



Inland Revenue Department

The Government of the Hong Kong Special Administrative Region

治稅以法 服務以誠

Tax by the Law Service from the Heart

Annual Report 2017-18 年報



Vision, Mission and Values

VISION

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

MISSION

We are committed to –

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

VALUES

Our core values are –

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

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1 Commissioner's Foreword



The total revenue collection of the Inland Revenue Department in 2017-18 was \$328.6 billion, which is a record high. It was \$38.4 billion higher than the collection of last year, representing a rise of 13.2%. Among the different tax types, Stamp Duty and Salaries Tax reached a record high this year. Stamp Duty and Salaries Tax recorded an increase of 54% and 3% respectively whilst Profits Tax decreased slightly by 0.1%.

WONG Kuen-fai

Commissioner of Inland Revenue


In 2017-18, the Department encountered new developments in different areas of work. Below are the legislative changes in relation to Stamp Duty, Profits Tax and exchange of information.

Facing the recurrence of the overheated residential property market, the Government introduced on 5 November 2016 a new measure to raise the ad valorem stamp duty rate of residential property transactions across-the-board to a flat rate at 15% to prevent the bubble risk of the property market from deteriorating further. The Stamp Duty (Amendment) Bill 2017, which seeks to implement the new residential stamp duty (NRSD) measure, was passed by the Legislative Council (LegCo) in January 2018 to become the Stamp Duty (Amendment) Ordinance 2018. During the scrutiny of the above amendment bill, the majority of LegCo Members and members of the public expressed grave concern over the increasing trend where some Hong Kong permanent residents (HKPRs) acquired multiple residential properties under a single instrument to avoid payment of the new rate of stamp duty, thereby undermining the intended effect of the measure. In view of this, the Government announced on 11 April 2017 that it would introduce legislative amendments to tighten up the exemption arrangement for HKPRs under the NRSD regime. If a HKPR 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 tightened up exemption arrangement took effect on 12 April 2017. The Stamp Duty (Amendment) (No. 2) Bill 2017, which seeks to implement the tightened exemption arrangement, was passed by the LegCo in April 2018 to become the Stamp Duty (Amendment) (No. 2) Ordinance 2018.

To implement the two-tiered profits tax rates regime announced by the Chief Executive in the 2017 Policy Address, the Inland Revenue (Amendment) (No. 3) Ordinance 2018, which was gazetted on 29 March 2018, amended the Inland Revenue Ordinance (IRO). With effect from the year of assessment 2018-19, the profits tax rate for the first \$2 million of assessable profits of corporations is lowered to 8.25%. Profits above that amount continue to be subject to the tax rate of 16.5%. For non-corporate persons, the two-tiered tax rates are correspondingly set at 7.5% and 15%.

For the purpose of enabling Hong Kong to implement more effectively the automatic exchange of financial account information in tax matters (AEOI) promulgated by the Organisation for Economic Cooperation and Development (OECD), the Inland Revenue (Amendment) (No. 2) Ordinance 2017 was gazetted on 16 June 2017 to increase, with effect from 1 July 2017, the number of “reportable jurisdictions” to 75 under the IRO. The Department has established the AEOI Portal for financial institutions to notify and file financial account information returns electronically. Notices requiring financial institutions to file financial account information returns for the year 2017 have been issued since January 2018.

On the other hand, given the continued expansion in the scope and network of tax information exchanges in the international community, Hong Kong needs to move from the established bilateral approach to the multilateral approach to implement the relevant initiatives. The Inland Revenue (Amendment) Ordinance 2018 (2018 Amendment Ordinance) was gazetted on 2 February 2018 to provide the legal framework for Hong Kong to implement multilateral tax arrangements, thereby allowing more effective implementation of AEOI and automatic exchange of country-by-country (CbC) reports and spontaneous exchange of information on tax rulings under the base erosion and profit shifting (BEPS) package.



After the passage of the 2018 Amendment Ordinance, the Central People's Government deposited the declaration for extending the application of the Convention on Mutual Administrative Assistance in Tax Matters (the Convention) to Hong Kong with the OECD in May 2018. The Convention provides a multi-party platform for participating jurisdictions to mutually agree with each other on various forms of administrative cooperation in the assessment and collection of taxes, including exchange of information. The scope of information to be exchanged under the Convention, as compared with the bilateral approach, is generally the same. In July 2018, the Chief Executive in Council made an order to declare that the Convention shall have effect in Hong Kong. The order will be tabled at the LegCo for negative vetting in October 2018.

The year 2017-18 was full of challenges. As a result of the new initiatives introduced by the Government and the rapid development of international tax standards, legislative amendments were required for various issues. The Department's workload has been increasing. I am thankful for colleagues' continuous dedication to surmount difficulties and accomplish our missions in a professional manner.

WONG Kuen-fai
Commissioner of Inland Revenue

2 Revenue

In 2017-18, the Inland Revenue Department collected \$328.6 billion which represents an increase of \$38.4 billion or 13.2% as compared with the previous year. The increase mainly came from stamp duty. Stamp duty collections increased by 54% to \$95.2 billion. Salaries tax collections increased by 3% to \$60.8 billion. Profits tax collections, on the other hand, slightly decreased by 0.1% to \$139.1 billion. An analysis of the revenue collected by tax type is provided in **Figure 1**.

Figure 1 Revenue collected by tax type

Type of tax	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)
Profits tax -				
Corporations	132,683.8	135,574.0	134,031.3	133,459.3
Unincorporated businesses	5,163.1	4,652.6	5,206.8	5,640.9
Salaries tax	59,346.8	57,867.8	59,077.5	60,838.8
Property tax	2,938.6	2,998.0	3,371.7	3,447.8
Personal assessment	4,817.2	4,790.0	5,220.0	5,342.5
Total earnings & profits tax	204,949.5	205,882.4	206,907.3	208,729.3
Estate duty	178.2	30.0	18.8	31.3
Stamp duty	74,844.9	62,680.3	61,899.0	95,172.8
Betting duty	19,479.3	20,127.2	21,119.0	21,959.1
Business registration fees	2,480.6	2,607.1	227.7	2,726.7
Total revenue collected	301,932.5	291,327.0	290,171.8	328,619.2
% change over previous year	24.0%	-3.5%	-0.4%	13.2%

The revenue collected by the Department during 2017-18 accounted for 74% of the Government General Revenue (**Figure 2**). Profits tax and salaries tax contributed 60.8% of the total revenue collected while stamp duty made up a further 29% (**Figure 3**).

Figure 2 Government General Revenue

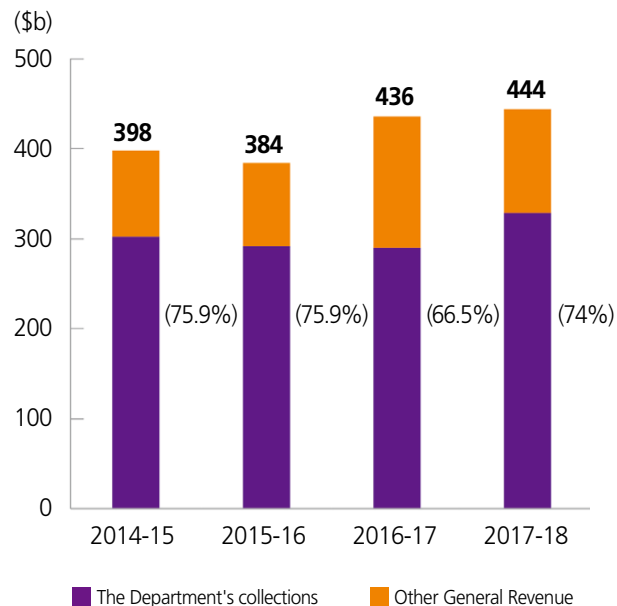
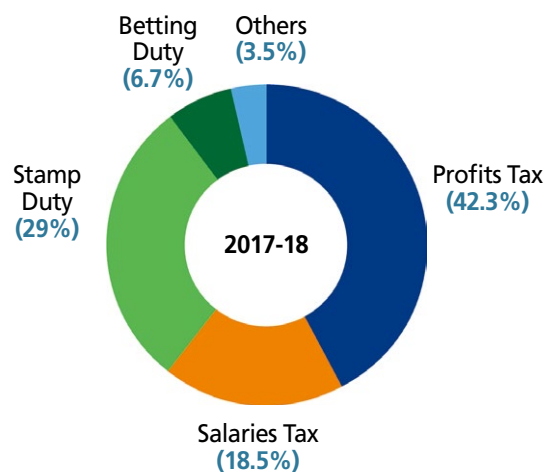
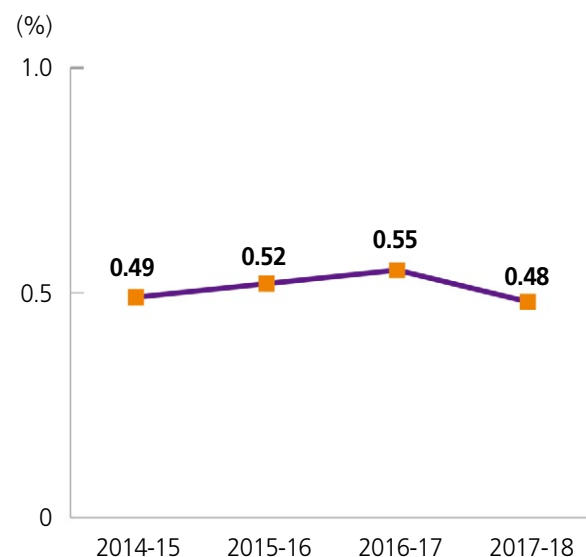


Figure 3 Composition of the revenue collections



In 2017-18, the cost of collection decreased from 0.55% to 0.48% (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 2017-18, earnings and profits tax assessed increased by \$8.3 billion (4%) (**Schedule 2**) as compared with the previous year. The total amount of duties and fees collected increased by \$36.6 billion (44%).

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. The tax rates for corporations and non-corporate persons are 16.5% and 15% respectively.

The amount of profits tax assessed in 2017-18 was \$144.9 billion, which was \$6.7 billion (4.8%) more than that of the previous year, reflecting a modest growth 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 2016-17, the property, financial and banking sectors together contributed 45.5% and the distribution sector generated 22.6% (**Figure 6**).

Figure 5 Profits tax assessed

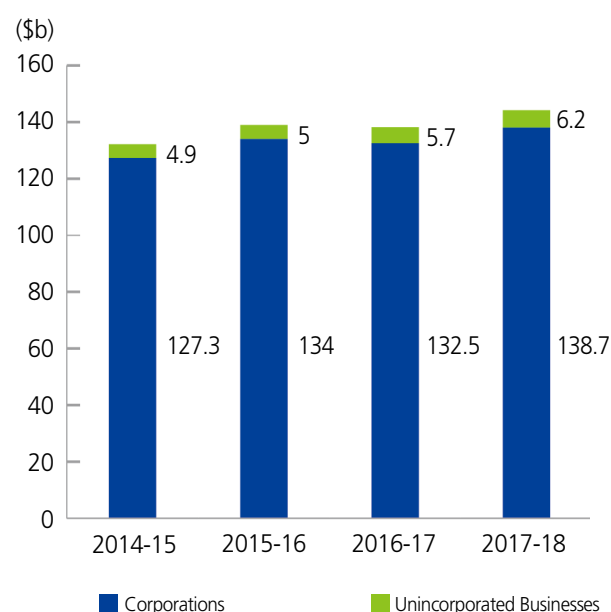
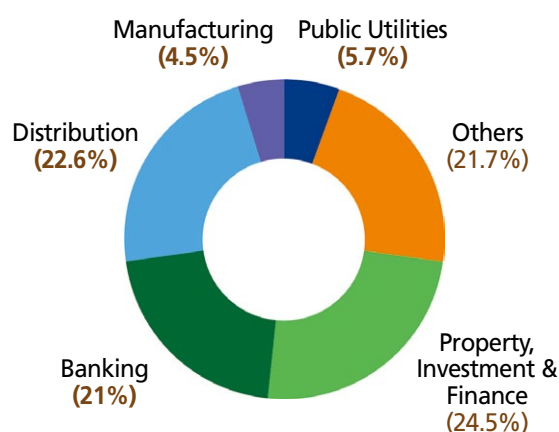


