



Inland Revenue Department

The Government of the Hong Kong Special Administrative Region

治稅以法 服務以誠
Tax by the Law
Service from the
Heart

Annual Report 2014-15 年報

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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1 Commissioner's Foreword

The year 2014-15 was a fruitful year. The revenue collection of the Inland Revenue Department showed a notable increase. We collected \$301.9 billion which was \$58.4 billion above that of last year. It was a record high. The increase mainly came from stamp duty and profits tax.

Stamp duty collections surged by \$33.3 billion to \$74.8 billion, representing an increase of 80%. The bulk of the increase is made up of buyer's stamp duty and doubled ad valorem stamp duty introduced under the Government's demand-side management measures for property market. For profits tax, the banking sector had shown a significant growth in the year of assessment 2013-14, with an increase in the assessable profits of nearly 30%. As a result, profits tax collections increased by \$17 billion to \$137.8 billion.

To promote the development, management and trading of Exchange Traded Fund (ETF) in Hong Kong, the Government proposed in the 2014-15 Budget to waive the stamp duty for the transfer of all ETF shares or units, so that the transaction costs of all ETFs with their registers of holders maintained in Hong Kong, regardless of their weight of Hong Kong stocks in their portfolios, can be reduced. The relevant Stamp Duty Amendment Ordinance was published in the Gazette on 13 February 2015. Starting from that day, stamp duty is waived for the transfer of shares or units of all ETFs. The ETF stamp duty waiver will be conducive to fostering Hong Kong's position as an asset management centre and the development of our financial services sector as a whole, offering new business opportunities for market practitioners and a greater range of products for investors.

All along, cross-border tax evasion and avoidance attract the attention of the international community. To counteract such activities, in July 2014, the Organisation for Economic Cooperation and Development (OECD) released the "Standard for Automatic Exchange of Financial Account Information in Tax Matters (AEOI)". The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) was mandated by the G20 to monitor and review the implementation of the standard. The Global Forum has invited all its members, including Hong Kong, to commit to implementing the global standard. In mid-September 2014, Hong Kong indicated to the Global Forum its support for implementing the new standard on AEOI on a reciprocal basis with a view to commencing the first information exchange by the end of 2018, on the condition that Hong Kong will put in place necessary domestic legislation by 2017.

In order to allow time for the financial institutions in Hong Kong to collect information for reporting to the Department in 2018, we plan to introduce an amendment bill into the Legislative Council in early 2016 and strive for its passage as early as possible.





For the purpose of providing better business and employment opportunities to Hong Kong enterprises and residents, the Government takes positive steps to conclude and update comprehensive double taxation agreements with our trading and investment partners. Since the signing of the Arrangement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income between the Mainland and Hong Kong (the Arrangement) in 2006, the tax authorities of the two sides have been revising the Arrangement, by means of protocols, with a view to optimising the terms and clarifying the details of the implementation. The Mainland and Hong Kong signed the Fourth Protocol to the Arrangement (the Fourth Protocol) on 1 April 2015 to facilitate the clear implementation of the Arrangement.

The Fourth Protocol clarifies the conditions under which an investment fund would be qualified for Hong Kong resident status, thus giving certainty to investment funds' application of the tax avoidance arrangements. This will be conducive to the actively promoted asset management businesses in Hong Kong, and will in turn help strengthen Hong Kong's status as an international financial centre.

The Fourth Protocol also reduces the tax liability of aircraft and ship leasing business receiving royalties. The cap of the Mainland withholding tax on royalties paid to aircraft and ship leasing business will be reduced from 7% to 5%. This will be conducive to the promotion of aerospace financing business in Hong Kong. Furthermore, the Fourth Protocol also expands the coverage of tax types under the Eol article of the Arrangement, so as to fulfil Hong Kong's international obligation to meet global standards for enhancing tax transparency. The Fourth Protocol will come into force after the completion of ratification procedures and notification by both sides.

We recognise the importance of providing opportunities of continuous learning to our staff. Besides the routine courses, seminars and overseas training programmes, we also grasp the chance to organise local workshop to allow staff to exchange ideas with overseas counterparts. In July 2014, we organised a joint seminar with the Centre for Tax Policy and Administration of the OECD in Hong Kong. An update on international trend on tax transparency and Hong Kong's treaty network was provided to our professional officers, representatives of Chambers of Commerce, professional bodies and institutions.

The Department has achieved all the performance targets, and exceeded many, in its performance pledges in the year 2014-15. Looking ahead, the development on tax transparency and other international tax issues would bring about lots of new challenges in our work. As we always do, we will work hard to meet the challenges for the purposes of accomplishing all targets and providing quality service to the taxpaying public.

WONG Kuen-fai
Commissioner of Inland Revenue



2 Revenue

In 2014-15, the Inland Revenue Department collected \$301.9 billion and broke its record once again. This represents an increase of \$58.4 billion (24%) over the amount collected in the previous year. Except for Estate Duty, all types of tax collections increased and all reached a record high. The increase mainly came from stamp duty and profits tax. Stamp duty collections surged by \$33.3 billion (80%) to \$74.8 billion. Profits tax collections increased by \$17 billion (14%) to \$137.8 billion. An analysis of the revenue collected by tax type is provided in **Figure 1**.

Figure 1 Revenue collected by tax type

Type of tax	2011-12 (\$m)	2012-13 (\$m)	2013-14 (\$m)	2014-15 (\$m)
Profits tax -				
Corporations	113,798.6	120,727.2	116,097.5	132,683.8
Unincorporated businesses	4,801.3	4,911.2	4,784.3	5,163.1
Salaries tax	51,761.3	50,467.0	55,620.3	59,346.8
Property tax	1,948.4	2,258.2	2,583.8	2,938.6
Personal assessment	4,512.2	4,078.2	4,420.0	4,817.2
Total earnings & profits tax	176,821.8	182,441.8	183,505.9	204,949.5
Estate duty	94.2	137.6	388.4	178.2
Stamp duty	44,355.9	42,879.7	41,514.7	74,844.9
Betting duty	15,760.6	16,564.8	18,066.4	19,479.3
Business registration fees	1,292.9	122.9	73.5	2,480.6
Total revenue collected	<u>238,325.4</u>	<u>242,146.8</u>	<u>243,548.9</u>	<u>301,932.5</u>
% change over previous year	14.0%	1.6%	0.6%	24.0%

The revenue collected by the Department during 2014-15 accounted for 75.9% of the Government General Revenue (**Figure 2**). Profits tax and salaries tax contributed 65.3% of the total revenue collected while stamp duty made up a further 24.8% (**Figure 3**).



Figure 2 Government General Revenue

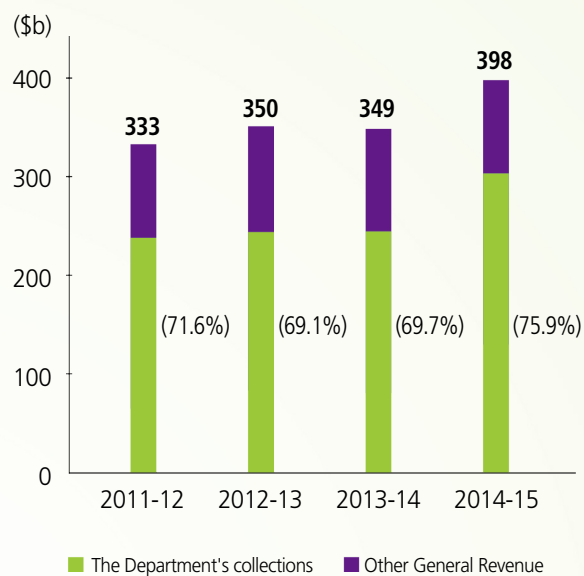
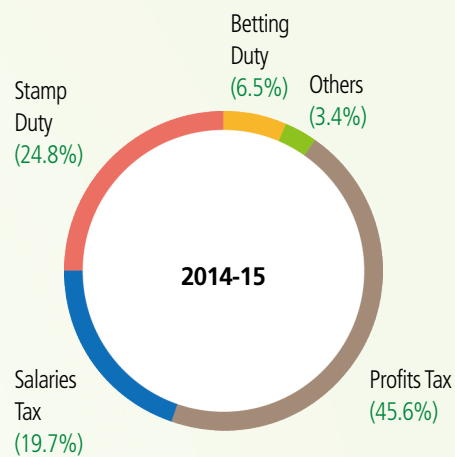
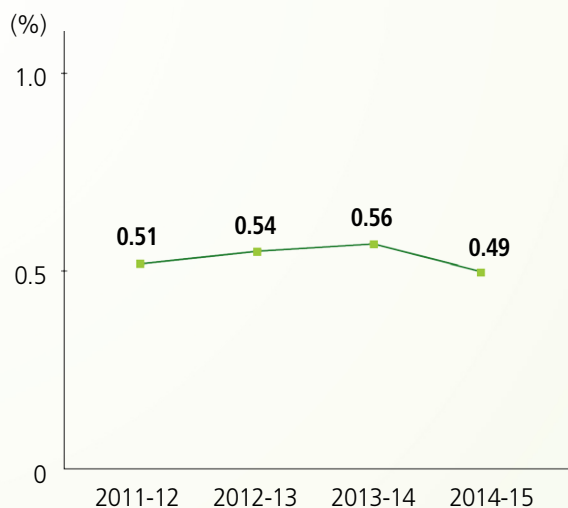


Figure 3 Composition of the revenue collections



With a rise in revenue collections during 2014-15, the cost of collection dropped from 0.56% to 0.49% (**Figure 4**).

Figure 4 Cost of collection



3 Assessing Functions

The Department raises revenue through taxes, duties and fees in accordance with the relevant legislation. Earnings and profits tax are assessed by reference to the incomes / profits of the taxpayers in the previous year, whereas duties and fees are charged at the time the relevant activities occur. For 2014-15, earnings and profits tax assessed increased by \$14.4 billion (7.7%) (**Schedule 2**) as compared with the previous year. The total amount of duties and fees collected also rose significantly by \$36.9 billion (61.5%).

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 2014-15, the tax rates for corporations and non-corporate persons remained unchanged at 16.5% and 15% respectively.

Reflecting the growth in banking sector, the amount of profits tax assessed in 2014-15 was \$132.2 billion, which was \$9.3 billion (7.6%) more than that of the previous year (**Figure 5**).

The amounts of final tax assessed in respect of different business sectors are shown in **Schedules 3 and 4**. Of the total final tax assessed for the year of assessment 2013-14, the property and financial sectors together contributed 44% and the distribution sector generated 25% (**Figure 6**).

Figure 5 Profits tax assessed

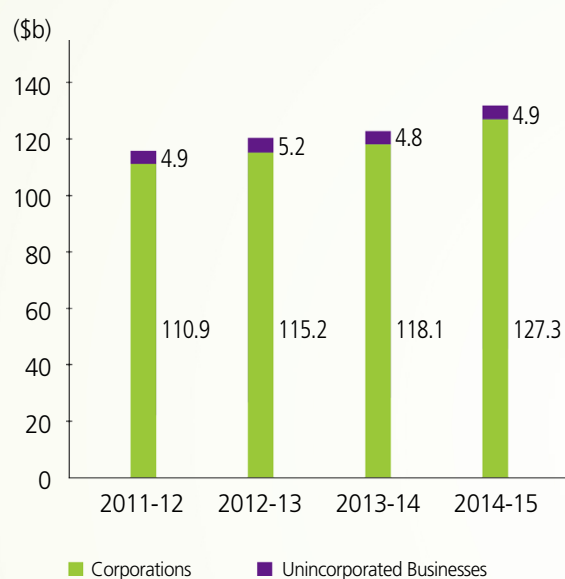
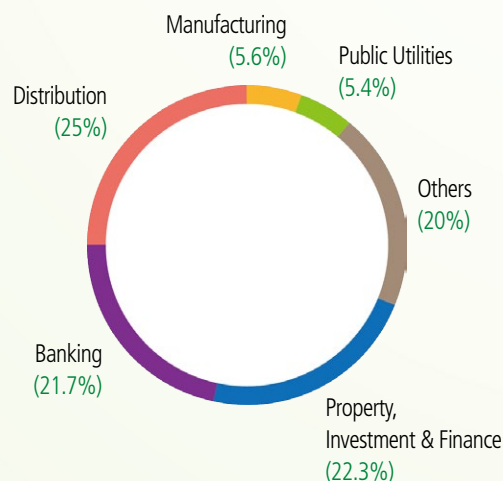


Figure 6 Ratios of corporation profits tax assessed under 2013-14 final assessments by business sectors



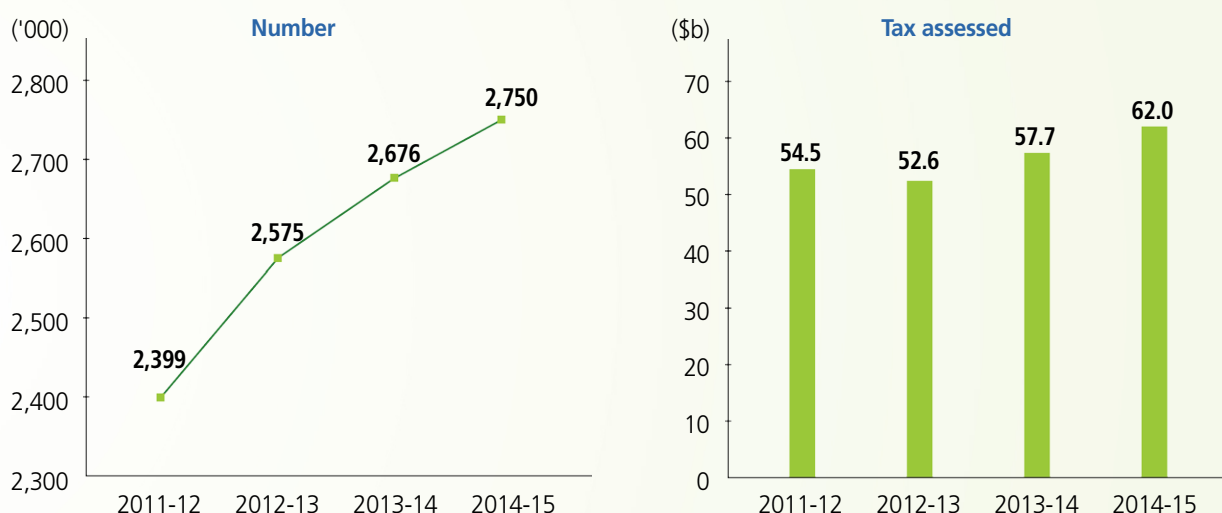


Salaries Tax

Salaries tax is charged on all incomes from any office (e.g. a directorship) or employment and pension arising in or derived from Hong Kong. The total amount of tax payable is restricted to the standard rate on the net total income (without allowances) of the individual concerned. For the year of assessment 2014-15, the standard rate remained unchanged at 15%.

