

治稅以法

服務以誠

Tax by the Law

Service from the Heart



Inland Revenue Department

The Government of the Hong Kong Special Administrative Region

Vision, Mission and Values

Vision

We aim to be an excellent tax administration that plays an important part in promoting Hong Kong's prosperity and stability.

Mission

We are committed to –

- collecting revenue efficiently and cost-effectively;
- providing courteous and effective service to the taxpaying public;
- promoting compliance through rigorous enforcement of law, education and publicity programmes; and
- enabling staff to acquire the necessary knowledge, skills and attitude so that they can contribute their best to the achievement of our vision.

Values

Our core values are –

- Professionalism
- Efficiency
- Responsiveness
- Fairness
- Effectiveness
- Courtesy
- Teamwork

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1 Commissioner's Foreword



It is my pleasure to present the 2016-17 Annual Report to you. In this report, apart from the revenue statistics, you will have a glimpse of the on-going work that the IRD has been embarking upon.

The total revenue collection of the Inland Revenue Department in 2016-17 was \$290.2 billion, the third highest record over the years. It was \$1.1 billion lower than the collection of last year, only a meagre drop of 0.4%. Due to the wavier of business

registration fees for 2016-17, business registration fees decreased by \$2.4 billion, representing a significant drop of 91% when compared to last year. The collections of different major tax types were similar to those of last year. Profits Tax decreased by 0.7%; Salaries Tax grew by 2.1% whilst Stamp Duty dropped by 1.2%.

To address the overheated residential property market, the Government announced on 4 November 2016 a new round of demand-side management measure, i.e. to raise the ad valorem stamp duty (AVD) rate of residential property transactions to a flat rate at 15%, in lieu of the existing AVD rates at scale 1 set out in the Stamp Duty Ordinance (commonly known as "doubled ad valorem stamp duty"), with effect from 5 November 2016. The Government introduced the Stamp Duty (Amendment) Bill 2017 (the Bill), which seeks to implement the new residential stamp duty (NRSD), into the Legislative Council in February 2017.

Subsequent to the introduction of the NRSD, some Hong Kong Permanent Resident (HKPR) buyers acquired multiple residential properties under a single instrument to avoid payment of NRSD, thereby undermining the intended effect of the measure. In view of this, the Government announced on 11 April 2017 the tightening of the prevailing exemption arrangement for HKPRs under the NRSD regime. With effect from 12 April 2017, if a HKPR-buyer acquires more than one residential property under a single instrument, the transaction will no longer be exempted and will be subject to the NRSD rate of 15%. The Government introduced the Stamp Duty (Amendment) (No.2) Bill 2017 (the No.2 Bill) into the Legislative Council in June 2017. By the end of the 2016-17 legislative session, both the Bill and the No.2 Bill were still being scrutinised.



To prepare for the implementation of the new international standard for automatic exchange of financial account information in tax matters (AEOI) as promulgated by the Organisation for Economic Cooperation and Development (OECD), the Government amended the Inland Revenue Ordinance to provide relevant legislative framework. The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the Amendment Ordinance) was gazetted on 30 June 2016, and came into effect on the same date. Under the AEOI standard, a financial institution (FI) is required to identify financial accounts held by tax residents of reportable jurisdictions in accordance with the OECD due diligence procedures. FIs are required to collect the reportable information of these accounts and furnish such information to the Department. The Department will exchange the information with the tax authorities of the AEOI partner jurisdictions on an annual basis.

To help FIs fulfil their obligations, the Department provides an AEOI Portal for FIs to submit notifications and file financial account information returns electronically. In 2016-17, system development and user acceptance testing of the AEOI Portal were carried out. The Department invited FIs to participate in the trial run. The AEOI Portal was officially launched on 3 July 2017.

To implement AEOI more effectively, the Government introduced the Inland Revenue (Amendment) (No. 3) Bill in March 2017 to the Legislative Council to expand the list of “reportable jurisdictions” with effect from 1 July 2017. The No.3 Bill was passed in June 2017 and became the Inland Revenue (Amendment) (No.2) Ordinance 2017.

The international tax landscape evolves rapidly. The OECD released a package of 15 action plans in October 2015 to counter base erosion and profit shifting (BEPS) by multinational enterprises. As a responsible member of the international community, Hong Kong indicated its commitment to implementing the BEPS package in June 2016. The Government conducted a consultation exercise from October to December 2016 on the legislative proposals to implement the BEPS package to collect views from stakeholders and released the consultation report in July 2017. Hong Kong will focus on the four minimum standards, i.e. countering harmful tax practices, preventing treaty abuse, imposing country-by-country reporting requirement and improving the cross-border dispute resolution regime, whilst maintaining our simple and low tax regime. The Government is pressing ahead with the preparatory work in relation to the legislative exercise. The target is to introduce an amendment bill into the Legislative Council by the end of 2017.

2016-17 was a busy and productive year. Besides making tax assessments and collecting taxes, colleagues of IRD were actively participating in various kinds of work relating to NRSD, AEOI and BEPS package. I am very grateful that colleagues had made an all-out effort to strive for meeting different targets. I am confident that we can work together to achieve satisfactory results in all aspects.

WONG Kuen-fai
Commissioner of Inland Revenue

2 Revenue

In 2016-17, the Inland Revenue Department collected \$290.2 billion which represents a decrease of \$1.1 billion or 0.4% as compared with the previous year. Salaries tax collections increased by 2.1% to \$59.1 billion. Profits tax collections, on the other hand, slightly decreased by 0.7% to \$139.2 billion. Owing to the waiver of business registration fees, collection of business registration fees dropped by 91.3% to 228 million. An analysis of the revenue collected by tax type is provided in **Figure 1**.

Figure 1 Revenue collected by tax type

Type of tax	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)
Profits tax -				
Corporations	116,097.5	132,683.8	135,574.0	134,031.3
Unincorporated businesses	4,784.3	5,163.1	4,652.6	5,206.8
Salaries tax	55,620.3	59,346.8	57,867.8	59,077.5
Property tax	2,583.8	2,938.6	2,998.0	3,371.7
Personal assessment	4,420.0	4,817.2	4,790.0	5,220.0
Total earnings & profits tax	183,505.9	204,949.5	205,882.4	206,907.3
Estate duty	388.4	178.2	30.0	18.8
Stamp duty	41,514.7	74,844.9	62,680.3	61,899.0
Betting duty	18,066.4	19,479.3	20,127.2	21,119.0
Business registration fees	73.5	2,480.6	2,607.1	227.7
Total revenue collected	<u>243,548.9</u>	<u>301,932.5</u>	<u>291,327.0</u>	<u>290,171.8</u>
% change over previous year	0.6%	24.0%	-3.5%	-0.4%

The revenue collected by the Department during 2016-17 accounted for 66.5% of the Government General Revenue (**Figure 2**). Profits tax and salaries tax contributed 68.4% of the total revenue collected while stamp duty made up a further 21.3% (**Figure 3**).



Figure 2 Government General Revenue

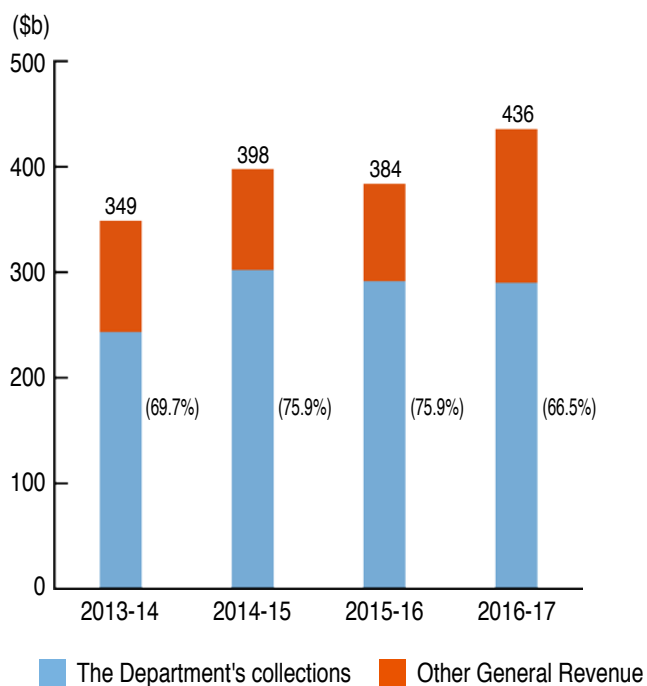
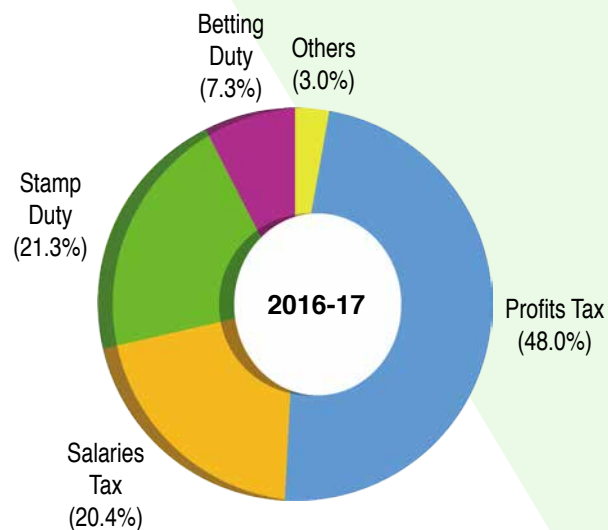
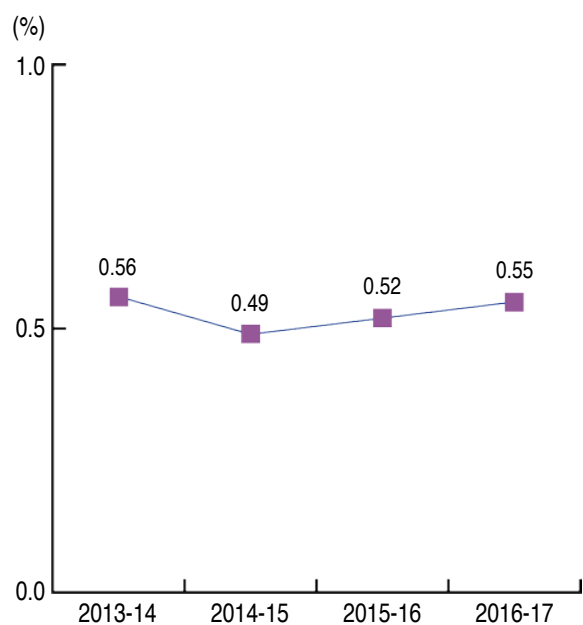


Figure 3 Composition of the revenue collections



In 2016-17, the cost of collection increased from 0.52% to 0.55% (**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 2016-17, earnings and profits tax assessed increased by \$724 million (0.3%) (**Schedule 2**) as compared with the previous year. Yet, the total amount of duties and fees collected dropped by \$2.2 billion (2.6%).

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 2016-17, the tax rates for corporations and non-corporate persons remained unchanged at 16.5% and 15% respectively.

The amount of profits tax assessed in 2016-17 was \$138.2 billion, which was \$0.8 billion (0.6%) less than that of the previous year, reflecting a modest decline in the Hong Kong economy (**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 2015-16, the property, financial and banking sectors together contributed 46.6% and the distribution sector generated 21.7% (**Figure 6**).