Figure 6 Ratios of corporation profits tax assessed under 2016-17 final assessments by business sectors

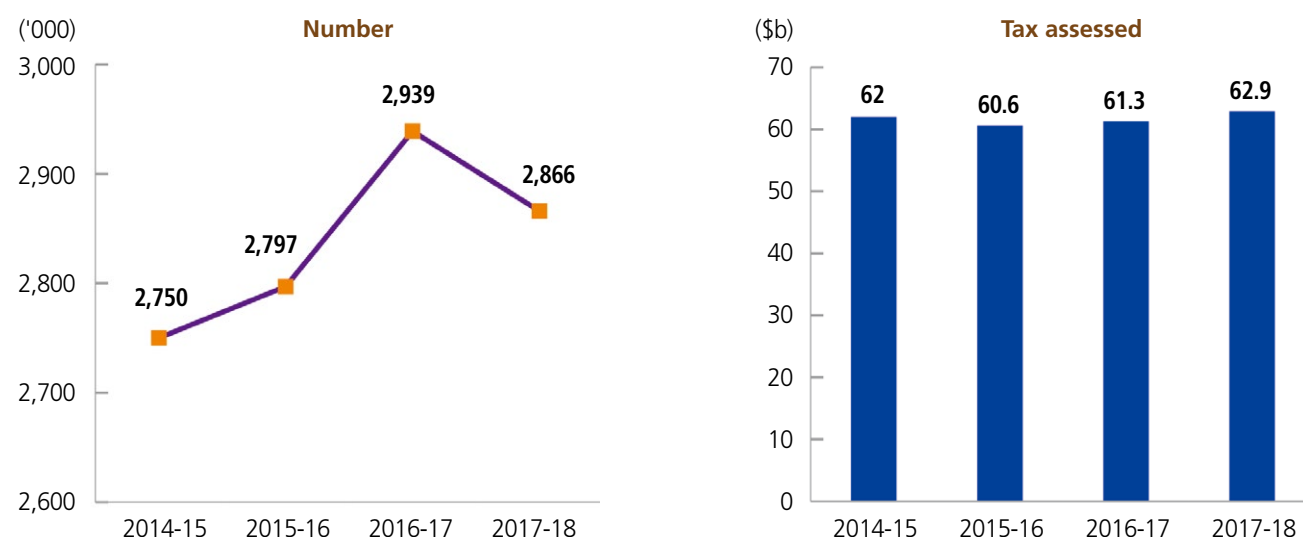


Salaries Tax

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 (15%) on the net total income (without deduction of allowances) of the individual concerned.

As compared with the previous year, the number of salaries tax assessments made during 2017-18 decreased by 2.5%. However, the continued growth in wages and earnings has resulted in a 2.6% increase in the amount of tax assessed (**Figure 7**).

Figure 7 Salaries tax assessments



Analyses of salaries tax assessments and allowances granted in respect of taxpayers at various income levels for the year of assessment 2016-17 are provided in **Schedules 5** and **6**.

For the year of assessment 2016-17, the number of standard rate taxpayers decreased by 2,380 to 27,446. These taxpayers together contributed 35.8% of the salaries tax assessed, a decrease of 2.2% compared with last year (**Figure 8**).

Figure 8 Standard rate taxpayers

Percentage of total number of taxpayers

	2015-16	2016-17
Total number of taxpayers	1,851,742	1,764,543
Standard rate taxpayers	29,826	27,446
Percentage	1.6%	1.6%

Percentage of total salaries tax assessed

	2015-16	2016-17
Total salaries tax assessed (\$M)	58,822	58,774
Tax contributed by standard rate taxpayers (\$M)	22,344	21,042
Percentage	38%	35.8%

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, 386,596 employers filed employer's returns with the Department.

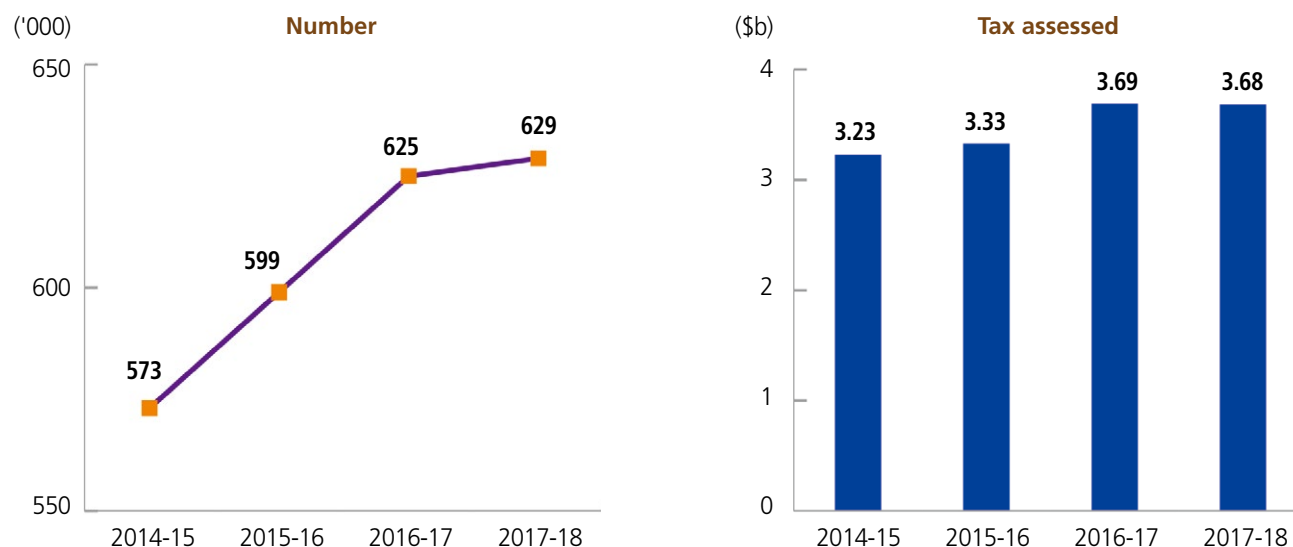
The Department provides e-Seminars and disseminates tax information to employers on the IRD website to help them understand the relevant statutory requirements. The contents cover completion of employer's returns, employer's obligations and answers to frequently asked questions. Employers can also obtain 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 (15%) in respect of the net assessable value of the property. 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 2017-18 was more than that in the previous year by 0.6%. The amount of property tax assessed decreased by 0.3% (**Figure 9**).

Figure 9 Property tax assessments

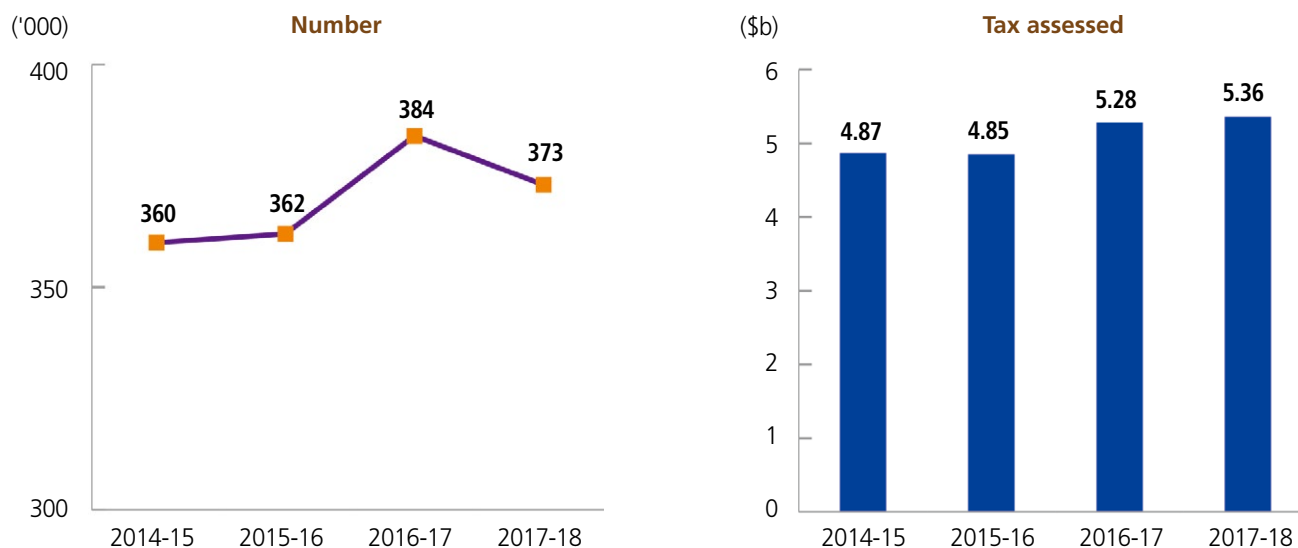


Personal Assessment

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 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 personal assessments made in 2017-18 decreased by 2.9% but the amount of tax assessed was 1.5% 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 2018, Hong Kong has signed comprehensive double taxation agreements (covering various types of income) with 39 jurisdictions. They are Austria, Belarus, Belgium, Brunei, Canada, the Czech Republic, France, Guernsey, Hungary, India, 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, Saudi Arabia, 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 has entered into tax information exchange agreements with appropriate partners since 2014. As at 31 March 2018, 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 2017-18, the Department completed the processing of 40 advance ruling applications (**Figure 11**). Most of the applications were for rulings on profits tax matters.

Figure 11 Advance rulings

	2016-17 Number	2017-18 Number
Awaiting decision at the beginning of the year	26	18
Add: Applications received during the year	43	33
	69	51
Less: Disposed of -		
Rulings made	36	26
Applications withdrawn	12	8
Rulings declined	3	6
	51	40
Awaiting decision at the end of the year	18	11

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 2018, the Department has received quite a number of applications in relation to CDTA with different partners including the Mainland of China, Japan, Korea, 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 2017-18, the Department completed the processing of 79,205 objections (**Figure 12**).

Figure 12 Objections

	2016-17 Number			2017-18 Number		
Being processed at the beginning of the year	37,660			40,011		
Add: Received during the year	91,106			80,497		
	128,766			120,508		
Less: Disposed of -						
Settled without determination	88,238			78,695		
Determinations:						
Assessments confirmed	298			285		
Assessments reduced	128			122		
Assessments increased	82			97		
Assessments annulled	9	517	88,755	6	510	79,205
Being processed at the end of the year	40,011			41,303		

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 2018, the Board consisted of a chairman and 8 deputy chairmen, who have legal training and experience, as well as 64 members. During 2017-18, 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 2017			32
Add: Received during the year			54
			<u>86</u>
Less: Disposed of -			
Withdrawn		21	
Decided:			
Assessments confirmed	13		
Assessments reduced in part	3		
Assessments increased	16		
Assessments annulled	1		
Others	<u>1</u>	<u>34</u>	<u>55</u>
Awaiting hearing or decision as at 31 March 2018			<u><u>31</u></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 2017-18, the Court of First Instance ruled on two cases relating to the Inland Revenue Ordinance. In one of the tax appeals, although the Commissioner was granted leave to appeal, the court did not agree that the relevant income should be subject to Salaries Tax instead of Profits Tax. The other tax appeal was referred to the court by way of case stated. 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. The taxpayer appealed to the Court of Appeal after its appeal was dismissed.

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 2017-18, there was no tax appeal to the Court of Final Appeal.

Figure 14 sets out the statistics concerning appeals to the Courts during 2017-18.

