution potential and referred the reports to the Department of Justice for legal advice.

## 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 has broadened the scope of review to cover cases with lower rental income. In 2011-12, compliance check was completed on 102,422 property tax cases (**Figure 31**).

**Figure 31 Results of the property tax compliance checks**

	2011-12	2010-11	2009-10	2008-09
Number of cases completed	102,422	90,681	79,000	60,419
Understated rental income (\$m)	442.5	393.1	365.2	257.6
Back tax and penalties assessed (\$m)	53.1	46.3	43.8	33.8



# Taxpayer Services

## IRD Homepage [www.ird.gov.hk](http://www.ird.gov.hk)

A wide range of updated information on Hong Kong taxation and the Department are made readily available to the public through the IRD Homepage, including:

- 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.

To facilitate users to locate the relevant tax information, there are thematic content pages for individuals, businesses, employers, tax representatives etc.



## Electronic Enquiry Service

Instant electronic enquiry service is provided to eTAX users at <[www.gov.hk/etax](http://www.gov.hk/etax)>. They can view their position in relation to their returns, assessments and payments, etc.

## Enquiry Service Centre

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.

## Telephone Enquiry Service

The Centre operates an Interactive Telephone Enquiry System (ITES) with 144 telephone lines. Callers can have access on a 24-hour basis to a wide range of tax information by listening to recorded messages and obtaining facsimile copies of information sheets and forms. A "Leave-and-call-back" facility, for recording information requests, and a "Fax-in enquiry" service are also available. The telephones are manned by staff during office hours. Callers can choose to speak to them. The Centre also provides an eTAX help desk hotline to handle enquiries on eTAX services.

The statistics of services provided through ITES are shown in **Figure 32**.

**Figure 32 Statistics of services provided through ITES**

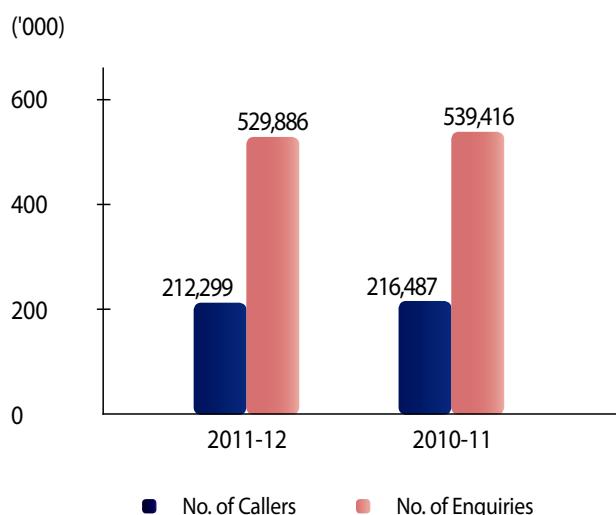
	2011-12 Number	2010-11 Number	Increase/ Decrease
Calls answered by staff	<b>736,986</b>	678,702	+8.6%
Calls answered by system	<b>463,082</b>	486,918	-4.9%
Leave-and-call-back messages	<b>34,099</b>	34,963	-2.5%
Documents supplied by fax	<b>4,723</b>	5,085	-7.1%

### Counter Enquiry Service

Generally, the counter staff of the Centre is able to handle enquiries, collect mail items and issue forms all by themselves without the need of referring callers to other officers in the Department for assistance. The number of counter enquiries handled during 2011-12 was about 0.53 million (**Figure 33**).

Information leaflets on topics of general interest are available for collection at the two form stands located on the ground floor and first floor of Revenue Tower. The public may also obtain general tax information and download forms from the Department's website<[www.ird.gov.hk](http://www.ird.gov.hk)> and GovHK's website<[www.gov.hk](http://www.gov.hk)>.

**Figure 33 Counter enquiries**



### Tax-help Services for Completion of Tax Returns

On the IRD Homepage, e-Seminars are provided for 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". The Department will reply the questions on a regular basis.

The Department issued 2.05 million Individuals Tax Returns for the year of assessment 2010-11 on 3 May 2011. To cope with taxpayers' enquiries during the peak season for tax filing, the Department extended the service hours for answering telephone enquiries 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 taxpayers are dissatisfied with the services provided by the Department or their problems cannot be solved 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 2011-12, 290 complaints cases were received (**Figure 34**). This represents a decrease of 1%, as compared with the previous year.

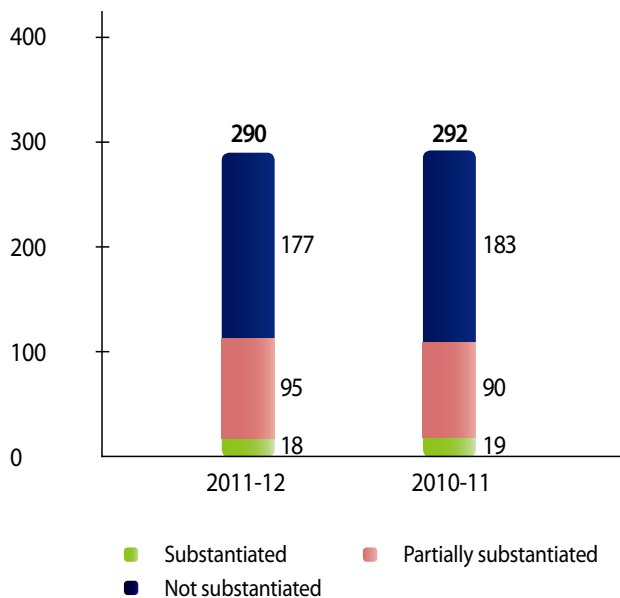
If taxpayers are dissatisfied with any administrative action taken by the Department, they may refer the matter to the Ombudsman. During 2011-12, the Ombudsman sought written comments from the Department in respect of 23 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

Taxpayers may compliment the service of the Department. During the year, 159 Letters of Compliments were received.

## Performance Pledge

The service standards a taxpayer can expect from the Department are set out in the performance pledges. The Department has achieved all the targets of performance pledges and excelled in some of the targeted performance with remarkable results during 2011-12.

Figure 34 Complaint cases



# Information Technology

The Department has been making extensive use of information technology to enhance efficiency and provide quality service to the public.

## IT Environment

The Department has set up a comprehensive and integrated IT infrastructure, including different types of computer application systems and platforms. Assessment processes are automated by the "Assess-First-Audit-Later" system. Tax audit and investigation works are facilitated by the use of data mining and advanced analytical 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. A wide range of information is stored in the Department's Intranet and General Enquiry Knowledge Database for convenient access by our staff. It greatly facilitates their work.

The Department's network, which connects various computer systems, enables officers working on different floors to have concurrent access to electronic documents through their workstations. The computerized workflow enhances the efficiency in performing various types of work. Moreover, e-mail and Internet facilities provide a seamless communication platform for our staff and greatly reduce paper consumption.

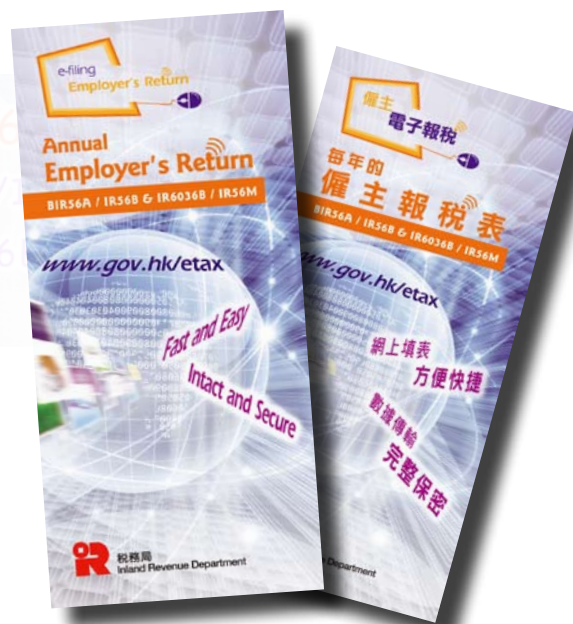
We are now updating and upgrading the IT infrastructure. The System Infrastructure Enhancement Project involves three stages: Stage I - upgrade of the file server and workstation infrastructure, Stage II - upgrade of the Document Management System and Stage III - migration of mainframe applications to midrange platform. In 2011-12, the system upgrade activities for Stage I and procurement activities for Stages II and III were in active progress.