As compared with the previous year, the continued growth in wages and earnings has resulted in a 2.8% increase in the number of salaries tax assessments made during 2014-15 and a 7.5% increase in the total amount of tax assessed (**Figure 7**).

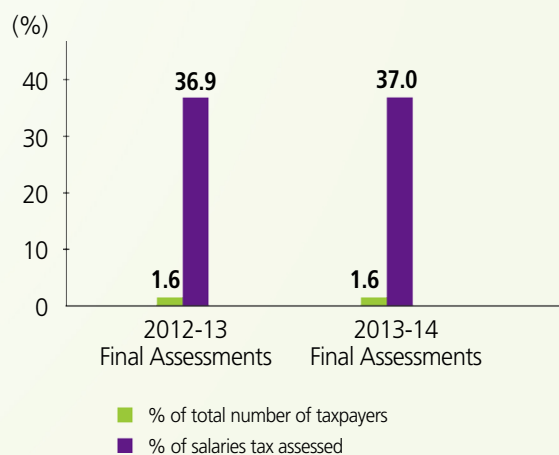
Figure 7 Salaries tax assessments



Analyses of salaries tax assessments and allowances granted in respect of taxpayers at various income levels for the year of assessment 2013-14 are provided in **Schedules 5** and **6**.

For the year of assessment 2013-14, the number of standard rate taxpayers increased by 1,561 to 27,851. These taxpayers together contributed 37% of the salaries tax assessed, a slight increase of 0.1% compared with last year (**Figure 8**).

Figure 8 Standard rate taxpayers



Notification Requirements of Employers

Apart from reporting commencements and cessations of employment, employers are required to prepare annual employer's returns to report the emoluments of each of their employees. During the year, 376,397 employers filed employer's returns with the Department.

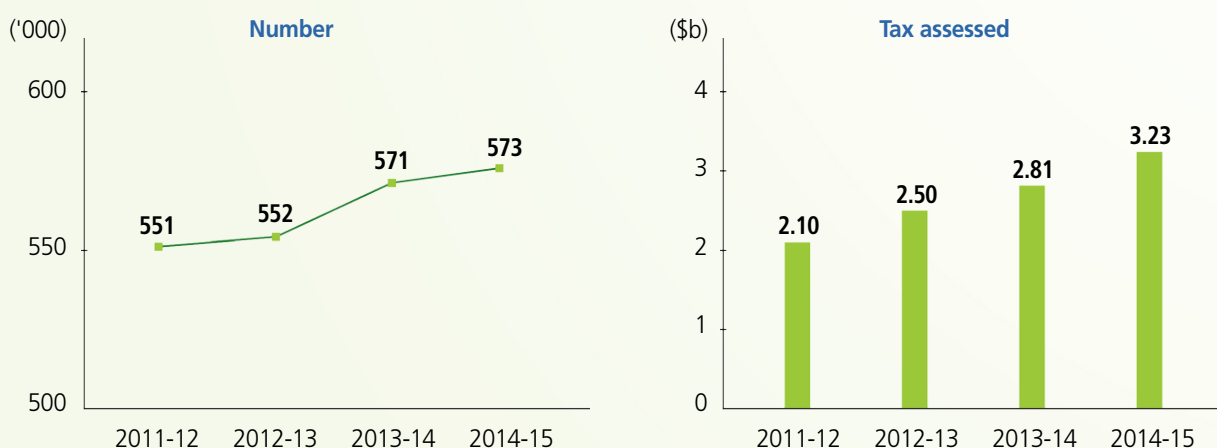
The Department provides e-Seminars and disseminates tax information to employers on the IRD website to help them understand the relevant statutory requirements. The contents cover completion of employer's returns, employer's obligations and answers to frequently asked questions. Employers can also obtain specimens of completed employer's returns and notification 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 2014-15, the standard rate remained unchanged at 15%. Property owners that pay property tax in respect of premises used for their businesses 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 corporation 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 of properties and classification by number of owners, based on the records of the Department, are provided in **Schedule 7**. The number of assessments made in 2014-15 was slightly more than that in the previous year by 0.4%. Reflecting a continuous rising trend in rent, the total amount of property tax assessed increased by 14.9% (**Figure 9**).

Figure 9 Property tax assessments



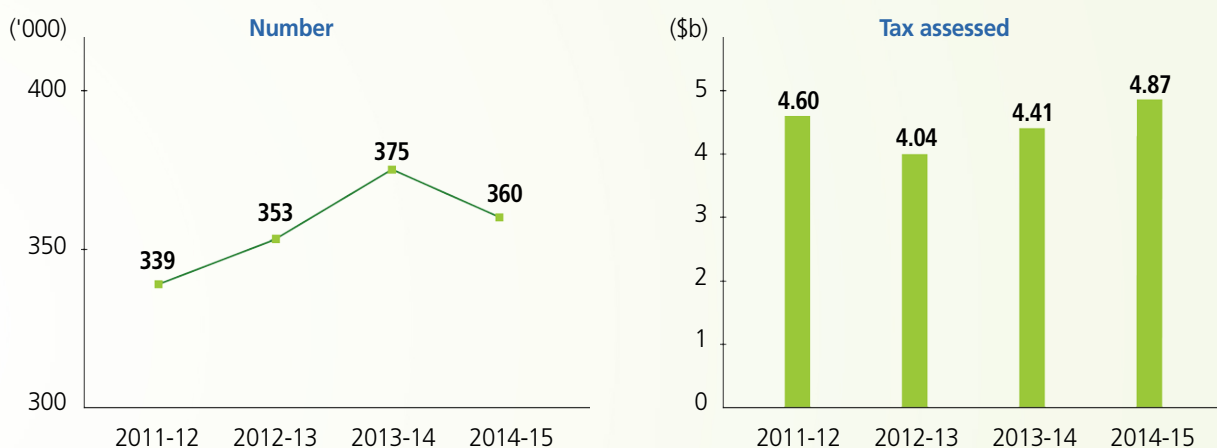


Personal Assessment

An individual may elect for 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 deduction of all allowances, are assessed at the graduated tax rates. In appropriate circumstances, this would reduce the total tax liability of the taxpayer and his or her spouse.

As compared with the previous year, the number of assessments made in 2014-15 decreased by 4% but the amount of tax assessed was 10.4% higher (**Figure 10**).

Figure 10 Assessments made under personal assessment



Tax Treaty Network

Double taxation arises where the same item of income or profit of a taxpayer is subject to tax in Hong Kong as well as in another tax jurisdiction. To establish a tax treaty network can help minimise exposure of Hong Kong residents and residents of the tax treaty partners to double taxation. It will also facilitate the flows of trade, investment and talent between Hong Kong and the rest of the world, and enhance Hong Kong's competitiveness as an international financial, investment and commercial hub.

As at 31 March 2015, Hong Kong has signed comprehensive double taxation agreements (covering various types of income) with 32 jurisdictions. They are Belgium, Thailand, the Mainland of China, Luxembourg, Vietnam, Brunei, the Netherlands, Indonesia, Hungary, Kuwait, Austria, the United Kingdom, Ireland, Liechtenstein, France, Japan, New Zealand, Switzerland, Portugal, Spain, the Czech Republic, Malta, Jersey, Malaysia, Mexico, Canada, Italy, Guernsey, Qatar, Korea, South Africa and the United Arab Emirates.

Hong Kong, as a responsible member of the international community, is committed to enhancing tax transparency and preventing tax evasion. To comply with the latest international standard on exchange of information, Hong Kong entered into tax information exchange agreements with appropriate partners since 2014. As at 31 March 2015, Hong Kong has signed tax information exchange agreements with 7 jurisdictions. They are the United States of America, Denmark, the Faroes, Greenland, Iceland, Norway and Sweden.

Advance Rulings

Taxpayers may apply for an advance 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 application of the “Territorial Source Principle” in a profits tax case, or \$10,000 for a ruling on any other matter. An additional fee is payable if the processing time exceeds the specified limit. The Department endeavours to respond within 6 weeks of the date of application, provided that all relevant information is supplied with the application and further information from the applicant is not required.

During 2014-15, the Department completed the processing of 33 advance ruling applications (**Figure 11**). Most of the applications were for rulings on profits tax matters.

Figure 11 Advance rulings

	2013-14 Number	2014-15 Number
Awaiting decision at the beginning of the year	11	7
Add: Applications received during the year	<u>35</u>	<u>46</u>
	46	53
Less: Disposed of -		
Rulings made	25	19
Applications withdrawn	6	9
Rulings declined	<u>8</u>	<u>5</u>
	39	33
Awaiting decision at the end of the year	<u><u>7</u></u>	<u><u>20</u></u>



Advance Pricing Arrangement

An Advance Pricing Arrangement (APA) is an arrangement that determines in advance an appropriate set of criteria for the determination of the transfer pricing of cross-border transactions between associated enterprises. The APA process gives enterprises the opportunity to reach agreements with tax administrations on the method of applying the arm's length principle so that transfer pricing issues can be more efficiently dealt with in real time, thus avoiding the risk of transfer pricing audit later. This arrangement enables enterprises to better assess their tax exposure and facilitates their business operation.

A unilateral APA is an arrangement between the Commissioner and the enterprise concerning the transfer pricing of its cross-border transactions with an associated enterprise. As the APA process does not involve the agreement with a comprehensive avoidance of double taxation agreement (CDTA) partner, it does not guarantee the agreement of the CDTA partner to the arrangement made.

A bilateral APA is an arrangement between the Commissioner and a CDTA partner concerning the transfer pricing of the abovementioned cross-border transactions. It therefore provides certainty to enterprises that double taxation will not arise. The same also applies to a multilateral APA which is a similar arrangement involving the partners of two or more CDTAs.

The Department rolled out the APA programme in April 2012. At present, the Department will only consider bilateral or multilateral APA applications due to resource constraints and the deficiency of a unilateral APA. Up to 31 March 2015, the Department has received quite a number of applications in relation to CDTA with different partners including the Mainland of China, Japan, Malaysia and the Netherlands. These cases are currently under different stages of the APA programme and a few of them have already been completed.

Objections

A taxpayer who is aggrieved by an assessment may lodge a notice of objection to the Commissioner within the prescribed time limit. If the objection is against an estimated assessment issued because of the failure to lodge a tax return on time, a properly completed return, together with the supporting accounts where applicable, must also be submitted with the notice of objection. A significant proportion of the objections received each year arise from estimated assessments. Most of these objections are settled promptly by reference to the returns subsequently received. Many of the other types of objections are also settled by agreement between the taxpayers and the assessors concerned. Only relatively few objections, which are not agreed, are ultimately referred to the Commissioner for determination. During 2014-15, the Department completed the processing of 79,742 objections (**Figure 12**).

Figure 12 Objections

	2013-14 Number	2014-15 Number
Being processed at the beginning of the year	31,165	32,871
Add: Received during the year	<u>78,349</u>	<u>82,293</u>
	109,514	115,164
Less: Disposed of -		
Settled without determination	76,229	79,323
Determinations:		
Assessments confirmed	243	246
Assessments reduced	86	93
Assessments increased	72	66
Assessments annulled	<u>13</u> <u>414</u> <u>76,643</u>	<u>14</u> <u>419</u> <u>79,742</u>
Being processed at the end of the year	<u>32,871</u>	<u>35,422</u>

Appeals 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) (the Board). The Board is an independent statutory body. As at 31 March 2015, the Board consisted of a chairman and 8 deputy chairmen, who have legal training and experience, as well as 70 other members. During 2014-15, the Board settled 56 appeal cases (**Figure 13**).



Figure 13 Appeals to the Board of Review

	Number		
Awaiting hearing or decision as at 1 April 2014	53		
Add: Received during the year	51		
	104		
Less: Disposed of -			
Withdrawn	28		
Decided:			
Assessments confirmed	19		
Assessments reduced in full	1		
Assessments reduced in part	3		
Assessments increased	5	28	56
Awaiting hearing or decision as at 31 March 2015	48		

Appeals to the Courts

A decision of the Board 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 arising from its decision for the opinion of the Court of First Instance. In addition, according to section 67 of the Inland Revenue Ordinance whereby a notice of appeal has been given to the Board, if both parties so agree, an appeal can be transferred to the Court of First Instance direct without a hearing before the Board.

During 2014-15, the Court of First Instance, by the parties' consent, ordered to discontinue a case concerning the Inland Revenue Ordinance on whether deduction of marketing commission was caught by the anti-avoidance provisions.

On the other hand, the Court of Appeal handed down judgments on appeal by the taxpayers in 2 related cases. The issue involved in these 2 related cases was whether certain profits were trading in nature and not exempt from profits tax. The Court of Appeal ruled against the Commissioner. The Commissioner has applied for leave to appeal to the Court of Final Appeal against judgments of the Court of Appeal. As regards the remaining case brought forward from 2013-14, it remained unsettled as at 31 March 2015.

