



Inland Revenue Department

The Government of the Hong Kong Special Administrative Region

Annual Report
2012-13



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

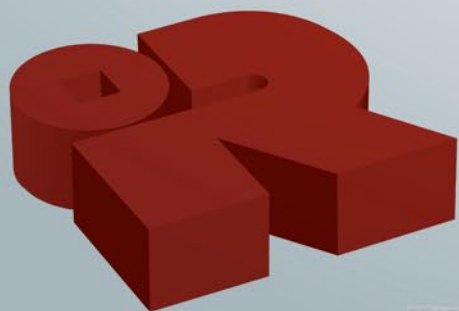
We are committed to —

- 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



Contents

02 Chapter 1: Commissioner's Foreword

05 Chapter 2: Revenue

07 Chapter 3: Assessing Functions

Profits Tax
Salaries Tax
Property Tax
Personal Assessment
Tax Treaty Network
Advance Rulings
Objections
Appeals to the Board of Review
Appeals to the Courts
Business Registration
Stamp Duty
Estate Duty
Betting Duty
Tax Reserve Certificates

20 Chapter 4: Collection

Collection of Tax
Refund of Tax
Recovery of Tax in Default

24 Chapter 5: Field Audit and Investigation

Field Audit
Investigation
Property Tax Compliance Check

26 Chapter 6: Taxpayer Services

IRD Homepage
Electronic Enquiry Service
Enquiry Service Centre
Tax-help Services for Completion of Tax Returns
Complaints and Compliments
Performance Pledge

30 Chapter 7: Information Technology

IT Environment
Electronic Services

32 Chapter 8: Human Resources

Organisation Chart
Establishment
Staff Promotions and Turnover
Training and Development
Staff Relations and Welfare
The IRD Sports Association

42 Chapter 9: Legislative Amendments

44 Chapter 10: Environmental Report

Green Management Policy
Green Management and Promotion of Green Awareness
Environmental Protection Performance
New Initiatives and Targets

49 Chapter 11: Miscellaneous

Charitable Institutions
General Inspection
Internal Audit
Approval for Tax Return Forms and the Manner of Furnishing the Returns

50 Schedules



I am very delighted to present the Annual Report 2012-13 on behalf of the Inland Revenue Department and write this Foreword.

Reviewing our work in 2012-13, we have achieved remarkable performance on different fronts under the leadership of my predecessor, Mr CHU Yam-yuen. To name just a few, taxes were assessed and collected timely; all performance targets were met with targets in some areas surpassed; good progress was made in tax law amendments; more tax treaties were concluded and the functions of electronic filing of Employer's Return were enhanced.

Assessment and collection of tax

The amount of revenue collected in 2012-13 has scored a new record of \$242.1 billion. The increase mainly came from collections of profits tax and stamp duty for property transactions.

Compared with last year, the growth in revenue collections for 2012-13 declined considerably from 14% to 2%. The decline was partly attributable to the concessionary revenue measures introduced during the year. Besides, reflecting the slowdown in economic growth, the increase in assessable profits of business enterprises and assessable income of employees for the year of assessment 2011-12 both narrowed significantly.

As for stamp duty, the exuberant property market in 2012-13 had brought in more stamp duty collections from property transactions. On the other hand, the decrease in the turnover of the stock market caused a relatively big reduction in the stamp duty collections from share transfers.

Tax law amendments

In the era of economic globalization, business activities of local enterprises are no longer confined in Hong Kong and their modes of operation have changed. To keep in pace with the development of the local economy and the international trend, and also to address the overheated property market, the Administration had introduced six revenue-related bills in the 2012-13 legislative session. This was the highest number of bills ever handled by the Department in one single legislative session.

The following four ordinances were enacted in the 2012-13 legislative session:

- Inland Revenue (Amendment) Ordinance 2013: effecting the concessionary revenue measures introduced in the 2013-14 Budget
- Inland Revenue (Amendment) (No. 2) Ordinance 2013: providing a legal framework for Hong Kong to enter into standalone tax information exchange agreements (“TIEAs”)
- Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Ordinance 2013: providing a taxation framework for some common types of Islamic bonds on par with that for conventional bonds
- Betting Duty (Amendment) Ordinance 2013: facilitating a two-way commingled pool arrangement to reinforce Hong Kong’s international position in horse racing

The remaining two bills, Stamp Duty (Amendment) Bill 2012 and Stamp Duty (Amendment) Bill 2013, relating to the measures for cooling down the overheated property, are still being scrutinised by the Legislative Council.

Enhancing tax transparency

The Global Forum on Transparency and Exchange of Information for Tax Purposes (“Global Forum”) has set up a peer review group to assess the members’ compliance with the international exchange of information (“EoI”) standard. Hong Kong is a member of the Global Forum and is required to undergo the peer review in two phases. Phase 1 of the review on Hong Kong was completed in October 2011. In its report, the Global Forum recommended Hong Kong to establish a legal framework for entering into TIEAs to comply with the latest international standard.

Phase 2 of the review on Hong Kong to evaluate its implementation of the EoI standard was launched in December 2012. As advised by the Global Forum, whether Hong Kong could pass it would largely hinge on the availability of a legal framework for TIEAs.

The report of the Phase 2 review will be published in the fourth quarter this year. To meet the timeframe, the Administration and the legislature through concerted effort successfully put in place a legal framework for TIEAs in July this year. Hong Kong is now on par with the international standard on tax transparency and co-operation. I look forward to seeing Hong Kong passing the Phase 2 peer review and gaining the international recognition as a highly tax transparent jurisdiction.

Strengthening electronic services

We are committed to improving our work efficiency and reducing taxpayers' compliance cost. Targeted at the small and medium enterprises, we strengthened the functions of electronic filing of Employer's Return during the year. Now, employers can upload and submit the details of employee's remuneration via the Internet using the approved Employer's Software. In addition, the maximum number of forms for filing of employees' remuneration under eTAX has been increased to cater for the need of more employers. The electronic data so provided will be transmitted to our computer system for direct processing. The data will be pre-filled onto the respective employees' electronic tax returns on the next day. It brings convenience to the employers, employees and the Department. Besides, we have upgraded our system server and workstation infrastructure during the year to achieve greater efficiency.

Moving forward together

In closing, I want to express my most heartfelt thanks to my colleagues for their contributions. Our accomplishments in 2012-13 are attributed to their dedication, determination and positive attitude facing challenges. I would also like to express my appreciation to our partners at work, both inside and outside the Government, for their support and assistance.

I am very honoured to succeed Mr CHU Yam-yuen as the Commissioner of Inland Revenue, and I consider myself even more honoured to be able to work with an outstanding team of professionals and a pool of committed and zealous staff of the Department. Looking ahead, there will be a lot of tasks and challenges to surmount. United as one, I am confident that we can rise to the challenges that come about and deliver high quality service to the public.

WONG Kuen-fai
Commissioner of Inland Revenue

2

Revenue

In 2012-13, the Inland Revenue Department collected \$242.1 billion. It represents a slight increase of \$3.8 billion or 1.6% over the amount collected in the previous year. The increase mainly came from profits tax. Profits tax collections increased by 6% to \$125.6 billion. Salaries tax collections, on the other hand, was reduced by 2% to \$50.5 billion because of the tax relief measures introduced in the 2012-13 budget. Stamp duty collections also fell by 3% to \$42.9 billion because the stock market had been less than active for most of the time during the year, although the property market was rather exuberant. An analysis of the revenue collected by tax type is provided in **Figure 1**.

Figure 1 Revenue collected by tax type

Type of tax	2009-10 (\$m)	2010-11 (\$m)	2011-12 (\$m)	2012-13 (\$m)
Profits tax -				
Corporations	72,224.3	88,191.4	113,798.6	120,727.2
Unincorporated businesses	4,381.1	4,991.7	4,801.3	4,911.2
Salaries tax	41,245.4	44,254.7	51,761.3	50,467.0
Property tax	1,677.6	1,647.1	1,948.4	2,258.2
Personal assessment	3,655.8	3,921.8	4,512.2	4,078.2
Total earnings & profits tax	123,184.2	143,006.7	176,821.8	182,441.8
Estate duty	185.1	212.8	94.2	137.6
Stamp duty	42,382.6	51,005.1	44,355.9	42,879.7
Betting duty	12,767.1	14,759.1	15,760.6	16,564.8
Business registration fees	578.7	35.7	1,292.9	122.9
Total revenue collected	179,097.7	209,019.4	238,325.4	242,146.8
% change over previous year	-6.5%	16.7%	14.0%	1.6%

The revenue collected by the Department during 2012-13 accounted for 69.1% 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 72.7% of the total revenue collected (**Figure 3**).

Figure 2 Government General Revenue

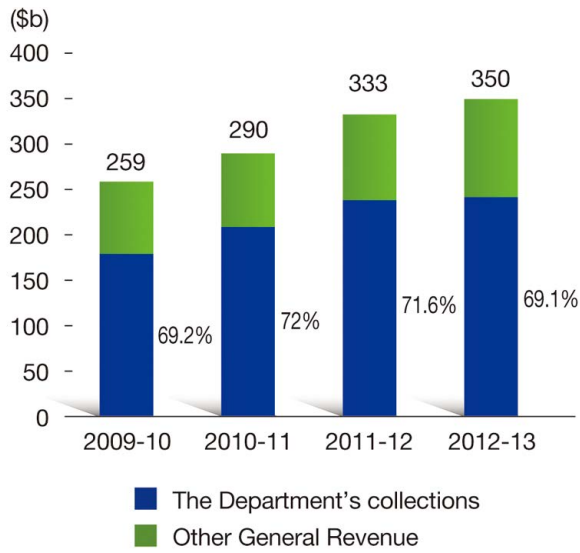
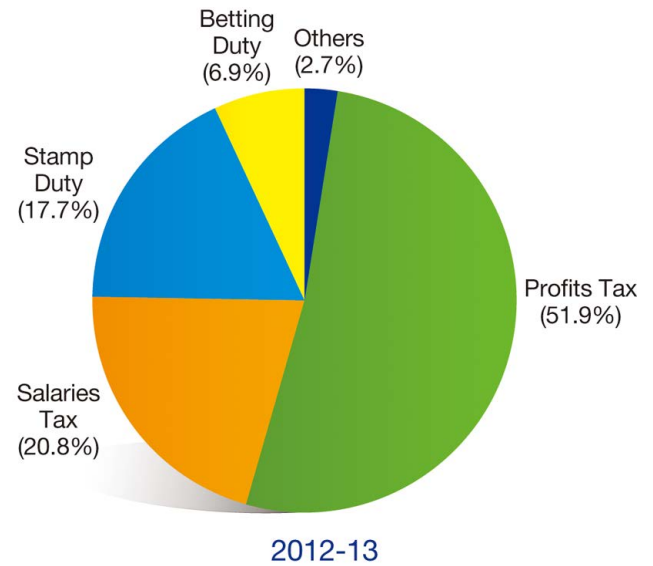
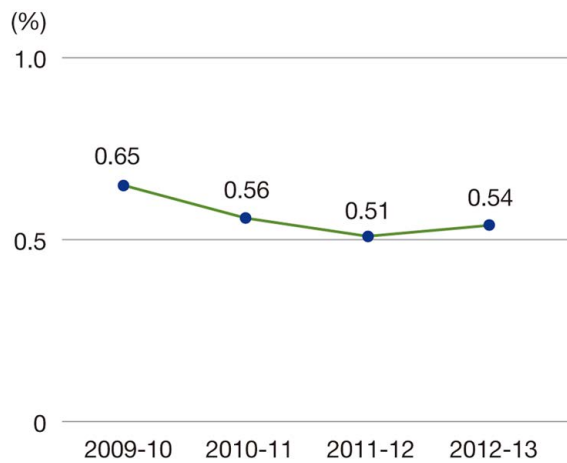


Figure 3 Composition of the revenue collections



In 2012-13, the cost of collection of revenue rose from 0.51% to 0.54% (Figure 4).

Figure 4 Cost of collection



The Department raises revenue through taxes, duties and fees in accordance with the relevant legislation. Broadly speaking, earnings and profits tax are assessed by reference to the incomes / profits of the taxpayers in the previous year, whereas duties and fees are charged at the time the relevant activities occur. For 2012-13, earnings and profits tax assessed slightly increased by \$2.5 billion (1.4%) (**Schedule 2**). On the other hand, the total amount of duties and fees collected dropped by \$1.8 billion (2.9%).

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 2012-13, the tax rates for corporations and non-corporate persons remained unchanged at 16.5% and 15% respectively.

