

Collection

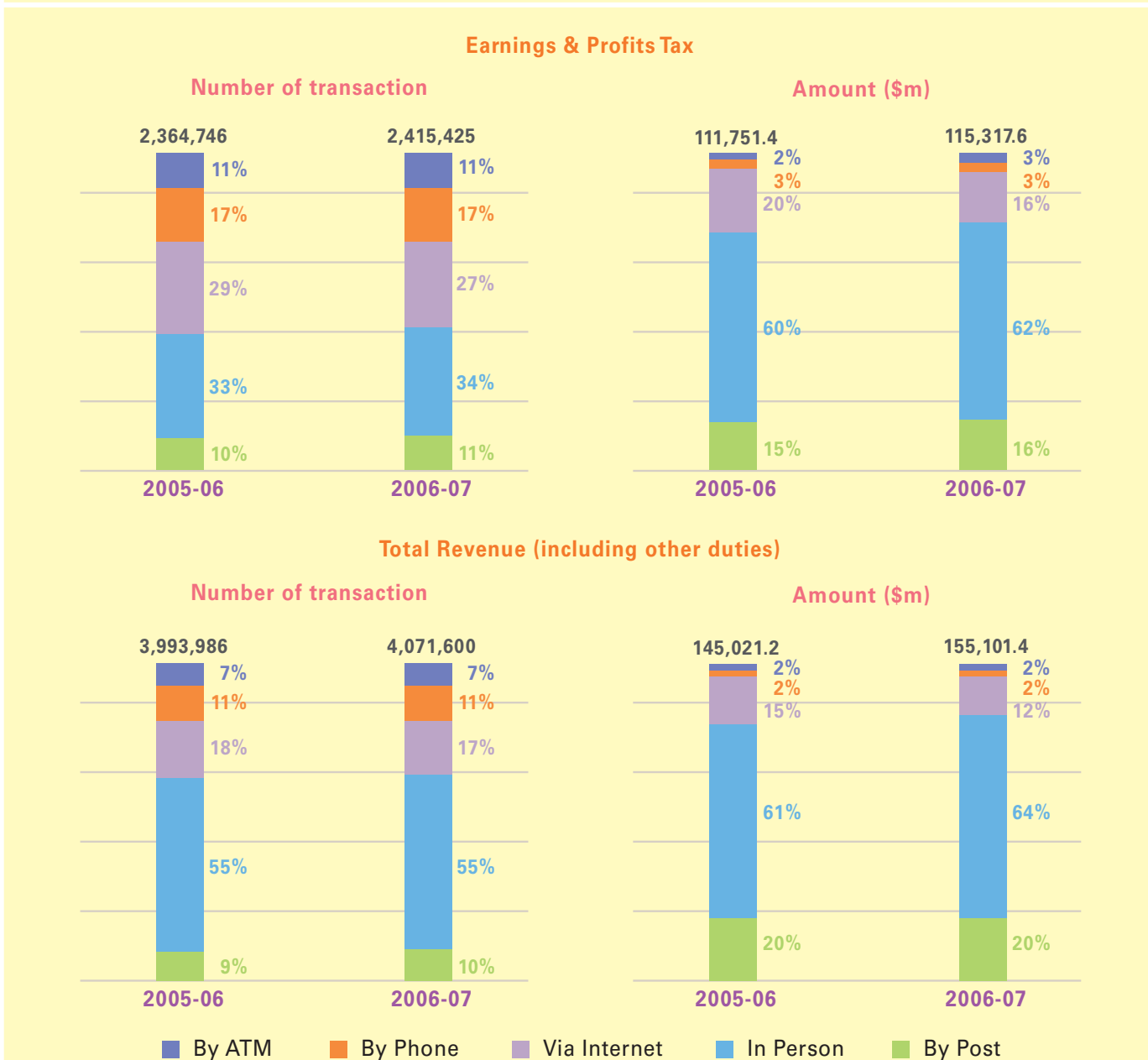
Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 16 and 17** provide details of additional tax, surcharge and fines imposed by the Department in respect of Earnings and Profits Tax during 2006-07.



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 2006-07. Electronic payments (by phone, bank ATM or the Internet) are popular. For Earnings and Profits Tax, 55% of the payment transactions were made through electronic means.

Figure 28 Payment methods





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 2006-07, tax refunds totalling \$6.9 billion were made (**Figure 29**).

Figure 29 Tax refunds

Type of Tax	2005-06		2006-07	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits Tax	24,423	2,828.7	29,900	3,732.0
Salaries Tax	303,341	1,739.7	292,934	1,732.2
Property Tax	14,854	106.8	15,002	123.7
Personal Assessment	23,247	189.6	23,970	215.4
Others	13,599	978.6	15,370	1,082.7
Total	<u>379,464</u>	<u>5,843.4</u>	<u>377,176</u>	<u>6,886.0</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 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 2006-07.