The Hong Kong Court of Final Appeal Ordinance provides that, a taxpayer or the Commissioner may, with the leave of the Court of Appeal or the Court of Final Appeal, appeal against the judgment of the Court of Appeal. During 2014-15, the Court of Final Appeal handed down judgment on 1 case dismissing the Commissioner's appeal concerning balancing charges on certain fixed assets.

Figure 14 sets out the statistics concerning appeals to the Courts during 2014-15.

Figure 14 Appeals to the Courts

	Court of First Instance	Court of Appeal	Court of Final Appeal	Total
Awaiting hearing or decision as at 1 April 2014	4	3	1	8
Add: Lodged during the year	1	0	0	1
	5	3	1	9
Less: Disposed of -				
Decided	0	2	1	3
Discontinued	1	0	0	1
Awaiting hearing or decision as at 31 March 2015	4	1	0	5

Business Registration

The Department aims to maintain an efficient business registration system. A person carrying on a business in Hong Kong must register the business and pay the required fee and levy. The number of business registrations as at 31 March 2015 stood at 1,405,702, which was an all time high. It was 53,047 more than that as at 31 March 2014 (**Figure 15**).

Business registration certificates are generally valid for one year, but businesses may elect for 3-year certificates. As at 31 March 2015, 18,318 businesses held 3-year certificates.

As the waiver of business registration fees expired on 1 April 2014, the amount of business registration fees and penalties collected in 2014-15 increased significantly to \$2,481 million, an increase of 3,276% compared with last year (**Figure 16**). Business registration statistics are set out in **Schedule 8**.

Figure 15 Number of business registrations

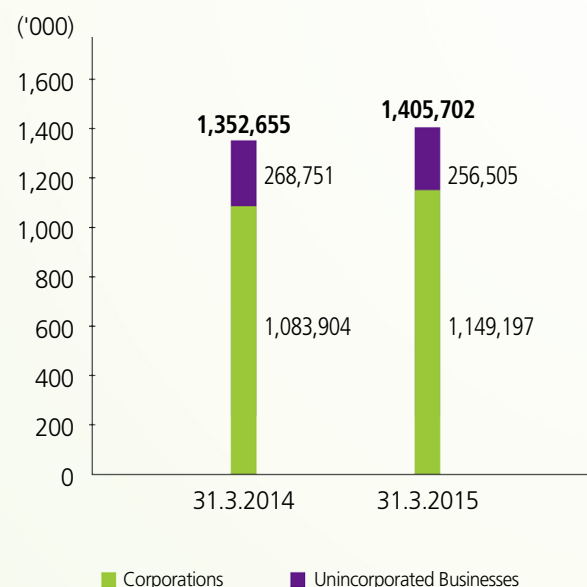




Figure 16 Business registration statistics

	2013-14	2014-15	Increase/Decrease
Number of certificates with fees collected (Main and Branch)	1,403,124	1,382,214	-1.5%
Fees (inclusive of penalties) (\$m)	73.5	2,481	+3,276%

Under the Business Registration Ordinance, a small business with average monthly sales or receipts below a specified limit, i.e. \$10,000 for businesses deriving profits mainly from the sale of services, and \$30,000 for other businesses, can apply for exemption from payment of the business registration fee and levy. Where an application for exemption is not allowed, the business operator may appeal to the Administrative Appeals Board. Due to the reinstatement of business registration fees in 2014-15, the number of successful applications for exemption in 2014-15 rose to 13,834, representing an increase of 41% . No appeal case was received by the Board during the year (**Figure 17**).

Figure 17 Appeals to the Administrative Appeals Board

	2013-14 Number	2014-15 Number
Awaiting hearing at the beginning of the year	0	0
Add: Lodged during the year	<u>1</u>	<u>0</u>
	1	0
Less: Disposed of -		
Appeal allowed	0	0
Appeal dismissed	0	0
Appeal withdrawn	<u>1</u>	<u>0</u>
	1	0
Awaiting hearing at the end of the year	<u><u>0</u></u>	<u><u>0</u></u>

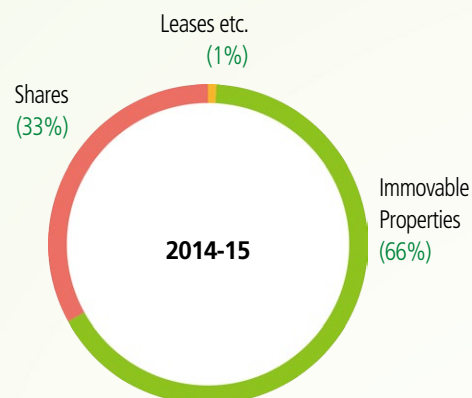
Stamp Duty

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

The Stamp Duty (Amendment) (No.2) Ordinance 2014 ("Amendment Ordinance") was gazetted on 25 July 2014. The Amendment Ordinance introduced higher Scale 1 rates of ad valorem stamp duty ("AVD") on certain

instruments relating to immovable properties executed on or after 23 February 2013; and advanced the charging of AVD on instruments relating to non-residential property transactions from the conveyance on sale to the agreement for sale executed on or after that date. Besides, upon gazettal of the Amendment Ordinance, certain instruments relating to immovable properties executed during the transitional period (from 23 February 2013 to 24 July 2014) were chargeable to additional stamp duty. All these factors have contributed to the sharp increase in the stamp duty collections from property transactions in 2014-15 by 171% to \$49.2 billion.

Figure 18 Composition of stamp duty collections



Further, the number of securities transactions has increased noticeably in 2014-15. The stamp duty collections from share transactions in 2014-15 were \$24.9 billion, representing an increase of 10% from the previous year.

Overall, there was an increase of 80% in the total stamp duty collected during the year, whilst the number of documents stamped slightly decreased by below 1% (**Figure 19** and **Schedule 9**).

Figure 19 Stamp duty collections

	2013-14 (\$m)	2014-15 (\$m)	Increase
Immoveable Properties	18,161	49,215	+171%
Shares	22,704	24,885	+10%
Leases and other documents	650	745	+15%
Total	41,515	74,845	+80%

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. The estate duty chargeable in respect of estates



of persons dying between the period 15 July 2005 to 10 February 2006, with the principal value exceeding \$7.5 million, is reduced to a nominal amount of \$100. With the abolition of estate duty, the number of new cases reduced gradually to 897 in 2014-15, a drop of 6.2% from the 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

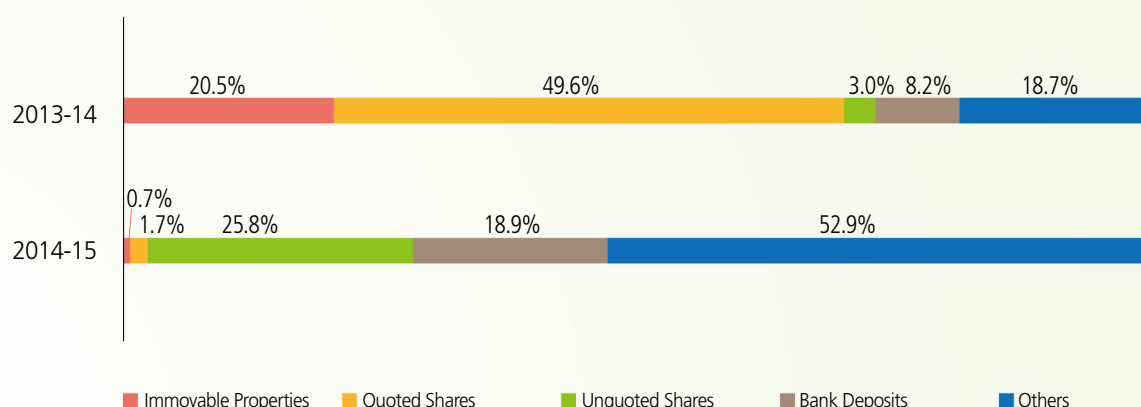


Figure 21 Estate duty cases

	2013-14 Number	2014-15 Number
New cases	956	897
Cases finalised		
- Dutiable	21	7
- Exempt	961	868
	982	875

Estate duty of \$178 million was collected during the year (**Schedule 10**), a decrease of \$210 million (54%) 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). \$46.7 million was received during the year in advance of the issue of formal assessments (**Schedule 10**).

Betting Duty

Betting duty is charged on the net stake receipts from betting on horse races and football matches and on the proceeds of Mark Six lotteries, all administered by the Hong Kong Jockey Club. In 2014-15, the rates of betting duty on these betting activities remained unchanged (**Figure 22**).

Figure 22 Rates of betting duty in 2014-15

			Rate
Horse racing			
Local bets on local horse races	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%
Local bets on non-local horse races	Net stake receipts		72.5%
Mark Six lotteries	Proceeds		25%
Football betting	Net stake receipts		50%

The total betting duty collected in 2014-15 was 7.8% higher than the previous year. All types of betting duty collections increased and the largest percentage increase came from football betting duties (**Figure 23** and **Schedule 11**).

Figure 23 Betting duty collections

	2013-14 (\$m)	2014-15 (\$m)	Increase
Horse racing	11,658.0	11,932.5	+2.4%
Mark Six lotteries	1,931.2	1,970.3	+2.0%
Football betting	4,477.2	5,576.5	+24.6%
Total	18,066.4	19,479.3	+7.8%



Tax Reserve Certificates

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

The first situation applies to taxpayers who wish to save for the payment of their future tax liabilities. The Department 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 2014-15, there was an increase of 4.3% and 6.4% respectively in the number and the amount of TRCs sold under the “Electronic Tax Reserve Certificates Scheme” but a slight decrease of 0.9% in the number and an increase of 3.4% in the amount of TRCs sold under the “SAYE Scheme” (**Schedule 12**). Overall, the total amount of TRCs sold increased by 5.9% (**Figure 24**).

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

Figure 24 Certificates sold



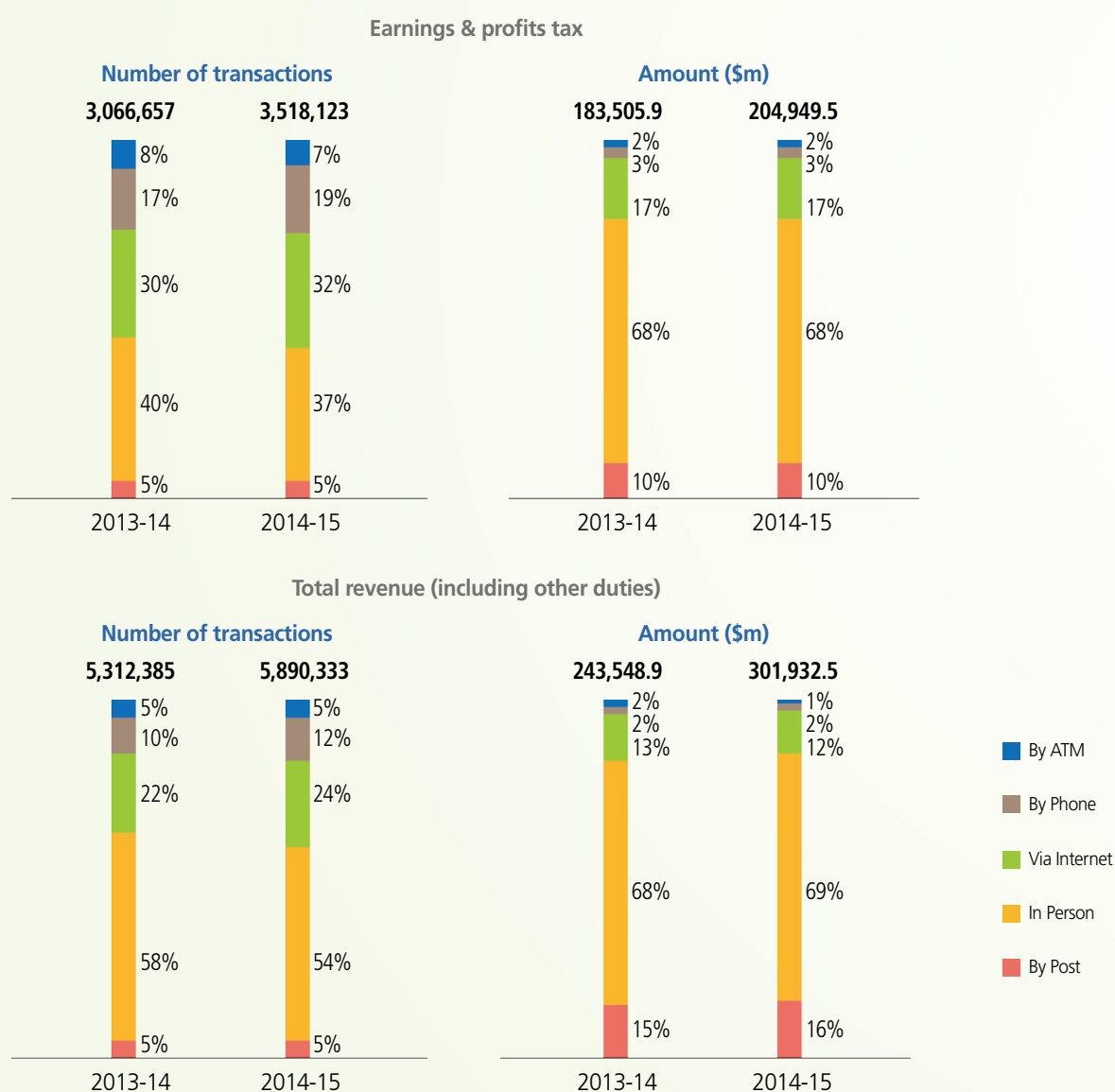
4 Collection

Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 13** and **14** provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2014-15.

Collection of Tax

Taxpayers can conveniently settle their tax liabilities by various payment methods, including electronic payment (by phone, bank ATM or via the Internet), payment in person or payment by post. For earnings and profits tax, electronic payment remains most popular. 58% of the earnings and profits tax payment transactions in 2014-15 were made through electronic means. **Figure 25** shows the respective percentages of the different payment methods used by taxpayers under earnings and profits tax and total revenue.