Figure 14 Appeals to the Courts

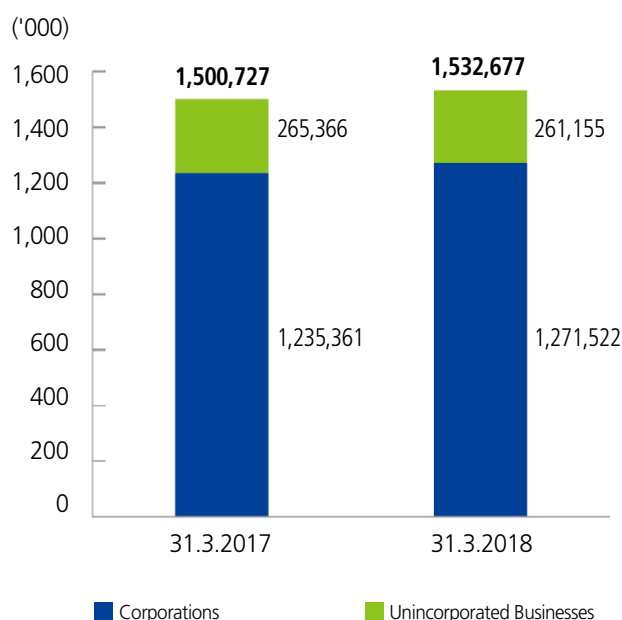
	Court of First Instance	Court of Appeal	Total
Awaiting hearing or decision as at 1 April 2017	4	1	5
Add: Lodged during the year	0	1	1
	4	2	6
Less: Disposed of	2	0	2
Awaiting hearing or decision as at 31 March 2018	2	2	4

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 2018 stood at 1,532,677, which was an all time high. It was 31,950 more than that as at 31 March 2017 (**Figure 15**).

Business registration certificates are generally valid for one year, but businesses may elect for 3-year certificates. As at 31 March 2018, 23,832 businesses held 3-year certificates.

As the waiver of business registration fees expired on 1 April 2017, the amount of business registration fees and penalties collected in 2017-18 increased significantly to \$2.7 billion, an increase of 1,096% compared with last year (**Figure 16**). Business registration statistics are set out in **Schedule 8**.

Figure 15 Number of business registrations**Figure 16 Business registration statistics**

	2016-17	2017-18	Increase/Decrease
Number of certificates paid (Main and Branch)	1,530,879	1,493,423	-2.4%
Fees (inclusive of penalties) collected (\$m)	228	2,726	+1,096%

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 2017-18 was 14,856, representing an increase of 42.2% from the previous year. No appeal case was received by the Board during the last three years.

Stamp Duty

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

The Stamp Duty (Amendment) Ordinance 2018 (the Amendment Ordinance) was gazetted on 19 January 2018. The Amendment Ordinance stipulates that unless exempted, the ad valorem stamp duty rate on instruments executed on or after 5 November 2016 for dealing with residential properties is increased to a flat rate of 15%. Besides, upon the gazettal of the Amendment Ordinance, certain instruments of residential property transaction executed during the transitional period (5 November 2016 to 18 January 2018) were chargeable with additional stamp duty. Also, there was an increase in the number of immovable property transactions in 2017-18 when compared with that for 2016-17. All these factors contributed to the sharp increase in the amount of stamp duty collection from property transactions by 53% (\$19.9 billion).

Further, the increase in total turnover of the Hong Kong stock market in 2017-18 led to a significant increase in the amount of stamp duty collection from Hong Kong stock transactions by 57% (\$13.3 billion).

Overall, there was an increase of 54% (\$33.3 billion) in the total stamp duty collection for the year 2017-18 (**Figure 18** and **Schedule 9**).

Figure 17 Composition of stamp duty collections

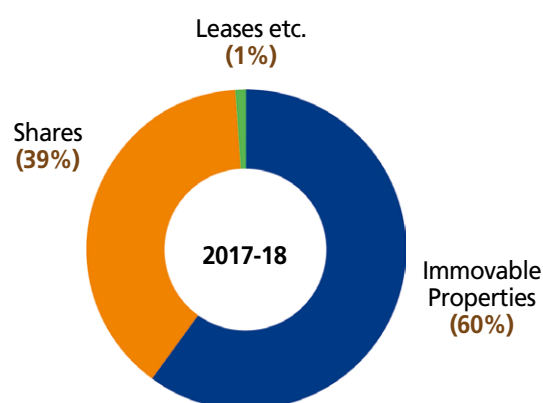


Figure 18 Stamp duty collections

	2016-17 (\$m)	2017-18 (\$m)	Increase
Immovable Properties	37,518	57,376	+53%
Shares	23,567	36,930	+57%
Leases and other documents	814	867	+7%
Total	61,899	95,173	+54%

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. The number of new cases was 665 in 2017-18, an increase of 13% 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

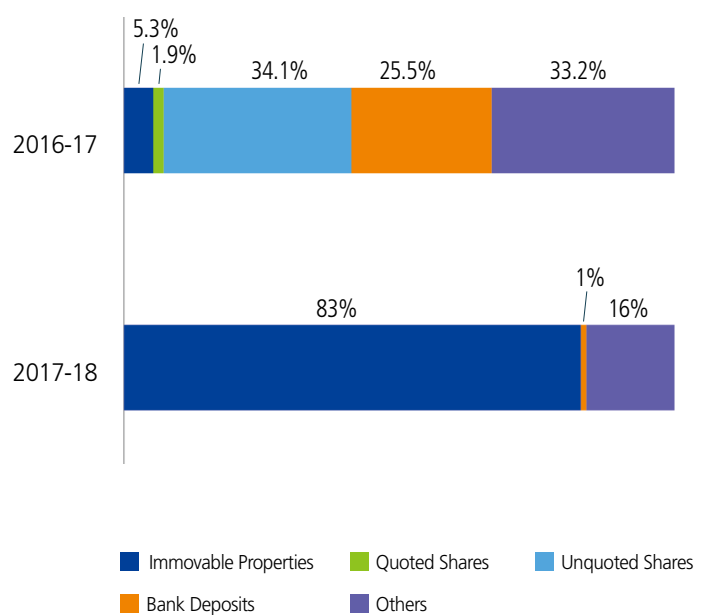


Figure 20 Estate duty cases

	2016-17 Number	2017-18 Number
New cases	586	665
Cases finalised		
- Dutiable	11	3
- Exempt	558	632
	569	635

Estate duty of \$31 million was collected during the year (**Schedule 10**), an increase of \$12 million (63%) 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). \$10.8 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 2017-18, the rates of betting duty on these betting activities remained unchanged (**Figure 21**).

Figure 21 Rates of betting duty in 2017-18

			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 2017-18 was 4% higher than that of the previous year (**Figure 22** and **Schedule 11**).

Figure 22 Betting duty collections

	2016-17 (\$m)	2017-18 (\$m)	Increase/Decrease
Horse racing	12,757.9	13,281.8	+4.1%
Mark Six lotteries	2,126.9	2,023.3	-4.9%
Football betting	6,234.2	6,654.0	+6.7%
Total	21,119.0	21,959.1	+4.0%

Tax Reserve Certificates

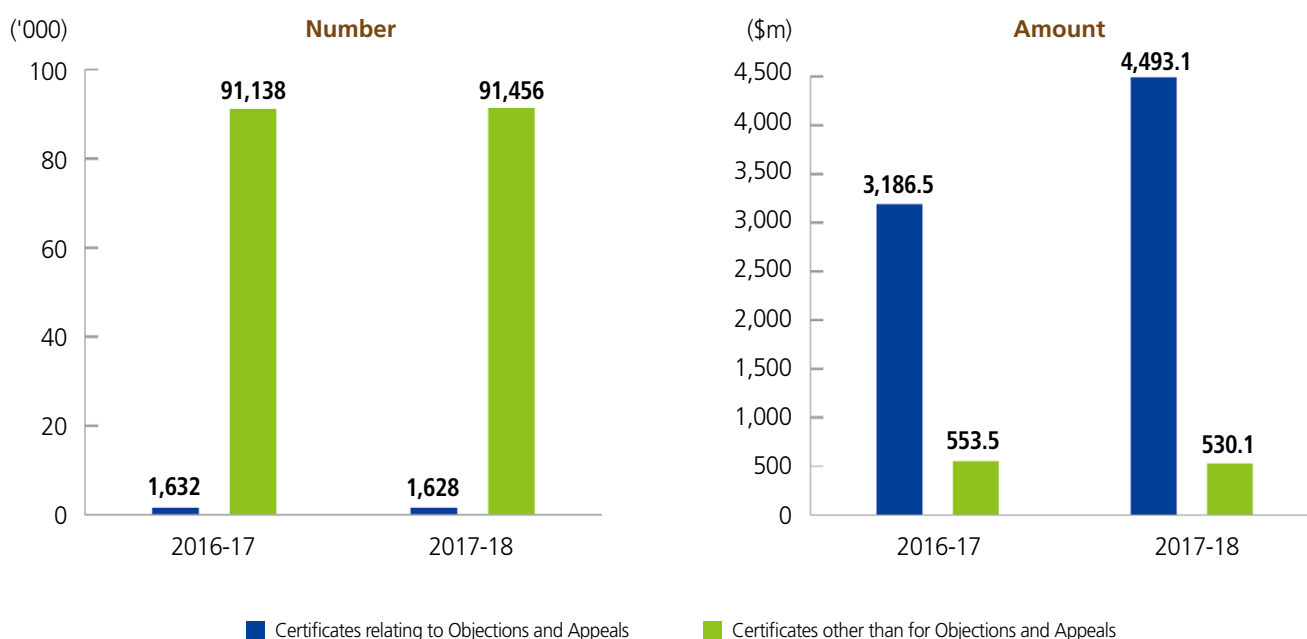
Taxpayers may purchase Tax Reserve Certificates (TRCs) under two situations.

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 2017-18, there was an increase of 0.6% in the number but a decrease of 5.2% in the amount of TRCs sold under the “Electronic Tax Reserve Certificates Scheme”. For the “SAYE Scheme”, there was an increase of 0.05% and 1.7% respectively in the number and the amount of TRCs sold (**Schedule 12**). Overall, the total amount of TRCs sold decreased by 4.2% (**Figure 23**).

The second situation applies to taxpayers who object to tax assessments and are required to purchase TRCs in respect of the tax in dispute. Such TRCs are used to settle any tax found payable upon the finalisation of the objection or appeal. Interest is only payable on the amount of the TRC, if any, subsequently required to be repaid to the taxpayer, and is computed at floating rates over the tenure of the TRC.

Figure 23 Certificates sold



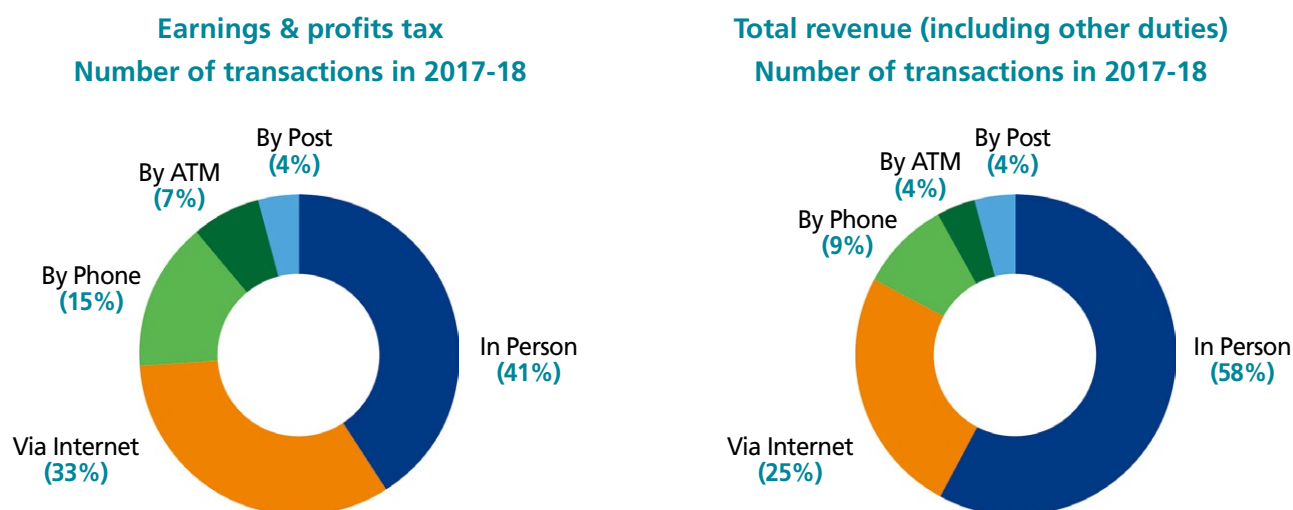
4 Collection

Revenue collected by the Department includes tax, additional tax, surcharge and fines. **Schedules 13** and **14** provide details of additional tax, surcharge and fines imposed by the Department in respect of earnings and profits tax during 2017-18.