Figure 5 Profits tax assessed

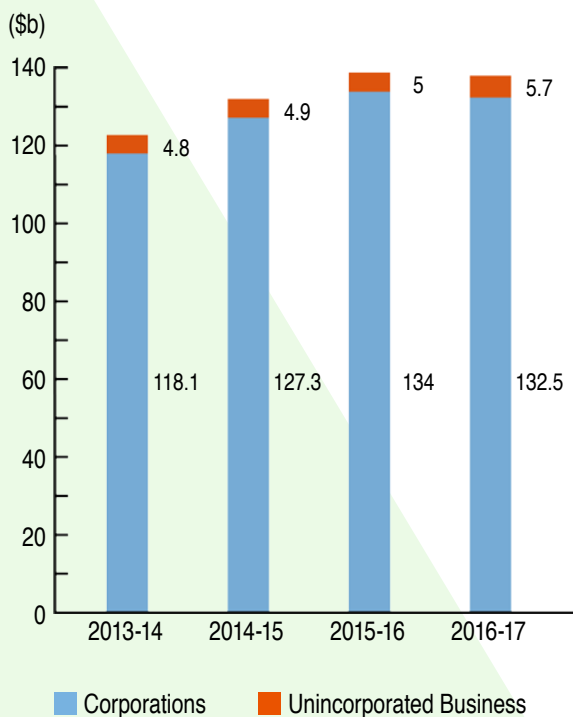
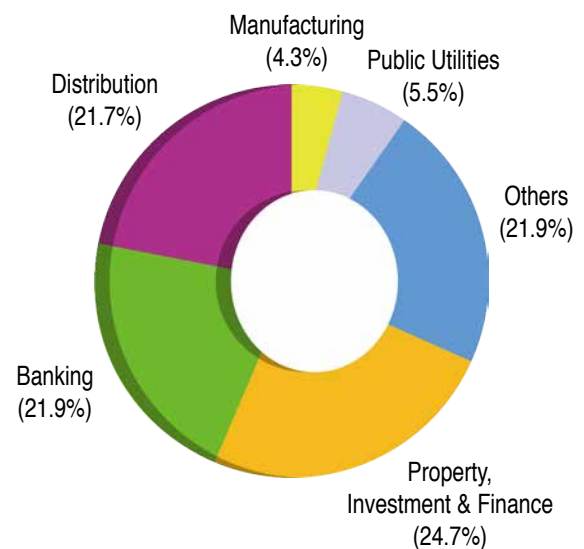


Figure 6 Ratios of corporation profits tax assessed under 2015-16 final assessments by business sectors

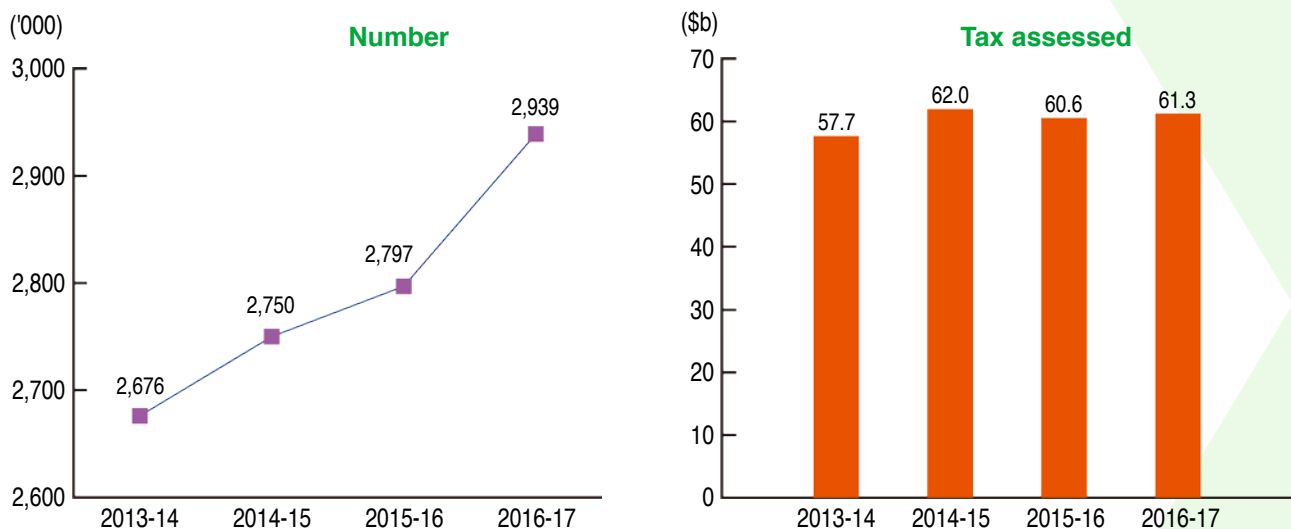


Salaries Tax

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 2016-17, the standard rate remained unchanged at 15%.

As compared with the previous year, the number of salaries tax assessments made during 2016-17 increased by 5.1%. However, there was only 1.2% increase in the total amount of tax assessed after implementing the salaries tax relief measures in the 2016-17 Budget (**Figure 7**).

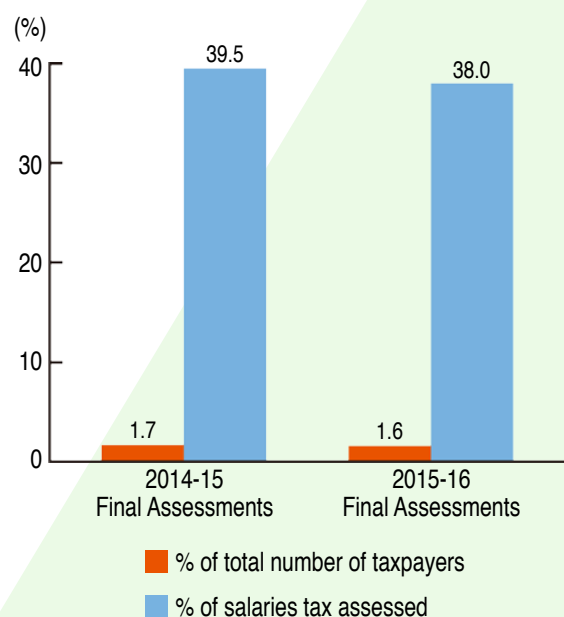
Figure 7 Salaries tax assessments



Analyses of salaries tax assessments and allowances granted in respect of taxpayers at various income levels for the year of assessment 2015-16 are provided in **Schedules 5** and **6**.

For the year of assessment 2015-16, the number of standard rate taxpayers increased by 134 to 29,826. These taxpayers together contributed 38.0% of the salaries tax assessed, a decrease of 1.5% compared with last year (**Figure 8**).

Figure 8 Standard rate taxpayers



Notification Requirements of Employers

Employers are required to notify the Department of commencements and cessations of employment as well as employees' impending departure from Hong Kong for more than 1 month. Besides, employers are required to prepare annual employer's returns to report the emoluments of each of their employees. During the year, 385,542 employers filed employer's returns with the Department.

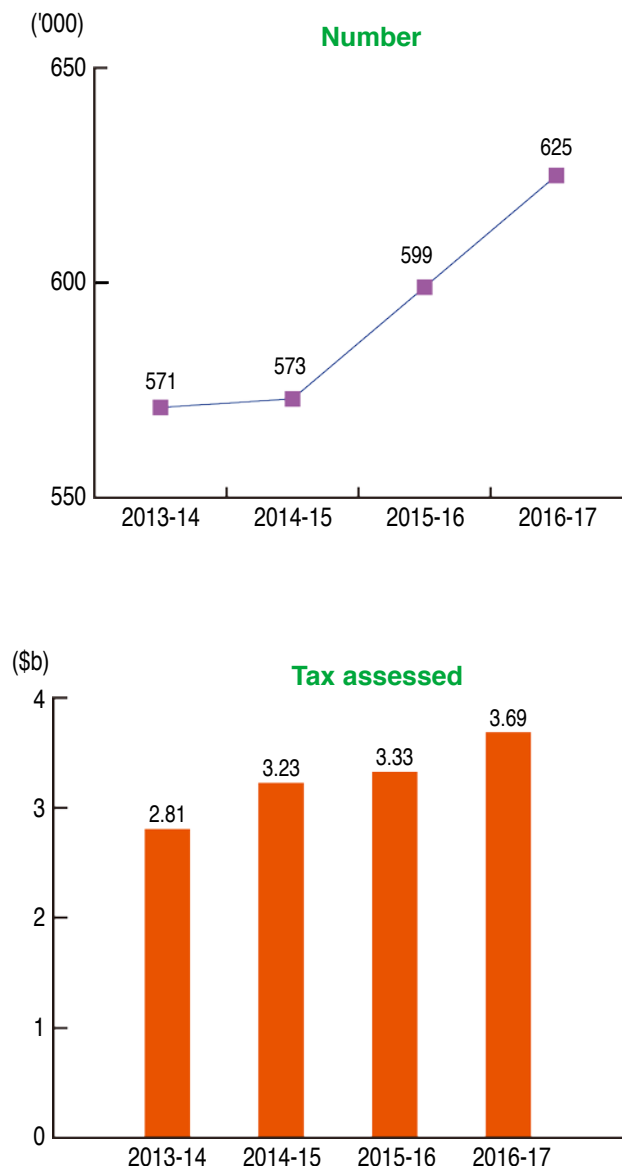
The Department provides e-Seminars and disseminates tax information to employers on the IRD website to help them understand the relevant statutory requirements. The contents cover completion of employer's returns, employer's obligations and answers to frequently asked questions. Employers can also obtain 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 2016-17, the standard rate remained unchanged at 15%. Rents received from properties solely owned by individuals should be declared in Tax Returns-Individuals (BIR60); whilst rents received from properties jointly owned or co-owned by individuals or properties held by corporations / bodies of persons should be declared in Property Tax Returns (BIR57 / BIR58). 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 2016-17 was more than that in the previous year by 4.3%. The total amount of property tax assessed also increased by 10.8% (**Figure 9**).

Figure 9 Property tax assessments

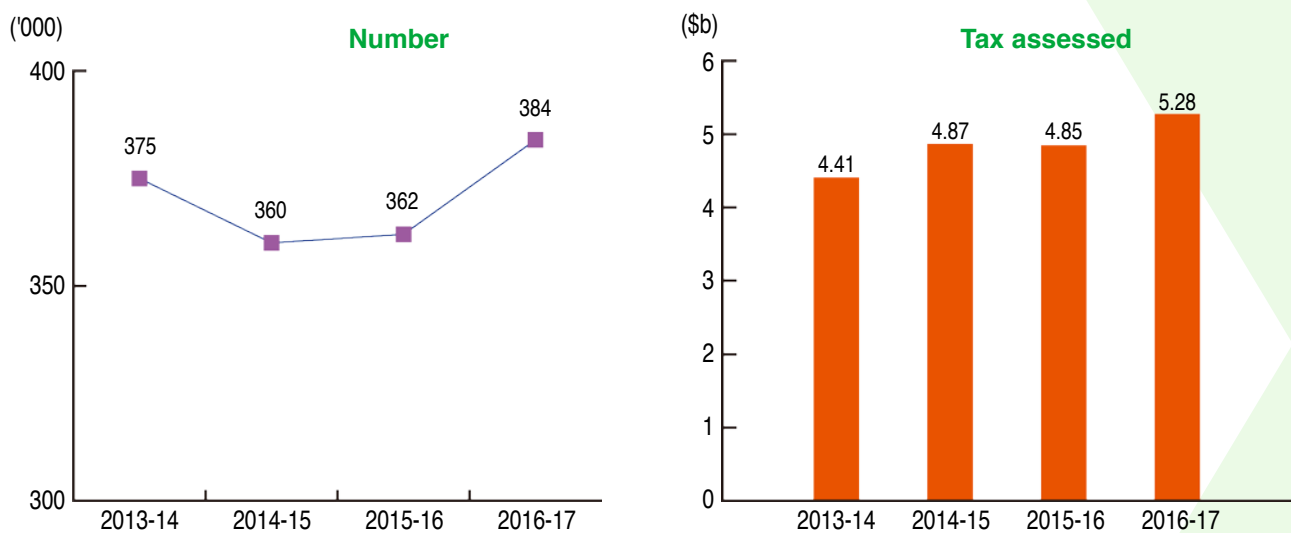


Personal Assessment

If an individual has income chargeable to profits tax and /or property tax, he/she may elect for personal assessment. Under personal assessment, all the incomes of the taxpayer and his or her spouse (if married) are aggregated and, after deduction of all allowances, are assessed at the progressive tax rates applicable to salaries tax. 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 2016-17 increased by 6.1% and the amount of tax assessed was 8.9% 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 2017, Hong Kong has signed comprehensive double taxation agreements (covering various types of income) with 37 jurisdictions. They are Austria, Belarus, Belgium, Brunei, Canada, the Czech Republic, France, Guernsey, Hungary, Indonesia, Ireland, Italy, Japan, Jersey, Korea, Kuwait, Latvia, Liechtenstein, Luxembourg, the Mainland of China, Malaysia, Malta, Mexico, the Netherlands, New Zealand, Pakistan, Portugal, Qatar, Romania, Russia, South Africa, Spain, Switzerland, Thailand, the United Arab Emirates, the United Kingdom and Vietnam.

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 2017, Hong Kong has signed tax information exchange agreements with 7 jurisdictions. They are Denmark, the Faroes, Greenland, Iceland, Norway, Sweden and the United States of America.

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 2016-17, the Department completed the processing of 51 advance ruling applications (**Figure 11**). Most of the applications were for rulings on profits tax matters.

