



**Inland Revenue Department**

The Government of the Hong Kong Special Administrative Region



Annual Report 2013-14

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

# Vision, Mission and Values

## Vision

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

## Mission

We are committed to -

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

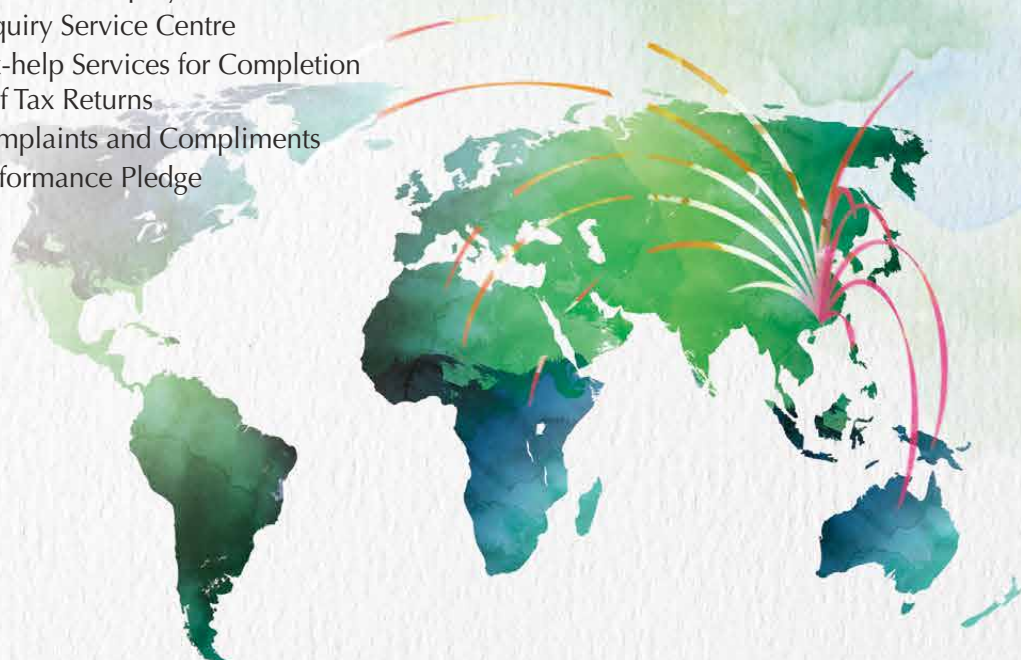
## Values

Our core values are -

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

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## 1

# Commissioner's Foreword

A year has passed since I was appointed as the Commissioner of Inland Revenue in June 2013. I am very delighted to report the performance of the Inland Revenue Department in the year 2013-14.

The total revenue collected in the year 2013-14 was \$243.5 billion, with a slight year-on-year increase of \$1.4 billion. It is a record high. The increase mainly came from salaries tax and betting duty. On the other hand, profits tax and stamp duty collections fell slightly.

Due to the influence of external factors, there was a slowdown in Hong Kong's economic growth in the year of assessment 2012-13. As a result, the growth in assessable profits of business enterprises was further narrowed. For salaries tax, the lowering of the maximum amount of tax reduction for the year of assessment 2012-13 as compared with the previous year, and continued growth in wages and earnings, have brought about a substantial increase in assessable income.

Following the introduction of various demand-side management measures for property market, the number of property transactions has decreased significantly in the year 2013-14, resulting in an overall drop in the stamp duty collections from property transactions.

As an international financial centre, and a member of The Global Forum on Transparency and Exchange of Information for Tax Purposes ("Global Forum"), Hong Kong should not deviate from the international standard. On top of striving to enter into more comprehensive double taxation agreements ("CDTA"), we are committed to enhancing tax transparency. The peer review assessment criteria of the Global Forum require the assessed jurisdiction to have both CDTA and standalone Tax Information Exchange Agreements ("TIEA") in place. To fulfill such requirement, the Hong Kong Government amended the Inland Revenue Ordinance in July 2013 to put in place a legislative framework for TIEA. As Hong Kong has been on par with the international standard on tax transparency and co-operation, it passed the Phase 2 review. The review report was formally adopted in the Global Forum meeting held in November 2013. On 25 March 2014, Hong Kong signed the first TIEA with the United States. Notwithstanding that, as a business facilitation measure, the conclusion of CDTA remains Hong Kong's priority.

Islamic finance is amongst the fastest growing segments in the global financial system. To enable the Islamic bond market





to prosper in Hong Kong, the Administration amended the Inland Revenue Ordinance and Stamp Duty Ordinance in July 2013 to ensure that financial instruments of similar economic substance are accorded similar tax treatment. Hong Kong's financial platform is now ready for issuance of Islamic Bonds. To play a lead-off role for this market, the relevant authority is actively preparing for the inaugural issuance of government Islamic bonds under the Government Bond Programme.

To prevent the risk of a property market bubble, the Administration has since 2012 taken a series of counter measures through: (1) increasing the rates of Special Stamp Duty and extending the property holding period; (2) introducing Buyer's Stamp Duty for residential property transactions undertaken by non-Hong Kong permanent residents; and (3) increasing the rates of ad valorem stamp duty on both residential and non-residential property transactions. The two bills for these measures were introduced in the 2012-13 legislative session for screening by the Legislative Council. The Stamp Duty (Amendment) Bill 2012, covering measures (1) and (2), was passed in February 2014 and the Stamp Duty (Amendment) Bill 2013, covering measure (3), was passed in July 2014.

We are committed to providing convenient service to the public. In April 2013, the Department further enhanced the e-filing services to provide a convenient means for employers to submit employer's returns of remuneration and pensions. Employers can now upload, through eTAX, employees' remuneration records that were prepared by software approved or provided by the Department. Besides, the revamped IRD Homepage adopting web accessibility design was launched in June 2013 together with a new mobile version. It facilitates citizens to access to tax information more easily.

We recognise the importance of continuous learning. Every year, we provide a variety of training courses to our staff and send them to participate in overseas training programmes. This helps our staff broaden their horizons, acquire knowledge in various aspects and share the best practice with their counter-parts in different countries. In December 2013, the Department hosted jointly with the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development a workshop on Transfer Pricing Dispute Resolution and Avoidance in Hong Kong. Three experts from overseas conducted the workshop. Our colleagues and invited participants from overseas tax jurisdictions who attended the workshop all benefited a lot.

The Inland Revenue Department has achieved all the performance targets, and exceeded many, in its performance pledges in the year 2013-14. The accomplishments are attributed to my colleagues' hard work. I want to express my most heartfelt thanks to them. I would also like to express my appreciation to our partners at work, both inside and outside the Government, for their support and assistance. As we always do, we are committed to facing challenges ahead with professionalism and positive attitude and providing quality service to the taxpaying public.

**WONG Kuen-fai**  
**Commissioner of Inland Revenue**

## 2

## Revenue

In 2013-14, the Inland Revenue Department collected \$243.5 billion. It represents a slight increase of \$1.4 billion or 0.6% over the amount collected in the previous year. The increase mainly came from salaries tax and betting duty. Salaries tax collections increased by 10% to \$55.6 billion while betting duty climbed 9% to \$18.1 billion. Total profits tax collections, on the other hand, fell by 4% to \$120.9 billion. An analysis of the revenue collected by tax type is provided in **Figure 1**.

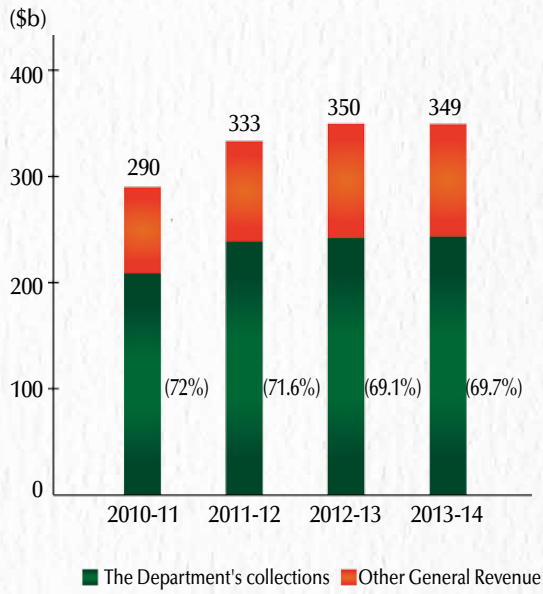
**Figure 1** Revenue collected by tax type

Type of tax	2010-11 (\$m)	2011-12 (\$m)	2012-13 (\$m)	2013-14 (\$m)
Profits tax -				
Corporations	88,191.4	113,798.6	120,727.2	<b>116,097.5</b>
Unincorporated businesses	4,991.7	4,801.3	4,911.2	<b>4,784.3</b>
Salaries tax	44,254.7	51,761.3	50,467.0	<b>55,620.3</b>
Property tax	1,647.1	1,948.4	2,258.2	<b>2,583.8</b>
Personal assessment	3,921.8	4,512.2	4,078.2	<b>4,420.0</b>
<b>Total earnings &amp; profits tax</b>	<b>143,006.7</b>	<b>176,821.8</b>	<b>182,441.8</b>	<b>183,505.9</b>
Estate duty	212.8	94.2	137.6	<b>388.4</b>
Stamp duty	51,005.1	44,355.9	42,879.7	<b>41,514.7</b>
Betting duty	14,759.1	15,760.6	16,564.8	<b>18,066.4</b>
Business registration fees	35.7	1,292.9	122.9	<b>73.5</b>
<b>Total revenue collected</b>	<b>209,019.4</b>	<b>238,325.4</b>	<b>242,146.8</b>	<b>243,548.9</b>
<b>% change over previous year</b>	<b>16.7%</b>	<b>14.0%</b>	<b>1.6%</b>	<b>0.6%</b>

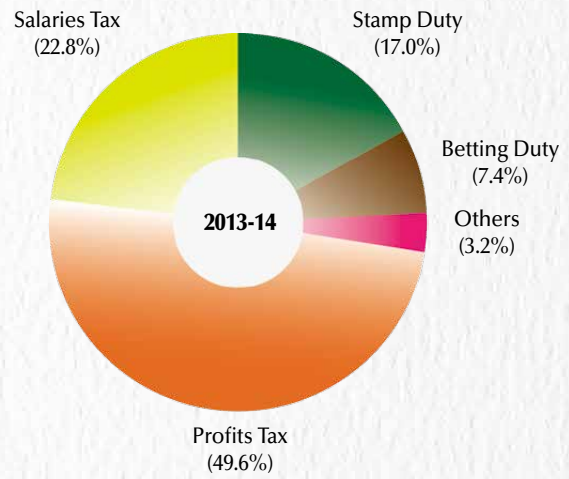
The revenue collected by the Department during 2013-14 accounted for 69.7% of the Government General Revenue (**Figure 2**). Profits tax contributed the largest part of the total revenue collected, followed by salaries tax. Together they made up 72.4% of the total revenue collected (**Figure 3**).



**Figure 2 Government General Revenue**

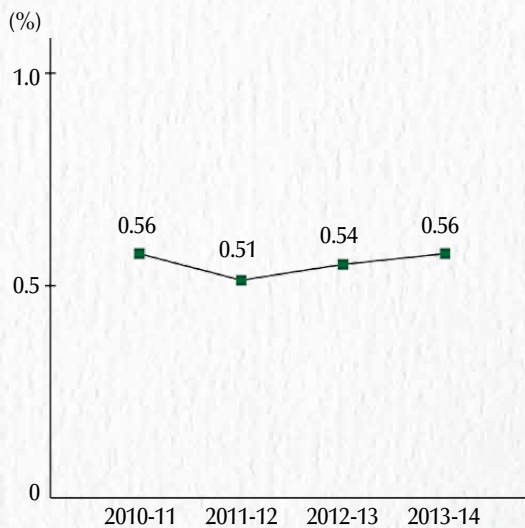


**Figure 3 Composition of the revenue collections**



In 2013-14, the cost of collection of revenue rose from 0.54% to 0.56% (**Figure 4**).

**Figure 4 Cost of collection**



# 3

## Assessing Functions

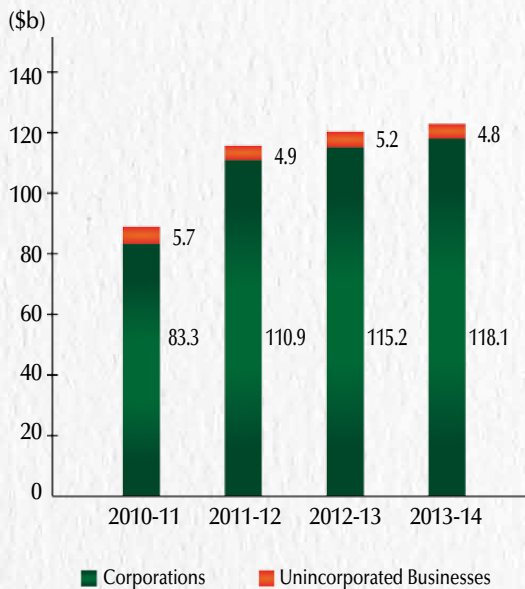
The Department raises revenue through taxes, duties and fees in accordance with the relevant legislation. Broadly speaking, earnings and profits tax are assessed by reference to the incomes / profits of the taxpayers in the previous year, whereas duties and fees are charged at the time the relevant activities occur. For 2013-14, earnings and profits tax assessed increased by \$8.3 billion (4.6%) (**Schedule 2**). As for duties and fees, the total amount collected was slightly higher than that of last year by \$0.3 billion (0.6%).

