

Collection

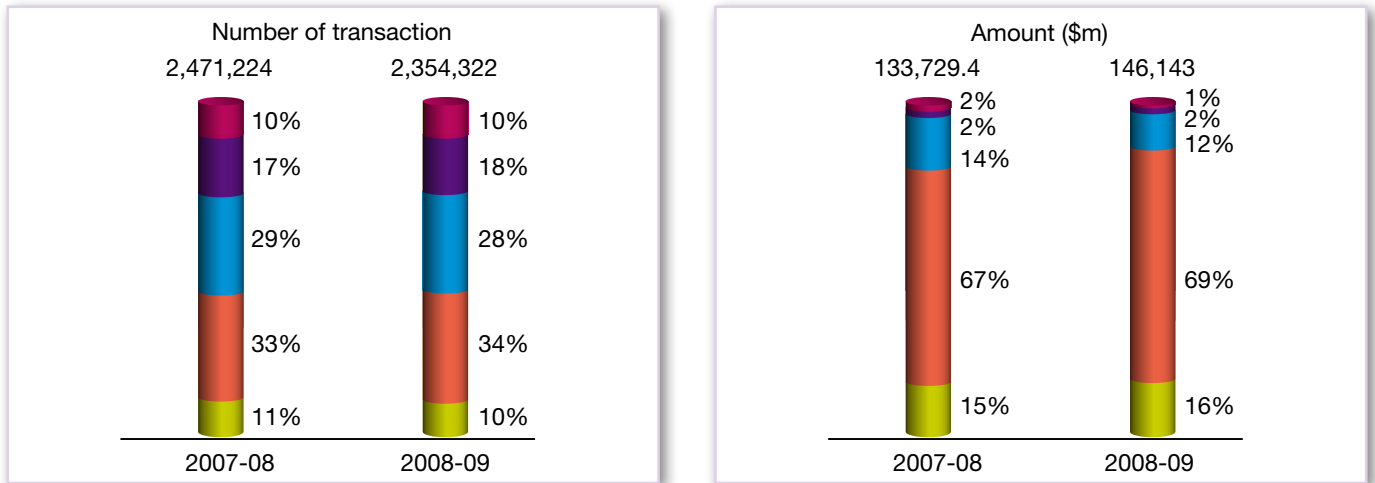
Revenue collected by the Inland Revenue Department includes tax, additional tax, surcharge and fines. **Schedules 16 and 17** provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2008-09.

Collection of Tax

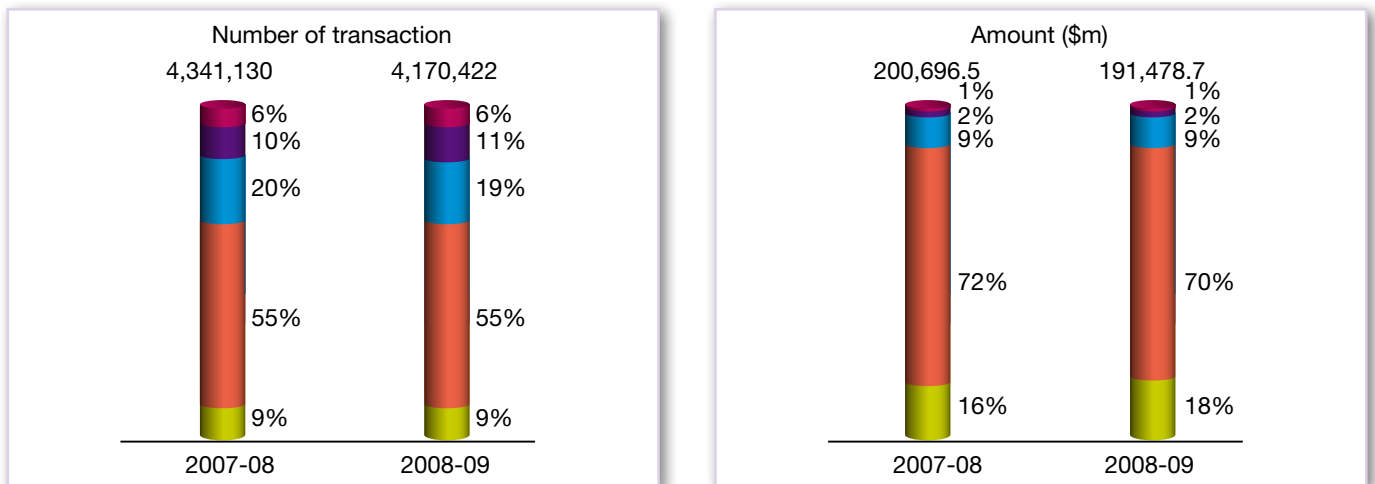
There are various payment methods that a taxpayer can choose to settle his tax liability, including electronic payments (by phone, bank ATM or the Internet), payment in person or payment by post. Electronic tax payments have been well received by the public. For earnings and profits tax, 56% of the payment transactions in 2008-09, similar to that in the previous year, were made through electronic means. **Figure 28** shows the respective percentages of the different payment methods used by taxpayers under earnings and profits tax and total revenue.

Figure 28 Payment methods

Earnings & profits tax



Total revenue (including other duties)



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

Refund of Tax

Refunds were made to taxpayers for various reasons, such as overpayment of tax or revision of an assessment. Owing to the reduction of salaries tax, profits tax, property tax and tax charged under personal assessment for the year of assessment 2007-08, some 535,000 refund cases with total refunds of \$9.2 billion were made in 2008-09, representing a respective increase of 24% and 26% as compared with the previous year (**Figure 29**).

