



Annual Report 2007–08



Inland Revenue Department
Hong Kong Special Administrative Region

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

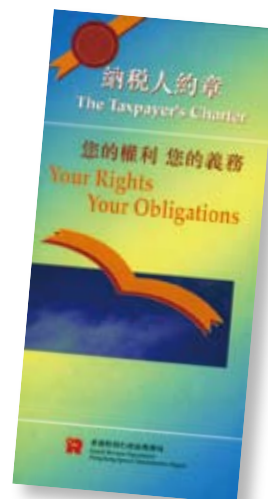
We are committed to –

- 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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Commissioner's Overview

The Inland Revenue Department (IRD) collected \$200.7 billion in 2007–08, whilst Hong Kong enjoyed a strong economy and the Department commenced the celebrations of its diamond jubilee. The revenue collected was a record high. Compared to the \$14 million collected in our first financial year, 1947–48, our collections have soared more than 14 thousand-fold!



The transformation of Hong Kong over the past six decades has taken the territory from a small entrepot in the post-war era, through light industry, to the international financial centre it is today. The role of IRD has also been growing. In the early days, the Inland Revenue Ordinance was the only legislation administered by the Department, covering salaries tax, property tax, interest tax and profits tax. The Department was subsequently given responsibility for estate duty, stamp duty, entertainment tax, betting duty, public dance-halls tax, business registration and hotel accommodation tax.

But taxes come and go. In the process of Hong Kong's economic transformation, we have abandoned public dance-halls tax, interest tax, entertainment tax and estate duty. Most recently, hotel accommodation tax has been waived since 1 July 2008. The tax laws of Hong Kong are well regarded, not only for their low rates, but also for their simplicity and clarity. Only business profits, salaries and wages, and property rental income are subject to tax. We have no capital gains tax or dividends tax, and most interest income is tax free. Basically, only income and profits derived in Hong Kong are taxable here. This proven tax system has long been recognised as a major contributing factor to the economic development and competitiveness of Hong Kong.

As the Government Department responsible for administering the tax laws, IRD strives for excellence in carrying out this role and thus contribute towards promoting Hong Kong's prosperity and stability. During the past 60 years we have been continuously improving our structure, operations and services, in order to better respond to social development and functional changes. We have recognised the merits of employing the latest information technology, streamlining work procedures and emphasising staff training – measures directed at enhancing our work efficiency and professionalism. At the

same time, IRD has cultivated a customer-centric service culture. Over the years IRD has faced various challenges, such as those posed by ups and downs in the economy, increasing workloads, and the growing complexity of taxation issues as business and financial operations become more sophisticated. Fortunately, our staff team has consistently risen to the task at hand, working together with perseverance and resilience to produce commendable results. The Department's 60th Anniversary slogan – "Tax by the law Service from the heart" – accurately reflects our service to Hong Kong with best efforts and devotion.

Today, IRD is a highly effective department, having a quality staff force and an advanced operation system. The staff team is our most valuable asset and maintaining the quality of our human resources is given a high priority. To do so, we have adopted a three-pronged approach, namely staff training, personnel management and team building. In addition to in-house staff development programmes, we make good use of external training opportunities, both within Hong Kong and overseas. The collaborative efforts of staff, reflecting the team spirit and loyalty within the Department, are greatly appreciated and treasured by the management.

While the staff team is our foundation, information technology has become increasingly an important tool in the development and refinement of our operations. IRD has implemented two Information Systems Strategy Plans to strengthen our computer systems, allowing the introduction of automated processes and facilitating progress towards a paperless office. We have enhanced the infrastructure of our internal information systems, and at the same time built up a database of taxpayer information. Through our "Assess-First-Audit-Later" (AFAL) system, most tax assessments are processed automatically. The Department's "Document Management System" allows paper tax returns and documents to be converted into electronic files of digitised images. Different officers can access the same electronic file simultaneously in their respective workstations, enabling two or more processes to be performed concurrently. Coupled with our "Workflow Management System", we are able to assign cases automatically, and then record and monitor the subsequent workflow processes. Also, with the help of advanced analytical tools, IRD's database facilitates tax audits and back duty investigations. With the AFAL system in place, we put strong emphasis on selecting appropriate cases for tax audits and investigations, to help ensure that taxpayers fulfill their obligations.



Implementation of the Information Systems Strategy Plans has allowed the provision of a range of electronic tax services to taxpayers. The IRD web site is a handy source for a full range of tax information. This year we launched "eTAX", opening up a new era of tax e-services. E-alerts for filing and payment deadlines have won wide appreciation since their introduction, and I believe e-tax returns, e-tax bills and e-tax receipts will become equally popular. On the new platform, taxpayers are able to view and update their personal particulars online. E-objection and e-holdover application services have also been introduced for taxpayers' added convenience. In addition, e-stamping and e-services for business registration are attracting large numbers of users.

Whilst we can be justifiably proud of our accomplishments, we are also mindful of the ongoing need to plan ahead for the future. IRD will no doubt continue to face challenges, which may be caused by: developments in the economy, such as those relating to globalisation and e-commerce; compliance issues; and the need to ensure that our administration possess the capacity and skills to perform effectively and efficiently in times of great change.

Since reunification with the Mainland, Hong Kong has followed the principle of "one country two systems". Under the Basic Law, Hong Kong SAR practises an independent taxation system. We are actively seeking to enter into tax treaties with other countries and regions, to foster closer economic ties with our trade partners and to provide added incentives for bilateral investment and trade.



The commemorative activities for IRD's diamond jubilee have provided us with opportunities to share our history and acknowledge achievements. I am truly grateful to the advice and support given to me by my colleagues from various grades and all along at different stages to enable me in fulfilling my duties satisfactorily. And by taking a leaf from the past 60 years' experience, I am sure we have formed a solid foundation from which IRD will steadily move forward.

Last but not the least, I would express my hearty thanks to all in the private and public sectors who have provided IRD with support and advice during the year. I sincerely wish to continue working with each partner, and to attain a triple-win situation – benefiting IRD, our partners and the community as a whole.

LAU MAK Yee-ming, Alice, J. P.
Commissioner of Inland Revenue



In 2007, the Hong Kong economy registered a strong growth. IRD in 2007–08 broke its record once again. The prospering economy brought about a significant growth in business profits and a general increase in salary income. The stock market was particularly active and the property market was gradually blooming. Earnings and profits tax collections and stamp duty collections surged by \$18.4 billion and \$26.5 billion respectively, representing an increase of 16% and 106% compared with the previous year (**Figure 1, Schedules 1 and 2**).

Figure 1 Revenue collected by tax type

Type of tax	2004–05 (\$m)	2005–06 (\$m)	2006–07 (\$m)	2007–08 (\$m)
Profits tax –				
Corporations	52,562.2	65,586.1	65,499.6	86,775.6
Unincorporated businesses	6,077.5	4,210.4	6,419.4	4,647.1
Salaries tax	33,990.5	37,493.9	38,585.6	37,479.5
Property tax	1,115.6	1,267.1	1,247.4	1,240.6
Personal assessment	2,963.4	3,193.9	3,565.6	3,586.6
Total earnings & profits tax	96,709.2	111,751.4	115,317.6	133,729.4
Estate duty	1,468.4	1,675.7	777.7	353.4
Stamp duty	15,851.4	17,867.2	25,076.6	51,549.1
Betting duty	12,057.2	11,938.1	12,047.4	13,048.4
Business registration fees	1,348.7	1,478.8	1,497.9	1,565.8
Hotel accommodation tax	247.4	310.0	384.2	450.4
Total revenue collected	<u>127,682.3</u>	<u>145,021.2</u>	<u>155,101.4</u>	<u>200,696.5</u>
% change over previous year	20.2%	13.6%	7.0%	29.4%

The revenue collected by the Department during 2007–08 is close to 65.5% of the Government General Revenue (**Figure 2**). This represents an increase of \$45.6 billion or 29.4%, from that collected in the previous year. Profits tax contributed the largest part of the total revenue collected. The stamp duty

collection recorded a significant growth of more than 100% and became the second largest type of revenue collected. The revenue collected from profits tax and stamp duty accounted for 71.3% of total revenue collected (**Figure 3**).

Figure 2 Government General Revenue

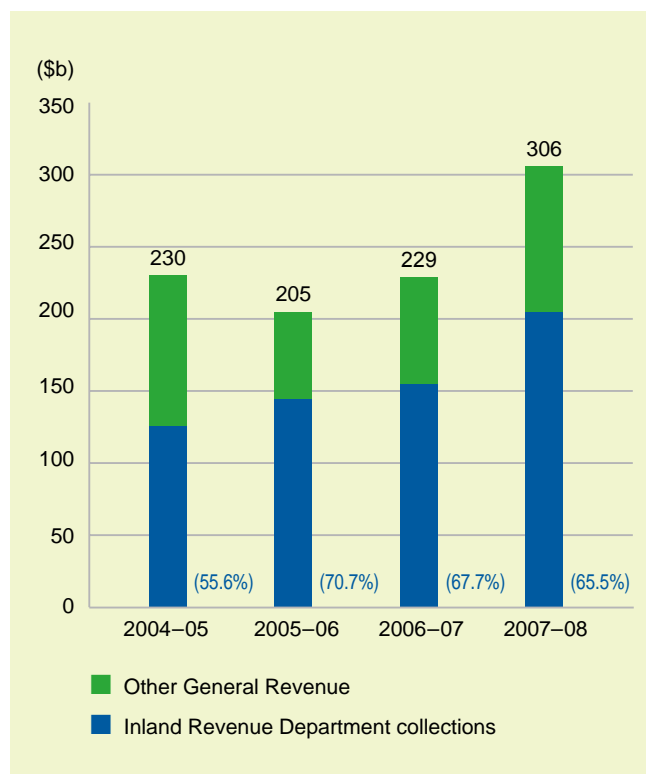


Figure 3 Composition of the revenue collection

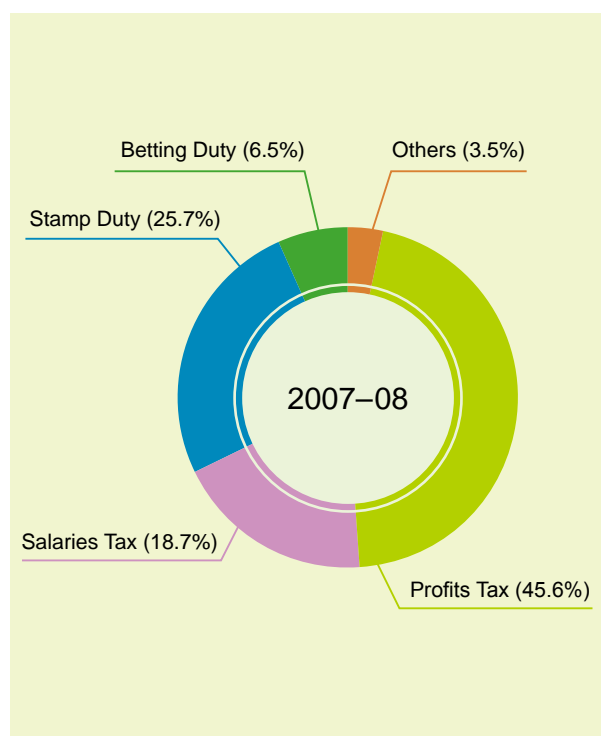
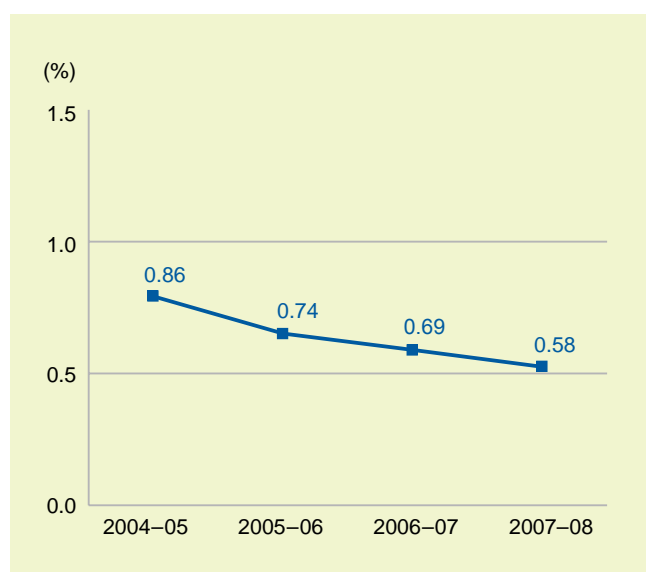


Figure 4 Cost of collection



With material productivity savings and an increase in revenue collections during the year, the cost of collection of revenue decreased from 0.69% to 0.58% (**Figure 4**).

The Department raises revenue through taxes, duties and fees in accordance with the relevant legislations. While the duties and fees collected for a year are based on the actual results of the year, the earnings and profits tax assessed are principally computed by reference to the incomes/profits of the taxpayers in the previous year. For 2007–08, the earnings and profits tax assessed increased by \$13.6 billion (11%), as compared with the previous year. The total of duties and fees collected also rose significantly by 68%.

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 2007–08, the profits tax rates for corporations and non-corporate persons remained unchanged at 17.5% and 16% respectively.

With a buoyant economy and a growth in business profits, profits tax assessed in 2007–08 increased by \$16 billion (20%) compared with the previous year. Total profits tax assessed during the year amounted to \$95.9 billion (**Figure 5**). Of the total tax assessed, the property and financial sectors together contributed 41.6% (**Figure 6**). Further statistics relating to the tax assessed in respect of different business sectors are shown in **Schedules 3** and **4**.

Figure 5 Profits tax assessed

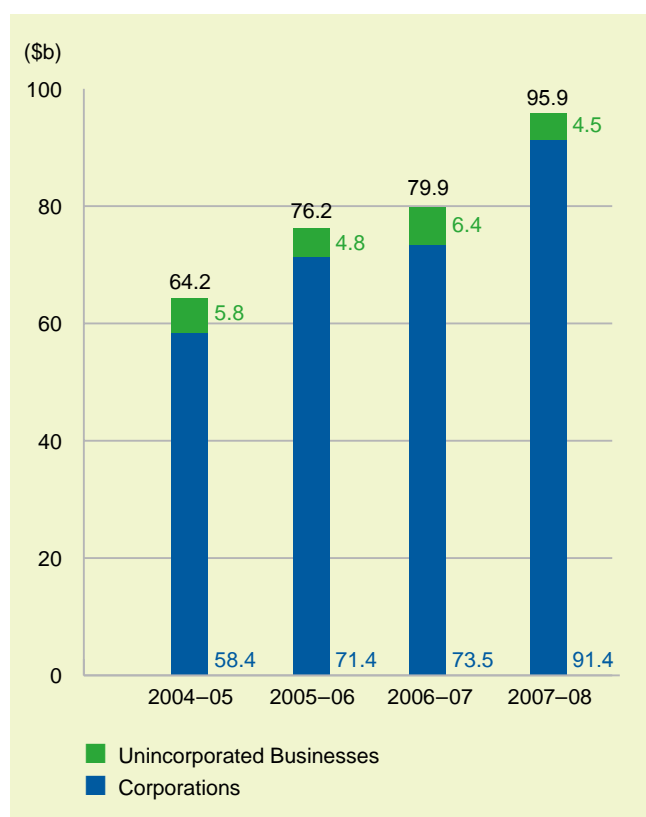
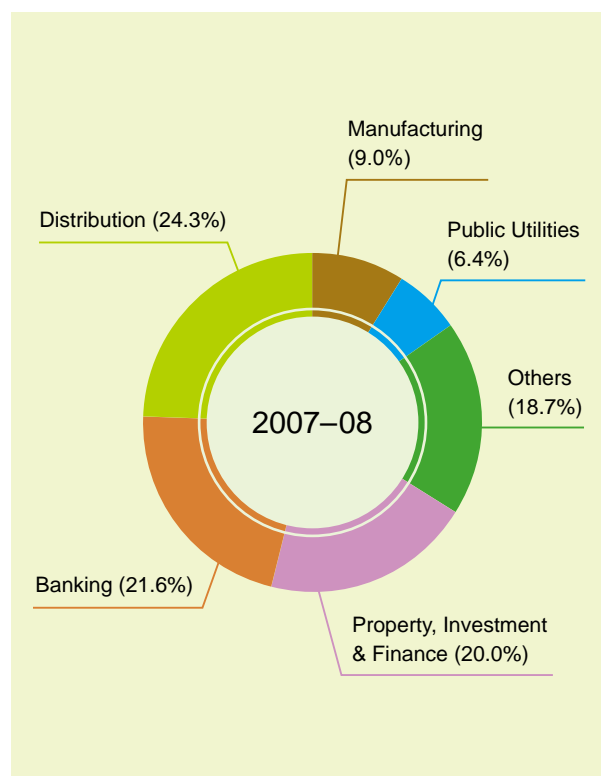


Figure 6 Corporate profits tax assessed ratios by business sectors



Salaries Tax

Salaries tax is charged on all income arising in or derived from Hong Kong from any office (e.g. a directorship), employment or pension. The total tax payable is restricted to an amount not exceeding

the standard rate of salaries tax of the net total income (without allowances) of the individual concerned. For the year of assessment 2007–08, the standard rate remained unchanged at 16%.

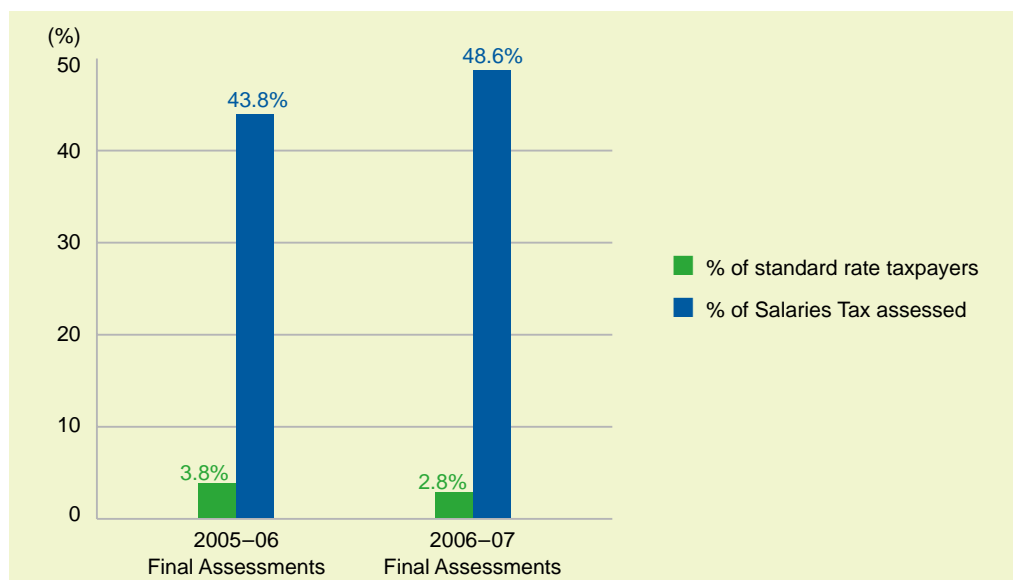
Compared with the previous year, the number of assessments made increased slightly by 2.2% whereas 5.6% less tax was assessed during 2007–08 following the implementation of the tax relief measures for salaries tax in the 2007–08 Budget (**Figure 7**). Analyses of tax assessed and allowances granted in respect of taxpayers at various income levels are provided in **Schedules 5** and **6**.