## Electronic Services

### eTAX

eTAX provides a wide range of online tax services to the public. It includes internet filing of tax returns, stamping of property documents, business registration enquiries, electronic notices, payments and applications etc. As at 31 March 2012, there were some 404,000 registered eTAX users.

In 2011-12, e-filing of tax returns increased by 16% to over 334,000 cases. There were about 285,000 e-stamping transactions. A total of 2,727,000 online enquiries for Business Registration Number were received. There were 107,000 requests related to around 246,000 business registrations for supply of information on the Business Register. Starting from 23 August 2011, employers can file online various notifications of employee in connection with commencement of employment, cessation of employment and leaving Hong Kong cases.



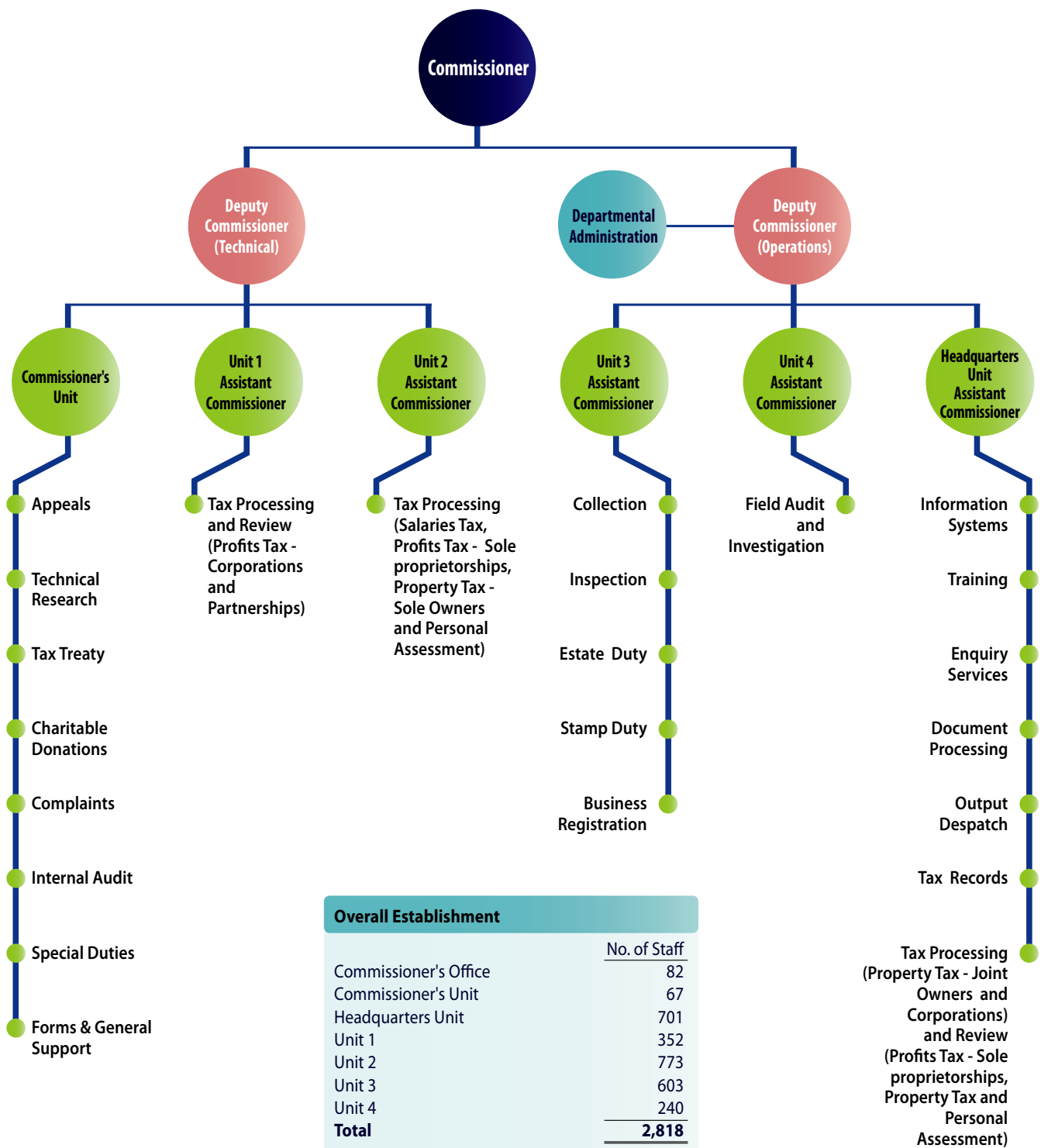
### Other Electronic Services

Electronic submission of annual returns in respect of employee's emoluments by diskettes or CD-ROMs is one of the Department's popular e-services. During 2011-12, some 47,400 employers furnished electronic annual returns for 2,681,000 employees. About 73% of these employers used the free software provided by the Department.

On 20 February 2012, the Companies Registry and the Department jointly introduced a new one-stop online service to allow a company to file notification of change of registered office address and business address in one go.

# Human Resources

## Organisation Chart of the Inland Revenue Department as at 31.3.2012



Overall Establishment	
	No. of Staff
Commissioner's Office	82
Commissioner's Unit	67
Headquarters Unit	701
Unit 1	352
Unit 2	773
Unit 3	603
Unit 4	240
<b>Total</b>	<b>2,818</b>



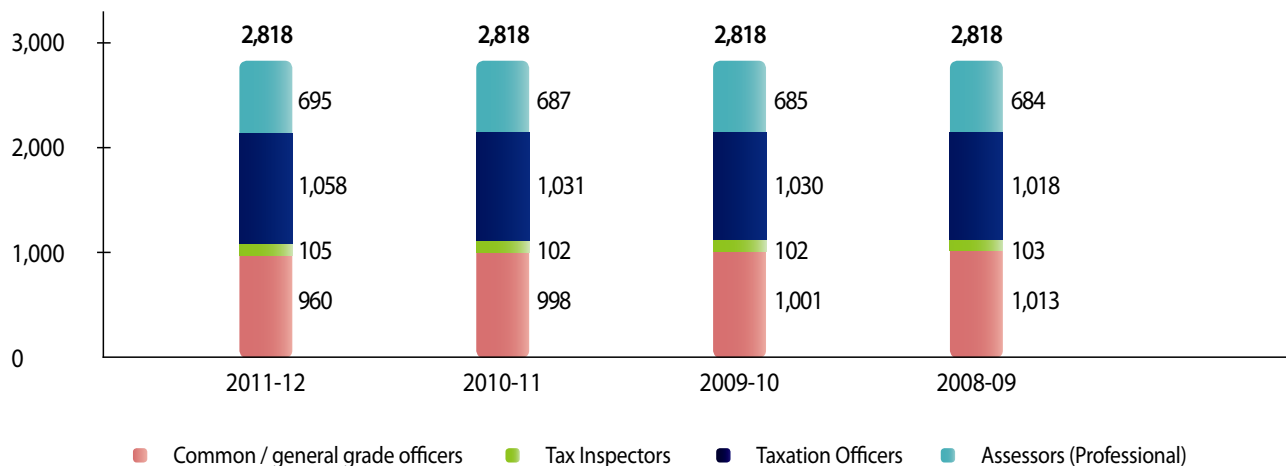
## Establishment

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

As at 31 March 2012, the Department had an establishment of 2,818 permanent posts (including 26 directorate posts) in the Commissioner's Office and the 6 Units of the Department. Of the total, 1,858 posts were in departmental grades (namely Assessor, Taxation Officer and Tax Inspector grades), performing duties directly concerned with taxation. The remaining 960 posts were in common / general grades, providing administrative, information technology and clerical support services (**Figure 35**).



