# 1 Commissioner's Foreword

"The Inland Revenue Department has witnessed an unusual year.  First, in terms of revenue collection, the total revenue collection in 2018-19 was $341.4 billion, which is again a record high.  It was $12.8 billion higher than the collection of last year, representing a rise of 3.9%.

Profits Tax recorded an increase of 20% ($27.5 billion), which was mainly attributable to the growth in the assessable profits of corporations.  There was a decrease of 16% ($15.2 billion) in the total stamp duty collection. Comparing to last year, stamp duty collections from property and share transactions dropped by 20% ($11.5 billion) and 10% ($3.8 billion) respectively."

**WONG Kuen-fai**

Commissioner of Inland Revenue

Next, an unprecedented high number of revenue-related bills were enacted in 2018-19.  The following tax concessions and deductions are applicable to the year of assessment from 2018-19 onwards:

- A taxpayer who is eligible to claim an allowance under the Government's Disability Allowance Scheme may claim a newly introduced Personal Disability Allowance of $75,000.
- A married person may elect for personal assessment separately from or jointly with his / her spouse.
- A 300% tax deduction will be allowed for the first $2 million qualifying research and development expenditure, and a 200% deduction for the remainder.
- Capital expenditure incurred in procuring eligible energy efficient building installations and renewable energy devices will be allowed in full in one year instead of five years.
- The scope of deduction for capital expenditure incurred for the purchase of intellectual property rights is expanded from five types to eight.
- Introduction of the two-tiered profits tax rates regime:  The tax rate for the first $2 million of assessable profits of a corporation is lowered to 8.25% while that for an unincorporated business is reduced to 7.5%. Assessable profits exceeding $2 million is to be taxed at 16.5% and 15% respectively.

In addition, the following two types of tax deductions are introduced under Salaries Tax and Personal Assessment for the year of assessment commencing on or after 1 April 2019:

- Qualifying premiums paid by the taxpayer or his / her spouse under a certified plan of Voluntary Health Insurance Scheme for themselves or their specified relatives.
- Premiums paid to qualifying deferred annuities and contributions made to tax deductible Mandatory Provident Fund voluntary contribution accounts.

The Department has reached an important milestone in international tax cooperation in 2018-19. To meet the international standard in respect of tax information exchanges, Hong Kong needs to adopt the multilateral approach to implement the relevant initiatives. After the passage of the Inland Revenue (Amendment) Ordinance 2018 and the deposit of declaration by the Central People's Government to the Organisation for Economic Cooperation and Development (OECD) for extending the application of the Convention on Mutual Administrative Assistance in Tax Matters (the Convention) to Hong Kong, the Chief Executive in Council made an order to declare that the Convention shall have effect in Hong Kong. The order entered into force in Hong Kong on 1 September 2018. It provides the legal framework and platform for Hong Kong to take forward the automatic exchange of financial account information in tax matters (AEOI) and country-by-country (CbC) reports; and spontaneous exchange of information on tax rulings under the base erosion and profit shifting package promulgated by the OECD.

Hong Kong has smoothly completed the first round of AEOI. During the year 2018, the financial institutions in Hong Kong submitted financial account information returns and the required information for the year 2017 via the AEOI Portal. In the same year, the Department conducted the first AEOI with the other jurisdictions through the OECD Common Transmission System. To prepare for the next round of AEOI, the Department has issued notices requiring financial institutions to file financial account information returns for the year 2018 in January 2019.

To facilitate multinational enterprise group to file CbC reports, the Department has developed the CbC Reporting Portal for reporting entities to submit notifications and file CbC Returns electronically. The CbC Reporting Portal was formally launched on 5 March 2018.

As a responsible member of the international community, Hong Kong must keep pace with the international development in tax matters. The Department also has to make appropriate arrangements timely. On the other hand, the number of taxpayers has increased year on year, which resulted in the Department's increased workloads concerning processing tax assessments and collection of tax. I am deeply thankful for colleagues' hard work in achieving all the targets in the performance pledges and offering assistance in law amendment, development of the CbC Reporting Portal and handling of additional tasks brought about by the international tax development.

**WONG Kuen-fai**
Commissioner of Inland Revenue