The amount of profits tax assessed in 2012-13 increased to \$120.4 billion, which was \$4.6 billion (4.0%) more than that of the previous year (**Figure 5**). The slight increase reflected the slowdown in economic growth.

The amounts of final tax assessed in respect of different business sectors are shown in **Schedules 3 and 4**. Of the total final tax assessed for the year of assessment 2011-12, the property and financial sectors together contributed 41.5% and the distribution sector generated 27.7% (**Figure 6**).

Figure 5 Profits tax assessed

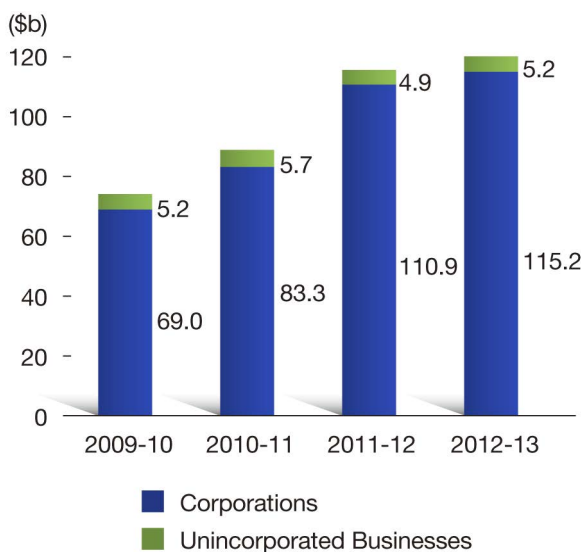
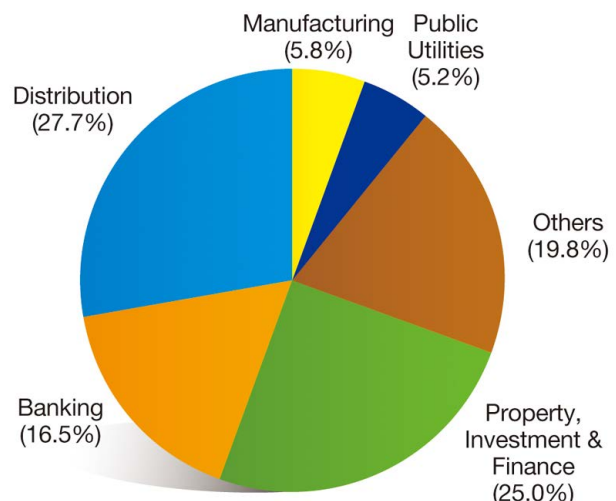


Figure 6 Ratios of corporation profits tax assessed under 2011-12 final assessments by business sectors

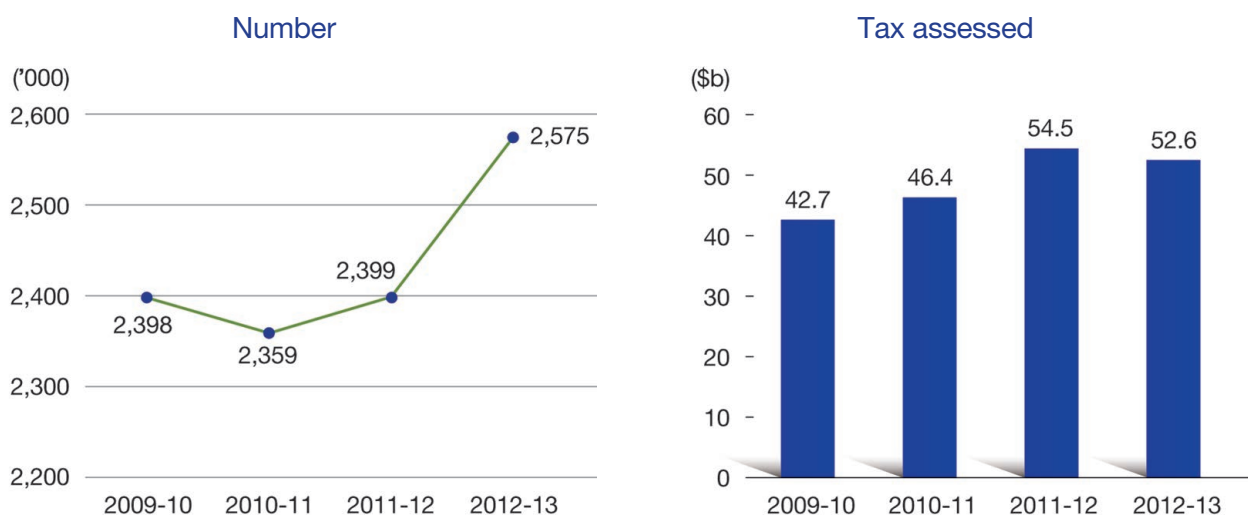


SALARIES TAX

Salaries tax is charged on all incomes 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 2012-13, the standard rate remained unchanged at 15%.

As compared with the previous year, the number of salaries tax assessments made during 2012-13 increased by 7.3%, but the amount of tax assessed was 3.5% less after implementing the salaries tax relief measures introduced in the 2012-13 Budget (**Figure 7**).

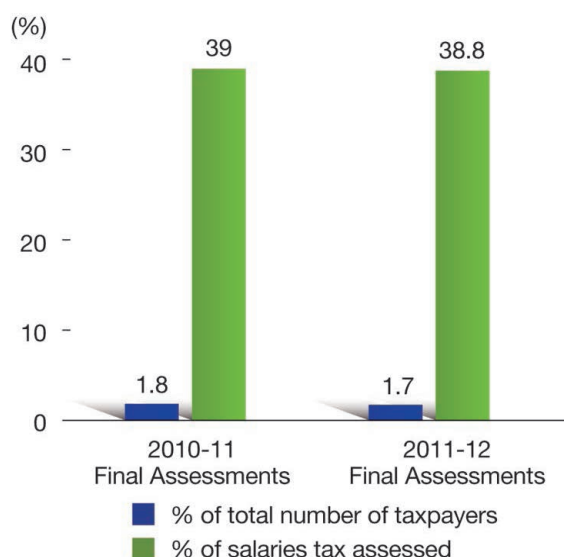
Figure 7 Salaries tax assessments



Analyses of salaries tax assessments and allowances granted in respect of taxpayers at various income levels for the year of assessment 2011-12 are provided in **Schedules 5** and **6**.

For the year of assessment 2011-12, the number of standard rate taxpayers increased by 1,286 to 28,066. These taxpayers together contributed 38.8% of the salaries tax assessed, a slight decrease of 0.2% compared with 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, 290,461 employers filed employer's returns with the Department.

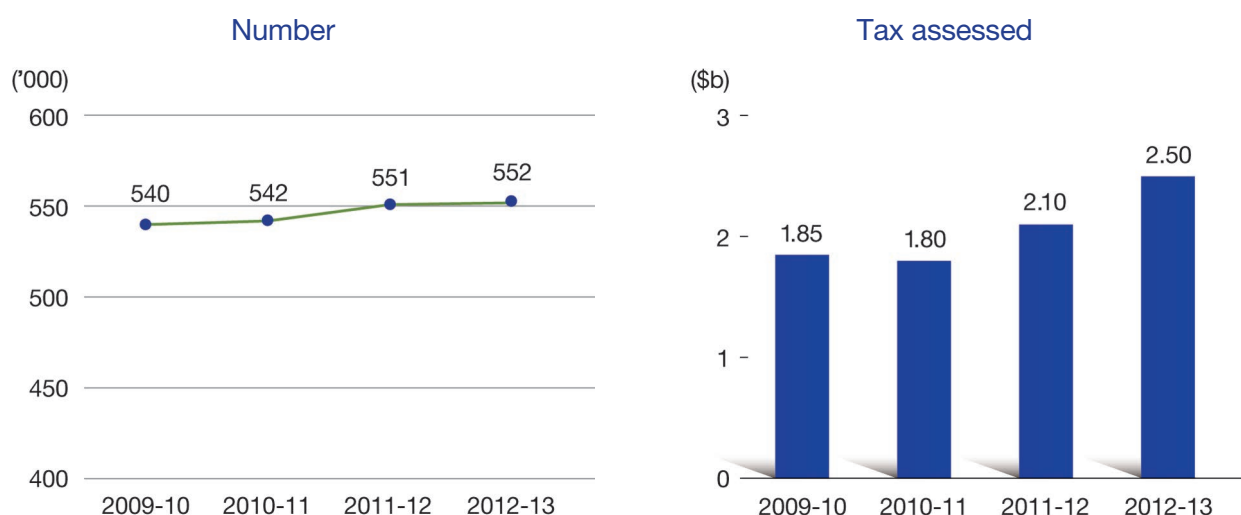
The Department provides e-Seminars and disseminates tax information to employers on the IRD Homepage to help them understand the relevant statutory requirements. The contents cover completion of employer's returns, employer's obligations and answers to frequently asked questions. Employers can also obtain 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 2012-13, 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 2012-13 was slightly more than that in the previous year by 0.2%. Reflecting a continuous rising trend in rent, the total amount of property tax assessed increased by 19.1% (**Figure 9**).

Figure 9 Property tax assessments

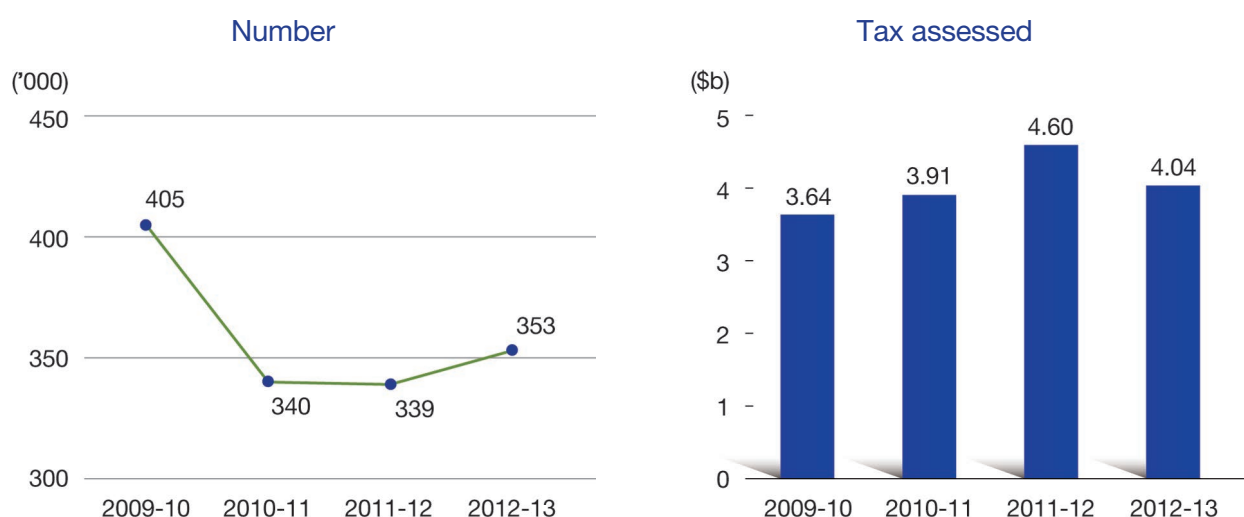


PERSONAL ASSESSMENT

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 the previous year, the number of assessments made in 2012-13 increased by 4.2%. The amount of tax assessed, however, was reduced by 12.1% after effecting the tax reduction for personal assessment introduced in the 2012-13 Budget (**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 2013, Hong Kong has signed comprehensive double taxation agreements (covering various types of income) with 27 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, Jersey, Malaysia, Mexico, Canada and Italy.

ADVANCE RULINGS

Taxpayers may apply for an advance 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 application of the “Territorial Source Principle” in a profits tax case, 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 respond 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 2012-13, the Department completed the processing of 45 advance ruling applications (**Figure 11**). Most of the applications were for rulings on profits tax matters.

Figure 11 Advance rulings

	2011-12 Number	2012-13 Number
Awaiting decision at the beginning of the year	18	15
Add: Applications received during the year	50	41
	68	56
Less: Disposed of —		
Rulings made	35	27
Applications withdrawn	14	11
Rulings declined	4	7
	53	45
Awaiting decision at the end of the year	15	11

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 arise 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 2012-13, the Department completed the processing of 70,120 objections (**Figure 12**).