### Profits Tax

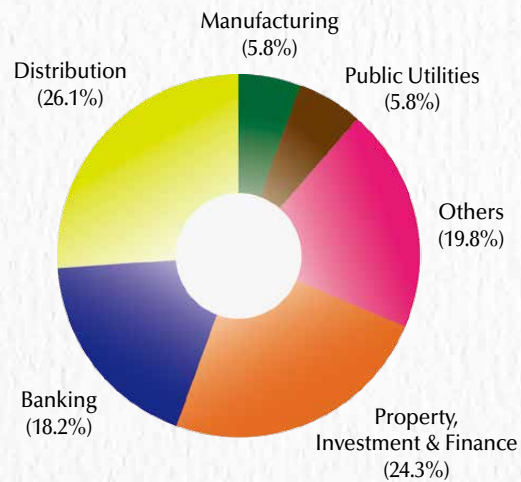
Profits tax is levied on individuals, corporations, bodies of persons and partnerships, in respect of assessable profits arising in or derived from Hong Kong. For the year of assessment 2013-14, the tax rates for corporations and non-corporate persons remained unchanged at 16.5% and 15% respectively.

The amount of profits tax assessed in 2013-14 was \$122.9 billion, which was \$2.5 billion (2.1%) more than that of the previous year (**Figure 5**). The slight increase reflected the slowdown in economic growth.

**Figure 5 Profits tax assessed**



**Figure 6 Ratios of corporation profits tax assessed under 2012-13 final assessments by business sectors**



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 2012-13, the property and financial sectors together contributed 42.5% and the distribution sector generated 26.1% (**Figure 6**).



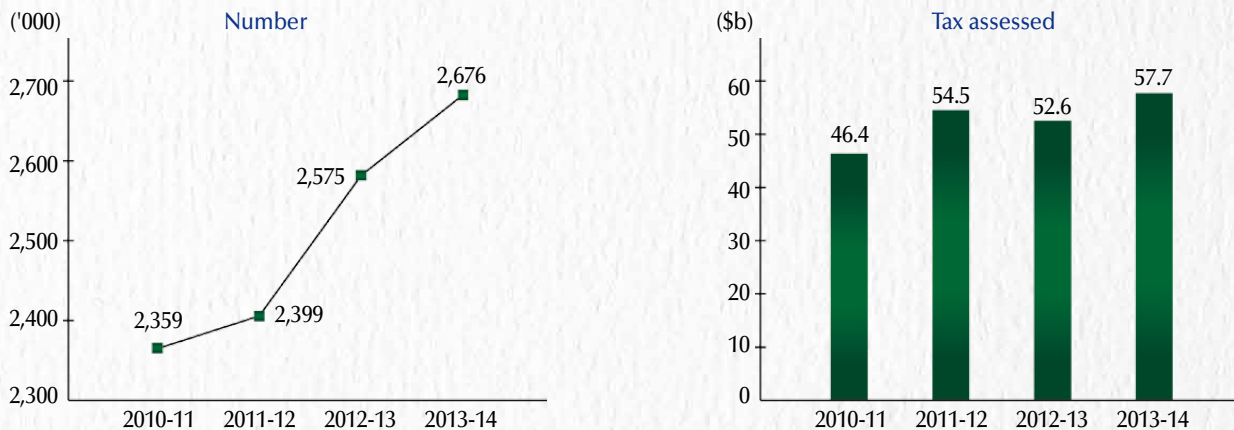


## Salaries Tax

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 2013-14, the standard rate remained unchanged at 15%.

As compared with the previous year, the number of salaries tax assessments made during 2013-14 increased by 3.9%. The lowering of the maximum amount of tax reduction to \$10,000 for the year of assessment 2012-13 (\$12,000 for the previous year) and continued growth in wages and earnings, have resulted in a 9.7% increase in the total amount of tax assessed (**Figure 7**).

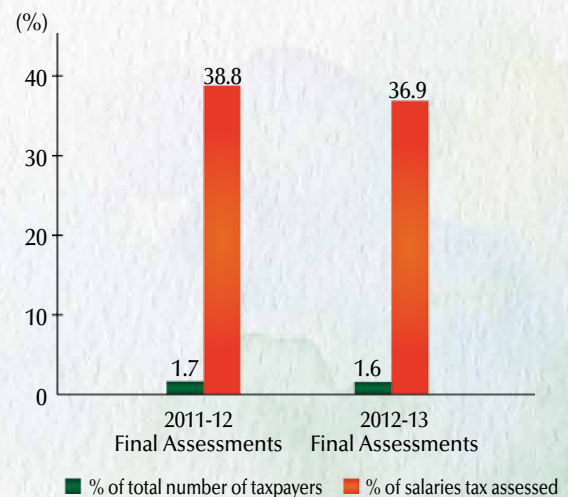
**Figure 7** Salaries tax assessments



Analyses of salaries tax assessments and allowances granted in respect of taxpayers at various income levels for the year of assessment 2012-13 are provided in **Schedules 5** and **6**.

For the year of assessment 2012-13, the number of standard rate taxpayers decreased by 1,776 to 26,290. These taxpayers together contributed 36.9% of the salaries tax assessed, a slight decrease of 1.9% compared with last year (**Figure 8**).

**Figure 8** Standard rate taxpayers



## Notification Requirements of Employers

Apart from reporting commencements and cessations of employment, employers are required to prepare annual employer's returns to report the emoluments of each of their employees. During the year, 338,779 employers filed employer's returns with the Department.

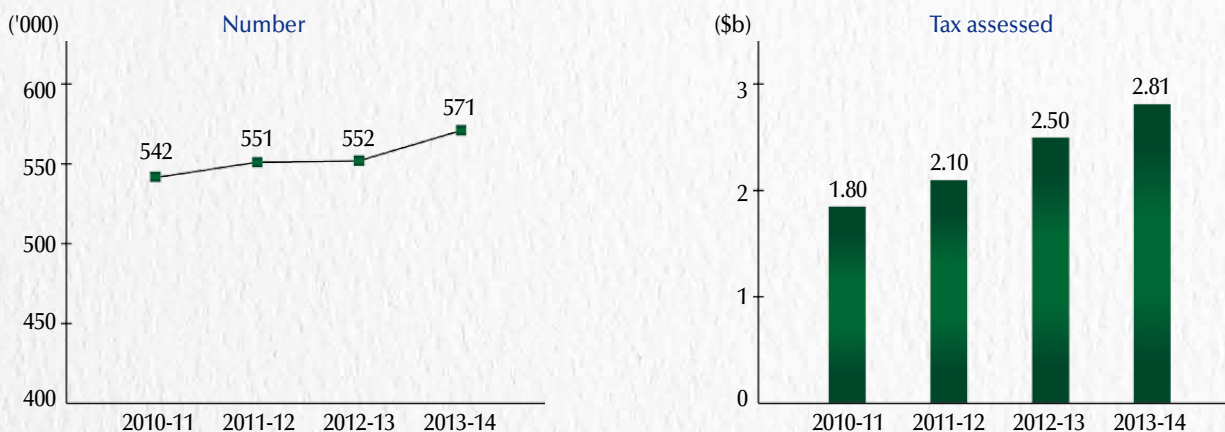
The Department provides e-Seminars and disseminates tax information to employers on the IRD Homepage to help them understand the relevant statutory requirements. The contents cover completion of employer's returns, employer's obligations and answers to frequently asked questions. Employers can also obtain 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 2013-14, 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 2013-14 was more than that in the previous year by 3.4%. Reflecting a continuous rising trend in rent, the total amount of property tax assessed increased by 12.4% (**Figure 9**).

**Figure 9** Property tax assessments



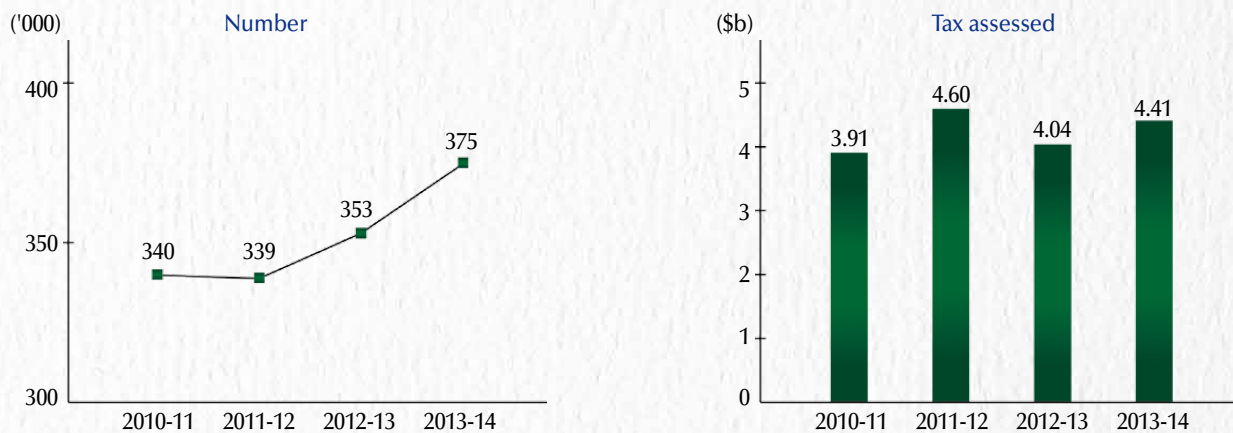


## Personal Assessment

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 2013-14 increased by 6.2% and the amount of tax assessed was 9% higher (**Figure 10**).

**Figure 10 Assessments made under personal assessment**



## Tax Treaty Network

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

As at 31 March 2014, Hong Kong has signed comprehensive double taxation agreements (covering various types of income) with 29 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, Italy, Guernsey and Qatar.

## 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 2013-14, the Department completed the processing of 39 advance ruling applications (**Figure 11**). Most of the applications were for rulings on profits tax matters.

**Figure 11 Advance rulings**

	2012-13 Number	2013-14 Number
Awaiting decision at the beginning of the year	15	11
Add: Applications received during the year	41	35
	56	46
Less: Disposed of -		
Rulings made	27	25
Applications withdrawn	11	6
Rulings declined	7	8
	45	39
Awaiting decision at the end of the year	11	7

## 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, which are not agreed, are ultimately referred to the Commissioner for determination. During 2013-14, the Department completed the processing of 76,643 objections (**Figure 12**).



**Figure 12 Objections**

	2012-13 Number		2013-14 Number	
Being processed at the beginning of the year	28,986		31,165	
Add: Received during the year	72,299		78,349	
	101,285		109,514	
Less: Disposed of -				
Settled without determination	69,628		76,229	
Determinations:				
Assessments confirmed	290		243	
Assessments reduced	117		86	
Assessments increased	79		72	
Assessments annulled	6	492	13	414
	70,120		76,643	
Being processed at the end of the year	31,165		32,871	

## 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 2014, the Board consisted of a chairman and 6 deputy chairmen, who have legal training and experience, as well as 62 other members. During 2013-14, the Board settled 78 appeal cases (**Figure 13**).

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

	Number	
Awaiting hearing or decision as at 1 April 2013	61	
Add: Received during the year	70	
	131	
Less: Disposed of -		
Withdrawn	30	
Decided:		
Assessments confirmed	29	
Assessments reduced in part	3	
Assessments increased	10	
Assessments annulled	1	
Others	5	48
	78	
Awaiting hearing or decision as at 31 March 2014	53	

## 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 arising from its decision for the opinion of the Court of First Instance. In addition, according to section 67 of the Inland Revenue Ordinance whereby a notice of appeal has been given to the Board, if both parties so agree, an appeal can be transferred to the Court of First Instance direct without a hearing before the Board.

The Court of Appeal heard 3 cases (including 2 cases which are related) lodged by the taxpayers against judgments by the Court of First Instance concerning the Inland Revenue Ordinance during 2013-14. The issue involved in the first case was the chargeability of licence fees, whereas the issue in the 2 related cases was whether certain profits were trading in nature and not exempt from profits tax. The Court of Appeal reserved its judgment in all 3 cases, and they remained unsettled as at 31 March 2014.

The Hong Kong Court of Final Appeal Ordinance provides that, a taxpayer or the Commissioner may, with the leave of the Court of Appeal or the Court of Final Appeal, appeal against the judgment of the Court of Appeal. During 2013-14, both the Court of Appeal and the Appeal Committee of the Court of Final Appeal respectively refused to grant leave to appeal to the Court of Final Appeal by a taxpayer who sought to deduct mould expenses under section 16G of the Inland Revenue Ordinance. On the other hand, the Court of Appeal granted leave to the Commissioner to appeal against its judgment concerning balancing charges on certain fixed assets, and the appeal will be heard by the Court of Final Appeal on 24 and 25 November 2014.

On the substantive appeal, the Court of Final Appeal handed down judgment on 1 case dismissing the Commissioner's appeal during 2013-14 concerning the taxability of certain gains arising from revaluation of trading investments to their market value at year-end dates.

**Figure 14** sets out the statistics concerning appeals to the Courts during 2013-14.

**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 2013	4	3	1	8
Add: Lodged during the year	0	0	1	1
	4	3	2	9
Less: Disposed of -				
Decided	0	0	1	1
Awaiting hearing or decision as at 31 March 2014	4	3	1	8



## 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 2014 stood at 1,352,655, which was an all time high. It was 129,068 more than that as at 31 March 2013 (**Figure 15**).