Figure 11 Advance rulings

	2015-16 Number	2016-17 Number
Awaiting decision at the beginning of the year	20	26
Add: Applications received during the year	35	43
	<u>55</u>	<u>69</u>
Less: Disposed of -		
Rulings made	16	36
Applications withdrawn	12	12
Rulings declined	1	3
	<u>29</u>	<u>51</u>
Awaiting decision at the end of the year	<u>26</u>	<u>18</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 2017, the Department has received quite a number of applications in relation to CDTA with different partners including the Mainland of China, Japan, Malaysia, the Netherlands and Thailand. 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 raised in the absence of a tax return, a properly completed return, together with the supporting accounts where applicable, must also be accompanied 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 are ultimately referred to the Commissioner for determination. During 2016-17, the Department completed the processing of 88,755 objections (**Figure 12**).

Figure 12 Objections

		2015-16 Number	2016-17 Number
Being processed at the beginning of the year		35,422	37,660
Add: Received during the year		<u>82,237</u>	<u>91,106</u>
		117,659	128,766
Less: Disposed of -			
Settled without determination	79,483		88,238
Determinations:			
Assessments confirmed	313		298
Assessments reduced	113		128
Assessments increased	86		82
Assessments annulled	4	<u>516</u>	<u>9</u>
		79,999	517
Being processed at the end of the year		<u><u>37,660</u></u>	<u><u>40,011</u></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 2017, the Board consisted of a chairman and 8 deputy chairmen, who have legal training and experience, as well as 68 members. During 2016-17, the Board settled 55 appeal cases (**Figure 13**).

Figure 13 Appeals to the Board of Review

		Number
Awaiting hearing or decision as at 1 April 2016		45
Add:	Received during the year	42
		<u>87</u>
Less:	Disposed of -	
	Withdrawn	23
	Decided:	
	Assessments confirmed	17
	Assessments reduced in full	1
	Assessments reduced in part	4
	Assessments increased	6
	Assessments annulled	1
	Others	3
		<u>32</u>
Awaiting hearing or decision as at 31 March 2017		<u>55</u>
		<u>32</u>

Appeals to the Courts

A decision of the Board is final, provided that either the taxpayer or the Commissioner may, pursuant to section 69 of the Inland Revenue Ordinance, appeal to the Court of First Instance against the Board's decision on a question of law. Before 1 April 2016, taxpayers or the Commissioner may only appeal to the court by way of case stated from the Board. With effect from that date, the case stated procedure was abolished and no appeal may be made unless leave to appeal has been granted by the court, on the application of the taxpayer or the Commissioner.

During 2016-17, the Court of First Instance heard a tax appeal by way of case stated applied for by both the Commissioner and the taxpayer. The principal issue of that appeal was whether there had been a change of the taxpayer's intention with respect to a piece of land.

During the year, the Court of Appeal received an appeal filed by a taxpayer against the judgment of the Court of First Instance. The subject of the appeal was the chargeability of benefits accrued upon termination of employment.

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 2016-17, there was no tax appeal to the Court of Final Appeal.

Figure 14 sets out the statistics concerning appeals to the Courts during 2016-17.

Figure 14 Appeals to the Courts

	Court of First Instance	Court of Appeal	Total
Awaiting hearing or decision as at 1 April 2016	2	0	2
Add: Lodged during the year	2	1	3
	4	1	5
Less: Disposed of	0	0	0
Awaiting hearing or decision as at 31 March 2017	4	1	5

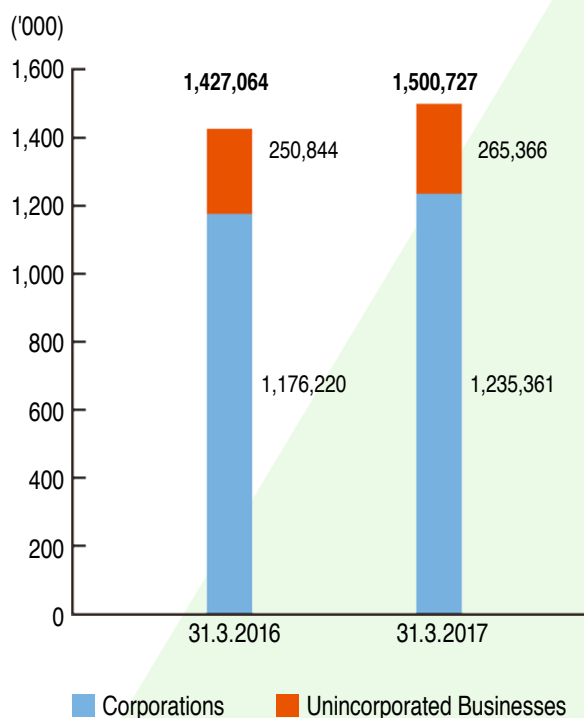
Business Registration

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 2017 stood at 1,500,727, which was an all time high. It was 73,663 more than that as at 31 March 2016 (**Figure 15**).

Business registration certificates are generally valid for one year, but businesses may elect for 3-year certificates. As at 31 March 2017, 22,084 businesses held 3-year certificates.

To help business enterprises, the Government waived the business registration fees for 2016-17. Businesses were still required to pay the levy on their business registration certificates. For a 1-year certificate, the levy was \$250. For businesses electing for 3-year certificates, they were required to pay \$3,200 for the business registration fees and \$750 for the levy.

Figure 15 Number of business registrations



Businesses that were not required to renew their registration certificates in 2016-17 could apply for concessionary refunds if they had paid the registration fees for that year. Up to 31 March 2017, the Department had issued concessionary refunds to 14,774 businesses totaling \$21.8 million.

Due to the waiver of business registration fees for the whole financial year 2016-17, the amount of business registration fees and penalties collected in 2016-17 was reduced to \$228 million. It represents a significant decrease of 91.3% compared with last year, notwithstanding that 9.1% more certificates were paid (**Figure 16**). Business registration statistics are set out in **Schedule 8**.

Figure 16 Business registration statistics

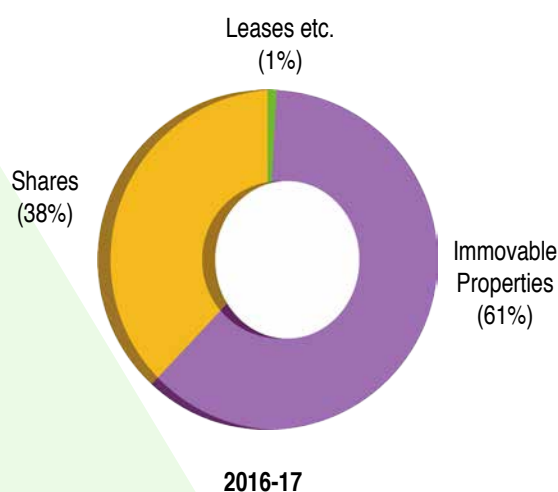
	2015-16	2016-17	Increase/Decrease
Number of certificates paid (Main and Branch)	1,402,548	1,530,879	+9.1%
Fees (inclusive of penalties) collected (\$m)	2,607	228	-91.3%

Under the Business Registration Ordinance, a small business with average monthly sales or receipts below a specified limit (\$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. The number of exemptions granted during 2016-17 was 10,449, representing a decrease of 35.1% from the previous year. No appeal case was received by the Board during the last two years.

Stamp Duty

Stamp duty is charged on instruments effecting property transactions, stock transactions and leasing of property in Hong Kong (**Figure 17**).

Figure 17 Composition of stamp duty collections





The increase in the number of immovable property transactions in 2016-17 led to a substantial increase in the amount of stamp duty collection from property transactions by 32% (\$9 billion) when compared with that for 2015-16. On the other hand, the decrease in total turnover of the Hong Kong stock market in 2016-17 led to a significant drop in the total amount of stamp duty collection from Hong Kong stock transactions by 29% (\$9.8 billion). The above factors resulted in a slight decrease of 1% in the overall stamp duty collection for the year 2016-17 (**Figure 18** and **Schedule 9**).

Figure 18 Stamp duty collections

	2015-16 (\$m)	2016-17 (\$m)	Increase/Decrease
Immovable Properties	28,494	37,518	+32%
Shares	33,410	23,567	-29%
Leases and other documents	776	814	+5%
Total	62,680	61,899	-1%

Estate Duty

Estate duty is charged on 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 died 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 586 in 2016-17, a drop of 24% from the last year (**Figure 20**).

Figures 19 and **20** show the composition of estates and cases processed for the past two years.

Figure 19 Composition of estates

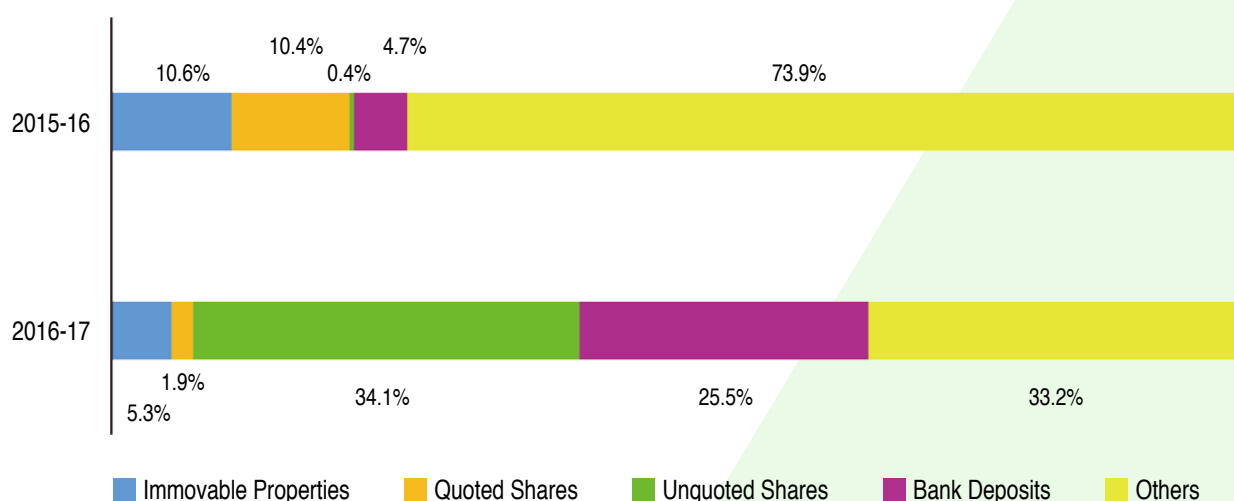


Figure 20 Estate duty cases

	2015-16 Number	2016-17 Number
New cases	771	586
Cases finalised		
- Dutiable	17	11
- Exempt	763	558
	780	569

Estate duty of \$19 million was collected during the year (**Schedule 10**), a decrease of \$11 million (37%) 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). \$0.2 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 2016-17, the rates of betting duty on these betting activities remained unchanged (**Figure 21**).

Figure 21 Rates of betting duty in 2016-17

		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 2016-17 was 4.9% higher than that of the previous year (**Figure 22** and **Schedule 11**).

Figure 22 Betting duty collections

	2015-16 (\$m)	2016-17 (\$m)	Increase
Horse racing	12,316.5	12,757.9	+3.6%
Mark Six lotteries	2,032.2	2,126.9	+4.7%
Football betting	5,778.5	6,234.2	+7.9%
Total	20,127.2	21,119.0	+4.9%

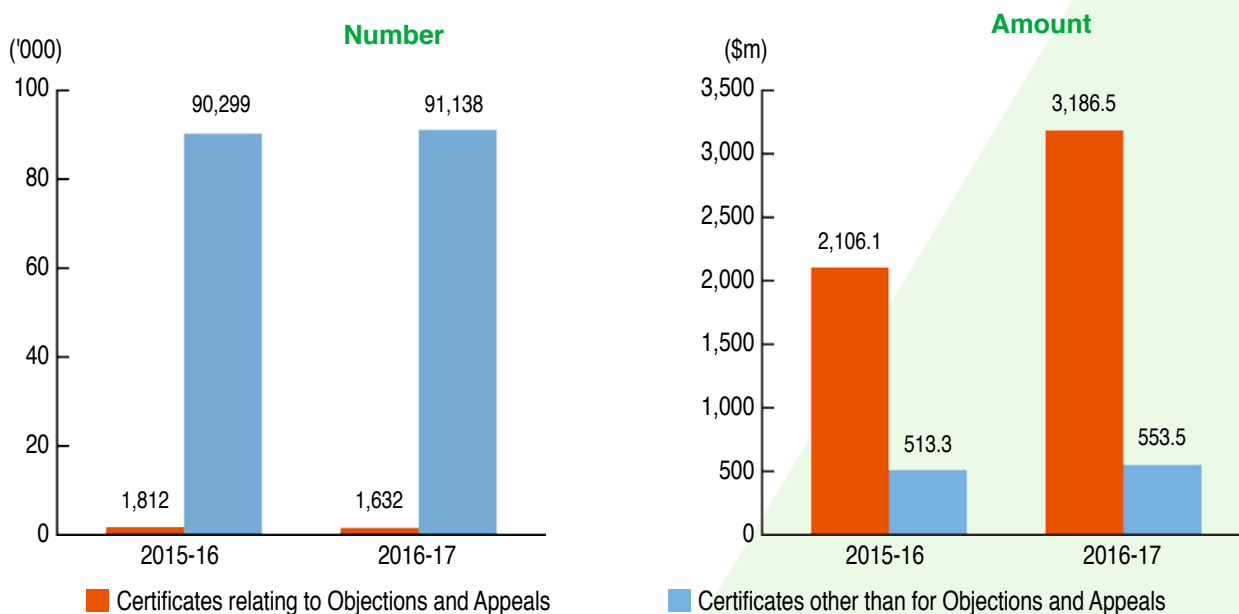
Tax Reserve Certificates

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 2016-17, there was an increase of 2.6% and 8.8% respectively in the number and the amount of TRCs sold under the “Electronic Tax Reserve Certificates Scheme” but a slight decrease of 0.8% in the number and an increase of 2.1% in the amount of TRCs sold under the “SAYE Scheme” (**Schedule 12**). Overall, the total amount of TRCs sold increased by 7.8% (**Figure 23**).