Figure 12 Objections

	2011-12 Number	2012-13 Number
Being processed at the beginning of the year	26,689	28,986
Add: Received during the year	<u>72,662</u>	<u>72,299</u>
	99,351	101,285
Less: Disposed of —		
Settled without determination	69,637	69,628
Determinations:		
Assessments confirmed	398	290
Assessments reduced	228	117
Assessments increased	92	79
Assessments annulled	<u>10</u> <u>728</u> <u>70,365</u>	<u>6</u> <u>492</u> <u>70,120</u>
Being processed at the end of the year	<u>28,986</u>	<u>31,165</u>

APPEALS TO THE BOARD OF REVIEW

A taxpayer who is dissatisfied with the Commissioner's determination of his objection may appeal to the Board of Review (Inland Revenue Ordinance) (the Board). The Board is an independent statutory body. As at 31 March 2013, the Board consisted of a chairman and 4 deputy chairmen, who have legal training and experience, as well as 70 other members. During 2012-13, the Board settled 67 appeal cases (**Figure 13**).

Figure 13 Appeals to the Board of Review

			Number
Awaiting hearing or decision as at 1 April 2012			82
Add: Received during the year			<u>46</u>
			128
Less: Disposed of –			
Withdrawn		14	
Decided:			
Assessments confirmed	33		
Assessments reduced in full	2		
Assessments reduced in part	4		
Assessments increased	13		
Assessments annulled	<u>1</u>	<u>53</u>	<u>67</u>
Awaiting hearing or decision as at 31 March 2013			<u>61</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 transferred to the Court of First Instance direct under section 67 of the Inland Revenue Ordinance without a hearing before the Board.

During 2012-13, the Court of First Instance ruled on one case which was transferred under section 67 of Inland Revenue Ordinance. The issues involved were the chargeability of technical costs and licence fees. The Court of First Instance allowed the taxpayer's appeal only to the extent of the technical costs. The taxpayer has lodged an appeal to the Court of Appeal against the adverse judgment on licence fees.

During 2012-13, the Court of Appeal handed down three judgments concerning the Inland Revenue Ordinance. One judgment was related to an appeal against the Board's decision, which was made directly to the Court of Appeal pursuant to section 69A of the Inland Revenue Ordinance. The issue involved was the deductibility of mould expenses under section 16G of the Inland Revenue Ordinance. The Court of Appeal ruled in favour of the Commissioner. The taxpayer has applied for leave to appeal to the Court of Final Appeal.

The other two judgments by the Court of Appeal were related to the taxability of unrealized gains arising from revaluation of trading investments and the taxability of a lump sum received by the taxpayer pursuant to a franchise agreement respectively. Against the adverse judgments of the Court of Appeal, the Commissioner has appealed to the Court of Final Appeal in respect of the former case and applied for leave to appeal to the Court of Final Appeal in respect of the latter case.

Figure 14 sets out the statistics concerning appeals to the Courts during 2012-13.

Figure 14 Appeals to the Courts

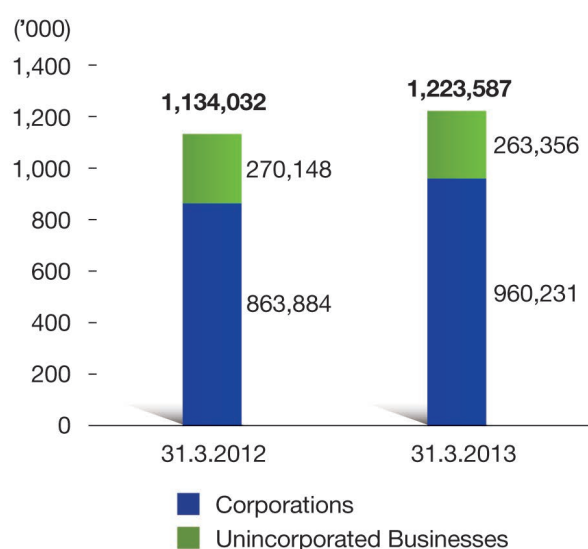
	Court of First Instance		Court of Appeal		Court of Final Appeal		Total
Awaiting hearing or decision as at 1 April 2012	5		5		0		10
Add: Lodged during the year	<u>0</u>		<u>1</u>		<u>1</u>		<u>2</u>
	5		6		1		12
Less: Disposed of —							
Decided	1		3		0		4
Discontinued	<u>0</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>4</u>
Awaiting hearing or decision as at 31 March 2013	<u>4</u>		<u>3</u>		<u>1</u>		<u>8</u>

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. The number of business registrations as at 31 March 2013 stood at 1,223,587, which was an all time high. It was 89,555 more than that as at 31 March 2012 (**Figure 15**).

Business registration certificates are valid for one year, but businesses may elect for 3-year certificates. As at 31 March 2013, 15,986 businesses held 3-year certificates.

Figure 15 Number of business registrations



To help business enterprises, the Administration waived the business registration fees for 2012-13. Businesses were still required to pay the levy on their business registration certificates. For a 1-year certificate, the levy was \$450. For businesses electing for 3-year certificates, they were required to pay \$3,200 for the business registration fee and \$1,350 for the levy.

Businesses that were not required to renew their registration certificates in 2012-13 could apply for concessionary refunds if they had paid the registration fees for that year. Up to 31 March 2013, the Department had issued concessionary refunds to 10,856 businesses totalling \$16.3 million.

Due to the waiver of business registration fees for the whole financial year 2012-13, the amount of business registration fees and penalties collected in 2012-13 was reduced to \$122.9 million. It represents a significant decrease of 90% as compared to last year's, notwithstanding that 9% more certificates were issued during the year (**Figure 16**). Business registration statistics are set out in **Schedule 8**.

Figure 16 Certificates issued and fees collected

	2011-12	2012-13	Increase/ Decrease
Number of certificates issued (Main and Branch)	1,158,838	1,264,736	+9%
Fees (inclusive of penalties) (\$m)	1,292.9	122.9	-90%

Under the Business Registration Ordinance, a small business with average monthly sales or receipts below a specified limit, i.e. \$10,000 for businesses deriving profits mainly from the sale of services, and \$30,000 for other business, can apply for exemption from payment of the business registration fee and levy. Where an application for exemption is not allowed, the business operator may appeal to the Administrative Appeals Board. The number of exemptions granted during 2012-13 was 11,907, representing a decrease of 13% from the previous year. No appeal case was received by the Board during the year.

STAMP DUTY

Stamp duty is charged on instruments effecting property transactions, stock transactions and leasing of property in Hong Kong (**Figure 17**).

Due to the environment of persistently low interest rates and abundant liquidity, the property market had been exuberant. The overall residential property prices rose significantly during the first six months of 2012-13, causing an increased risk of an asset bubble. The Government introduced a number of demand-side management measures including some proposed amendments to the Stamp Duty Ordinance to address the overheated property market. In 2012-13, the stamp duty collections from property transactions increased by 9% to \$22.4 billion. The stamp duty collections from leases and other documents also increased by 7% to \$643 million.

The unstable global economic conditions had caused a stagnant stock market for most of the time in 2012-13. The stamp duty collections from share transactions in 2012-13 were \$19.9 billion, a decrease of 15% from the previous year.

Overall, there was a slight decrease of 3% in the total stamp duty collected during the year and the number of documents stamped also decreased by 4% (**Figure 18** and **Schedule 9**).

Figure 17 Composition of stamp duty collections

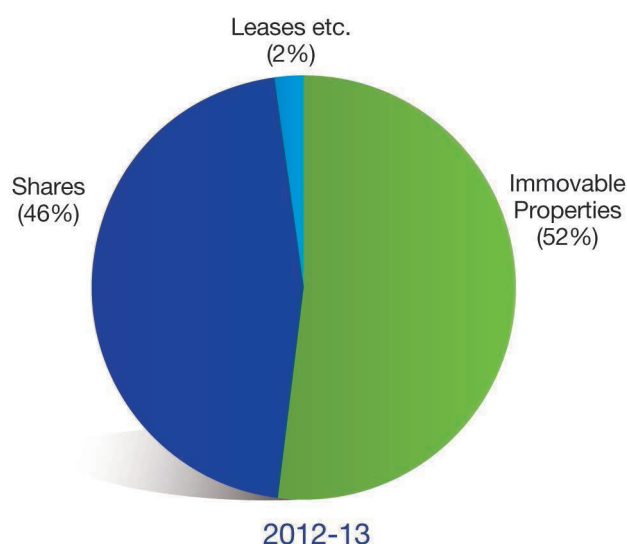


Figure 18 Stamp duty collections

	2011-12 (\$m)	2012-13 (\$m)	Increase/ Decrease
Immoveable Properties	20,448	22,355	+9%
Shares	23,306	19,882	-15%
Leases and other documents	602	643	+7%
Total	44,356	42,880	-3%

ESTATE DUTY

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

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 abolishing estate duty in respect of persons passing away on or after that date. 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 1,099 in 2012-13, a drop of 15.5% from the last year (**Figure 20**).

Figures 19 and 20 show the composition of estates and cases processed for the past two years.

Figure 19 Composition of estates

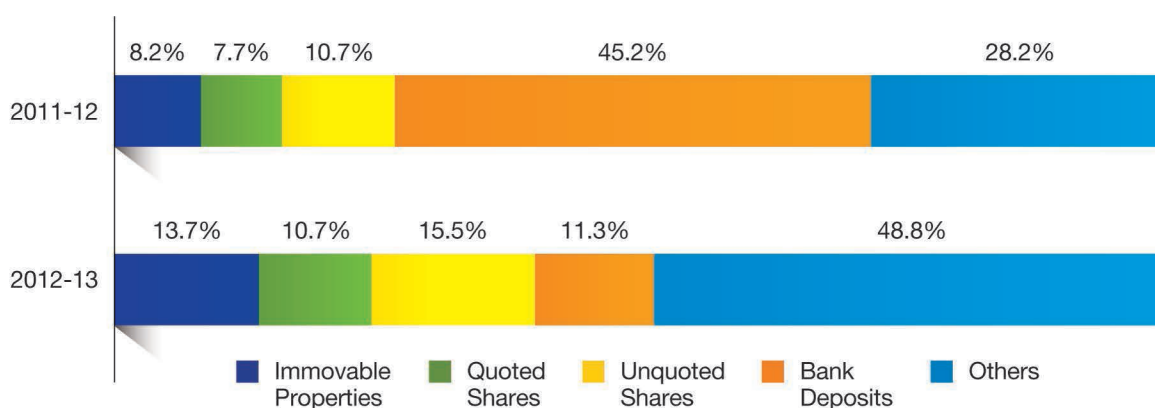


Figure 20 Estate duty cases

	2011-12 Number	2012-13 Number
New cases	<u>1,301</u>	<u>1,099</u>
Cases finalised		
— Dutiable	35	19
— Exempt	<u>1,293</u>	<u>1,075</u>
	<u>1,328</u>	<u>1,094</u>

Estate duty of \$138 million was collected during the year (**Schedule 10**), an increase of \$44 million (47%) 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). \$0.5 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 2012-13, the rates of betting duty on these betting activities remained unchanged (**Figure 21**).

Figure 21 Rates of betting duty in 2012-13

		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 2012-13, betting duty collections from horse racing and football betting increased by 4.6% and 10.7% respectively while the betting duty collections from Mark Six lotteries decreased by 3% (**Schedule 11**). The total betting duty collected in 2012-13 was 5.1% higher than the previous year (**Figure 22**).

Figure 22 Betting duty collections

	2011-12 (\$m)	2012-13 (\$m)	Increase/ Decrease
Horse racing	10,002.4	10,465.4	+4.6%
Mark Six lotteries	2,013.6	1,953.0	-3.0%
Football betting	3,744.6	4,146.4	+10.7%
Total	15,760.6	16,564.8	+5.1%

TAX RESERVE CERTIFICATES

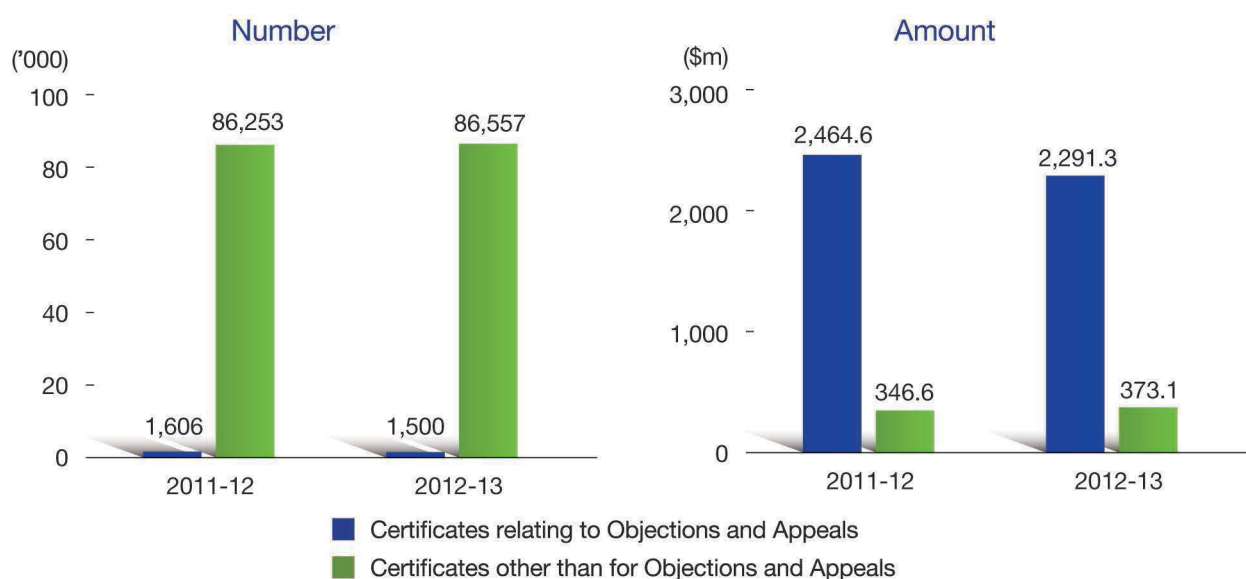
Taxpayers may purchase Tax Reserve Certificates (TRCs) under two situations.