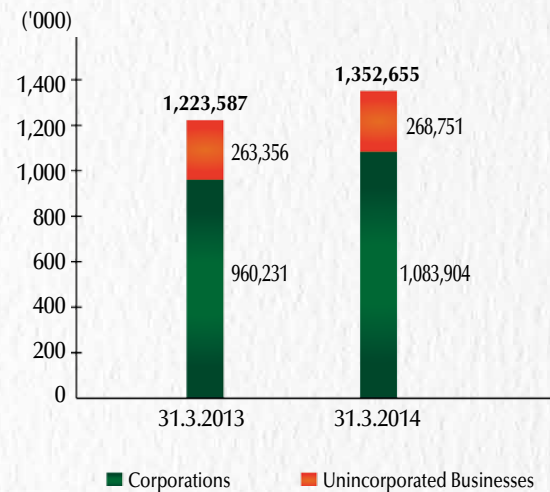
Business registration certificates are generally valid for one year, but businesses may elect for 3-year certificates. As at 31 March 2014, 16,545 businesses held 3-year certificates.

To help business enterprises, the Administration waived the business registration fees for 2013-14. Businesses were still required to pay the levy on their business registration certificates. With effect from 19 July 2013, the levy was reduced from \$450 to \$250 for 1-year certificates. For businesses electing for 3-year certificates, they were required to pay \$3,200 for the business registration fee and \$750 for the levy.

Businesses that were not required to renew their registration certificates in 2013-14 could apply for concessionary refunds if they had paid the registration fees for that year. Up to 31 March 2014, the Department had issued concessionary refunds to 8,934 businesses totalling \$11.4 million.

Due to the waiver of business registration fees for the whole financial year 2013-14, the amount of business registration fees and penalties collected in 2013-14 was reduced to \$73.5 million. It represents a decrease of 40% as compared to last year's, notwithstanding that 11% more certificates were issued during the year (**Figure 16**). Business registration statistics are set out in **Schedule 8**.

**Figure 15** Number of business registrations



**Figure 16** Certificates issued and fees collected

	2012-13	2013-14	Increase/Decrease
Number of certificates issued (Main and Branch)	1,264,736	1,403,124	+11%
Fees (inclusive of penalties) (\$m)	122.9	73.5	-40%

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 businesses, 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 2013-14 was 9,779, representing a decrease of 18% from the previous year. 1 appeal case was received by the Board during the year, but was subsequently withdrawn by the appellant (**Figure 17**).

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

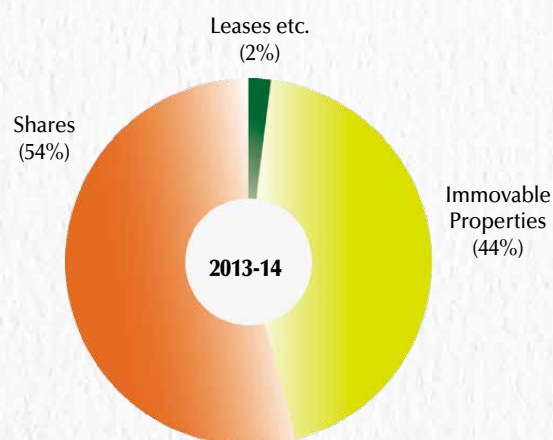
	2012-13 Number	2013-14 Number
Awaiting hearing at the beginning of the year	0	0
Add: Lodged during the year	0	1
	0	1
Less: Disposed of -		
Appeal allowed	0	0
Appeal dismissed	0	0
Appeal withdrawn	0	1
	0	1
Awaiting hearing at the end of the year	0	0

## Stamp Duty

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

Following the enactment of the Stamp Duty (Amendment) Ordinance 2014, part of the enhanced special stamp duty and buyer's stamp duty payable were received in March 2014. As a result of various demand-side management measures for property market, the number of property transactions has decreased significantly, causing an overall drop in the stamp duty collections from property transactions. In 2013-14, the stamp duty collections from property transactions decreased by 19% to \$18.2 billion.

**Figure 18 Composition of stamp duty collections**







Amidst abundant liquidity, the stock market was active for most of the time in 2013-14. The stamp duty collections from share transactions in 2013-14 were \$22.7 billion, an increase of 14% from the previous year.

Overall, there was a decrease of 3% in the total stamp duty collected during the year, whilst the number of documents stamped increased by 4% (**Figure 19** and **Schedule 9**).

**Figure 19 Stamp duty collections**

	2012-13 (\$m)	2013-14 (\$m)	Increase/Decrease
Immovable Properties	22,355	<b>18,161</b>	-19%
Shares	19,882	<b>22,704</b>	+14%
Leases and other documents	643	<b>650</b>	+1%
Total	42,880	<b>41,515</b>	-3%

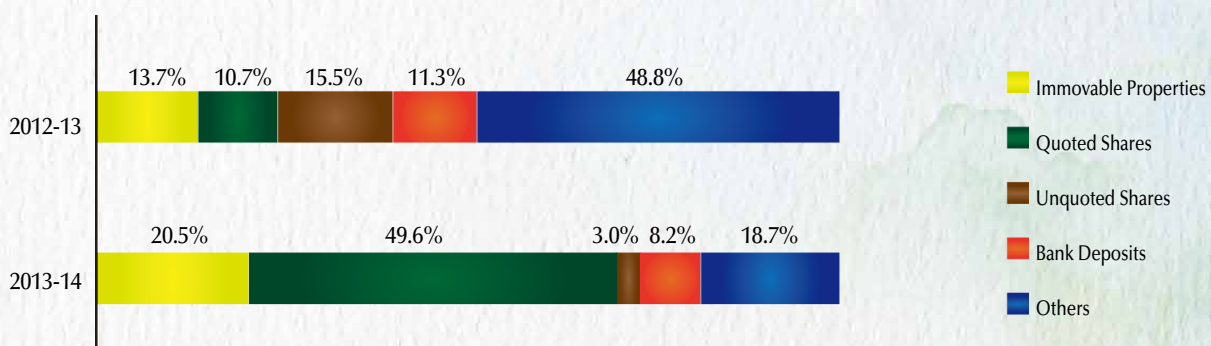
## Estate Duty

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 956 in 2013-14, a drop of 13% from the last year (**Figure 21**).

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

**Figure 20 Composition of estates**



**Figure 21 Estate duty cases**

	2012-13 Number	2013-14 Number
New cases	<u>1,099</u>	<u>956</u>
Cases finalised		
• Dutiable	19	21
• Exempt	<u>1,075</u>	<u>961</u>
	<u>1,094</u>	<u>982</u>

Estate duty of \$388 million was collected during the year (**Schedule 10**), an increase of \$250 million (181%) 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). \$267 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. Pursuant to the Betting Duty (Amendment) Ordinance 2013 which came into operation on 1 September 2013, non-local bets on local horse races are no longer chargeable with betting duty. In respect of the local bets on non-local horse races, betting duty is charged at the standard rate of 72.5%. The rates of betting duty on the local bets on local horse races and other betting activities remained unchanged (**Figure 22**).



**Figure 22 Rates of betting duty in 2013-14**

		Rate
<b>Horse racing</b>		
Local bets on local horse races	Net stake receipts	
	the first \$11 billion	72.5%
	the next \$1 billion	73%
	the next \$1 billion	73.5%
	the next \$1 billion	74%
	the next \$1 billion	74.5%
	the remainder	75%
Local bets on non-local horse races	Net stake receipts	72.5%
Mark Six lotteries	Proceeds	25%
Football betting	Net stake receipts	50%

In 2013-14, betting duty collections from horse racing and football betting increased by 11.4% and 8% respectively while the betting duty collections from Mark Six lotteries decreased by 1.1% (**Schedule 11**). The total betting duty collected in 2013-14 was 9.1% higher than the previous year (**Figure 23**).

**Figure 23 Betting duty collections**

	2012-13 (\$m)	2013-14 (\$m)	Increase/Decrease
Horse racing	10,465.4	<b>11,658.0</b>	+11.4%
Mark Six lotteries	1,953.0	<b>1,931.2</b>	-1.1%
Football betting	4,146.4	<b>4,477.2</b>	+8%
<b>Total</b>	16,564.8	<b>18,066.4</b>	+9.1%

## Tax Reserve Certificates

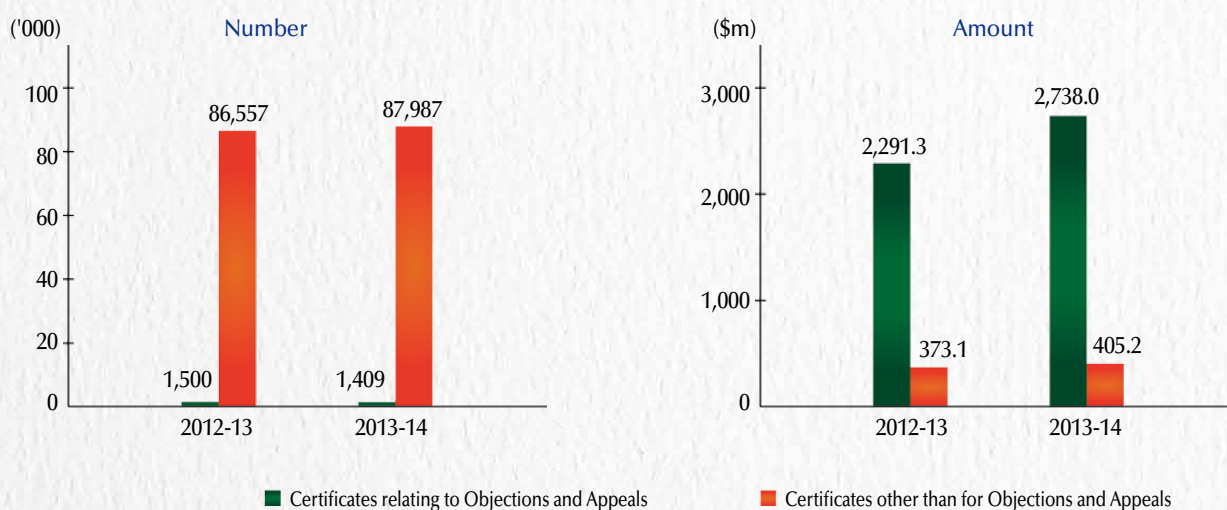
Taxpayers may purchase Tax Reserve Certificates (TRCs) under two situations.

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 3.8% and 10.8% respectively in the number and the amount of TRCs sold under the “Electronic Tax Reserve Certificates Scheme” but a decrease of 0.3% and 0.5% respectively for the “SAYE Scheme” in 2013-14 (**Schedule 12**). Overall, the total amount of TRCs sold increased by 8.6% (**Figure 24**).

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

**Figure 24 Certificates sold**



# 4

## Collection

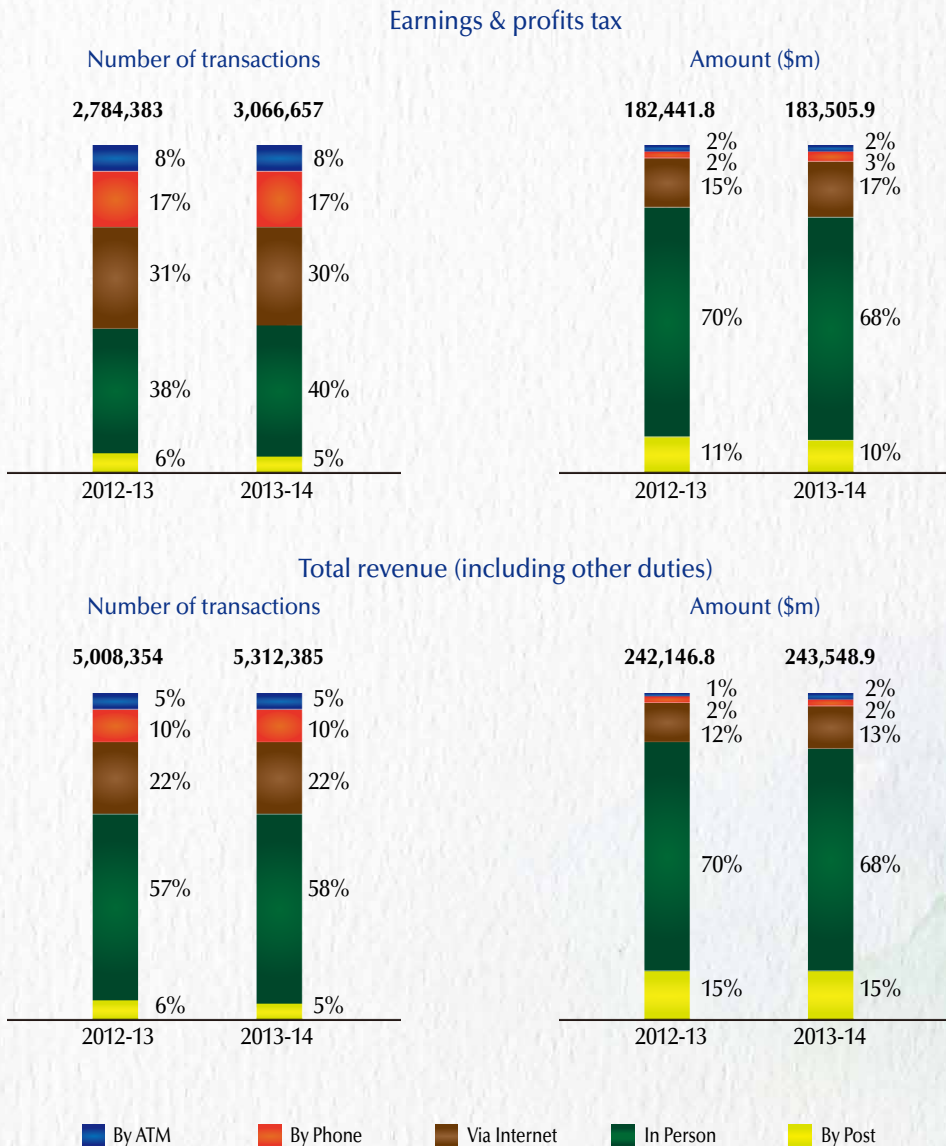


Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 13 and 14** provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2013-14.