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. 55% of the earnings and profits tax payment transactions in 2017-18 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 616,548 refund cases in 2017-18, representing a decrease of 20.4%. The total amount of refunds was \$17.9 billion, representing an increase of \$1.24 billion or 7.5% compared with the previous year (**Figure 25**).

Figure 25 Tax refunds

Type of tax	2016-17		2017-18	
	Number	Amount (\$m)	Number	Amount (\$m)
Profits tax	49,942	7,919.8	49,321	9,152.4
Salaries tax	635,828	4,654.8	501,060	4,581.9
Property tax	18,495	191.1	15,966	162.7
Personal assessment	31,498	387.7	26,549	388.4
Others	38,689	3,509.1	23,652	3,619.5
Total	<u>774,452</u>	<u>16,662.5</u>	<u>616,548</u>	<u>17,904.9</u>

Recovery of Tax in Default

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

A late payment surcharge of 5% will generally be imposed where tax is in default. If tax debts remain outstanding for more than six months after the due date, the Department may impose a further surcharge of 10% on the total unpaid amount.

Any tax in default is immediately recoverable. Recovery notices can be issued to employers, bankers, debtors and persons holding money on behalf of the defaulting taxpayers to effect collection. Actions may also be commenced in the District Court. **Figure 26** summarises different types of recovery actions taken by the Department.

Figure 26 Recovery action

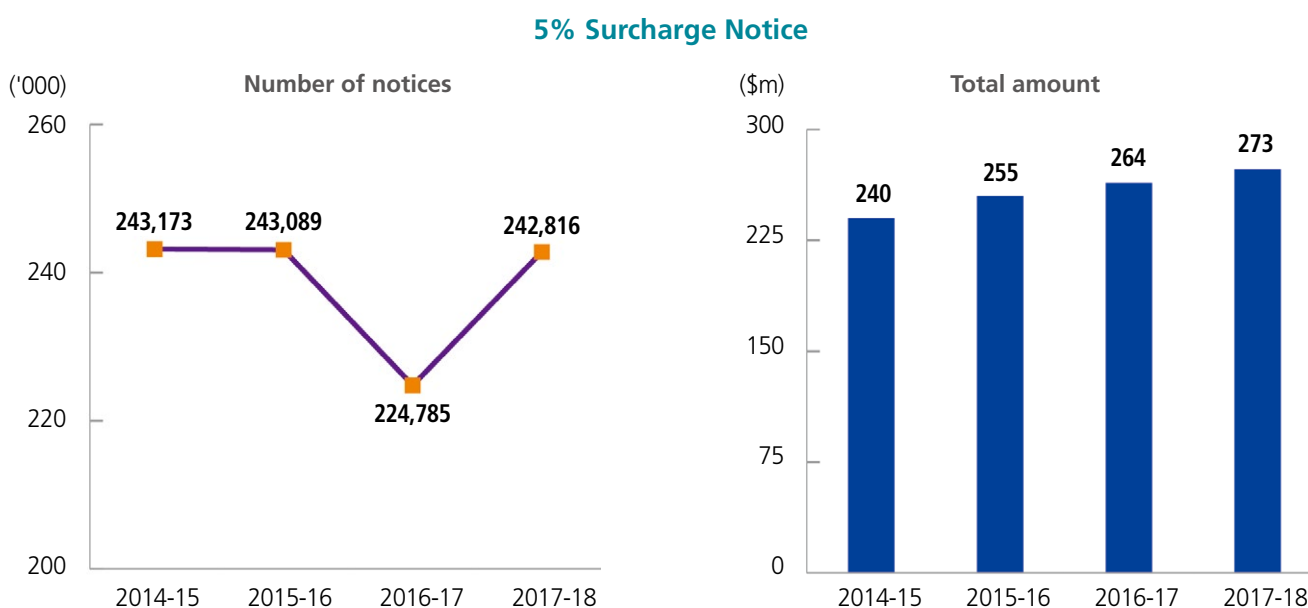
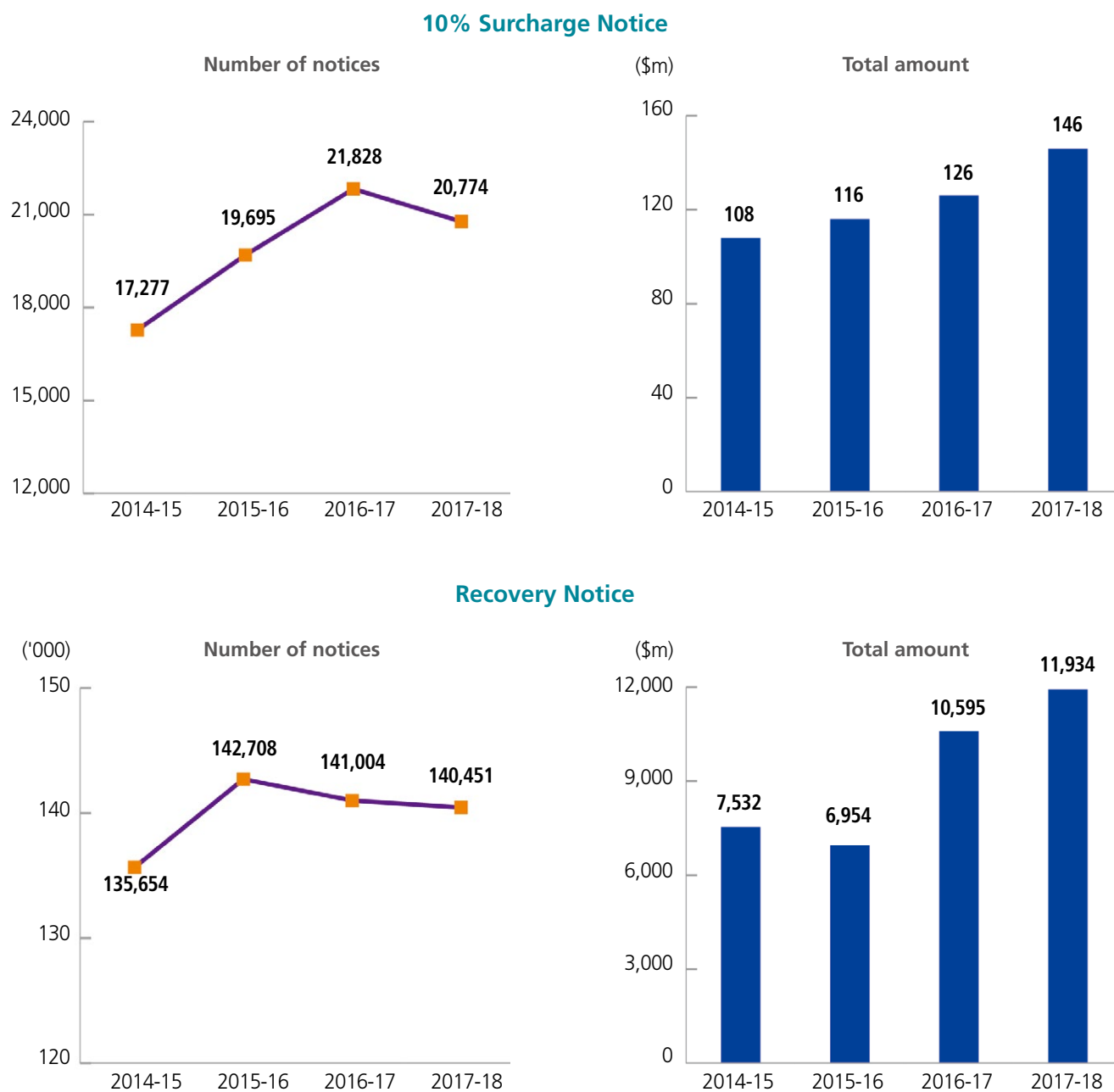


Figure 26 Recovery action (continued)



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 2017-18.

Figure 27 Legal costs and judgment interest collected in 2017-18

	\$	\$
Court cost		
Court fees	802,717	
Execution fees	13,415	816,132
Fixed cost		334,254
Judgment interest		
Pre-judgment interest	1,779,227	
Post-judgment interest	18,877,304	20,656,531
Total costs and interest collected		21,806,917

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 2017-18, the Field Audit and Investigation Unit completed 1,804 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

	2014-15	2015-16	2016-17	2017-18
Number of cases completed	1,803	1,804	1,801	1,804
Understated earnings and profits (\$m)	12,857.9	13,888.8	12,408.8	11,687.7
Average understatement per case (\$m)	7.1	7.7	6.9	6.5
Back tax and penalties assessed (\$m)	2,533.1	2,538.3	2,528.4	2,526.2
Back tax and penalties collected (\$m)	2,861.4	1,824.2	2,386.8	2,231.1

Field Audit

In 2017-18, 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 2017-18, the Field Audit and Investigation Unit completed 208 tax avoidance cases and assessed back tax and penalties of about \$0.95 billion (**Figure 29**).

Figure 29 Results of the audit on tax avoidance cases

	2014-15	2015-16	2016-17	2017-18
Number of cases completed	217	215	214	208
Understated earnings and profits (\$m)	6,027.7	6,826.2	6,201.8	4,613.4
Average understatement per case (\$m)	27.8	31.7	29.0	22.2
Back tax and penalties assessed (\$m)	1,155.6	1,000.4	1,120.2	948.5

Investigation

In 2017-18, 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.

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 2017-18, the Department completed compliance check on 234,726 property tax cases (**Figure 30**).

Figure 30 Results of the property tax compliance checks

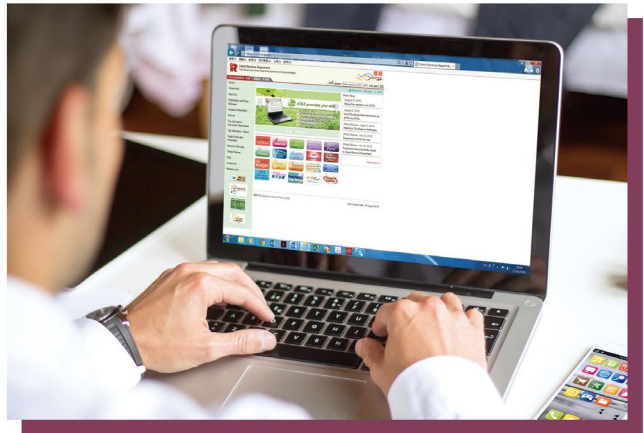
	2014-15	2015-16	2016-17	2017-18
Number of cases completed	161,860	186,229	209,499	234,726
Understated rental income (\$m)	635.0	749.2	850.8	951.6
Back tax and penalties assessed (\$m)	76.2	89.9	102.1	114.2

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 2017-18 are shown in **Figure 31**.

Figure 31 Statistics of services provided through ITES

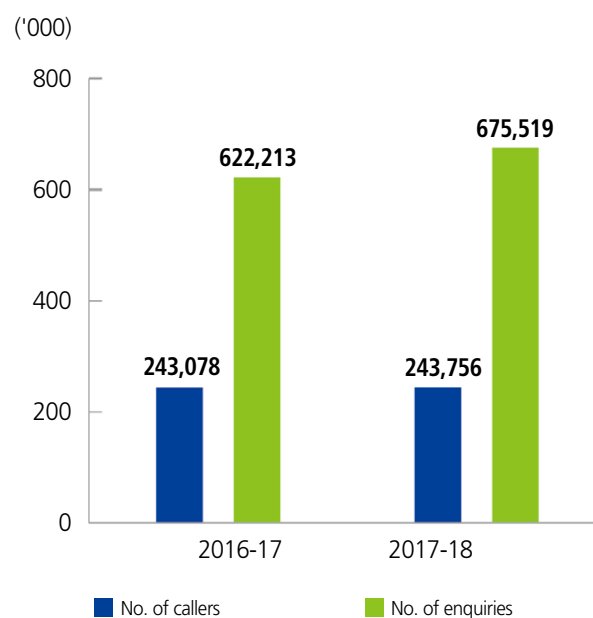
	2016-17 Number	2017-18 Number	Increase/Decrease
Calls answered by staff	736,701	699,666	-5.0%
Calls answered by system	770,107	741,949	-3.7%
Leave-and-call-back messages	33,211	39,198	+18.0%
Documents supplied by fax	2,685	5,726	+113.3%

Counter Enquiry Service

Generally, the counter staff of the Centre is able to handle enquiries, collect mail items and issue 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 2017-18 was about 0.68 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 2.6 million Individuals Tax Returns for the year of assessment 2016-17 on 2 May 2017. To assist the taxpaying public in completing tax returns, the Department extended the service hours of telephone enquiry services in May 2017. 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.