The first situation applies to taxpayers who wish to save for the payment of their future tax liabilities. The Department 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.

As compared with last year, there was an increase of 2.5% and 10.4% respectively in the number and the amount of TRCs sold under the “Electronic Tax Reserve Certificates Scheme” but a decrease of 1.6% and 2.3% respectively for the “SAYE Scheme” in 2012-13 (**Schedule 12**). Overall, the total amount of TRCs sold increased by 7.7% (**Figure 23**).

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 23 Certificates sold

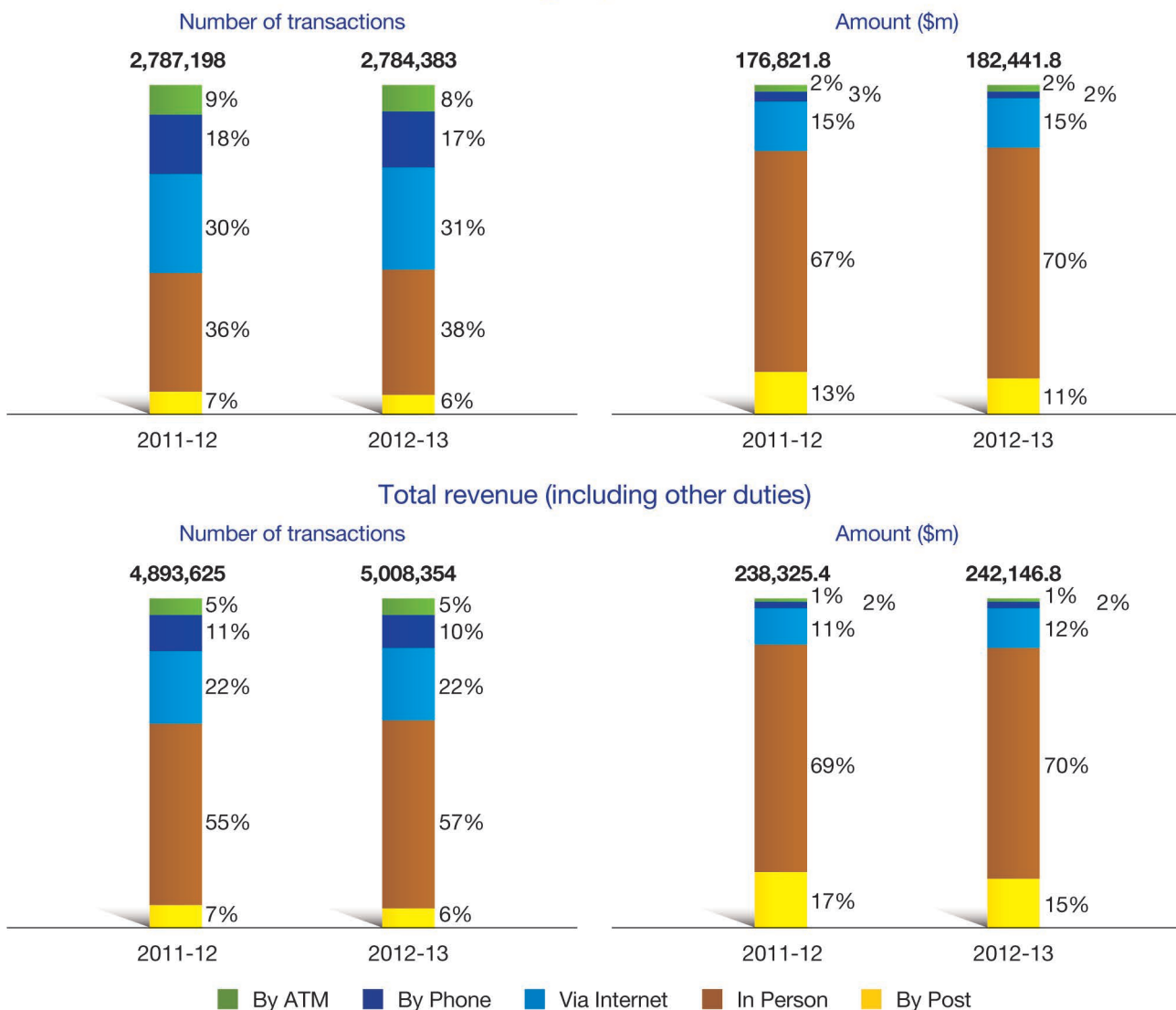


Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 13** and **14** provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2012-13.

COLLECTION OF TAX

Taxpayers can conveniently settle their tax liabilities by various payment methods, including electronic payment (by phone, bank ATM or the Internet), payment in person or payment by post. From August 2012, apart from the post offices, cash payment for most tax bills can be made in person at designated convenience stores. For earnings and profits tax, electronic payment remains most popular. 56% of the earnings and profits tax payment transactions in 2012-13 were made through electronic means. **Figure 24** shows the respective percentages of the different payment methods used by taxpayers under earnings and profits tax and total revenue.

Figure 24 Payment methods
Earnings & profits tax



REFUND OF TAX

Tax refunds were made mainly due to overpayment of tax by taxpayers and revision of assessments. There were 642,405 refund cases in 2012-13, representing an increase of 31%. The total amount of refunds was \$11.4 billion, representing an increase of \$2.1 billion or 23% compared with the previous year (**Figure 25**).

Figure 25 Tax refunds

Type of tax	2011-12		2012-13	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	32,899	5,257.6	43,179	6,514.1
Salaries tax	398,986	2,355.7	523,190	3,044.9
Property tax	17,212	127.1	16,540	132.2
Personal assessment	25,484	245.4	28,990	273.3
Others	16,955	1,264.9	30,506	1,415.3
Total	<u>491,536</u>	<u>9,250.7</u>	<u>642,405</u>	<u>11,379.8</u>

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 26** 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 27** shows the legal costs and judgment interest collected during 2012-13.

Figure 26 Recovery action

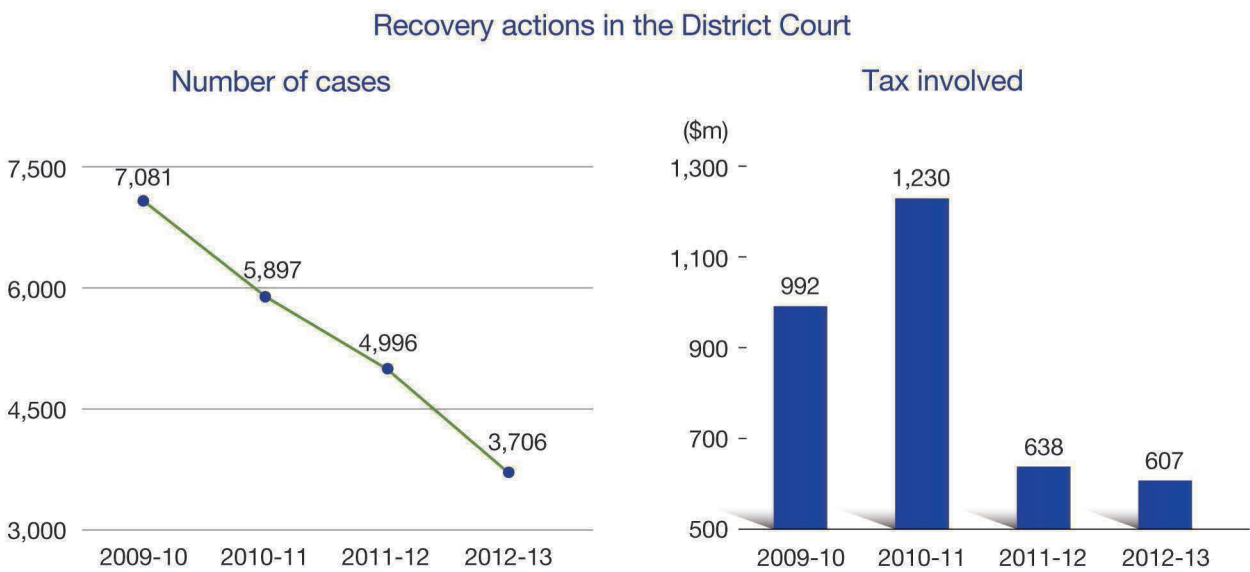
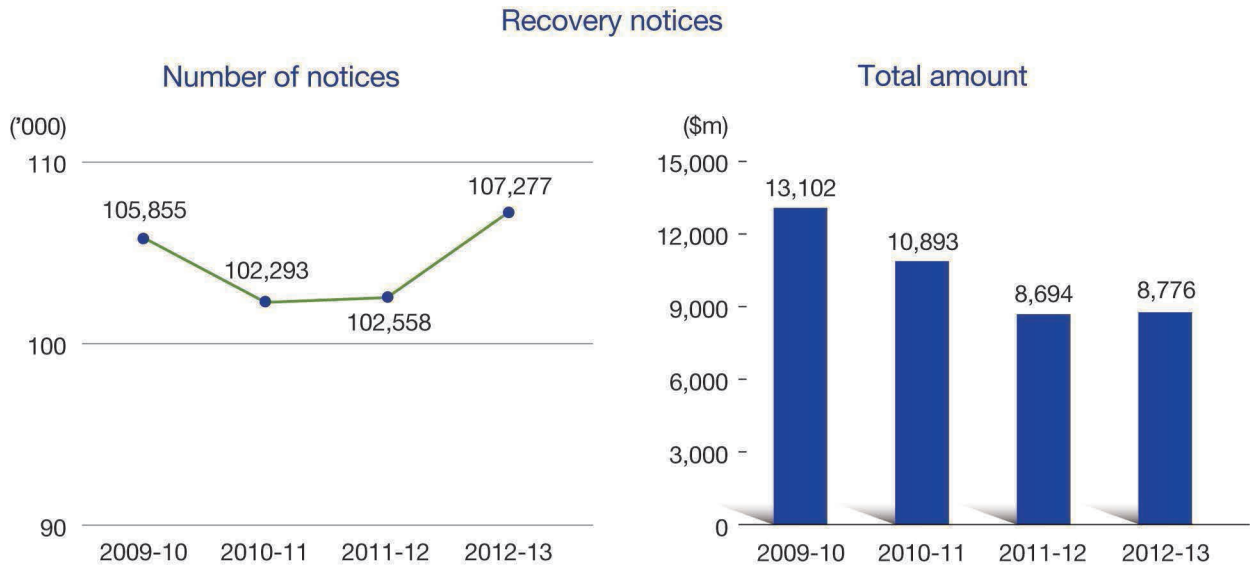


Figure 27 Legal costs and judgment interest collected in 2012-13

	\$	\$
Court cost		
Court fees	1,609,372	
Execution fees	<u>22,960</u>	1,632,332
Fixed cost		680,977
Judgment interest		
Pre-judgment interest	5,095,162	
Post-judgment interest	<u>24,343,721</u>	<u>29,438,883</u>
Total costs and interest collected		<u>31,752,192</u>

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.

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 2012-13, the Field Audit and Investigation Unit completed 1,802 cases (including tax avoidance cases) and collected back tax and penalties of about \$3.4 billion (**Figure 28**).