Figure 25 Payment methods





Refund of Tax

Tax refunds were made mainly due to overpayment of tax by taxpayers and revision of assessments. There were 532,034 refund cases in 2014-15, representing an increase of 4.7%. The total amount of refunds was \$11.78 billion, representing a decrease of \$0.25 billion or 2.1% compared with the previous year (**Figure 26**).

Figure 26 Tax refunds

Type of tax	2013-14		2014-15	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	44,916	7,240.5	44,310	6,580.3
Salaries tax	385,263	2,908.3	423,833	3,239.1
Property tax	16,796	156.1	16,723	176.5
Personal assessment	28,205	315.1	27,447	332.8
Others	33,058	1,409.0	19,721	1,452.8
Total	<u>508,238</u>	<u>12,029.0</u>	<u>532,034</u>	<u>11,781.5</u>

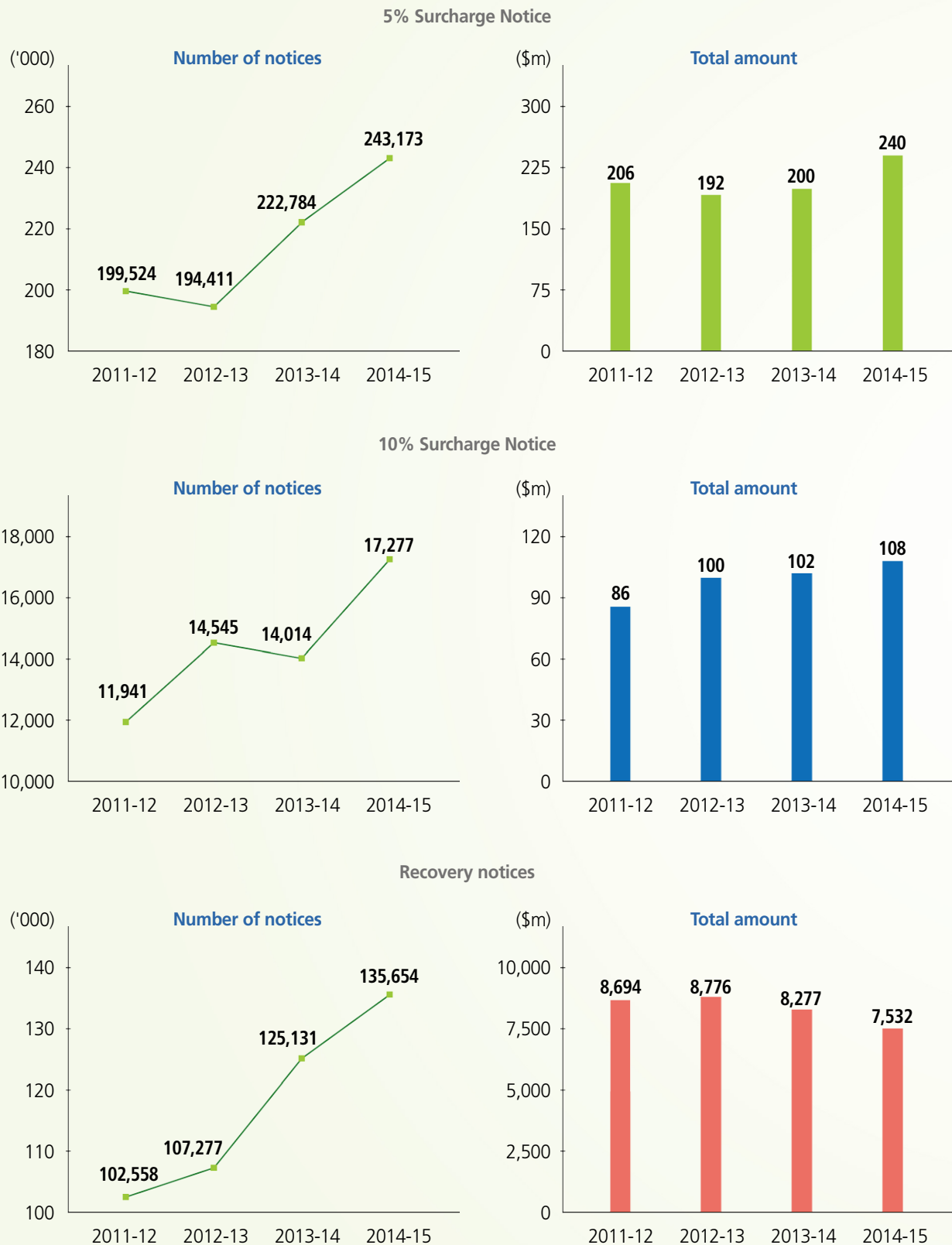
Recovery of Tax in Default

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 employers, bankers, debtors and persons holding money on behalf of the defaulting taxpayers to effect collection. Actions may also be commenced in the District Court. **Figure 27** summarises different types of recovery actions taken by the Department.

Figure 27 Recovery action





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 28** shows the legal costs and judgment interest collected during 2014-15.

Figure 28 Legal costs and judgment interest collected in 2014-15

	\$	\$
Court cost		
Court fees	1,087,452	
Execution fees	<u>13,290</u>	1,100,742
Fixed cost		474,812
Judgment interest		
Pre-judgment interest	2,646,638	
Post-judgment interest	<u>17,613,318</u>	<u>20,259,956</u>
Total costs and interest collected		<u>21,835,510</u>

Furthermore, the Commissioner may apply to a District Judge to prevent a person with tax in default from leaving Hong Kong. If the District Judge is satisfied that it is in the public interest to ensure that the person does not depart from Hong Kong, or if he returns, does not depart again, without first paying the tax or furnishing security to the satisfaction of the Inland Revenue Department for payment of that tax, he shall issue the “departure prevention direction”. The person concerned has the right to appeal to the Court of First Instance of the High Court against the District Judge’s decision.



5 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 2014-15, the Field Audit and Investigation Unit completed 1,803 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.5 billion (**Figure 29**).

Figure 29 Results of the Field Audit and Investigation Unit

	2011-12	2012-13	2013-14	2014-15
Number of cases completed	1,804	1,802	1,802	1,803
Understated earnings and profits (\$m)	34,083.4	16,348.0	12,936.4	12,857.9
Average understatement per case (\$m)	18.9	9.1	7.2	7.1
Back tax and penalties assessed (\$m)	6,003.0	3,447.7	2,540.0	2,533.1
Back tax and penalties collected (\$m)	6,852.4	3,438.3	2,158.7	2,861.4

Field Audit

In 2014-15, there were 17 Field Audit sections. 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.

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 2014-15, the Field Audit and Investigation Unit completed 217 tax avoidance cases and assessed back tax and penalties of about \$1.16 billion (**Figure 30**).

Figure 30 Results of the audit on tax avoidance cases

	2011-12	2012-13	2013-14	2014-15
Number of cases completed	226	207	219	217
Understated earnings and profits (\$m)	26,864.3	7,576.4	5,124.9	6,027.7
Average understatement per case (\$m)	118.9	36.6	23.4	27.8
Back tax and penalties assessed (\$m)	4,356.7	1,523.8	909.3	1,155.6



Investigation

In 2014-15, there were 5 Investigation sections. Investigation officers are responsible for conducting in-depth investigations into suspected tax evasion, and taking penal action (including prosecution proceedings in appropriate cases) as a deterrent.

Prosecution

One of the 5 Investigation sections is the prosecution section focusing on criminal investigation of tax evasion. Tax evasion is a serious crime. A person convicted of tax evasion could be sentenced to imprisonment for up to 3 years and fined.

In 2014-15, the Department successfully prosecuted 7 evasion cases. They mainly involved taxpayers making false statements in connection with claims for deductions/allowances or omitting rental income. In the 7 cases, the defendants of 4 cases were each sentenced to 4 weeks to 2 months imprisonment with suspended sentences and those for the remaining 3 cases were each imposed a community service order of 160 to 240 hours. The maximum case was fined \$180,000, equivalent to 230% of the tax evaded.

Property Tax Compliance Check

In addition to conducting audits on businesses, the Department also carries out verification checks on the correctness of rental income reported by property owners. In 2014-15, the Department completed compliance check on 161,860 property tax cases (**Figure 31**).

Figure 31 Results of the property tax compliance checks

	2011-12	2012-13	2013-14	2014-15
Number of cases completed	102,422	117,923	140,705	161,860
Understated rental income (\$m)	442.5	461.7	553.3	635.0
Back tax and penalties assessed (\$m)	53.1	55.4	66.4	76.2



6 Taxpayer Services

IRD Website www.ird.gov.hk

The IRD website serves as an effective platform for providing the public with updated information on Hong Kong taxation. Its content covers:

- information on tax law, tax returns, tax obligations and other hot topics;
- answers to frequently asked questions;
- IRD software and tax forms;
- interactive programs for calculating salaries tax and tax under personal assessment.



To facilitate taxpayers to locate the relevant tax information, there are thematic content pages for individuals, businesses, employers, tax representatives etc.

The IRD website conforms to web accessibility guidelines and there is also a mobile version to enable all users to have quick and convenient access to tax information.

Electronic Enquiry Service

Instant electronic enquiry services are provided to eTAX users at <www.gov.hk/etax>. They can view their tax position in relation to their returns, assessments and payments, etc.

Enquiry Service Centre

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 to enable our staff to provide, as far as possible, an immediate "one-stop" service.



Telephone Enquiry Service

The Centre operates an Interactive Telephone Enquiry System (ITES) with 144 telephone lines. Callers can have access on a 24-hour basis to a wide range of tax information by listening to recorded messages. Besides, callers can obtain facsimile copies of information sheets and forms through the system. A "Leave-and-call-back" facility, for recording information requests, and a "Fax-in enquiry" service are also available. The telephones are manned during office hours by staff



who would readily serve the callers. The Centre also provides an eTAX help desk hotline to handle enquiries on eTAX services and provide technical support.

The statistics of services provided through ITES during 2014-15 are shown in **Figure 32**.

Figure 32 Statistics of services provided through ITES

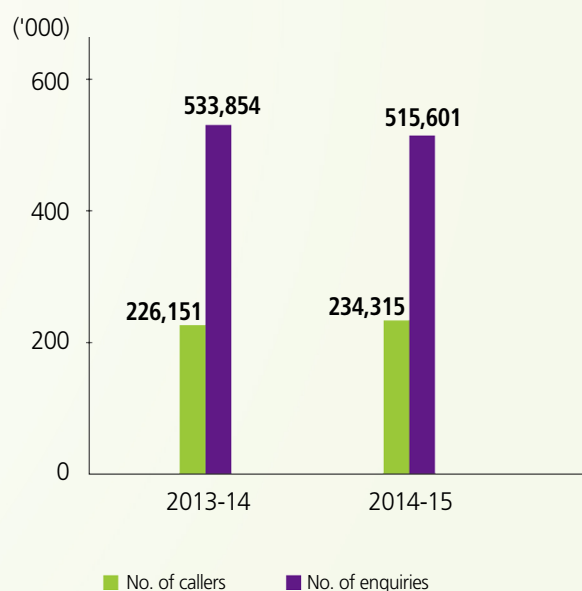
	2013-14 Number	2014-15 Number	Increase/Decrease
Calls answered by staff	704,034	704,281	+0.04%
Calls answered by system	709,379	707,575	-0.25%
Leave-and-call-back messages	34,886	36,455	+4.50%
Documents supplied by fax	3,540	3,878	+9.55%

Counter Enquiry Service

Generally, the counter staff of the Centre is able to handle enquiries, collects mail items and issues forms all by themselves without the need of referring callers to other sections in the Department for attention. The number of counter enquiries handled and forms issued during 2014-15 was about 0.52 million (**Figure 33**).

Information leaflets on topics of general interest are available for collection at the two form stands located on the ground floor and first floor of Revenue Tower. The public may also obtain general tax information and download forms from the IRD website and GovHK's website <www.gov.hk>.

Figure 33 Counter enquiries



Tax-help Services for Completion of Tax Returns

On the IRD website, e-Seminars are provided for employers, property owners and individual taxpayers. Information on how to complete tax returns, fulfil tax obligations and overcome difficulties in compliance is uploaded to the website. After reading the information, taxpayers can raise enquiries electronically at the “Q&A Column”. The Department will reply the questions on a regular basis.

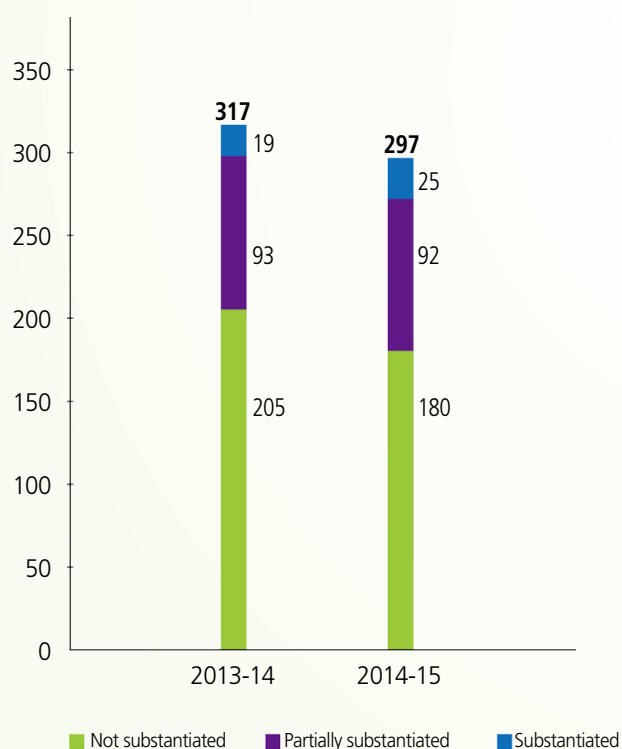
The Department issued 2.37 million Individuals Tax Returns for the year of assessment 2013-14 on 2 May 2014. To assist the taxpaying public in completing tax returns, the Department extended the service hours of telephone enquiry services in May 2014. Service hours from Monday to Friday were extended by one and a half hours till 7:00 pm and additional service was also provided on Saturday from 9:00 am till 1:00 pm. During peak periods, the Department also redeployed manpower resources and employed part-time staff to strengthen daytime telephone enquiry services.