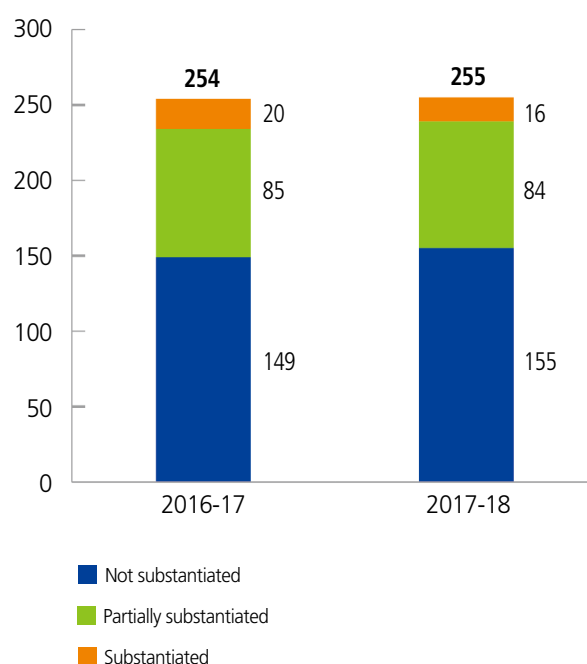
Complaints and Compliments

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 2017-18, 255 complaint cases were received (**Figure 33**). This represents an increase of 0.4%, 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 2017-18, the Ombudsman sought written comments from the Department in respect of 21 cases. In the light of these cases, the Department has reviewed relevant operations with a view to improving them.

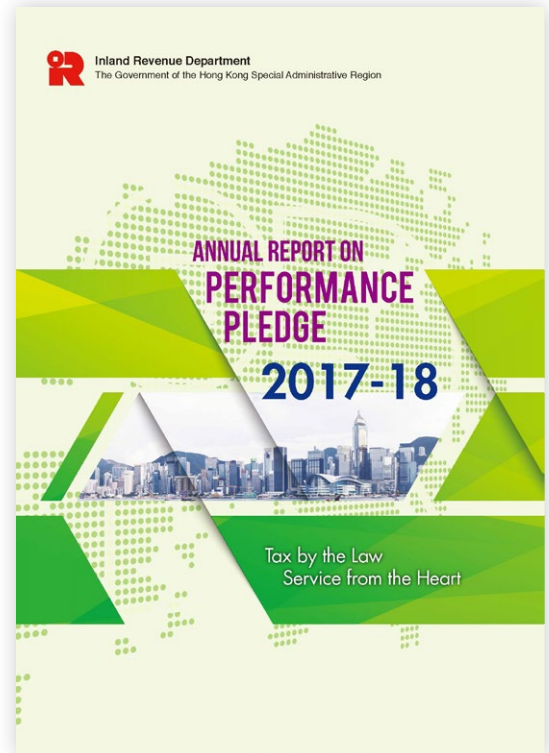
Taxpayers may compliment the service of the Department. During the year, 185 Letters of Compliments were received.

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 2017-18.



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 2017-18, we successfully completed the System Infrastructure Enhancement project to migrate all the mainframe tax applications to the midrange platform and enhance the interoperability and overall efficiency of the computer systems.

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 2018, there were some 807,000 registered eTAX users. The take-up rate increased year after year (**Figure 34**).

Figure 34 eTAX Usage Statistics

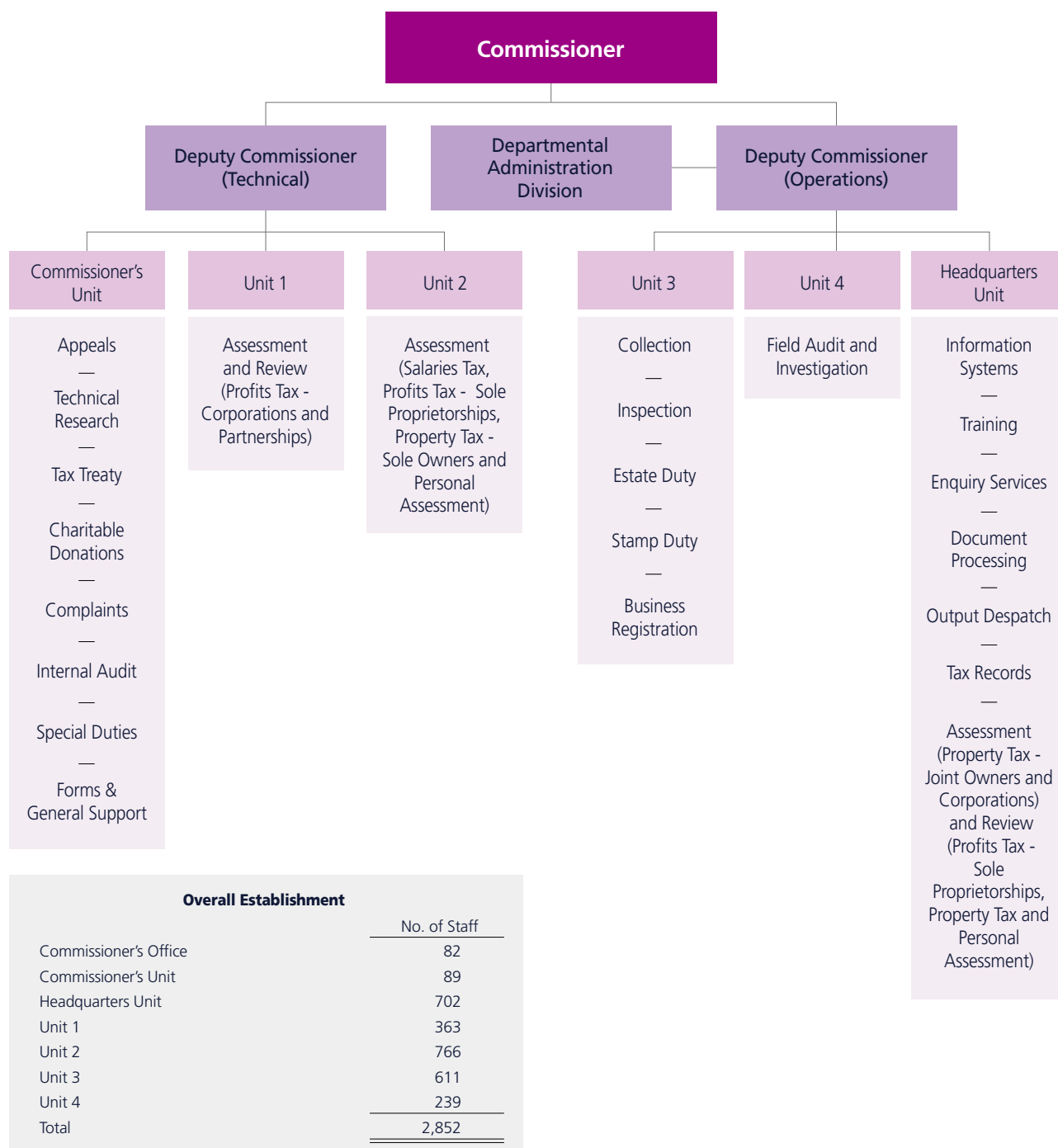
	2016-17 Number	2017-18 Number	Increase
Internet filing of tax returns			
- Tax Return-Individuals, Property Tax Return and Profits Tax Return	567,583	610,378	+7.5%
- Employer's Return of Remuneration and Pensions			
BIR56A	13,517	14,278	+5.6%
IR56B	107,580	114,067	+6.0%
- Employer's Notifications of Commencement of Employment, Cessation of Employment and Employee's Departure from Hong Kong	19,145	23,506	+22.8%
Stamping of Property Document	292,224	310,141	+6.1%
Business Registration Number Enquiry	2,049,465	2,215,110	+8.1%
Application for Supply of Information on the Business Register			
- Requisition	141,998	166,555	+17.3%
- Business registrations involved	440,471	469,681	+6.6%

Other Electronic Services

During 2017-18, some 43,800 employers furnished annual returns for 2,879,700 employees in total by diskettes, DVDs or USB storage devices. About 68% of these employers used the free software provided by the Department.

8 Human Resources

Organisation Chart of the Inland Revenue Department as at 31.3.2018



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 31.3.2018)



Mr YIM Kwok-cheong
Assistant Commissioner
(Unit 1)

Ms FONG Wai-hang
Assistant Commissioner
(Unit 2)

Ms TSE Yuk-yip
Assistant Commissioner
(Unit 3)

Mr CHIU Sai-ming
Assistant Commissioner
(Headquarters Unit)

Ms CHAN Fung-kuen
Assistant Commissioner
(Unit 4)

Mr CHIU Kwok-kit
Deputy Commissioner
(Technical)

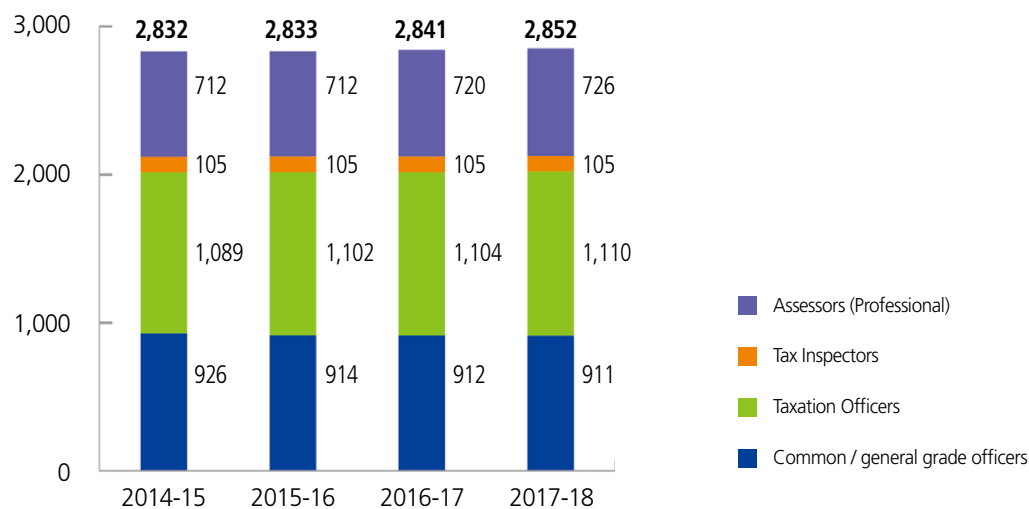
Mr WONG Kuen-fai
Commissioner

Mr TAM Tai-pang
Deputy Commissioner
(Operations)

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

As at 31 March 2018, the Department had an establishment of 2,852 permanent posts (including 27 directorate posts) in the Commissioner's Office and the 6 Units of the Department. Of the total, 1,941 posts were in departmental grades (namely Assessor, Tax Inspector and Taxation Officer grades), performing duties directly concerned with taxation. The remaining 911 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	23	(8%)	14	(3%)	37	(5%)
25 to below 35	71	(25%)	154	(35%)	225	(31%)
35 to below 45	40	(14%)	97	(22%)	137	(19%)
45 to below 55	108	(39%)	138	(31%)	246	(34%)
55 and over	39	(14%)	40	(9%)	79	(11%)
Total	281	(100%)	443	(100%)	724	(100%)

Staff Promotions and Turnover

In 2017-18, a total of 60 departmental grade officers and 17 common / general grade officers were promoted. Among them, 4 were directorate officers. 227 officers joined the Department, of which 127 were new appointees and 100 were officers transferred from other grades / departments. A total of 175 officers (including 37 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 2017-18, our staff received training for a total of 10,596 man-days, which was equivalent to about 3.72 man-days per officer.