Figure 23 Certificates sold



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.

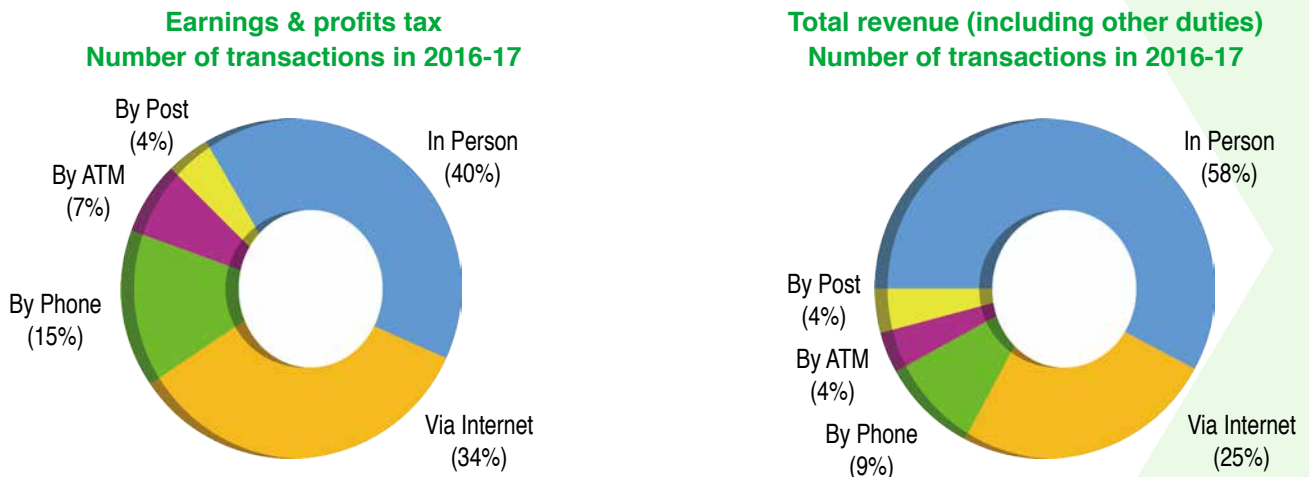
4 Collection

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 2016-17.

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. 56% of the earnings and profits tax payment transactions in 2016-17 were made through electronic means. **Figure 24** shows the respective percentages of the different payment methods used by taxpayers under earnings and profits tax and total revenue.

Figure 24 Payment methods



Refund of Tax

Tax refunds were made mainly due to two reasons, namely, overpayment of tax by taxpayers and revision of assessments. There were 774,452 refund cases in 2016-17, representing an increase of 26.4%. The total amount of refunds was \$16.66 billion, representing an increase of \$1.89 billion or 12.8% compared with the previous year (**Figure 25**).

Figure 25 Tax refunds

Type of tax	2015-16		2016-17	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	46,969	7,135.4	49,942	7,919.8
Salaries tax	495,074	3,906.6	635,828	4,654.8
Property tax	16,782	173.6	18,495	191.1
Personal assessment	29,051	348.6	31,498	387.7
Others	24,761	3,204.4	38,689	3,509.1
Total	612,637	14,768.6	774,452	16,662.5

Recovery of Tax in Default

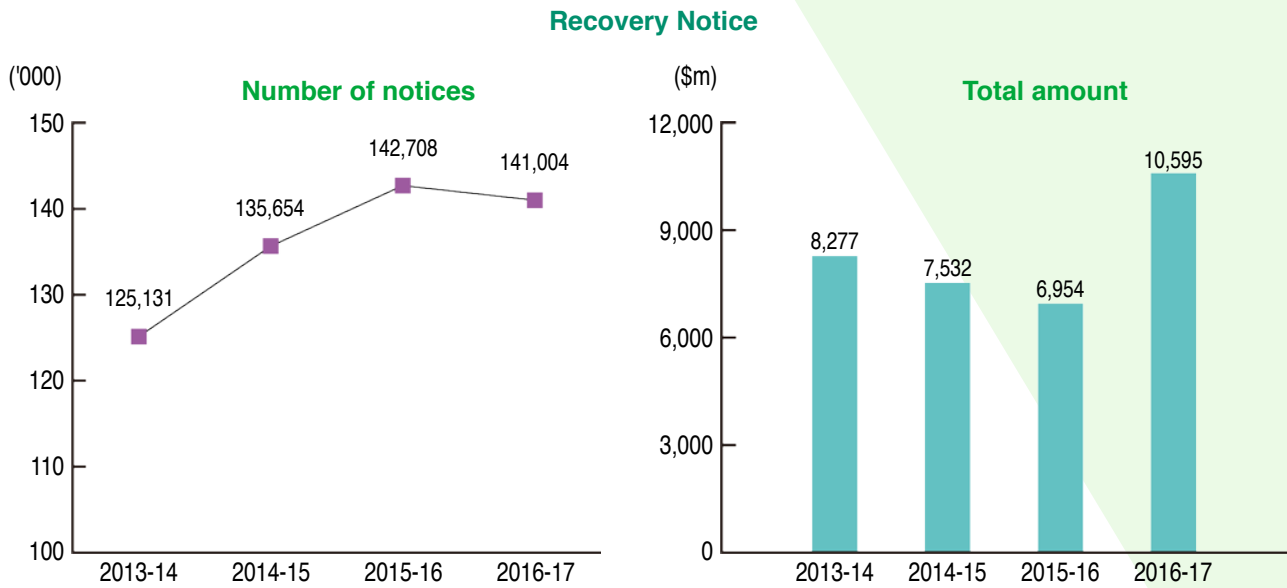
Taxpayers should pay tax on or before the due date shown on the demand notes issued to them. The vast majority of taxpayers settle their tax liabilities in a timely manner.

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 26** summarises different types of recovery actions taken by the Department.

Figure 26 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 27** shows the legal costs and judgment interest collected during 2016-17.

Figure 27 Legal costs and judgment interest collected in 2016-17

	\$	\$
Court cost		
Court fees	720,447	
Execution fees	<u>9,603</u>	730,050
Fixed cost		309,636
Judgment interest		
Pre-judgment interest	1,836,652	
Post-judgment interest	<u>18,520,975</u>	<u>20,357,627</u>
Total costs and interest collected		<u>21,397,313</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 2016-17, the Field Audit and Investigation Unit completed 1,801 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.5 billion (**Figure 28**).

Figure 28 Results of the Field Audit and Investigation Unit

	2013-14	2014-15	2015-16	2016-17
Number of cases completed	1,802	1,803	1,804	1,801
Understated earnings and profits (\$m)	12,936.4	12,857.9	13,888.8	12,408.8
Average understatement per case (\$m)	7.2	7.1	7.7	6.9
Back tax and penalties assessed (\$m)	2,540.0	2,533.1	2,538.3	2,528.4
Back tax and penalties collected (\$m)	2,158.7	2,861.4	1,824.2	2,386.8

Field Audit

In 2016-17, 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 2016-17, the Field Audit and Investigation Unit completed 214 tax avoidance cases and assessed back tax and penalties of about \$1.12 billion (**Figure 29**).

Figure 29 Results of the audit on tax avoidance cases

	2013-14	2014-15	2015-16	2016-17
Number of cases completed	219	217	215	214
Understated earnings and profits (\$m)	5,124.9	6,027.7	6,826.2	6,201.8
Average understatement per case (\$m)	23.4	27.8	31.7	29.0
Back tax and penalties assessed (\$m)	909.3	1,155.6	1,000.4	1,120.2

Investigation

In 2016-17, 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.

During the year, the Department successfully prosecuted 5 tax evasion cases. Two of them involved making false statements in connection with claims for deduction of expenses of self-education and claims for deduction of approved charitable donations. Two of them involved making false statements in connection with claims for deduction of home loan interest and expenses of self-education. Another case involved making false statements in connection with claims for deduction of approved charitable donations. Among these 5 cases, the defendant of 1 case was sentenced to 8 weeks' imprisonment. The defendants of 2 cases were sentenced to immediate imprisonment of 10 weeks and 3 weeks respectively. The defendant of 1 case, after having been remanded in custody for 14 days, was sentenced to 6 weeks' imprisonment and was fined \$157,474 (equivalent to 200% of the tax evaded). The defendant of the remaining case, after having been remanded in custody for 21 days, was sentenced to 6 months' imprisonment, suspended for 2 years and fined \$60,000 (\$5,000 for each charge). The Secretary for Justice applied for a review of sentence. In July 2016, the Magistrates' Courts sentenced the defendant to 21 days' imprisonment and a fine of \$60,000 (\$5,000 for each charge) plus a further fine of \$132,852 (equivalent to 200% 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 2016-17, the Department completed compliance check on 209,499 property tax cases (**Figure 30**).

Figure 30 Results of the property tax compliance checks

	2013-14	2014-15	2015-16	2016-17
Number of cases completed	140,705	161,860	186,229	209,499
Understated rental income (\$m)	553.3	635.0	749.2	850.8
Back tax and penalties assessed (\$m)	66.4	76.2	89.9	102.1

6 Taxpayer Services

IRD Website

www.ird.gov.hk

The IRD website is a very effective channel for disseminating tax information and providing electronic services to the public. With continuous enrichment and updates, the website enables taxpayers to obtain the most current information about Hong Kong taxation in a fast and convenient manner.



Through the website, members of the public can:

- obtain information on tax law, tax returns, tax obligations and answers to frequently asked questions;
- download IRD software and tax forms;
- use the interactive program to calculate their liability under salaries tax and personal assessment; and
- access to the personalised on-line tax services provided by the Department under eTAX.

To facilitate all sectors of the community 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

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. at any time.

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 2016-17 are shown in **Figure 31**.

Figure 31 Statistics of services provided through ITES

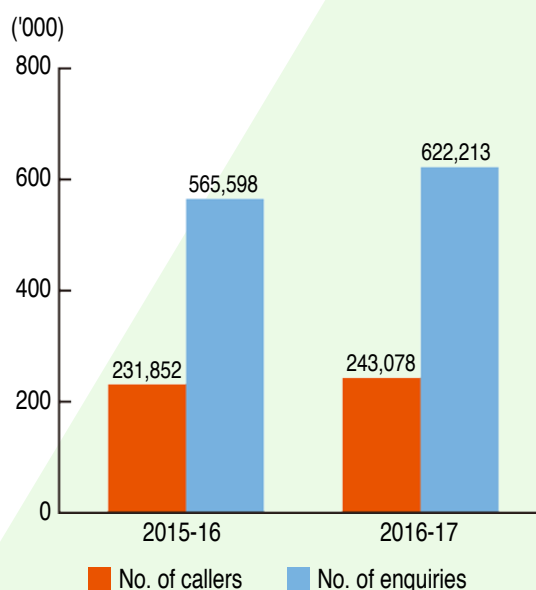
	2015-16 Number	2016-17 Number	Increase / Decrease
Calls answered by staff	728,196	736,701	+1.17%
Calls answered by system	661,940	770,107	+16.34%
Leave-and-call-back messages	32,851	33,211	+1.10%
Documents supplied by fax	2,813	2,685	-4.55%

Counter Enquiry Service

Generally, the counter staff of the Centre is able to handle enquiries, collects mail items and issues forms on the spot without the need of referring callers to other sections in the Department for attention. The number of counter enquiries handled and forms issued during 2016-17 was about 0.62 million (**Figure 32**).

