



Collection

Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 16 and 17** provide details of additional tax, surcharge and fines imposed by the Department in respect of Earnings and Profits Tax during 2004-05.

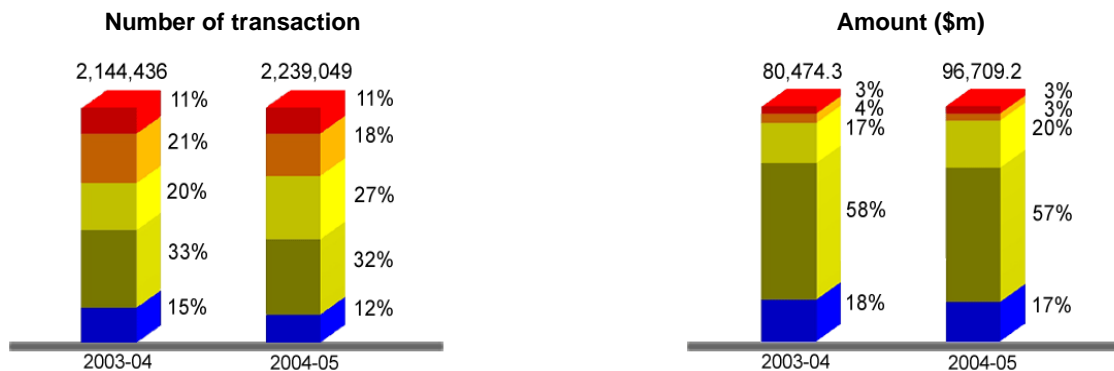
Collection of tax

There are various payment methods by which a taxpayer can choose to settle a tax liability. **Figure 28** shows the payment methods used by taxpayers in 2004-05. Electronic payments (by phone, bank ATM or the Internet) are gaining popularity. For Earnings and Profits Tax, 56% of the payment transactions made during the year were through electronic means.

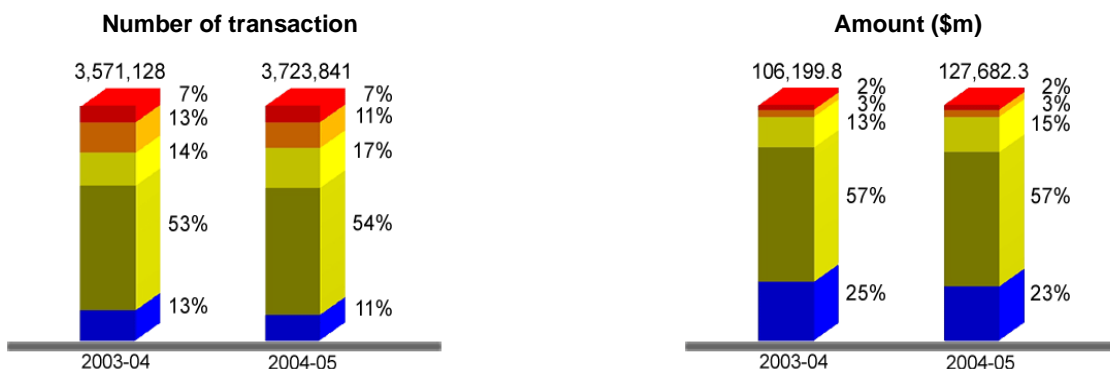
Figure 28
Payment methods

■ By ATM ■ By Phone ■ Via Internet ■ In Person ■ By Post

Earnings & Profits Tax



Total Revenue (including other duties)



Refund of tax

Refunds were made to taxpayers for various reasons, such as overpayment of tax or refund arising from a revision of an assessment. They were issued as expeditiously as possible. During 2004-05, tax refunds totalling \$5.2 billion were made (**Figure 29**).