Figure 29 Tax refunds

| Type of tax | 2007-08 | | 2008-09 | |
|---------------------|----------------|----------------|----------------|----------------|
| | Number | Amount (\$m) | Number | Amount (\$m) |
| Profits tax | 29,838 | 3,642.9 | 37,337 | 5,108.7 |
| Salaries tax | 346,314 | 2,025.7 | 432,013 | 2,521.4 |
| Property tax | 15,335 | 149.6 | 19,297 | 147.2 |
| Personal assessment | 25,655 | 255.5 | 21,566 | 205.8 |
| Others | 15,276 | 1,258.5 | 25,662 | 1,221.2 |
| Total | 432,418 | 7,332.2 | 535,875 | 9,204.3 |

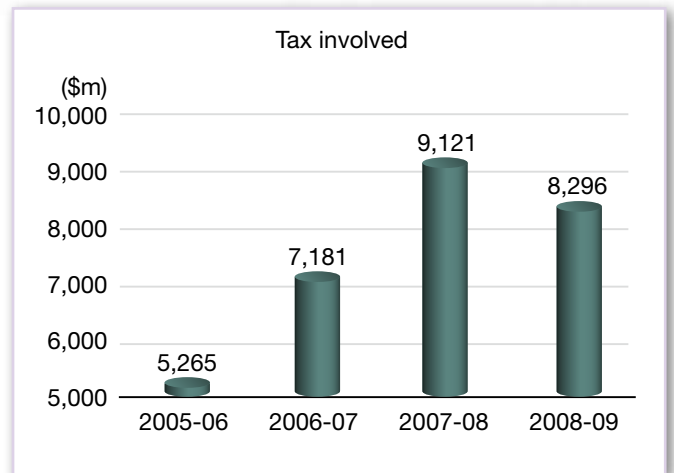
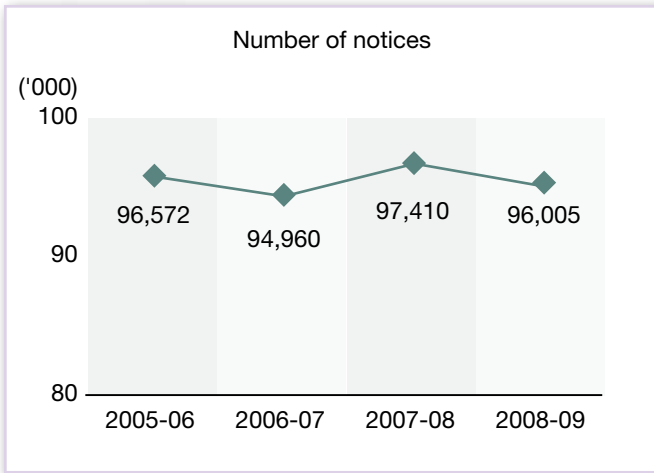
Recovery of Tax in Default

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 2008-09.

Figure 30 Recovery action
Recovery notices



Recovery actions in the District Court

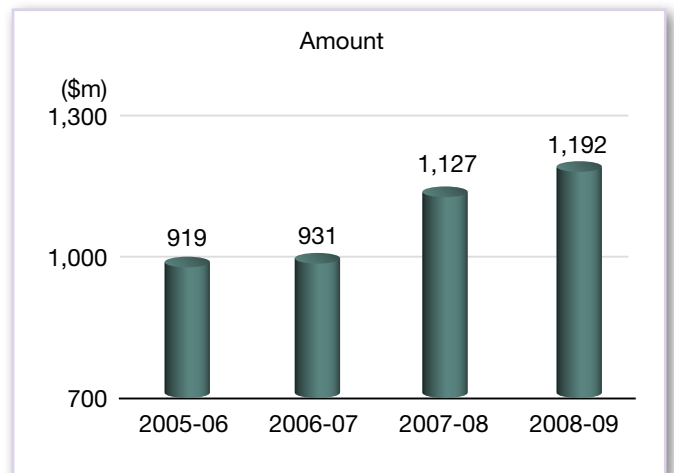
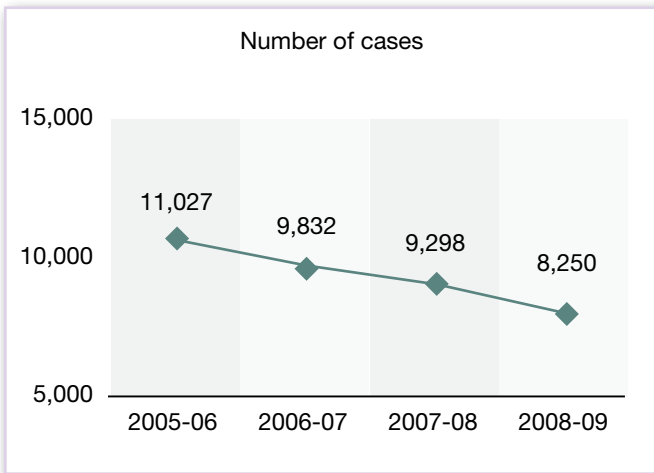


Figure 31 Legal costs and judgment interest collected in 2008-09

| | \$ | \$ |
|---|------------|-------------------|
| Court cost | | |
| Court fees | 2,393,182 | |
| Execution fees | 31,636 | 2,424,818 |
| Fixed cost | | 997,314 |
| Judgment interest | | |
| Pre-judgment interest | 2,799,754 | |
| Post-judgment interest | 17,062,507 | 19,862,261 |
| Total costs and interest collected | | 23,284,393 |

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.