Figure 28 Results of the Field Audit and Investigation Unit

	2009-10	2010-11	2011-12	2012-13
Number of cases completed	1,803	1,805	1,804	1,802
Understated earnings and profits (\$m)	12,192.8	19,470.1	34,083.4	16,348.0
Average understatement per case (\$m)	6.8	10.8	18.9	9.1
Back tax and penalties assessed (\$m)	2,590.4	3,827.4	6,003.0	3,447.7
Back tax and penalties collected (\$m)	2,385.1	3,881.3	6,852.4	3,438.3

FIELD AUDIT

In 2012-13, there were 17 Field Audit sections. 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.

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 2012-13, the Field Audit and Investigation Unit completed 207 tax avoidance cases and assessed back tax and penalties of about \$1.52 billion (**Figure 29**).

Figure 29 Results of the audit on tax avoidance cases

	2009-10	2010-11	2011-12	2012-13
Number of cases completed	206	234	226	207
Understated earnings and profits (\$m)	6,742.0	11,676.1	26,864.3	7,576.4
Average understatement per case (\$m)	32.7	49.9	118.9	36.6
Back tax and penalties assessed (\$m)	1,240.5	2,193.2	4,356.7	1,523.8

INVESTIGATION

In 2012-13, there were 5 Investigation sections. 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.

Prosecution

One of the 5 Investigation sections is the prosecution section focusing on criminal investigation of tax evasion. Tax evasion is a serious crime. A person convicted of tax evasion could be sentenced to imprisonment for up to three years and fined. During the year, the Department successfully prosecuted 1 tax evasion case. The case involved a company director assisting the company to evade profits tax. The defendant, convicted of evading profits tax, was sentenced to 9 months' imprisonment and fined a total of \$900,000, being 93% of the tax evaded. The prosecution section has also completed the investigation of 3 cases with prosecution potential and referred them 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 2012-13, compliance check was completed on 117,923 property tax cases (**Figure 30**).

Figure 30 Results of the property tax compliance checks

	2009-10	2010-11	2011-12	2012-13
Number of cases completed	79,000	90,681	102,422	117,923
Understated rental income (\$m)	365.2	393.1	442.5	461.7
Back tax and penalties assessed (\$m)	43.8	46.3	53.1	55.4

IRD HOMEPAGE www.ird.gov.hk

The public can obtain a wide range of updated information on Hong Kong taxation and the Department 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.

To further enhance services, the Department commenced in 2012-13 to revamp its website to cater for the different needs of all segments of the community, including persons with disabilities, in web accessibility design, and develop an additional mobile version.

ELECTRONIC ENQUIRY SERVICE

Instant electronic enquiry services are provided to eTAX users at <www.gov.hk/etax>. They can view their tax 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 during 2012-13 are shown in **Figure 31**.

Figure 31 Statistics of services provided through ITES

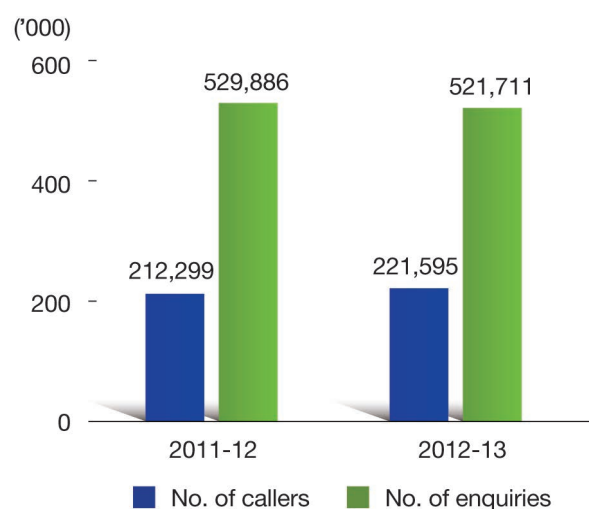
	2011-12 Number	2012-13 Number	Increase / Decrease
Calls answered by staff	736,986	746,414	+1.3%
Calls answered by system	463,082	629,248	+35.9%
Leave-and-call-back messages	34,099	39,574	+16.1%
Documents supplied by fax	4,723	3,955	-16.3%

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 Centre handled about 0.52 million of counter enquiries during 2012-13 (**Figure 32**).

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> and GovHK’s website<www.gov.hk>.

Figure 32 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, fulfil tax obligations and overcome difficulties in compliance is 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.

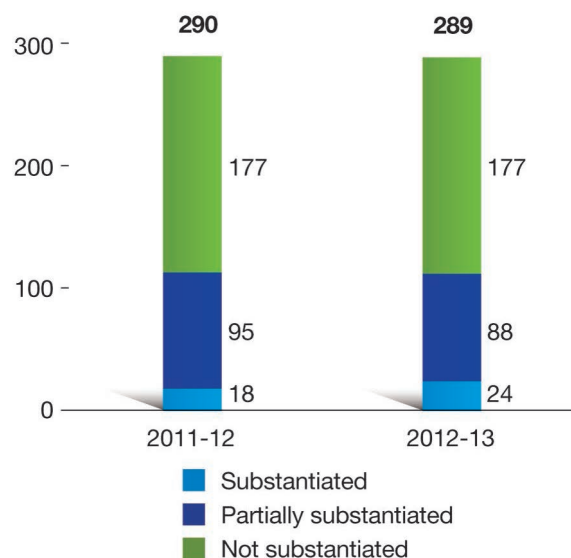
The Department issued 2.16 million Individuals Tax Returns for the year of assessment 2011-12 on 2 May 2012. To cope with taxpayers’ enquiries during the peak season for filing tax returns, the Department extended the service hours for answering telephone enquiries from that date for one month, up to 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 impartial manner. During 2012-13, 289 complaints cases were received (**Figure 33**). This represents a decrease of 0.3%, 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 2012-13, the Ombudsman sought written comments from the Department in respect of 26 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

Figure 33 Complaint cases



Taxpayers may compliment the service of the Department. During the year, 139 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 2012-13.



The Department has been making extensive use of information technology in daily operations and services.

IT ENVIRONMENT

The Department has 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. Meanwhile, the Department’s network connects the computer system and staff workstations on different floors. Apart from adopting computerized workflow to enhance efficiency, a wide range of information is stored in the Department’s Intranet and General Enquiry Knowledge Database for convenient access by our staff at work. Moreover, e-mail and Internet facilities provide an efficient and environment-friendly communication platform for our staff.

We are actively implementing a large scale system infrastructure enhancement project. In 2012-13, we completed the upgrade of the system server and workstation infrastructure under Stage I of the project, commenced the activities on upgrade of Document Management System under Stage II, and also carried out the procurement activities for migration of mainframe applications under Stage III.

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.

The Department endeavours to enhance eTAX services. In April 2012, the e-filing service was extended to cover employer’s annual returns of remuneration and pensions. Starting from 12 November 2012, applicants for duplicate business registration certificates through eTAX will be provided with the duplicates in the form of electronic records.



eTAX services are widely used. As at 31 March 2013, there were some 473,000 registered eTAX users. The take-up rate rose year after year (**Figure 34**).

Figure 34 eTAX Usage Statistics

	2011-12 Number	2012-13 Number	Increase / Decrease
Internet filing of tax returns			
— Tax Return-Individuals, Property Tax Return and Profits Tax Return	334,011	386,411	+15.7%
— Employer's Return of Remuneration and Pensions			
IR56A ^(Note 1)	—	4,684	—
IR56B ^(Note 1)	—	28,367	—
— Employer's Notifications of Commencement of Employment, Cessation of Employment and Employee's Departure from Hong Kong ^(Note 2)	2,618	10,168	+288.4%
Stamping of Property Document	284,875	302,239	+6.1%
Business Registration Number Enquiry	2,726,764	2,944,391	+8.0%
Application for Supply of Information on the Business Register			
Requisition	106,592	117,094	+9.9%
Business registrations involved	245,889	278,693	+13.3%

Note:

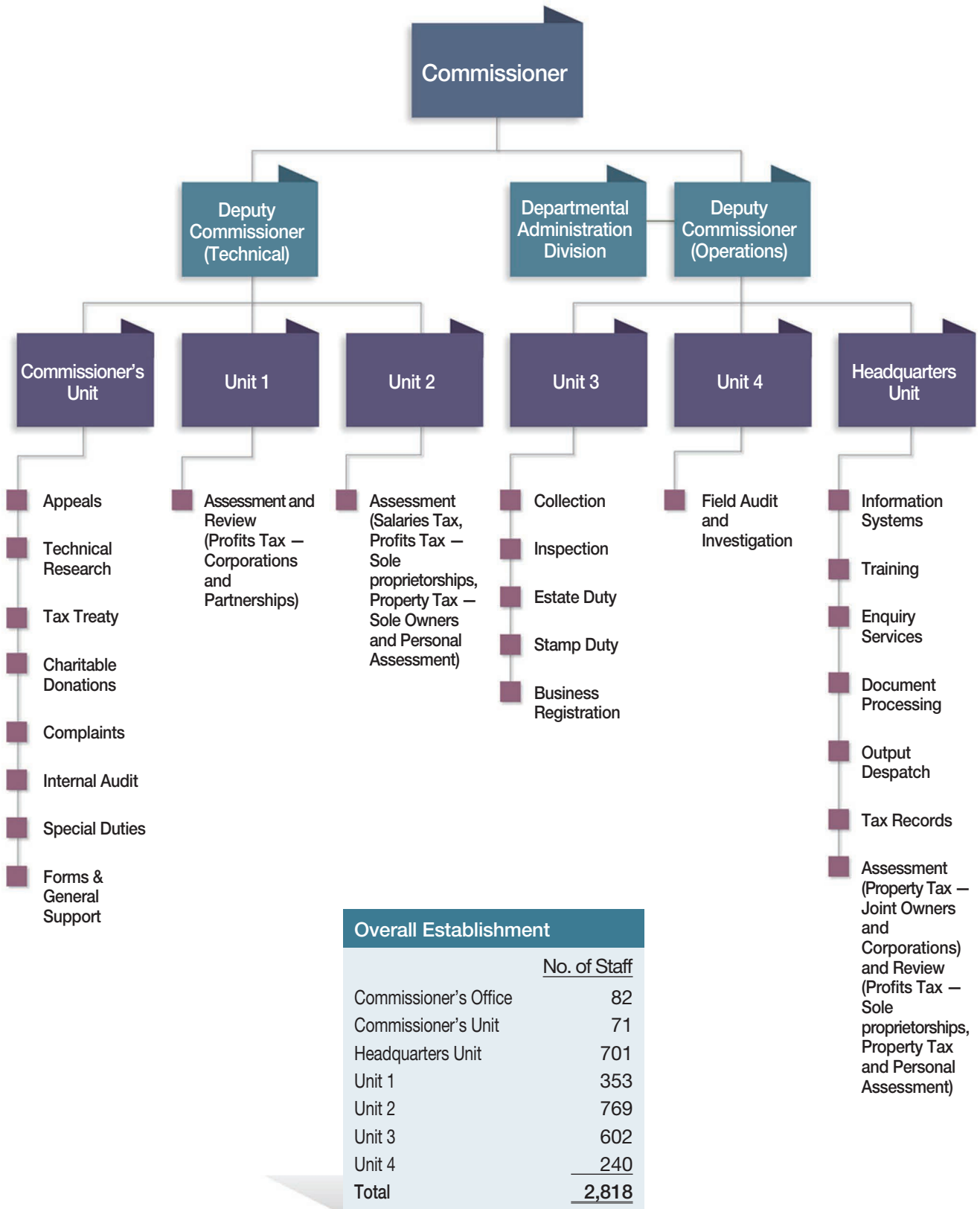
(1) This service was launched in April 2012

(2) This service was launched in August 2011

Other Electronic Services

During 2012-13, some 46,400 employers furnished annual returns for 2,762,000 employees by diskettes or CD-ROMs. About 72% of these employers used the free software provided by the Department.

ORGANISATION CHART OF THE INLAND REVENUE DEPARTMENT AS AT 31.3.2013



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 2013, 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, 1,867 posts were in departmental grades (namely Assessor, Taxation Officer and Tax Inspector grades), performing duties directly concerned with taxation. The remaining 951 posts were in common / general grades, providing administrative, information technology and clerical support services (**Figure 35**).

