

Press Conference 2 May 2012

The Gist of CIR's Speech

I shall speak mainly on 4 topics: matters relating to the Individuals Tax Returns issued today, e-Filing service for Individuals Tax Return, international tax treaties, and the revenue collections in 2011-12.

2011-12 Individuals Tax Returns

Today, IRD is sending out 2 million and 16 thousand Individuals Tax Returns for the year of assessment 2011-12.

The Financial Secretary has in this year's Budget proposed a number of tax measures. Taxpayers should complete this year's tax return as usual. No application is required for the proposed tax measures. The Government has started the law amendment process. After enactment of the relevant legislation, IRD will effect the tax measures in this year's tax bills.

A one-month period is allowed for filing Individuals Tax Returns. The deadline is 2 June 2012. For sole proprietors of unincorporated businesses, a three-month period is allowed and the filing deadline is 2 August 2012. For on-line filing via eTAX, all taxpayers will get an automatic extension of 1 month.

e-filing of Individuals Tax Return

As a matter of fact, taxpayers can file their tax returns in a simple and fast way by filing online.

The e-filing service comes with the function of pre-filling the data fields for personal particulars and allowances according to the data

provided in your e-return for last year. You can also enjoy the convenience of automatic completion of your income data in the e-return as reported by your employer. Furthermore, immediately after filing your e-return and with just one more click, the computer program will compute the amount of tax payable by you next year.

Even if you are receiving a paper return, you can still file online without sending back the paper return to IRD.

International Tax Treaties

Now, I will report the latest development of international tax treaties in Hong Kong.

Upon amendment of the Inland Revenue Ordinance in early 2010, the exchange of information arrangements in Hong Kong are aligned with the international standards, thereby removing the major obstacle for Hong Kong to extend the international tax treaty network.

Hong Kong has since the coming into effect of the amendment ordinance, i.e. March 2010, entered into Comprehensive Double Taxation Agreements (CDTAs) with 19 countries, making the total number of CDTAs concluded to 24. Furthermore, the negotiations for CDTAs with another 4 countries have been completed and formal agreements will be signed shortly. In the meantime, we will continue our CDTA negotiation with several other countries, including countries in the European Union, the Asia Pacific region, the Middle East and the Americas.

Advance Pricing Arrangement (APA) is an international trend in the tax domain due to economic globalization. An APA is a contractual agreement concluded between the taxpayer and the IRD, through negotiation, on the acceptable pricing methodologies for controlled transactions. It will be binding on both parties. The certainty associated with an APA facilitates taxpayers to better assess their tax liabilities and benefits businesses as a whole. Also, such agreements can help reduce the work of the tax authorities and protect tax revenue. The IRD rolled out the APA programme in April 2012, and the Departmental Interpretation and Practice Notes on APA has also been issued.

IRD Revenue Collections

Finally, I will round up by reviewing the revenue collections by IRD in the year 2011-12.

In the year 2011-12, IRD collected \$238.3 billion, which is another record high after the year 2010-11. It represents an increase of \$29.3 billion or 14% over the amount collected in the previous year. Profits tax soared by 27% to \$118.6 billion, while salaries tax climbed 17% to \$51.8 billion. Stamp duty, on the other hand, dropped by 13% and stood at \$44.4 billion.

Hope you will find the information sheets on revenue collections, completion of tax returns and e-filing helpful.

Thank you.