Complaints and Compliments

If taxpayers are dissatisfied with the services provided by the Department or their problems cannot be solved 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. This ensures that such cases are properly handled in a fair and impartial manner. During 2014-15, 297 complaints cases were received (**Figure 34**). This represents a decrease of 6.3%, as compared with the previous year.

If taxpayers are dissatisfied with any administrative action taken by the Department, they may refer the matter to the Ombudsman. During 2014-15, the Ombudsman sought written comments from the Department in respect of 19 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

Figure 34 Complaint cases

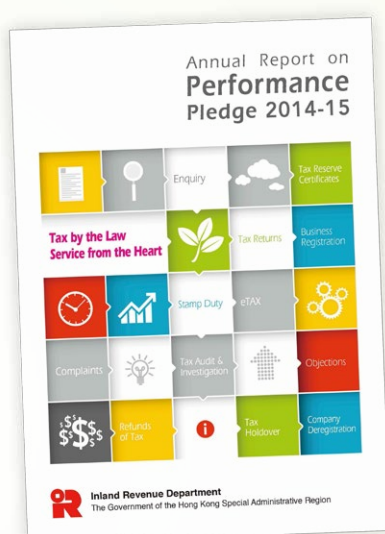




Taxpayers may compliment the service of the Department. During the year, 164 Letters of Compliments were received.

Performance Pledge

The service standards a taxpayer can expect from the Department are set out in the performance pledges. The Department has achieved all the targets of performance pledges and excelled in some of the targeted performance with remarkable results during 2014-15.



7 Information Technology

The Department has been making extensive use of information technology to enhance operational efficiency and provide a wide range of electronic services to the public.

IT Environment

The Department has a comprehensive and integrated IT infrastructure, including different types of computer application systems and platforms. The Department's network connects the computer system and staff workstations on different floors. Assessment process is automated by the "Assess-First-Audit-Later" system. Tax audit and investigation work is facilitated by the use of data mining and advanced analytical tools. With extensive utilization of the Document Management System and Workflow Management System, the management, control and monitoring of documents, files and workflows are strengthened. Apart from adopting computerised workflow to enhance efficiency, a wide range of information is stored in the Department's Intranet and General Enquiry Knowledge Database for convenient access by our staff at work. Moreover, e-mail and Internet facilities provide an efficient and environment-friendly communication platform for our staff.

In 2014-15, we continued to develop the system infrastructure enhancement project. Stage I and II of the project have already been completed. Regarding Stage III of the project for migration of mainframe applications, system development and user acceptance testing are in progress.

Electronic Services

eTAX

eTAX provides a wide range of online tax services to the public. It includes internet filing of tax returns, stamping of property documents, business registration enquiries, electronic notices, payments and lodgement of applications, etc.

The Department's online services are widely used. As at 31 March 2015, there were some 598,000 registered eTAX users. The take-up rate increased year after year (**Figure 35**).



Figure 35 eTAX Usage Statistics

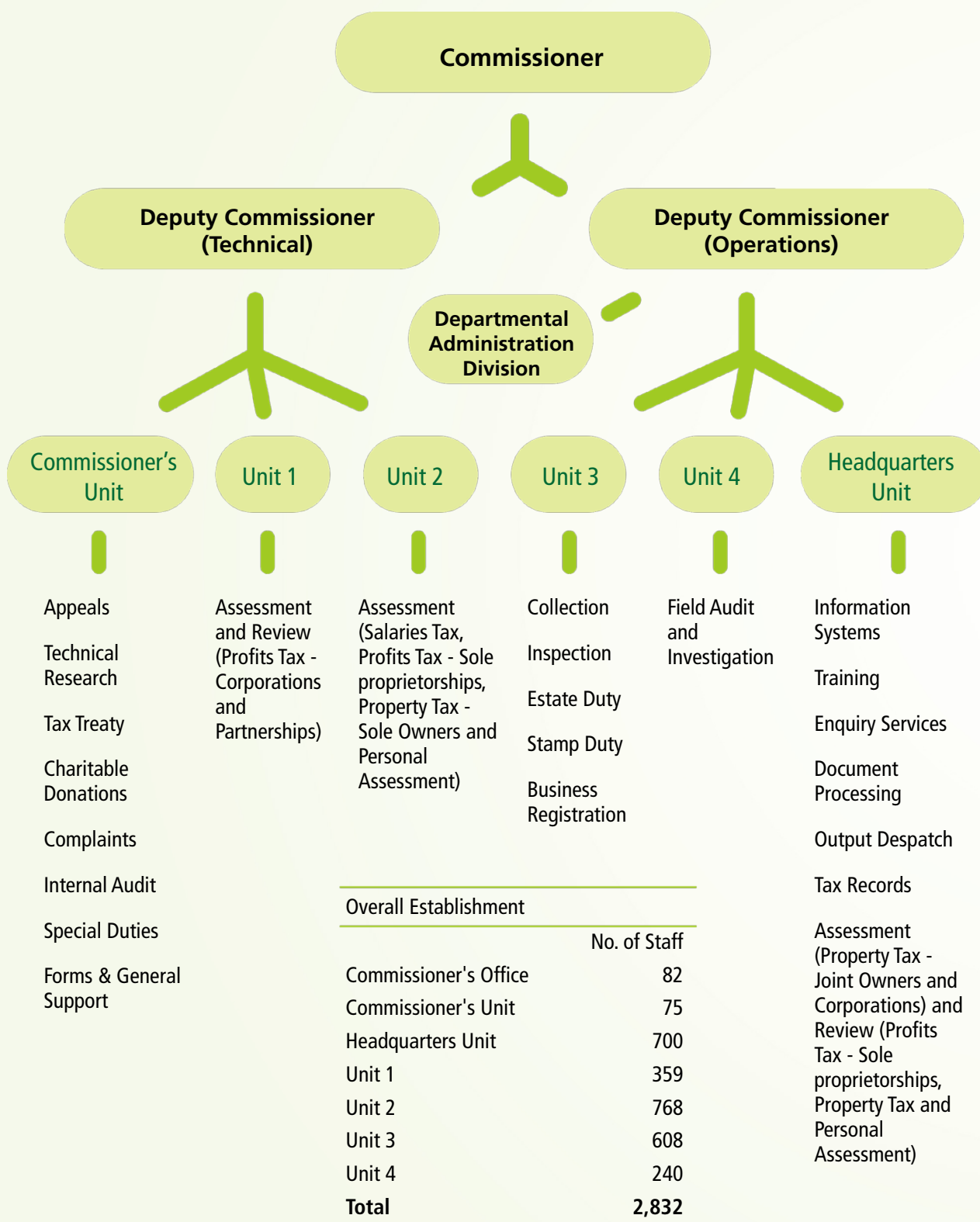
	2013-14 Number	2014-15 Number	Increase/ Decrease
Internet filing of tax returns			
- Tax Return-Individuals, Property Tax Return and Profits Tax Return	423,555	472,350	+11.5%
- Employer's Return of Remuneration and Pensions			
BIR56A	7,468	10,292	+37.8%
IR56B	57,174	78,009	+36.4%
- Employer's Notifications of Commencement of Employment, Cessation of Employment and Employee's Departure from Hong Kong	14,890	15,468	+3.9%
Stamping of Property Document	223,656	290,104	+29.7%
Business Registration Number Enquiry	2,710,228	2,148,597	-20.7%
Application for Supply of Information on the Business Register			
Requisition	124,242	130,075	+4.7%
Business registrations involved	292,532	317,072	+8.4%

Other Electronic Services

During 2014-15, some 44,700 employers furnished annual returns for 2,788,500 employees by diskettes, CD-ROMs or USB storage devices. About 70% of these employers used the free software provided by the Department.



Organisation Chart of the Inland Revenue Department as at 31.3.2015





Establishment

The Commissioner, the two Deputy Commissioners and the five Assistant Commissioners, together with the Departmental Secretary, form the top management of the Inland Revenue Department.

Members of the Top Management of the Inland Revenue Department (as at 31.3.2015)



Mr WONG Kuen-fai

Commissioner

Mr TAM Tai-pang

Deputy Commissioner
(Operations)

Mr CHIU Kwok-kit

Deputy Commissioner
(Technical)

Ms TSE Yuk-yip

Assistant Commissioner
(Unit 3)

Mr CHIU Sai-ming

Assistant Commissioner
(Headquarters Unit)

Ms CHAN Fung-kuen

Assistant Commissioner
(Unit 4)

Miss TSUI Siu-fong, Maria

Assistant Commissioner
(Unit 2)

Ms LEE Kit-yee, Fion

Departmental Secretary

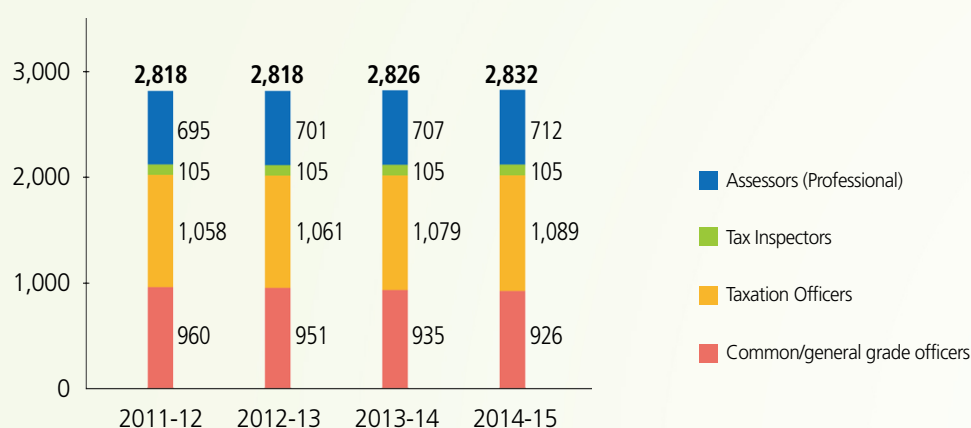
Ms LEE Kong-chun, Doris

Assistant Commissioner
(Unit 1)



As at 31 March 2015, the Department had an establishment of 2,832 permanent posts (including 27 directorate posts) in the Commissioner's Office and the 6 Units of the Department. Of the total, 1,906 posts were in departmental grades (namely Assessor, Tax Inspector and Taxation Officer grades), performing duties directly concerned with taxation. The remaining 926 posts were in common / general grades, providing administrative, information technology and clerical support services (**Figure 36**).

Figure 36 Staff establishment



Most of the professional officers serving in the Department were below the age of 45 (**Figure 37**). The ratio of male to female professional officers was 1:1.6.

Figure 37 Age profile of professionals (on strength basis)

Age Group	Male		Female		Total	
Below 25	9	(3%)	16	(4%)	25	(4%)
25 to below 35	46	(17%)	132	(31%)	178	(25%)
35 to below 45	63	(23%)	106	(24%)	169	(24%)
45 to below 55	115	(42%)	142	(33%)	257	(36%)
55 and over	43	(15%)	36	(8%)	79	(11%)
Total	276	(100%)	432	(100%)	708	(100%)



Staff Promotions and Turnover

In 2014-15, a total of 56 departmental grade officers and 20 common / general grade officers were promoted. Among them, 5 were in directorate rank. 128 officers joined the Department, of which 82 were new appointees and 46 were officers transferred from other grades / departments. A total of 160 officers (including 41 transferred to other departments) left the Department.

Training and Development

Staff are the Department's valuable assets. We recognise the importance of providing opportunities of continuous learning to our staff to keep them abreast of the changing environment and to acquire the necessary knowledge to perform their duties. A variety of training courses in taxation, accounting, interpersonal skills, management, languages, etc. are offered to staff members. In 2014-15, our staff received training for a total of 9,166 man-day, which was equivalent to about 3.24 man-days per officer.

The major training activities conducted for our staff during 2014-15 were as below:

Training Courses

- Induction courses for all grades of staff upon joining the Department
- Two-year taxation law and practice course for newly appointed Assistant Assessors
- Briefing sessions on legislative amendments and new services
- Refresher courses on professional knowledge
- Courses on Hong Kong Accounting Standards
- Written and spoken English courses
- Putonghua courses
- Computer courses

Workshops

- Leadership and teamwork workshop
- Mentorship workshop
- Performance appraisal workshops on English writing and interviewing skills
- Transfer pricing workshop
- Workshop on Chinese writing
- Workshop on interviewing and negotiation skills
- Workshop on performance management
- Workshop on problem solving and decision making
- Workshop on stress management
- Workshop on supervisory management

Continuing Professional Education

12 seminars were held by the Training Committee under the in-house Continuing Professional Education (CPE) Programme on the following subjects for professional officers:

- Know more about E-business
- Update on Hong Kong Accounting Standards
- Update on PRC Enterprises and Individual Income Tax
- Double Taxation Relief
- Forensic Accounting
- Internet Security Risks and Mitigation
- Update on PRC Enterprise Income Tax and Transfer Pricing
- Mode, Legal and Regulatory Requirements for Setting Up Foreign-based Manufacturing Enterprises in China
- Buyer's Stamp Duty and Ad Valorem Stamp Duty – Legal Aspects and Implementation
- New Hong Kong Companies Ordinance and Revised Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard
- Appeals Cases Update 2015 (2 seminars)

Speakers for 4 of the seminars were staff members and others were experts from various fields. A total of 1,562 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Department's Intranet and a total of 690 staff members had viewed these video files.