### Collection of Tax

Taxpayers can conveniently settle their tax liabilities by various payment methods, including electronic payment (by phone, bank ATM or via the Internet), payment in person or payment by post. For earnings and profits tax, electronic payment remains most popular. 55% of the earnings and profits tax payment transactions in 2013-14 were made through electronic means. **Figure 25** shows the respective percentages of the different payment methods used by taxpayers under earnings and profits tax and total revenue.

**Figure 25** Payment methods



## Refund of Tax

Tax refunds were made mainly due to overpayment of tax by taxpayers and revision of assessments. There were 508,238 refund cases in 2013-14, representing a decrease of 21%. The total amount of refunds was \$12 billion, representing an increase of \$0.65 billion or 6% compared with the previous year (**Figure 26**).

**Figure 26** Tax refunds

Type of tax	2012-13		2013-14	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	43,179	6,514.1	<b>44,916</b>	<b>7,240.5</b>
Salaries tax	523,190	3,044.9	<b>385,263</b>	<b>2,908.3</b>
Property tax	16,540	132.2	<b>16,796</b>	<b>156.1</b>
Personal assessment	28,990	273.3	<b>28,205</b>	<b>315.1</b>
Others	<u>30,506</u>	<u>1,415.3</u>	<u><b>33,058</b></u>	<u><b>1,409.0</b></u>
Total	<u>642,405</u>	<u>11,379.8</u>	<u><b>508,238</b></u>	<u><b>12,029.0</b></u>

## Recovery of Tax in Default

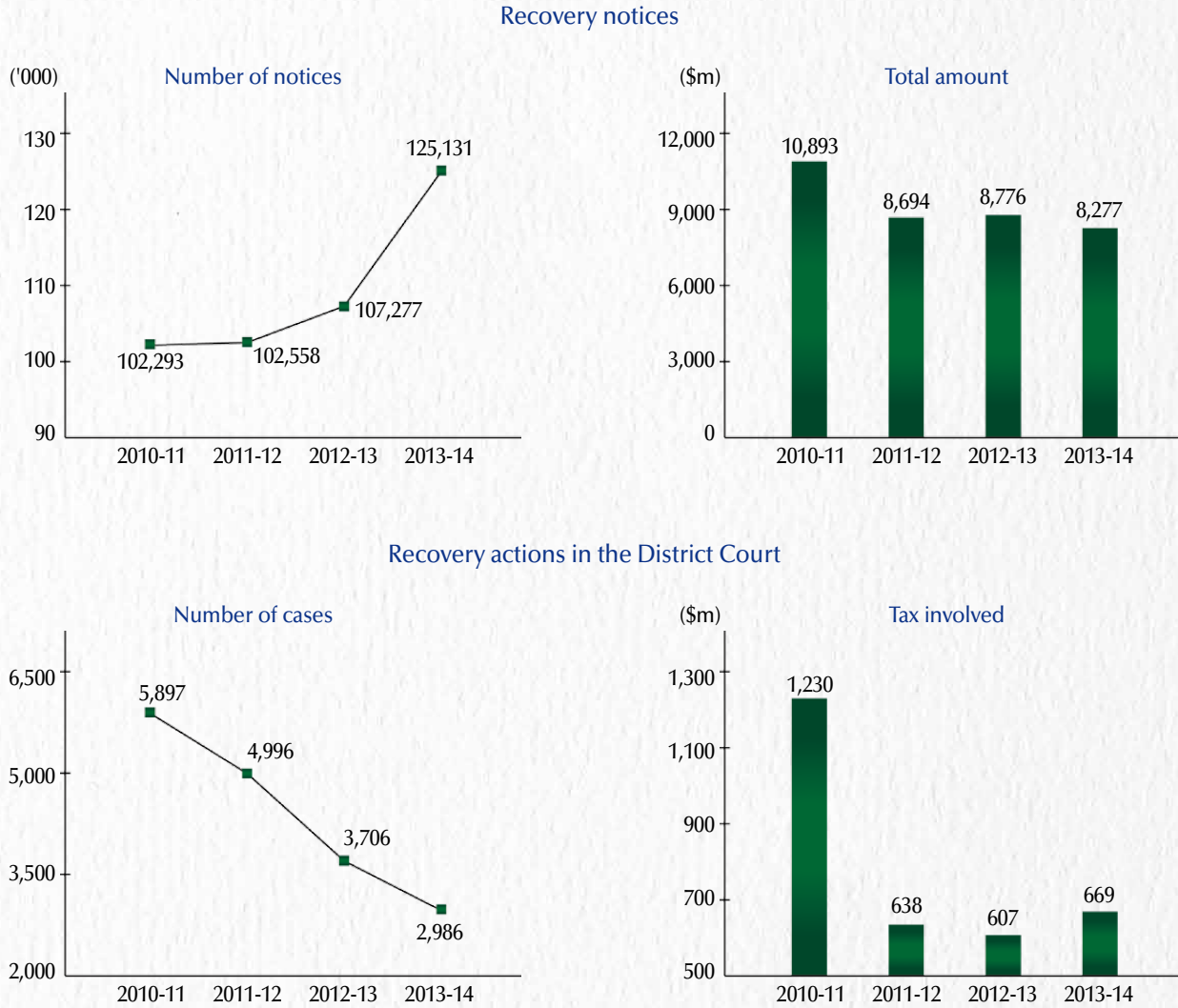
Taxpayers should pay tax on or before the due date shown on the demand notes issued to them. The vast majority of taxpayers settle their tax liabilities in a timely manner.

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 27** summarises the recovery actions taken by the Department. Upon entry of judgment, a defaulting taxpayer becomes liable to legal costs and interest on judgment debt for the period from the date of commencement of proceedings to the date of full settlement in addition to the outstanding tax. **Figure 28** shows the legal costs and judgment interest collected during 2013-14.



Figure 27 Recovery action



**Figure 28 Legal costs and judgment interest collected in 2013-14**

	\$	\$
Court cost		
Court fees	1,220,391	
Execution fees	<u>18,589</u>	1,238,980
Fixed cost		484,660
Judgment interest		
Pre-judgment interest	2,181,009	
Post-judgment interest	<u>20,037,883</u>	<u>22,218,892</u>
<b>Total costs and interest collected</b>		<b><u>23,942,532</u></b>

Furthermore, the Commissioner may apply to a District Judge to prevent a person with tax in default from leaving Hong Kong. If the District Judge is satisfied that it is in the public interest to ensure that the person does not depart from Hong Kong, or if he returns, does not depart again, without first paying the tax or furnishing security to the satisfaction of the Inland Revenue Department for payment of that tax, he shall issue the “departure prevention direction”. The person concerned has the right to appeal to the Court of First Instance of the High Court against the District Judge’s decision.



## 5

# Field Audit and Investigation



The Field Audit and Investigation Unit is responsible for conducting field audits and investigations on businesses and individuals with a view to combating tax evasion and avoidance. Back tax is assessed and penalties are generally imposed where discrepancies are detected.

During 2013-14, the Field Audit and Investigation Unit completed 1,802 cases (including tax avoidance cases) and collected back tax and penalties of about \$2.5 billion (**Figure 29**).

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

	2010-11	2011-12	2012-13	2013-14
Number of cases completed	1,805	1,804	1,802	<b>1,802</b>
Understated earnings and profits (\$m)	19,470.1	34,083.4	16,348.0	<b>12,936.4</b>
Average understatement per case (\$m)	10.8	18.9	9.1	<b>7.2</b>
Back tax and penalties assessed (\$m)	3,827.4	6,003.0	3,447.7	<b>2,540.0</b>
Back tax and penalties collected (\$m)	3,881.3	6,852.4	3,438.3	<b>2,158.7</b>

## Field Audit

In 2013-14, 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 2013-14, the Field Audit and Investigation Unit completed 219 tax avoidance cases and assessed back tax and penalties of about \$0.91 billion (**Figure 30**).

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

	2010-11	2011-12	2012-13	2013-14
Number of cases completed	234	226	207	<b>219</b>
Understated earnings and profits (\$m)	11,676.1	26,864.3	7,576.4	<b>5,124.9</b>
Average understatement per case (\$m)	49.9	118.9	36.6	<b>23.4</b>
Back tax and penalties assessed (\$m)	2,193.2	4,356.7	1,523.8	<b>909.3</b>

## Investigation

In 2013-14, 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 3 years and fined. During the year, the Department successfully prosecuted 2 tax evasion cases. The first case involved an employee omitting rental income and making false statements in connection with claims for deduction of home loan interest. The defendant, convicted of evading property tax and salaries tax, was imposed a community service order and a fine. The second case involved a company failing to inform the Commissioner of Inland Revenue of its chargeability to profits tax. The defendant pleaded guilty to the charges and was fined \$16,000 and a further fine of \$8.3 million, equivalent to 98% of the tax involved. The prosecution section has also completed the investigation of 8 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 2013-14, the Department completed compliance check on 140,705 property tax cases (**Figure 31**).

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

	2010-11	2011-12	2012-13	2013-14
Number of cases completed	90,681	102,422	117,923	<b>140,705</b>
Understated rental income (\$m)	393.1	442.5	461.7	<b>553.3</b>
Back tax and penalties assessed (\$m)	46.3	53.1	55.4	<b>66.4</b>



## IRD Homepage

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

The IRD Homepage remains our effective platform for providing the public with updated information on Hong Kong taxation, 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.

The revamped IRD Homepage adopting web accessibility design was launched in June 2013 together with a new mobile version. It enables all segments of the community to have a quick and convenient access to tax information.

## Electronic Enquiry Service

Instant electronic enquiry services are provided to eTAX users at <[www.gov.hk/etax](http://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 our staff 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. Besides, callers can obtain facsimile copies of information sheets and forms through the system. A "Leave-and-call-back" facility, for recording information requests, and a "Fax-in enquiry" service are also available. The telephones are manned during office hours by staff who would readily serve the callers. The Centre also provides an eTAX help desk hotline to handle enquiries on eTAX services and provide technical support.



The statistics of services provided through ITES during 2013-14 are shown in **Figure 32**.

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

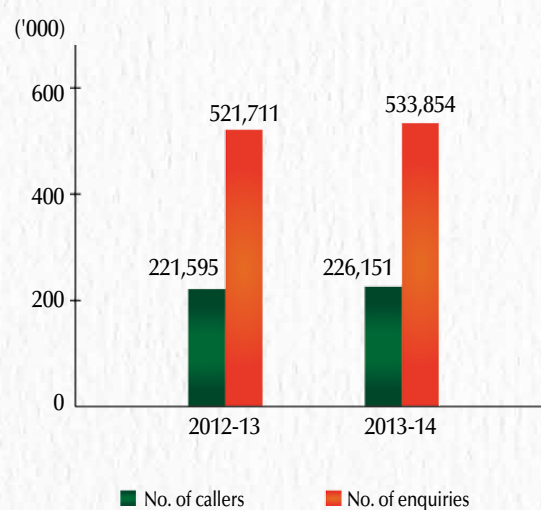
	2012-13 Number	2013-14 Number	Increase/Decrease
Calls answered by staff	746,414	<b>704,034</b>	-5.7%
Calls answered by system	629,248	<b>709,379</b>	+12.7%
Leave-and-call-back messages	39,574	<b>34,886</b>	-11.8%
Documents supplied by fax	3,955	<b>3,540</b>	-10.5%

## 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 sections in the Department for attention. The number of counter enquiries handled during 2013-14 was about 0.53 million (**Figure 33**).

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

**Figure 33** Counter enquiries



## Tax-help Services for Completion of Tax Returns

On the IRD Homepage, e-Seminars are provided for employers, property owners and individual taxpayers. Information on how to complete tax returns, 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 2.32 million Individuals Tax Returns for the year of assessment 2012-13 on 2 May 2013. To meet taxpayers' demand for telephone enquiry service during the peak season for tax filing, the Department extended the service hours for answering telephone enquiries from that date for one month, up to 7 p.m. from Mondays to Fridays, and 9 a.m. to 1 p.m. on Saturdays.

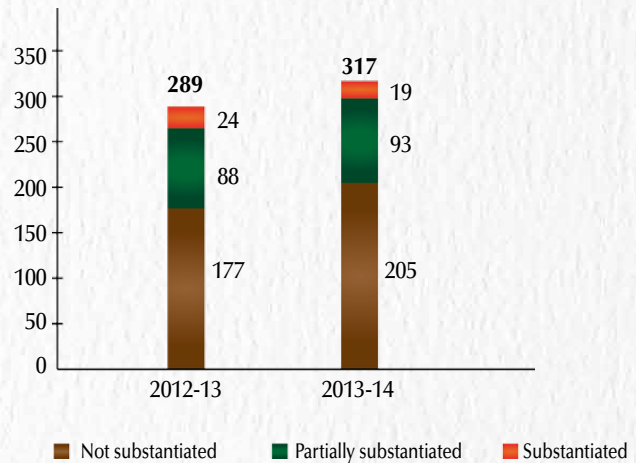


## Complaints and Compliments

If taxpayers are dissatisfied with the services provided by the Department or their problems cannot be solved satisfactorily through normal channels, the Complaints Officer may be approached for assistance. The complaint channel provides taxpayers with the means of having individual grievances dealt with independently at a senior level. This ensures that such cases are properly handled in a fair and impartial manner. During 2013-14, 317 complaints cases were received (**Figure 34**). This represents an increase of 10%, 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 2013-14, the Ombudsman sought written comments from the Department in respect of 18 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

**Figure 34 Complaint cases**



Taxpayers may compliment the service of the Department. During the year, 115 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 2013-14.