**Figure 35 Staff establishment**



Most of the professional officers serving in the Department were below the age of 45 (**Figure 36**). The ratio of male to female professional officers was 1:1.6.

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

Age Group	Male	Female	Total
Below 25	5 (2%)	15 (4%)	20 (3%)
25 to below 35	29 (11%)	105 (25%)	134 (20%)
35 to below 45	87 (33%)	135 (32%)	222 (32%)
45 to below 55	116 (43%)	144 (34%)	260 (38%)
55 and over	30 (11%)	21 (5%)	51 (7%)
<b>Total</b>	<b>267 (100%)</b>	<b>420 (100%)</b>	<b>687 (100%)</b>

## Staff Promotions and Turnover

In 2011-12, a total of 43 departmental grade officers and 15 common / general grade officers were promoted, among them 5 were in directorate ranks. 167 officers joined the Department, of which 133 were new appointees and 34 were officers transferred from other departments. A total of 122 officers (including 47 transferred to other departments) left the Department.



## Recruitment

### HKICPA Career Forum 2011

The Inland Revenue Department participated in the Career Forum 2011 organised by the Hong Kong Institute of Certified Public Accountants on 16 October 2011 at the Kowloonbay International Trade 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 more than 500 visitors.

## Training and Development

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. A variety of training courses including taxation and accounting knowledge, interpersonal skills, management and languages are offered to staff members. In 2011-12, our staff received training for a total of 11,220 man-days, which was equivalent to about 4 man-days per officer.

The major training activities during 2011-12 were as below:

### Training Courses

- Induction courses for all grades of staff upon joining the Department
- Two-part taxation law and practice course for newly appointed Assistant Assessors spread over 2 years
- Briefing sessions for legislative amendments and new services
- Refresher courses on professional knowledge
- Course on Hong Kong Accounting Standards
- Written English courses
- Putonghua courses
- Computer courses

### Workshops

- Performance appraisal workshop on writing and interviewing skills
- Workshop on stress management
- Workshop on problem solving and decision making
- Workshops on interviewing and negotiation skills 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

## Continuing Professional Education

9 seminars were held by the Training Committee under the in-house Continuing Professional Education (CPE) Programme on the following subjects for professional officers:

- Hong Kong Financial Reporting Standard Recap and Update
- Overview of the Central Moneymarkets Unit and the Development of the Qualifying Debt Instrument Scheme in the Inland Revenue Ordinance
- Law, Judicial Review and Good Governance
- Mandatory Provident Fund
- New Article 7 (Business Profits) of the OECD Model Tax Convention
- Exchange of Information and OECD Peer Review on Hong Kong
- Special Stamp Duty
- Appeals Cases Update
- Customer Services

Speakers for two of the seminars were staff members and others were experts from various fields. A total of 1,174 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Intranet and a total of 306 staff members had viewed these video files.

## Seminars

In April and June 2011, the Department organised jointly with the National Tax Agency of Japan (NTA) two Technical Cooperation Workshops on Transfer Pricing, Mutual Agreement Procedure and Advance Pricing Arrangement. 3 delegates from the Office of Mutual Agreement Procedure of the NTA and 92 officers from the Department participated in the workshops.





In October 2011, the Department hosted a 5-day seminar on Auditing Multinational Enterprises in partnership with the OECD for ASEAN countries. Three expert instructors from the OECD conducted the seminar. 15 officers from 9 neighbouring countries and 10 officers from the Department attended the seminar. In addition, 10 officers from the Department attended the seminar as observers.

## 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. In 2011-12, 68 officers attended training courses held in China and other countries:

- 28 officers attended various overseas courses in Korea, Malaysia, Singapore, Thailand and Australia
- 20 officers attended training courses jointly organised by the State Administration of Taxation and OECD in China
- 17 officers attended various national studies courses at Peking University, Tsinghua University, Peking University Shenzhen Graduate School and Guangzhou Sun Yat-sen University
- 3 officers attended the respective Thematic Study Programmes – Urban Planning and Development of Wuhan in Hubei Province, Social and Economic Development of Harbin in Heilongjiang Province and the Reconstruction and Development Programme in Sichuan

## Continuous Learning

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. In 2011-12, 54 officers were sponsored by the Department to attend the relevant courses. Training materials and information are 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.

## Mentorship Scheme

A Mentorship Scheme for Assistant Assessors has been set up since 2008. Under this scheme, experienced officers (the mentors) will guide newly recruited Assistant Assessors (the mentees) to broaden their perception about the Department and help them integrate into the civil service. To enhance communication between mentors and mentees, an IRD's blog is available for their dedicated use. On 11 January 2012, the Commissioner officiated the Opening Ceremony of the fourth round of Mentorship Scheme. Since the launching of the Scheme, a total of 72 mentors and 104 mentees have been recruited.

## Staff Relations and Welfare

The Department values staff relations and welfare. We strive to maintain effective communication, and promote co-operation and mutual trust between the management and staff at all levels in enhancing the Department's operational efficiency and productivity.

## The Departmental Consultative Committee

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

The General Grades Consultative Committee, chaired by the Departmental Secretary, allows staff members of the secretarial and clerical grades to discuss with the management issues of specific interest to their grades.

## The “Meet-the-Staff Programme”

First launched in 1996-97, the “Meet-the-Staff Programme” enables the senior management of each Unit and staff of different sections / groups to exchange ideas face to face 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 2011-12, 2 out of 11 suggestions received under the IRD Staff Suggestions Scheme were granted cash awards and certificates of commendation in recognition of their contributions to enhancing operational efficiency and quality of services of the Department.

## The Inland Revenue Department Newsletter

The quarterly Departmental Newsletter is another channel of communication between staff and the management. It also serves to promote a sense of belonging in the Department. Service-related issues, staff welfare, environmental protection, 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

The Inland Revenue General Staff Welfare Fund was established in 1972. It operates on funds donated by staff on a voluntary basis. The purpose of the Fund is to provide within a short time small amount of interest free financial assistance, as an additional and quick emergency relief, to help staff in unexpected financial hardship. The Fund is managed by a Governing



Committee, chaired by the Departmental Secretary and composed of staff representatives from the Department Consultative Committee and the Inland Revenue Department Sports Association. The Claims Sub-committee, formed under the Governing Committee, considers and approves applications for financial assistance made by staff.



### Commissioner's Commendation Letter Scheme

In 2011-12, 43 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 2012.

### Secretary for the Civil Service Commendation Award 2011

In 2011, a Senior Assessor was awarded the Secretary for the Civil Service's Commendation in recognition of his consistently outstanding services and exemplary performance in his daily work. The presentation ceremony was held in November 2011.

### The Long and Meritorious Service Travel Awards Scheme

In 2011-12, 26 officers with long and meritorious service were granted awards of overseas travel under the Long and Meritorious Service Travel Award Scheme.



## The IRD Sports Association



In 2011-12, to promote the intellectual, social and athletic interests of its wide membership, the Sports Association put in dedicated efforts in organising diversified and enjoyable activities, including interest classes, workshops, thematic luncheon talks, sports competition, outings, singing contest and the annual dinner 2011. All activities were well received by colleagues and their family members.