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

Figure 32 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 Corner”. The Department will reply the questions on a regular basis.

The Department issued 2.54 million Individuals Tax Returns for the year of assessment 2015-16 on 3 May 2016. To assist the taxpaying public in completing tax returns, the Department extended the service hours of telephone enquiry services in May 2016. 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.

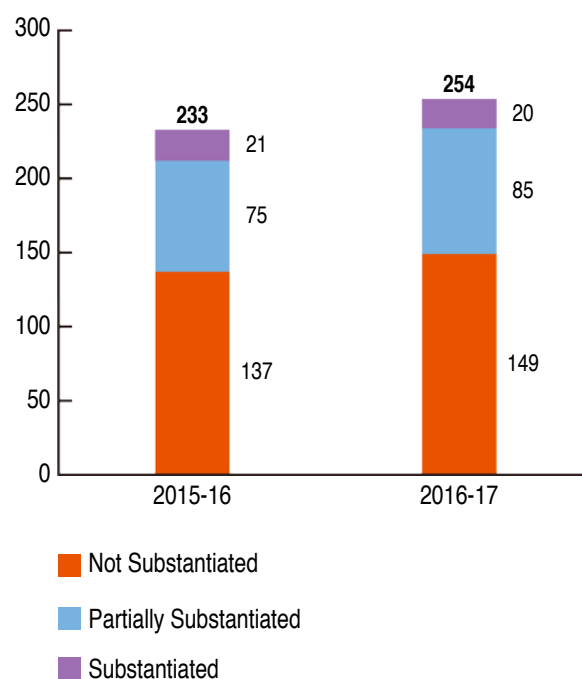
Complaints and Compliments

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 2016-17, 254 complaints cases were received (**Figure 33**). This represents an increase of 9%, 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 2016-17, the Ombudsman sought written comments from the Department in respect of 22 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

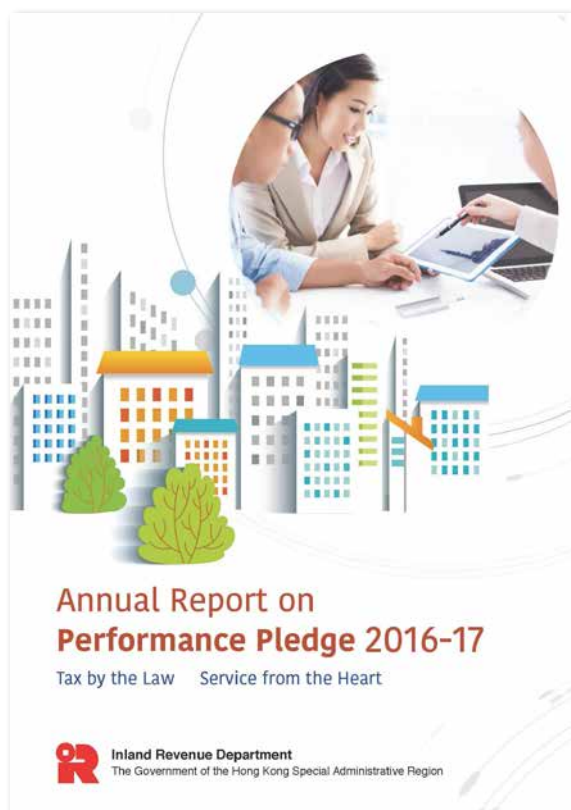
Taxpayers may compliment the service of the Department. During the year, 154 Letters of Compliments were received.

Figure 33 Complaint cases



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 2016-17.



7 Information Technology

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

IT Environment

The Department has built up a comprehensive and integrated IT infrastructure with different types of computer application systems and platforms. The Department's network connects the computer system and workstations of staff 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. The Document Management System and Workflow Management System enhance the control and monitoring of documents, files and workflow, facilitate the tracking of case progress, and thus enable the Department to improve overall service quality. 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 2016-17, we continued to implement the system infrastructure enhancement project. System development and user acceptance testing for migration of mainframe tax applications to the midrange platform are at their final stage. The new system will be implemented by phases starting from mid-April 2017 with target completion date in early-2018.

Electronic Services

eTAX

The Department continues to provide a wide range of online tax services to the public, including internet filing of tax returns, e-stamping of property documents, business registration e-services, electronic notices, electronic payments and lodgement of applications, etc.

eTAX services are widely used by the public. As at 31 March 2017, there were some 736,000 registered eTAX users. The take-up rate increased year after year (**Figure 34**).



Figure 34 eTAX Usage Statistics

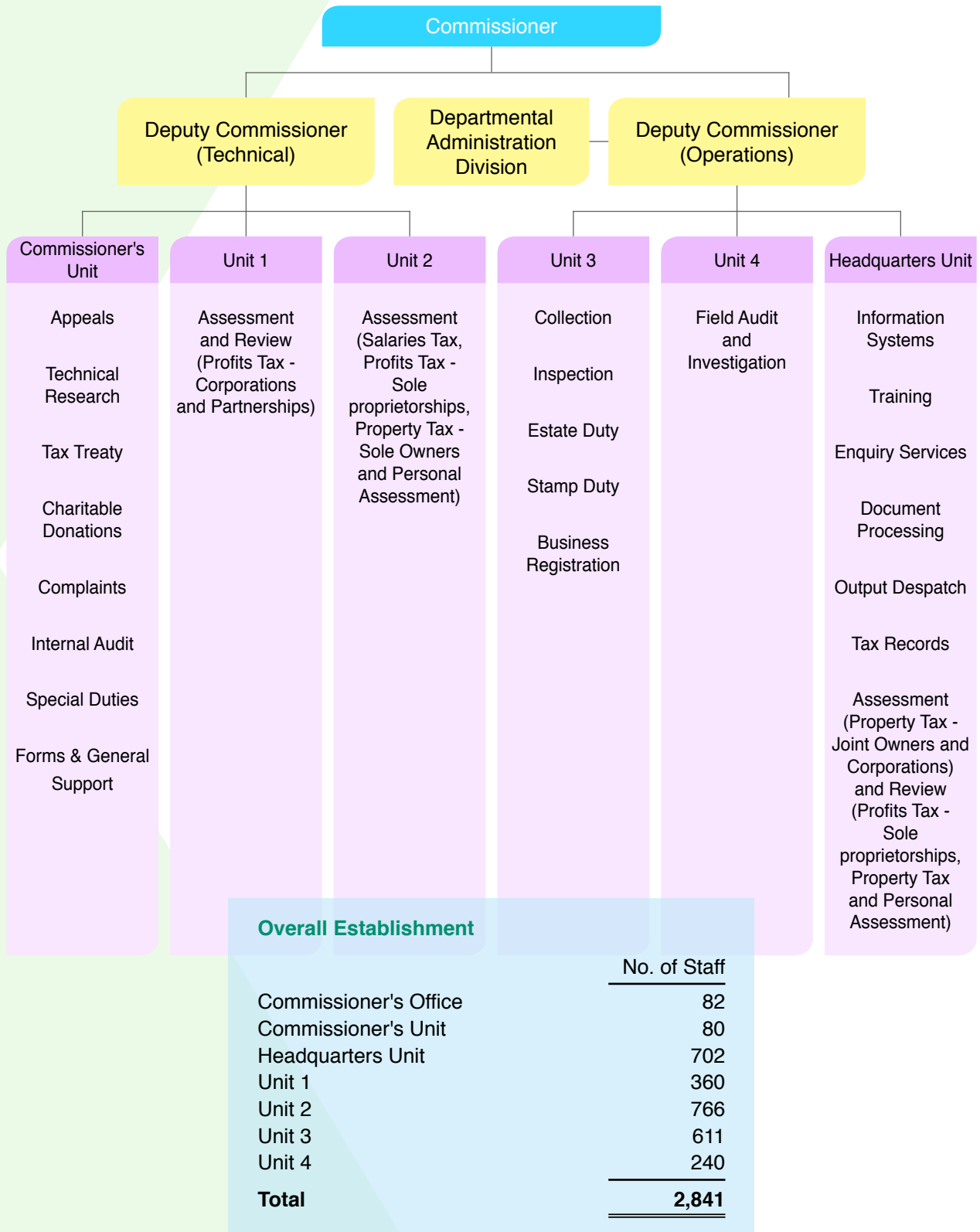
	2015-16 Number	2016-17 Number	Increase
Internet filing of tax returns			
- Tax Return-Individuals, Property Tax Return and Profits Tax Return	525,670	567,583	+8.0%
- Employer's Return of Remuneration and Pensions			
BIR56A	12,162	13,517	+11.1%
IR56B	86,828	107,580	+23.9%
- Employer's Notifications of Commencement of Employment, Cessation of Employment and Employee's Departure from Hong Kong	17,486	19,145	+9.5%
Stamping of Property Document	262,705	292,224	+11.2%
Business Registration Number Enquiry	2,007,895	2,049,465	+2.1%
Application for Supply of Information on the Business Register			
- Requisition	135,548	141,998	+4.8%
- Business registrations involved	329,239	440,471	+33.8%

Other Electronic Services

During 2016-17, some 42,800 employers furnished annual returns for 2,847,300 employees in total by diskettes, DVDs or USB storage devices. About 69% of these employers used the free software provided by the Department.

8 Human Resources

Organisation Chart of the Inland Revenue Department as at 31.3.2017



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 31.3.2017)



Mr CHIU Sai-ming
Assistant
Commissioner
(Headquarters Unit)



Mr TAM Tai-pang
Deputy Commissioner
(Operations)



Mr WONG Kuen-fai
Commissioner



Mr CHIU Kwok-kit
Deputy Commissioner
(Technical)



**Miss LEUNG Shun-chee,
Evelyn**
Departmental Secretary



Mr YIM Kwok-cheong
Assistant
Commissioner
(Unit 1)



**Miss TSUI Siu-fong,
Maria**
Assistant
Commissioner
(Unit 2)



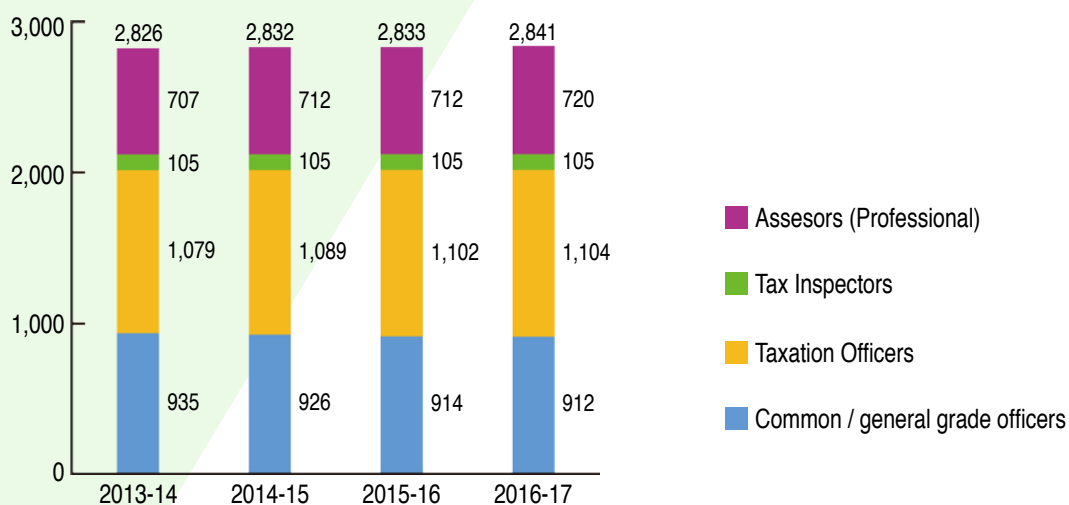
Ms TSE Yuk-yip
Assistant
Commissioner
(Unit 3)



Ms CHAN Fung-kuen
Assistant
Commissioner
(Unit 4)

As at 31 March 2017, the Department had an establishment of 2,841 permanent posts (including 27 directorate posts) in the Commissioner's Office and the 6 Units of the Department. Of the total, 1,929 posts were in departmental grades (namely Assessor, Tax Inspector and Taxation Officer grades), performing duties directly concerned with taxation. The remaining 912 posts were in common / general grades, providing administrative, information technology and clerical support services (**Figure 35**).

Figure 35 Staff establishment



Most of the professional officers serving in the Department were below the age of 45 (**Figure 36**). The ratio of male to female professional officers was 1:1.6.