The Department has been making extensive use of information technology to enhance operational efficiency and provide a wide range of electronic services to the public.

## IT Environment

The Department has a comprehensive and integrated IT infrastructure, including different types of computer application systems and platforms. The Department's network connects the computer system and staff workstations on different floors. Assessment process is automated by the "Assess-First-Audit-Later" system. Tax audit and investigation work is 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. 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.

In 2013-14, we continued to develop the system infrastructure enhancement project. Stage I and II of the project have already been completed. Regarding Stage III of the project for migration of mainframe applications, system analysis and design work remains in progress.

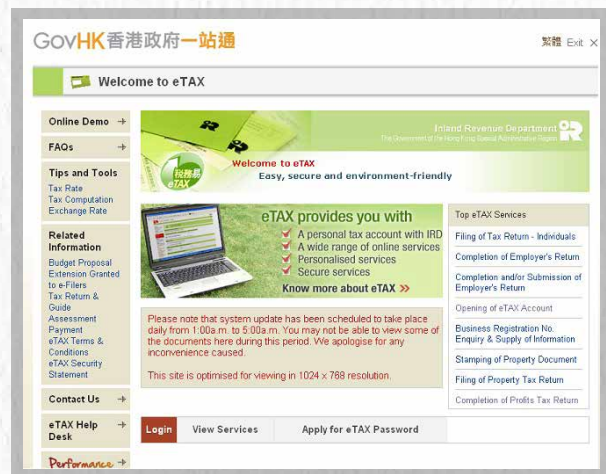
## Electronic Services

### eTAX

eTAX provides a wide range of online tax services to the public. It includes internet filing of tax returns, stamping of property documents, business registration enquiries, electronic notices, payments and lodgement of applications, etc.

In April 2013, the Department further enhanced the e-filing services to provide a convenient means for employers to submit employer's returns of remuneration and pensions. Employers can now upload through eTAX employees' remuneration records that were prepared with software approved or provided by the Department.

The Department's online services are widely used. As at 31 March 2014, there were some 530,000 registered eTAX users. The take-up rate increased year after year (**Figure 35**).





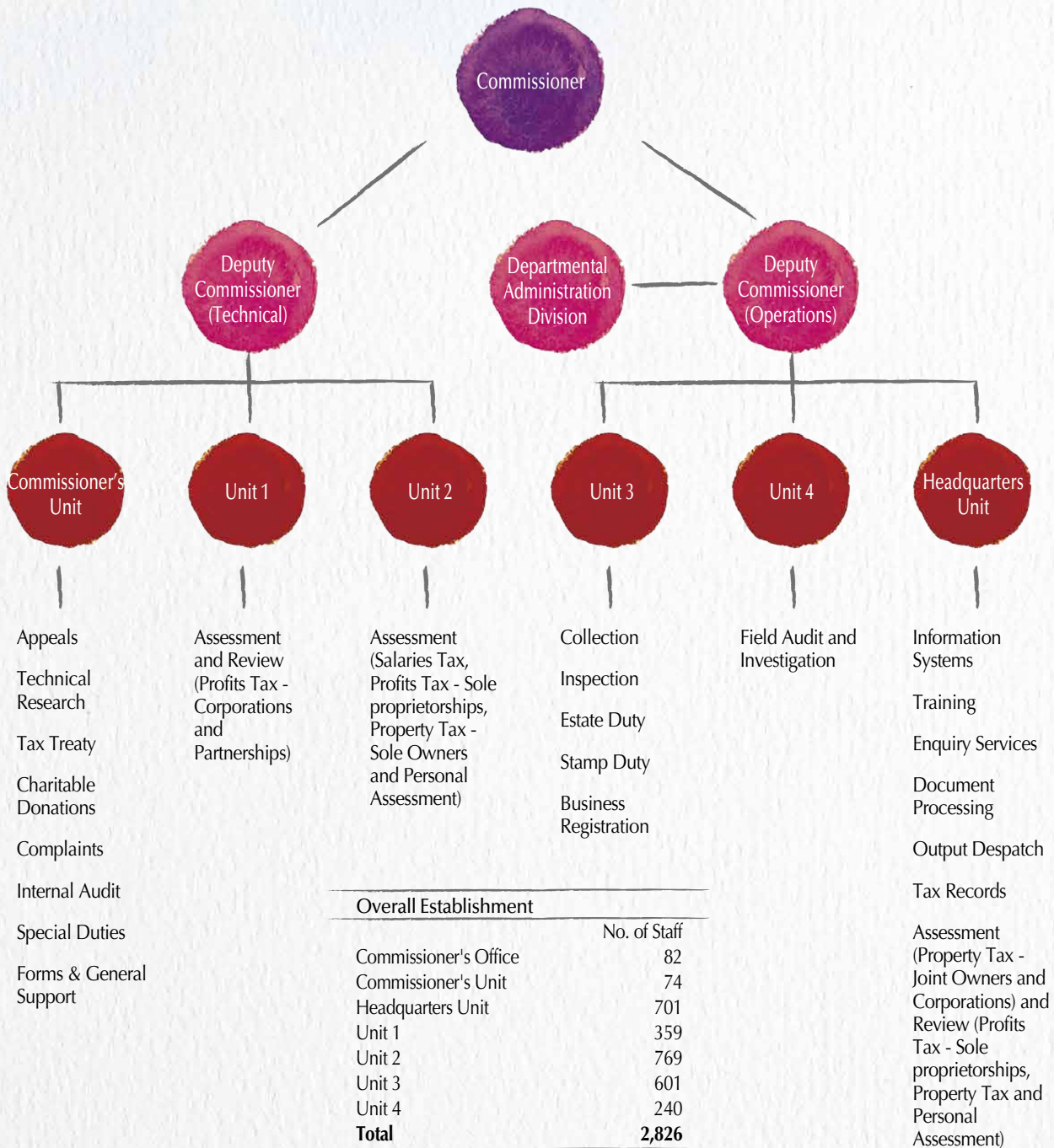
**Figure 35 eTAX Usage Statistics**

	2012-13 Number	2013-14 Number	Increase/Decrease
Internet filing of tax returns			
• Tax Return-Individuals, Property Tax Return and Profits Tax Return	386,411	<b>423,555</b>	+9.6%
• Employer's Return of Remuneration and Pensions			
BIR56A	4,684	<b>7,468</b>	+59.4%
IR56B	28,367	<b>57,174</b>	+101.6%
• Employer's Notifications of Commencement of Employment, Cessation of Employment and Employee's Departure from Hong Kong	10,168	<b>14,890</b>	+46.4%
Stamping of Property Document	302,239	<b>223,656</b>	-26%
Business Registration Number Enquiry	2,944,391	<b>2,710,228</b>	-8%
Application for Supply of Information on the Business Register			
Requisition	117,094	<b>124,242</b>	+6.1%
Business registrations involved	278,693	<b>292,532</b>	+5%

### Other Electronic Services

During 2013-14, some 45,100 employers furnished annual returns for 2,763,000 employees by diskettes or CD-ROMs. About 71% of these employers used the free software provided by the Department.

## Organisation Chart of the Inland Revenue Department as at 31.3.2014







## 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.

### Members of the Top Management of the Inland Revenue Department (as at 31.3.2014)



**Mr WONG Kuen-fai**  
Commissioner



**Mr TAM Tai-pang**  
Deputy Commissioner  
(Operations)



**Mr CHIU Kwok-kit**  
Deputy Commissioner  
(Technical)



**Mr CHIU Sai-ming**  
Assistant Commissioner  
(Headquarters Unit)



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



**Miss TSUI Siu-fong, Maria**  
Assistant Commissioner  
(Unit 2)



**Ms TSE Yuk-yip**  
Assistant Commissioner  
(Unit 3)



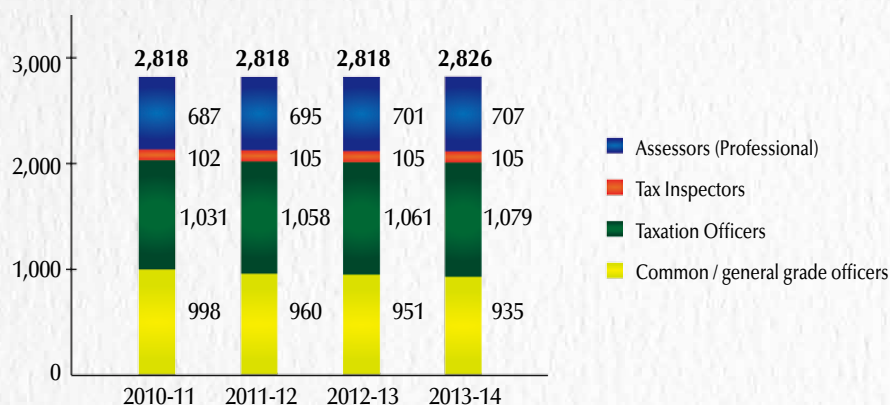
**Ms CHAN Fung-kuen**  
Assistant Commissioner  
(Unit 4)



**Ms LEE Kit-ye, Fion**  
Departmental Secretary

As at 31 March 2014, the Department had an establishment of 2,826 permanent posts (including 26 directorate posts) in the Commissioner's Office and the 6 Units of the Department. Of the total, 1,891 posts were in departmental grades (namely Assessor, Taxation Officer and Tax Inspector grades), performing duties directly concerned with taxation. The remaining 935 posts were in common / general grades, providing administrative, information technology and clerical support services (Figure 36).

Figure 36 Staff establishment



Most of the professional officers serving in the Department were below the age of 45 (Figure 37). The ratio of male to female professional officers was 1:1.6.

Figure 37 Age profile of professionals (on strength basis)

Age Group	Male	Female	Total
Below 25	8 (3%)	18 (5%)	26 (4%)
25 to below 35	36 (13%)	122 (28%)	158 (23%)
35 to below 45	71 (26%)	122 (28%)	193 (27%)
45 to below 55	118 (44%)	137 (32%)	255 (36%)
55 and over	39 (14%)	30 (7%)	69 (10%)
<b>Total</b>	<b>272 (100%)</b>	<b>429 (100%)</b>	<b>701 (100%)</b>



## Staff Promotions and Turnover

In 2013-14, a total of 56 departmental grade officers and 18 common / general grade officers were promoted. Among them, 7 were in directorate rank. 176 officers joined the Department, of which 147 were new appointees and 29 were officers transferred from other grades / departments. A total of 143 officers (including 52 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 2013-14, our staff received training for a total of 9,178 man-days, which was equivalent to about 3.25 man-days per officer.

The major training activities during 2013-14 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
- Courses on Hong Kong Accounting Standards
- Written and spoken English courses
- Putonghua courses
- Computer courses

### Workshops

- Leadership and teamwork workshop
- Mentorship workshop
- Performance appraisal workshops on English writing and interviewing skills
- Supervisory management workshop
- Workshop on Chinese writing
- Workshop on interviewing and negotiation skills
- Workshop on performance management
- Workshop on PRC Individual Income Tax
- Workshops on skills in handling enquiries and interviews
- Workshop on stress management

## Continuing Professional Education

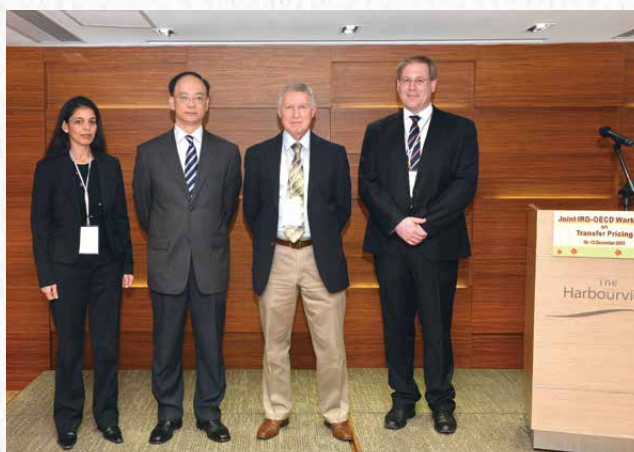
12 seminars were held by the Training Committee under the in-house Continuing Professional Education (CPE) Programme on the following subjects for professional officers:

- IT Security and Data Protection
- Mock Tax Appeal
- Update on Hong Kong Accounting Standards 2013 (I) and (II)
- Update on PRC Individual Income Tax
- New Companies Ordinance – Major Changes
- Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes)(Amendment) Ordinance 2013
- Overview of the Security Regulations
- Update on PRC Enterprise Income Tax
- Transfer Pricing with focus on the Principles and Practical Issues of Comparability Analysis and Adjustments
- Annual Update of Appeal Cases and Proposed Changes to the Existing Tax Appeal Mechanism
- Update of Exchange of Information Arrangements

Speakers for 4 of the seminars were staff members and others were experts from various fields. A total of 1,529 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Intranet and a total of 542 staff members had viewed these video files.

## International Workshop

In December 2013, the Department hosted jointly with the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development (OECD) a 4-day Workshop on Transfer Pricing Dispute Resolution and Avoidance in Hong Kong. The workshop aims to broaden and deepen participants' knowledge of transfer pricing issues. 3 experts on transfer pricing from the OECD and tax authorities of Germany and the United Kingdom conducted the workshop. 11 tax administrators from the Mainland, Japan, Korea, Macau, Malaysia, Thailand and Vietnam together with 14 professional officers from the Department participated in the workshop. In addition, 10 professional officers from the Department attended the workshop as observers.