Figure 7 Salaries tax assessment



The number of standard rate taxpayers decreased by 10,749 from 47,455 last year to 36,706 this year. These taxpayers together contributed 48.6% of the salaries tax assessed, compared to 43.8% last year (**Figure 8**).

Figure 8 Standard rate taxpayers



Notification Requirements of Employers

Apart from reporting commencements and cessations of employments, employers are required to prepare annual returns to report the emoluments of each of their employees. During the year, 267,178 employers filed employer's returns with the Department.

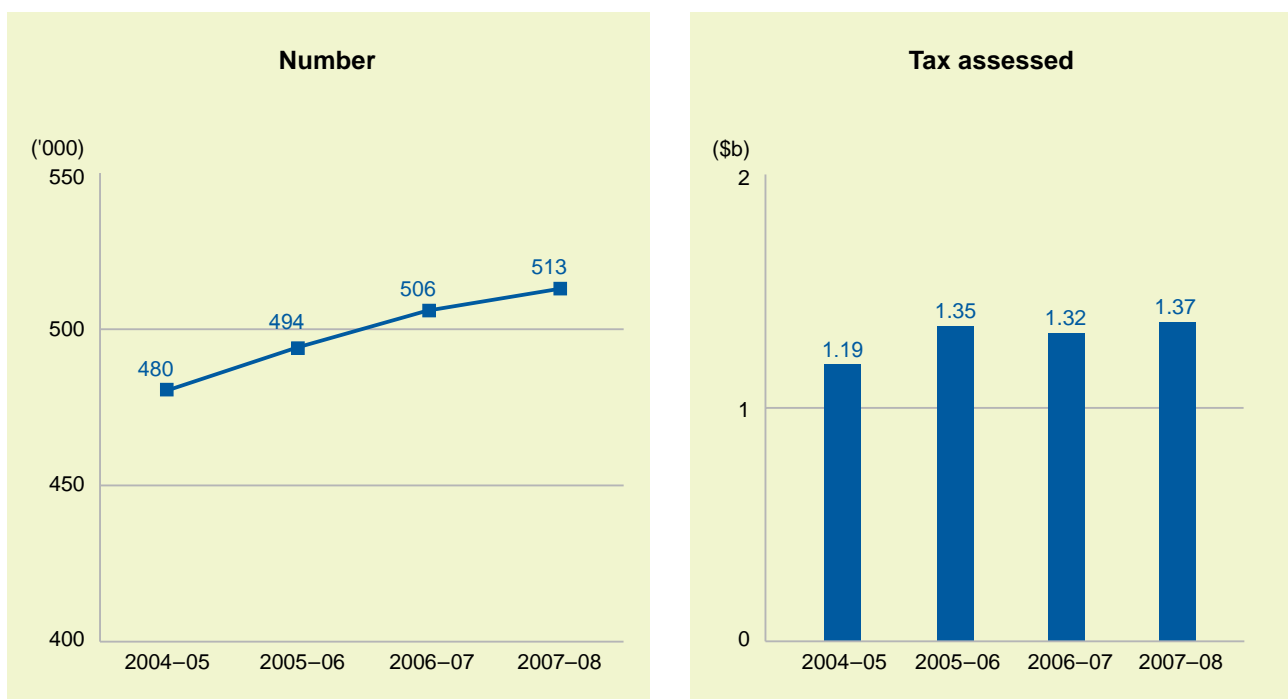
The Department provides e-Seminars and disseminates tax information to employers on the IRD Homepage in order to enhance their understanding of the relevant statutory requirements. The contents relate to completion of employer's return, employer's obligation, answers to frequently asked questions etc. Employers can also obtain specimens of completed employer's return 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 2007–08, the standard rate remained unchanged at 16%. Incorporated and unincorporated businesses that pay property tax in respect of their business premises 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 corporate 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 and ownership of properties, based on the records of the Department, are provided in **Schedule 7**. The number of assessments made during the year increased by 1.4%, compared with the previous year. Reflecting a continuous rising trend in rent, the amount of property tax assessed increased by 3.9% (**Figure 9**).

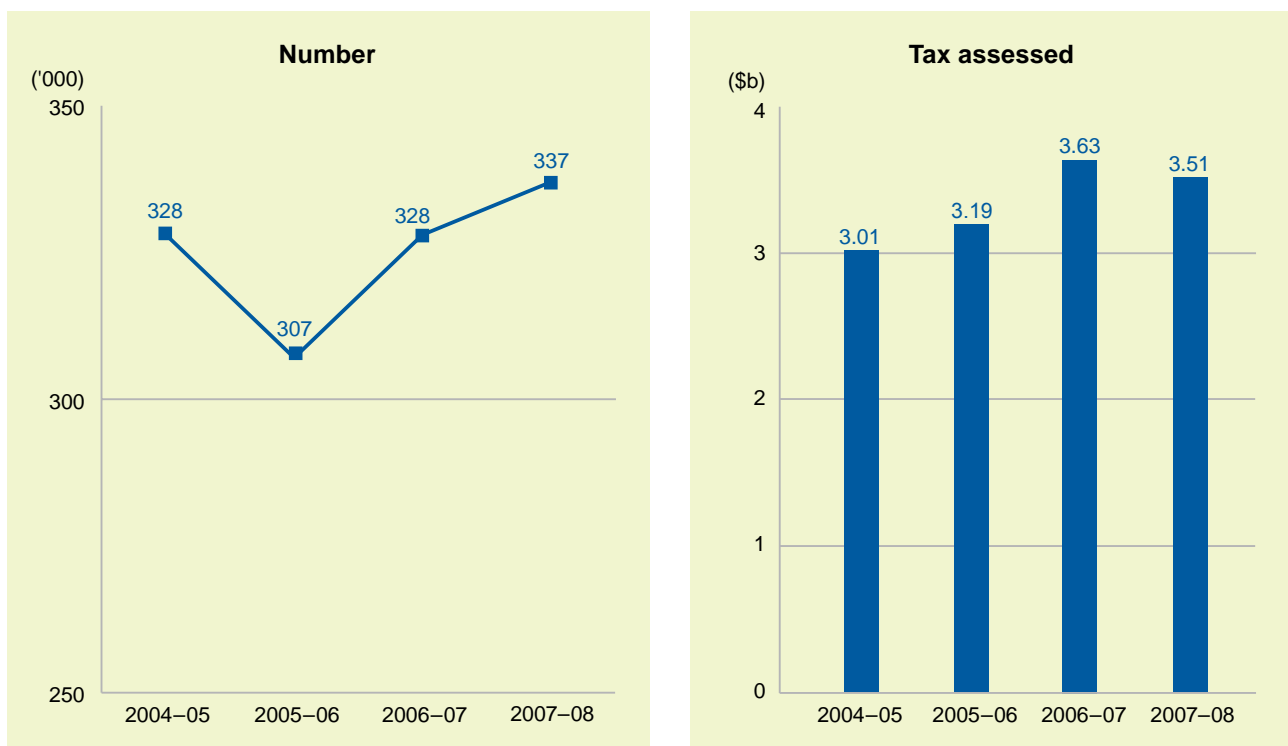
Figure 9 Property tax assessment



Personal Assessment

An individual may elect 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 the deduction of all allowances, assessed at the graduated tax rates. In appropriate circumstances, this reduces the total tax liability of the individual (e.g. an individual who would otherwise be chargeable at the standard rate on each separate income source). The number of assessments made in 2007–08 was 2.7% more than the previous year whereas the amount of tax assessed decreased by 3.3% following the implementation of the tax waiving measure in the 2007–08 Budget for personal assessment (**Figure 10**).

Figure 10 Assessment made under personal assessment



Advance Ruling

The advance ruling service allows a person to apply for a 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 "Territorial Source Principle", or \$10,000 for a ruling on any other matter.

The Department endeavours to provide a ruling within 6 weeks of the date of application, provided that all relevant information is furnished with the application and further information from the applicant is not required.

During the year, 50 advance ruling applications were processed (**Figure 11**). Most of the applications were for rulings on profits tax matters.

Figure 11 Advance ruling

	2006–07 Number	2007–08 Number
Awaiting decision at the beginning of the year	10	15
Add: Application received during the year	<u>47</u>	<u>47</u>
	57	62
Less: Disposed of –		
Ruling made	31	33
Application withdrawn	9	12
Ruling declined	<u>2</u>	<u>5</u>
	42	50
Awaiting decision at the end of the year	<u>15</u>	<u>12</u>

Objection

A taxpayer who is aggrieved by an assessment made under the Inland Revenue Ordinance may lodge an objection to the Commissioner. A significant proportion of the objections received each year arises from estimated assessments issued to taxpayers who fail to lodge returns on time. An objection of this nature must be supported by a completed return and, where applicable, by supporting accounts. Most of these objections are settled promptly by reference to the returns subsequently submitted. Many of the other types of objections are also settled by agreements between the taxpayers and the assessors concerned. Relatively few objections are ultimately referred to the Commissioner for determination. During the year, the Department processed over 65,500 objections (**Figure 12**).

Figure 12 Objection statistics

	2006–07 Number	2007–08 Number
Awaiting settlement at the beginning of the year	26,605	26,929
Add: Received during the year	<u>75,394</u>	<u>62,651</u>
	101,999	89,580
Less: Disposed of –		
Settled or withdrawn	74,237	64,673
Assessment confirmed	510	454
Assessment reduced	202	254
Assessment increased	113	131
Assessment annulled	<u>8</u>	<u>9</u>
	75,070	65,521
Awaiting settlement at the end of the year	<u>26,929</u>	<u>24,059</u>

Appeal 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) to have the determination reviewed. As at 31 March 2008, the Board consisted of a chairman and 8 deputy chairmen, who have legal training and experience, as well as 102 other members. During the year, the Board processed 89 appeals (**Figure 13**).

Figure 13 Appeal to the Board of Review

	Number
Awaiting hearing or decision as at 1 April 2007	52
Add: Lodged during the year	<u>95</u>
	147
Less: Disposed of –	
Withdrawn	29
Assessment confirmed	36
Assessment reduced in full	3
Assessment reduced in part	10
Assessment increased	8
Assessment annulled	1
Others	<u>2</u>
	<u>89</u>
Awaiting hearing or decision as at 31 March 2008	<u><u>58</u></u>

Appeal to the Courts

A decision of the Board of Review 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 for the opinion of the Court of First Instance. Apart from appeals by way of case stated, occasionally the parties may lodge appeals to the Court through judicial review proceedings.

During 2007–08 the Court of First Instance ruled on five cases relating to the Inland Revenue Ordinance, including one judicial review case initiated by a taxpayer against the Board's refusal to state a case. The Court found that the Board acted reasonably in refusing the application. The issues decided in the other four cases included the taxability of gratuity received by a taxpayer upon termination of employment, deductibility of expenses incurred in acquiring permanent quota under profits tax, and whether the anti-avoidance provisions had been correctly applied.

After delivery of the five judgments by the Court of First Instance, appeals to the Court of Appeal were made by taxpayers in two avoidance cases and by the Commissioner in the gratuity case which was allowed by the Court of First Instance.

During the year the Court of Appeal handed down eight judgments relating to the Inland Revenue Ordinance, six of which were in favour of the Commissioner. One of these judgments related to judicial

review proceedings initiated by the taxpayer, four of them related to the taxability of profits from property redevelopment and the remaining one concerned the deductibility of share dealing loss. The Court ruled against the Commissioner in two cases which were related to application of the anti-avoidance provisions. While the judicial review case had become final, in the other seven cases either the taxpayers or the Commissioner lodged appeal to the Court of Final Appeal against the judgments.

The Court of Final Appeal heard six cases during the year and ruled in favour of the Commissioner in five of them which related to the application of anti-avoidance provisions, taxability of profits from property transaction, and the deductibility of share dealing loss. In respect of the remaining case which involved the source of brokerage income under profits tax, the Court of Final Appeal allowed the taxpayer's appeal.

Figure 14 sets out statistics concerning appeals to the Courts for 2007–08.

Figure 14 Appeal to the Courts

	Court of First Instance	Court of Appeal	Court of Final Appeal	Total
Awaiting hearing or decision as at 1 April 2007	6	10	5	21
Add: Lodged during the year	<u>8</u>	<u>2</u>	<u>5</u>	<u>15</u>
	14	12	10	36
Less: Disposed of –				
Decided	5	8	6	
Discontinued	<u>1</u>	<u>6</u>	<u>–</u>	<u>8</u>
		8	–	20
Awaiting hearing or decision as at 31 March 2008	<u>8</u>	<u>4</u>	<u>4</u>	<u>16</u>

Business Registration

The Department aims to maintain an efficient business registration system. Every person carrying on business in Hong Kong must register the business and pay the required fee. Registered businesses may renew their registration certificates either annually or once every 3 years. The registration fee and levy for the Protection of Wages on Insolvency Fund are respectively \$2,000 and \$450 (from 14 March 2008) if paid annually, or \$5,200 and \$1,350 (from 14 March 2008) if paid every three years. Up to 31 March 2008, 13,246 businesses had taken the 3-year certificates.



As the economy continued to grow, the total number of new and re-opened registrations in 2007–08 was 14,885 higher than that of the previous year while the number of cancelled registrations decreased by 8,453 (**Schedule 8**). The total number of active registrations recorded a growth of 54,468 for the year (**Figure 15**). There was a corresponding increase in the number of certificates issued, leading to an increase of \$68 million in the business registration fees collections (**Figure 16**).

Figure 15 Active business registration

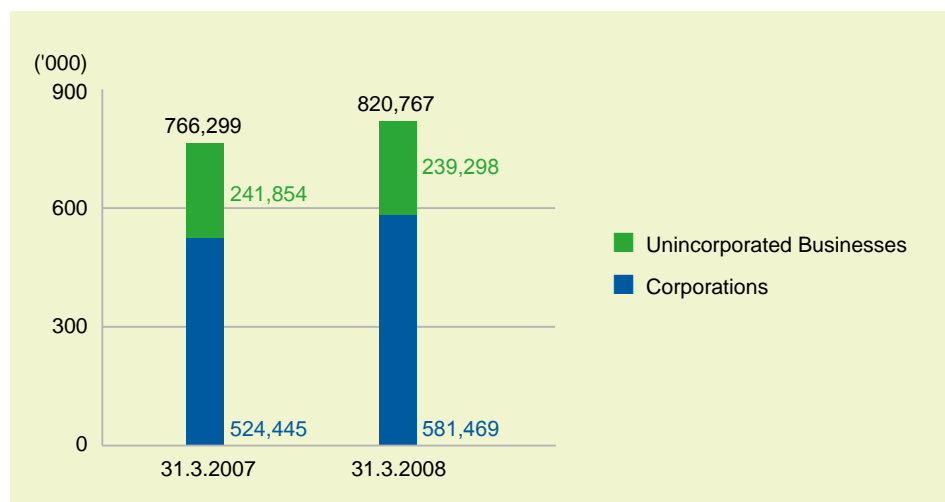


Figure 16 Certificates issued and fees collected

	2006–07	2007–08	Increase
Number of certificates issued (Main and Branch)	805,915	856,489	+6.3%
Fees (inclusive of penalties) (\$m)	1,497.9	1,565.8	+4.5%

Under the Business Registration Ordinance, a small business with average monthly sales or receipts below a specified limit (\$10,000 for a business mainly deriving profits from the sale of services or \$30,000 for other businesses) could apply for exemption from payment of the fee and levy. The number of total exemptions granted during the year was 18,120, representing a decrease of 4.5% from the previous year.

Where an application for exemption is not allowed, the business operator may appeal to the Administrative Appeals Board. 6 appeals were received by the Board in 2007–08, of which 1 was allowed and 1 was dismissed by the Board. The remaining cases were subsequently withdrawn by the appellant (**Figure 17**).

Figure 17 Appeal to the Administrative Appeals Board

	Number
Awaiting hearing as at 1 April 2007	2
Add: Lodged during the year	<u>6</u>
	8
Less: Disposed of –	
Appeal allowed	1
Appeal dismissed	1
Appeal withdrawn	<u>6</u>
	<u>8</u>
Awaiting hearing as at 31 March 2008	<u><u>0</u></u>

Stamp Duty

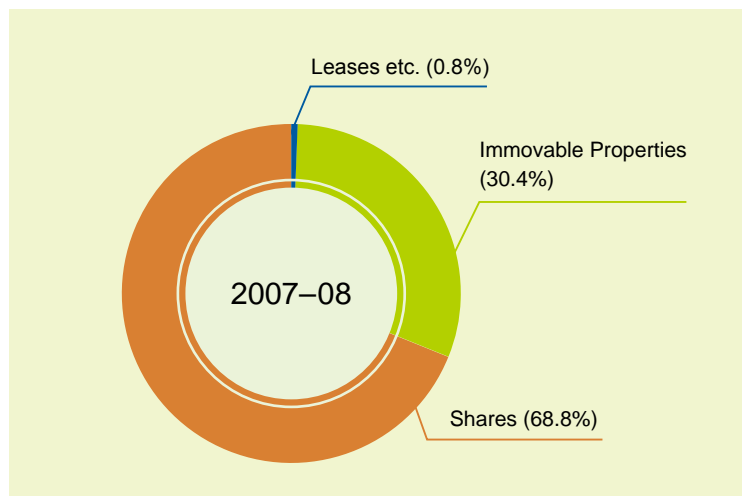
Stamp duty is charged on instruments effecting property and stock transactions and leasing of property (**Figure 18**).