2011-12 is the tenth anniversary of the IRD Volunteer Team, which is under the auspices of the Association. As in the past years, the Volunteer Team continued to participate actively in numerous charitable and community work to manifest care and love to the needy of society. Throughout the year, a total of 251 colleagues participated in various kinds of voluntary services recording 1,564 hours of services. To recognise the Department's 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 marked the seventh consecutive year in which the Department was granted the award.

On the charity front, the Association actively took part in various fund-raising activities, like "Medecins Sans Frontieres Day", "ORBIS Pin Campaign", and "Lifeline Express Charity Run/Walkathon". Our members responded to the fundraising calls of different charitable organizations by great generosity and enthusiasm. The Department raised the highest amount of fund among the participating government departments in the "Medecins Sans Frontieres Day". In the "ORBIS Pin Campaign", the Department was the second runners-up of the "Top Five Fundraising Organizations" and the first runners-up of the "Top Three Organizations with the Most Participants".





# Legislative Amendments

The following legislations enacted during 2011-12 are related to matters under the purview of the Department.

## **Inland Revenue (Amendment) (No. 2) Ordinance 2011 (Ordinance No. 9 of 2011)**

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2011-12 financial year:

- (i) to increase the child allowance from \$50,000 to \$60,000 for each child, and the additional child allowance in the year of birth from \$50,000 to \$60,000 for each child;
- (ii) to increase the allowance granted for maintaining a parent/grandparent aged 60 or above from \$30,000 to \$36,000, and the additional allowance granted for residing continuously with a parent/grandparent aged 60 or above from \$30,000 to \$36,000;
- (iii) to increase the allowance granted for maintaining a parent/grandparent aged between 55 to 59 from \$15,000 to \$18,000, and the additional allowance granted for residing continuously with a parent/grandparent aged between 55 to 59 from \$15,000 to \$18,000;
- (iv) to increase the maximum deduction amount of elderly residential care expenses from \$60,000 to \$72,000; and
- (v) to reduce the amounts of salaries tax and tax under personal assessment payable for the year of assessment 2010-11 by 75%, subject to a ceiling of \$6,000 per case.

## **Stamp Duty (Amendment) Ordinance 2011 (Ordinance No. 14 of 2011)**

This Ordinance amended the Stamp Duty Ordinance with the objective to curb short-term speculative activities in the local property residential property market by:

- (i) imposing a special stamp duty on top of the ad valorem stamp duty on the point of resale in respect of a residential property that is acquired on or after 20 November 2010 and then resold within 24 months after the acquisition; and
- (ii) extending the cancellation of deferral arrangement for payment of stamp duty to agreements for sale of residential property valued at \$20 million or below.

## **Inland Revenue (Amendment) (No. 3) Ordinance 2011 (Ordinance No. 21 of 2011)**

This Ordinance amended the Inland Revenue Ordinance to implement the 2010-11 Budget initiative in respect of profits tax deduction for capital expenditure incurred on the purchase of copyrights, registered designs or registered trade marks. It also modified the provisions governing profits tax deduction for capital expenditure incurred on the purchase of patent rights and rights to any know-how; and provided for incidental matters.

## Revenue (Reduction of Business Registration Fees) Order 2012 (Legal Notice No. 15 of 2012)

This Order reduced the fees payable in respect of business registration certificates and branch registration certificates that commence on or after 1 April 2012 but before 1 April 2013. However, for simultaneous business registration applications of companies incorporated under the Companies Ordinance, the reduction is applicable to the business registration fee payable on the applications for incorporation that are made on or after 1 April 2012 but before 1 April 2013.

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

Country	Date of Order	Nature
Japan	12 April 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
France	3 May 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital
Liechtenstein	3 May 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital
New Zealand	3 May 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Czech	8 November 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Portugal	8 November 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Spain	8 November 2011	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income

## Specification of Arrangements (Avoidance of Double Taxation on Income and Capital and Prevention of Fiscal Evasion) (Amendment) Order

Country	Date of Order	Nature
Luxembourg	3 May 2011	Avoidance of Double Taxation on Income and Capital and Prevention of Fiscal Evasion



# Environmental Report

## Green Management Policy

The Inland Revenue Department is committed to providing a green office environment and operating in an environmentally conscious and responsible manner. Reducing consumption of paper and energy in the office is 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 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 effective environmental management systems and pollution control measures;
- Using environmental friendly products such as energy saving photocopiers, batteries without mercury, 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 is chaired by the Departmental Secretary, the Department's Green Manager, and is composed of green executives from various Units and Sections. During the year, the Committee continued 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:

- Displaying environmental protection promotional materials on notice boards and updating the materials regularly;
- 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 The Community Chest Green Day with a view to arousing the staff's awareness on environmental protection. Besides, the Sports Association also assisted in promoting green awareness and healthy lifestyle among staff by organising a variety of activities in the year, including the Chinese New Year Gift Transfer Programme, 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

Starting from 2007, it is a statutory requirement that all indoor areas in workplaces are smoke-free. Indeed, smoking has been prohibited in Revenue Tower since 1996. No-smoking signs are displayed at conspicuous locations in the office. 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

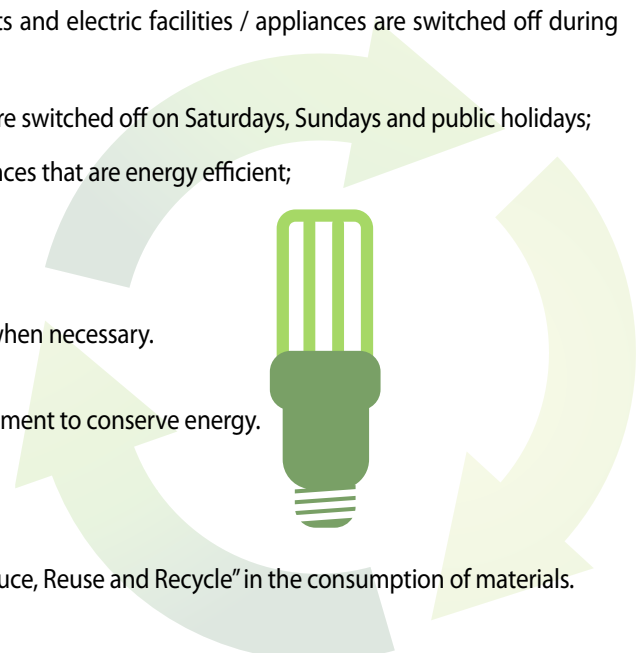
We attach great importance to good indoor air quality. During the year, the Electrical and Mechanical Services Department commissioned a contractor to conduct a comprehensive indoor air quality measurement in offices located in the Revenue Tower. Revenue Tower was again awarded the "Indoor Air Quality Certificate (Good Class)" in September 2011. It shows that our office fully meets the requirements in this respect.

## Energy Conservation

The Department is proactive in energy conservation and has implemented various energy saving measures to reduce electricity consumption. An overall drop of 3.9% in electricity consumption was observed over the past four years. The following energy saving measures have been adopted :

- 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 that are energy efficient;
- 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 adopted the following measures in the year to reduce paper and envelope consumption :

- Encouraging staff to minimise photocopying, to use recycled paper instead of virgin paper, to use duplex printing and photocopying and to make best use of the clean side of waste paper;
- Implementing the "Electronic Leave Application and Processing System" for leave applications and approvals;
- Using papers with old letterheads to print incoming fax message and avoiding the use of fax leader pages;
- Encouraging paperless means of internal and external communication by using e-mail and floppy diskettes;
- Making optimum use of the Department's Intranet to enable more environmental friendly and speedy transmission of internal information. 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;
- Using templates or overlay printing to replace pre-printed forms. The templates of the forms are uploaded onto the Intranet so that the forms can be printed as and when required;
- Viewing 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 to reduce paper consumption, thus obviating the need to print invitation letters, tickets and handouts.