## Overseas and China Training

In order that our professional officers may broaden their horizons and acquire the necessary knowledge to cope with new and complex global issues, they are sent to participate in overseas training programmes. In 2013-14, 48 officers went to China, Korea, Malaysia and Vietnam to attend training courses on different issues, 17 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 2013-14, 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 such as the organisation structure, work, connection and culture, and help them integrate into the civil service.

## 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 2013-14, 2 out of 8 suggestions received under the IRD Staff Suggestions Scheme were granted cash awards and certificates of commendation in recognition of their contributions to enhancing operational efficiency and quality of services of the Department.

## The Inland Revenue Department Newsletter

The quarterly Departmental Newsletter is another channel of communication between staff and the management. It serves to promote a sense of belonging in the Department. Service-related issues, staff movement, staff welfare, information technology, 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 Departmental Consultative Committee, the General Grades 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 2013-14, 45 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 April 2014.

### Secretary for the Civil Service Commendation Award 2013

In 2013, a Taxation Officer and a Data Preparation Supervisor 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 2013.



### The Long and Meritorious Service Travel Award Scheme

In 2013-14, 26 officers with long and meritorious service were granted awards of overseas travel under the Long and Meritorious Service Travel Award Scheme.

## The IRD Sports Association

The mission of Sports Association is to promote the intellectual, social and athletic interests of its members. It helps foster better relationship and sense of belonging among colleagues. Throughout the year, the Association organised a wide range of activities including interest classes, workshops, luncheon talks, sports competition, outings and cross-border trip. All the activities were well received by colleagues, their family members and friends. 2013-14 marked the 60th Anniversary of the Association. To celebrate the event, the Association organised a variety show in September. Over 500 performers, guests and audience joined the show and had a very enjoyable evening. A Gala Dinner was also arranged in December with more than 600 colleagues and guests to join the celebration. It was a dinner full of joy and fun.



The IRD Volunteer Team under the auspices of the Association continues to participate actively in numerous charitable and community works, extending love and care to everywhere in the society. Throughout the year, 339 colleagues participated in 23 events recording a total of 2,378 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 marked the 9th consecutive year in which the Department was granted the award.

On the charity front, the Association actively took part in various fund-raising activities, like “Medecins Sans Frontieres Day”, “ORBIS Pin Campaign”, “Skip-A-Meal Campaign” and “Lifeline Express Charity Run/Walkathon”. With generous support by our colleagues, the Department won the championship of the “Organisation with the Most Participants” and the first runner-up of the “Top Five Fundraising Organisations” in “ORBIS Pin Campaign”.





The following pieces of legislation enacted during the year 2013-14 are related to matters under the purview of the Department.

## **Business Registration Ordinance (Amendment of Schedule 2) Order 2013 (Legal Notice No. 91 of 2013)**

This Order reduced the levy rate of the Business Registration Certificate, which finances the Protection of Wages on Insolvency Fund, from \$450 per annum to \$250 per annum with effect from 19 July 2013.

## **Inland Revenue (Amendment) Ordinance 2013 (Ordinance No. 5 of 2013)**

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2013-14 financial year:

- (1) to increase the child allowance from \$63,000 to \$70,000 for each child, and the additional child allowance in the year of birth from \$63,000 to \$70,000 for each child;
- (2) to increase the maximum deduction amount of expenses of self-education from \$60,000 to \$80,000; and
- (3) to reduce the amounts of salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2012-13 by 75%, subject to a maximum of \$10,000 in each case.

## **Betting Duty (Amendment) Ordinance 2013 (Ordinance No. 6 of 2013)**

This Ordinance amended the Betting Duty Ordinance:

- (1) to abolish the duty for bets accepted outside Hong Kong in relation to the conduct of authorized betting on horse races; and
- (2) to charge a duty at a flat rate on the net stake receipts derived from the conduct of authorized betting on horse races held outside Hong Kong.

## **Inland Revenue (Amendment) (No. 2) Ordinance 2013 (Ordinance No. 9 of 2013)**

This Ordinance amended the Inland Revenue Ordinance to make further provisions to facilitate the collection and disclosure of tax information under arrangements made with the government of a territory outside Hong Kong.

## **Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Ordinance 2013 (Ordinance No. 10 of 2013)**

This Ordinance amended the Inland Revenue Ordinance and Stamp Duty Ordinance to provide a comparable taxation framework for some common types of Islamic bonds (sukuk) vis-à-vis conventional bonds, with a view to promoting the development of a sukuk market in Hong Kong.

## **Stamp Duty (Amendment) Ordinance 2014 (Ordinance No. 2 of 2014)**

This Ordinance amended the Stamp Duty Ordinance with a view to introduce further measures to address the overheated property market by:

- (1) imposing a higher rate of special stamp duty on certain transactions of residential property acquired on or after 27 October 2012 if those transactions occur within 36 months after acquisition; and
- (2) introducing a buyer's stamp duty on certain agreements for sale and conveyances on sale of residential property executed on or after 27 October 2012, unless the buyer or transferee is a Hong Kong permanent resident acting on his or her own behalf in acquiring the residential property or the transaction is otherwise specifically exempted.



## **Inland Revenue (Amendment) Ordinance 2014 (Ordinance No. 3 of 2014)**

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2013-14 financial year:

- (1) to provide a tax concession for captive insurers to enjoy a 50 per cent reduction in the profits tax on their insurance business of offshore risks; and
- (2) to increase the maximum deduction for mandatory contributions to Mandatory Provident Fund Schemes from \$15,000 to \$17,500 for the year of assessment 2014-15, and to \$18,000 for each year after that year.

## **Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital) (Second Protocol) Order**

Country	Date of Order	Nature
Austria	23 April 2013	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital

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

Country	Date of Order	Nature
Canada	23 April 2013	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Jersey	23 April 2013	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Guernsey	24 September 2013	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Italy	24 September 2013	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Qatar	24 September 2013	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 on a regular basis to all staff to promote green habits.

The Department also participated in various activities such as The Community Chest Green Day with a view to arousing the staff’s awareness of environmental protection. Besides, the IRD Sports Association assisted in promoting green awareness and healthy lifestyle among staff by organising a variety of activities in the year, including health talks, visit to an organic farm and outings to the countryside.

## Environmental Protection Performance

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

### Smoke-free Workplace

Smoking has been prohibited in Revenue Tower since 1996. Starting from 2007, it is a statutory requirement that all indoor areas in workplaces are smoke-free. 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 August 2013. 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 and water 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;





- 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. A recycling box for glass bottles is also placed at the lift lobby on ground floor of the Revenue Tower. Besides, used printer cartridges are also collected for recycling. Throughout the year, the Department collected 362,218 kg of waste paper, 120 kg of aluminium cans, 326 kg of plastic bottles, 417 kg of glass bottles and 7,802 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 2014, the number of charities exempt from tax was 8,044, of which 594 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 2012-13, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$3.94 billion and \$6.2 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 93,468 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 improvement can be made for the management's consideration.

## 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 2014
- 2 Demand Notes Issued, Tax Assessed and Collections (2010-11 to 2013-14)
- 3 Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2010-11 to 2012-13
- 4 Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2010-11 to 2012-13
- 5 Analysis of Salaries Tax Assessments for the year of assessment 2012-13
- 6 Analysis of Allowances for the year of assessment 2012-13
- 7 Property Statistics (as at 31 March 2014)
- 8 Business Registration Statistics (2010-11 to 2013-14)
- 9 Stamp Duty Collections and Stamp Office Activities (2010-11 to 2013-14)
- 10 Estate Duty Assessed and Collections for the year ended 31 March 2014
- 11 Betting Duty Collections (2011-12 to 2013-14)
- 12 Tax Reserve Certificates Statistics (2010-11 to 2013-14)
- 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 2014

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year -						
2011-12 and earlier years	163,277,649	583,859,713	2,655,544,867	301,256,926	433,075,285	4,137,014,440
2012-13 Final Tax only	399,646,283	389,007,546	(1,553,765,512)	373,859,157	3,975,125,737	3,583,873,211
2013-14 Provisional Payments and Final Tax	2,251,110,570	56,730,565,456	117,029,650,392	4,103,538,918	1,488,271	180,116,353,607
<b>Total Tax Assessed</b>	<b>2,814,034,502</b>	<b>57,703,432,715</b>	<b>118,131,429,747</b>	<b>4,778,655,001</b>	<b>4,409,689,293</b>	<b>187,837,241,258</b>
Add: Collectables -						
Tax outstanding as at 31 March 2013 brought forward	486,520,050	9,601,382,096	39,481,909,123	2,757,599,914	673,772,054	53,001,183,237
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	27,562,052	233,340,445	628,139,980	139,800,802	9,781,039	1,038,624,318
Interest on Tax Held Over	7,882	1,847,218	(28,672,184)	1,440,625	1,546,212	(23,830,247)
Write-off re-opened	1,862,260	28,285,714	2,136,666	10,605,178	2,284,194	45,174,012
<b>Total of Tax Assessed and Collectables (a)</b>	<b>3,329,986,746</b>	<b>67,568,288,188</b>	<b>158,214,943,332</b>	<b>7,688,101,520</b>	<b>5,097,072,792</b>	<b>241,898,392,578</b>
Collections during the year -						
Net Tax collected	2,557,922,354	55,401,243,157	115,452,469,855	4,634,587,020	4,410,850,429	182,457,072,815
(After allowing for refunds of tax)	(90,491,466)	(2,630,390,614)	(6,897,647,400)	(256,335,133)	(303,793,123)	(10,178,657,736)
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	25,906,950	217,525,682	608,633,953	147,665,764	8,343,028	1,008,075,377
Interest on Tax Held Over	15,511	1,502,849	36,361,265	2,095,474	817,614	40,792,713
<b>Total Net Collections (b)</b>	<b>2,583,844,815</b>	<b>55,620,271,688</b>	<b>116,097,465,073</b>	<b>4,784,348,258</b>	<b>4,420,011,071</b>	<b>183,505,940,905</b>
Balance of Tax, Surcharge, etc. payable (a)-(b)	746,141,931	11,948,016,500	42,117,478,259	2,903,753,262	677,061,721	58,392,451,673
Less: Not collected by virtue of set-off	199,144,261	1,989,958,511	-	496,012,750	-	2,685,115,522
Written-off as irrecoverable	1,819,007	60,892,914	401,160,781	24,055,222	3,642,597	491,570,521
Tax, Surcharge, etc. outstanding as at 31 March 2014 carried forward	545,178,663	9,897,165,075	41,716,317,478	2,383,685,290	673,419,124	55,215,765,630
Less: Under objection or appeal	10,523,139	831,683,112	27,217,428,309	927,793,506	266,339,280	29,253,767,346
Listed for write-off but awaiting approval	1,757,348	307,501	1,315,817	3,471,561	200,844	7,053,071
Assessed but not yet due	342,442,180	6,953,454,614	10,895,474,439	600,107,932	214,629,444	19,006,108,609
<b>Net Tax, Surcharge, etc. in arrears as at 31 March 2014</b>	<b>190,455,996</b>	<b>2,111,719,848</b>	<b>3,602,098,913</b>	<b>852,312,291</b>	<b>192,249,556</b>	<b>6,948,836,604</b>

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

	2010-11		2011-12		2012-13		2013-14	
	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	102,024	83,317,239	111,610	110,937,289	107,179	115,231,917	111,443	118,131,430
Unincorporated Businesses	30,145	5,742,745	31,060	4,920,954	33,419	5,228,490	35,817	4,778,655
Salaries Tax	1,275,831	46,376,008	1,386,338	54,456,246	1,386,174	52,554,919	1,510,435	57,703,433
Property Tax	112,898	1,804,941	121,722	2,102,117	127,302	2,504,360	136,286	2,814,034
Personal Assessment	177,449	3,913,994	195,353	4,599,041	208,638	4,044,071	209,687	4,409,689
<b>Total</b>	<b>1,698,347</b>	<b>141,154,927</b>	<b>1,846,083</b>	<b>177,015,647</b>	<b>1,862,712</b>	<b>179,563,757</b>	<b>2,003,668</b>	<b>187,837,241</b>

	2010-11		2011-12		2012-13		2013-14	
	Collections		Collections		Collections		Collections	
		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Profits Tax -								
Corporations		88,191,392		113,798,601		120,727,141		116,097,465
Unincorporated Businesses		4,991,658		4,801,270		4,911,223		4,784,348
Salaries Tax		44,254,738		51,761,323		50,466,999		55,620,272
Property Tax		1,647,134		1,948,429		2,258,216		2,583,845
Personal Assessment		3,921,753		4,512,218		4,078,199		4,420,011
<b>Total</b>		<b>143,006,675</b>		<b>176,821,841</b>		<b>182,441,778</b>		<b>183,505,941</b>