The major training activities conducted for our staff during 2017-18 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 building resilience
- 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 handling confrontational situations in customer service

Continuing Professional Education

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

- Cross-border Transfer Pricing Issues between the Mainland and Hong Kong
- Intellectual Property in Hong Kong
- The Companies (Winding Up and Miscellaneous Provisions) (Amendment) Ordinance 2016 and Bankruptcy (Amendment) Ordinance 2016
- China's New Transfer Pricing Compliance Requirement
- International Tax Updates
- Listing in Hong Kong
- Tax Inspectors' Work on Prosecutions
- Hong Kong Tax concessions for Aircraft Leasing
- Belt and Road Initiative – Tax Implications in the Mainland and Hong Kong
- BEPS Updates
- Annual Update of Appeal Cases

Speakers for 3 of the seminars were staff members and others were experts from various fields. A total of 1,018 staff members attended these seminars. The video files of the CPE seminars were uploaded onto the Department's Intranet and a total of 1,017 staff members had viewed these video files.

Courses in the Mainland and Overseas

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 2017-18, 28 officers went to the Mainland, Korea, Malaysia, Singapore and Vietnam to attend training courses on different issues and 6 to universities in the Mainland for national studies courses and 1 to Beijing for foreign affairs studies programme.

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 2017-18, 7 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 that 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 2017-18, 4 out of 10 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 2017-18, 39 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 2018.



Secretary for the Civil Service's Commendation Award 2017

In 2017, 1 Senior Assessor and 1 Senior Taxation 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 2017.



The Long and Meritorious Service Travel Award Scheme

In 2017-18, 28 officers with long and meritorious service were granted awards of overseas travel under the Long and Meritorious Service Travel Award Scheme.

Visit of the Secretary for the Civil Service



The Secretary for the Civil Service, Mr. LAW Chi-kong, visited the Department on 7 August 2017. After meeting with the management for a brief update on our work, Mr. LAW made a tour to the Document Processing Centre and the Central Telephone Enquiry to learn more about their daily operation and services. Mr. LAW has also met with staff representatives of various grades to exchange views on matters of mutual concern.

Visit of the Secretary for Financial Services and the Treasury

The Secretary for Financial Services and the Treasury, Mr. James LAU, visited the Department on 5 September 2017. He was accompanied by the Under Secretary, Mr. CHAN Ho-lim, and Permanent Secretary (Treasury), Ms. LAU Yim. To understand more of our daily operations, Mr. LAU visited the Document Processing Centre, the Central Enquiry Counter and the Stamp Office after meeting with the senior management.



The IRD Sports Association

Founded with the object to promote the intellectual, social and athletic interests of its members, the Sports Association has established multiple platforms to foster friendship and sense of belonging among members. In 2017-18, the Association organised a wide variety of social and recreational activities including interest classes, workshops, luncheon talks, visits to the LegCo Complex and Marine Police Base, outings and cross-border trip, lantern festival riddles, bowling fun day and annual dinner. All the activities were well received by colleagues, their family members and friends and recorded high enrollment rates.



In addition, the Association held various kinds of sports competitions throughout the year to encourage members to exercise regularly and demonstrate their talents in sports. In May 2017, the Association was invited to participate in the “Five-point Invitational Competition” organised by the Hong Kong Institute of Certified Public Accountants and won the first runner-up in the badminton competition.

As in the past years, the IRD Volunteer Team under the auspices of the Association actively took part in charitable events and community works to extend our care and love to the needy. Throughout the year, 198 colleagues participated in various kinds of voluntary services delivering a total of 1,596 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 13th consecutive year in which the Department was granted the award.



On the charity front, the Association continued to participate 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. The Department also won the “Organisation with the Most Participants” award in the “ORBIS World Sight Day Pin Campaign”.

9 Legislative Amendments

The following pieces of legislation enacted during the year 2017-18 are related to matters under the purview of the Department.

Inland Revenue (Amendment) Ordinance 2017 (Ordinance No. 3 of 2017)

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2017-18 financial year:

- to widen the marginal tax bands from \$40,000 to \$45,000;
- to increase the dependent brother / sister allowance for each dependant from \$33,000 to \$37,500;
- to increase the disabled dependant allowance for each dependant from \$66,000 to \$75,000;
- to increase the maximum deduction amount of expenses of self-education from \$80,000 to \$100,000;
- to extend the entitlement period for deduction of home loan interest from 15 to 20 years of assessment; and
- to reduce the amounts of salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2016-17 by 75%, subject to a maximum of \$20,000 in each case.

Inland Revenue (Amendment) (No. 2) Ordinance 2017 (Ordinance No. 4 of 2017)

This Ordinance amended the Inland Revenue Ordinance to expand the list of “reportable jurisdictions” to cover 75 jurisdictions for the more effective implementation of the arrangement relating to automatic exchange of financial account information in tax matters (AEOI).

Inland Revenue (Amendment) (No. 3) Ordinance 2017 (Ordinance No. 9 of 2017)

This Ordinance amended the Inland Revenue Ordinance to introduce a concessionary profits tax rate for qualifying aircraft lessors and qualifying aircraft leasing managers.

Stamp Duty (Amendment) Ordinance 2018 (Ordinance No. 2 of 2018)

This Ordinance amended the Stamp Duty Ordinance to increase the ad valorem stamp duty (AVD) rate on any instruments executed on or after 5 November 2016 for the acquisition of residential properties, unless specifically exempt or provided otherwise, to a flat rate of 15%. For Hong Kong permanent residents who change their residential property and wish to claim partial refund of the AVD paid on acquisition of the new property, if the new property is acquired on or after 5 November 2016, the Ordinance extends the time

limit for the disposal of the original property from within 6 months to within 12 months after the date of conveyance of the new property.

Inland Revenue (Amendment) Ordinance 2018 (Ordinance No. 5 of 2018)

This Ordinance amended the Inland Revenue Ordinance to provide the legal framework for Hong Kong to implement multilateral tax arrangements and to align with the Common Reporting Standards promulgated by the Organisation for Economic Cooperation and Development in respect of AEOI.

Inland Revenue (Amendment) (No. 2) Ordinance 2018 (Ordinance No. 12 of 2018)

This Ordinance amended the Inland Revenue Ordinance to extend profits tax exemption to privately offered open-ended fund companies with their central management and control exercised in Hong Kong.

Inland Revenue (Amendment) (No. 3) Ordinance 2018 (Ordinance No. 13 of 2018)

This Ordinance amended the Inland Revenue Ordinance to implement the two-tiered profits tax rates regime announced in the 2017 Policy Address. The two-tiered profits tax rates regime is applicable to any year of assessment commencing on or after 1 April 2018. The profits tax rate for the first \$2 million of assessable profits of corporations is lowered to 8.25%. Profits above that amount continue to be subject to the tax rate of 16.5%. For non-corporate persons, the two-tiered tax rates are correspondingly set at 7.5% and 15%.

Exemption from Profits Tax (Non-Renminbi Sovereign Bonds) Order (Legal Notice No. 2 of 2018)

The purpose of this Order was to exempt payment of profits tax chargeable in respect of interest or profits arising from non-Renminbi sovereign bonds.

International Organizations (Privileges and Immunities) (New Development Bank) Order (Legal Notice No. 59 of 2018)

This Order was to give effect to the privileges and immunities, including exemption from taxation, accorded to the New Development Bank and its personnel under Chapter VI of the Articles of Agreement on the New Development Bank.

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

Country	Date of Order	Nature
Latvia	27 June 2017	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income
Belarus	27 June 2017	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital
Pakistan	27 June 2017	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income

Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (Amendment) Order 2017

Country	Date of Order	Nature
New Zealand	3 October 2017	Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income (Second Protocol)

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 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 also assists in promoting green awareness and healthy lifestyle among staff by organising a series of outings to the countryside and outer islands.

Environmental Protection Performance in 2017-18

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;
- Uploading e-Seminars for employers to reduce paper consumption, thus obviating the need to print invitation letters, tickets and handouts; and
- Implementing e-Procurement system for purchase of goods and services which helps reduce paper consumption.

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 432,184 kg of waste paper, 284 kg of aluminium cans, 140 kg of plastic bottles, 224 kg of glass bottles and 10,924 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 2017, 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 section 88 of the Inland Revenue Ordinance. As at 31 March 2018, there are 8,998 charities recognised as exempt from tax, of which 334 charities were given recognition during the year. The Department 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.

Donations to charities exempt from tax under section 88 of the Inland Revenue Ordinance are tax deductible. Members of the public may check the list of charitable institutions and trusts of a public character which are exempt from tax uploaded on the Department's website as to whether the donations can be claimed for tax deduction. For the year of assessment 2016-17, the amounts of approved charitable donations allowed under profits tax and salaries tax were \$4.71 billion and \$7.3 billion respectively.

General Inspection

Tax inspectors carry out on-site inspections of businesses and call on individuals to check their compliance with the various ordinances administered by the Department. A total of 50,405 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 2018
- 2** Demand Notes Issued, Tax Assessed and Collections (2014-15 to 2017-18)
- 3** Profits Tax Contributions from Various Business Sectors (Corporations) for years of assessment 2014-15 to 2016-17
- 4** Profits Tax Contributions from Various Business Sectors (Unincorporated Businesses) for years of assessment 2014-15 to 2016-17
- 5** Analysis of Salaries Tax Assessments for the year of assessment 2016-17
- 6** Analysis of Allowances granted for the year of assessment 2016-17
- 7** Property Statistics (as at 31 March 2018)
- 8** Business Registration Statistics (2014-15 to 2017-18)
- 9** Stamp Duty Collections and Stamp Office Activities (2014-15 to 2017-18)
- 10** Estate Duty Assessed and Collections for the year ended 31 March 2018
- 11** Betting Duty Collections (2015-16 to 2017-18)
- 12** Tax Reserve Certificates Statistics (2014-15 to 2017-18)
- 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 2018

	Property Tax	Salaries Tax	Profits Tax (Corporations)	Profits Tax (Unincorporated Businesses)	Personal Assessment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Tax assessed during the year -						
2015-16 and earlier years	207,414,501	381,545,442	6,862,639,076	288,488,770	508,788,179	8,248,875,968
2016-17 Final Tax only	335,600,372	(140,545,304)	(3,158,401,783)	71,942,603	4,848,353,244	1,956,949,132
2017-18 Provisional Payments and Final Tax	3,134,424,736	62,624,580,701	134,962,025,365	5,904,545,342	500,406	206,626,076,550
Total Tax Assessed	3,677,439,609	62,865,580,839	138,666,262,658	6,264,976,715	5,357,641,829	216,831,901,650
Add: Collectables -						
Tax outstanding as at 31 March 2017 brought forward	818,131,904	11,716,512,042	34,738,517,749	2,008,402,361	873,919,286	50,155,483,342
Surcharge, Compound Penalty and Additional Tax imposed and Costs awarded by the Board of Review	48,019,262	316,877,031	692,087,422	218,873,123	14,827,867	1,290,684,705
Interest on Tax Held Over	9,640	2,708,276	44,126,298	887,846	1,032,902	48,764,962
Write-off re-opened	584,987	18,214,857	665,627	5,311,032	1,234,521	26,011,024
Total of Tax Assessed and Collectables (a)	4,544,185,402	74,919,893,045	174,141,659,754	8,498,451,077	6,248,656,405	268,352,845,683
Collections during the year -						
Net Tax collected	3,402,904,091	60,511,442,804	132,827,353,998	5,441,107,061	5,330,234,267	207,513,042,221
(After allowing for refunds of tax)	(112,966,673)	(4,193,116,063)	(8,788,923,323)	(227,049,811)	(373,361,444)	(13,695,417,314)
Surcharge, Compound Penalty, Additional Tax and Costs awarded by the Board of Review	44,929,007	325,055,939	589,212,578	198,973,822	11,259,804	1,169,431,150
Interest on Tax Held Over	5,629	2,283,520	42,759,616	811,281	1,005,228	46,865,274
Total Net Collections (b)	3,447,838,727	60,838,782,263	133,459,326,192	5,640,892,164	5,342,499,299	208,729,338,645
Balance of Tax, Surcharge, etc. payable (a) - (b)	1,096,346,675	14,081,110,782	40,682,333,562	2,857,558,913	906,157,106	59,623,507,038
Less: Not collected by virtue of set-off	269,632,309	2,244,047,716	-	565,357,232	-	3,079,037,257
Written-off as irrecoverable	2,347,443	34,051,628	348,904,108	11,750,031	1,311,006	398,364,216
Tax, Surcharge, etc. outstanding as at 31 March 2018 carried forward	824,366,923	11,803,011,438	40,333,429,454	2,280,451,650	904,846,100	56,146,105,565
Less: Under objection or appeal	20,316,079	997,360,429	28,390,884,062	491,739,481	453,119,805	30,353,419,856
Listed for write-off but awaiting approval	1,243	152,331	1,736,378	52,238	17,679	1,959,869
Assessed but not yet due	422,744,529	7,878,683,368	7,303,914,816	662,600,566	187,723,705	16,455,666,984
Net Tax, Surcharge, etc. in arrears as at 31 March 2018	381,305,072	2,926,815,310	4,636,894,198	1,126,059,365	263,984,911	9,335,058,856

