

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.

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