With the prospering economy, the property market in 2007–08 performed strongly with an increase in both the number and value of property transactions. The stamp duty collections from property transactions increased by 62% when compared with the previous year.

The stock market was very active throughout the year, with trading value reaching an all-time high. The stamp duty collections from share transactions in 2007–08 reached a record high of \$35.4 billion, an increase of 136% from the previous year.

Overall, there was an increase of 106% in total stamp duty collections during the year (**Figure 19** and **Schedule 9**). The number of documents being stamped also increased by 25% (**Schedule 10**).



Figure 18 Composition of stamp duty collections**Figure 19 Stamp duty collections**

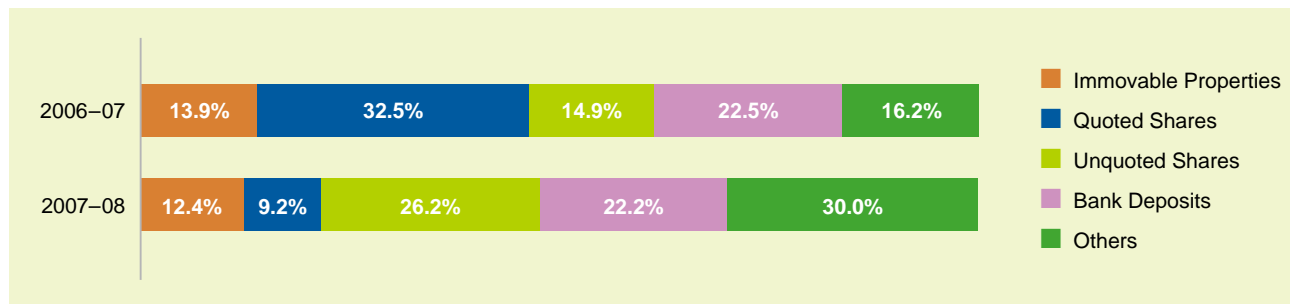
	2006–07 (\$m)	2007–08 (\$m)	Increase
Immovable Properties	9,700	15,701	+62%
Shares	15,027	35,447	+136%
Leases etc.	349	401	+15%
Total	25,076	51,549	+106%

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. No estate duty affidavits and accounts need to be filed and no estate duty clearance papers are needed for the application for a grant of representation in respect of deaths occurring on or after that date. The estate duty chargeable in respect of estates of persons dying on or after 15 July 2005 and before 11 February 2006, with the principal value exceeding \$7.5 million, will be reduced to a nominal amount of \$100. Due to the abolition of estate duty, the number of new cases in 2007–08 decreased significantly by 54.7% to 2,885, as compared with 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**

	2006-07	2007-08
New cases	<u>6,362</u>	<u>2,885</u>
Cases finalised		
Dutiable	412	159
Exempt	<u>6,827</u>	<u>2,893</u>
	<u>7,239*</u>	<u>3,052</u>

Note: * The figure does not include the support services provided to the estate beneficiaries of 4,988 cases on behalf of the Secretary for Home Affairs.

Estate duty of \$353 million was collected during the year (**Schedule 11**), a decrease of \$424 million (54.6%) 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). \$129 million was received during the year in advance of the issue of formal assessments (**Schedule 12**).

Betting Duty

Betting duty is charged on the net stake receipts derived from the conduct of authorised betting on horse races by the HKJC Horse Race Betting Limited; on the proceeds of lotteries conducted by the HKJC Lotteries Limited and on the net stake receipts derived from the conduct of authorised betting on football matches by the HKJC Football Betting Limited. Before 1 September 2006, the effective date of the Betting Duty (Amendment) Ordinance 2006, betting duty on horse racing was charged on bets made on totalisators at race meetings conducted by the Hong Kong Jockey Club.

In 2007-08, the rates of duty on horse racing, lotteries and football betting remained unchanged (**Figure 22**).

Figure 22 Rates of betting duty in 2007–08

		Rate
Horse race betting	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%
Lotteries	Proceeds	25%
Football betting	Net stake receipts	50%

Note: * For overseas bets, the discount rate for specified places (e.g. Macau) is 40%, whereas the discount rate for a place outside Hong Kong (other than specified places) is 50%.

In 2007–08, the racing attendance increased (**Schedule 13**) and the duty collections from horse racing rose by 9.2%. The lotteries duty collections and the football betting duty collections increased respectively by 9.0% and 5.4%. Total betting duty collections in 2007–08 was 8.3% higher than the previous year (**Figure 23**).

Figure 23 Betting duty collections

	2006–07 (\$m)	2007–08 (\$m)	Increase
Horse racing	7,703.5	8,414.9 *	+9.2%
Lotteries	1,547.4	1,686.0	+9.0%
Football betting	2,796.5	2,947.5	+5.4%
Total	12,047.4	13,048.4	+8.3%

Note: * Included the "top-up" amount of \$119 million for the racing year of 2006–07 — The Hong Kong Jockey Club has provided to the Government a guarantee of \$8 billion on the duty on horse race betting in each of the first three years of implementation of the Betting Duty (Amendment) Ordinance 2006.

Hotel Accommodation Tax

Hotel accommodation tax is imposed on hotel and guesthouse accommodation at the rate of 3% of the accommodation charges paid by guests and is collected quarterly in arrears.

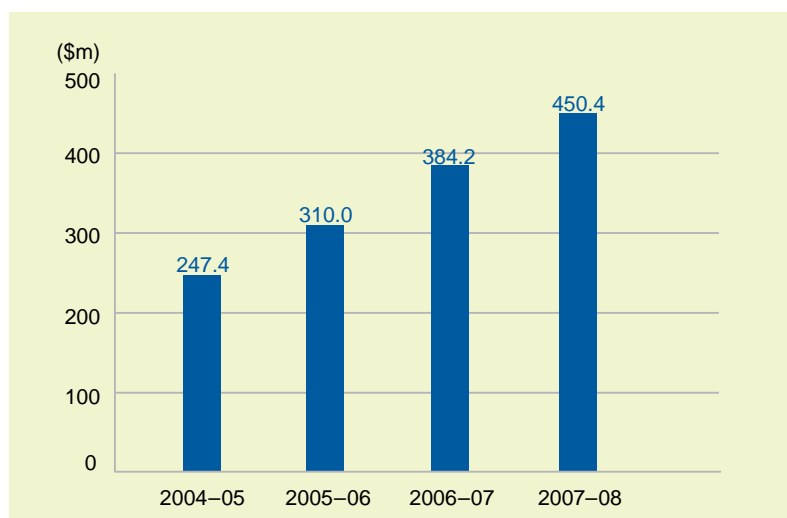
In 2007–08, there was an increase in the number of hotels, guesthouses and taxable rooms (**Figure 24**). Though the average room occupancy rate slightly decreased by 2% (**Figure 25**), both the number of the room days occupied and the average room charge increased (**Schedule 14**). As a result, total tax collected in the year was 17% higher than that of the previous year (**Figure 26**).

Figure 24 Hotels, boarding houses, taxable rooms and exempted rooms

	2006–07	2007–08	Increase
Hotels and boarding houses	217	230	+6.0%
Taxable rooms	48,470	53,550	+10.5%
Exempted rooms	6,776	6,947	+2.5%

Figure 25 Room occupancy rates

	2006–07	2007–08	Increase/Decrease
Room days	13,757,183	15,135,422	+10%
Occupancy rate	87.4%	85.4%	- 2%

Figure 26 Hotel accommodation tax collections

Tax Reserve Certificates

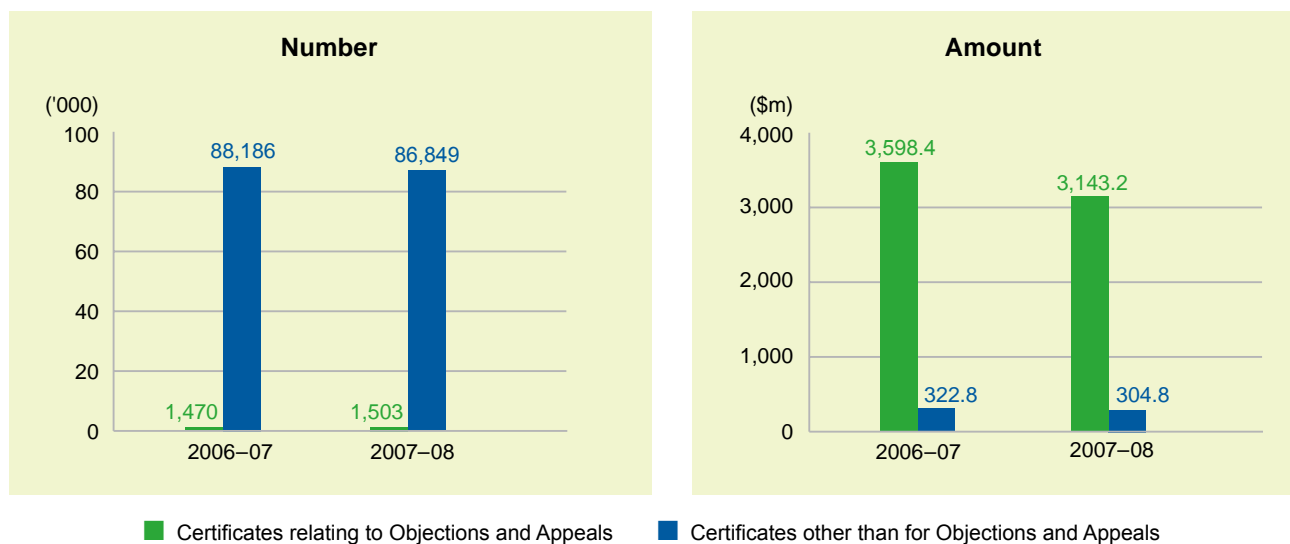
Taxpayers may purchase Tax Reserve Certificates (TRCs) under two situations.

The first applies to taxpayers who wish to save for the payment of their future tax liabilities. IRD 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.

In 2007–08, there was a modest decrease in both the number and the amount of TRCs sold under the "Electronic Tax Reserve Certificates Scheme" and the "SAYE Scheme". The number and the amount of TRCs sold dropped by 1% and 6% respectively under the "Electronic Tax Reserve Certificates Scheme", and by 2% and 4% respectively for the "SAYE Scheme" (**Schedule 15**). Overall, the total amount of TRCs sold decreased by 6% (**Figure 27**).

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, if any, subsequently required to be repaid to the taxpayer, and is computed at floating rates over the tenure of the TRC.

Figure 27 Certificates sold



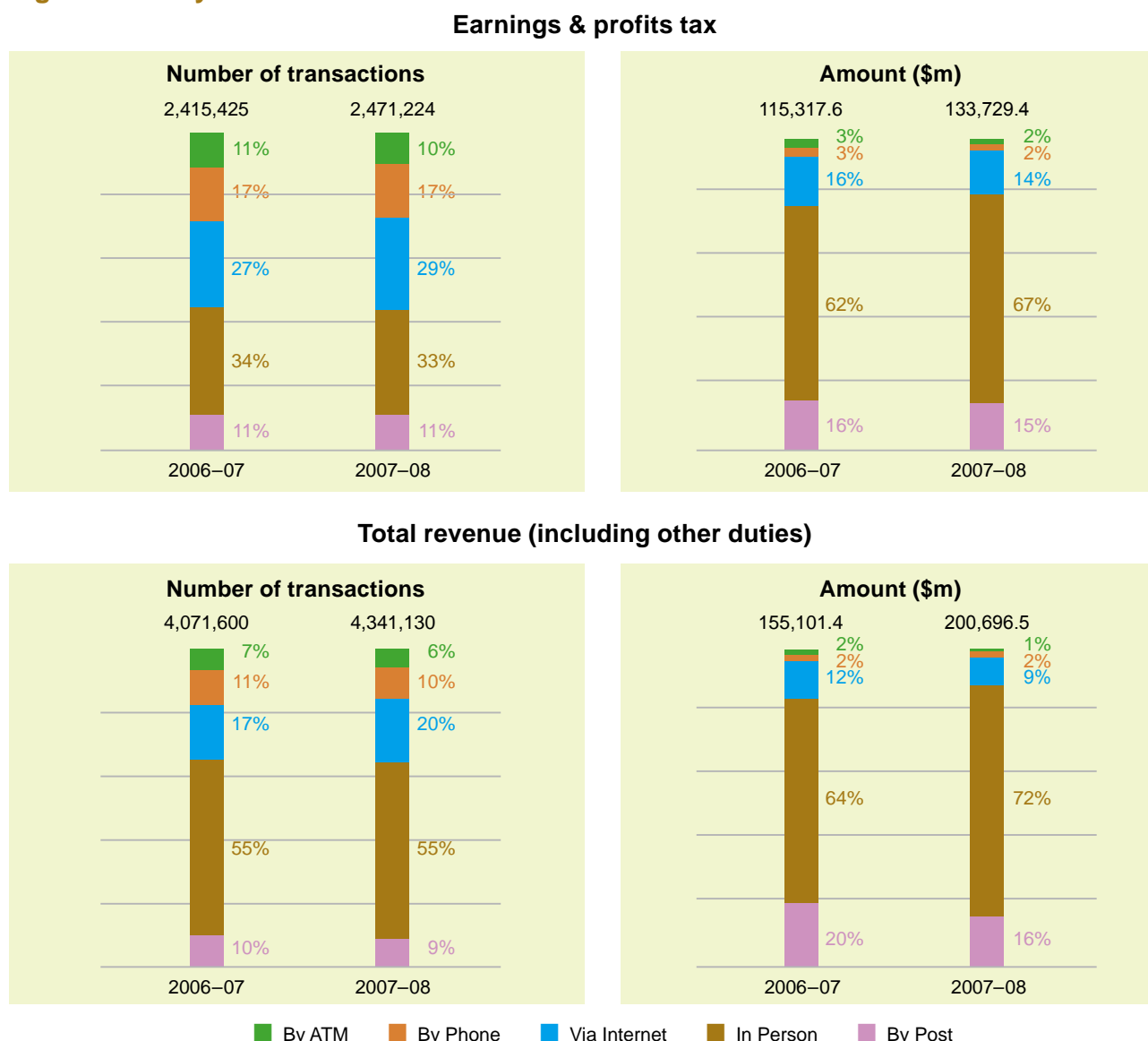
Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 16 and 17** provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2007–08.

Collection of Tax

There are various payment methods that a taxpayer can choose to settle his tax liability, including electronic payments (by phone, bank ATM or the Internet), payment in person or payment by post. Electronic tax payments have been well received by the public. For earnings and profits tax, 56% of the payment transactions in 2007–08 were made through electronic means, representing a modest increase of 1% over last year. **Figure 28** shows the respective percentages of the different payment methods used by taxpayers under earnings of profits tax and total revenue.



Figure 28 Payment methods



Refund of Tax

Refunds were made to taxpayers for various reasons, such as overpayment of tax or revision of an assessment. Owing to the waiver of 2006–07 salaries tax and tax under personal assessment, both the number and amount of refunds made in 2007–08 have increased as compared with the previous year. Around 430,000 tax refund cases totalling \$7.3 billion were made, representing an increase of 15% in the number of cases and 6% in the amount of refunds (**Figure 29**).

Figure 29 Tax refunds

Type of tax	2006–07		2007–08	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	29,900	3,732.0	29,838	3,642.9
Salaries tax	292,934	1,732.2	346,314	2,025.7
Property tax	15,002	123.7	15,335	149.6
Personal assessment	23,970	215.4	25,655	255.5
Others	<u>15,370</u>	<u>1,082.7</u>	<u>15,276</u>	<u>1,258.5</u>
Total	<u>377,176</u>	<u>6,886.0</u>	<u>432,418</u>	<u>7,332.2</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.

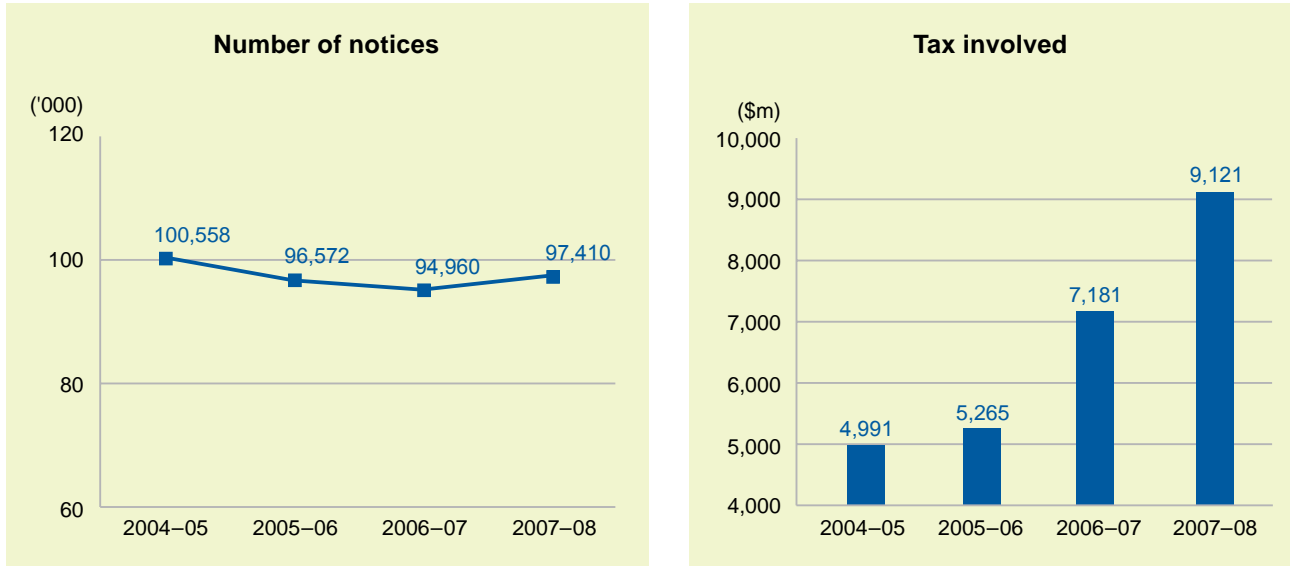
Any tax in default is immediately recoverable. Recovery notices can be issued to third parties (including employers, bankers and other parties owing money to or holding money on behalf of the defaulting taxpayers) to effect collection. Actions may also be commenced in the District Court.

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 2007–08.