## Waste recycling

The Department encourages all staff members 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. Throughout the year, the Department collected 324,571 kg of waste paper, 112 kg of aluminium cans, 362 kg of plastic bottles and 8,033 used printer cartridges.

## New Initiatives and Targets

The 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 2012, the number of charities exempt from tax was 7,194, of which 502 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 are tax deductible. For the year of assessment 2010-11, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$3.73 billion and \$5.50 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 94,588 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. 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 2012
- 2 Demand Notes Issued, Tax Assessed and Collections (2008-09 to 2011-12)
- 3 Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2008-09 to 2010-11
- 4 Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2008-09 to 2010-11
- 5 Analysis of Salaries Tax Assessments for the year of assessment 2010-11
- 6 Analysis of Allowances for the year of assessment 2010-11
- 7 Property Statistics (as at 31 March 2012)
- 8 Business Registration Statistics (2008-09 to 2011-12)
- 9 Stamp Duty Collections and Stamp Office Activities (2008-09 to 2011-12)
- 10 Estate Duty Assessed and Collections for the year ended 31 March 2012
- 11 Betting Duty Collections (2009-10 to 2011-12)
- 12 Tax Reserve Certificates Statistics (2008-09 to 2011-12)
- 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 2012

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year -						
2009-10 and earlier years	106,997,153	436,278,966	2,338,353,845	51,378,672	485,792,801	3,418,801,437
2010-11 Final Tax only	269,797,205	434,650,139	(1,386,210,523)	665,799,515	4,111,640,011	4,095,676,347
2011-12 Provisional Payments and Final Tax	1,725,322,453	53,585,317,040	109,985,146,183	4,203,775,827	1,608,203	169,501,169,706
<b>Total Tax Assessed</b>	<b>2,102,116,811</b>	<b>54,456,246,145</b>	<b>110,937,289,505</b>	<b>4,920,954,014</b>	<b>4,599,041,015</b>	<b>177,015,647,490</b>
Add: Collectables -						
Tax outstanding as at 31 March 2011 bought forward	375,515,038	8,196,629,835	46,117,084,643	3,022,295,788	603,116,983	58,314,642,287
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	16,696,433	241,481,933	578,861,855	154,390,292	7,854,263	999,284,776
Interest on Tax Held Over	11,433	922,177	947,253,456	1,613,069	368,554	950,168,689
Write-off re-opened	2,113,689	39,830,063	9,375,055	11,277,561	2,889,284	65,485,652
<b>Total of Tax Assessed and Collectables (a)</b>	<b>2,496,453,404</b>	<b>62,935,110,153</b>	<b>158,589,864,514</b>	<b>8,110,530,724</b>	<b>5,213,270,099</b>	<b>237,345,228,894</b>
Collections during the year						
Net Tax collected	1,933,558,195	51,537,248,227	112,328,828,484	4,663,455,401	4,504,263,096	174,967,353,403
<i>(After allowing for refunds of tax)</i>	<i>(84,226,024)</i>	<i>(2,130,434,872)</i>	<i>(5,015,035,401)</i>	<i>(172,020,687)</i>	<i>(235,313,891)</i>	<i>(7,637,030,875)</i>
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	14,857,445	222,933,137	529,752,832	135,979,003	7,586,281	911,108,698
Interest on Tax Held Over	12,918	1,141,718	940,020,123	1,835,099	369,034	943,378,892
<b>Total Net Collections (b)</b>	<b>1,948,428,558</b>	<b>51,761,323,082</b>	<b>113,798,601,439</b>	<b>4,801,269,503</b>	<b>4,512,218,411</b>	<b>176,821,840,993</b>
Balance of Tax, Surcharge, etc. payable (a) - (b)	548,024,846	11,173,787,071	44,791,263,075	3,309,261,221	701,051,688	60,523,387,901
Less: Not collected by virtue of set-off	148,147,224	2,019,289,344	-	569,994,504	-	2,737,431,072
Written-off as irrecoverable	1,800,803	44,660,142	426,467,076	20,318,938	4,042,998	497,289,957
Tax, Surcharge, etc. outstanding as at 31 March 2012 carried forward	398,076,819	9,109,837,585	44,364,795,999	2,718,947,779	697,008,690	57,288,666,872
Less: Under objection or appeal	9,111,676	783,470,612	30,138,451,494	1,167,934,842	255,843,366	32,354,811,990
Listed for write-off but awaiting approval	1,834,484	345,865	985,449	3,471,561	204,989	6,842,348
Assessed but not yet due	227,031,380	6,302,365,280	10,227,612,945	485,774,181	275,034,400	17,517,818,186
<b>Net Tax, Surcharge, etc. in arrears as at 31 March 2012</b>	<b>160,099,279</b>	<b>2,023,655,828</b>	<b>3,997,746,111</b>	<b>1,061,767,195</b>	<b>165,925,935</b>	<b>7,409,194,348</b>

## Schedule 2 Earnings and Profits Tax - Demand Notes Issued, Tax Assessed and Collections

	2011-12		2010-11		2009-10		2008-09	
	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed
Profits Tax -		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Corporations	111,610	110,937,289	102,024	83,317,239	96,435	69,030,850	91,812	98,454,019
Unincorporated Businesses	31,060	4,920,954	30,145	5,742,745	32,282	5,190,379	29,031	5,138,156
Salaries Tax	1,386,338	54,456,246	1,275,831	46,376,008	1,240,606	42,671,919	1,219,526	39,348,226
Property Tax	121,722	2,102,117	112,898	1,804,941	114,141	1,854,647	107,574	876,848
Personal Assessment	195,353	4,599,041	177,449	3,913,994	109,896	3,638,011	164,028	2,143,154
<b>Total</b>	<b>1,846,083</b>	<b>177,015,647</b>	<b>1,698,347</b>	<b>141,154,927</b>	<b>1,593,360</b>	<b>122,385,806</b>	<b>1,611,971</b>	<b>145,960,403</b>

	2011-12		2010-11		2009-10		2008-09	
	Collections		Collections		Collections		Collections	
Profits Tax -		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Corporations		113,798,601		88,191,392		72,224,310		99,294,434
Unincorporated Businesses		4,801,270		4,991,658		4,381,053		4,857,058
Salaries Tax		51,761,323		44,254,738		41,245,415		39,007,872
Property Tax		1,948,429		1,647,134		1,677,621		832,547
Personal Assessment		4,512,218		3,921,753		3,655,847		2,151,110
<b>Total</b>		<b>176,821,841</b>		<b>143,006,675</b>		<b>123,184,246</b>		<b>146,143,021</b>