Members of the Top Management of the Inland Revenue Department (as at 31.3.2013)

Mr CHU Yam-yuen
Commissioner

Mr WONG Kuen-fai
Deputy Commissioner
(Operations)

Mr CHIU Kwok-kit
Deputy Commissioner
(Technical)

Mr TAM Tai-pang
Assistant Commissioner
(Headquarters Unit)

Ms LEE Kong-chun, Doris
Assistant Commissioner
(Unit 1)

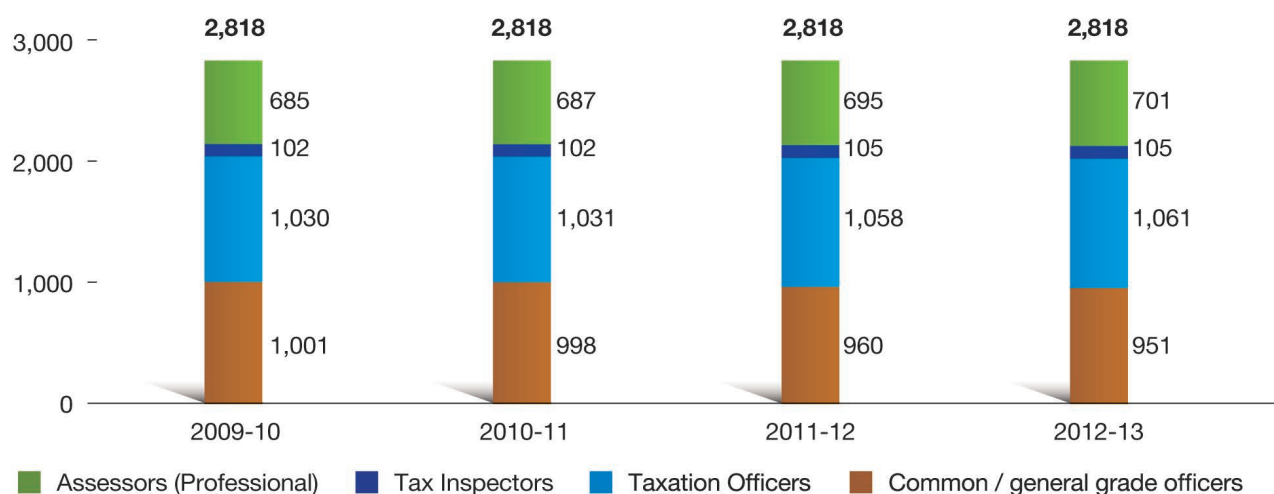
Mrs LAI CHI Lai-ming
Assistant Commissioner
(Unit 2)

Ms TSE Yuk-yip
Assistant Commissioner
(Unit 3)

Ms CHAN Fung-kuen
Assistant Commissioner
(Unit 4)

Ms LEE Kit-ye, Fion
Departmental Secretary

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	8	(3%)	17	(4%)	25	(3%)
25 to below 35	32	(12%)	112	(26%)	144	(21%)
35 to below 45	82	(30%)	133	(31%)	215	(31%)
45 to below 55	117	(43%)	139	(33%)	256	(37%)
55 and over	31	(12%)	25	(6%)	56	(8%)
Total	270	(100%)	426	(100%)	696	(100%)

STAFF PROMOTIONS AND TURNOVER

In 2012-13, a total of 54 departmental grade officers and 15 common / general grade officers were promoted. Among them, 2 were in directorate rank. 109 officers joined the Department, of which 88 were new appointees and 21 were officers transferred from other departments. A total of 129 officers (including 35 transferred to other departments) left the Department.

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 in taxation, accounting, interpersonal skills, management, languages, etc. are offered to staff members. In 2012-13, our staff received training for a total of 9,557 man-days, which was equivalent to about 3.4 man-days per officer.

The major training activities during 2012-13 were as below:

Training Courses

- Induction courses for all grades of staff upon joining the Department
- Two-year taxation law and practice course for newly appointed Assistant Assessors

- Briefing sessions on legislative amendments and new services
- Refresher courses on professional knowledge
- Course on Hong Kong Accounting Standards
- Written and spoken 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 in Field Audit and Investigation Unit
- Leadership and teamwork workshop
- Workshop on PRC Individual Income Tax

Continuing Professional Education

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

- Protection of the Confidentiality, Integrity and Availability of Sensitive Data
- Transfer Pricing and Advance Pricing Arrangement
- Transparency and Exchange of Information — an Overview
- Appeals Cases Update
- Basic Law and Judicial Review
- Update on PRC Enterprise and Individual Income Tax
- Update on Hong Kong Accounting Standards (I) and (II)
- Introduction to Windows 7 and Microsoft Office 2010 (I) and (II)
- The 12th Five-year Plan of the People's Republic of China and the Future Development of Accounting Profession in Hong Kong

Speakers for two of the seminars were staff members and others were experts from various fields. A total of 1,571 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Intranet and a total of 324 staff members had viewed these video files.

Seminars

In June 2012, the Department organised a joint seminar on “Current PRC Tax Policies and Update on Hong Kong Tax Treaties” with the State Administration of Taxation. Speakers included four officers of the State Administration of Taxation, the Commissioner of Inland Revenue and two Deputy Commissioners of Inland Revenue. The seminar was open to members of 12 professional bodies and four Chambers of Commerce. There was an attendance of 580 at the seminar.



Overseas and China Training

We offer our professional 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 2012-13, 52 officers went to China, Indonesia, Japan, Korea, Malaysia, Singapore, USA and Vietnam to attend training courses on different issues, 14 to universities in China for national studies courses and 3 to cities in China for thematic study programmes.

Continuous Learning

Besides the conventional classroom training, the Department employs various means to promote 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 2012-13, 36 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.

STAFF RELATIONS AND WELFARE

The Department values staff relations and welfare. Maintaining effective communication, and promoting co-operation and mutual trust between the management and staff at all levels are of utmost importance 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

In 2012-13, 6 out of 19 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

Another channel of communication between staff and the management is the quarterly Departmental Newsletter, which 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 IRD Sports Association as well as volunteer activities organised by the IRD Volunteer Team.

The Inland Revenue General Staff Welfare Fund

Established in 1972, the Inland Revenue General Staff Welfare Fund 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 IRD 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 2012-13, 50 officers, who have provided outstanding service for a long period of time, were awarded the Commissioner's Commendation Letter in recognition of their exemplary performance. The presentation ceremony was held in March 2013.



Secretary for the Civil Service Commendation Award 2012

In 2012, a Senior Assessor and an Assistant Taxation Officer were awarded the Secretary for the Civil Service's Commendation in recognition of their exceptionally meritorious and consistently outstanding performance. The presentation ceremony was held in November 2012.



The Long and Meritorious Service Travel Award Scheme

In 2012-13, 27 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

The Sports Association plays a very important role in fostering staff relationship and sense of belonging. In 2012-13, the Association organised a wide range of activities to enrich the intellectual, social and athletic interests of its members. Besides thematic talks, interest classes, workshops, outings, sports competitions and the annual dinner, the Association organized two cross-border trips to the Mainland. All these activities were well received by colleagues and their family members.



The IRD Volunteer Team under the auspices of the Association is an active participant in numerous charitable and community works, extending love and care to the less privileged in the society. Throughout the year, 265 colleagues had participated in various kinds of voluntary services, recording a total of 1,803 service hours. In recognition of our continuous efforts in caring the community, the Hong Kong Council of Social Service awarded the “5 Years Plus Caring Organisation Logo” to the Department. This marks the eighth 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 (MSF) Day”, “ORBIS Pin Campaign”, and “Lifeline Express Charity Run/Walk”. With generous support by our colleagues, the Department raised the highest amount of fund among the participating government departments in the “MSF Day 2012” campaign, and won the championship of the “Top Five Fundraising Organisations” and “Top Five Organisations with the Most Participants” in the “ORBIS World Sight Day 2012” campaign.



The following pieces of legislation enacted during the year 2012-13 are related to matters under the purview of the Department.

INLAND REVENUE (AMENDMENT) ORDINANCE 2012 (ORDINANCE NO. 21 OF 2012)

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2012-13 financial year:

- (1) to increase the basic allowance and single parent allowance from \$108,000 to \$120,000, and married person's allowance from \$216,000 to \$240,000;
- (2) to increase the child allowance from \$60,000 to \$63,000 for each child, and the additional child allowance in the year of birth from \$60,000 to \$63,000 for each child;
- (3) to increase the dependent brother / sister allowance for each dependant from \$30,000 to \$33,000;
- (4) to increase the allowance granted for maintaining a parent/grandparent aged 60 or above from \$36,000 to \$38,000, and the additional allowance granted for residing continuously with that parent/grandparent from \$36,000 to \$38,000;
- (5) to increase the allowance granted for maintaining a parent/grandparent aged between 55 and 59 from \$18,000 to \$19,000, and the additional allowance granted for residing continuously with that parent/grandparent from \$18,000 to \$19,000;
- (6) to increase the disabled dependant allowance for each dependant from \$60,000 to \$66,000;
- (7) to increase the maximum deduction amount of elderly residential care expenses from \$72,000 to \$76,000;
- (8) to extend the number of years for deduction of home loan interest from 10 years of assessment to 15 years of assessment;
- (9) to increase the maximum deduction for mandatory contributions to Mandatory Provident Fund Schemes from \$12,000 to \$14,500 for the year of assessment 2012-13, and to \$15,000 for each year after that year; and
- (10) to reduce the amounts of salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2011-12 by 75%, subject to a maximum of \$12,000 in each case.

REVENUE (REDUCTION OF BUSINESS REGISTRATION FEES) ORDER 2013 (LEGAL NOTICE NO. 27 OF 2013)

This Order reduced the fees payable in respect of business registration certificates and branch registration certificates that commence on or after 1 April 2013 but before 1 April 2014. 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 2013 but before 1 April 2014.

INLAND REVENUE (DOUBLE TAXATION RELIEF AND PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME) ORDERS

Country	Date of Order	Nature
Kuwait	17 April 2012	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Malta	17 April 2012	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Switzerland	17 April 2012	Double Taxation Relief with respect to Taxes on Income
Malaysia	9 October 2012	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Mexico	9 October 2012	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income

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 continues to be 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 environment-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 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 and the Departmental Newsletter 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 of environmental protection. Besides, the IRD Sports Association organised a variety of activities, including thematic talks and outings to the countryside, in the year to promote green awareness and healthy lifestyle among staff.

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, 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 Revenue Tower. Revenue Tower was again awarded the “Indoor Air Quality Certificate (Good Class)” in September 2012. 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. 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 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 the 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 messages 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 the number of hard copies required for circulation;
- Promoting the use of multiple screen printing for 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 through 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 conspicuous locations on all floors of the Department to facilitate the collection of the 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 420,182 kg of waste paper, 115 kg of aluminium cans, 366 kg of plastic bottles and 8,433 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.

CHARITABLE INSTITUTIONS

Charitable institutions are exempt from tax under the Inland Revenue Ordinance. As at 31 March 2013, the number of charities exempt from tax was 7,592, of which 517 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 2011-12, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$3.69 billion and \$5.76 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 97,576 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 2013

2

Demand Notes Issued, Tax Assessed and Collections (2009-10 to 2012-13)

3

Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2009-10 to 2011-12

4

Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2009-10 to 2011-12

5

Analysis of Salaries Tax Assessments for the year of assessment 2011-12

6

Analysis of Allowances for the year of assessment 2011-12

7

Property Statistics (as at 31 March 2013)

8

Business Registration Statistics (2009-10 to 2012-13)

9

Stamp Duty Collections and Stamp Office Activities (2009-10 to 2012-13)

10

Estate Duty Assessed and Collections for the year ended 31 March 2013

11

Betting Duty Collections (2010-11 to 2012-13)

12

Tax Reserve Certificates Statistics (2009-10 to 2012-13)