Schedule 2

EARNINGS AND PROFITS TAX - DEMAND NOTES ISSUED, TAX ASSESSED AND COLLECTIONS

	2014-15		2015-16		2016-17		2017-18	
	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	116,188	127,252,628	118,744	134,008,900	126,042	132,531,271	129,158	138,666,263
Unincorporated Businesses	34,713	4,919,959	34,607	4,994,964	37,343	5,711,250	35,314	6,264,977
Salaries Tax	1,599,576	62,017,286	1,626,653	60,579,030	1,589,490	61,278,673	1,605,642	62,865,581
Property Tax	137,264	3,225,104	136,079	3,326,687	146,310	3,687,148	138,880	3,677,439
Personal Assessment	210,908	4,867,786	222,725	4,850,756	236,612	5,275,993	191,820	5,357,642
Total	2,098,649	202,282,763	2,138,808	207,760,337	2,135,797	208,484,335	2,100,814	216,831,902

	2014-15		2015-16		2016-17		2017-18	
	Collections		Collections		Collections		Collections	
		(\$'000)		(\$'000)		(\$'000)		(\$'000)
Profits Tax -								
Corporations		132,683,779		135,574,011		134,031,325		133,459,327
Unincorporated Businesses		5,163,131		4,652,631		5,206,758		5,640,892
Salaries Tax		59,346,764		57,867,772		59,077,485		60,838,782
Property Tax		2,938,653		2,998,035		3,371,739		3,447,839
Personal Assessment		4,817,212		4,789,953		5,219,954		5,342,499
Total		204,949,539		205,882,402		206,907,261		208,729,339

Schedule 3

CORPORATIONS - PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2014-15		2015-16		2016-17	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Distribution -						
Retail	4,594,753	3.6	3,336,545	2.6	3,166,081	2.5
Wholesale, Import and Export	25,791,487	20.5	24,523,247	19.0	25,192,249	20.0
Foreign Corporations carrying on Import and Export	70,213	0.1	57,602	0.1	42,820	0.1
Public Utilities	7,355,897	5.8	7,137,426	5.5	7,203,582	5.7
Property, Investment and Finance (other than Banking)	28,846,683	22.9	31,824,616	24.7	30,854,808	24.5
Banking	26,626,550	21.1	28,207,161	21.9	26,402,685	21.0
Manufacturing -						
Clothing and Textiles	775,410	0.6	747,451	0.6	801,989	0.6
Food and Beverage Products	529,850	0.4	615,225	0.5	585,454	0.5
Steel and Other Metals	240,580	0.2	217,925	0.1	262,410	0.2
Printing and Publishing	487,137	0.4	506,495	0.4	409,107	0.3
Others	4,847,163	3.8	3,470,513	2.7	3,685,392	2.9
Shipping (including Shipping Agents, Shipbuilding, Docking, Travel Agents, Air Forwarding Agents and Airline Booking Agents)	1,082,116	0.9	1,097,782	0.9	1,164,125	0.9
Hotels, Restaurants and Amusement Centres	3,274,411	2.6	3,333,859	2.6	3,084,787	2.5
Stevedoring, Wharfing and Godowns	1,052,658	0.8	1,138,466	0.9	1,124,222	0.9
Clubs and Associations	1,193,116	0.9	1,346,823	1.0	1,197,454	1.0
Insurance Companies and Insurance Agents	2,659,374	2.1	2,909,645	2.3	2,273,768	1.8
Non-resident Corporations Trading through Agents (including Consignment Tax)	1,634,058	1.3	1,559,061	1.2	1,684,665	1.3
Building Contractors and Engineering Works	2,331,403	1.8	2,670,137	2.1	3,080,358	2.5
Aircraft Owners and Operators	183,431	0.1	226,650	0.2	269,751	0.2
Taxis, Hire Cars, Public Light Buses and Motor Boats	236,118	0.2	268,772	0.2	258,217	0.2
Miscellaneous	12,439,193	9.9	13,539,434	10.5	13,125,553	10.4
Total	126,251,601	100.0	128,734,835	100.0	125,869,477	100.0

Schedule 4

UNINCORPORATED BUSINESSES - PROFITS TAX CONTRIBUTIONS FROM VARIOUS BUSINESS SECTORS

Business Sectors	Final Tax Assessed for Year of Assessment					
	2014-15		2015-16		2016-17	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Property Developers, Property Dealers, Property Agents and Subletting Businesses	69,012	1.9	45,715	1.2	26,685	0.7
Finance and Securities including Brokers, Dealers and Insurance Agents	321,129	9.1	455,478	12.1	567,378	14.0
Builders, Decorators and Civil Engineering Works	37,874	1.1	47,478	1.3	44,309	1.1
Distribution -						
Import and Export	56,996	1.6	50,669	1.3	47,321	1.2
Wholesale	39,054	1.1	36,503	1.0	27,007	0.7
Retail	200,281	5.7	201,837	5.3	207,251	5.1
Manufacturing -						
Agricultural Trades and Food & Beverage Products Manufacturers	24,616	0.7	7,190	0.2	8,930	0.2
Cloth and Clothing	3,782	0.1	4,819	0.1	2,312	0.1
Chemical Products and Mechanical Engineering	28,454	0.8	33,015	0.9	40,167	1.0
Printing and Publishing	7,297	0.2	7,905	0.2	7,309	0.2
Others	17,368	0.5	12,733	0.3	14,674	0.4
Hotels, Restaurants and Amusement Centres	99,851	2.8	106,941	2.8	101,936	2.5
Transport (including Wharfing and Godowns)	35,016	1.0	34,929	0.9	40,890	1.0
Professions -						
Accountants	381,773	10.8	380,347	10.0	424,196	10.4
Architects, Engineers, Surveyors, etc.	3,391	0.1	2,615	0.1	2,895	0.1
Doctors and Dentists	955,400	27.0	995,673	26.3	993,495	24.5
Solicitors and Barristers	1,011,289	28.5	1,054,405	27.9	1,098,982	27.1
Other Professions	239,502	6.8	299,311	7.9	386,891	9.5
Miscellaneous	8,289	0.2	8,941	0.2	9,180	0.2
Non-resident Businesses*	0	0.0	102	0.0	344	0.0
Total	3,540,374	100.0	3,786,606	100.0	4,052,152	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 2016-17 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)	(%)	(\$)
132,001 - 140,000	16,247	0.92	0	2,223,424	2,144,604	108	1,173	160	5	11,944	65,430	320	0.00	20
140,001 - 150,000	49,524	2.81	0	7,187,236	6,537,168	2,707	10,031	2,220	39	133,864	501,207	2,484	0.00	50
150,001 - 180,000	150,576	8.54	0	24,896,850	19,936,830	55,280	74,093	34,013	941	528,709	4,266,984	22,388	0.04	149
180,001 - 210,000	143,533	8.13	0	27,935,439	19,595,829	124,070	105,239	75,036	2,559	664,344	7,368,362	62,852	0.11	438
210,001 - 240,000	123,949	7.02	0	27,915,343	17,814,645	166,926	128,174	121,757	5,169	733,026	8,945,646	107,952	0.18	871
240,001 - 270,000	119,814	6.79	637	30,502,918	19,209,343	171,510	152,073	155,303	8,176	851,152	9,955,361	152,984	0.26	1,277
270,001 - 300,000	109,314	6.20	6,500	31,145,462	19,706,586	150,389	158,301	181,771	8,717	861,486	10,078,212	183,064	0.31	1,675
300,001 - 400,000	291,138	16.50	22,747	101,419,944	59,016,510	466,238	626,988	758,188	52,907	2,833,868	37,665,245	903,929	1.54	3,105
400,001 - 500,000	203,981	11.56	26,459	91,084,814	50,206,630	341,780	643,683	798,326	59,951	2,241,179	36,793,265	1,510,215	2.57	7,404
500,001 - 600,000	145,441	8.24	22,468	79,427,184	40,981,164	243,909	629,886	844,629	61,798	1,756,278	34,909,520	2,135,880	3.63	14,686
600,001 - 700,000	101,320	5.74	14,465	65,411,069	30,372,802	181,885	575,135	759,753	54,350	1,275,022	32,192,122	2,569,790	4.37	25,363
700,001 - 800,000	70,882	4.02	8,565	53,191,535	21,605,950	131,339	527,412	597,448	48,406	931,685	29,349,295	2,829,328	4.81	39,916
800,001 - 900,000	44,018	2.49	4,933	37,198,432	13,631,210	90,395	350,755	402,757	29,544	554,499	22,139,272	2,381,771	4.05	54,109
900,001 - 1,000,000	35,194	1.99	2,915	33,324,853	10,687,206	67,054	344,839	313,330	26,388	426,450	21,459,586	2,527,751	4.30	71,823
1,000,001 - 1,500,000	82,672	4.69	5,615	99,748,774	25,195,702	143,448	907,500	830,806	59,578	973,076	71,638,664	9,535,369	16.23	115,340
1,500,001 - 2,000,000	31,227	1.77	1,727	53,607,082	9,249,311	53,590	445,103	330,603	20,518	348,873	43,159,084	6,262,146	10.65	200,536
2,000,001 - 3,000,000	24,349	1.38	1,154	58,556,944	6,359,414	31,358	469,031	288,430	12,398	257,521	51,138,792	7,624,322	12.98	313,127
3,000,001 - 5,000,000	13,072	0.74	289	48,875,563	2,236,150	12,337	353,152	148,245	4,719	137,349	45,983,611	6,868,008	11.69	525,398
5,000,001 - 7,500,000	4,211	0.24	23	25,263,885	110,141	3,611	171,280	46,998	1,227	44,323	24,886,305	3,663,087	6.23	869,885
7,500,001 - 10,000,000	1,641	0.09	3	14,100,582	1,528	1,122	124,764	18,846	233	17,345	13,936,744	2,057,913	3.50	1,254,060
10,000,001 & over	2,440	0.14	6	50,019,492	0	1,057	497,979	23,458	296	24,427	49,472,275	7,372,060	12.55	3,021,336
Total	1,764,543	100.00	118,506	963,036,825	374,598,723	2,440,113	7,296,591	6,732,077	457,919	15,606,420	555,904,982	58,773,613	100.00	33,308