Seminars

In July 2014, the Department organised a joint seminar on "International Trend on Tax Transparency and Hong Kong's Treaty Network" with the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development (OECD) in Hong Kong. An expert from OECD and the Commissioner of Inland Revenue were speakers in the seminar. Besides professional officers in the Department, the seminar was also open to representatives of chambers of commerce and professional bodies, making the total attendance 100.

Overseas and China Training

In order that our professional officers may broaden their horizons and acquire the necessary knowledge to cope with new and complex global issues, they are sent to participate in overseas training programmes. In 2014-15, 40 officers went to China, Korea, Malaysia and New Zealand to attend training courses on different issues, 17 to universities in China for national studies courses and 2 to cities in China for thematic study programmes.



Continuous Learning

Besides the conventional classroom training, the Department employs various means to promote continuous self-learning. These include encouraging staff to take the web courses provided by the CLC Plus of CSTDI and providing financial support to officers to attend seminars and courses organised by academic and professional institutes. In 2014-15, 3 officers were sponsored by the Department to attend the relevant courses. Training materials and information are uploaded onto our Intranet for officers to study in their own time and at their own pace. This provides an effective way for the staff to acquire new knowledge and refresh what they have learnt.

Mentorship Scheme

A Mentorship Scheme for Assistant Assessors has been set up since 2008. Under this scheme, experienced officers (the mentors) will guide newly recruited Assistant Assessors (the mentees) to broaden their perception about the Department such as the organisation structure, work, connection and culture, and help them integrate into the civil service.

Staff Relations and Welfare

The Department attaches great importance to staff relations and welfare. We strive to maintain effective communication, and promote co-operation and mutual trust between the management and staff at all levels which help enhancing the Department's operational efficiency and productivity.

The Departmental Consultative Committee

The Departmental Consultative Committee provides a formal and effective platform for the management and staff to exchange views on matters 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 composed of representatives from all staff unions / associations and staff groups in the Department.

The General Grades Consultative Committee

The General Grades Consultative Committee, chaired by the Departmental Secretary, allows staff members of the common and general grades to discuss with the management issues of specific interest to their grades.

The “Meet-the-Staff Programme”

First launched in 1996-97, the “Meet-the-Staff Programme” enables the senior management of each Unit and staff of different sections / groups to exchange ideas face to face 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 staff and the management.

The IRD Staff Suggestions Scheme

In 2014-15, 2 out of 5 suggestions made through the IRD Staff Suggestions Scheme were granted cash awards and certificates of commendation in recognition of their contributions to enhancing operational efficiency and quality of services of the Department.

The Inland Revenue Department Newsletter

Another channel of communication between staff and the management is the quarterly Departmental Newsletter which serves to promote a sense of belonging in the Department. Service-related issues, staff movement, staff welfare, information technology, environmental protection, occupational and safety matters are disseminated through articles contributed by staff and unit management. The Newsletter also provides a regular roundup on the recreational activities organised by the IRD Sports Association as well as volunteer activities organised by the IRD Volunteer Team.

The Inland Revenue General Staff Welfare Fund

Established in 1972, the Inland Revenue General Staff Welfare Fund operates on funds donated by staff on a voluntary basis. It aims to provide within a short time small amount of interest free loan, as an additional and quick emergency relief, to help staff in unexpected financial hardship. The Fund is managed by a Governing Committee, chaired by the Departmental Secretary and composed of staff representatives from the Departmental Consultative Committee, the General Grades Consultative Committee and the IRD Sports Association. The Claims Subcommittee, formed under the Governing Committee, considers and approves applications for financial assistance submitted by staff.



Commissioner's Commendation Letter Scheme

In 2014-15, 42 officers who had provided outstanding service for a long period of time and one officer who had made a substantial contribution towards enhancing the image of the Department were awarded the Commissioner's Commendation Letter. The presentation ceremony was held in March 2015.



Secretary for the Civil Service Commendation Award 2014

In 2014, a Chief Assessor was awarded the Secretary for the Civil Service's Commendation in recognition of her exceptionally meritorious and consistently outstanding performance. The presentation ceremony was held in February 2015.

The Long and Meritorious Service Travel Award Scheme

In 2014-15, 28 officers with long and meritorious service were granted awards of overseas travel under the Long and Meritorious Service Travel Award Scheme.





The IRD Sports Association

The mission of Sports Association is to promote the intellectual, social and athletic interests of its members. It helps foster better relationship and sense of belonging among colleagues. Throughout the year, the Association organised a wide range of activities including interest classes, workshops, luncheon talks, Chinese Orchestra, sports competition, outings, cross-border trip and annual dinner. All the activities were well received by colleagues, their family members and friends.

Apart from carrying out the Association's mission through offering a wide variety of fascinating activities to its members, the Association adopted various new attempts in formulation of its work plans, including the use of a main theme "稅" ("tax") coherently throughout the year which was applied to the design of membership card, backdrop of annual dinner, etc. Besides, several renowned speakers were invited to give presentations on novelty subjects in luncheon talks.



The IRD Volunteer Team under the auspices of the Association continues to participate actively in numerous charitable and community works. Throughout the year, 170 colleagues participated in a variety of events recording a total of 1,312 service hours. In recognition of our continuous efforts in caring the community, the Hong Kong Council of Social Service awarded the "10 Years Plus Caring Organisation Logo" to the Department in March 2015. This marked the 10th consecutive year in which the Department was granted the award. To show his support to the Association as well as the Volunteer



Team, the Commissioner in the capacity of President of the Association, attended the award presentation ceremony to receive the award.

On the charity front, the Association actively took part in various fund-raising activities, like "Medecins Sans Frontieres Day", "ORBIS Pin Campaign". With generous support by our colleagues, the Department won the championship of the "Organisation with the Most Participants" and the "Top Five Fundraising Organisations" in "ORBIS Pin Campaign".



9 Legislative Amendments

The following pieces of legislation enacted during the year 2014-15 are related to matters under the purview of the Department.

Inland Revenue (Amendment) (No. 2) Ordinance 2014 (Ordinance No. 10 of 2014)

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2014-15 financial year:

- (1) to increase the allowance granted for maintaining a parent/grandparent aged 60 or above from \$38,000 to \$40,000, and the additional allowance granted for residing continuously with that parent/grandparent from \$38,000 to \$40,000;
- (2) to increase the allowance granted for maintaining a parent/grandparent aged between 55 and 59 from \$19,000 to \$20,000, and the additional allowance granted for residing continuously with that parent/grandparent from \$19,000 to \$20,000;
- (3) to increase the maximum deduction amount of elderly residential care expenses from \$76,000 to \$80,000; and
- (4) to reduce the amounts of salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2013-14 by 75%, subject to a maximum of \$10,000 in each case.

Stamp Duty (Amendment) (No. 2) Ordinance 2014 (Ordinance No. 14 of 2014)

This Ordinance amended the Stamp Duty Ordinance to implement the following new measures to further address the overheated property market by:

- (1) introducing higher Scale 1 rates of the ad valorem stamp duty (AVD) on certain instruments dealing with immovable properties executed on or after 23 February 2013; and
- (2) advancing the charging of AVD on instruments relating to non-residential property transactions from the conveyance on sale to the agreement for sale executed on or after 23 February 2013.

Stamp Duty (Amendment) Ordinance 2015 (Ordinance No. 4 of 2015)

This Ordinance amended the Stamp Duty Ordinance to give effect to the proposal in the Budget for the 2014-15 financial year to waive stamp duty payable on the transfer of shares or units of all exchange traded funds.





Securities and Futures and Companies Legislation (Uncertificated Securities Market Amendment) Ordinance 2015 (Ordinance No. 5 of 2015)

This Ordinance amended various enactments to facilitate the establishment and implementation of an uncertificated securities market regime in Hong Kong. As far as the Stamp Duty Ordinance is concerned, the amendments enable the setting up of a new stamping arrangement for off-Exchange transfers involving participating shares in uncertificated form. The relevant provisions will come into operation on a date to be appointed by the Secretary for Financial Services and the Treasury in a Gazette Notice.

Inland Revenue (Exchange of Information relating to Taxes) Order

Country	Date of Order	Nature
United States of America	15 April 2014	Exchange of Information relating to Taxes

Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) Order

Country	Date of Order	Nature
Korea	30 September 2014	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income

Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (Amendment) Order 2014

Country	Date of Order	Nature
Vietnam	30 September 2014	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income

Green Management Policy

The Inland Revenue Department is committed to providing a green office environment and operating in an environmentally conscious and responsible manner. Reducing consumption of paper and energy in the office continues to be the Department's green target in view of its office-based operations. We strive to protect and conserve the environment through:

- Ensuring that the Department's operations comply with the relevant environmental protection ordinances;
- Adopting green housekeeping measures in the Department such as avoiding, reducing and controlling environmental pollution / wastage arising from the day-to-day work practice;
- Requiring our contractors to implement effective environmental management systems and pollution control measures;
- Using environment-friendly products such as energy saving photocopiers, batteries without mercury, unleaded petrol and products with environment or energy efficiency labels;
- Ensuring that all staff are aware of the Green Management Policy with adequate information accessible by those who are interested in the subject; and
- Providing training courses and workshops on green management for staff to increase their awareness on green issues and encourage 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, the Department's Green Manager, and is composed of green executives from Units and Sections. During the year, the Committee continued to seek staff's suggestions, set directions in our green policies, issue green office guidelines and update staff on new green initiatives adopted. The appointed floor green ambassadors assisted the 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:

- Displaying environmental protection promotional materials on notice boards and updating the materials regularly;
- Posting notices and affixing stickers adjacent to 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" through e-mails and the Departmental Newsletter on a regular basis to all staff to promote green habits.



The Department also participated in various activities such as The Community Chest Green Day with a view to arousing the staff's awareness of environmental protection. Besides, the IRD Sports Association assisted in promoting green awareness and healthy lifestyle among staff by organising a variety of activities in the year, including health talks and outings to the countryside.

Environmental Protection Performance

To balance operational needs with environmental care and social responsibility, the Department focuses its efforts to provide a healthy working environment with satisfactory indoor air quality, conserve energy, reduce paper consumption, minimise waste production and encourage waste recycling.

Smoke-free Workplace

Smoking has been prohibited in Revenue Tower since 1996. Starting from 2007, it is a statutory requirement that all indoor areas in workplaces are smoke-free. No-smoking signs are displayed at conspicuous locations in the office. Circulars are 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

We attach great importance to good indoor air quality. During the year, the Electrical and Mechanical Services Department commissioned a contractor to conduct a comprehensive indoor air quality measurement in offices located in Revenue Tower. In September 2014, Revenue Tower was again awarded the "Indoor Air Quality Certificate (Good Class)" which shows that our office fully meets the requirements in this respect.

Energy Conservation

The Department is proactive in energy conservation and has implemented various energy saving measures to reduce electricity and water consumption. The following energy saving measures have been adopted:

- Modifying group lighting switches to individual switches;
- Reducing lighting to the minimum required level for illumination;
- Adopting the "last-man-out" arrangement to ensure that lights and electric facilities / appliances are switched off during lunch hour, after office hours or when not in use;



- Adjusting timers so that lights in corridors and lift lobbies are switched off on Saturdays, Sundays and public holidays;
- Installing auto-sensor water taps in toilets to reduce water consumption;
- Using computers, fluorescent tubes, LED lights and other electrical appliances that are energy efficient;
- Controlling use of personal electric appliances in office;
- Maintaining air-conditioned room temperature at 25.5°C; and
- Encouraging the use of electric fans to improve air circulation when necessary.

These measures will continue to be implemented in the Department to conserve energy.

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

In specific, the Department adopted the following measures in the year to reduce paper and envelope consumption:

- Encouraging staff to minimise photocopying, to use recycled paper instead of virgin paper, to use duplex printing and photocopying, and to make the best use of the clean side of waste paper;
- Processing leave applications through the “Electronic Leave Application and Processing System”;
- Reusing stationery, such as envelopes and file jackets;
- Using papers with old letterheads to print incoming fax messages and avoiding the use of fax cover sheets;
- Encouraging paperless means of internal and external communication by using e-mail ;
- Uploading internal information, such as circulars, administrative instructions, Staff Handbooks, training and reference materials, guidelines, monthly reports, meeting minutes, etc. onto the Intranet to facilitate updating and retrieval on-line, and dispensing with the keeping of personal hard copies;
- Reviewing regularly the need for the preparation of periodical reports, the distribution lists of outgoing correspondence and the number of hard copies required for circulation;
- Promoting the use of multiple screen printing for on-line enquiries;
- Using templates or overlay printing to replace pre-printed forms;
- Viewing reports on-line through the Computer Output On-line Retrieval System, thus obviating the need for printing computer reports in hard copies;
- Encouraging the public to file tax returns electronically through eTAX, and to use the Department’s electronic services under the GovHK website; and
- Uploading e-Seminars for employers to reduce paper consumption, thus obviating the need to print invitation letters, tickets and handouts.



Waste recycling

The Department encourages all staff members to participate in the recycling programmes. Bags and recycling boxes are placed at conspicuous locations on all floors of the Department to facilitate the collection of three recyclable wastes, namely papers, aluminium cans and plastic bottles. A recycling box for glass bottles is also placed at the lift lobby on ground floor of the Revenue Tower. Besides, used printer cartridges are also collected for recycling. Throughout the year, the Department collected 358,100 kg of waste paper, 156 kg of aluminium cans, 376 kg of plastic bottles, 279 kg of glass bottles and 8,764 used printer cartridges.



New Initiatives and Targets

The Department will strive to enhance its green performance through formulating new initiatives and targets for environmental protection and reviewing the effectiveness of existing green measures taken. The Intranet and the Departmental Portal will continue to be widely utilised for the enhancement of e-office facilities. Continuous efforts will be made to economise on the consumption of electricity and papers, and to promote the selection of recycled papers and green products in our procurement.

Charitable Institutions

Charitable institutions are exempt from tax under the Inland Revenue Ordinance. As at 31 March 2015, the number of charities exempt from tax was 8,490, of which 611 charities were granted exemption during the year. The list of charities exempt from tax is available on IRD website.