Figure 36 Age and gender profiles of professional staff (on strength basis)

Age Group	Male		Female		Total	
Below 25	13	(5%)	21	(5%)	34	(5%)
25 to below 35	60	(22%)	149	(33%)	209	(29%)
35 to below 45	48	(18%)	96	(22%)	144	(20%)
45 to below 55	110	(40%)	140	(31%)	250	(35%)
55 and over	41	(15%)	40	(9%)	81	(11%)
Total	272	(100%)	446	(100%)	718	(100%)

Staff Promotions and Turnover

In 2016-17, a total of 43 departmental grade officers and 21 common / general grade officers were promoted. 154 officers joined the Department, of which 96 were new appointees and 58 were officers transferred from other grades / departments. A total of 175 officers (including 43 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, computer, etc. are offered to staff members. In 2016-17, our staff received training for a total of 9,862 man-days, which was equivalent to about 3.47 man-days per officer.

The major training activities conducted for our staff during 2016-17 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
- Workshop on bringing out the best in people
- Workshop on customer service skills on the telephone
- Workshop on effective communication in the workplace
- Workshop on emotional wellness
- Workshop on essential supervisory skills
- Workshop on foreign enterprises in the Mainland – legal and regulatory requirements
- Workshop on how to handle difficult taxpayers
- Workshop on interviewing and negotiation skills
- Workshop on leading innovation and change
- Workshop on problem solving and decision making
- Workshop on turning challenges to opportunities – resolving customer complaints

Continuing Professional Education

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

- The Way Ahead for Hong Kong – Implementation of the G20 BEPS Project and Modernisation of the Tax Legislation
- Liquidation Procedures and Process
- The Legislative Process in Hong Kong
- Avoidance and anti-avoidance under the Mainland's Corporate Income Tax Law
- Mediation
- Tax investigation on the Mainland
- HKFRS Update – HKFRS 15 and 16
- International Tax Update
- Forensic Accounting – the Investigative Methodologies
- Inland Revenue (Amendment) (No. 2) Ordinance 2015 – Taxation of Private Equity Fund
- Inland Revenue (Amendment) (No. 2) Ordinance 2016 – Taxation of Corporate Treasury Activity
- Implementation of Common Reporting Standard on Automatic Exchange of Information in Hong Kong
- BEPS Updates
- Annual Update of Appeal Cases

Speakers for 5 of the seminars were staff members and others were experts from various fields. A total of 1,392 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Department's Intranet and a total of 688 staff members had viewed these video files.

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 2016-17, 32 officers went to China, Korea, Malaysia, Philippines and Singapore to attend training courses on different issues and 12 to universities in China for national studies courses.

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 2016-17, 17 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 enhance 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 and composed of representatives from the clerical and secretarial grades, allows the general grades staff members 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 2016-17, 2 out of 12 suggestions made through the IRD Staff Suggestions Scheme were granted cash awards and certificates of commendation in recognition of their contributions on enhancing operational efficiency and quality of services of the Department.

The Inland Revenue Department Newsletter

The Departmental Newsletter, published every 4 months, serves as another channel of communication between staff and the management promoting a sense of belonging in the Department. Articles are contributed by unit management for disseminating service-related issues, staff movement, staff welfare, information technology, environmental and green issues, occupational health and safety matters, etc., and by staff who are keen to share their leisure activities and hobbies. The Newsletter also provides a regular roundup on the recreational activities organised by the IRD Sports Association as well as volunteer activities arranged 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 Sub-committee, formed under the Governing Committee, considers and approves applications for financial assistance submitted by staff.

Commissioner's Commendation Letter Scheme

In 2016-17, 44 officers who had provided outstanding service for a long period of time were awarded the Commissioner's Commendation Letter. The presentation ceremony was held in March 2017.



Secretary for the Civil Service's Commendation Award 2016

In 2016, 2 Senior Assessors and 1 Senior Clerical Officer were awarded the Secretary for the Civil Service's Commendation in recognition of their exceptionally meritorious and consistently outstanding performance. The presentation ceremony was held in November 2016.



The Long and Meritorious Service Travel Award Scheme

In 2016-17, 25 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 aims at providing a platform for our colleagues to mingle outside the office and hence fostering a sense of belongings among them. A wide range of activities including interest classes, workshops, luncheon talks, outings and annual dinner were organised by the Association throughout the year. All the activities were well received by our colleagues, their family members and friends.

Apart from the above comprehensive array of activities, various kinds of sports competitions were also organised by the Association. Not only were the competitions a showcase of our members' talents in sports, they were also excellent occasions for promoting a healthy lifestyle. In the Corporate Games 2016 organised by the Leisure and Cultural Services Department, our members won several prizes in the table tennis and tennis competitions, including the championship of tennis women's singles.





Moreover, the IRD Volunteer Team under the auspices of the Association continued to participate actively in numerous charitable events and community works. In 2016-17, our colleagues participated in a variety of voluntary services, recording a total of 2,551 service hours. In recognition of the Department's continuous efforts in caring for the community, the Hong Kong Council of Social Service awarded the "10 Years Plus Caring Organisation Logo" to the Department. This marked the 12th consecutive year in which the Department was granted the award.

On the charity front, the Association actively took part in various fund-raising activities such as "Medecins Sans Frontieres Day", "ORBIS World Sight Day Pin Campaign" and "World Vision – Skip-A-Meal". With the generous support of our colleagues, the results of the fund-raising activities were all very encouraging. In the "ORBIS World Sight Day Pin Campaign", the Department won the championship of the "Organisation with the Most Participants" .



9 Legislative Amendments

The following pieces of legislation enacted during the year 2016-17 are related to matters under the purview of the Department.

Inland Revenue (Amendment) Ordinance 2016 (Ordinance No. 8 of 2016)

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2016-17 financial year:

- to increase the basic allowance and single parent allowance from \$120,000 to \$132,000, and married person's allowance from \$240,000 to \$264,000;
- to increase the allowance granted for maintaining a parent/grandparent aged 60 or above from \$40,000 to \$46,000, and the additional allowance granted for residing continuously with that parent/grandparent from \$40,000 to \$46,000;
- to increase the allowance granted for maintaining a parent/grandparent aged between 55 and 59 from \$20,000 to \$23,000, and the additional allowance granted for residing continuously with that parent/grandparent from \$20,000 to \$23,000;
- to increase the maximum deduction amount of elderly residential care expenses from \$80,000 to \$92,000; and
- to reduce the amounts of salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2015-16 by 75%, subject to a maximum of \$20,000 in each case.

Inland Revenue (Amendment) (No. 2) Ordinance 2016 (Ordinance No. 12 of 2016)

This Ordinance amended the Inland Revenue Ordinance to enable, under specified conditions, the deduction of interest payable on money borrowed from a non-Hong Kong associated corporation by a corporation carrying on in Hong Kong an intra-group financing business. It further set a concessionary profits tax rate for qualifying corporate treasury centres and clarified profits tax and stamp duty treatments in respect of regulatory capital securities issued by banks to comply with the Basel III capital adequacy requirements.

Inland Revenue (Amendment) (No. 3) Ordinance 2016 (Ordinance No. 22 of 2016)

This Ordinance amended the Inland Revenue Ordinance to put in place a legal framework for the implementation of the international standard for automatic exchange of financial account information in tax matters in Hong Kong.



Inland Revenue Ordinance (Amendment of Schedule 17E) Notice 2016

This Notice amended Schedule 17E to the Inland Revenue Ordinance in relation to automatic exchange of financial account information in tax matters by:

- adding 2 jurisdictions to the list of reportable jurisdictions; and
- adding 100 jurisdictions to the list of participating jurisdictions.

Securities and Futures (Amendment) Ordinance 2016 (Ordinance No. 16 of 2016)

This Ordinance amended various enactments to provide a legal framework for introducing an open-ended fund company structure in Hong Kong. The relevant provisions will come into operation on a date to be appointed by the Secretary for Financial Services and the Treasury in the Gazette Notice.

International Organizations (Privileges and Immunities) (Asian Infrastructure Investment Bank) Order (Legal Notice No. 52 of 2016)

This Order was to give effect to the privileges and immunities, including exemption from taxation, accorded to the Asian Infrastructure Investment Bank and its officers and employees under Chapter IX of the Articles of Agreement of the Asian Infrastructure Investment Bank.

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

Country	Date of Order	Nature
Romania	26 April 2016	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Russia	26 April 2016	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income

10 Environmental Report

Green Management Policy

The Inland Revenue Department is committed to providing a green workplace, and operating in an environmentally conscious and responsible manner. Reducing energy and paper consumption continues to be the Department's green targets in view of its office-based operations. To this end, 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 (who is also, the Department's Green Manager) and composed of green executives from each Unit of the Department, aims to seek staff's suggestions, set directions in our green policies, issue green office guidelines and update staff on new green initiatives adopted. Floor green ambassadors have been appointed to assist 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;
- 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 IRD Sports Association assists in also promoting green awareness and healthy lifestyle among staff by organising a series of outings to the countryside and outer islands.

Environmental Protection Performance in 2016-17

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

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 were adopted during the year:

- 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 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 blank side of used paper;
- Processing leave applications through the “Electronic Leave Application and Processing System”;
- Reusing stationery, such as envelopes and file jackets;
- Avoiding the use of fax cover sheets and using the blank side of used paper to print incoming fax messages;
- 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. Recycling bags and 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 391,974 kg of waste paper, 248 kg of aluminium cans, 108 kg of plastic bottles, 144 kg of glass bottles and 11,426 used printer cartridges.



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 2016, Revenue Tower was again awarded the “Indoor Air Quality Certificate (Good Class)” which shows that our office fully met the requirements in this respect.

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 be widely utilised for the enhancement of e-office facilities. Continuous efforts will be made to promote expansion of green procurement and reduction in consumption of resources including electricity and paper.

11 Miscellaneous

Charitable Institutions

Charitable institutions are exempt from tax under the Inland Revenue Ordinance. As at 31 March 2017, the number of charities recognised as exempt from tax was 9,014, of which 414 charities were given recognition during the year. The list of charities recognised as exempt from tax is available on IRD website.

Donations to charities exempt from tax are tax deductible. For the year of assessment 2015-16, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$4.54 billion and \$7.15 billion respectively.

The IRD endeavors to give a reply to applicants for recognition of tax exemption status within 4 months of the date of receipt of the application provided that all the required information and documents are received.

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 46,959 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 Tax 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 tax returns are furnished.

Schedules

- 1 Tax Assessed and Collections for the year ended 31 March 2017
- 2 Demand Notes Issued, Tax Assessed and Collections (2013-14 to 2016-17)
- 3 Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2013-14 to 2015-16
- 4 Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2013-14 to 2015-16
- 5 Analysis of Salaries Tax Assessments for the year of assessment 2015-16
- 6 Analysis of Allowances for the year of assessment 2015-16
- 7 Property Statistics (as at 31 March 2017)
- 8 Business Registration Statistics (2013-14 to 2016-17)
- 9 Stamp Duty Collections and Stamp Office Activities (2013-14 to 2016-17)
- 10 Estate Duty Assessed and Collections for the year ended 31 March 2017
- 11 Betting Duty Collections (2014-15 to 2016-17)
- 12 Tax Reserve Certificates Statistics (2013-14 to 2016-17)
- 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 2017

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year–						
2014-15 and earlier years	245,698,781	563,156,298	3,673,833,202	309,155,783	587,257,090	5,379,101,154
2015-16 Final Tax only	412,486,457	85,891,281	(2,349,680,509)	216,166,739	4,687,220,121	3,052,084,089
2016-17 Provisional Payments and Final Tax	3,028,962,809	60,629,625,468	131,207,118,923	5,185,927,337	1,515,440	200,053,149,977
Total Tax Assessed	3,687,148,047	61,278,673,047	132,531,271,616	5,711,249,859	5,275,992,651	208,484,335,220
Add: Collectables–						
Tax outstanding as at 31 March 2016 brought forward	742,982,266	11,498,229,373	35,671,140,111	1,858,244,796	805,265,222	50,575,861,768
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	40,926,423	278,467,677	664,914,111	192,556,080	11,348,623	1,188,212,914
Interest on Tax Held Over	7,768	1,877,722	58,465,305	1,231,097	1,240,742	62,822,634
Write-off re-opened	547,867	24,445,800	5,237,138	5,765,358	1,534,456	37,530,619
Total of Tax Assessed and Collectables (a)	4,471,612,371	73,081,693,619	168,931,028,281	7,769,047,190	6,095,381,694	260,348,763,155
Collections during the year–						
Net Tax collected	3,332,756,824	58,859,529,973	133,392,242,874	5,030,322,080	5,208,385,365	205,823,237,116
(After allowing for refunds of tax)	(108,386,906)	(4,273,813,939)	(7,583,832,988)	(223,987,172)	(370,163,022)	(12,560,184,027)
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	38,974,312	216,655,392	613,327,349	175,674,165	10,643,102	1,055,274,320
Interest on Tax Held Over	7,626	1,299,008	25,755,117	761,920	925,427	28,749,098
Total Net Collections (b)	3,371,738,762	59,077,484,373	134,031,325,340	5,206,758,165	5,219,953,894	206,907,260,534
Balance of Tax, Surcharge, etc. payable (a) – (b)	1,099,873,609	14,004,209,246	34,899,702,941	2,562,289,025	875,427,800	53,441,502,621
Less: Not collected by virtue of set-off	280,389,872	2,254,747,900	–	545,595,964	–	3,080,733,736
Written-off as irrecoverable	1,351,833	32,949,304	161,185,192	8,290,700	1,508,514	205,285,543
Tax, Surcharge, etc. outstanding as at 31 March 2017 carried forward	818,131,904	11,716,512,042	34,738,517,749	2,008,402,361	873,919,286	50,155,483,342
Less: Under objection or appeal	18,081,241	960,128,271	23,113,926,124	446,653,228	422,150,613	24,960,939,477
Listed for write-off but awaiting approval	5,117	275,234	34,188	54,402	17,679	386,620
Assessed but not yet due	462,015,608	7,906,377,652	7,296,924,161	532,557,799	231,644,009	16,429,519,229
Net Tax, Surcharge, etc. in arrears as at 31 March 2017	338,029,938	2,849,730,885	4,327,633,276	1,029,136,932	220,106,985	8,764,638,016

