

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(Tsy)052**

Question Serial No.

1164

Head: 76 Inland Revenue Department    Subhead (No. & title):

Programme:            (1) Assessing Functions

Controlling Officer:    Commissioner of Inland Revenue

Director of Bureau:    Secretary for Financial Services and the Treasury

Question:

According to the information released on the website of the Companies Registry, the number of local companies on register has increased by 36% from 518 980 in 2004 to 710 766 in 2008. During this period, the annual growth rate ranges between 5.8% and 10.7%. Regarding profits tax assessments made and profits tax assessments per post, a comparison of the estimated numbers for 2008-09 and 2009-10 with the actual numbers for 2004-05 as provided by the Estimates shows increase of 2.3% and 0.7% only, and the numbers show a downward trend from 2007-08 up to present. Please explain why the percentage increase in the numbers of assessments is much lower than that in the numbers of companies registered over the same period. Does the Department need to increase its manpower resources? If so, what is the expenditure involved?

Asked by: Hon. CHAN Mo-po, Paul

Reply:

The number of companies on the Companies Register is greater than that of profits tax assessments made by the Inland Revenue Department (IRD) because:

- (i) The companies shown on the Companies Register include companies that are dormant, non-profitable and not carrying on business in Hong Kong.
- (ii) IRD normally issues first tax returns to new companies some 18 months after the date of incorporation. Most of these companies do not make a profit. It is the Department's practice not to issue Profits Tax returns annually to these companies but will conduct periodic reviews on their tax liabilities every three or four years.

IRD will continue to deploy its resources according to service needs and departmental priorities.

Signature \_\_\_\_\_

Name in block letters    Mrs LAU MAK YEE MING, ALICE

Post Title                Commissioner of Inland Revenue

Date                        16 March 2009