### Schedule 3 Corporations - Profits Tax Contributions from Various Business Sectors

Business Sectors	Final Tax Assessed for Year of Assessment					
	2010-11		2009-10		2008-09	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
<b>Distribution -</b>						
Retail	3,671,276	3.9	2,737,633	3.5	2,394,349	3.3
Wholesale, Import and Export	21,101,601	22.2	16,227,073	20.6	16,401,805	22.4
Foreign Corporations carrying on Import and Export	79,205	0.1	68,243	0.1	70,543	0.1
<b>Public Utilities</b>	5,095,460	5.4	3,874,354	4.9	4,011,957	5.5
<b>Property, Investment and Finance (other than Banking)</b>	21,859,733	23.0	20,010,333	25.4	16,214,119	22.1
<b>Banking</b>	15,939,870	16.8	14,477,228	18.3	12,927,015	17.6
<b>Manufacturing -</b>						
Clothing and Textiles	1,044,572	1.1	991,844	1.3	962,922	1.3
Food and Beverage Products	494,301	0.5	467,527	0.6	434,148	0.6
Steel and Other Metals	379,625	0.4	265,064	0.3	317,377	0.4
Printing and Publishing	625,497	0.7	498,836	0.6	452,174	0.6
Others	4,207,012	4.4	3,612,283	4.6	3,036,536	4.1
<b>Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)</b>	1,474,033	1.6	1,097,236	1.4	1,393,476	1.9
<b>Hotels, Restaurants and Amusement Centres</b>	1,992,234	2.1	1,583,119	2.0	1,720,584	2.3
<b>Stevedoring, Wharfing and Godowns</b>	1,206,327	1.3	1,053,717	1.3	1,097,682	1.5
<b>Clubs and Associations</b>	1,008,710	1.1	885,679	1.1	868,913	1.2
<b>Insurance Companies and Insurance Agents</b>	1,287,766	1.4	1,037,796	1.3	809,360	1.1
<b>Non-resident Corporations Trading through Agents (including Consignment Tax)</b>	1,532,104	1.6	1,221,071	1.5	1,284,165	1.8
<b>Building Contractors and Engineering Works</b>	1,329,216	1.4	1,129,470	1.4	1,046,004	1.4
<b>Aircraft Owners and Operators</b>	127,340	0.1	43,745	0.1	52,977	0.1
<b>Taxis, Hire Cars, Public Light Buses and Motor Boats</b>	214,641	0.2	193,545	0.3	152,509	0.3
<b>Miscellaneous</b>	10,104,802	10.7	7,421,218	9.4	7,595,267	10.4
<b>Total</b>	<b>94,775,325</b>	<b>100.0</b>	<b>78,897,014</b>	<b>100.0</b>	<b>73,243,882</b>	<b>100.0</b>

## Schedule 4 Unincorporated Businesses - Profits Tax Contributions from Various Business Sectors

Business Sectors	Final Tax Assessed for Year of Assessment					
	2010-11		2009-10		2008-09	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
<b>Property Developers, Property Dealers, Property Agents and Subletting Businesses</b>	95,208	3.3	42,288	1.7	63,621	2.6
<b>Finance and Securities including Brokers, Dealers and Insurance Agents</b>	188,780	6.6	145,100	5.7	148,165	6.0
<b>Builders, Decorators and Civil Engineering Works</b>	28,155	1.0	20,801	0.8	22,805	0.9
<b>Distribution -</b>						
Import and Export	70,725	2.5	67,970	2.7	74,571	3.0
Wholesale	42,800	1.5	36,076	1.4	37,151	1.5
Retail	178,839	6.2	150,209	5.9	144,573	5.8
<b>Manufacturing -</b>						
Agricultural Trades and Food & Beverage Products Manufacturers	5,806	0.2	5,384	0.2	4,229	0.2
Cloth and Clothing	10,185	0.4	13,488	0.5	14,102	0.6
Chemical Products and Mechanical Engineering	33,286	1.2	27,269	1.1	25,473	1.0
Printing and Publishing	9,339	0.3	10,929	0.4	8,982	0.4
Others	16,839	0.6	16,095	0.6	25,501	1.0
<b>Hotels, Restaurants and Amusement Centres</b>	48,331	1.6	37,017	1.5	30,030	1.2
<b>Transport (including Wharfing and Godowns)</b>	35,964	1.2	31,087	1.2	36,136	1.5
<b>Professions -</b>						
Accountants	415,380	14.5	395,136	15.5	328,551	13.3
Architects, Engineers, Surveyors, etc.	4,372	0.2	4,792	0.2	4,457	0.2
Doctors and Dentists	656,840	22.9	612,463	24.0	605,987	24.4
Solicitors and Barristers	870,105	30.3	808,638	31.7	770,091	31.0
Other Professions	152,804	5.3	118,907	4.7	126,496	5.1
<b>Miscellaneous</b>	4,551	0.2	5,791	0.2	7,385	0.3
<b>Non-resident Businesses *</b>	72	0.0	21	0.0	63	0.0
<b>Total</b>	<b>2,868,381</b>	<b>100.0</b>	<b>2,549,461</b>	<b>100.0</b>	<b>2,478,369</b>	<b>100.0</b>

\* Consignment Tax under Section 20A(3) of the Ordinance

## Schedule 5 Analysis of Salaries Tax Assessments for the Year of Assessment 2010-11 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 Concessionary Deductions)	Total Allowances (See analysis Per Schedule 6)	Self Education Expenses	Concessionary 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	6,502	0.43	0	709,681	702,216	10	57	3	0	26	7,369	34	0.00	5
110,001 - 120,000	52,627	3.46	0	6,099,233	5,683,716	2,203	5,853	1,536	21	87,285	318,619	1,572	0.00	30
120,001 - 130,000	55,103	3.62	0	6,896,768	5,953,689	13,644	16,087	8,414	44	140,415	764,475	3,798	0.01	69
130,001 - 140,000	50,661	3.33	0	6,833,600	5,489,208	26,240	22,593	15,650	182	149,164	1,130,563	5,630	0.01	111
140,001 - 150,000	51,475	3.38	0	7,466,450	5,653,485	37,502	27,977	23,878	472	165,013	1,558,123	7,840	0.02	152
150,001 - 180,000	141,713	9.32	0	23,381,009	16,159,709	189,184	102,270	97,055	2,119	571,912	6,258,760	47,512	0.10	335
180,001 - 210,000	130,825	8.60	0	25,426,341	16,084,706	245,789	144,209	136,705	4,234	692,730	8,117,968	86,962	0.17	665
210,001 - 240,000	123,283	8.11	5,507	27,806,751	17,206,818	221,327	160,551	156,425	6,519	737,102	9,318,009	142,761	0.29	1,158
240,001 - 270,000	113,383	7.46	7,622	28,820,114	17,246,131	217,516	196,599	176,388	12,137	744,526	10,226,817	273,870	0.55	2,415
270,001 - 300,000	101,435	6.67	11,141	28,878,600	17,276,750	197,042	207,707	188,716	13,125	684,272	10,310,988	402,232	0.81	3,965
300,001 - 400,000	245,695	16.16	33,310	85,235,481	47,301,573	496,212	708,810	627,056	53,072	1,784,057	34,264,701	2,144,227	4.32	8,727
400,001 - 500,000	140,889	9.26	18,650	62,891,794	29,786,437	325,868	590,010	528,274	50,562	1,086,892	30,523,751	2,805,630	5.66	19,914
500,001 - 600,000	83,971	5.52	8,360	46,057,141	17,947,351	187,029	485,584	366,243	37,688	678,690	26,354,556	2,987,291	6.02	35,575
600,001 - 700,000	50,451	3.32	4,383	32,580,013	10,830,584	115,828	343,127	230,822	24,194	389,471	20,645,987	2,603,492	5.25	51,604
700,001 - 800,000	35,523	2.34	2,402	26,451,281	7,647,113	73,738	278,740	170,083	19,801	279,762	17,982,044	2,417,808	4.87	68,063
800,001 - 900,000	23,702	1.56	1,499	20,096,020	5,073,026	50,249	198,687	123,397	12,905	173,074	14,464,682	2,032,490	4.10	85,752
900,001 - 1,000,000	19,036	1.25	1,113	17,996,785	4,107,743	36,891	181,300	100,687	9,931	130,813	13,429,420	1,940,380	3.91	101,932
1,000,001 - 1,500,000	46,574	3.06	2,514	55,770,589	10,078,856	79,528	523,521	292,282	21,814	327,551	44,447,037	6,717,913	13.55	144,242
1,500,001 - 2,000,000	18,165	1.19	906	31,224,576	3,340,585	25,124	265,287	143,903	6,479	122,337	27,320,861	4,201,888	8.47	231,318
2,000,001 - 3,000,000	14,644	0.96	535	35,289,614	2,079,642	15,780	247,915	130,967	4,056	96,750	32,714,504	5,019,342	10.12	342,758
3,000,001 - 5,000,000	8,449	0.56	60	31,821,961	332,116	6,292	238,008	70,117	1,508	56,071	31,117,849	4,658,889	9.39	551,413
5,000,001 - 7,500,000	3,296	0.22	6	19,886,986	516	2,217	141,060	29,876	219	20,837	19,692,261	2,934,138	5.92	890,212
7,500,001 - 10,000,000	1,236	0.08	3	10,588,641	266	552	69,204	11,214	204	8,166	10,499,035	1,567,443	3.16	1,268,158
10,000,001 & over	2,070	0.14	5	44,461,899	0	697	341,530	18,167	230	12,810	44,088,465	6,599,170	13.30	3,188,005
<b>Total</b>	<b>1,520,708</b>	<b>100.00</b>	<b>98,016</b>	<b>682,671,328</b>	<b>245,982,236</b>	<b>2,566,462</b>	<b>5,496,686</b>	<b>3,647,858</b>	<b>281,516</b>	<b>9,139,726</b>	<b>415,556,844</b>	<b>49,602,312</b>	<b>100.00</b>	<b>32,618</b>