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

	2013-14		2014-15		2015-16		2016-17	
	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	111,443	118,131,430	116,188	127,252,628	118,744	134,008,900	126,042	132,531,271
Unincorporated Businesses	35,817	4,778,655	34,713	4,919,959	34,607	4,994,964	37,343	5,711,250
Salaries Tax	1,510,435	57,703,433	1,599,576	62,017,286	1,626,653	60,579,030	1,589,490	61,278,673
Property Tax	136,286	2,814,034	137,264	3,225,104	136,079	3,326,687	146,310	3,687,148
Personal Assessment	209,687	4,409,689	210,908	4,867,786	222,725	4,850,756	236,612	5,275,993
Total	2,003,668	187,837,241	2,098,649	202,282,763	2,138,808	207,760,337	2,135,797	208,484,335

	2013-14		2014-15		2015-16		2016-17	
	Collections		Collections		Collections		Collections	
		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Profits Tax–								
Corporations		116,097,465		132,683,779		135,574,011		134,031,325
Unincorporated Businesses		4,784,348		5,163,131		4,652,631		5,206,758
Salaries Tax		55,620,272		59,346,764		57,867,772		59,077,485
Property Tax		2,583,845		2,938,653		2,998,035		3,371,739
Personal Assessment		4,420,011		4,817,212		4,789,953		5,219,954
Total		183,505,941		204,949,539		205,882,402		206,907,261

Schedule 3 CORPORATIONS – PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2013-14		2014-15		2015-16	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Distribution–						
Retail	4,920,240	4.2	4,594,753	3.6	3,336,545	2.6
Wholesale, Import and Export	24,388,442	20.7	25,791,487	20.5	24,523,247	19.0
Foreign Corporations carrying on Import and Export	64,184	0.1	70,213	0.1	57,602	0.1
Public Utilities	6,382,638	5.4	7,355,897	5.8	7,137,426	5.5
Property, Investment and Finance (other than Banking)	26,342,158	22.3	28,846,683	22.9	31,824,616	24.7
Banking	25,639,273	21.7	26,626,550	21.1	28,207,161	21.9
Manufacturing–						
Clothing and Textiles	1,043,366	0.9	775,410	0.6	747,451	0.6
Food and Beverage Products	471,059	0.4	529,850	0.4	615,225	0.5
Steel and Other Metals	249,447	0.2	240,580	0.2	217,925	0.1
Printing and Publishing	502,801	0.4	487,137	0.4	506,495	0.4
Others	4,364,051	3.7	4,847,163	3.8	3,470,513	2.7
Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,132,072	1.0	1,082,116	0.9	1,097,782	0.9
Hotels, Restaurants and Amusement Centres	3,136,661	2.7	3,274,411	2.6	3,333,859	2.6
Stevedoring, Wharfing and Godowns	1,320,083	1.1	1,052,658	0.8	1,138,466	0.9
Clubs and Associations	1,106,852	0.9	1,193,116	0.9	1,346,823	1.0
Insurance Companies and Insurance Agents	1,748,961	1.5	2,659,374	2.1	2,909,645	2.3
Non-resident Corporations Trading through Agents (including Consignment Tax)	1,448,759	1.2	1,634,058	1.3	1,559,061	1.2
Building Contractors and Engineering Works	1,941,348	1.6	2,331,403	1.8	2,670,137	2.1
Aircraft Owners and Operators	180,244	0.2	183,431	0.1	226,650	0.2
Taxis, Hire Cars, Public Light Buses and Motor Boats	227,934	0.2	236,118	0.2	268,772	0.2
Miscellaneous	11,321,514	9.6	12,439,193	9.9	13,539,434	10.5
Total	117,932,087	100.0	126,251,601	100.0	128,734,835	100.0

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

Business Sectors	Final Tax Assessed for Year of Assessment					
	2013-14		2014-15		2015-16	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Property Developers, Property Dealers, Property Agents and Subletting Businesses	85,068	2.5	69,012	1.9	45,715	1.2
Finance and Securities including Brokers, Dealers and Insurance Agents	281,448	8.4	321,129	9.1	455,478	12.1
Builders, Decorators and Civil Engineering Works	42,423	1.3	37,874	1.1	47,478	1.3
Distribution–						
Import and Export	71,035	2.1	56,996	1.6	50,669	1.3
Wholesale	40,738	1.2	39,054	1.1	36,503	1.0
Retail	213,913	6.4	200,281	5.7	201,837	5.3
Manufacturing–						
Agricultural Trades and Food & Beverage Products Manufacturers	28,014	0.8	24,616	0.7	7,190	0.2
Cloth and Clothing	5,276	0.2	3,782	0.1	4,819	0.1
Chemical Products and Mechanical Engineering	27,905	0.8	28,454	0.8	33,015	0.9
Printing and Publishing	7,223	0.2	7,297	0.2	7,905	0.2
Others	18,256	0.5	17,368	0.5	12,733	0.3
Hotels, Restaurants and Amusement Centres	80,939	2.4	99,851	2.8	106,941	2.8
Transport (including Wharfing and Godowns)	35,380	1.1	35,016	1.0	34,929	0.9
Professions–						
Accountants	359,891	10.8	381,773	10.8	380,347	10.0
Architects, Engineers, Surveyors, etc.	4,263	0.1	3,391	0.1	2,615	0.1
Doctors and Dentists	903,598	27.1	955,400	27.0	995,673	26.3
Solicitors and Barristers	912,824	27.4	1,011,289	28.5	1,054,405	27.9
Other Professions	215,750	6.5	239,502	6.8	299,311	7.9
Miscellaneous	7,153	0.2	8,289	0.2	8,941	0.2
Non-resident Businesses *	2	0.0	0	0.0	102	0.0
Total	3,341,099	100.0	3,540,374	100.0	3,786,606	100.0

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

Schedule 5 ANALYSIS OF SALARIES TAX ASSESSMENTS FOR THE YEAR OF ASSESSMENT 2015-16 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 Concessory Deductions)	Total Allowances (See analysis per Schedule 6)	Self Education Expenses	Concessory Deductions				Total Net Chargeable Income	Final Tax	Percentage of Total Final Tax	Average Tax per Taxpayer
							Total Donations to Charities	Home Loan Interest	Elderly Residential Care Expenses	Contributions to Recognized Retirement Schemes				
(\$)		(%)		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(%)	(\$)
120,001 – 130,000	26,621	1.44	0	3,377,148	3,194,520	368	2,337	327	0	41,102	138,494	681	0.00	26
130,001 – 140,000	52,470	2.83	0	7,084,836	6,296,400	3,966	11,495	3,219	15	128,561	641,180	3,182	0.01	61
140,001 – 150,000	54,899	2.96	0	7,962,383	6,593,220	11,885	20,510	8,045	94	156,645	1,171,984	5,836	0.01	106
150,001 – 180,000	167,496	9.05	0	27,701,809	20,439,022	94,786	88,997	52,421	1,602	587,494	6,437,487	40,704	0.07	243
180,001 – 210,000	147,146	7.95	0	28,623,873	18,611,160	159,356	118,772	92,764	3,337	693,845	8,944,639	88,523	0.15	602
210,001 – 240,000	138,266	7.47	0	31,129,284	19,231,091	183,341	146,098	144,272	6,941	842,503	10,575,038	142,992	0.24	1,034
240,001 – 270,000	131,514	7.10	5,162	33,463,798	20,674,269	177,939	165,928	166,348	8,246	892,264	11,378,804	186,492	0.32	1,418
270,001 – 300,000	111,122	6.00	6,613	31,641,350	18,770,007	163,344	173,154	201,775	11,480	882,384	11,439,206	217,589	0.37	1,958
300,001 – 400,000	299,887	16.19	25,068	104,237,581	57,886,177	472,755	672,084	761,108	55,364	2,859,408	41,530,685	1,062,670	1.81	3,544
400,001 – 500,000	205,502	11.09	26,569	91,962,328	48,220,275	337,665	690,617	793,982	65,203	2,254,925	39,599,661	1,754,763	2.98	8,539
500,001 – 600,000	134,828	7.28	20,001	73,694,533	35,817,890	231,009	593,374	754,258	54,462	1,607,030	34,636,510	2,256,351	3.84	16,735
600,001 – 700,000	93,091	5.03	11,714	59,880,716	25,890,488	172,248	528,839	647,901	48,794	1,137,957	31,454,489	2,613,690	4.44	28,077
700,001 – 800,000	66,451	3.59	6,676	49,608,240	18,557,210	119,893	515,100	502,978	41,590	842,868	29,028,601	2,875,966	4.89	43,279
800,001 – 900,000	40,714	2.20	3,859	34,478,352	11,496,858	77,065	332,268	328,771	27,445	479,402	21,736,543	2,407,296	4.09	59,127
900,001 – 1,000,000	31,230	1.69	2,326	29,499,436	8,752,941	54,297	298,882	252,718	22,301	385,376	19,732,921	2,357,993	4.01	75,504
1,000,001 – 1,500,000	77,245	4.17	4,671	93,074,761	21,683,836	137,241	847,211	701,462	50,560	876,020	68,778,431	9,221,588	15.67	119,381
1,500,001 – 2,000,000	29,224	1.58	1,459	50,183,167	7,821,458	48,379	425,587	288,406	16,855	322,808	41,259,674	5,976,721	10.16	204,514
2,000,001 – 3,000,000	23,105	1.25	1,026	55,569,421	5,334,989	26,482	422,709	254,947	10,325	238,742	49,281,227	7,317,405	12.44	316,702
3,000,001 – 5,000,000	12,577	0.68	296	47,018,596	1,843,788	11,162	345,558	136,017	4,642	129,479	44,547,950	6,627,288	11.27	526,937
5,000,001 – 7,500,000	4,199	0.23	5	25,270,047	69,609	2,673	178,252	45,377	539	42,708	24,930,889	3,664,888	6.23	872,800
7,500,001 – 10,000,000	1,681	0.09	2	14,432,928	1,400	1,087	111,775	18,317	277	16,817	14,283,255	2,109,023	3.59	1,254,624
10,000,001 & over	2,474	0.13	4	53,437,668	0	1,543	457,672	23,647	176	24,939	52,929,691	7,889,973	13.41	3,189,156
Total	1,851,742	100.00	115,451	953,332,255	357,186,608	2,488,484	7,147,219	6,179,060	430,248	15,443,277	564,457,359	58,821,614	100.00	31,766