### SCHEDULE 3 CORPORATIONS - PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2010-11		2011-12		2012-13	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
<b>Distribution -</b>						
Retail	3,671,276	3.9	5,293,608	5.0	5,025,194	4.5
Wholesale, Import and Export	21,101,601	22.2	24,029,280	22.6	23,563,186	21.5
Foreign Corporations carrying on Import and Export	79,205	0.1	66,808	0.1	65,710	0.1
<b>Public Utilities</b>	5,095,460	5.4	5,508,957	5.2	6,343,571	5.8
<b>Property, Investment and Finance</b> (other than Banking)	21,859,733	23.0	26,506,315	25.0	26,607,918	24.3
<b>Banking</b>	15,939,870	16.8	17,539,464	16.5	19,973,652	18.2
<b>Manufacturing -</b>						
Clothing and Textiles	1,044,572	1.1	1,194,642	1.1	952,153	0.9
Food and Beverage Products	494,301	0.5	398,606	0.4	456,038	0.4
Steel and Other Metals	379,625	0.4	290,791	0.3	283,853	0.3
Printing and Publishing	625,497	0.7	571,137	0.5	546,678	0.5
Others	4,207,012	4.4	3,744,932	3.5	4,013,031	3.7
<b>Shipping</b> (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,474,033	1.6	1,478,412	1.4	1,112,576	1.0
<b>Hotels, Restaurants and Amusement Centres</b>	1,992,234	2.1	2,551,916	2.4	2,927,990	2.7
<b>Stevedoring, Wharfing and Godowns</b>	1,206,327	1.3	1,158,536	1.1	1,278,768	1.2
<b>Clubs and Associations</b>	1,008,710	1.1	1,073,692	1.0	1,028,560	0.9
<b>Insurance Companies and Insurance Agents</b>	1,287,766	1.4	1,284,019	1.2	1,588,485	1.5
<b>Non-resident Corporations Trading through Agents</b> (including Consignment Tax)	1,532,104	1.6	1,514,428	1.4	1,416,041	1.3
<b>Building Contractors and Engineering Works</b>	1,329,216	1.4	1,557,377	1.5	1,804,785	1.7
<b>Aircraft Owners and Operators</b>	127,340	0.1	134,628	0.1	197,297	0.2
<b>Taxis, Hire Cars, Public Light Buses and Motor Boats</b>	214,641	0.2	179,478	0.2	192,077	0.2
<b>Miscellaneous</b>	10,104,802	10.7	10,094,086	9.5	10,003,115	9.1
<b>Total</b>	<b>94,775,325</b>	<b>100.0</b>	<b>106,171,112</b>	<b>100.0</b>	<b>109,380,678</b>	<b>100.0</b>

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

Business Sectors	Final Tax Assessed for Year of Assessment					
	2010-11		2011-12		2012-13	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
<b>Property Developers, Property Dealers, Property Agents and Subletting Businesses</b>	95,208	3.3	89,318	2.9	118,366	3.7
<b>Finance and Securities including Brokers, Dealers and Insurance Agents</b>	188,780	6.6	213,621	6.8	230,093	7.2
<b>Builders, Decorators and Civil Engineering Works</b>	28,155	1.0	23,064	0.7	37,980	1.2
<b>Distribution -</b>						
Import and Export	70,725	2.5	70,264	2.2	70,395	2.2
Wholesale	42,800	1.5	45,423	1.4	47,250	1.5
Retail	178,839	6.2	192,916	6.2	206,678	6.4
<b>Manufacturing -</b>						
Agricultural Trades and Food & Beverage Products Manufacturers	5,806	0.2	7,525	0.2	16,206	0.5
Cloth and Clothing	10,185	0.4	6,555	0.2	4,532	0.1
Chemical Products and Mechanical Engineering	33,286	1.2	25,698	0.8	28,363	0.9
Printing and Publishing	9,339	0.3	9,142	0.3	7,824	0.2
Others	16,839	0.6	20,562	0.7	17,344	0.5
<b>Hotels, Restaurants and Amusement Centres</b>	48,331	1.6	63,929	2.0	74,506	2.3
<b>Transport</b> (including Wharfing and Godowns)	35,964	1.2	28,875	0.9	34,079	1.1
<b>Professions -</b>						
Accountants	415,380	14.5	421,078	13.4	386,833	12.0
Architects, Engineers, Surveyors, etc.	4,372	0.2	3,633	0.1	3,753	0.1
Doctors and Dentists	656,840	22.9	876,419	27.9	881,574	27.5
Solicitors and Barristers	870,105	30.3	885,622	28.2	859,123	26.7
Other Professions	152,804	5.3	156,824	5.0	184,872	5.7
<b>Miscellaneous</b>	4,551	0.2	3,719	0.1	5,928	0.2
<b>Non-resident Businesses *</b>	72	0.0	4	0.0	4	0.0
<b>Total</b>	<b>2,868,381</b>	<b>100.0</b>	<b>3,144,191</b>	<b>100.0</b>	<b>3,215,703</b>	<b>100.0</b>

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

## SCHEDULE 5 ANALYSIS OF SALARIES TAX ASSESSMENTS FOR THE YEAR OF ASSESSMENT 2012-13 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)	(%)	(\$)
120,001 - 130,000	42,903	2.69	0	5,394,661	5,148,360	815	3,028	777	7	48,019	193,655	949	0.00	22
130,001 - 140,000	54,389	3.41	0	7,339,537	6,527,098	7,587	12,271	5,219	36	140,278	647,048	3,211	0.01	59
140,001 - 150,000	54,639	3.42	0	7,919,652	6,562,443	18,913	22,174	13,764	131	163,722	1,138,505	5,669	0.01	104
150,001 - 180,000	147,755	9.26	0	24,375,371	18,070,329	115,910	90,604	72,840	1,570	544,104	5,480,014	34,020	0.06	230
180,001 - 210,000	126,079	7.90	0	24,564,763	16,356,427	179,844	115,822	104,678	2,897	622,122	7,182,973	69,748	0.13	553
210,001 - 240,000	118,755	7.45	0	26,674,895	16,685,789	186,317	151,723	152,492	5,097	740,074	8,753,403	114,257	0.22	962
240,001 - 270,000	110,944	6.96	7,620	28,263,705	17,947,912	173,567	158,881	154,642	7,496	752,793	9,068,414	145,635	0.28	1,313
270,001 - 300,000	106,211	6.66	7,696	30,229,418	18,192,487	173,233	197,731	185,677	14,115	793,937	10,672,238	241,697	0.46	2,276
300,001 - 400,000	266,589	16.71	34,126	92,450,904	54,376,956	482,101	673,493	634,403	52,504	2,189,533	34,041,914	1,454,487	2.76	5,456
400,001 - 500,000	173,448	10.87	27,000	77,248,087	41,054,880	335,609	658,910	654,811	55,593	1,625,737	32,862,547	2,309,969	4.39	13,318
500,001 - 600,000	108,969	6.83	14,151	59,372,720	27,175,085	243,658	559,928	554,661	48,520	1,029,826	29,761,042	2,793,351	5.31	25,634
600,001 - 700,000	69,806	4.38	7,213	45,199,577	17,404,084	145,949	489,052	384,650	41,702	692,968	26,041,172	2,913,809	5.54	41,742
700,001 - 800,000	42,920	2.69	3,977	32,032,572	10,803,077	88,077	329,553	276,337	26,517	399,044	20,109,967	2,477,704	4.71	57,728
800,001 - 900,000	32,143	2.02	2,395	27,145,378	8,072,684	59,042	284,935	213,181	20,168	307,423	18,187,945	2,385,398	4.53	74,212
900,001 - 1,000,000	21,957	1.38	1,544	20,763,519	5,504,810	45,048	194,595	157,174	14,092	203,844	14,643,956	2,006,599	3.81	91,388
1,000,001 - 1,500,000	60,412	3.79	3,508	72,215,012	15,118,949	104,462	674,843	463,781	33,180	503,359	55,316,438	8,074,901	15.35	133,664
1,500,001 - 2,000,000	22,454	1.41	1,170	38,591,480	5,173,195	35,442	324,012	209,834	10,139	182,819	32,656,039	4,963,102	9.43	221,034
2,000,001 - 3,000,000	17,902	1.12	727	43,072,050	3,367,012	19,246	304,777	191,730	6,063	140,806	39,042,416	5,963,421	11.33	333,115
3,000,001 - 5,000,000	9,699	0.61	139	36,440,407	814,706	7,281	268,685	103,341	2,811	77,332	35,166,251	5,274,347	10.02	543,803
5,000,001 - 7,500,000	3,546	0.22	9	21,353,029	10,695	1,864	138,993	36,736	407	27,955	21,136,379	3,136,283	5.96	884,457
7,500,001 - 10,000,000	1,423	0.09	3	12,231,711	0	540	96,064	14,555	164	10,710	12,109,678	1,802,241	3.42	1,266,508
10,000,001 & over	2,120	0.13	2	43,666,754	0	858	451,544	19,175	81	16,383	43,178,713	6,455,626	12.27	3,045,107
<b>Total</b>	<b>1,595,063</b>	<b>100.00</b>	<b>111,280</b>	<b>776,545,202</b>	<b>294,366,978</b>	<b>2,425,363</b>	<b>6,201,618</b>	<b>4,604,458</b>	<b>343,290</b>	<b>11,212,788</b>	<b>457,390,707</b>	<b>52,626,424</b>	<b>100.00</b>	<b>32,993</b>

**SCHEDULE 6 ANALYSIS OF ALLOWANCES FOR THE YEAR OF ASSESSMENT 2012-13 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)
120,001 - 130,000	5,148,360	0	0	0	0	0	0	0	0	0	0	0	0	0	5,148,360
130,001 - 140,000	6,526,680	0	0	0	0	418	0	0	0	0	0	0	0	0	6,527,098
140,001 - 150,000	6,556,680	0	25	0	0	5,738	0	0	0	0	0	0	0	0	6,562,443
150,001 - 180,000	17,730,600	0	63	45,375	0	220,039	67,564	6,650	38	0	0	0	0	0	18,070,329
180,001 - 210,000	15,129,480	0	275,014	71,181	0	608,741	247,228	20,919	3,534	0	330	0	0	0	16,356,427
210,001 - 240,000	14,250,600	0	421,672	77,352	0	1,216,855	656,070	38,646	11,989	0	7,458	528	0	4,620	16,685,790
240,001 - 270,000	11,355,960	3,914,640	592,175	78,969	120	1,246,248	661,447	43,073	12,578	0	29,700	1,716	1,056	10,230	17,947,912
270,001 - 300,000	10,677,960	4,134,720	835,851	73,194	600	1,491,899	818,216	47,196	15,105	0	76,626	3,762	3,036	14,322	18,192,487
300,001 - 400,000	23,448,960	17,083,440	5,406,810	184,470	297,994	4,870,555	2,468,423	157,282	46,455	15,708	297,726	17,490	24,552	57,090	54,376,955
400,001 - 500,000	13,890,708	13,846,080	6,150,365	114,147	317,238	4,213,649	1,892,419	131,480	35,606	19,998	314,886	16,896	51,282	60,126	41,054,880
500,001 - 600,000	8,845,680	8,461,200	4,507,286	73,722	211,880	3,191,202	1,360,210	95,551	23,940	12,870	273,702	16,236	47,882	53,724	27,175,085
600,001 - 700,000	5,823,600	5,106,240	2,960,934	46,266	127,368	2,125,644	851,865	61,161	14,896	8,514	191,730	12,012	32,538	41,316	17,404,084
700,001 - 800,000	3,494,640	3,311,520	1,917,323	25,245	77,232	1,278,947	485,640	34,998	8,968	6,534	111,144	6,534	20,394	23,958	10,803,077
800,001 - 900,000	2,600,160	2,514,000	1,487,088	17,391	59,040	912,000	328,168	24,814	5,282	4,158	81,642	5,016	15,708	18,216	8,072,683
900,001 - 1,000,000	1,740,480	1,788,720	1,019,871	10,956	40,440	602,243	209,057	16,606	3,705	2,508	46,332	3,894	10,098	9,900	5,504,810
1,000,001 - 1,500,000	4,609,200	5,280,480	2,955,953	27,192	95,964	1,465,679	456,133	38,988	8,322	4,752	117,480	8,052	25,344	25,410	15,118,949
1,500,001 - 2,000,000	1,092,840	2,255,520	1,179,135	6,138	30,540	424,175	121,239	11,172	1,748	924	30,558	2,706	9,504	6,996	5,173,195
2,000,001 - 3,000,000	321,600	1,823,280	908,357	3,234	27,540	194,902	57,342	4,180	1,102	594	14,850	462	5,610	3,960	3,367,013
3,000,001 - 5,000,000	24,600	443,280	284,445	627	7,800	37,753	9,481	722	190	132	2,970	132	1,716	858	814,706
5,000,001 - 7,500,000	240	4,320	4,410	0	0	1,045	76	38	38	0	132	0	396	0	10,695
7,500,001 - 10,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>153,269,028</b>	<b>69,967,440</b>	<b>30,906,777</b>	<b>855,459</b>	<b>1,293,756</b>	<b>24,107,732</b>	<b>10,690,578</b>	<b>733,476</b>	<b>193,496</b>	<b>76,692</b>	<b>1,597,266</b>	<b>95,436</b>	<b>249,116</b>	<b>330,726</b>	<b>294,366,978</b>

## SCHEDULE 7 PROPERTY STATISTICS (as at 31 March 2014)

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)	866,393	36.03
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals [excluding those under item (iv)] -		
Letting	128,627	
Other usage or vacant	569,346	29.03
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	440,874	18.34
(iv) With alienation restriction under Home Ownership Scheme or Private Sector Participation Scheme	300,562	12.50
(v) New ownership - awaiting classification	98,484	4.10
<b>Total</b>	<b>2,404,286</b>	<b>100.00</b>

Classification by Number of Owners	No. of Properties	%
Properties owned by :		
1 owner	1,518,135	63.14
2 owners	822,822	34.22
3 owners	41,391	1.72
4 owners	10,578	0.44
5 owners	4,565	0.19
6 - 10 owners	5,479	0.23
11 - 20 owners	1,166	0.05
Over 20 owners	150	0.01
<b>Total</b>	<b>2,404,286</b>	<b>100.00</b>