Figure 30 Recovery action

Recovery notices



Recovery actions in the District Court

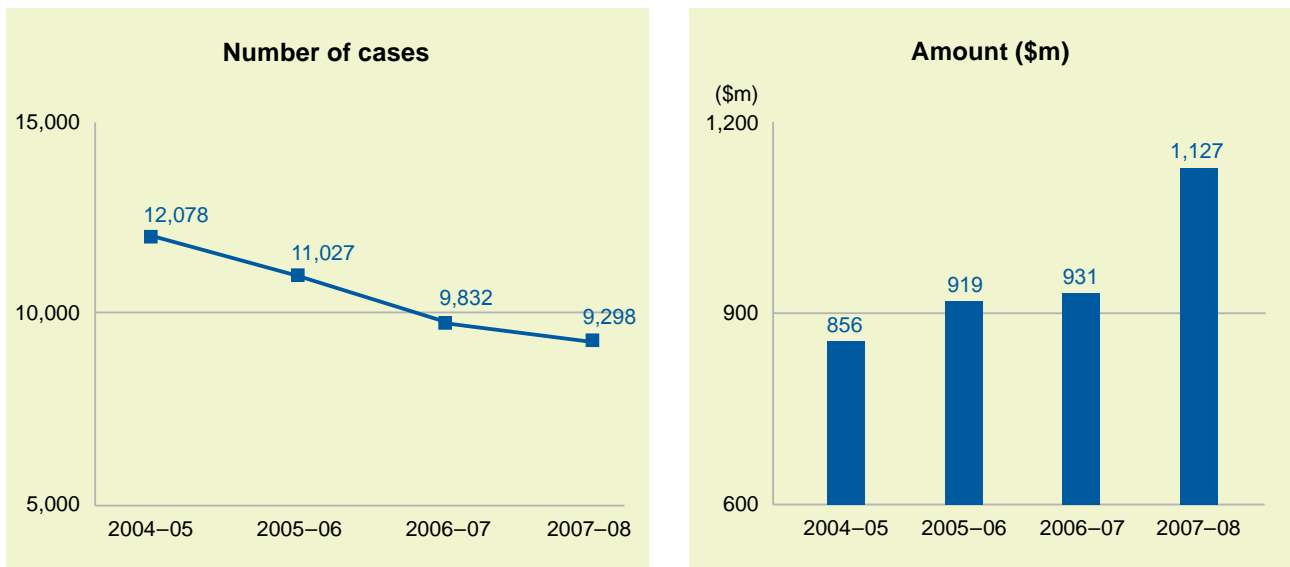


Figure 31 Legal costs and judgment interest collected in 2007–08

	\$	\$
Court cost		
Court fees	2,702,031	
Execution fees	<u>46,560</u>	2,748,591
Fixed cost		1,125,492
Judgment interest		
Pre-judgment interest	6,716,634	
Post-judgment interest	<u>29,311,154</u>	<u>36,027,788</u>
Total costs and interest collected		<u>39,901,871</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, for his issuance of the "departure prevention direction". 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.

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 2007–08, the Field Audit and Investigation Unit completed 1,864 cases (including avoidance and prosecution cases) and assessed back tax and penalties of about \$2.5 billion (**Figure 32**).



Figure 32 Results of the Field Audit and Investigation Unit

	2004–05	2005–06	2006–07	2007–08
Number of cases completed	1,863	1,873	1,875	1,864
Understated earnings and profits (\$m)	13,814.3	10,934.9	10,474.8	12,133.2
Average understatement per case (\$m)	7.4	5.8	5.6	6.5
Back tax and penalties assessed (\$m)	2,828.2	2,118.3	2,196.2	2,528.5
Back tax and penalties collected (\$m)	2,887.6	2,189.2	2,444.6	2,548.3

Field Audit

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.

In 2007–08, there were 17 Field Audit sections.

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 2007–08, the Field Audit and Investigation Unit completed 188 tax avoidance cases and assessed back tax and penalties of about \$590 million (**Figure 33**).

Figure 33 Results of the audit on tax avoidance cases

	2004–05	2005–06	2006–07	2007–08
Number of cases completed	213	209	195	188
Understated earnings and profits (\$m)	7,507.6	4,542.3	4,608.9	4,246.7
Average understatement per case (\$m)	35.2	21.7	23.6	22.6
Back tax and penalties assessed (\$m)	1,375.7	624.2	778.6	591.0

Investigation

Investigation officers are responsible for conducting in-depth investigations where tax evasion is suspected, and taking penal actions (including prosecution proceedings in appropriate cases) to create a deterrent to tax evasion.

In 2007–08, there were 5 Investigation sections.

Prosecution

One of the 5 Investigation sections focuses on criminal investigation of tax evasion.

Tax evasion is a serious crime. If a person is convicted of tax evasion, the Inland Revenue Ordinance provides for a maximum custodial sentence of three years.

In 2007–08, the Department successfully prosecuted 8 tax evasion cases. They mainly involved taxpayers omitting or understating sales/profits or rental income. In the 8 cases, the defendants were each sentenced to 2 to 24 months' imprisonment, with immediate custodial sentences given in 4 cases and suspended sentences for the remaining 4 cases. The maximum case was fined \$1.3 million whereas in another case the fine represented 270% of the tax evaded.



Property Tax Compliance Checks

In addition to conducting audits on businesses, the Unit also carries out verification checks on the correctness of rental income reported by property owners. Commencing from 2006–07, the Department broadened the scope of review to cover cases with lower rental income. In 2007–08, compliance check was completed on 36,703 property tax cases (**Figure 34**).

Figure 34 Results of the property tax compliance checks

	2004–05	2005–06	2006–07	2007–08
Number of cases completed	4,600	10,294	18,162	36,703
Understated rental income (\$m)	194.0	330.1	201.9	258.1
Back tax and penalties assessed (\$m)	23.3	40.9	25.6	33.0

The Department aims to provide high quality customer-oriented services. Particular emphasis is placed on making relevant information readily available to taxpayers. Various means are used, such as the Internet, electronic enquiry services and an interactive telephone answering system.

IRD Homepage

www.ird.gov.hk

The IRD Homepage is an effective and important channel for disseminating tax information and providing electronic services to the public. With continuous expansion in the scope and updates on the contents, the homepage enables taxpayers to obtain the most current information about taxes in Hong Kong anytime, anywhere.

Through the homepage, members of the public can:

- obtain information on how to complete tax returns, fulfil tax obligations and solve common tax issues;
- download IRD software and tax forms;
- use the interactive application software to compute their liability under salaries tax and personal assessment; and
- access to the personalised on-line tax services under eTAX, a new taxpayer portal. Annual businesses with the Department, like receipt and filing of tax returns, the receipt and payment of tax bills, and also correspondences with IRD, can all be done on the Internet at all hours.

Other programmes available in the homepage include a Tax Representatives' Corner, as well as e-Seminars for employers, property owners and individual taxpayers.

Electronic Enquiry Services

The Department offers a wide range of electronic enquiry services which serve as convenient alternatives to enquiries in person or by post. Electronic enquiry services are available through eTAX.

Telephone and Counter Enquiry Services

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 and aims to provide, as far as possible, an immediate "one-stop" service.

The Centre makes use of an Interactive Telephone Enquiry System, with 144 telephone lines to provide service. Callers can gain access on a 24-hour basis to a wide range of tax information by listening to recorded messages and obtaining facsimile copies of the information and forms. Callers can choose to speak to operators during office hours. A "Leave-and-call-back" facility, for recording information requests, and a "Fax-in enquiry" service are also available. An eTAX help desk hotline was added in January 2008 to support users of eTAX services at www.gov.hk/etax.



About 1.1 million telephone calls were answered by the Centre during the year. The number of calls answered by staff was 0.64 million (**Figures 35 and 36**).

Figure 35 Number of telephone calls answered

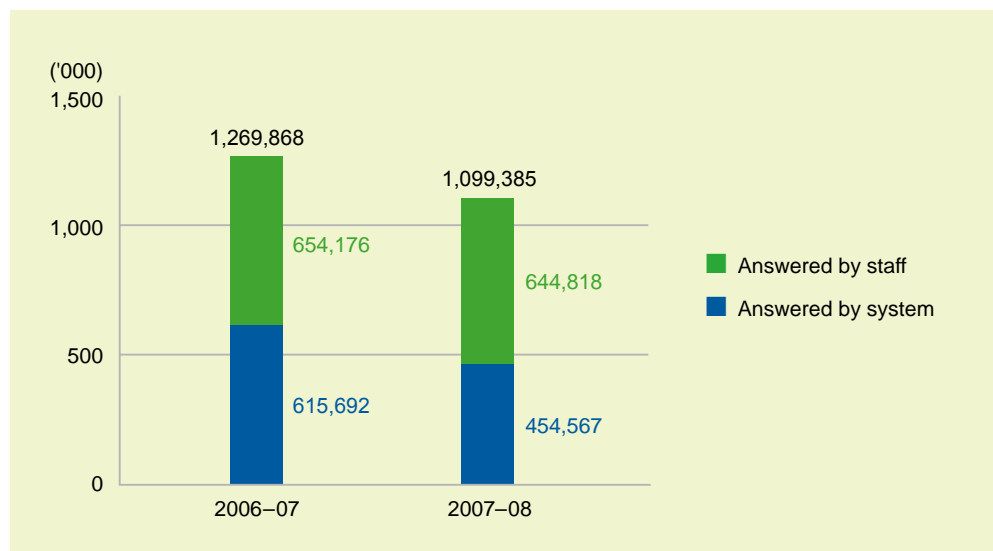


Figure 36 Telephone enquiries

	2006-07	2007-08	Increase/Decrease
No. of calls answered by staff	654,176	644,818	- 1.4%
No. of enquiries answered by staff	717,361	685,510	- 4.4%
No. of calls answered by system	615,692	454,567	- 26.2%
No. of leave-and-call back messages	58,055	12,541	- 78.4%
No. of fax supplied by the system	8,592	9,769	+13.7%

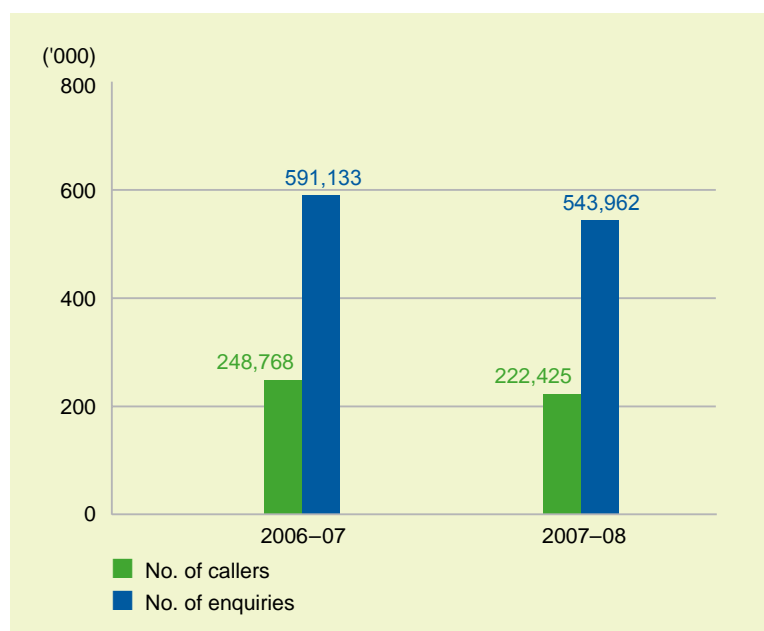


Counter staff of the Centre are generally able to handle enquiries, collect mail and issue forms without the need to refer to other officers in the Department.

Counter enquiries are attended within the shortest possible time. The Centre's electronic queuing system ensures that taxpayers are served in the order of their tag number. The number of counter enquiries handled during the year was 0.54 million (**Figure 37**).

Information leaflets on topics of general interest are available at the two form stands located on the ground and first floors of Revenue Tower. The public may also obtain tax information and download forms from the Department's web site <www.ird.gov.hk>.

Figure 37 Counter enquiries



Tax-help Services for Completion of Tax Returns

On the IRD Homepage we provide e-Seminars for tax representatives, employers, property owners and individual taxpayers. Information on how to complete tax returns, fulfil tax obligations and overcome difficulties in compliance are uploaded to facilitate unlimited access. Enquiries can be raised electronically at the "Q&A Column" and replies will be made on a regular basis.

To answer taxpayers' enquiries on tax returns, the Department extended service hours of telephone operators from 2 May to 2 June, until 7 p.m. from Mondays to Fridays, and 9 a.m. to 1 p.m. on Saturdays.

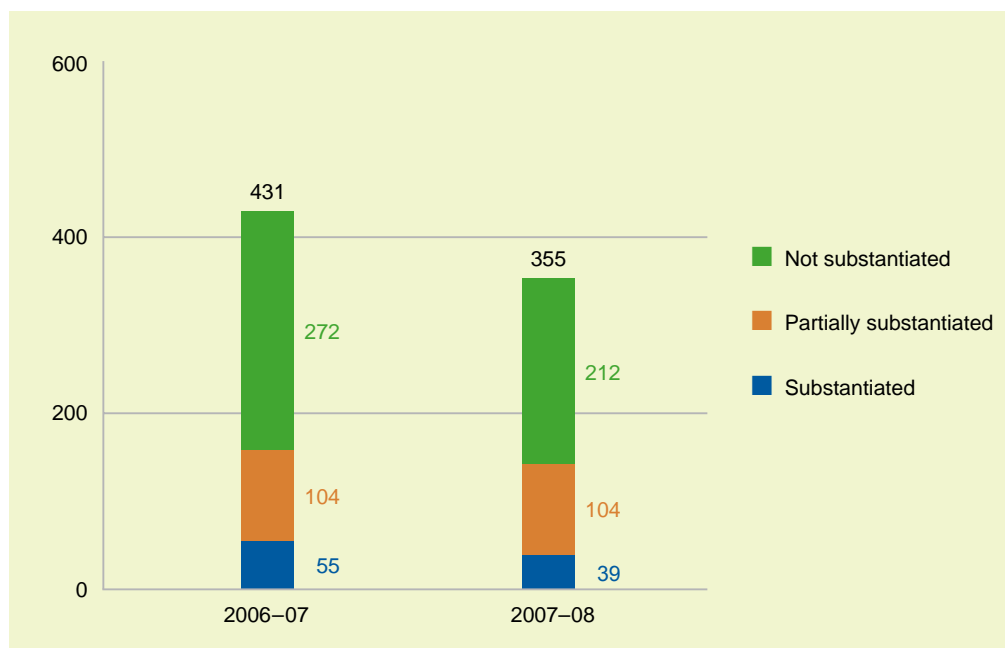
Complaints

If a taxpayer is dissatisfied with the Department's services or cannot solve his or her problem 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, and ensures that their cases are handled in a fair and unbiased manner. During 2007-08, 355 complaints cases were received (**Figure 38**). This represents a decrease of 18%, as compared with the previous year.

If a taxpayer is dissatisfied with any administrative action taken by the Department, the person concerned may refer the matter to the Ombudsman. During the year, the Ombudsman sought written comments from the Department in respect of 14 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

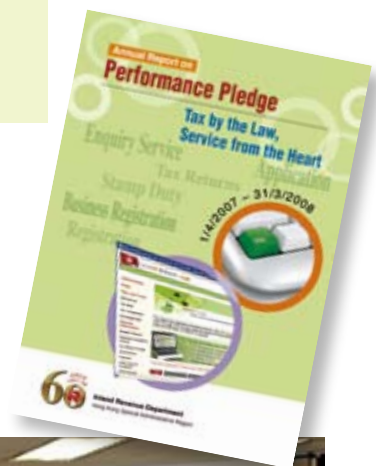
There were 111 Letters of Compliments received during the year.

Figure 38 Complaint cases



Performance Pledges

The service standards a taxpayer can expect from the Department are set out in the Performance Pledges. Through the performance pledge programme, a customer-oriented culture has taken a strong hold within the Department.



The Department has been enhancing its efficiency, productivity and quality of services through strategic use of advanced information technology (IT) and promotion of electronic services.

Information Systems

During the year, the Department continued to employ various Information Systems to enhance productivity and service quality. With the Assess-First-Audit-Later System in place, the Department automated the assessment work and achieved manpower saving and improved efficiency. Investigation works are also facilitated through the use of large database and advanced analysis tools. With extensive utilisation of the Document Management System and Workflow Management System, the management, control and monitoring of documents, files and workflows are enhanced, thus strengthening our efficiency and accountability, ensuring our overall service quality and improving our responsiveness to public requests.

IT Enabled Workplace

The Department has a well-developed network of over 2,600 workstations that supports a computerised and paperless working environment. By using the network facilities, the staff can perform on-line enquiries and updating transactions, process assessments and work tasks allocated to them by the Workflow Management System. They can also have convenient access to the Document Management System to view the images of tax returns and other documents, or to the General Enquiry Knowledge Database for quick access to information and answers for enquiries. The network has greatly improved the efficiency of our day-to-day operations and the handling of general enquiries. To enhance operational efficiency and further reduce paper consumption, e-mail facilities and access to the Internet are provided to all staff of the Department.

Electronic Services

During the year, the Department continued to provide a wide range of electronic services to the public and introduce convenient features to meet users' need.

The electronic tax return filing service has been further improved with enhanced functions such as "Pre-filling of data", "Estimated salaries tax computation", etc. These convenient features make the filing process easier and simpler, and facilitate early planning for tax payment by computing the taxpayer's estimated salaries tax payable immediately upon the return submission.



Our continuous efforts made to develop more user-friendly features have increased the popularity of our e-services. The overall usage of the Department's e-services has increased remarkably. In particular, e-filing in the year has increased by 29% to about 143,000 cases, e-stamping by 83% to nearly 302,000 transactions and e-applications for supply of information on Business Register by 23% to about 63,000 applications. Interactive tax enquiries and requests for related documents have also risen by 95% to nearly 73,000.