Figure 29
Tax refunds

Type of Tax	2003-04*		2004-05	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits Tax	24,633	2,785.1	24,760	2,313.3
Salaries Tax	1,452,148	3,382.7	297,797	1,476.9
Property Tax	13,568	102.5	14,541	95.9
Personal Assessment	132,817	325.8	23,215	193.0
Others	14,092	2,285.1	13,915	1,133.0
Total	1,637,258	8,881.2	374,228	5,212.1

* Including 1.25 million refund cases processed under the tax rebate exercise in July 2003

Recovery of tax in default

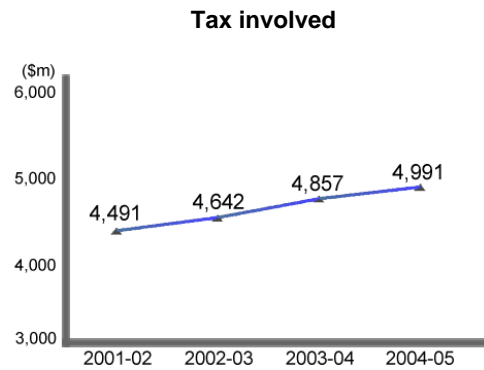
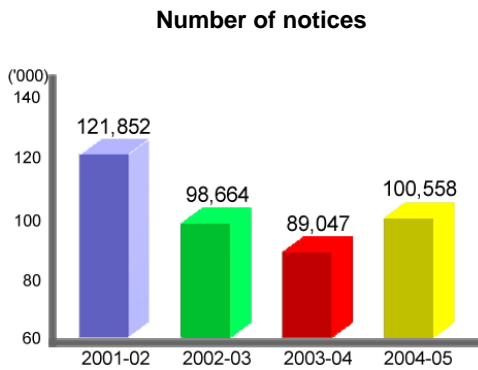
Taxpayers should pay tax on or before the due date shown on the demand notes issued to them. The vast majority of taxpayers settle their tax liabilities in a timely manner.

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 third parties (including employers, bankers and other parties owing money to or holding money on behalf of the defaulting taxpayers) to effect collection. Actions may also be commenced in the District Court. **Figure 30** 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 31** shows the legal costs and judgment interest collected during 2004-05.

Figure 30
Recovery action

Recovery notices



Recovery action in the District Court

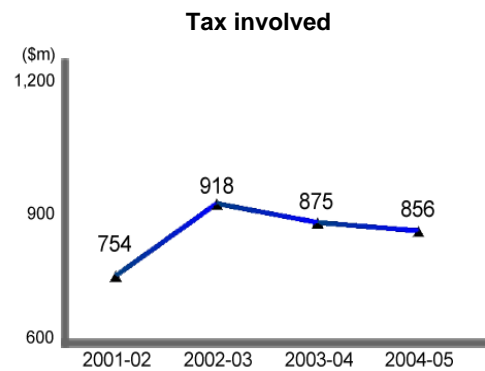
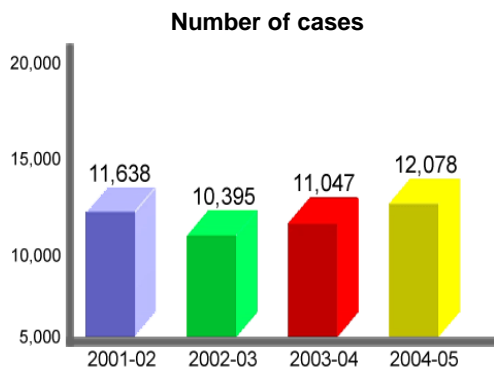


Figure 31
Legal Costs and Judgment
Interest collected in 2004-05

		\$	\$
Court Cost	Court Fees	2,781,854	
	Execution Fees	<u>82,552</u>	2,864,406
Fixed Cost			1,159,007
Judgment Interest	Pre-judgment Interest	5,785,484	
	Post-judgment Interest	<u>16,522,762</u>	<u>22,308,246</u>
Total costs and interest collected			<u>26,331,659</u>

A person with tax in default may be prevented from leaving Hong Kong. This, however, requires the Commissioner to satisfy a District Judge that there are reasonable grounds for believing that the person intends to depart, or has departed, from Hong Kong to reside elsewhere without paying his tax or furnishing adequate security for payment of such tax. The relevant legislation also provides that the person concerned may appeal to the Court of First Instance against a District Judge's decision.