Schedule 6

ANALYSIS OF ALLOWANCES GRANTED FOR THE YEAR OF ASSESSMENT 2016-17 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)
132,001 - 140,000	2,144,604	0	0	0	0	0	0	0	0	0	0	0	0	0	2,144,604
140,001 - 150,000	6,537,168	0	0	0	0	0	0	0	0	0	0	0	0	0	6,537,168
150,001 - 180,000	19,876,032	0	0	16,500	0	39,606	4,278	414	0	0	0	0	0	0	19,936,830
180,001 - 210,000	18,946,356	0	150	55,110	0	441,496	140,047	12,581	23	0	0	66	0	0	19,595,829
210,001 - 240,000	16,361,268	0	73,220	67,320	0	905,257	371,933	27,416	5,129	0	1,650	0	0	1,452	17,814,645
240,001 - 270,000	15,598,968	432,960	522,474	69,399	0	1,612,484	890,721	42,757	13,708	0	16,368	396	0	9,108	19,209,343
270,001 - 300,000	12,360,216	4,138,464	566,885	63,063	276	1,599,966	872,206	44,229	12,903	0	35,376	594	198	12,210	19,706,586
300,001 - 400,000	31,419,696	14,021,040	3,594,721	172,656	77,154	5,919,303	3,252,591	165,048	46,943	17,028	259,248	8,250	12,144	50,688	59,016,510
400,001 - 500,000	19,421,688	15,007,608	6,875,856	112,101	306,016	5,328,203	2,557,968	150,834	40,687	24,420	278,982	11,550	33,759	56,958	50,206,630
500,001 - 600,000	12,826,176	12,744,072	7,957,480	73,590	285,094	4,566,351	1,982,094	120,750	31,372	21,450	257,136	10,098	53,229	52,272	40,981,164
600,001 - 700,000	9,021,408	8,705,664	6,605,405	55,704	203,219	3,753,094	1,550,568	97,911	23,138	16,962	228,690	11,154	50,385	49,500	30,372,802
700,001 - 800,000	6,364,248	5,984,352	4,934,733	37,983	141,966	2,726,972	1,052,871	72,542	17,710	13,002	175,032	7,788	39,527	37,224	21,605,950
800,001 - 900,000	3,861,792	3,897,168	3,201,907	24,618	81,906	1,700,022	636,433	47,610	9,936	7,194	105,402	6,534	25,872	24,816	13,631,210
900,001 - 1,000,000	3,180,276	2,930,664	2,562,590	16,764	75,174	1,292,715	459,103	29,946	5,796	4,884	83,886	3,960	20,394	21,054	10,687,206
1,000,001 - 1,500,000	7,155,192	7,515,288	6,283,734	34,386	157,872	2,808,599	888,858	70,219	12,604	9,966	172,656	7,788	39,996	38,544	25,195,702
1,500,001 - 2,000,000	2,107,512	3,223,968	2,608,864	10,428	55,704	888,697	246,560	22,448	3,818	2,904	47,388	4,026	14,982	12,012	9,249,311
2,000,001 - 3,000,000	792,264	2,738,208	2,112,850	4,983	46,068	479,228	123,464	11,201	1,978	1,518	28,380	1,650	11,088	6,534	6,359,414
3,000,001 - 5,000,000	130,416	996,336	938,580	759	19,008	110,124	25,737	1,932	322	594	7,128	198	4,026	990	2,236,150
5,000,001 - 7,500,000	1,320	44,352	54,500	99	528	6,325	2,001	92	0	0	396	0	330	198	110,141
7,500,001 - 10,000,000	0	528	1,000	0	0	0	0	0	0	0	0	0	0	0	1,528
10,000,001 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	188,106,600	82,380,672	48,894,949	815,463	1,449,985	34,178,442	15,057,433	917,930	226,067	119,922	1,697,718	74,052	305,930	373,560	374,598,723

Schedule 7

PROPERTY STATISTICS (AS AT 31 MARCH 2018)

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)		997,386	39.53
(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)	131,364		
Other usage or vacant	531,035	662,399	26.25
(iii) Owned by corporations and exempted from property tax under the Inland Revenue Ordinance		444,709	17.62
(iv) With alienation restriction under Home Ownership Scheme or Private Sector Participation Scheme		316,760	12.55
(v) New ownership - awaiting classification		101,978	4.05
Total		2,523,232	100.00

Classification by Number of Owners	No. of Properties		%
Properties owned by : 1 owner		1,691,217	67.03
2 owners		768,469	30.46
3 owners		39,360	1.56
4 owners		10,902	0.43
5 owners		4,898	0.19
6 - 10 owners		6,452	0.25
11 - 20 owners		1,778	0.07
Over 20 owners		156	0.01
Total		2,523,232	100.00

Schedule 8

BUSINESS REGISTRATION STATISTICS

Fiscal Year	2014-15	2015-16	2016-17	2017-18
New registrations	174,741	163,324	202,581	187,657
Re-opened registrations	12,051	11,341	12,142	12,432
Cancelled registrations	133,745	153,303	141,060	168,139
Current registrations as at 31 March	1,405,702	1,427,064	1,500,727	1,532,677
Paid Certificates (including certificates with annual fees waived)*	1,382,214	1,402,548	1,530,879	1,493,423
Businesses exempted from payment of fees	13,834	16,103	10,449	14,856
Extracts of information issued	359,018	359,512	432,028	413,584
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Fees and penalties collected (excluding levy)*	2,480,563	2,607,074	227,737	2,726,742
Court fines	9,473	8,949	12,952	14,473
Fees and penalties in arrears as at 31 March (excluding levy)	210,297	305,812	156,294	234,717

* The annual fees in respect of business and branch certificates with commencement dates falling within the periods from 1 April 2016 to 31 March 2017 were waived.

Schedule 9

STAMP DUTY COLLECTIONS AND STAMP OFFICE ACTIVITIES

Fiscal Year	2014-15		2015-16		2016-17		2017-18	
	(\$m)		(\$m)		(\$m)		(\$m)	
Duties on -								
• Property Assignments and Chargeable Agreements	49,214.8		28,494.4		37,517.9		57,375.8	
• Contract notes								
- Collected by Stamp Office	2,188.0		3,045.0		2,679.7		2,897.5	
- Collected through The Stock Exchange of Hong Kong Limited	22,697.1	24,885.1	30,365.0	33,410.0	20,887.6	23,567.3	34,032.3	36,929.8
• Leases	576.7		612.3		597.4		663.0	
• Transfer deeds	2.3		2.2		1.6		2.3	
• Other documents	127.4		131.4		108.2		135.5	
Penalties	38.4		29.6		105.5		66.2	
Additional duties for delays in payment	0.2		0.4		1.1		0.2	
Total duty collections	74,844.9		62,680.3		61,899.0		95,172.8	
Average number of callers to Stamp Office per day	1,703		1,562		1,588		1,704	
Number of documents stamped during the year	1,714,714		1,586,018		1,591,591		1,734,222	

Schedule 10

ESTATE DUTY - DUTY ASSESSED AND COLLECTIONS FOR THE YEAR ENDED 31 MARCH 2018

	Assessments issued before 1 April 2017	Assessments issued in 2017-18						Total
		Original Assessments					Additional Assessments	
		Estates valued under \$2m	Estates valued \$2m to \$4m	Estates valued \$4m to \$10m	Estates valued \$10m to \$20m	Estates valued over \$20m		
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Outstanding charges brought forward from 2016-17	103,115	-	-	-	-	-	-	103,115
Less: Amount discharged	1,079	-	-	-	-	-	-	1,079
Net outstanding charges brought forward from 2016-17	102,036	-	-	-	-	-	-	102,036
Net duty assessed	0	11	325	1,875	2,481	138	496	5,326
Penalties charged	0	3	50	206	675	90	74	1,098
Interest charged	1,667	41	736	1,159	2,770	195	246	6,814
Total amount payable	103,703	55	1,111	3,240	5,926	423	816	115,274
Less: Amount paid on account before 1 April 2017	0	0	700	5,476	464	88	445	7,173
Net duty, penalties and interest payable in 2017-18	103,703	55	411	(2,236)	5,462	335	371	108,101
Less: Outstanding charges carried forward to 2018-19	86,708	0	0	548	53	335	0	87,644
Net duty, penalties and interest paid in 2017-18	16,995	55	411	(2,784)	5,409	0	371	20,457
Add: Duty and interest paid on account in respect of assessments to be issued in subsequent years	0	0	0	146	10,685	0	0	10,831
Total collections in 2017-18	16,995	55	411	(2,638)	16,094	0	371	31,288

Schedule 11

BETTING DUTY COLLECTIONS

Fiscal Year	2015-16		2016-17		2017-18	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Horse Racing						
Day Meetings						
Net Stake Receipts	10,404,038		10,408,096		10,356,804	
Betting Duty		7,597,488		7,599,306		7,571,393
Night Meetings						
Net Stake Receipts	6,465,927		7,078,933		7,814,861	
Betting Duty		4,718,987		5,158,585		5,710,418
Horse Race Betting Duty (For rates, please refer to Figure 21 of Chapter 3)		12,316,475		12,757,891		13,281,811
Lotteries (Mark Six)						
Proceeds from Lotteries	8,128,835		8,507,524		8,093,222	
Lotteries Duty (Rate: 25%)		2,032,209		2,126,881		2,023,306
Football Betting						
Net Stake Receipts	11,557,030		12,468,422		13,308,005	
Football Betting Duty (Rate: 50%)		5,778,515		6,234,211		6,654,003
Total duty collected		20,127,199		21,118,983		21,959,120

Schedule 12

TAX RESERVE CERTIFICATES

Fiscal Year	Sales		Redemption		
	Number of Certificates	Amount	Number of Certificates	Amount	Interest
		(\$'000)		(\$'000)	(\$'000)
2014-15					
Save for Tax Payment					
• Paper certificate	3	43	17	49	1
• Save-As-You-Earn Scheme	44,235	75,570	45,070	76,288	101
• Electronic Tax Reserve Certificates Scheme	45,242	353,519	44,292	337,026	95
Security for Tax in Dispute	1,604	2,203,667	1,466	3,704,614	31,119
Total	91,084	2,632,799	90,845	4,117,977	31,316
		(\$'000)		(\$'000)	(\$'000)
2015-16					
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
		(\$'000)		(\$'000)	(\$'000)
2016-17					
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
		(\$'000)		(\$'000)	(\$'000)
2017-18					
Save for Tax Payment					
• Paper certificate	2	1	22	15	2
• Save-As-You-Earn Scheme	43,548	81,179	42,688	79,140	54
• Electronic Tax Reserve Certificates Scheme	47,906	448,957	44,799	475,675	120
Security for Tax in Dispute	1,628	4,493,138	1,278	1,606,339	2,563
Total	93,084	5,023,275	88,787	2,161,169	2,739

Schedule 13

EARNINGS AND PROFITS TAX - OFFENCES COMMITTED AND COURT FINES IMPOSED

2017-18

	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	9,869	25,693,200	970	4,676,900	0	0	0	0	0	0	10,839	30,370,100
• Unincorporated Businesses	758	1,758,500	114	503,005	0	0	0	0	0	0	872	2,261,505
Salaries Tax												
• Employees	2,151	5,290,500	286	1,321,800	0	0	1	23,400	0	0	2,438	6,635,700
• Employers	1,001	2,765,900	154	771,100	0	0	0	0	0	0	1,155	3,537,000
Property Tax												
• Individuals	102	245,800	13	58,100	0	0	0	0	0	0	115	303,900
Total	13,881	35,753,900	1,537	7,330,905	0	0	1	23,400	0	0	15,419	43,108,205

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 2018 is 34,801

Schedule 14

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

2017-18

	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	17,655	26,921,234	207,264	183,121,381	15,760	172,331,887	7,080	23,558,113	15,831	12,962,968	263,590	418,895,583
Compound Penalties for offences under the Inland Revenue Ordinance												
• section 51(4B)*	0	0	1	800	3	27,000	0	0	0	0	4	27,800
• section 80(1)	4	82,000	1,027	2,803,800	130	6,676,200	161	8,335,000	0	0	1,322	17,897,000
• section 80(2)	529	16,349,128	8,256	107,311,280	7,169	406,679,971	1,419	157,662,285	56	1,483,100	17,429	689,485,764
• section 82(1)	14	3,924,100	43	12,706,270	59	76,228,820	53	22,420,725	1	328,500	170	115,608,415
• 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	107	742,800	192	10,881,500	1,066	30,108,544	117	6,897,000	4	53,300	1,486	48,683,144
Costs awarded by the Board of Review	0	0	8	52,000	4	35,000	0	0	0	0	12	87,000
Total	18,309	48,019,262	216,791	316,877,031	24,191	692,087,422	8,830	218,873,123	15,892	14,827,868	284,013	1,290,684,706

* Including penalties imposed by the Court