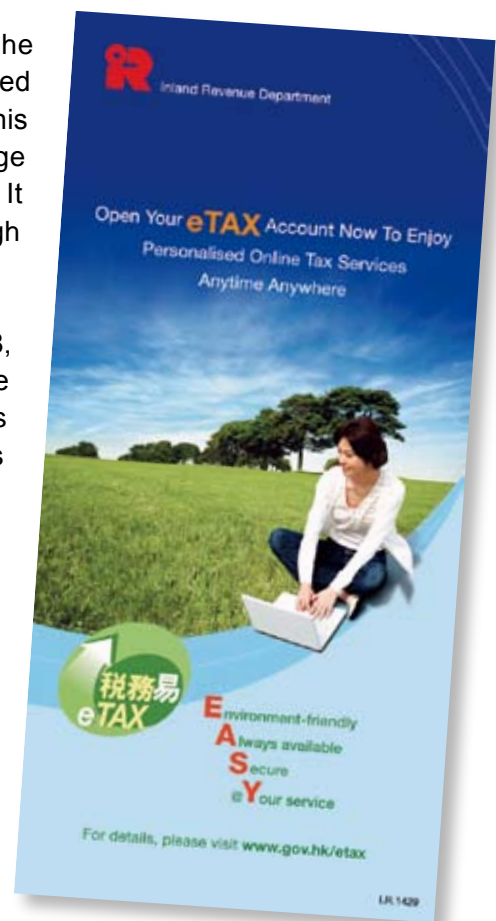
The provision of free software developed by the Department to employers for preparation and submission of annual returns in respect of employee's emoluments continued to attract more employers to use electronic means for filing returns. During the year, some 47,300 employers furnished electronic returns for about 2,470,000 employees. 35,100 of these employers used the free software provided by the Department.

eTAX

To strive for excellence in service quality and to align with the New Wave of e-Government strategy, the Department launched the eTAX this year, marking a milestone in our e-services. This initiative allows taxpayers to have access to a complete range of e-services through the one stop access portal of GovHK. It facilitates taxpayers to comply with their tax obligations through an easy, secure and environment-friendly channel.

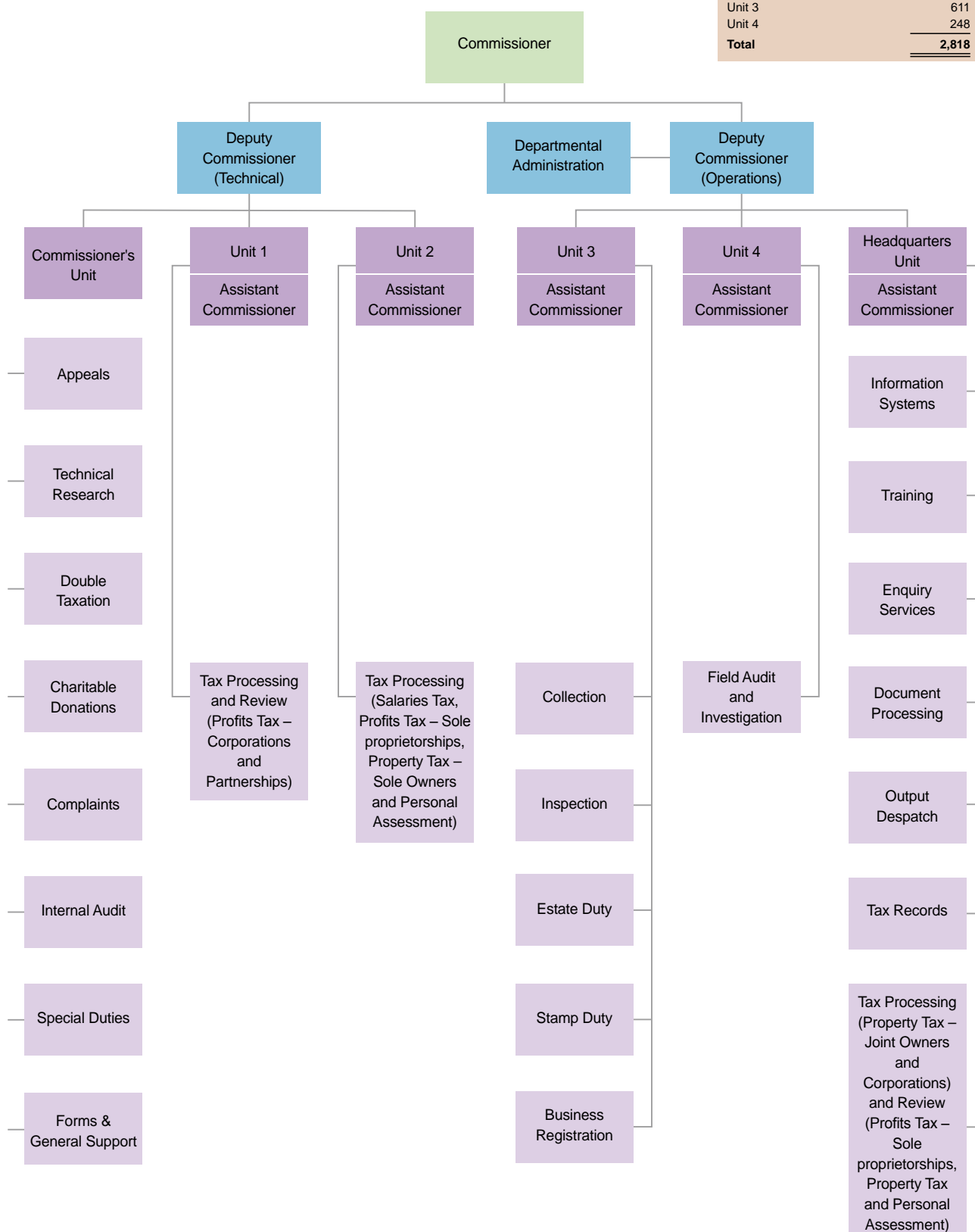
The first phase of services was launched on 19 January 2008, re-provisioning all the services previously provided under the Electronic Service Delivery Scheme to the new platform, as well as launching new e-services to the public. Taxpayers can view their account profile, check the status of tax return, assessment and payment as well as notify changes in personal and business particulars. They can also enjoy other on-line services for stamping of property document, business registration and payment. These personalised on-line tax services enable taxpayers to keep track of their tax position, manage their tax affairs and communicate with the Department more conveniently anytime anywhere. Besides, eTAX Account holders may choose to receive notices and documents related to tax return filing, assessment and tax payment in the form of electronic records instead of paper. This enables them to manage their tax records in an environment-friendly manner.

The scope of eTAX services will be expanded by phases. More new services are launching in the year 2008, including issuing of e>Returns, e-Assessment notices, e-Reminders for outstanding tax, e-Receipts for tax payments, etc. eTAX Account holders will be given e-Alert messages before the due date for filing tax returns and tax payments, which facilitate them to comply with their tax obligation. Through the new platform, taxpayers may also file tax returns electronically and obtain instant estimation of salaries tax payable, as well as lodge objection against tax assessment, application for holding over of provisional tax, etc.



Organisation Chart of Inland Revenue Department as at 31.3.2008

Overall Establishment	
	No. of Staff
Commissioner's Office	84
Commissioner's Unit	61
Headquarters Unit	682
Unit 1	324
Unit 2	808
Unit 3	611
Unit 4	248
Total	2,818



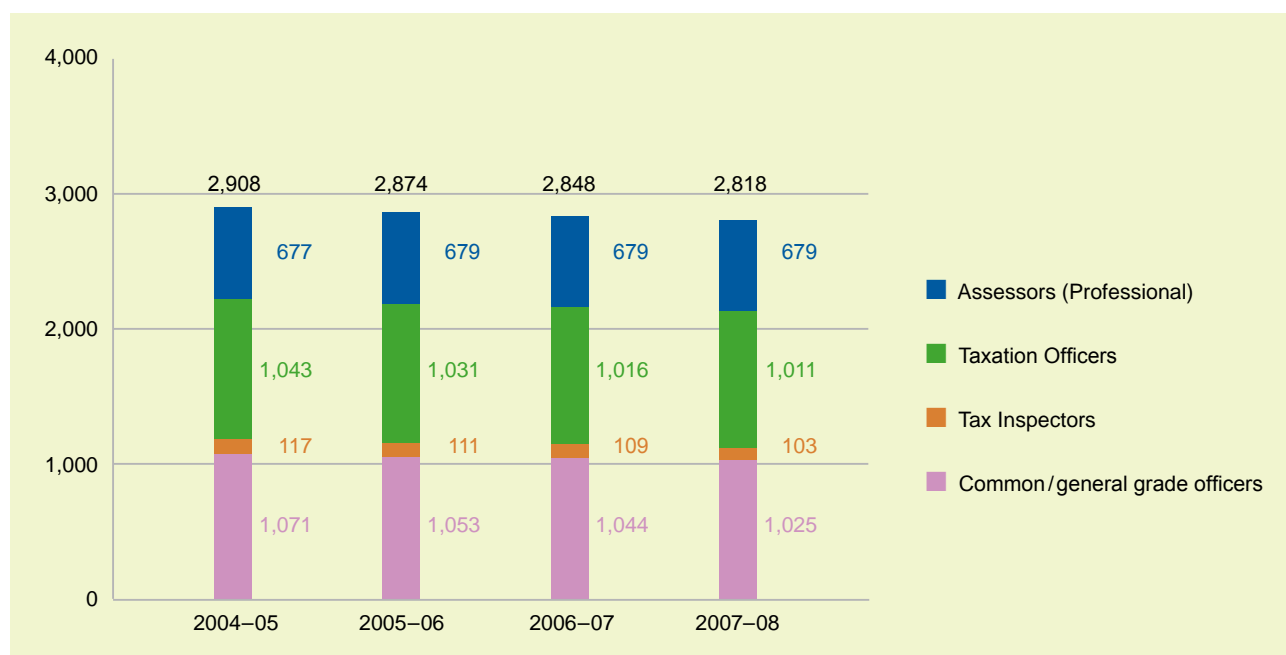
Establishment

The Commissioner, the two Deputy Commissioners and the five Assistant Commissioners form the top management of the Department.

As at 31 March 2008, the Department had an establishment of 2,818 permanent posts (including 25 posts for directorate officers) in the Commissioner's Office and 6 Units. Of the total, 1,793 posts were in departmental grades (namely Assessor, Taxation Officer and Tax Inspector grades), the duties of which are directly concerned with taxation. The remaining 1,025 posts were in common/general grades and provide administrative, information technology and clerical and other support services (**Figure 39**).



Figure 39 Staff establishment



Most of the professional officers serving in the Department were below the age of 45 (**Figure 40**). The ratio of male to female professional officers was 1 : 1.4.

Figure 40 Age profile of professionals (on strength basis)

Age Group	Male		Female		Total	
Below 25	6	(2%)	15	(4%)	21	(3%)
25 to below 35	38	(13%)	86	(22%)	124	(18%)
35 to below 45	112	(40%)	148	(38%)	260	(39%)
45 to below 55	115	(41%)	135	(34%)	250	(37%)
55 and over	11	(4%)	10	(2%)	21	(3%)
Total	282	(100%)	394	(100%)	676	(100%)

Staff Promotions and Turnover

In 2007–08, a total of 39 departmental grades officers (including 8 officers promoted to directorate posts and 31 to non-directorate posts) and 6 common/general grades officers were promoted. 125 officers joined the Department, 73 were new appointees and 52 were officers transferred from other departments. A total of 112 officers (including 55 transferred to other departments) left the Department.

Training and Development

To encourage life-long learning among our staff, the Department continues to offer a variety of training courses covering a wide range of subjects, including professional taxation and accounting knowledge, interpersonal skills, performance management, languages, etc. In 2007–08, a total of 7,705 man-days were undertaken by staff which is equivalent to about 2.7 man-days per staff. Highlights of the training programmes are:

- Induction courses for all grades of staff upon their joining the Department;
- Induction course and on-the-job training provided by respective units to new officers and transferees;
- Two-part taxation law and practice course with formal examinations for the newly appointed assistant assessors;
- Briefing sessions held upon implementation of legislative amendments or launch of new services;
- Workshops on "Achieving Service Excellence" for frontline staff;
- Oral English course for tax inspectors;
- Workshops on "Performance Management" for newly promoted assessors;

- Workshops on "Performance Appraisal Writing and Interview" for newly promoted taxation officers;
- Conversational tutorials and elementary course on Putonghua for staff of different ranks; and
- Computer applications studies available for all staff.

Continuing Professional Education

In 2007–08, 13 seminars were held under the in-house Continuing Professional Education (CPE) Programme. The seminars covered a wide range of subjects including introduction of derivative products, judicial review and tax administration, complaint management, International SME Financial Reporting Standards, performance management and eTAX services, etc. Speakers for 7 of the seminars were staff members and the other speakers were experts from various fields. A total of 1,796 staff attended these seminars. The video files of the CPE seminars were uploaded onto the Intranet so that all officers can view these seminars at their convenient time.

Overseas and China Training

The Department continues to put emphasis on the international dimension of our tax administration to enable our professional officers to have necessary knowledge to deal with the increasing number of new global issues.

During 2007–08, 22 professional officers attended overseas courses in the United States of America, Thailand, Korea, Singapore and Malaysia. In addition, 5 professional officers attended a national studies course at Tsinghua University and Peking University Shenzhen Graduate School, 1 professional officer attended the Thematic Study Programme in Tianjin on the industrial and port development of Tianjin, 2 analyst programmers attended a course in Shenzhen and 1 senior system manager attended the CeBIT Asia 2007 in Shanghai.

Other Training

The Department also encourages and sponsors officers to attend seminars and courses organised by academic and professional institutes. During 2007–08, 118 officers were sponsored by the Department to attend such seminars. Officers also attended various courses on English language, Chinese writing skills, human resources development, national studies, etc. organised by the Civil Service Training and Development Institute (CSTDI).

In addition to classroom training, the Department also encourages staff to take the web courses provided by CLC Plus of CSTDI, to promote the culture of continuous self-learning among our colleagues. Training materials and information were uploaded onto our Intranet for officers to study at their own time and pace. This provides an effective way for the staff to acquire new knowledge and review what they have learnt.

Staff Relations and Welfare

The Department values staff relations and welfare. Maintaining effective communication with staff at all levels and promoting co-operation and mutual trust between the staff and management are of utmost importance in enhancing the Department's operational efficiency and productivity.

The Departmental Consultative Committee (DCC)

The Departmental Consultative Committee provides a formal and effective forum for management and staff to exchange views on topics 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 comprises representatives from all staff unions/associations and staff groups in the Department.

The General Grades Consultative Committee (GGCC)

Staff members of the secretarial and clerical grades continue to make good use of the GGCC, which was first set up in 1999, to discuss with the management issues of specific interest to their grades.

The "Meet-the-Staff Programme"

First launched in 1996–97, the programme enables the senior management of each Unit and staff of different groups to meet regularly for exchanging views 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 the staff and management.

The IRD Staff Suggestions Scheme

During 2007–08, 3 out of 10 suggestions received were granted different levels of cash awards and certificates of commendation in recognition of their contributions to enhancing operational efficiency and quality of services.

The Inland Revenue Department Newsletter

Published quarterly, the departmental newsletter is another channel of communication between the staff and management and serves to promote a sense of belonging in the Department. Service related issues, staff welfare, occupational and safety matters are disseminated through articles and contributions from staff and unit management. The newsletter also provides a regular roundup on the recreational activities organised by the Department's Sports Association as well as volunteer activities organised by the Department's Volunteer Team.



The Inland Revenue General Staff Welfare Fund (IRGSWF)

The Inland Revenue General Staff Welfare Fund was established voluntarily by a group of staff in 1972. It operates on funds donated by staff on a voluntary basis. With the endorsement of the Claims Sub-committee, which is formed to consider applications for financial assistance, small amounts of interest-free loans and grants can be provided as an additional, quick source of emergency relief to help staff with unexpected financial difficulties.

Commissioner's Commendation Letter Scheme

In 2007–08, 63 officers who had provided outstanding service for a reasonably long period of time were awarded the Commissioner's Commendation Letter in recognition of their exemplary performance in the Civil Service. The presentation ceremony was held in March 2008.

SCS's Commendation Award 2007

In 2007, one officer was awarded the SCS's Commendation in recognition of her consistently outstanding service and exemplary performance for 5 consecutive years. The presentation ceremony was held in November 2007.

The Long and Meritorious Service Travel Awards Scheme

In 2007–08, 33 officers with long and meritorious service were granted awards of overseas travel, together with their spouses outside Hong Kong, under the Long and Meritorious Service Travel Award Scheme.

The IRD Sports Association

The Association strives to promote the intellectual, social and athletic interests of our colleagues, encourage a healthy lifestyle and heighten members' awareness of protecting and conserving the environment. Through active participation in voluntary work and charitable activities, our colleagues manifest love and care to those in need in serving the community.

In 2007–08, the Association organised a wide variety of cultural, recreational, sports and social activities for colleagues and their families, including sports competitions, interest courses, workshops, thematic luncheon talks, outdoor activities and annual dinner. They were well received and helped foster friendship and strengthen cohesiveness and sense of belonging.



Throughout the year, the Association joined hands with the IRD Volunteer Team to participate in fund raising activities of four charities. Members were zealous in supporting charitable work. Donations of over \$300,000 were received from 3,265 participants in the events.

The IRD Volunteer Team continued to promote community services to care the under-privileged through the provision of supporting services to charities for the child, disabled and elderly. The success was entirely attributable to more than 250 colleagues who contributed 1,367 hours of volunteer work during the year.

In recognition of the dedication efforts of our colleagues, the Civil Service Bureau presented the "Award for Teams with Widest Target Groups" to the IRD Volunteer Team this year. The Hong Kong Council of Social Service granted the Caring Organisation Logo to the IRD again for 2007–08.



The following legislations enacted during the year were concerned with matters administered by the Department.

Revenue Ordinance 2007 and Revenue (No. 2) Ordinance 2007 (Nos. 10 and 13 of 2007)

These Ordinances gave effect to relevant proposals in the 2007–08 Budget. The following parts were relevant to the work of the Department:

- The stamp duty on transactions of properties valued between \$1 million and \$2 million was reduced from a rate of 0.75% to a fixed amount of \$100;



- Effective from 2007–08, each tax band was widened from \$30,000 to \$35,000, and the tax rates for the two highest bands were reduced from 13% and 19% to 12% and 17% respectively; child allowance was increased from \$40,000 to \$50,000 for each child, and further increased by an additional amount of \$50,000 in the year of assessment in which the child was born; the maximum deductible amount of the expenses of self-education was raised from \$40,000 to \$60,000; and
- Salaries tax and tax under personal assessment for the year of assessment 2006–07 were reduced by 50%, subject to a ceiling of \$15,000.

Exemption from Salaries Tax (International Finance Corporation) Order (Legal Notice No. 101 of 2007)

This Order exempted Chinese nationals and Hong Kong permanent residents employed by, or holding an office in, the International Finance Corporation from the payment of salaries tax chargeable under section 8 of the Inland Revenue Ordinance in respect of their income from the International Finance Corporation.