Figure 30 Recovery action

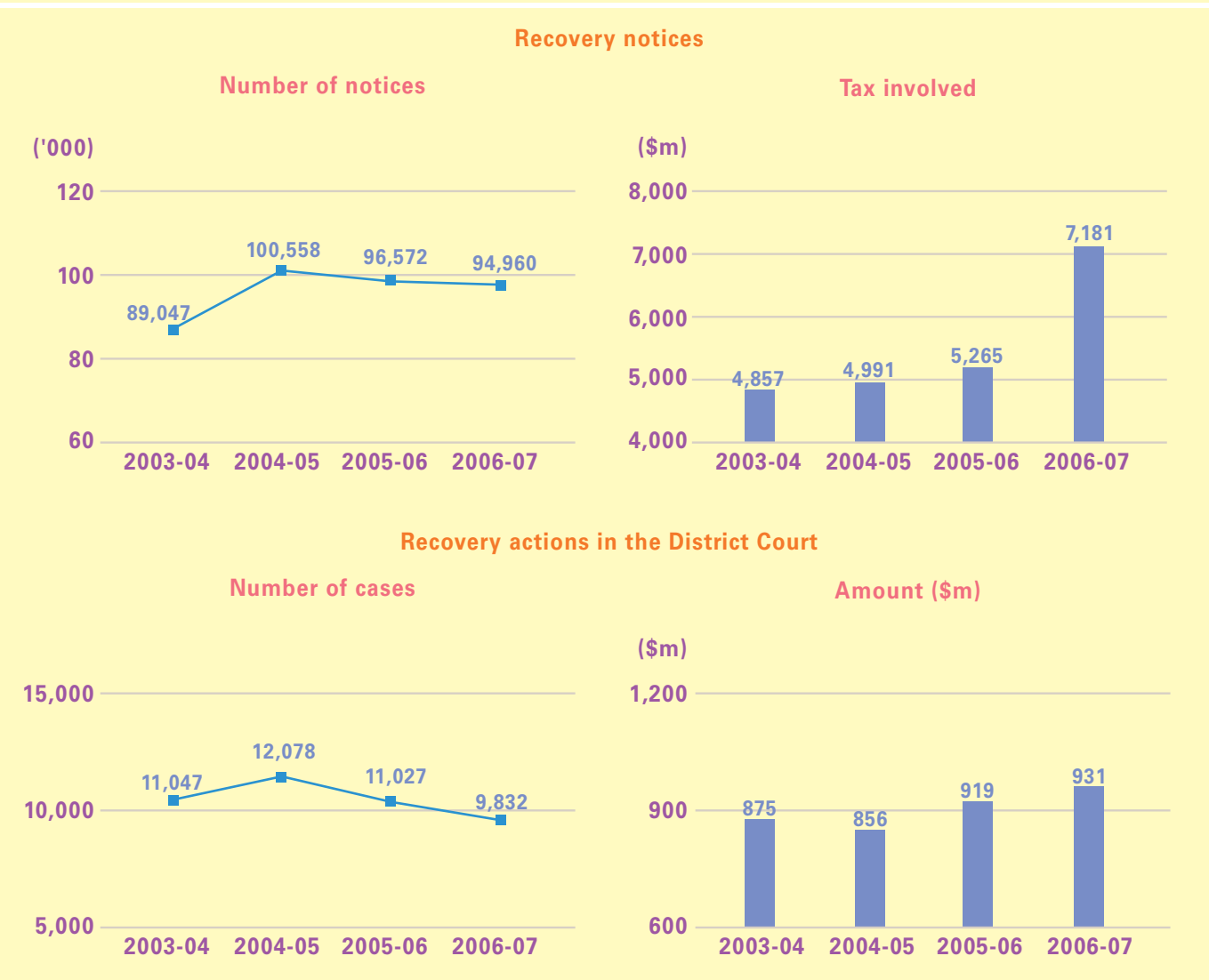


Figure 31 Legal Costs and Judgment Interest collected in 2006-07

	\$	
Court Cost		
Court Fees	2,494,861	
Execution Fees	<u>69,990</u>	2,564,851
Fixed Cost		1,024,352
Judgment Interest		
Pre-judgment Interest	3,417,811	
Post-judgment Interest	<u>18,073,214</u>	<u>21,491,025</u>
Total costs and interest collected		<u>25,080,228</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 of the High Court against a District Judge's decision.