Donations to charities exempt from tax are tax deductible. For the year of assessment 2013-14, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$3.92 billion and \$6.6 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 45,330 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 improvement can be made for the management's consideration.

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. 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.



- 1** Tax Assessed and Collections for the year ended 31 March 2015
- 2** Demand Notes Issued, Tax Assessed and Collections (2011-12 to 2014-15)
- 3** Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2011-12 to 2013-14
- 4** Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2011-12 to 2013-14
- 5** Analysis of Salaries Tax Assessments for the year of assessment 2013-14
- 6** Analysis of Allowances for the year of assessment 2013-14
- 7** Property Statistics (as at 31 March 2015)
- 8** Business Registration Statistics (2011-12 to 2014-15)
- 9** Stamp Duty Collections and Stamp Office Activities (2011-12 to 2014-15)
- 10** Estate Duty Assessed and Collections for the year ended 31 March 2015
- 11** Betting Duty Collections (2012-13 to 2014-15)
- 12** Tax Reserve Certificates Statistics (2011-12 to 2014-15)
- 13** Offences Committed and Court Fines Imposed
- 14** Surcharges Added, Offences Compounded, Additional Tax Imposed and Costs Awarded by the Board of Review



**SCHEDULE
1**
EARNINGS AND PROFITS TAX - TAX ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2015

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year -						
2012-13 and earlier years	156,289,700	405,760,399	(419,226,844)	(464,123,535)	513,017,943	191,717,663
2013-14 Final Tax only	408,840,040	306,330,187	(805,558,837)	851,538,255	4,353,021,831	5,114,171,476
2014-15 Provisional Payments and Final Tax	2,659,973,811	61,305,195,236	128,477,413,999	4,532,544,377	1,746,027	196,976,873,450
Total Tax Assessed	3,225,103,551	62,017,285,822	127,252,628,318	4,919,959,097	4,867,785,801	202,282,762,589
Add: Collectables -						
Tax outstanding as at 31 March 2014 brought forward	545,178,663	9,897,165,075	41,716,317,478	2,383,685,290	673,419,124	55,215,765,630
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	29,938,230	278,611,815	758,148,410	153,621,792	12,041,912	1,232,362,159
Interest on Tax Held Over	3,959	1,014,290	49,171,968	491,587	268,859	50,950,663
Write-off re-opened	1,553,926	26,491,657	1,002,417	9,022,733	2,363,762	40,434,495
Total of Tax Assessed and Collectables (a)	3,801,778,329	72,220,568,659	169,777,268,591	7,466,780,499	5,555,879,458	258,822,275,536
Collections during the year -						
Net Tax collected	2,913,245,966	59,087,013,444	131,912,381,580	5,015,841,227	4,804,557,200	203,733,039,417
(After allowing for refunds of tax)	107,444,612	2,921,122,204	6,223,049,409	266,280,739	316,316,610	9,834,213,574
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	25,402,862	258,799,646	722,555,897	146,149,888	11,677,232	1,164,585,525
Interest on Tax Held Over	4,177	950,583	48,841,226	1,140,305	978,127	51,914,418
Total Net Collections (b)	2,938,653,005	59,346,763,673	132,683,778,703	5,163,131,420	4,817,212,559	204,949,539,360
Balance of Tax, Surcharge, etc. payable (a) - (b)	863,125,324	12,873,804,986	37,093,489,888	2,303,649,079	738,666,899	53,872,736,176
Less: Not collected by virtue of set-off	227,131,819	2,142,747,470	-	453,198,367	-	2,823,077,656
Written-off as irrecoverable	2,146,357	41,813,392	274,000,355	9,751,391	4,732,456	332,443,951
Tax, Surcharge, etc. outstanding as at 31 March 2015 carried forward	633,847,148	10,689,244,124	36,819,489,533	1,840,699,321	733,934,443	50,717,214,569
Less: Under objection or appeal	12,260,732	820,147,313	25,816,599,849	383,469,671	320,556,427	27,353,033,992
Listed for write-off but awaiting approval	1,718,149	300,845	309,300	3,493,313	200,844	6,022,451
Assessed but not yet due	359,034,406	7,363,698,070	7,817,111,204	505,045,458	217,548,953	16,262,438,091
Net Tax, Surcharge, etc. in arrears as at 31 March 2015	260,833,861	2,505,097,896	3,185,469,180	948,690,879	195,628,219	7,095,720,035

	2011-12		2012-13		2013-14		2014-15	
	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	111,610	110,937,289	107,179	115,231,917	111,443	118,131,430	116,188	127,252,628
Unincorporated Businesses	31,060	4,920,954	33,419	5,228,490	35,817	4,778,655	34,713	4,919,959
Salaries Tax	1,386,338	54,456,246	1,386,174	52,554,919	1,510,435	57,703,433	1,599,576	62,017,286
Property Tax	121,722	2,102,117	127,302	2,504,360	136,286	2,814,034	137,264	3,225,104
Personal Assessment	195,353	4,599,041	208,638	4,044,071	209,687	4,409,689	210,908	4,867,786
Total	1,846,083	177,015,647	1,862,712	179,563,757	2,003,668	187,837,241	2,098,649	202,282,763

	2011-12	2012-13	2013-14	2014-15
	Collections	Collections	Collections	Collections
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Profits Tax -				
Corporations	113,798,601	120,727,141	116,097,465	132,683,779
Unincorporated Businesses	4,801,270	4,911,223	4,784,348	5,163,131
Salaries Tax	51,761,323	50,466,999	55,620,272	59,346,764
Property Tax	1,948,429	2,258,216	2,583,845	2,938,653
Personal Assessment	4,512,218	4,078,199	4,420,011	4,817,212
Total	176,821,841	182,441,778	183,505,941	204,949,539

**SCHEDULE
3**
CORPORATIONS - PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2011-12		2012-13		2013-14	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Distribution -						
Retail	5,293,608	5.0	5,025,194	4.5	4,920,240	4.2
Wholesale, Import and Export	24,029,280	22.6	23,563,186	21.5	24,388,442	20.7
Foreign Corporations carrying on Import and Export	66,808	0.1	65,710	0.1	64,184	0.1
Public Utilities	5,508,957	5.2	6,343,571	5.8	6,382,638	5.4
Property, Investment and Finance (other than Banking)	26,506,315	25.0	26,607,918	24.3	26,342,158	22.3
Banking	17,539,464	16.5	19,973,652	18.2	25,639,273	21.7
Manufacturing -						
Clothing and Textiles	1,194,642	1.1	952,153	0.9	1,043,366	0.9
Food and Beverage Products	398,606	0.4	456,038	0.4	471,059	0.4
Steel and Other Metals	290,791	0.3	283,853	0.3	249,447	0.2
Printing and Publishing	571,137	0.5	546,678	0.5	502,801	0.4
Others	3,744,932	3.5	4,013,031	3.7	4,364,051	3.7
Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,478,412	1.4	1,112,576	1.0	1,132,072	1.0
Hotels, Restaurants and Amusement Centres	2,551,916	2.4	2,927,990	2.7	3,136,661	2.7
Stevedoring, Wharfing and Godowns	1,158,536	1.1	1,278,768	1.2	1,320,083	1.1
Clubs and Associations	1,073,692	1.0	1,028,560	0.9	1,106,852	0.9
Insurance Companies and Insurance Agents	1,284,019	1.2	1,588,485	1.5	1,748,961	1.5
Non-resident Corporations Trading through Agents (including Consignment Tax)	1,514,428	1.4	1,416,041	1.3	1,448,759	1.2
Building Contractors and Engineering Works	1,557,377	1.5	1,804,785	1.7	1,941,348	1.6
Aircraft Owners and Operators	134,628	0.1	197,297	0.2	180,244	0.2
Taxis, Hire Cars, Public Light Buses and Motor Boats	179,478	0.2	192,077	0.2	227,934	0.2
Miscellaneous	10,094,086	9.5	10,003,115	9.1	11,321,514	9.6
Total	106,171,112	100.0	109,380,678	100.0	117,932,087	100.0

Business Sectors	Final Tax Assessed for Year of Assessment					
	2011-12		2012-13		2013-14	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Property Developers, Property Dealers, Property Agents and Subletting Businesses	89,318	2.9	118,366	3.7	85,068	2.5
Finance and Securities including Brokers, Dealers and Insurance Agents	213,621	6.8	230,093	7.2	281,448	8.4
Builders, Decorators and Civil Engineering Works	23,064	0.7	37,980	1.2	42,423	1.3
Distribution -						
Import and Export	70,264	2.2	70,395	2.2	71,035	2.1
Wholesale	45,423	1.4	47,250	1.5	40,738	1.2
Retail	192,916	6.2	206,678	6.4	213,913	6.4
Manufacturing -						
Agricultural Trades and Food & Beverage Products Manufacturers	7,525	0.2	16,206	0.5	28,014	0.8
Cloth and Clothing	6,555	0.2	4,532	0.1	5,276	0.2
Chemical Products and Mechanical Engineering	25,698	0.8	28,363	0.9	27,905	0.8
Printing and Publishing	9,142	0.3	7,824	0.2	7,223	0.2
Others	20,562	0.7	17,344	0.5	18,256	0.5
Hotels, Restaurants and Amusement Centres	63,929	2.0	74,506	2.3	80,939	2.4
Transport (including Wharfing and Godowns)	28,875	0.9	34,079	1.1	35,380	1.1
Professions -						
Accountants	421,078	13.4	386,833	12.0	359,891	10.8
Architects, Engineers, Surveyors, etc.	3,633	0.1	3,753	0.1	4,263	0.1
Doctors and Dentists	876,419	27.9	881,574	27.5	903,598	27.1
Solicitors and Barristers	885,622	28.2	859,123	26.7	912,824	27.4
Other Professions	156,824	5.0	184,872	5.7	215,750	6.5
Miscellaneous	3,719	0.1	5,928	0.2	7,153	0.2
Non-resident Businesses *	4	0.0	4	0.0	2	0.0
Total	3,144,191	100.0	3,215,703	100.0	3,341,099	100.0

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

**SCHEDULE
5**
ANALYSIS OF SALARIES TAX ASSESSMENTS FOR THE YEAR OF ASSESSMENT 2013-14 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 Concessional Deductions)	Total Allowances (See analysis per Schedule 6)	Self Education Expenses	Concessional 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	Contribution to Recognized Retirement Scheme				
(\$)		(%)		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(%)	(\$)
120,001 - 130,000	43,790	2.57	0	5,506,026	5,254,800	578	3,009	545	5	48,075	199,014	975	0.00	22
130,001 - 140,000	55,638	3.27	0	7,508,807	6,676,845	6,553	12,745	4,610	37	138,479	669,538	3,323	0.01	60
140,001 - 150,000	56,741	3.33	0	8,228,598	6,815,880	16,858	22,587	11,511	147	164,087	1,197,528	5,963	0.01	105
150,001 - 180,000	158,022	9.28	0	26,094,750	19,320,383	108,299	92,686	66,310	1,596	569,167	5,936,309	37,144	0.07	235
180,001 - 210,000	133,777	7.86	0	26,051,195	17,260,520	166,755	116,001	106,944	3,268	645,282	7,752,425	75,738	0.13	566
210,001 - 240,000	128,421	7.54	0	28,873,177	18,028,301	193,330	152,400	153,097	6,016	780,142	9,559,891	126,094	0.22	982
240,001 - 270,000	118,625	6.97	7,626	30,224,159	19,020,962	170,114	160,447	166,800	9,869	796,328	9,899,639	160,259	0.28	1,351
270,001 - 300,000	112,283	6.59	7,721	32,003,653	19,159,445	165,603	198,284	195,065	13,588	855,104	11,416,564	264,531	0.47	2,356
300,001 - 400,000	280,678	16.49	32,673	97,354,856	56,565,584	506,965	689,912	694,839	52,998	2,405,218	36,439,340	1,567,996	2.76	5,586
400,001 - 500,000	186,106	10.93	29,238	82,941,810	44,364,588	344,411	677,899	719,704	60,724	1,797,777	34,976,707	2,460,919	4.33	13,223
500,001 - 600,000	120,627	7.08	16,092	65,950,524	30,474,091	259,520	608,464	656,671	52,952	1,204,749	32,694,077	3,065,138	5.39	25,410
600,001 - 700,000	75,643	4.44	8,155	49,136,094	19,234,888	160,083	512,882	461,515	45,169	790,537	27,931,020	3,115,047	5.48	41,181
700,001 - 800,000	47,004	2.76	4,521	35,027,193	12,087,647	99,706	353,374	322,195	28,200	470,951	21,665,120	2,653,983	4.67	56,463
800,001 - 900,000	35,279	2.07	2,605	29,795,613	9,008,735	68,671	319,560	250,764	23,248	346,465	19,778,170	2,586,965	4.55	73,329
900,001 - 1,000,000	24,002	1.41	1,721	22,697,584	6,120,585	49,051	217,441	180,514	17,749	236,936	15,875,308	2,170,881	3.82	90,446
1,000,001 - 1,500,000	64,870	3.81	3,874	77,657,233	16,584,776	117,869	730,848	528,415	37,934	579,267	59,078,124	8,616,398	15.16	132,826
1,500,001 - 2,000,000	23,684	1.39	1,173	40,656,169	5,621,805	36,581	327,949	224,234	11,385	208,242	34,225,973	5,201,126	9.15	219,605
2,000,001 - 3,000,000	19,261	1.13	808	46,181,298	3,816,784	23,399	355,114	209,811	8,006	161,020	41,607,164	6,362,070	11.19	330,308
3,000,001 - 5,000,000	10,578	0.62	147	39,754,360	973,294	7,573	280,244	109,032	2,934	90,448	38,290,835	5,750,682	10.11	543,645
5,000,001 - 7,500,000	3,862	0.23	7	23,228,555	10,716	2,484	161,630	39,624	334	31,974	22,981,793	3,410,040	6.00	882,973
7,500,001 - 10,000,000	1,551	0.09	1	13,276,093	310	961	97,555	16,183	183	12,936	13,147,965	1,956,691	3.44	1,261,567
10,000,001 & over	2,343	0.14	3	49,076,545	0	905	518,173	20,479	340	19,168	48,517,480	7,254,201	12.76	3,096,117
Total	1,702,785	100.00	116,365	837,224,292	316,400,939	2,506,269	6,609,204	5,138,862	376,682	12,352,352	493,839,984	56,846,164	100.00	33,384