## Schedule 6 Analysis of Allowances for the Year of Assessment 2010-11 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 Allowance
(\$)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
108,001 - 110,000	702,216	0	0	0	0	0	0	0	0	0	0	0	0	0	702,216
110,001 - 120,000	5,683,716	0	0	0	0	0	0	0	0	0	0	0	0	0	5,683,716
120,001 - 130,000	5,951,124	0	0	0	0	2,565	0	0	0	0	0	0	0	0	5,953,689
130,001 - 140,000	5,471,388	0	0	2,010	0	13,245	2,205	360	0	0	0	0	0	0	5,489,208
140,001 - 150,000	5,559,300	0	0	13,350	0	59,160	19,395	2,280	0	0	0	0	0	0	5,653,485
150,001 - 180,000	15,305,004	0	170,090	64,410	0	426,465	175,200	15,345	3,015	0	180	0	0	0	16,159,709
180,001 - 210,000	14,129,100	0	345,926	87,330	0	947,790	522,840	34,080	11,820	0	4,080	540	0	1,200	16,084,706
210,001 - 240,000	11,894,040	2,841,048	616,170	84,990	0	1,078,350	593,925	41,325	13,110	0	30,720	2,280	1,080	9,780	17,206,818
240,001 - 270,000	10,355,472	3,779,784	796,024	81,420	5,616	1,314,975	753,900	47,160	15,960	0	75,060	3,720	3,120	13,920	17,246,131
270,001 - 300,000	8,337,384	5,235,192	1,363,736	72,840	85,968	1,295,820	705,765	48,990	16,755	2,100	84,060	6,360	5,040	16,740	17,276,750
300,001 - 400,000	18,530,100	16,010,352	5,656,928	164,280	367,588	4,009,410	1,933,635	138,765	42,075	17,640	313,560	19,860	36,600	60,780	47,301,573
400,001 - 500,000	10,294,776	9,842,472	4,407,140	87,600	256,109	3,004,605	1,344,675	98,475	27,885	14,820	286,740	18,900	46,680	55,560	29,786,437
500,001 - 600,000	6,279,336	5,579,064	2,763,610	52,170	144,936	1,937,040	815,775	58,770	16,350	7,680	200,220	13,860	34,380	44,160	17,947,351
600,001 - 700,000	3,778,380	3,340,872	1,742,206	29,910	84,661	1,167,660	463,395	35,790	9,330	5,700	117,420	8,880	21,300	25,080	10,830,584
700,001 - 800,000	2,614,896	2,443,392	1,283,846	18,210	60,804	785,445	294,915	20,400	4,845	3,480	81,240	4,500	14,160	16,980	7,647,113
800,001 - 900,000	1,717,632	1,684,368	842,534	11,700	38,232	503,115	182,070	14,160	2,595	3,000	48,960	3,360	10,560	10,740	5,073,026
900,001 - 1,000,000	1,354,860	1,402,056	723,178	8,010	26,374	392,640	130,665	11,280	2,400	1,380	37,860	2,820	6,960	7,260	4,107,743
1,000,001 - 1,500,000	3,161,052	3,737,880	1,836,155	17,160	67,554	844,605	268,005	24,180	5,265	2,460	76,260	5,940	15,180	17,160	10,078,856
1,500,001 - 2,000,000	591,084	1,643,976	727,225	5,040	24,300	237,330	71,310	6,180	1,680	840	18,840	1,620	6,420	4,740	3,340,585
2,000,001 - 3,000,000	148,932	1,229,040	535,566	1,890	18,414	96,105	30,765	3,090	780	480	7,980	480	3,720	2,400	2,079,642
3,000,001 - 5,000,000	6,588	186,624	113,350	330	3,024	14,670	4,290	420	120	180	1,260	120	660	480	332,116
5,000,001 - 7,500,000	0	216	150	0	0	90	60	0	0	0	0	0	0	0	516
7,500,001 - 10,000,000	0	216	50	0	0	0	0	0	0	0	0	0	0	0	266
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>131,866,380</b>	<b>58,956,552</b>	<b>23,923,884</b>	<b>802,650</b>	<b>1,183,580</b>	<b>18,131,085</b>	<b>8,312,790</b>	<b>601,050</b>	<b>173,985</b>	<b>59,760</b>	<b>1,384,440</b>	<b>93,240</b>	<b>205,860</b>	<b>286,980</b>	<b>245,982,236</b>

## Schedule 7 Property Statistics (as at 31 March 2012)

Classification of Properties	No. of Properties	%
(i) Solely owned by individuals [excluding those under item (iv)] (Rental income, if any, is reported in Composite Tax Returns)	808,666	34.48
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals [excluding those under item (iv)] -		
Letting	117,525	
Other usage or vacant	<u>562,347</u>	28.99
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	431,642	18.40
(iv) With alienation restriction under Home Ownership Scheme or Private Sector Participation Scheme	293,212	12.50
(v) New ownership - awaiting classification	131,880	5.63
<b>Total</b>	<b>2,345,272</b>	<b>100.00</b>

Classification by Number of Owners	No. of Properties	%
Properties owned by : 1 owner	1,452,469	61.93
2 owners	830,926	35.43
3 owners	41,009	1.75
4 owners	10,327	0.44
5 owners	4,253	0.18
6-10 owners	5,206	0.22
11-20 owners	943	0.04
Over 20 owners	139	0.01
<b>Total</b>	<b>2,345,272</b>	<b>100.00</b>

## Schedule 8 Business Registration Statistics

Fiscal Year	2011-12	2010-11	2009-10	2008-09
New registrations	178,074	203,499	149,854	143,737
Re-opened registrations	12,460	10,782	8,698	10,144
Cancelled registrations	116,698	99,219	97,714	90,352
Current registrations as at 31 March	1,134,032	1,060,196	945,134	884,296
Certificates issued (including certificates with annual fees waived)	1,158,838	1,125,127	999,029	951,345
Businesses exempted from payment of fees	13,697	11,839	14,244	13,737
Extracts of information issued	333,547	339,453	317,325	294,368
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)*	1,292,919	35,752	578,647	154,448
Court fines	7,268	6,009	5,578	7,831
Fees and penalties in arrears as at 31 March (excluding levy)	92,781	14,379	32,658	19,762

\* The annual fees in respect of business and branch certificates with commencement dates falling within the following periods were waived:

(1) 1 April 2008 to 31 March 2009

(2) 1 August 2009 to 31 July 2011



## Schedule 9 Stamp Duty Collections and Stamp Office Activities

Fiscal Year	2011-12	2010-11	2009-10	2008-09
	(\$m)	(\$m)	(\$m)	(\$m)
Duties on -				
• Property Assignments and Chargeable Agreements	20,447.5	24,504.5	16,236.7	10,009.2
• Contract notes				
- Collected by Stamp Office	2,135.8	2,543.4	2,084.5	2,876.4
- Collected through The Stock Exchange of Hong Kong Limited	<u>21,170.4</u>	<u>23,333.9</u>	<u>23,636.1</u>	<u>18,825.5</u>
• Leases	473.1	484.8	343.3	366.9
• Transfer deeds	2.3	4.2	3.5	1.7
• Other documents	66.4	57.6	50.7	48.3
Penalties	60.3	76.5	27.7	33.7
Additional duties for delays in payment	0.1	0.2	0.1	0.4
<b>Total duty collections</b>	<b>44,355.9</b>	<b>51,005.1</b>	<b>42,382.6</b>	<b>32,162.1</b>
<b>Average number of callers to Stamp Office per day</b>	<b>1,860</b>	<b>1,890</b>	<b>1,866</b>	<b>1,758</b>
<b>Number of documents stamped during the year</b>	<b>1,707,450</b>	<b>1,955,228</b>	<b>1,648,131</b>	<b>1,515,385</b>

## Schedule 10 Estate Duty - Duty Assessed and Collections for the Year Ended 31 March 2012

	Assessments issued before 1 April 2011	Assessments issued in 2011-12					Additional Assessments	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 2010-11	225,367	-	-	-	-	-	-	225,367
Less: Amount discharged	4,638	-	-	-	-	-	-	4,638
Amount written-off as irrecoverable	2,920	-	-	-	-	-	-	2,920
Net outstanding charges brought forward from 2010-11	217,809	-	-	-	-	-	-	217,809
Net duty assessed	0	84	0	4,309	24,202	138,475	5,467	172,537
Penalties charged	0	3	0	761	2,437	32,726	99	36,026
Interest charged	5,097	157	0	5,213	13,165	81,602	3,607	108,841
Total amount payable	222,906	244	0	10,283	39,804	252,803	9,173	535,213
Less: Amount paid on account before 1 April 2011	0	96	0	4,349	26,369	155,721	5,750	192,285
Net duty, penalties and interest payable in 2011-12	222,906	148	0	5,934	13,435	97,082	3,423	342,928
Less: Outstanding charges carried forward to 2012-13	182,559	0	0	4,026	11,394	87,787	924	286,690
Net duty, penalties and interest paid in 2011-12	40,347	148	0	1,908	2,041	9,295	2,499	56,238
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	14	0	2,985	19,914	15,023	0	37,936
<b>Total collections in 2011-12</b>	<b>40,347</b>	<b>162</b>	<b>0</b>	<b>4,893</b>	<b>21,955</b>	<b>24,318</b>	<b>2,499</b>	<b>94,174</b>

## Schedule 11 Betting Duty Collections

Fiscal Year	2011-12		2010-11		2009-10	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Horse Racing</b>						
<b>Day Meetings</b>						
Net Stake Receipts	8,380,488		8,008,988		7,208,471	
Betting Duty		6,069,866		5,793,397		5,211,027
<b>Night Meetings</b>						
Net Stake Receipts	5,428,088		5,139,379		4,263,794	
Betting Duty		3,932,561		3,722,583		3,080,704
<b>Horse Race Betting Duty</b> (For rates, please refer to Figure 22 of Chapter 3)		*10,002,427		9,515,980		8,291,731
<b>Lotteries (Mark Six)</b>						
Proceeds from Lotteries	8,054,314		6,416,584		5,989,721	
<b>Lotteries Duty</b> (Rate: 25%)		2,013,579		1,604,146		1,497,430
<b>Football Betting</b>						
Net Stake Receipts	*7,489,178		7,277,868		5,955,946	
<b>Football Betting Duty</b> (Rate: 50%)		*3,744,589		3,638,934		2,977,973
<b>Total duty collected</b>		15,760,595		14,759,060		12,767,134

\* Provisional payment

## Schedule 12 Tax Reserve Certificates

Fiscal Year	Sales		Redemption		
	No. of Certificates	Amount	No. of Certificates	Amount	Interest
<b>2011-12</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• Paper certificate	7	32	45	80	9
• Save-As-You-Earn Scheme	45,471	75,153	43,008	73,660	293
• Electronic Tax Reserve Certificates Scheme	40,775	271,391	40,131	269,442	182
Security for Tax in Dispute	1,606	2,464,592	1,587	4,074,055	5,631
<b>Total</b>	<b>87,859</b>	<b>2,811,168</b>	<b>84,771</b>	<b>4,417,237</b>	<b>6,115</b>
<b>2010-11</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• 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
Security for Tax in Dispute	1,507	3,070,899	1,594	2,739,933	34,024
<b>Total</b>	<b>87,197</b>	<b>3,411,853</b>	<b>87,389</b>	<b>3,069,703</b>	<b>34,935</b>
<b>2009-10</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• 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
Security for Tax in Dispute	1,487	2,974,050	1,176	1,824,821	28,556
<b>Total</b>	<b>86,321</b>	<b>3,292,776</b>	<b>83,678</b>	<b>2,144,976</b>	<b>30,308</b>
<b>2008-09</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• 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
Security for Tax in Dispute	1,371	2,597,533	1,328	2,756,227	54,970
<b>Total</b>	<b>85,286</b>	<b>2,878,714</b>	<b>66,548</b>	<b>3,003,040</b>	<b>57,214</b>

## Schedule 13 Earnings and Profits Tax - Offences Committed and Court Fines Imposed

2011-12

	Inland Revenue Ordinance										Total	
	Failure to submit return, etc. 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
<b>Profits Tax</b>		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
• Corporations	7,826	18,963,450	914	4,593,700	0	0	0	0	0	0	8,740	23,557,150
• Unincorporated Businesses	493	1,070,100	25	91,700	0	0	0	0	0	0	518	1,161,800
<b>Salaries Tax</b>												
• Employees	2,016	4,418,500	267	1,271,200	0	0	0	0	0	0	2,283	5,689,700
• Employers	130	315,750	104	449,800	0	0	0	0	0	0	234	765,550
<b>Property Tax</b>												
• Individuals	16	40,000	3	15,000	0	0	0	0	0	0	19	55,000
<b>Total</b>	<b>10,481</b>	<b>24,807,800</b>	<b>1,313</b>	<b>6,421,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,794</b>	<b>31,229,200</b>

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 2012 is 14,767

## Schedule 14 Earnings and Profits Tax - Surcharges Added, Offences Compounded, Additional Tax Imposed and Costs Awarded by the Board of Review

### 2011-12

	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	17,879	12,087,051	163,753	142,988,813	10,705	111,024,036	5,595	18,523,092	13,533	7,552,963	211,465	292,175,955
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	0	0	15	34,000	1	600	0	0	16	34,600
• section 80(1)	5	83,000	506	2,830,130	141	8,083,000	79	5,005,000	0	0	731	16,001,130
• section 80(2)	670	4,180,132	6,927	72,161,545	6,552	376,562,259	1,012	89,051,400	62	169,700	15,223	542,125,036
• section 82(1)	6	98,350	50	17,177,475	45	48,517,220	32	16,445,500	0	0	133	82,238,545
• 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	67	247,900	213	6,303,970	651	34,631,340	116	25,364,700	9	131,600	1,056	66,679,510
Costs awarded by the Board of Review	0	0	5	20,000	2	10,000	0	0	0	0	7	30,000
<b>Total</b>	<b>18,627</b>	<b>16,696,433</b>	<b>171,454</b>	<b>241,481,933</b>	<b>18,111</b>	<b>578,861,855</b>	<b>6,835</b>	<b>154,390,292</b>	<b>13,604</b>	<b>7,854,263</b>	<b>228,631</b>	<b>999,284,776</b>

\* Including penalties imposed by the Court





**Inland Revenue Department**

The Government of the Hong Kong Special Administrative Region

[www.ird.gov.hk](http://www.ird.gov.hk)