Electronic Transactions Ordinance (Amendment of Schedule 3) Order 2007 (Legal Notice No. 214 of 2007)

This Order added two provisions, one of which was section 58(2) of the Inland Revenue Ordinance, to Schedule 3 to the Electronic Transactions Ordinance (Cap.553). The amendment allows a document required or permitted to be served on a person by personal service or by post under the provision to be served in the form of an electronic record to an information system designated by the person, if the information contained in it is accessible so as to be usable for subsequent reference.

Business Registration Ordinance (Amendment: Levy Reduction) Order 2008 (Legal Notice No. 4 of 2008)

This Order reduced the levy payable on the registration of a business or a branch of a business, issue of a further business registration certificate or issue of a further branch registration certificate under the Business Registration Ordinance. The levy for one year and 3 years are reduced from \$600 and \$1,800 to \$450 and \$1,350 respectively.

Revenue (Reduction of Business Registration Fees) Order 2008 (Legal Notice No. 35 of 2008)

This Order reduced the fees payable in respect of business registration certificates and branch registration certificates that commence on or after 1 April 2008 but before 1 April 2009.

Specification of Arrangements (Double Taxation) Order under section 49 of the Inland Revenue Ordinance

Country/Region	Date of Order	Nature
Luxembourg	22 January 2008	Avoidance of Double Taxation on Income and Capital and Prevention of Fiscal Evasion

Legal Notices to fix the rate of interest payable on Tax Reserve Certificates

Legal Notice No.	Periods in force	Annual rate of interest
35 of 2007	5 March 2007 to 3 June 2007	2.6000%
103 of 2007	4 June 2007 to 1 October 2007	2.6333%
178 of 2007	2 October 2007 to 4 November 2007	2.6167%
204 of 2007	5 November 2007 to 2 December 2007	2.6833%
226 of 2007	3 December 2007 to 3 February 2008	2.3333%
22 of 2008	4 February 2008 to 2 March 2008	1.2500%
46 of 2008	On or after 3 March 2008	1.0500%

Green Management Policy

The Department is committed to providing a green office environment and to ensuring that its operation is conducted in an environmentally conscious and responsible manner. Consumption of paper and energy in the office remains the Department's green target in view of its office-based operations. We strive to protect and conserve the environment through:

- Ensuring the Department's operations will comply with the relevant environmental protection ordinances;
- Adopting green housekeeping measures, by avoiding, reducing or controlling environmental pollution and wastage arising from its day-to-day work practice;
- Requiring its contractors to implement sound environmental management systems and pollution control measures;
- Ensuring that all staff are aware of its Green Management Policy and will provide information about its Policy and initiatives to those who are interested; and
- Providing training courses and workshops on green management for staff to increase their awareness and encouraging 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 and composed of green executives from Units and Sections. During the year, the Committee continued to seek staff suggestions, set directions in our green policies, issued green office guidelines and updated staff on new green initiatives adopted. The appointed floor green ambassadors assisted the Department's 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:

- Regular updating and displaying of environmental protection promotional materials on notice boards;
- Posting notices besides the 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" via e-mail to all staff to promote green living and green culture.

The Department also participated in various activities such as "Green Day" which was organised by the Community Chest in order to arouse our staff's awareness on environmental protection.

The IRD Sports Association also assisted in promoting green awareness and healthy living among staff by organising a variety of activities in the year, including thematic talks, visit to the organic farm, and outings to the countryside.

Environmental Protection Performance

To balance operational needs with environmental care and social responsibility, the Department focused its efforts to provide a healthy working environment with satisfactory indoor air quality, and to achieve energy conservation, reduction of paper consumption and waste minimisation and recovery.

Smoke-free Workplace

The Department continued to adopt the smoke-free workplace policy by designating all indoor areas being smoke-free. Non-smoking signs were displayed at conspicuous locations. Departmental circulars were 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

Our staff spent most of the time in offices and other indoor environment, therefore, we also strive to provide and ensure good indoor air quality for them. The Electrical and Mechanical Services Department conducted "Indoor Air Quality Measurement" in the Department's offices located in the Revenue Tower biannually to measure the four key elements indicating indoor air quality as recommended by the Environmental Protection Department, namely the intensity of Carbon Dioxide, Respirable Suspended Particulates, Air-borne Bacteria and Radon. In late 2007, a similar exercise had been carried out and the Department achieved the "Good Class" standard.

Energy Conservation

The Department is proactive in energy conservation. In 2007–08, the electricity consumption of the year had dropped by some 1,501,670 kWh as compared with the previous year. Various energy saving measures were adopted, such as:

- Replacement of T8 fluorescent tubes by T5 types was made by phases so that more energy could be saved;
- The "last-man-out" arrangement was adopted to ensure that lights and electric facilities/appliances would be switched off during lunch hour, after office hours or when not in use;
- Adjustments were made to timers so that the lights in the corridors and lift lobbies could be switched off on both Saturdays and Sundays to reduce electricity consumption; and
- The air-conditioned room temperature continued to be set at 25.5°C during the year.



Adherence to the "3R" Principle

The Department continued to adhere to the 3R principle – "Reduce, Reuse and Recycle" in the consumption of materials.



Reduction and Reuse of Paper

The Department continued to adopt the following measures in the year to reduce its paper and envelope consumption:

- Encourage staff to minimise photocopying and use both sides of recycled paper and/or the clean side of waste paper for printing and photocopying instead of virgin paper;
- Encourage paperless means of internal and external communication by using e-mail and floppy diskettes;
- Implement the "Electronic Leave Application and Processing System" for leave applications and approvals;
- Make optimum use of the Department's Intranet to enable more environmental friendly, and speedy internal information transmission. Administrative Instructions, Staff Handbooks, training materials, reference materials, guidelines, monthly reports, meeting minutes etc were uploaded onto the Intranet to facilitate updating and retrieval on-line, and dispense with the keeping of personal hard copies;
- Circulate and re-circulate Departmental and Unit Circulars/Circular Memoranda/Posting Notices by e-mail;
- Review regularly the need for the preparation of periodical reports, the distribution lists of outgoing correspondence and hard copies required for circulation;
- Promote the use of multiple screen method in printing on-line enquiries;
- Replace the pre-printed forms with templates or use overlay printing. The templates of the forms are uploaded onto the Intranet so that the forms can be printed as and when required;
- Develop the Computer Output On-line Retrieval System to facilitate on-line report viewing, thus obviating the need for printing computer reports in hard copy. The consumption of computer plain stationery for printing computer reports in this year had dropped by some 165,414 folds as compared with the previous year;
- Encourage the public to file tax returns electronically by eTAX or through other media like diskettes and use the Department's electronic services under the GovHK web site; and
- Launch e-Seminars for employers and tax representatives to reduce paper consumption by obviating the need to print invitation letters, tickets and handouts.

Waste recycling

We encouraged staff to participate in the recycling programmes. Bags and boxes were placed at various conspicuous locations to facilitate the collection of three recyclable wastes, namely recyclable papers, aluminium cans and plastic bottles. Besides, used printer cartridges were also collected for recycling. The Department collected some 208,186 kg of waste paper, 31.5 kg of aluminium cans, 33 kg of plastic bottles and 6,783 used printer cartridges in the year.

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 by the Department for the enhancement of e-office facilities. Continuous efforts will be made to economise on the consumption of electricity and paper, and to promote the selection of recycled paper and green products in our procurement.



Charitable Institutions

Charitable institutions are exempt from tax under the Inland Revenue Ordinance. As at 31 March 2008, the number of charities exempt from tax was 5,311, of which 548 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 may be tax deductible. For the year of assessment 2006–07, the amounts of approved charitable donations allowed under Profits Tax and Salaries Tax were \$2.15 billion and \$3.76 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 70,988 visits were made during the year.

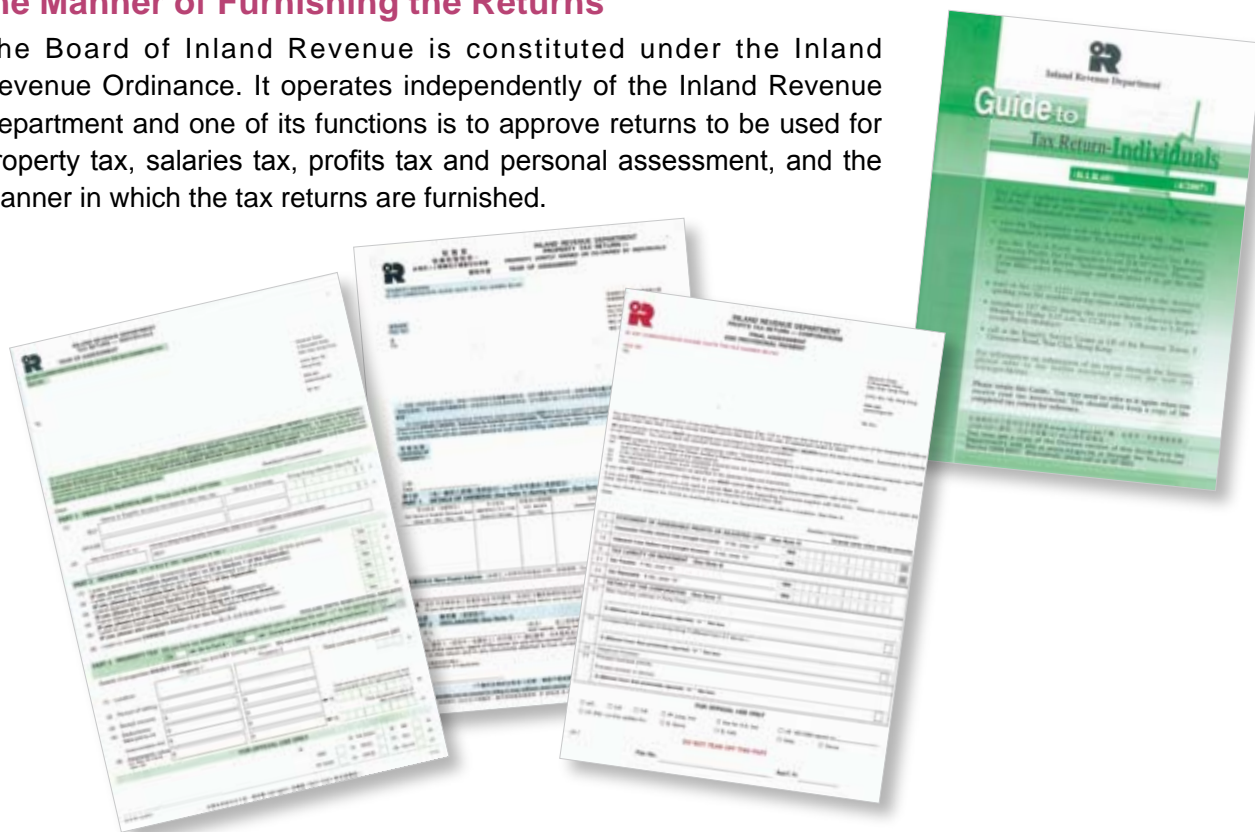
Internal Audit

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 changes can be made to improve output and efficiency.



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 and 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.

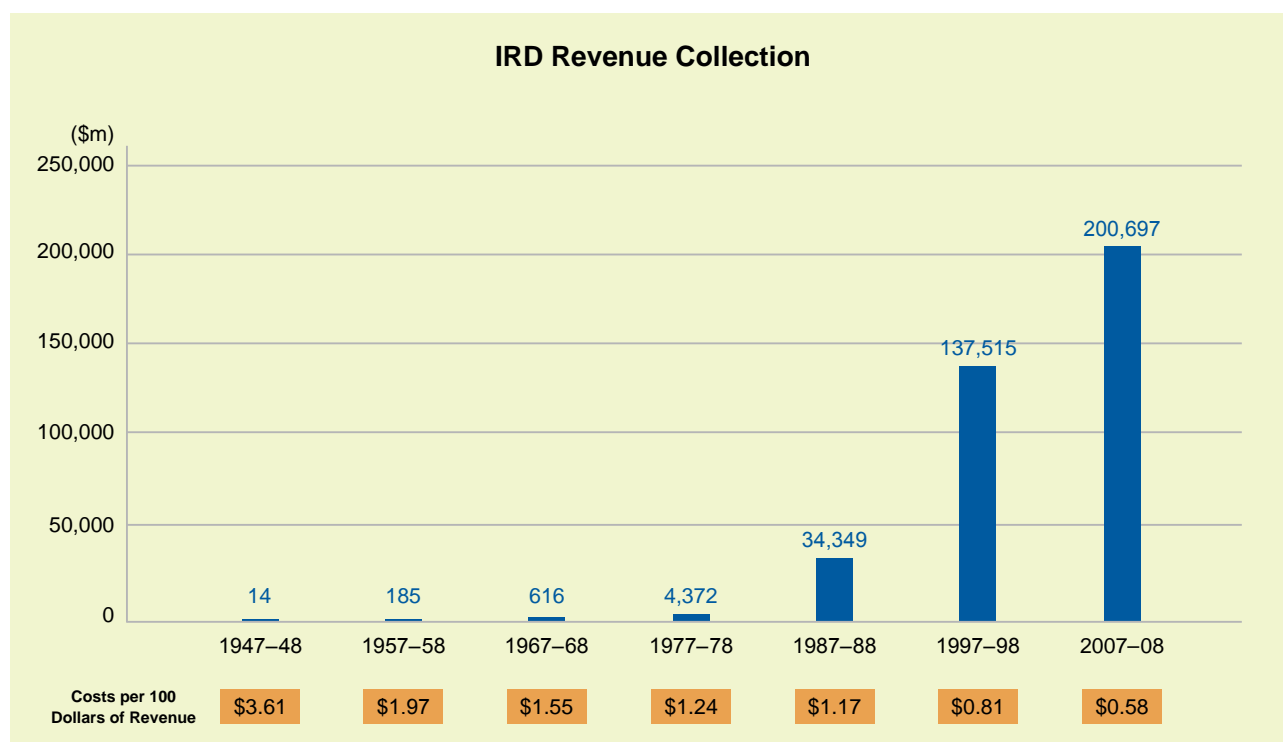


IRD celebrates its 60th anniversary in 2007–08. Let us go into the time tunnel to revisit the history of the Department in the past 60 years:

Commissioners of Inland Revenue

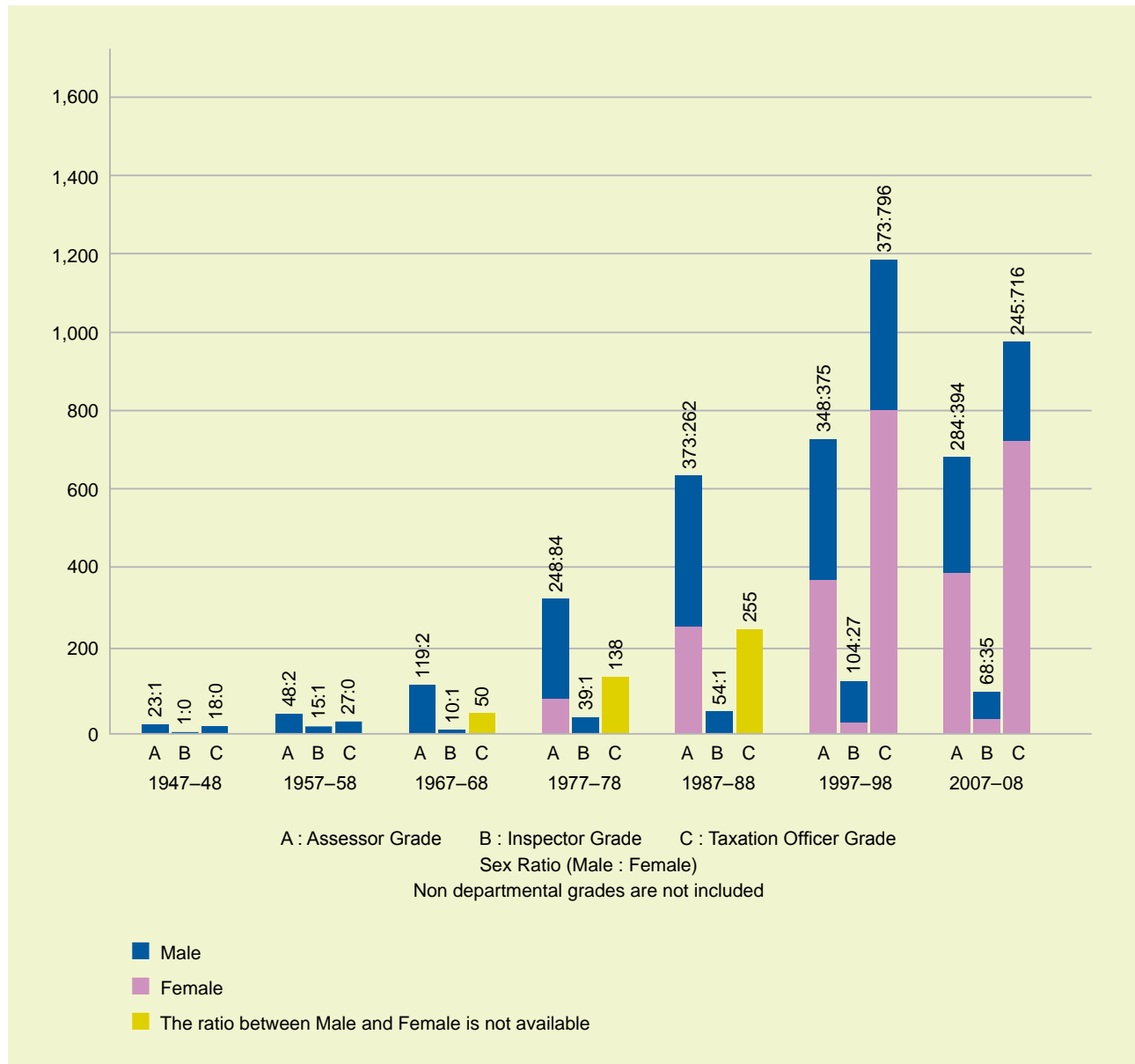
Name	Duration
Mr E W PUDNEY	1.1.1947 – 1.2.1951
Mr W F WATSON, O.B.E.	2.2.1951 – 26.5.1957
Mr W J DRYSDALE	1.4.1958 – 15.7.1963
Mr A D DUFFY, O.B.E.	16.7.1963 – 11.5.1972
Mr F E RAINBOW, O.B.E.	12.5.1972 – 26.1.1975
Mr R V GIDDY, C.B.E. (1979)	27.1.1975 – 19.9.1979
Mr V A LADD, C.B.E.	20.9.1979 – 31.7.1985
Mr Anthony AU-YEUNG FU, O.B.E. (1989), C.B.E. (1997), J.P.	1.8.1985 – 23.4.1996
Mr WONG Ho-sang, J.P.	24.4.1996 – 18.8.1999
Mrs LAU MAK Yee-ming, Alice, J.P.	Since 1.3.2001

