

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 2020-21.

## Collection of Tax

Taxpayers can conveniently settle their tax liabilities by various payment methods, including electronic payment (by phone, bank ATM, via Faster Payment System (FPS) or via the Internet), payment in person or payment by post. For earnings and profits tax, electronic payment remains the most popular.

## Refund of Tax

Tax refunds were made mainly due to two reasons, namely, overpayment of tax by taxpayers and revision of assessments. There were 861,334 refund cases in 2020-21, representing an increase of 22.6%. The total amount of refunds was \$28.68 billion, representing an increase of \$8.19 billion or 40% compared with the previous year (**Figure 25**).

**Figure 25 Tax refunds**

| Type of tax         | 2019-20        |                 | 2020-21               |                        |
|---------------------|----------------|-----------------|-----------------------|------------------------|
|                     | Number         | Amount (\$m)    | Number                | Amount (\$m)           |
| Profits tax         | 59,643         | 10,168.4        | <b>69,589</b>         | <b>12,836.2</b>        |
| Salaries tax        | 536,758        | 4,813.0         | <b>693,232</b>        | <b>6,361.0</b>         |
| Property tax        | 15,423         | 169.3           | <b>18,647</b>         | <b>219.8</b>           |
| Personal assessment | 26,883         | 469.8           | <b>37,166</b>         | <b>695.9</b>           |
| Others              | 63,651         | 4,872.8         | <b>42,700</b>         | <b>8,566.6</b>         |
| Total               | <u>702,358</u> | <u>20,493.3</u> | <b><u>861,334</u></b> | <b><u>28,679.5</u></b> |

## 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.

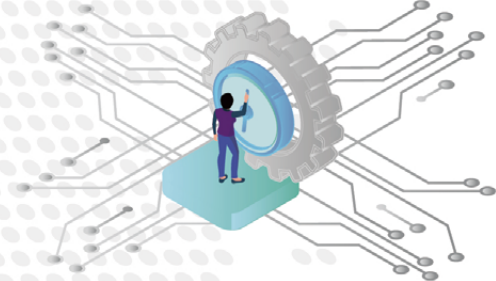
A late payment surcharge of 5% will generally be imposed where tax is in default. If tax debts remain outstanding for more than six months after the due date, the Department may impose a further surcharge of 10% on the total unpaid amount. In light of the economic condition in 2020-21 and the financial difficulties that some taxpayers might be facing, the Government announced a relief measure on tax payment. For instalment plans approved by the Department for settlement of salaries tax, profits tax and personal assessment demand notes for the year of assessment 2019-20 issued between August 2020 and May 2022, no surcharge will be imposed for a maximum period of one year counting from the respective due dates of the demand notes.

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.

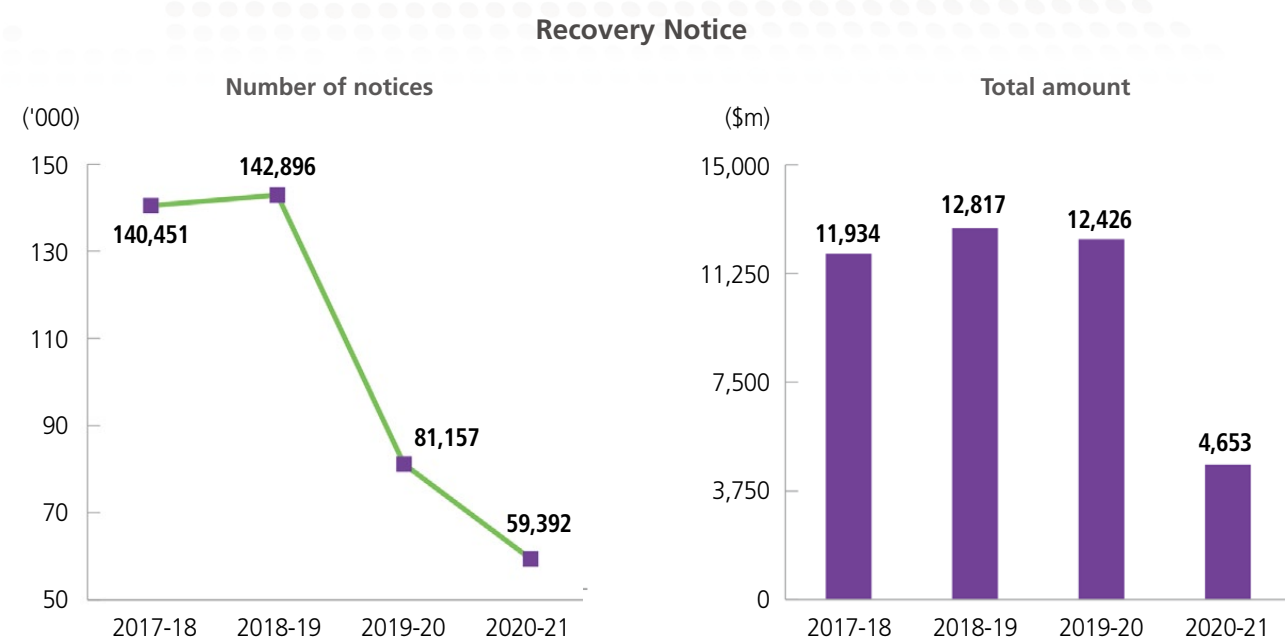
Owing to the deferral of payment deadlines and recovery action in respect of some 2018-19 tax demand notes to 2020-21, the number of 5% surcharge notices issued in 2020-21 increased significantly as compared to that of the previous year. As the cycle on recovery of tax had been deferred, the numbers of 10% surcharge notices and recovery notices issued during the year were accordingly reduced in comparison with those of the previous year.

**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 2020-21.

**Figure 27 Legal costs and judgment interest collected in 2020-21**

|   | \$         | \$                |
|---|------------|-------------------|
| Court cost                                |            |                   |
| Court fees                                | 505,746    |                   |
| Execution fees                            | 10,710     | 516,456           |
| Fixed cost                                |            | 194,128           |
| Judgment interest                         |            |                   |
| Pre-judgment interest                     | 2,177,544  |                   |
| Post-judgment interest                    | 16,797,629 | 18,975,173        |
| <b>Total costs and interest collected</b> |            | <b>19,685,757</b> |

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.