

Press Conference 4 May 2009

The Gist of CIR's Speech

I shall speak mainly on 4 topics: this year's individual tax returns, the Budget measure, the eTAX service, and, lastly, the revenue collections in the financial year 2008-09.

I shall start with the tax returns. Today, IRD is sending out 2.08 million individual tax returns. Among them, 120,000 are e-forms. The rest 1.96 million are paper forms. Taxpayers opted for e-returns can log in their eTAX account any time to view the return form. Those opted for paper returns will need to wait for one or two days for the postal delivery.

The Financial Secretary has in his Budget this year proposed a tax reduction of 50% for the year 2008/09, subject to a ceiling of \$6,000 per case.

Salary earners should complete this year's tax return as usual. No application is needed for the tax reduction.

Individuals with rental and/or business income, if eligible, may elect personal assessment to enjoy such reduction. The personal assessment election can be made in their 2008/09 tax returns. IRD will check, in each case, whether the election will reduce the amount of tax payable, and assess each taxpayer in the way to his advantage.

The Government has started the law amendment process. After enactment of the relevant legislation, IRD will effect the 2008/09 tax reduction in this year's tax bills.

The economic downturn in 2008 has affected countries worldwide, and Hong Kong was no exception. Our workers and businessmen from various sectors suffered. In this time when taxpayers are

facing a sudden income drop, the holdover mechanism of our provisional tax system brought in the much-needed relief. IRD also took proactive measures and enhanced its service. Application hotlines for holdover of provisional tax and payment by instalments were launched to help our taxpayers. In the year 2008-09, the holdover applications we processed added up to some 60,000 on provisional salaries tax, and 8,000 on provisional profits tax, representing an 84% and 100% increase respectively over the previous year.

When completing this year's tax return, taxpayers should pay attention to the following:

1. If they are certain that they will be earning significantly less in 2009/10 as a result of a cessation or change of their employment, they can inform us either by making a note on their tax returns, or on a separate piece of paper. IRD will take into account the information and demand a smaller or zero amount of the 2009/10 provisional tax. Taxpayers are however reminded to provide correct information or a penalty may be applicable.
2. From the year 2008/09, the deduction ceiling for approved charitable donations will be raised to 35% of the taxpayer's income. To guard against abuse, IRD will step up audit on donation claims. Taxpayers should put down the correct amount of their donations, and beware that only donations made to tax-exempt charities are tax deductible. A list of these tax-exempt charities can be found on the IRD website. Donation receipts should be kept for 7 years and submitted for IRD's examination when called for.
3. Tax returns should be submitted on time. A one-month period is allowed for filing individual tax returns. The deadline falls on 4 June 2009. For a sole proprietor of business, a three-month period is allowed and therefore the filing deadline will be 4 August 2009.

Taxpayers having a problem in completing their tax returns may visit the IRD website for the e-Seminars. They may also seek help in the Q&A corner or call the enquiry hotline 187 8022. The service hours of the operators of this hotline will be extended, from 4 May to 4 June 2009, from 8:15 in the morning to 7:00 in the evening on weekdays, and from 9:00 in the morning to 1:00 in the afternoon on Saturdays. There is no operator service on public holidays.

As I have mentioned, among the tax returns issued today 120,000 are e-forms. This brings us to IRD's e-services.

IRD launched the eTAX, an on-line tax service portal from 2008. Many taxpayers have registered as eTAX users, and went fully electronic with their tax transactions including e-tax returns, e-tax bills and e-receipts. Also, eTAX will provide each user with a personal message box for receiving IRD e-correspondences. e-Alerts will be sent when a user's filing or payment deadline approaches. Besides, users can review their tax position, update their personal particulars, and make e-objections or e-holdover applications on-line at any time. Therefore, eTAX is everyone's tax secretary, serving you anywhere around the clock.

Filing your tax return on-line is convenient and environment-friendly. The IRD computer system will pre-fill the data fields for personal particulars, income and allowances in your e-return, with the data you input in last year's on-line filing, and the income data from your employer's return of remuneration and pensions. All you will need to do is to log in your eTAX account, check that the pre-filled data items are correct and complete, input deduction items like home loan interest and charitable donation, and then submit your tax return on-line. You can also save the e-return data to your personal computer, and use the tax computation program to calculate the amount of tax payable in your coming bill.

Since its introduction in 2001, e-filing is getting increasingly popular. Last year, more than 200,000 tax returns were received through e-filing. This year, we start with 120,000 taxpayers opted to receive e-returns instead of paper ones. Together they saved 1.13

million sheets of A4 paper which, if spread out on the ground, can cover 11 soccer fields. Therefore, I would appeal to taxpayers to opt for e>Returns and e-bills, taking a step forward to protect the environment while enjoying our convenient and safe eTAX services.

If you are not yet a eTAX user, I would invite you to become one today. When opening your eTAX account, you can choose your own account name. The earlier you open your account, the higher the chance you can have your preferred account name before someone else gets it.

To encourage on-line filing of this year's individual tax returns, we are granting an automatic extension of 1 month to all e-filers, that is, everyone can file his individual tax return on-line by the 4th of July, except that business owners can even have their extension up to the 4th of September.

Finally, let me round up this session with IRD's revenue collections in the financial year 2008-09.

IRD collections reached \$191.5 billion in 2008-09, \$9.2 billion or 5% less than last year's \$200.7 billion. Earnings and profits tax stood at \$146.1 billion, \$12.4 billion or 9% higher than last year's, and representing 76% of our total collections.

Stamp duty, on the other hand, has dropped materially by 38% to \$32.1 billion. Betting duty is relatively stable and fell slightly by 3% to \$ 12.6 billion.

Further details can be found in the papers distributed.

Thank you.