**SCHEDULE
6**
ANALYSIS OF ALLOWANCES FOR THE YEAR OF ASSESSMENT 2013-14 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)
120,001 - 130,000	5,254,800	0	0	0	0	0	0	0	0	0	0	0	0	0	5,254,800
130,001 - 140,000	6,676,560	0	0	0	0	285	0	0	0	0	0	0	0	0	6,676,845
140,001 - 150,000	6,809,040	0	0	0	0	6,840	0	0	0	0	0	0	0	0	6,815,880
150,001 - 180,000	18,962,640	0	110	44,418	0	233,434	73,739	6,004	38	0	0	0	0	0	19,320,383
180,001 - 210,000	16,053,240	0	213,185	68,541	0	635,835	266,627	19,760	3,002	0	330	0	0	0	17,260,520
210,001 - 240,000	15,410,520	0	497,553	80,850	0	1,278,244	698,687	38,076	12,293	0	7,326	528	0	4,224	18,028,301
240,001 - 270,000	12,180,000	4,110,000	516,814	80,586	60	1,322,343	709,175	42,921	12,863	0	32,208	1,452	1,254	11,286	19,020,962
270,001 - 300,000	11,314,080	4,319,760	886,759	74,811	540	1,547,018	860,358	48,792	15,257	0	72,534	3,102	2,508	13,926	19,159,445
300,001 - 400,000	25,223,280	16,916,160	5,548,428	191,136	280,886	5,117,916	2,658,366	166,991	50,977	19,470	293,634	16,038	23,166	59,136	56,565,584
400,001 - 500,000	14,874,240	14,916,960	7,053,812	118,173	338,388	4,419,609	2,002,790	134,843	37,734	22,704	313,566	15,774	56,529	59,466	44,364,588
500,001 - 600,000	9,807,720	9,335,040	5,426,278	77,946	237,882	3,525,146	1,521,463	100,719	24,909	14,454	277,200	15,972	53,328	56,034	30,474,091
600,001 - 700,000	6,278,040	5,598,240	3,530,173	48,081	139,868	2,325,885	930,506	66,937	16,625	9,834	197,670	11,088	37,127	44,814	19,234,888
700,001 - 800,000	3,817,800	3,645,360	2,329,955	27,852	87,240	1,411,795	537,339	38,798	9,348	7,722	114,708	7,722	24,882	27,126	12,087,647
800,001 - 900,000	2,895,840	2,675,280	1,788,127	19,635	63,977	1,031,130	370,196	26,429	6,517	4,290	85,932	4,488	17,358	19,536	9,008,735
900,001 - 1,000,000	1,917,120	1,926,240	1,224,173	12,474	44,364	662,986	227,886	19,000	4,370	3,168	52,734	3,828	10,428	11,814	6,120,585
1,000,001 - 1,500,000	4,985,640	5,597,520	3,485,020	28,677	103,428	1,630,143	508,060	41,648	7,828	6,270	124,938	8,580	27,126	29,898	16,584,776
1,500,001 - 2,000,000	1,179,720	2,355,360	1,376,211	6,699	35,940	468,787	131,176	12,426	2,356	1,650	30,888	2,904	10,560	7,128	5,621,805
2,000,001 - 3,000,000	399,000	1,936,080	1,111,075	3,399	28,260	238,659	64,961	5,548	1,026	660	16,500	1,056	6,666	3,894	3,816,784
3,000,001 - 5,000,000	31,080	506,880	362,810	759	9,000	43,130	10,811	874	228	198	3,894	264	2,178	1,188	973,294
5,000,001 - 7,500,000	240	4,080	4,830	0	0	988	342	38	0	0	66	0	132	0	10,716
7,500,001 - 10,000,000	120	0	70	0	120	0	0	0	0	0	0	0	0	0	310
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	164,070,720	73,842,960	35,355,383	884,037	1,369,953	25,900,173	11,572,482	769,804	205,371	90,420	1,624,128	92,796	273,242	349,470	316,400,939

SCHEDULE
7
PROPERTY STATISTICS (as at 31 March 2015)

Classification of Properties	No. of Properties		%
(i) Solely owned by individuals [excluding those under item (iv)] (Rental income, if any, is reported in Composite Tax Returns)	881,689		36.23
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals [excluding those under item (iv)] -			
Letting	128,739		
Other usage or vacant	555,394	684,133	28.11
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	436,672		17.95
(iv) With alienation restriction under Home Ownership Scheme or Private Sector Participation Scheme	303,935		12.49
(v) New ownership - awaiting classification	126,970		5.22
Total	2,433,399		100.00
Classification by Number of Owners	No. of Properties		%
Properties owned by : 1 owner	1,561,640		64.18
2 owners	807,862		33.20
3 owners	40,966		1.68
4 owners	10,660		0.44
5 owners	4,742		0.19
6 - 10 owners	6,121		0.25
11 - 20 owners	1,258		0.05
Over 20 owners	150		0.01
Total	2,433,399		100.00

Fiscal Year	2011-12	2012-13	2013-14	2014-15
New registrations	178,074	200,112	228,483	174,741
Re-opened registrations	12,460	11,279	12,290	12,051
Cancelled registrations	116,698	121,836	111,705	133,745
Current registrations as at 31 March	1,134,032	1,223,587	1,352,655	1,405,702
Certificates with fees collected (including certificates with annual fees waived)	1,158,838	1,264,736	1,403,124	1,382,214
Businesses exempted from payment of fees	13,697	11,907	9,779	13,834
Extracts of information issued	333,547	344,611	352,409	359,018
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)*	1,292,919	122,869	73,494	2,480,563
Court fines	7,268	6,358	6,426	9,473
Fees and penalties in arrears as at 31 March (excluding levy)	92,781	48,110	25,707	210,297

* The annual fees in respect of business and branch certificates with commencement dates falling within the following periods were waived:

(1) 1 August 2009 to 31 July 2011

(2) 1 April 2012 to 31 March 2013

(3) 1 April 2013 to 31 March 2014

SCHEDULE
9
STAMP DUTY COLLECTIONS AND STAMP OFFICE ACTIVITIES

Fiscal Year	2011-12		2012-13		2013-14		2014-15	
	(\$m)		(\$m)		(\$m)		(\$m)	
Duties on -								
• Property Assignments and Chargeable Agreements	20,447.5		22,355.0		18,160.7		49,214.8	
• Contract notes								
- Collected by Stamp Office	2,135.8		1,734.7		2,148.0		2,188.0	
- Collected through The Stock Exchange of Hong Kong Limited	21,170.4	23,306.2	18,147.3	19,882.0	20,556.3	22,704.3	22,697.1	24,885.1
• Leases	473.1		493.2		545.3		576.7	
• Transfer deeds	2.3		2.2		2.8		2.3	
• Other documents	66.4		66.1		77.6		127.4	
Penalties	60.3		81.1		23.6		38.4	
Additional duties for delays in payment	0.1		0.1		0.4		0.2	
Total duty collections	44,355.9		42,879.7		41,514.7		74,844.9	
Average number of callers to Stamp Office per day	1,860		1,642		1,530		1,703	
Number of documents stamped during the year	1,707,450		1,647,554		1,718,029		1,714,714	

	Assessments issued before 1 April 2014	Assessments issued in 2014-15						Total
		Original Assessments					Additional Assessments	
		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 2013-14	188,010	-	-	-	-	-	-	188,010
Less: Amount discharged	7,400	-	-	-	-	-	-	7,400
Net outstanding charges brought forward from 2013-14	180,610	-	-	-	-	-	-	180,610
Net duty assessed	0	15	0	2,470	864	87,533	369	91,251
Penalties charged	0	4	0	691	0	0	71	766
Interest charged	2,744	49	0	3,101	872	41,076	397	48,239
Total amount payable	183,354	68	0	6,262	1,736	128,609	837	320,866
Less: Amount paid on account before 1 April 2014	0	64	0	4,736	864	48,302	99	54,065
Net duty, penalties and interest payable in 2014-15	183,354	4	0	1,526	872	80,307	738	266,801
Less: Outstanding charges carried forward to 2015-16	134,483	0	0	0	872	0	0	135,355
Net duty, penalties and interest paid in 2014-15	48,871	4	0	1,526	0	80,307	738	131,446
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	0	0	1,526	156	45,040	0	46,722
Total collections in 2014-15	48,871	4	0	3,052	156	125,347	738	178,168

**SCHEDULE
11**
BETTING DUTY COLLECTIONS

Fiscal Year	2012-13		2013-14		2014-15	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Horse Racing						
Day Meetings						
Net Stake Receipts	8,928,955		9,570,428		10,131,946	
Betting Duty		6,487,470		6,969,907		7,391,089
Night Meetings						
Net Stake Receipts	5,475,583		6,435,139		6,230,032	
Betting Duty		3,977,962		4,688,113		4,541,397
Horse Race Betting Duty (For rates, please refer to Figure 22 of Chapter 3)		10,465,432		11,658,020		* 11,932,486
Lotteries (Mark Six)						
Proceeds from Lotteries	7,811,778		7,724,688		7,881,398	
Lotteries Duty (Rate: 25%)		1,952,944		1,931,172		1,970,350
Football Betting						
Net Stake Receipts	8,292,759		8,954,514		11,152,964	
Football Betting Duty (Rate: 50%)		4,146,380		4,477,257		* 5,576,482
Total duty collected		16,564,756		18,066,449		19,479,318

* Provisional payment

Fiscal Year	Sales		Redemption		
	Number of Certificates	Amount	Number of Certificates	Amount	Interest
		(\$'000)		(\$'000)	(\$'000)
2011-12					
Save for Tax Payment					
• Paper certificate	7	32	45	80	9
• Save-As-You-Earn Scheme	45,471	75,153	43,008	73,660	293
• Electronic Tax Reserve Certificates Scheme	40,775	271,391	40,131	269,442	182
Security for Tax in Dispute	1,606	2,464,592	1,587	4,074,055	5,631
Total	87,859	2,811,168	84,771	4,417,237	6,115
		(\$'000)		(\$'000)	(\$'000)
2012-13					
Save for Tax Payment					
• Paper certificate	4	7	25	109	5
• Save-As-You-Earn Scheme	44,766	73,428	40,123	73,611	162
• Electronic Tax Reserve Certificates Scheme	41,787	299,700	38,742	271,408	101
Security for Tax in Dispute	1,500	2,291,308	1,280	3,432,117	18,322
Total	88,057	2,664,443	80,170	3,777,245	18,590
		(\$'000)		(\$'000)	(\$'000)
2013-14					
Save for Tax Payment					
• Paper certificate	3	3	58	80	12
• Save-As-You-Earn Scheme	44,617	73,071	47,096	75,342	140
• Electronic Tax Reserve Certificates Scheme	43,367	332,138	42,506	326,295	106
Security for Tax in Dispute	1,409	2,738,027	1,565	3,511,091	25,525
Total	89,396	3,143,239	91,225	3,912,808	25,783
		(\$'000)		(\$'000)	(\$'000)
2014-15					
Save for Tax Payment					
• Paper certificate	3	43	17	49	1
• Save-As-You-Earn Scheme	44,235	75,570	45,070	76,288	101
• Electronic Tax Reserve Certificates Scheme	45,242	353,519	44,292	337,026	95
Security for Tax in Dispute	1,604	2,203,667	1,466	3,704,614	31,119
Total	91,084	2,632,799	90,845	4,117,977	31,316

SCHEDULE
13
EARNINGS AND PROFITS TAX - OFFENCES COMMITTED AND COURT FINES IMPOSED
2014-15

	Inland Revenue Ordinance										Total	
	Failure to submit return, etc. 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 • Unincorporated Businesses Salaries Tax • Employees • Employers Property Tax • Individuals		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
	5,118	12,174,200	657	3,166,500	0	0	0	0	0	0	5,775	15,340,700
	247	540,900	22	133,800	0	0	0	0	0	0	269	674,700
	1,355	2,967,700	135	666,500	38	319,000	0	0	0	0	1,528	3,953,200
	297	702,100	40	195,600	0	0	0	0	0	0	337	897,700
	64	142,200	6	25,500	4	0	0	0	0	0	74	167,700
	7,081	16,527,100	860	4,187,900	42	319,000	0	0	0	0	7,983	21,034,000

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 2015 is 19,917

2014-15

	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	21,095	21,044,569	204,029	172,474,862	11,796	122,984,494	8,571	21,975,292	14,959	9,088,612	260,450	347,567,829
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	0	0	5	18,400	0	0	0	0	5	18,400
• section 80(1)	17	76,000	938	2,523,980	120	6,246,000	130	6,795,000	0	0	1,205	15,640,980
• section 80(2)	754	8,045,191	8,978	93,404,932	7,022	335,790,516	997	95,082,300	132	2,892,600	17,883	535,215,539
• section 82(1)	8	58,400	49	7,269,197	39	54,889,000	37	27,059,600	0	0	133	89,276,197
• 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	236	714,070	231	2,927,844	822	238,205,000	129	2,709,600	17	60,700	1,435	244,617,214
Costs awarded by the Board of Review	0	0	3	11,000	3	15,000	0	0	0	0	6	26,000
Total	22,110	29,938,230	214,228	278,611,815	19,807	758,148,410	9,864	153,621,792	15,108	12,041,912	281,117	1,232,362,159

* Including penalties imposed by the Court