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 2013

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year —						
2010-11 and earlier years	135,664,987	133,540,562	(116,158,946)	45,087,168	487,043,477	685,177,248
2011-12 Final Tax only	323,689,326	152,744,923	(529,686,030)	815,529,750	3,556,344,201	4,318,622,170
2012-13 Provisional Payments and Final Tax	2,045,005,614	52,268,633,136	115,877,761,801	4,367,873,479	683,604	174,559,957,634
Total Tax Assessed	2,504,359,927	52,554,918,621	115,231,916,825	5,228,490,397	4,044,071,282	179,563,757,052
Add: Collectables —						
Tax outstanding as at 31 March 2012 brought forward	398,076,819	9,109,837,585	44,364,795,999	2,718,947,779	697,008,690	57,288,666,872
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	20,803,413	232,343,223	821,753,934	142,498,654	10,539,366	1,227,938,590
Interest on Tax Held Over	9,497	3,371,332	185,879,253	2,674,733	335,626	192,270,441
Write-off re-opened	1,419,215	31,567,859	35,390,436	19,976,873	2,285,983	90,640,366
Total of Tax Assessed and Collectables (a)	2,924,668,871	61,932,038,620	160,639,736,447	8,112,588,436	4,754,240,947	238,363,273,321
Collections during the year —						
Net Tax collected	2,238,685,651	50,239,052,797	119,861,507,067	4,802,881,569	4,069,240,693	181,211,367,777
<i>(After allowing for refunds of tax)</i>	<i>(82,993,902)</i>	<i>(2,780,776,565)</i>	<i>(6,238,509,263)</i>	<i>(185,471,990)</i>	<i>(262,196,970)</i>	<i>(9,549,948,690)</i>
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	19,528,511	224,465,042	782,791,487	107,191,390	8,602,765	1,142,579,195
Interest on Tax Held Over	2,069	3,481,028	82,842,689	1,149,613	355,159	87,830,558
Total Net Collections (b)	2,258,216,231	50,466,998,867	120,727,141,243	4,911,222,572	4,078,198,617	182,441,777,530
Balance of Tax, Surcharge, etc. payable (a) – (b)	666,452,640	11,465,039,753	39,912,595,204	3,201,365,864	676,042,330	55,921,495,791
Less: Not collected by virtue of set-off	178,582,892	1,804,125,743	–	419,302,746	–	2,402,011,381
Written-off as irrecoverable	1,349,698	59,531,914	430,686,081	24,463,204	2,270,276	518,301,173
Tax, Surcharge, etc. outstanding as at 31 March 2013 carried forward	486,520,050	9,601,382,096	39,481,909,123	2,757,599,914	673,772,054	53,001,183,237
Less: Under objection or appeal	9,639,914	859,971,445	25,677,925,838	925,194,783	257,199,942	27,729,931,922
Listed for write-off but awaiting approval	1,698,373	327,117	1,409,014	3,471,561	200,844	7,106,909
Assessed but not yet due	298,071,176	6,677,338,314	9,995,184,331	713,561,265	225,353,921	17,909,509,007
Net Tax, Surcharge, etc. in arrears as at 31 March 2013	177,110,587	2,063,745,220	3,807,389,940	1,115,372,305	191,017,347	7,354,635,399

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

	2009-10		2010-11		2011-12		2012-13	
	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed	No. of Demand Notes	Tax Assessed
		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Profits Tax —								
Corporations	96,435	69,030,850	102,024	83,317,239	111,610	110,937,289	107,179	115,231,917
Unincorporated Businesses	32,282	5,190,379	30,145	5,742,745	31,060	4,920,954	33,419	5,228,490
Salaries Tax	1,240,606	42,671,919	1,275,831	46,376,008	1,386,338	54,456,246	1,386,174	52,554,919
Property Tax	114,141	1,854,647	112,898	1,804,941	121,722	2,102,117	127,302	2,504,360
Personal Assessment	109,896	3,638,011	177,449	3,913,994	195,353	4,599,041	208,638	4,044,071
Total	1,593,360	122,385,806	1,698,347	141,154,927	1,846,083	177,015,647	1,862,712	179,563,757

	2009-10 Collections	2010-11 Collections	2011-12 Collections	2012-13 Collections
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Profits Tax —				
Corporations	72,224,310	88,191,392	113,798,601	120,727,141
Unincorporated Businesses	4,381,053	4,991,658	4,801,270	4,911,223
Salaries Tax	41,245,415	44,254,738	51,761,323	50,466,999
Property Tax	1,677,621	1,647,134	1,948,429	2,258,216
Personal Assessment	3,655,847	3,921,753	4,512,218	4,078,199
Total	123,184,246	143,006,675	176,821,841	182,441,778

SCHEDULE 3 CORPORATIONS — PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2009-10		2010-11		2011-12	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Distribution —						
Retail	2,737,633	3.5	3,671,276	3.9	5,293,608	5.0
Wholesale, Import and Export	16,227,073	20.6	21,101,601	22.2	24,029,280	22.6
Foreign Corporations carrying on Import and Export	68,243	0.1	79,205	0.1	66,808	0.1
Public Utilities	3,874,354	4.9	5,095,460	5.4	5,508,957	5.2
Property, Investment and Finance (other than Banking)	20,010,333	25.4	21,859,733	23.0	26,506,315	25.0
Banking	14,477,228	18.3	15,939,870	16.8	17,539,464	16.5
Manufacturing —						
Clothing and Textiles	991,844	1.3	1,044,572	1.1	1,194,642	1.1
Food and Beverage Products	467,527	0.6	494,301	0.5	398,606	0.4
Steel and Other Metals	265,064	0.3	379,625	0.4	290,791	0.3
Printing and Publishing	498,836	0.6	625,497	0.7	571,137	0.5
Others	3,612,283	4.6	4,207,012	4.4	3,744,932	3.5
Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,097,236	1.4	1,474,033	1.6	1,478,412	1.4
Hotels, Restaurants and Amusement Centres	1,583,119	2.0	1,992,234	2.1	2,551,916	2.4
Stevedoring, Wharfing and Godowns	1,053,717	1.3	1,206,327	1.3	1,158,536	1.1
Clubs and Associations	885,679	1.1	1,008,710	1.1	1,073,692	1.0
Insurance Companies and Insurance Agents	1,037,796	1.3	1,287,766	1.4	1,284,019	1.2
Non-resident Corporations Trading through Agents (including Consignment Tax)	1,221,071	1.5	1,532,104	1.6	1,514,428	1.4
Building Contractors and Engineering Works	1,129,470	1.4	1,329,216	1.4	1,557,377	1.5
Aircraft Owners and Operators	43,745	0.1	127,340	0.1	134,628	0.1
Taxis, Hire Cars, Public Light Buses and Motor Boats	193,545	0.3	214,641	0.2	179,478	0.2
Miscellaneous	7,421,218	9.4	10,104,802	10.7	10,094,086	9.5
Total	78,897,014	100.0	94,775,325	100.0	106,171,112	100.0

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

Business Sectors	Final Tax Assessed for Year of Assessment					
	2009-10		2010-11		2011-12	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Property Developers, Property Dealers, Property Agents and Subletting Businesses	42,288	1.7	95,208	3.3	89,318	2.9
Finance and Securities including Brokers, Dealers and Insurance Agents	145,100	5.7	188,780	6.6	213,621	6.8
Builders, Decorators and Civil Engineering Works	20,801	0.8	28,155	1.0	23,064	0.7
Distribution —						
Import and Export	67,970	2.7	70,725	2.5	70,264	2.2
Wholesale	36,076	1.4	42,800	1.5	45,423	1.4
Retail	150,209	5.9	178,839	6.2	192,916	6.2
Manufacturing —						
Agricultural Trades and Food & Beverage Products Manufacturers	5,384	0.2	5,806	0.2	7,525	0.2
Cloth and Clothing	13,488	0.5	10,185	0.4	6,555	0.2
Chemical Products and Mechanical Engineering	27,269	1.1	33,286	1.2	25,698	0.8
Printing and Publishing	10,929	0.4	9,339	0.3	9,142	0.3
Others	16,095	0.6	16,839	0.6	20,562	0.7
Hotels, Restaurants and Amusement Centres	37,017	1.5	48,331	1.6	63,929	2.0
Transport (including Wharfing and Godowns)	31,087	1.2	35,964	1.2	28,875	0.9
Professions —						
Accountants	395,136	15.5	415,380	14.5	421,078	13.4
Architects, Engineers, Surveyors, etc.	4,792	0.2	4,372	0.2	3,633	0.1
Doctors and Dentists	612,463	24.0	656,840	22.9	876,419	27.9
Solicitors and Barristers	808,638	31.7	870,105	30.3	885,622	28.2
Other Professions	118,907	4.7	152,804	5.3	156,824	5.0
Miscellaneous	5,791	0.2	4,551	0.2	3,719	0.1
Non-resident Businesses *	21	0.0	72	0.0	4	0.0
Total	2,549,461	100.0	2,868,381	100.0	3,144,191	100.0

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

SCHEDULE 5 ANALYSIS OF SALARIES TAX ASSESSMENTS FOR THE YEAR OF ASSESSMENT 2011-12 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	7,191	0.44	0	784,964	776,628	5	48	2	0	33	8,248	38	0.00	5
110,001 – 120,000	58,028	3.55	0	6,722,999	6,267,024	1,929	5,692	1,599	10	90,058	356,687	1,759	0.00	30
120,001 – 130,000	58,274	3.57	0	7,288,878	6,295,158	11,841	15,234	7,484	65	142,118	816,978	4,058	0.01	70
130,001 – 140,000	56,197	3.44	0	7,582,764	6,079,560	24,546	23,701	14,181	223	157,070	1,283,483	6,392	0.01	114
140,001 – 150,000	54,133	3.31	0	7,851,779	5,903,226	34,785	28,080	20,061	345	167,351	1,697,931	8,546	0.02	158
150,001 – 180,000	147,635	9.04	0	24,308,787	16,582,314	171,178	101,355	82,433	2,229	566,460	6,802,818	52,398	0.11	355
180,001 – 210,000	133,479	8.16	0	26,019,351	16,440,438	219,070	136,646	114,765	4,706	680,115	8,423,611	92,738	0.19	695
210,001 – 240,000	127,818	7.82	5,834	28,805,192	17,953,320	213,539	158,781	136,494	6,181	759,152	9,577,725	136,024	0.28	1,064
240,001 – 270,000	114,727	7.02	7,440	29,252,074	17,505,205	191,722	184,644	153,116	13,138	759,658	10,444,591	178,466	0.36	1,556
270,001 – 300,000	106,146	6.50	9,823	30,229,561	17,826,142	187,416	195,275	159,564	12,892	704,008	11,144,264	246,911	0.50	2,326
300,001 – 400,000	257,475	15.76	33,244	89,102,740	50,041,936	502,527	681,107	554,765	54,374	1,847,032	35,420,999	1,436,294	2.91	5,578
400,001 – 500,000	158,866	9.72	21,402	70,477,838	34,820,775	342,106	620,607	511,324	57,776	1,275,070	32,850,180	2,236,343	4.54	14,077
500,001 – 600,000	95,281	5.83	10,383	51,705,838	21,743,075	228,845	494,961	384,918	46,134	753,539	28,054,366	2,575,756	5.22	27,033
600,001 – 700,000	62,750	3.84	5,240	40,332,377	14,192,084	126,846	440,452	259,411	33,904	516,801	24,762,879	2,717,412	5.51	43,305
700,001 – 800,000	41,316	2.53	2,782	30,879,625	9,393,928	85,657	322,474	186,739	24,406	319,196	20,547,225	2,502,764	5.08	60,576
800,001 – 900,000	26,411	1.62	1,817	22,331,749	6,060,033	55,294	204,622	133,635	16,132	205,516	15,656,517	2,028,065	4.11	76,789
900,001 – 1,000,000	21,378	1.31	1,189	20,282,618	4,864,914	42,332	194,776	109,041	13,924	149,867	14,907,764	2,021,392	4.10	94,555
1,000,001 – 1,500,000	53,907	3.30	2,875	64,691,318	12,353,325	96,326	589,421	302,424	26,937	384,378	50,938,507	7,366,039	14.94	136,643
1,500,001 – 2,000,000	20,531	1.26	939	35,331,721	4,059,856	29,135	282,487	147,889	8,917	138,059	30,665,378	4,594,671	9.32	223,792
2,000,001 – 3,000,000	16,376	1.00	581	39,460,789	2,620,974	16,445	274,491	138,393	6,017	109,524	36,294,945	5,486,629	11.13	335,041
3,000,001 – 5,000,000	9,282	0.57	87	34,946,900	517,176	6,614	239,021	78,261	1,757	62,447	34,041,624	5,058,310	10.26	544,959
5,000,001 – 7,500,000	3,356	0.21	12	20,165,843	2,412	1,299	138,987	31,296	472	21,914	19,969,463	2,955,464	5.99	880,651
7,500,001 – 10,000,000	1,347	0.08	1	11,539,060	216	691	87,338	9,983	180	8,867	11,431,785	1,698,613	3.45	1,261,034
10,000,001 & over	2,041	0.12	1	39,839,048	0	511	338,710	16,206	74	13,440	39,470,107	5,896,035	11.96	2,888,797
Total	1,633,945	100.00	103,650	739,933,813	272,299,719	2,590,659	5,758,910	3,553,984	330,793	9,831,673	445,568,075	49,301,117	100.00	30,173