## SCHEDULE 8 BUSINESS REGISTRATION STATISTICS

Fiscal Year	2010-11	2011-12	2012-13	2013-14
New registrations	203,499	178,074	200,112	<b>228,483</b>
Re-opened registrations	10,782	12,460	11,279	<b>12,290</b>
Cancelled registrations	99,219	116,698	121,836	<b>111,705</b>
Current registrations as at 31 March	1,060,196	1,134,032	1,223,587	<b>1,352,655</b>
Certificates issued (including certificates with annual fees waived)	1,125,127	1,158,838	1,264,736	<b>1,403,124</b>
Businesses exempted from payment of fees	11,839	13,697	11,907	<b>9,779</b>
Extracts of information issued	339,453	333,547	344,611	<b>352,409</b>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)*	35,752	1,292,919	122,869	<b>73,494</b>
Court fines	6,009	7,268	6,358	<b>6,426</b>
Fees and penalties in arrears as at 31 March (excluding levy)	14,379	92,781	48,110	<b>25,707</b>

\* 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
- (3) 1 April 2013 to 31 March 2014

## SCHEDULE 9 STAMP DUTY COLLECTIONS AND STAMP OFFICE ACTIVITIES

Fiscal Year	2010-11		2011-12		2012-13		2013-14	
Duties on -		(\$m)		(\$m)		(\$m)		(\$m)
• Property Assignments and Chargeable Agreements		24,504.5		20,447.5		22,355.0		18,160.7
• Contract notes								
- Collected by Stamp Office		2,543.4		2,135.8		1,734.7		2,148.0
- Collected through The Stock Exchange of Hong Kong Limited		23,333.9	25,877.3	21,170.4	23,306.2	18,147.3	19,882.0	20,556.3
• Leases		484.8		473.1		493.2		545.3
• Transfer deeds		4.2		2.3		2.2		2.8
• Other documents		57.6		66.4		66.1		77.6
Penalties		76.5		60.3		81.1		23.6
Additional duties for delays in payment		0.2		0.1		0.1		0.4
<b>Total duty collections</b>		<b>51,005.1</b>		<b>44,355.9</b>		<b>42,879.7</b>		<b>41,514.7</b>
<b>Average number of callers to Stamp Office per day</b>		<b>1,890</b>		<b>1,860</b>		<b>1,642</b>		<b>1,530</b>
<b>Number of documents stamped during the year</b>		<b>1,955,228</b>		<b>1,707,450</b>		<b>1,647,554</b>		<b>1,718,029</b>

SCHEDULE 10 ESTATE DUTY - DUTY ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2014

	Assessments issued before 1 April 2013	Assessments issued in 2013-14						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 2012-13	261,175	-	-	-	-	-	-	261,175	
Less: Amount discharged	190	-	-	-	-	-	-	190	
Net outstanding charges brought forward from 2012-13	260,985	-	-	-	-	-	-	260,985	
Net duty assessed	0	0	0	823	3,218	140,925	1,252	146,218	
Penalties charged	0	0	0	99	310	2,773	28	3,210	
Interest charged	3,579	0	0	1,197	1,359	27,636	875	34,646	
Total amount payable	264,564	0	0	2,119	4,887	171,334	2,155	445,059	
Less: Amount paid on account before 1 April 2013	0	0	0	73	2,326	131,907	1,180	135,486	
Net duty, penalties and interest payable in 2013-14	264,564	0	0	2,046	2,561	39,427	975	309,573	
Less: Outstanding charges carried forward to 2014-15	167,009	0	0	20	2,411	18,131	439	188,010	
Net duty, penalties and interest paid in 2013-14	97,555	0	0	2,026	150	21,296	536	121,563	
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	12	0	4,356	216	262,264	0	266,848	
<b>Total collections in 2013-14</b>	<b>97,555</b>	<b>12</b>	<b>0</b>	<b>6,382</b>	<b>366</b>	<b>283,560</b>	<b>536</b>	<b>388,411</b>	

## SCHEDULE 11 BETTING DUTY COLLECTIONS

Fiscal Year	2011-12		2012-13		2013-14	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Horse Racing</b>						
<b>Day Meetings</b>						
Net Stake Receipts	8,380,488		8,928,955		9,570,428	
Betting Duty		6,069,866		6,487,470		6,969,907
<b>Night Meetings</b>						
Net Stake Receipts	5,428,088		5,475,583		6,435,139	
Betting Duty		3,932,561		3,977,962		4,688,113
<b>Horse Race Betting Duty</b> (For rates, please refer to Figure 22 of Chapter 3)		<b>10,002,427</b>		<b>10,465,432</b>		<b>*11,658,020</b>
<b>Lotteries (Mark Six)</b>						
Proceeds from Lotteries	8,054,314		7,811,778		7,724,688	
<b>Lotteries Duty</b> (Rate: 25%)		<b>2,013,579</b>		<b>1,952,944</b>		<b>1,931,172</b>
<b>Football Betting</b>						
Net Stake Receipts	7,489,178		8,292,759		8,954,514	
<b>Football Betting Duty</b> (Rate: 50%)		<b>3,744,589</b>		<b>4,146,380</b>		<b>*4,477,257</b>
<b>Total duty collected</b>		<b>15,760,595</b>		<b>16,564,756</b>		<b>18,066,449</b>

\* Provisional payment

Note: The betting duty on local bets on non-local horse races is charged at the standard rate of 72.5% on the net stake receipts with effect from 1 September 2013 while the betting duty on local bets on local horse races is still charged on the net stakes receipts at a set of progressive rates from 72.5% to 75%.

## SCHEDULE 12 TAX RESERVE CERTIFICATES

Fiscal Year	Sales		Redemption		
	Number of Certificates	Amount	Number of Certificates	Amount	Interest
<b>2010-11</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• Paper certificate	7	20	21	119	6
• Save-As-You-Earn Scheme	46,602	75,917	48,079	77,604	570
• Electronic Tax Reserve Certificates Scheme	39,081	265,017	37,695	252,047	335
Security for Tax in Dispute	1,507	3,070,899	1,594	2,739,933	34,024
<b>Total</b>	<b>87,197</b>	<b>3,411,853</b>	<b>87,389</b>	<b>3,069,703</b>	<b>34,935</b>
<b>2011-12</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• Paper certificate	7	32	45	80	9
• Save-As-You-Earn Scheme	45,471	75,153	43,008	73,660	293
• Electronic Tax Reserve Certificates Scheme	40,775	271,391	40,131	269,442	182
Security for Tax in Dispute	1,606	2,464,592	1,587	4,074,055	5,631
<b>Total</b>	<b>87,859</b>	<b>2,811,168</b>	<b>84,771</b>	<b>4,417,237</b>	<b>6,115</b>
<b>2012-13</b>		(\$'000)		(\$'000)	(\$'000)
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
<b>Total</b>	<b>88,057</b>	<b>2,664,443</b>	<b>80,170</b>	<b>3,777,245</b>	<b>18,590</b>
<b>2013-14</b>		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• Paper certificate	3	3	58	80	12
• Save-As-You-Earn Scheme	44,617	73,071	47,096	75,342	140
• Electronic Tax Reserve Certificates Scheme	43,367	332,138	42,506	326,295	106
Security for Tax in Dispute	1,409	2,738,027	1,565	3,511,091	25,525
<b>Total</b>	<b>89,396</b>	<b>3,143,239</b>	<b>91,225</b>	<b>3,912,808</b>	<b>25,783</b>

## SCHEDULE 13 EARNINGS AND PROFITS TAX - OFFENCES COMMITTED AND COURT FINES IMPOSED

2013-14

	Inland Revenue Ordinance										Total	
	Failure to submit return, etc. offences [section 80(1)&(2)(d)]		Failure to comply with Court Order [section 80(2B)]		Wilfully with intent to evade tax or to assist other persons to evade tax [section 82]		Furnishing incorrect return, statement or information [section 80(2)(a),(b)&(c)]		Failure to comply with the requirement of section 51(2) to notify the chargeability [section 80(2)(e)]			
	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines
		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
<b>Profits Tax</b>												
• Corporations	7,093	16,309,300	662	3,051,200	0	0	0	0	4	8,316,000	7,759	27,676,500
• Unincorporated Businesses	309	655,700	32	154,300	0	0	0	0	0	0	341	810,000
<b>Salaries Tax</b>												
• Employees	1,420	3,140,560	169	671,900	2	40,716	0	0	0	0	1,591	3,853,176
• Employers	153	388,900	45	224,700	0	0	0	0	0	0	198	613,600
<b>Property Tax</b>												
• Individuals	42	104,700	6	29,400	2	34,704	0	0	0	0	50	168,804
<b>Total</b>	<b>9,017</b>	<b>20,599,160</b>	<b>914</b>	<b>4,131,500</b>	<b>4</b>	<b>75,420</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8,316,000</b>	<b>9,939</b>	<b>33,122,080</b>

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

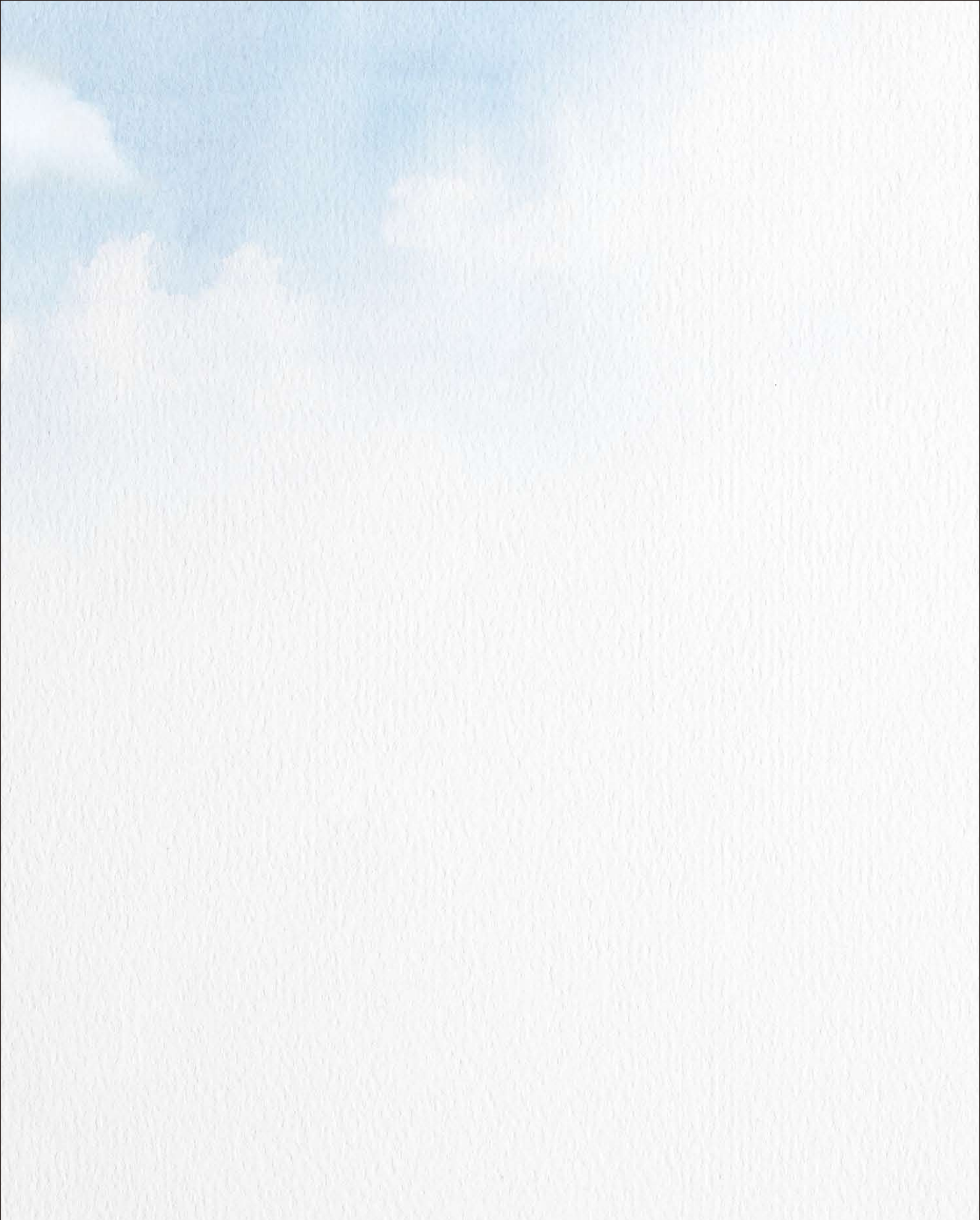
Note 2 : The number of summonses pending hearing as at 31 March 2014 is 15,280

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

2013-14

	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	18,958	15,218,363	185,995	137,650,201	10,357	123,906,478	6,894	15,896,291	14,594	9,327,439	236,798	301,998,772
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	1	800	4	8,400	1	10,000	0	0	6	19,200
• section 80(1)	4	153,000	860	4,110,094	155	8,680,200	137	6,775,000	0	0	1,156	19,718,294
• section 80(2)	763	11,136,489	9,926	82,413,813	7,426	334,162,027	1,167	108,820,111	152	346,300	19,434	536,878,740
• section 82(1)	4	478,200	48	6,491,770	52	100,548,000	25	6,399,100	0	0	129	113,917,070
• 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	219	571,000	291	2,650,767	814	60,825,875	86	1,900,300	14	107,300	1,424	66,055,242
Costs awarded by the Board of Review	1	5,000	7	23,000	3	9,000	0	0	0	0	11	37,000
<b>Total</b>	<b>19,949</b>	<b>27,562,052</b>	<b>197,128</b>	<b>233,340,445</b>	<b>18,811</b>	<b>628,139,980</b>	<b>8,310</b>	<b>139,800,802</b>	<b>14,760</b>	<b>9,781,039</b>	<b>258,958</b>	<b>1,038,624,318</b>

\* Including penalties imposed by the Court



**Inland Revenue Department**

The Government of the Hong Kong Special Administrative Region

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