Revenue Collection and Cost of Collection



IRD Departmental Grades

Number and Ratio of Male and Female Staff



Major Events



1947–48 to 1956–57

1 April 1947

- The Inland Revenue Department was established

3 May 1947

- The Inland Revenue Ordinance 1947 was enacted to impose tax on earnings and profits



1 April 1949

- The Estate Duty Office was transferred to the Inland Revenue Department from the Treasury

20 September 1952

- The Inland Revenue Ordinance Committee was appointed to review the Inland Revenue Ordinance

1 February 1956

- The Stamp Duty Office was transferred to the Inland Revenue Department from the Treasury

1 April 1956

- The Department took over from the Treasury the responsibilities for collecting entertainments tax, bets and sweeps tax and public dance-halls tax

1 April 1956

- The property tax charge on land and buildings in the New Territories was suspended

1957–58 to 1966–67

1 April 1957

- The Business Registration Office was transferred to the Inland Revenue Department from the Commerce and Industry Department

April 1958

- The Investigation Section was established to investigate tax evasion cases

7 April 1966

- The Second Inland Revenue Ordinance Review Committee was appointed to review the Inland Revenue Ordinance

1 July 1966

- Hotel accommodation tax was introduced

1967–68 to 1976–77

Late 1960s

- The Department commenced the use of computers for storing and analysing assessment data

1 April 1970

- Public dance-halls tax was abolished

1 April 1973

- Entertainments tax on cinema admission was suspended
- The basis of salaries tax assessment was changed to current year and payment of provisional salaries tax was demanded

1 April 1974

- The property tax charge on land and buildings in the New Territories was re-introduced

1 April 1975

- The basis of profits tax assessment was changed to current year and payment of provisional profits tax was demanded

1 April 1975

- Entertainments tax on cinema admission was re-introduced

February 1976

- The Third Inland Revenue Ordinance Review Committee was appointed to review the Inland Revenue Ordinance

1 April 1976

- The basis of property tax assessment was changed to notional rent



1977–78 to 1986–87

January 1978

- The Complaints Section was established to deal with complaints

March 1978

- The number of charging heads for stamp duty was reduced from 55 to 13

September 1978

- The Department's first multi-function computer system, the Business Registration System, was implemented

December 1979

- Main offices of the Department were moved to Windsor House, Causeway Bay

1981

- The Department's own computer centre was established

May 1981

- The Stamp Duty Ordinance came into force
- The number of charging heads for stamp duty was reduced from 13 to 4

25 February 1982

- Interest received from foreign currency deposits placed with financial institutions in Hong Kong was exempted from interest tax

1 April 1983

- The basis of property tax assessment was changed to actual rent received and payment of provisional property tax was demanded

17 October 1983

- Interest received from local currency deposits placed with financial institutions in Hong Kong was exempted from interest tax

14 March 1986

- Anti-tax avoidance provisions were introduced

1987–88 to 1996–97

12 October 1987

- The Joint Liaison Committee on Taxation was established

April 1988

- The Central Enquiry Counter Service was established

1 April 1989

- Interest tax was abolished

1 April 1990

- Separate tax filing, assessment and payment in respect of salaries tax were introduced for married couples

December 1991

- The Department moved to Revenue Tower (originally known as Wanchai Tower III)

31 January 1992

- The stamp duty charge was extended

to agreements for sale and purchase of residential property

1 April 1992

- Entertainments tax on cinema admission was abolished

1 January 1993

- Performance Pledges were introduced

1 April 1993

- Entertainments tax on admission to horse race meetings was abolished

1 April 1994

- A single composite tax return for individuals to report salary, property and business income was introduced

May 1996

- The Department's Homepage was launched

1997–98 to 2007–08

July 1997

- A Working Group was appointed to conduct a comprehensive review of profits tax

11 February 1998

- A limited double taxation arrangement was entered into with the Mainland of China

1 April 1998

- The advance ruling service was introduced

May 1999

- Counter service for collection of income and profits tax payments was taken over by the Treasury
(The counter collection service was later out-sourced to the Hongkong Post in October 2001)

May 2000

- The Taxpayer's Charter was launched

19 January 2001

- On-line services for tax filing, business registration applications and enquiries were launched

April 2001

- The "Assess First, Audit Later" (AFAL) assessment system was implemented

April 2003

- The use of passwords for online tax filing was introduced

August 2003

- Football betting duty was introduced

10 December 2003

- The first Comprehensive Double Taxation Agreement was signed with Belgium

August 2004

- Property e-stamping service was launched

11 February 2006

- Estate duty was abolished

21 August 2006

- A Comprehensive Double Taxation Arrangement was signed with the Mainland of China

1 September 2006

- The basis of charging betting duty on horse races was changed from gross bets to net stake receipts

19 January 2008

- Taxpayer Portal (eTAX) was launched



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SCHEDULE 1 EARNINGS & PROFITS TAX – TAX ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2008

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year –						
2005–06 and earlier years	35,081,994	359,994,160	6,816,154,069	(267,122,028)	380,800,751	7,324,908,946
2006–07 Final Tax only	132,069,814	279,000,283	(2,359,675,770)	1,404,955,350	3,124,996,038	2,581,345,715
2007–08 Provisional Payments and Final Tax	1,202,261,399	38,085,749,980	86,944,136,810	3,320,199,352	2,481,885	129,554,829,426
Total Tax Assessed	1,369,413,207	38,724,744,423	91,400,615,109	4,458,032,674	3,508,278,674	139,461,084,087
Add: Collectables –						
Tax outstanding as at 31 March 2007 b/f	331,182,567	8,205,811,197	48,608,390,552	2,676,485,186	721,342,847	60,543,212,349
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	13,771,711	356,647,048	642,509,880	254,592,718	9,000,721	1,276,522,078
Interest on Tax Heldover	3,734	7,914,625	50,101,963	1,638,141	951,360	60,609,823
Write-off re-opened	3,060,621	54,136,154	4,554,740	11,842,939	3,454,993	77,049,447
Total of Tax Assessed and Collectables (a)	1,717,431,840	47,349,253,447	140,706,172,244	7,402,591,658	4,243,028,595	201,418,477,784
Collections during the year –						
Net Tax collected	1,226,575,531	37,108,734,858	86,191,262,069	4,374,544,235	3,577,382,833	132,478,499,526
(After allowing for refunds of tax)	109,732,712	1,873,939,446	3,455,164,765	122,069,468	248,922,211	5,809,828,602
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	14,024,990	362,518,296	533,060,678	270,919,169	7,790,892	1,188,314,025
Interest on Tax Heldover	4,906	8,222,608	51,301,207	1,618,838	1,400,446	62,548,005
Total Net Collections (b)	1,240,605,427	37,479,475,762	86,775,623,954	4,647,082,242	3,586,574,171	133,729,361,556
Balance of Tax, Surcharge, etc. payable (a) – (b)	476,826,413	9,869,777,685	53,930,548,290	2,755,509,416	656,454,424	67,689,116,228
Less: Not collected by virtue of set-off	139,046,664	1,734,349,754	–	520,907,674	–	2,394,304,092
Written-off as irrecoverable	8,918,840	141,261,313	401,052,410	87,274,831	19,846,513	658,353,907
Tax, Surcharge, etc. outstanding as at 31 March 2008 carried forward	328,860,909	7,994,166,618	53,529,495,880	2,147,326,911	636,607,911	64,636,458,229
Less: Under objection or appeal	9,571,007	1,126,011,135	39,820,352,308	1,099,922,706	215,645,773	42,271,502,929
Listed for write-off but awaiting approval	834,166	904,326	11,841,805	3,773,237	711,630	18,065,164
Assessed but not yet due	197,753,023	5,277,612,354	11,352,079,848	375,726,537	208,365,456	17,411,537,218
Net Tax, Surcharge, etc. in arrears as at 31 March 2008	120,702,713	1,589,638,803	2,345,221,919	667,904,431	211,885,052	4,935,352,918

SCHEDULE 2 EARNINGS & PROFITS TAX – DEMAND NOTES ISSUED, TAX ASSESSED AND COLLECTIONS

	2004–05		2005–06		2006–07		2007–08	
	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	72,100	58,429,138	81,148	71,354,676	88,399	73,509,822	92,014	91,400,615
Unincorporated Businesses	26,995	5,763,997	29,037	4,838,054	30,837	6,372,301	26,121	4,458,033
Salaries Tax	1,134,282	36,030,080	1,202,439	39,223,355	1,209,414	41,018,013	1,213,934	38,724,744
Property Tax	86,308	1,185,331	92,430	1,352,414	92,248	1,317,755	90,587	1,369,413
Personal Assessment	148,515	3,009,051	154,096	3,186,300	157,354	3,628,883	172,687	3,508,279
Total	1,468,200	104,417,597	1,559,150	119,954,799	1,578,252	125,846,774	1,595,343	139,461,084

	2004–05		2005–06		2006–07		2007–08	
	Collections		Collections		Collections		Collections	
		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Profits Tax –								
Corporations		52,562,153		65,586,079		65,499,672		86,775,624
Unincorporated Businesses		6,077,500		4,210,430		6,419,372		4,647,082
Salaries Tax		33,990,543		37,493,868		38,585,592		37,479,476
Property Tax		1,115,605		1,267,061		1,247,373		1,240,606
Personal Assessment		2,963,409		3,193,951		3,565,621		3,586,574
Total		96,709,210		111,751,389		115,317,630		133,729,362

SCHEDULE 3 CORPORATIONS – PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2004–05		2005–06		2006–07	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Distribution –						
Retail	1,510,547	2.6	1,547,231	2.4	1,936,670	2.6
Wholesale, Import and Export	13,035,774	22.4	14,285,721	22.6	16,093,388	21.6
Foreign Corporations carrying on Import and Export	146,127	0.3	86,293	0.1	74,063	0.1
Public Utilities	4,631,898	7.9	4,762,618	7.5	4,794,483	6.4
Property, Investment and Finance	9,616,068	16.5	10,691,680	16.9	14,935,033	20.0
(other than Banking)						
Banking	12,567,705	21.6	14,433,836	22.8	16,161,387	21.6
Manufacturing –						
Clothing and Textiles	1,132,770	1.9	1,046,526	1.7	1,132,547	1.5
Food and Beverage Products	240,135	0.4	343,562	0.5	410,825	0.6
Steel and Other Metals	343,395	0.6	328,222	0.5	419,199	0.6
Printing and Publishing	504,192	0.9	531,315	0.8	565,299	0.8
Others	3,590,440	6.2	3,709,182	5.9	4,094,451	5.5
Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,259,689	2.2	1,437,219	2.3	1,556,224	2.1
Hotels, Restaurants and Amusement Centres	983,377	1.7	1,218,472	1.9	1,462,823	2.0
Stevedoring, Wharfing and Godowns	1,235,204	2.1	1,047,205	1.7	931,482	1.2
Clubs and Associations	469,521	0.8	486,787	0.8	602,833	0.8
Insurance Companies	699,884	1.2	700,047	1.1	1,064,950	1.4
Non-resident Corporations Trading through Agents (including Consignment Tax)	1,096,684	1.9	1,164,822	1.8	1,160,299	1.6
Building Contractors and Engineering Works	960,750	1.7	964,214	1.5	1,013,873	1.4
Aircraft Owners and Operators	52,886	0.1	44,553	0.1	31,129	0.0
Taxis, Hire Cars, Public Light Buses and Motor Boats	105,839	0.2	126,820	0.2	139,345	0.2
Miscellaneous	3,960,170	6.8	4,355,391	6.9	5,923,260	8.0
Total	58,143,055	100.0	63,311,716	100.0	74,503,563	100.0

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

Business Sectors	Final Tax Assessed for Year of Assessment					
	2004–05		2005–06		2006–07	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Property Developers, Property Dealers, Property Agents and Subletting Businesses	107,619	4.8	150,760	6.0	18,196	0.8
Finance and Securities including Brokers, Dealers and Insurance Agents	154,965	6.9	163,679	6.5	132,064	6.0
Builders, Decorators and Civil Engineering Works	36,399	1.6	25,265	1.0	21,999	1.0
Distribution –						
Import and Export	105,021	4.6	99,273	3.9	85,485	3.9
Wholesale	45,418	2.0	42,655	1.7	44,312	2.0
Retail	142,624	6.3	151,589	6.0	142,673	6.4
Manufacturing –						
Agricultural Trades and Food & Beverage Products Manufacturers	1,663	0.1	1,810	0.1	2,822	0.1
Cloth and Clothing	22,168	1.0	24,491	1.0	22,730	1.0
Chemical Products and Mechanical Engineering	38,179	1.7	46,637	1.8	35,483	1.6
Printing and Publishing	19,101	0.8	16,292	0.6	13,646	0.6
Others	48,754	2.2	36,798	1.5	26,312	1.2
Hotels, Restaurants and Amusement Centres	34,847	1.5	35,344	1.4	21,821	1.0
Transport (including Wharfing and Godowns)	38,398	1.7	37,406	1.5	27,799	1.3
Professions –						
Accountants	259,519	11.5	316,992	12.5	300,871	13.6
Architects, Engineers, Surveyors, etc.	9,663	0.4	9,606	0.4	6,995	0.3
Doctors and Dentists	593,347	26.3	650,719	25.7	564,277	25.5
Solicitors and Barristers	494,439	21.9	602,259	23.8	631,493	28.6
Other Professions	95,577	4.2	106,638	4.2	100,545	4.5
Miscellaneous	11,273	0.5	9,862	0.4	13,039	0.6
Non-resident Businesses (Note)	29	0.0	55	0.0	273	0.0
Total	2,259,003	100.0	2,528,130	100.0	2,212,835	100.0

Note : Consignment Tax under Section 20A(3) of the Ordinance

SCHEDULE 5 ANALYSIS OF SALARIES TAX ASSESSMENTS FOR THE YEAR OF ASSESSMENT 2006–07 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	Contributions to Recognized Retirement Scheme				
(\$)		(%)		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(%)	(\$)
100,001 – 110,000	42,686	3.22	0	4,511,949	4,268,680	1,943	2,932	538	12	52,158	185,686	1,841	0.00	43
110,001 – 120,000	58,375	4.41	0	6,734,396	5,839,060	17,540	13,932	7,316	41	141,424	715,083	7,129	0.02	122
120,001 – 130,000	51,697	3.90	0	6,470,010	5,176,180	34,589	20,294	20,994	203	147,910	1,069,840	10,680	0.03	207
130,001 – 140,000	50,109	3.78	0	6,754,197	5,090,585	51,968	23,144	39,539	381	151,792	1,396,788	16,632	0.04	332
140,001 – 150,000	47,347	3.57	0	6,862,093	4,919,144	76,209	27,973	64,462	520	178,324	1,595,461	25,208	0.07	532
150,001 – 180,000	133,866	10.11	0	22,114,320	14,646,126	255,068	108,766	384,917	3,187	585,214	6,131,042	134,332	0.36	1,003
180,001 – 210,000	113,871	8.60	1,568	22,168,583	13,817,002	254,804	125,437	492,730	5,072	620,145	6,853,393	210,648	0.57	1,850
210,001 – 240,000	116,465	8.79	6,544	26,186,343	16,062,365	250,560	166,732	669,493	9,412	670,242	8,357,539	324,498	0.87	2,786
240,001 – 270,000	101,218	7.64	10,188	25,751,115	15,725,731	227,485	183,546	655,414	10,144	609,557	8,339,238	374,157	1.00	3,697
270,001 – 300,000	79,961	6.04	10,928	22,749,554	13,605,244	168,887	151,112	628,359	11,658	524,086	7,660,208	384,083	1.03	4,803
300,001 – 400,000	198,468	14.98	29,799	68,276,162	36,761,266	475,423	514,776	2,242,316	46,106	1,403,228	26,833,047	1,698,899	4.56	8,560
400,001 – 500,000	108,101	8.16	13,969	47,935,715	21,315,136	300,314	423,581	1,850,162	39,715	786,972	23,219,835	2,030,515	5.45	18,783
500,001 – 600,000	62,488	4.72	6,417	33,970,200	12,462,551	172,067	321,090	1,166,214	30,168	476,467	19,341,643	2,142,695	5.75	34,290
600,001 – 700,000	38,691	2.92	3,185	25,067,422	7,744,947	101,151	237,911	789,736	20,331	272,223	15,901,123	2,041,781	5.48	52,771
700,001 – 800,000	23,500	1.77	1,910	17,508,394	4,703,960	59,617	149,347	484,121	11,312	172,194	11,927,843	1,667,748	4.48	70,968
800,001 – 900,000	17,926	1.35	1,181	15,167,803	3,568,045	39,555	130,093	380,076	7,643	113,748	10,928,643	1,619,485	4.35	90,343
900,001 – 1,000,000	13,766	1.04	874	13,057,757	2,701,040	25,771	110,989	293,041	5,209	84,405	9,837,302	1,511,409	4.06	109,793
1,000,001 – 1,500,000	34,161	2.58	1,932	41,053,202	5,540,735	58,581	323,723	745,455	12,433	211,817	34,160,458	5,347,067	14.37	156,525
1,500,001 – 2,000,000	12,990	0.98	483	22,205,128	1,475,611	19,845	155,345	293,245	3,728	80,504	20,176,850	3,195,540	8.59	246,000
2,000,001 – 3,000,000	9,419	0.71	90	22,676,506	291,060	8,573	151,112	171,465	2,313	58,095	21,993,888	3,417,050	9.18	362,783
3,000,001 – 5,000,000	5,307	0.40	4	20,037,215	2,960	2,756	128,102	74,409	1,240	32,627	19,795,121	3,087,937	8.29	581,861
5,000,001 – 7,500,000	2,130	0.16	2	12,910,528	0	900	83,924	24,225	70	11,973	12,789,436	2,014,404	5.41	945,730
7,500,001 – 10,000,000	873	0.07	2	7,547,178	280	412	27,209	8,954	120	4,994	7,505,209	1,187,745	3.19	1,360,533
10,000,001 & over	1,372	0.10	1	30,253,264	0	309	180,938	13,991	23	7,664	30,050,339	4,782,339	12.85	3,485,670
Total	1,324,787	100.00	89,077	527,969,034	195,717,708	2,604,327	3,762,008	11,501,172	221,041	7,397,763	306,765,015	37,233,822	100.00	28,106