SCHEDULE 6 ANALYSIS OF ALLOWANCES FOR THE YEAR OF ASSESSMENT 2011-12 BY INCOME GROUP

Annual Income	Basic Allowance	Married Person's Allowance	Child Allowance	Dependent Brother/Sister Allowance	Single Parent Allowance	Dependent Parent Allowance	Additional Dependent Parent Allowance	Dependent Grandparent Allowance	Additional Dependent Grandparent Allowance	Disabled Spouse Allowance	Disabled Parent Allowance	Disabled Grandparent Allowance	Disabled Child Allowance	Disabled Brother/Sister Allowance	Total Allowances
(\$)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
108,001 - 110,000	776,628	0	0	0	0	0	0	0	0	0	0	0	0	0	776,628
110,001 - 120,000	6,267,024	0	0	0	0	0	0	0	0	0	0	0	0	0	6,267,024
120,001 - 130,000	6,293,592	0	0	0	0	1,566	0	0	0	0	0	0	0	0	6,295,158
130,001 - 140,000	6,069,276	0	0	1,950	0	8,316	0	18	0	0	0	0	0	0	6,079,560
140,001 - 150,000	5,846,364	0	0	14,850	0	32,292	8,802	918	0	0	0	0	0	0	5,903,226
150,001 - 180,000	15,944,472	216	97,806	63,960	0	352,422	110,160	13,050	108	0	120	0	0	0	16,582,314
180,001 - 210,000	14,415,732	0	403,902	86,010	0	973,656	514,368	31,860	9,630	0	3,240	360	0	1,680	16,440,438
210,001 - 240,000	12,238,128	3,132,432	511,362	89,190	108	1,225,638	660,816	45,036	13,410	0	22,740	2,220	600	11,640	17,953,320
240,001 - 270,000	10,456,344	3,868,344	828,331	77,280	756	1,378,422	751,014	48,096	15,138	0	62,460	2,820	3,120	13,080	17,505,205
270,001 - 300,000	9,057,960	4,811,616	1,342,390	66,840	62,856	1,488,690	824,886	49,806	15,318	3,780	78,300	3,840	4,020	15,840	17,826,142
300,001 - 400,000	19,886,904	15,840,792	6,134,097	177,150	340,735	4,697,820	2,330,604	160,416	48,618	18,600	297,900	16,860	32,280	59,160	50,041,936
400,001 - 500,000	11,695,536	10,924,200	5,622,186	100,620	273,561	3,871,152	1,745,460	121,914	33,696	16,920	292,440	20,520	47,190	55,380	34,820,775
500,001 - 600,000	7,109,856	6,360,984	3,782,539	58,770	166,312	2,666,700	1,153,260	84,240	22,554	9,900	228,600	14,880	38,460	46,020	21,743,075
600,001 - 700,000	4,816,368	3,921,264	2,523,861	35,400	111,305	1,768,626	721,008	49,212	13,140	7,740	152,880	10,620	26,700	33,960	14,192,084
700,001 - 800,000	3,116,880	2,690,496	1,768,738	22,080	71,874	1,114,758	426,960	31,878	8,064	4,440	94,260	5,160	17,400	20,940	9,393,928
800,001 - 900,000	1,909,224	1,886,328	1,150,281	12,960	45,036	693,270	252,486	20,178	4,770	2,760	55,740	3,540	12,180	11,280	6,060,033
900,001 - 1,000,000	1,549,368	1,518,912	940,944	10,500	33,642	538,812	184,860	14,778	2,718	1,980	47,100	3,360	8,100	9,840	4,864,914
1,000,001 - 1,500,000	3,696,408	4,251,096	2,532,407	19,830	75,838	1,209,600	391,392	32,688	6,966	3,300	89,460	6,060	19,080	19,200	12,353,325
1,500,001 - 2,000,000	697,140	1,849,824	1,000,540	5,580	28,998	331,560	96,930	9,108	2,196	360	23,100	1,860	7,260	5,400	4,059,856
2,000,001 - 3,000,000	210,600	1,410,048	758,820	2,070	22,194	151,218	43,560	3,744	720	480	9,720	660	4,560	2,580	2,620,974
3,000,001 - 5,000,000	11,556	271,512	194,880	570	2,808	24,138	7,056	828	108	180	1,800	180	840	720	517,176
5,000,001 - 7,500,000	0	1,080	900	0	0	252	180	0	0	0	0	0	0	0	2,412
7,500,001 - 10,000,000	0	216	0	0	0	0	0	0	0	0	0	0	0	0	216
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	142,065,360	62,739,360	29,593,984	845,610	1,236,023	22,528,908	10,223,802	717,768	197,154	70,440	1,459,860	92,940	221,790	306,720	272,299,719

SCHEDULE 7 PROPERTY STATISTICS (as at 31 March 2013)

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)	820,074	34.48
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals [excluding those under item (iv)] –		
Letting	121,656	
Other usage or vacant	<u>559,195</u>	28.63
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	435,871	18.33
(iv) With alienation restriction under Home Ownership Scheme or Private Sector Participation Scheme	295,224	12.41
(v) New ownership – awaiting classification	146,271	6.15
Total	2,378,291	100.00

Classification by Number of Owners	No. of Properties	%
Properties owned by : 1 owner	1,484,755	62.44
2 owners	830,310	34.91
3 owners	41,603	1.75
4 owners	10,582	0.44
5 owners	4,511	0.19
6 - 10 owners	5,348	0.22
11 - 20 owners	1,037	0.04
Over 20 owners	145	0.01
Total	2,378,291	100.00

SCHEDULE 8 BUSINESS REGISTRATION STATISTICS

Fiscal Year	2009-10	2010-11	2011-12	2012-13
New registrations	149,854	203,499	178,074	200,112
Re-opened registrations	8,698	10,782	12,460	11,279
Cancelled registrations	97,714	99,219	116,698	121,836
Current registrations as at 31 March	945,134	1,060,196	1,134,032	1,223,587

Certificates issued (including certificates with annual fees waived)	999,029	1,125,127	1,158,838	1,264,736
Businesses exempted from payment of fees	14,244	11,839	13,697	11,907
Extracts of information issued	317,325	339,453	333,547	344,611

	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)*	578,647	35,752	1,292,919	122,869
Court fines	5,578	6,009	7,268	6,358
Fees and penalties in arrears as at 31 March (excluding levy)	32,658	14,379	92,781	48,110

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

- (1) 1 August 2009 to 31 July 2011
- (2) 1 April 2012 to 31 March 2013

SCHEDULE 9 STAMP DUTY COLLECTIONS AND STAMP OFFICE ACTIVITIES

Fiscal Year	2009-10		2010-11		2011-12		2012-13	
		(\$m)		(\$m)		(\$m)		(\$m)
Duties on –								
• Property Assignments and Chargeable Agreements		16,236.7		24,504.5		20,447.5		22,355.0
• Contract notes								
– Collected by Stamp Office		2,084.5		2,543.4		2,135.8		1,734.7
– Collected through The Stock Exchange of Hong Kong Limited	<u>23,636.1</u>	25,720.6	<u>23,333.9</u>	25,877.3	<u>21,170.4</u>	23,306.2	<u>18,147.3</u>	19,882.0
• Leases		343.3		484.8		473.1		493.2
• Transfer deeds		3.5		4.2		2.3		2.2
• Other documents		50.7		57.6		66.4		66.1
Penalties		27.7		76.5		60.3		81.1
Additional duties for delays in payment		0.1		0.2		0.1		0.1
Total duty collections		42,382.6		51,005.1		44,355.9		42,879.7
Average number of callers to Stamp Office per day		1,866		1,890		1,860		1,642
Number of documents stamped during the year		1,648,131		1,955,228		1,707,450		1,647,554

SCHEDULE 10 ESTATE DUTY — DUTY ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2013

	Assessments issued before 1 April 2012	Assessments issued in 2012-13						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 2011-12	286,690	–	–	–	–	–	–	286,690	
Less: Amount discharged	635	–	–	–	–	–	–	635	
Net outstanding charges brought forward from 2011-12	286,055	–	–	–	–	–	–	286,055	
Net duty assessed	0	108	0	1,270	5,297	141,345	928	148,948	
Penalties charged	0	20	0	190	270	7,533	10	8,023	
Interest charged	4,776	311	0	907	2,185	67,164	708	76,051	
Total amount payable	290,831	439	0	2,367	7,752	216,042	1,646	519,077	
Less: Amount paid on account before 1 April 2012	0	310	0	2,179	1,437	111,297	5,509	120,732	
Net duty, penalties and interest payable/(refundable) in 2012-13	290,831	129	0	188	6,315	104,745	(3,863)	398,345	
Less: Outstanding charges carried forward to 2013-14	186,077	0	0	188	3,624	71,269	17	261,175	
Net duty, penalties and interest paid/(refunded) in 2012-13	104,754	129	0	0	2,691	33,476	(3,880)	137,170	
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	1	0	151	16	305	0	473	
Total collections in 2012-13	104,754	130	0	151	2,707	33,781	(3,880)	137,643	

SCHEDULE 11 BETTING DUTY COLLECTIONS

Fiscal Year	2010-11		2011-12		2012-13	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Horse Racing						
Day Meetings						
Net Stake Receipts	8,008,988		8,380,488		8,928,955	
Betting Duty		5,793,397		6,069,866		6,487,470
Night Meetings						
Net Stake Receipts	5,139,379		5,428,088		5,475,583	
Betting Duty		3,722,583		3,932,561		3,977,962
Horse Race Betting Duty (For rates, please refer to Figure 21 of Chapter 3)		9,515,980		10,002,427		*10,465,432
Lotteries (Mark Six)						
Proceeds from Lotteries	6,416,584		8,054,314		7,811,778	
Lotteries Duty (Rate: 25%)		1,604,146		2,013,579		1,952,944
Football Betting						
Net Stake Receipts	7,277,868		7,489,178		8,292,759	
Football Betting Duty (Rate: 50%)		3,638,934		3,744,589		*4,146,380
Total duty collected		14,759,060		15,760,595		16,564,756

* Provisional payment

SCHEDULE 12 TAX RESERVE CERTIFICATES

Fiscal Year	Sales		Redemption		
	Number of Certificates	Amount	Number of Certificates	Amount	Interest
		(\$'000)		(\$'000)	(\$'000)
2009-10					
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
Total	86,321	3,292,776	83,678	2,144,976	30,308
		(\$'000)		(\$'000)	(\$'000)
2010-11					
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
Total	87,197	3,411,853	87,389	3,069,703	34,935
		(\$'000)		(\$'000)	(\$'000)
2011-12					
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
Total	87,859	2,811,168	84,771	4,417,237	6,115
		(\$'000)		(\$'000)	(\$'000)
2012-13					
Save for Tax Payment					
• Paper certificate	4	7	25	109	5
• Save-As-You-Earn Scheme	44,766	73,428	40,123	73,611	162
• Electronic Tax Reserve Certificates Scheme	41,787	299,700	38,742	271,408	101
Security for Tax in Dispute	1,500	2,291,308	1,280	3,432,117	18,322
Total	88,057	2,664,443	80,170	3,777,245	18,590

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

2012-13

	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
Profits Tax		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
• Corporations	8,029	18,903,250	827	4,057,900	6	900,000	0	0	0	0	8,862	23,861,150
• Unincorporated Businesses	629	1,298,900	36	178,300	0	0	0	0	0	0	665	1,477,200
Salaries Tax												
• Employees	1,684	3,745,500	316	1,399,400	0	0	0	0	0	0	2,000	5,144,900
• Employers	109	311,800	23	91,100	0	0	0	0	0	0	132	402,900
Property Tax												
• Individuals	24	66,000	1	3,000	0	0	0	0	0	0	25	69,000
Total	10,475	24,325,450	1,203	5,729,700	6	900,000	0	0	0	0	11,684	30,955,150

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 2013 is 18,033

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

2012-13

	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	17,917	13,170,505	162,637	141,035,875	10,267	76,783,216	4,195	50,693,414	13,940	10,213,966	208,956	291,896,976
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	1	800	11	43,400	3	13,200	0	0	15	57,400
• section 80(1)	4	18,500	572	3,837,631	139	7,516,400	106	5,340,000	0	0	821	16,712,531
• section 80(2)	736	7,328,108	9,231	77,117,187	6,857	619,908,678	1,134	74,421,940	88	296,500	18,046	779,072,413
• section 82(1)	2	8,200	22	8,436,800	16	21,463,903	22	8,536,100	1	500	63	38,445,503
• 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	105	278,100	222	1,895,930	752	96,002,337	74	3,494,000	11	28,400	1,164	101,698,767
Costs awarded by the Board of Review	0	0	4	19,000	8	36,000	0	0	0	0	12	55,000
Total	18,764	20,803,413	172,689	232,343,223	18,050	821,753,934	5,534	142,498,654	14,040	10,539,366	229,077	1,227,938,590

* Including penalties imposed by the Court



Inland Revenue Department

The Government of the Hong Kong Special Administrative Region

www.ird.gov.hk