Schedule 6 ANALYSIS OF ALLOWANCES FOR THE YEAR OF ASSESSMENT 2015-16 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	3,194,520	0	0	0	0	0	0	0	0	0	0	0	0	0	3,194,520
130,001 – 140,000	6,296,400	0	0	0	0	0	0	0	0	0	0	0	0	0	6,296,400
140,001 – 150,000	6,587,880	0	0	0	0	5,340	0	0	0	0	0	0	0	0	6,593,220
150,001 – 180,000	20,099,520	0	0	39,402	0	222,980	71,160	5,960	0	0	0	0	0	0	20,439,022
180,001 – 210,000	17,657,520	0	467	69,597	0	616,900	245,880	17,800	2,600	0	396	0	0	0	18,611,160
210,001 – 240,000	16,591,920	0	298,950	80,421	0	1,405,700	791,700	36,300	12,240	0	7,722	528	0	5,610	19,231,091
240,001 – 270,000	14,134,200	3,294,960	656,000	81,081	0	1,535,760	869,200	46,380	15,240	0	30,426	1,056	0	9,966	20,674,269
270,001 – 300,000	11,224,800	4,219,680	655,860	68,145	420	1,570,720	885,980	47,220	14,220	0	67,914	2,046	792	12,210	18,770,007
300,001 – 400,000	28,844,640	14,283,600	5,077,926	186,714	160,500	5,611,940	3,106,000	164,400	51,480	22,704	293,634	10,692	13,669	58,278	57,886,177
400,001 – 500,000	17,531,520	14,257,440	8,241,632	113,619	313,380	4,860,020	2,285,440	135,500	36,620	24,288	299,508	11,814	47,520	61,974	48,220,275
500,001 – 600,000	10,779,480	10,799,760	7,963,288	71,775	248,640	3,795,400	1,633,320	106,280	27,980	21,912	255,354	12,144	51,935	50,622	35,817,890
600,001 – 700,000	7,650,720	7,040,400	6,289,344	53,229	175,457	2,999,660	1,242,940	84,480	20,100	14,520	212,058	11,220	47,916	48,444	25,890,488
700,001 – 800,000	5,531,760	4,884,720	4,659,361	36,663	119,180	2,173,960	829,920	55,740	12,400	11,286	162,756	7,260	35,508	36,696	18,557,210
800,001 – 900,000	3,309,120	3,153,120	2,954,292	21,714	73,776	1,306,980	479,760	36,060	7,860	5,940	95,766	6,402	23,232	22,836	11,496,858
900,001 – 1,000,000	2,553,120	2,388,960	2,299,130	16,071	58,080	960,620	330,240	25,000	4,240	4,686	73,260	3,762	16,566	19,206	8,752,941
1,000,001 – 1,500,000	6,088,560	6,361,680	5,854,561	33,165	130,860	2,210,820	696,880	55,020	10,400	8,184	155,430	7,392	37,026	33,858	21,683,836
1,500,001 – 2,000,000	1,604,400	2,772,960	2,408,058	10,032	45,960	694,880	193,240	18,280	3,160	2,574	40,920	3,234	12,936	10,824	7,821,458
2,000,001 – 3,000,000	589,200	2,262,720	1,949,280	4,125	38,040	346,040	93,840	8,100	1,140	1,320	24,816	1,518	9,504	5,346	5,334,989
3,000,001 – 5,000,000	85,080	803,040	836,050	858	12,600	77,340	16,920	1,600	400	330	4,818	198	3,366	1,188	1,843,788
5,000,001 – 7,500,000	480	26,640	37,700	99	0	2,800	1,440	80	40	66	66	0	66	132	69,609
7,500,001 – 10,000,000	0	480	800	0	0	120	0	0	0	0	0	0	0	0	1,400
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	180,354,840	76,550,160	50,182,699	886,710	1,376,893	30,397,980	13,773,860	844,200	220,120	117,810	1,724,844	79,266	300,036	377,190	357,186,608

Schedule 7 PROPERTY STATISTICS (as at 31 March 2017)

Classification of Properties	No. of Properties	%
(i) Solely owned by individuals [excluding those under item (iv)] (Rental income, if any, is reported in Tax Returns-Individuals)	960,989	38.39
(ii) Jointly owned, owned by tenants-in-common, and solely owned other than by individuals [excluding those under item (iv)] –		
Letting (Reported in Property Tax Returns)	131,482	
Other usage or vacant	<u>539,464</u>	26.80
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance	436,778	17.45
(iv) With alienation restriction under Home Ownership Scheme or Private Sector Participation Scheme	310,118	12.39
(v) New ownership – awaiting classification	124,518	4.97
Total	2,503,349	100.00

Classification by Number of Owners	No. of Properties	%
Properties owned by :		
1 owner	1,654,232	66.08
2 owners	784,965	31.35
3 owners	40,201	1.61
4 owners	10,904	0.44
5 owners	4,782	0.19
6 - 10 owners	6,384	0.25
11 - 20 owners	1,714	0.07
Over 20 owners	167	0.01
Total	2,503,349	100.00

Schedule 8 BUSINESS REGISTRATION STATISTICS

Fiscal Year	2013-14	2014-15	2015-16	2016-17
New registrations	228,483	174,741	163,324	202,581
Re-opened registrations	12,290	12,051	11,341	12,142
Cancelled registrations	111,705	133,745	153,303	141,060
Current registrations as at 31 March	1,352,655	1,405,702	1,427,064	1,500,727
Paid Certificates (including certificates with annual fees waived)*	1,403,124	1,382,214	1,402,548	1,530,879
Businesses exempted from payment of fees	9,779	13,834	16,103	10,449
Extracts of information issued	352,409	359,018	359,512	432,028
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)*	73,494	2,480,563	2,607,074	227,737
Court fines	6,426	9,473	8,949	12,952
Fees and penalties in arrears as at 31 March (excluding levy)	25,707	210,297	305,812	156,294

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

(1) 1 April 2013 to 31 March 2014

(2) 1 April 2016 to 31 March 2017

Schedule 9 STAMP DUTY COLLECTIONS AND STAMP OFFICE ACTIVITIES

Fiscal Year	2013-14	2014-15	2015-16	2016-17
	(\$m)	(\$m)	(\$m)	(\$m)
Duties on—				
• Property Assignments and Chargeable Agreements	18,160.7	49,214.8	28,494.4	37,517.9
• Contract notes				
- Collected by Stamp Office	2,148.0	2,188.0	3,045.0	2,679.7
- Collected through The Stock Exchange of Hong Kong Limited	<u>20,556.3</u>	<u>22,697.1</u>	<u>30,365.0</u>	<u>20,887.6</u>
	22,704.3	24,885.1	33,410.0	23,567.3
• Leases	545.3	576.7	612.3	597.4
• Transfer deeds	2.8	2.3	2.2	1.6
• Other documents	77.6	127.4	131.4	108.2
Penalties	23.6	38.4	29.6	105.5
Additional duties for delays in payment	0.4	0.2	0.4	1.1
Total duty collections	41,514.7	74,844.9	62,680.3	61,899.0
Average number of callers to Stamp Office per day	1,530	1,703	1,562	1,588
Number of documents stamped during the year	1,718,029	1,714,714	1,586,018	1,591,591

Schedule 10 ESTATE DUTY – DUTY ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2017

	Assessments issued before 1 April 2016	Assessments issued in 2016-17						Additional Assessments	Total
		Original 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 2015-16	117,145	-	-	-	-	-	-	117,145	
Less: Amount discharged	-	-	-	-	-	-	-	-	
Net outstanding charges brought forward from 2015-16	117,145	-	-	-	-	-	-	117,145	
Net duty assessed	0	62	328	425	2,270	72,510	479	76,074	
Penalties charged	0	13	68	142	0	0	81	304	
Interest charged	1,862	189	693	38,924	4,306	13,608	553	60,135	
Total amount payable	119,007	264	1,089	39,491	6,576	86,118	1,113	253,658	
Less: Amount paid on account before 1 April 2016	0	465	328	38,534	0	92,573	1	131,901	
Net duty, penalties and interest payable in 2016-17	119,007	(201)	761	957	6,576	(6,455)	1,112	121,757	
Less: Outstanding charges carried forward to 2017-18	102,578	0	0	531	0	0	6	103,115	
Net duty, penalties and interest paid in 2016-17	16,429	(201)	761	426	6,576	(6,455)	1,106	18,642	
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	0	0	7	90	94	0	191	
Total collections in 2016-17	16,429	(201)	761	433	6,666	(6,361)	1,106	18,833	

Schedule 11 BETTING DUTY COLLECTIONS

Fiscal Year	2014-15		2015-16		2016-17	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Horse Racing						
Day Meetings						
Net Stake Receipts	10,131,946		10,404,038		10,408,096	
Betting Duty		7,391,089		7,597,488		7,599,306
Night Meetings						
Net Stake Receipts	6,230,032		6,465,927		7,078,933	
Betting Duty		4,541,397		4,718,987		5,158,585
Horse Race Betting Duty (For rates, please refer to Figure 21 of Chapter 3)		11,932,486		12,316,475		*12,757,891
Lotteries (Mark Six)						
Proceeds from Lotteries	7,881,398		8,128,835		8,507,524	
Lotteries Duty (Rate: 25%)		1,970,350		2,032,209		*2,126,881
Football Betting						
Net Stake Receipts	11,152,964		11,557,030		12,468,422	
Football Betting Duty (Rate: 50%)		5,576,482		5,778,515		* 6,234,211
Total duty collected		19,479,318		20,127,199		21,118,983

* Provisional payment

Schedule 12 TAX RESERVE CERTIFICATES

Fiscal Year	Sales		Redemption		
	Number of Certificates	Amount	Number of Certificates	Amount	Interest
2013-14		(\$'000)		(\$'000)	(\$'000)
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
2014-15		(\$'000)		(\$'000)	(\$'000)
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
2015-16		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• Paper certificate	2	2	50	65	12
• Save-As-You-Earn Scheme	43,883	78,179	42,767	74,978	78
• Electronic Tax Reserve Certificates Scheme	46,414	435,148	42,695	400,304	89
Security for Tax in Dispute	1,812	2,106,083	1,724	1,933,207	2,286
Total	92,111	2,619,412	87,236	2,408,554	2,465
2016-17		(\$'000)		(\$'000)	(\$'000)
Save for Tax Payment					
• Paper certificate	2	3	13	21	-
• Save-As-You-Earn Scheme	43,528	79,859	40,293	76,352	58
• Electronic Tax Reserve Certificates Scheme	47,608	473,632	43,630	411,114	105
Security for Tax in Dispute	1,632	3,186,468	1,541	2,647,276	6,575
Total	92,770	3,739,962	85,477	3,134,763	6,738

Schedule 13 EARNINGS AND PROFITS TAX – OFFENCES COMMITTED AND COURT FINES IMPOSED

2016-17

	Inland Revenue Ordinance										Total	
	Failure to submit return and other offences [section 80(1)&(2)(d)]		Failure to comply with Court Order [section 80(2B)]		Wilfully with intent to evade tax or to assist other persons to evade tax [section 82]		Furnishing incorrect return, statement or information [section 80(2)(a),(b)&(c)]		Failure to comply with the requirement of section 51(2) to notify the chargeability [section 80(2)(e)]			
	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines	No. of Convictions	Amount of Fines
Profits Tax		(\$)		(\$)		(\$)		(\$)		(\$)		(\$)
• Corporations	10,489	26,691,848	1,053	4,848,766	0	0	0	0	0	0	11,542	31,540,614
• Unincorporated Businesses	472	1,168,800	115	526,500	0	0	0	0	0	0	587	1,695,300
Salaries Tax												
• Employees	2,543	5,886,300	432	1,963,000	37	350,326	0	0	0	0	3,012	8,199,626
• Employers	563	1,472,166	145	721,000	0	0	0	0	0	0	708	2,193,166
Property Tax												
• Individuals	123	287,600	13	58,100	0	0	0	0	0	0	136	345,700
Total	14,190	35,506,714	1,758	8,117,366	37	350,326	0	0	0	0	15,985	43,974,406

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 2017 is 20,329

Schedule 14 EARNINGS AND PROFITS TAX – SURCHARGES ADDED, OFFENCES COMPOUNDED, ADDITIONAL TAX IMPOSED AND COSTS AWARDED BY THE BOARD OF REVIEW

2016-17

	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	21,669	23,986,563	186,744	176,272,298	14,050	155,864,449	7,726	22,797,060	16,424	11,025,443	246,613	389,945,813
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	1	10,000	7	34,800	0	0	0	0	8	44,800
• section 80(1)	5	98,000	945	2,526,800	88	4,903,000	129	5,432,000	0	0	1,167	12,959,800
• section 80(2)	889	15,637,360	9,970	84,556,926	6,862	392,833,241	1,457	140,485,030	112	310,980	19,290	633,823,537
• section 82(1)	8	583,500	45	12,231,153	50	65,595,721	53	20,034,490	1	500	157	98,445,364
• 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	191	616,000	244	2,787,500	1,065	45,642,900	84	3,807,500	4	11,700	1,588	52,865,600
Costs awarded by the Board of Review	1	5,000	3	83,000	3	40,000	0	0	0	0	7	128,000
Total	22,763	40,926,423	197,952	278,467,677	22,125	664,914,111	9,449	192,556,080	16,541	11,348,623	268,830	1,188,212,914

* Including penalties imposed by the Court