SCHEDULE 6 ANALYSIS OF ALLOWANCES FOR THE YEAR OF ASSESSMENT 2006–07 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)
100,001	–	110,000	4,268,600	0	80	0	0	0	0	0	0	0	0	0	0	0	4,268,680
110,001	–	120,000	5,837,500	0	0	0	0	1,410	30	60	60	0	0	0	0	0	5,839,060
120,001	–	130,000	5,169,700	0	60	30	0	6,375	0	15	0	0	0	0	0	0	5,176,180
130,001	–	140,000	5,011,000	0	40	15,180	0	46,770	15,480	2,085	30	0	0	0	0	0	5,090,585
140,001	–	150,000	4,734,800	0	44,139	24,420	0	81,540	29,145	5,085	15	0	0	0	0	0	4,919,144
150,001	–	180,000	13,386,700	0	258,221	86,160	75	575,640	298,995	31,545	8,550	0	240	0	0	0	14,646,126
180,001	–	210,000	11,020,600	733,000	448,464	94,560	38	915,675	526,095	48,030	16,500	0	9,540	840	180	3,480	13,817,002
210,001	–	240,000	10,038,600	3,215,800	653,452	92,160	678	1,215,930	700,170	61,725	20,250	0	44,520	4,860	1,740	12,480	16,062,365
240,001	–	270,000	7,860,000	4,523,800	1,047,992	74,010	69,064	1,254,945	710,040	65,790	23,070	540	72,540	6,480	4,140	13,320	15,725,731
270,001	–	300,000	5,588,500	4,815,100	1,259,739	49,080	83,450	1,084,500	566,370	49,605	16,170	1,800	64,380	6,360	5,370	14,820	13,605,244
300,001	–	400,000	13,251,800	13,190,300	4,230,996	125,550	279,900	3,445,095	1,666,350	141,900	46,395	12,360	258,300	20,940	34,740	56,640	36,761,266
400,001	–	500,000	7,255,600	7,108,900	2,685,935	75,780	167,316	2,436,270	1,118,805	95,415	29,805	10,080	228,660	17,820	33,450	51,300	21,315,136
500,001	–	600,000	4,224,200	4,049,200	1,666,946	40,740	94,140	1,469,745	628,515	49,515	14,490	4,860	151,680	10,080	24,180	34,260	12,462,551
600,001	–	700,000	2,619,100	2,500,000	1,120,927	21,480	55,050	898,140	359,925	27,315	8,190	3,960	91,860	6,360	13,080	19,560	7,744,947
700,001	–	800,000	1,525,400	1,649,200	689,288	12,000	31,407	508,305	196,815	17,310	4,515	1,800	46,380	3,420	7,800	10,320	4,703,960
800,001	–	900,000	1,157,400	1,270,400	541,800	8,850	26,075	370,185	131,400	11,595	2,820	1,200	31,620	2,520	5,340	6,840	3,568,045
900,001	–	1,000,000	828,900	1,025,200	425,320	5,700	18,000	263,040	88,020	6,930	1,890	1,200	24,960	1,440	4,380	6,060	2,701,040
1,000,001	–	1,500,000	1,017,300	2,689,000	1,026,110	9,570	38,780	512,490	164,355	13,590	2,820	1,260	40,860	4,500	10,080	10,020	5,540,735
1,500,001	–	2,000,000	80,500	912,200	324,196	1,950	13,200	93,465	31,470	2,340	510	540	9,360	660	2,700	2,520	1,475,611
2,000,001	–	3,000,000	4,900	171,000	81,760	360	2,500	20,085	5,415	420	240	120	2,280	240	1,080	660	291,060
3,000,001	–	5,000,000	100	1,400	440	120	0	330	180	60	30	60	0	0	60	180	2,960
5,000,001	–	7,500,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7,500,001	–	10,000,000	0	200	80	0	0	0	0	0	0	0	0	0	0	0	280
10,000,001	&	over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total			104,881,200	47,854,700	16,505,985	737,700	879,673	15,199,935	7,237,575	630,330	196,350	39,780	1,077,180	86,520	148,320	242,460	195,717,708

SCHEDULE 7 PROPERTY STATISTICS (as at 31 March 2008)

Classification of Properties	No. of Properties	%
(i) Solely owned by individuals (with rental income, if any, reported in Composite Tax Returns)	731,637	32.80
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals –		
Letting	101,386	
Other usage or vacant	<u>543,041</u>	28.89
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	381,155	17.09
(iv) Home Ownership Scheme or Private Sector Participation Scheme [excluding those reported under items (i) or (ii)]	281,690	12.63
(v) New Ownership – awaiting classification	191,801	8.59
Total	2,230,710	100.00

Classification of Ownership	No. of Properties	%
Properties owned by: 1 owner	1,344,896	60.29
2 owners	829,906	37.20
3 owners	37,632	1.69
4 owners	9,288	0.42
5 owners	3,795	0.17
6–10 owners	4,240	0.19
11–20 owners	803	0.03
Over 20 owners	150	0.01
Total	2,230,710	100.00

SCHEDULE 8 BUSINESS REGISTRATION STATISTICS

Fiscal Year	2004–05	2005–06	2006–07	2007–08
New registrations	104,323	113,497	117,719	130,972
Re-opened registrations	4,976	5,065	6,883	8,515
Cancelled registrations	87,242	77,725	93,472	85,019
Current registrations as at 31 March	694,332	735,169	766,299	820,767
Certificates issued (fee payable cases)	733,825	796,126	805,915	856,489
Businesses exempted from payment of fees	15,924	17,520	18,977	18,120
Extracts of information issued	249,818	251,915	267,255	290,532
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)	1,348,702	1,478,755	1,497,902	1,565,848
Court fines	8,597	7,118	6,344	7,036
Fees and penalties in arrears as at 31 March (excluding levy)	52,229	58,068	58,168	72,590

SCHEDULE 9 STAMP DUTY COLLECTIONS

Fiscal Year	2004–05	2005–06	2006–07	2007–08
	(\$m)	(\$m)	(\$m)	(\$m)
Duties on –				
• Assignments and Chargeable Agreements	9,233.1	9,465.5	9,700.1	15,701.6
• Contract notes	6,388.0	8,129.4	15,027.1	35,447.0
• Leases	210.5	241.3	289.3	328.0
• Transfer deeds	2.6	4.6	8.7	10.9
• Other documents	7.5	10.9	13.8	40.2
Penalties	9.1	14.9	37.2	21.3
Additional duties for delays in payment	0.6	0.6	0.4	0.1
Total duty collections	15,851.4	17,867.2	25,076.6	51,549.1

SCHEDULE 10 STAMP OFFICE ACTIVITIES AND COLLECTIONS

Fiscal Year	2004–05	2005–06	2006–07	2007–08
Average number of callers per day	1,863	1,862	1,907	2,204
Number of documents stamped during the year	1,186,949	1,330,737	1,560,524	1,957,358
Contract note duty	(\$m)	(\$m)	(\$m)	(\$m)
• Collected by Stamp Office	597.7	847.7	1,366.0	2,673.2
• Collected through Stock Exchange of Hong Kong Limited	5,790.3	7,281.7	13,661.1	32,773.8
Total	6,388.0	8,129.4	15,027.1	35,447.0

SCHEDULE 11 ESTATE DUTY – DUTY ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2008

	Assessments issued before 1 April 2007	Assessments issued in 2007–08						Total
		Original Assessments					Additional Assessment	
		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 2006–07	288,928	–	–	–	–	–	–	288,928
Less: Amount discharged	17,145	–	–	–	–	–	–	17,145
Net outstanding charges brought forward from 2006–07	271,783	–	–	–	–	–	–	271,783
Net duty assessed	0	6	0	21,928	83,521	783,987	19,361	908,803
Penalties charged	0	2	0	585	1,405	13,284	418	15,694
Interest charged	6,579	28	0	9,842	20,797	155,552	2,913	195,711
Total amount payable	278,362	36	0	32,355	105,723	952,823	22,692	1,391,991
Less: Amount paid on account before 1 April 2007	0	0	0	21,089	73,950	712,453	17,438	824,930
Net duty, penalties and interest payable in 2007–08	278,362	36	0	11,266	31,773	240,370	5,254	567,061
Less: Outstanding charges carried forward to 2008–09	201,930	0	0	4,487	12,929	123,837	234	343,417
Net duty, penalties and interest paid in 2007–08	76,432	36	0	6,779	18,844	116,533	5,020	223,644
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	0	0	14,268	33,724	81,717	0	129,709
Total collections in 2007–08	76,432	36	0	21,047	52,568	198,250	5,020	353,353

SCHEDULE 12 ESTATE DUTY STATISTICS

Fiscal Year	2004–05	2005–06	2006–07	2007–08
Assessment	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Duty assessed	896,837	1,061,480	1,634,408	908,803
Penalties and interest	119,127	115,458	140,636	204,826
Total	1,015,964	1,176,938	1,775,044	1,113,629
Collection	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Payment before assessment	1,265,174	1,497,399	549,800	129,709
Payment after assessment	203,199	178,344	227,871	223,644
Total	1,468,373	1,675,743	777,671	353,353
Arrears	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Arrears as at 31 March	268,225	274,402	288,928	343,417

SCHEDULE 13 RACING ATTENDANCE, BETS AND BETTING DUTY COLLECTED

Fiscal Year	2005-06				2006-07				2007-08	
	Day Meeting		Night Meeting		Day Meeting		Night Meeting		Day Meeting	Night Meeting
	Apr-Aug	Sep-Mar	Apr-Aug	Sep-Mar	Apr-Aug	Sep-Mar	Apr-Aug	Sep-Mar		
Racing Attendances										
Number of race meetings	15	28	11	23	16	28	11	22	48	31
Attendances –										
Public	242,781	505,864	97,075	201,462	235,559	523,003	101,064	202,032	859,908	308,777
Members' Stand	10,829	21,772	5,545	7,830	12,383	16,346	3,959	7,957	26,972	11,311
Infield Enclosure	0	0	0	0	0	0	0	0	0	0
Total	253,610	527,636	102,620	209,292	247,942	539,349	105,023	209,989	886,880	320,088
Average per meeting	16,907	18,844	9,329	9,100	15,496	19,262	9,548	9,545	18,477	10,325
Bets										
Average on-course bets –										
Per meeting (\$'000)	99,277		59,670							
Per race-goer per meeting (\$)	5,872		6,396							
Pari-mutuel bets	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Win, Place, Double, Quinella, Quinella Place: on-course / cashbet *	1,150,465	8,149,329	491,885	5,518,510	4,439,594		2,479,188			
off-course / accountbet *	9,304,684	11,474,103	5,629,175	7,496,096	6,399,033		3,494,321			
overseas *	175,821	288,912	104,818	224,308	171,701		106,552			
Six-up: on-course / cashbet *	9,517	87,473	6,957	93,322	46,010		33,672			
off-course / accountbet *	95,933	111,195	79,642	114,166	52,431		36,411			
Treble: on-course / cashbet *	5,544	46,142	2,426	34,451	24,171		14,836			
off-course / accountbet *	58,667	70,887	37,999	51,334	38,141		22,775			
Tierce: on-course / cashbet *	194,736	621,489	81,536	356,640	339,677		157,661			
off-course / accountbet *	788,813	1,119,306	428,013	693,709	615,818		314,919			
Trio: on-course / cashbet *	77,023	459,781	32,834	309,141	247,007		134,851			
off-course / accountbet *	577,356	737,147	360,204	485,530	392,871		218,397			
Double Trio: on-course / cashbet *	20,504	97,056	12,779	83,478	52,794		36,380			
off-course / accountbet *	100,931	116,581	79,563	97,647	64,533		44,605			
Triple Trio: on-course / cashbet *	31,360	197,372	27,949	202,192	114,015		57,684			
off-course / accountbet *	152,713	199,678	140,739	193,035	113,146		56,713			
Total Bets/Net Stake Receipt ^	12,744,067	23,776,451	7,516,519	15,953,559	13,110,942	4,264,206	7,208,965	2,687,224	7,608,734	3,871,371
Top-up amount **	1,687,787	3,144,968	998,944	2,118,140	1,731,060	3,081,855	948,995	1,941,519	5,498,628	2,797,212
Duty collected from Horse Racing (Provisional) ^	4,832,755		3,117,084		4,812,915		2,890,514		8,414,922	
Lotteries				(\$'000)				(\$'000)		(\$'000)
Lottery ticket sales				6,533,618				6,189,653		6,744,197
Duty collected from Lotteries				1,633,405				1,547,413		1,686,049
Football Betting (Provisional)				(\$'000)				(\$'000)		(\$'000)
Net stake receipts				4,709,631				5,593,033		5,894,903
Duty collected from Football Betting (Provisional)				2,354,815				2,796,517		2,947,452
Total duty collected				11,938,059				12,047,359		13,048,423
Duty collected on –									2007-08	
Horse Racing (Provisional):								(\$'000/Rate)	(\$'000)	
Lotteries:								(6,744,197 @ 25%)	1,686,049	
Football Betting (Provisional):								(5,894,903 @ 50%)	2,947,452	
Total duty collected									13,048,423	

Note: * Duty on overseas bets from Macau was charged with effect from 30 January 2005.

* The HKJC ceased to provide data for on/off-course with effect from September 2005 but provided data for cashbet & accountbet.

^ Duty on horse racing was charged on net stake receipts with effect from September 2006.

** The HKJC paid the top-up amount in September 2007 for the racing year of 2006-07.

SCHEDULE 14 HOTEL ACCOMMODATION TAX

Fiscal Year	2004–05	2005–06	2006–07	2007–08
Hotels				
Room occupancy (No. of room-days)	11,096,083	11,960,469	12,932,326	14,314,885
Room occupancy rate (%)	85.8	83.6	85.5	84.3
Average room charge (\$)	727	844	961	1,007
Tax assessed (\$m)	243.0	303.8	378.4	436.8
Boarding Houses				
Room occupancy (No. of room-days)	655,707	683,472	824,857	820,537
Room occupancy rate (%)	118.2	112.8	135.3	109.8
Average room charge (\$)	233	242	224	280
Tax assessed (\$m)	4.9	5.1	6.1	7.2
	(\$m)	(\$m)	(\$m)	(\$m)
Total tax assessed	247.9	308.9	384.5	444.0
Total tax collected	247.4	310.0	384.2	450.4

SCHEDULE 15 TAX RESERVE CERTIFICATES

Fiscal Year	Sales		Redemption		
	Number of Certificates	Value	Number of Certificates	Value	Interest
2004–05		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	35	1,956	497	3,343	226
• Save-As-You-Earn Scheme	50,222	100,153	44,794	85,634	247
• Electronic Tax Reserve Certificates Scheme	33,149	781,105	31,489	750,361	144
Objections/Appeals	1,091	2,196,714	934	1,989,131	4,379
Total	84,497	3,079,928	77,714	2,828,469	4,996
2005–06		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	16	708	131	1,318	111
• Save-As-You-Earn Scheme	52,246	95,394	52,229	98,584	347
• Electronic Tax Reserve Certificates Scheme	35,674	191,146	35,699	197,444	513
Objections/Appeals	1,377	3,769,313	855	2,387,118	27,393
Total	89,313	4,056,561	88,914	2,684,464	28,364
2006–07		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	19	1,069	167	1,881	133
• Save-As-You-Earn Scheme	51,703	92,630	51,341	92,001	993
• Electronic Tax Reserve Certificates Scheme	36,464	229,163	35,218	219,960	1,903
Objections/Appeals	1,470	3,598,353	1,001	1,625,215	25,498
Total	89,656	3,921,215	87,727	1,939,057	28,527
2007–08		(\$'000)		(\$'000)	(\$'000)
Normal (to save for tax)					
• Paper certificate	7	389	46	725	70
• Save-As-You-Earn Scheme	50,727	88,558	36,629	72,483	909
• Electronic Tax Reserve Certificates Scheme	36,115	215,840	29,992	207,864	2,041
Objections/Appeals	1,503	3,143,224	1,179	2,160,054	70,581
Total	88,352	3,448,011	67,846	2,441,126	73,601

SCHEDULE 16 EARNINGS & PROFITS TAX – OFFENCES COMMITTED AND COURT FINES IMPOSED

2007–08

	Inland Revenue Ordinance											
	Failure to submit return and other 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
		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
Profits Tax												
• Corporations	7,391	18,396,051	1,560	8,591,900	8	0	0	0	0	0	8,959	26,987,951
• Unincorporated Businesses	409	847,200	60	320,600	14	1,846,000	0	0	2	16,000	485	3,029,800
Salaries Tax												
• Employees	1,172	2,425,151	185	978,701	6	361,800	1	10,000	0	0	1,364	3,775,652
• Employers	815	2,065,800	196	984,100	0	0	0	0	–	–	1,011	3,049,900
Property Tax												
• Individuals	6	13,200	2	17,000	39	2,433,280	0	0	0	0	47	2,463,480
Total	9,793	23,747,402	2,003	10,892,301	67	4,641,080	1	10,000	2	16,000	11,866	39,306,783

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 2008 is 10,999

SCHEDULE 17 EARNINGS & PROFITS TAX – SURCHARGES ADDED, OFFENCES COMPOUNDED, ADDITIONAL TAX IMPOSED AND COSTS AWARDED BY THE BOARD OF REVIEW

2007–08

	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	13,642	7,097,126	138,209	111,751,181	10,010	113,634,685	3,768	14,531,094	12,902	8,470,071	178,531	255,484,157
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	9	10,600	5	8,600	0	0	0	0	14	19,200
• section 80(1)	0	0	736	2,205,244	21	873,200	64	4,974,000	0	0	821	8,052,444
• section 80(2)	491	6,564,585	5,561	201,198,203	7,081	424,105,674	1,429	209,836,467	30	428,000	14,592	842,132,929
• section 82(1)	1	1,300	52	28,726,800	32	46,587,806	45	19,131,457	0	0	130	94,447,363
• 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	50	108,700	341	12,740,020	480	57,290,915	122	6,119,700	13	102,650	1,006	76,361,985
Costs awarded by the Board of Review	0	0	4	15,000	2	9,000	0	0	0	0	6	24,000
Total	14,184	13,771,711	144,912	356,647,048	17,631	642,509,880	5,428	254,592,718	12,945	9,000,721	195,100	1,276,522,078

* Including penalties imposed by the Court

