

Press Conference 3 May 2010

The Gist of CIR's Speech

I shall speak mainly on 4 topics: this year's tax returns, the eTAX service, international tax treaties, and lastly, the revenue collections in the financial year 2009-10.

2009-10 Tax returns for individuals

I shall start with the tax returns. Today, IRD is sending out 2 million and 40 thousand individuals tax returns for 2009-10. Among them, 160 thousand are e-returns. The rest are paper returns. eTAX users who opted for e-returns can go online and view their tax returns at any time. Those who 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 75% for the year 2009-10, subject to a ceiling of \$6,000 per case. I would talk about the specific arrangement for this relief measure.

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

Individuals with rental or business income, or both, if eligible, may elect personal assessment to enjoy such reduction. The personal assessment election can be made in their 2009-10 tax returns. IRD will check, in each case, whether the election will reduce the amount of tax payable, and assess each taxpayer in a way to his best advantage.

The Government has started the law amendment process. After enactment of the relevant legislation, IRD will effect the 2009-10 tax reduction in this year's tax bills.

Tax returns should be submitted on time. A one-month period is allowed for filing individuals tax returns. The deadline falls on 3 June 2010. For a sole proprietor of business, a three-month period is allowed and therefore the filing deadline will be 3 August 2010.

The IRD website will continue to provide e-Seminars to help taxpayers in filing their tax returns, with a Q&A corner to facilitate enquiries. Also, the service hours of the operators of our enquiry hotline will be extended for one month from today to answer phone enquiries.

IRD e-services

As I have mentioned, among the tax returns issued today, 160 thousand are e-forms. This brings us to IRD's e-services.

eTAX

IRD launched the eTAX, which is an online tax service portal from the year 2008. In 2 years' time, some 300 thousand taxpayers have registered as eTAX users, and more than half of them has chosen to receive e-tax returns and e-tax bills. In 2009-10, IRD received more than 250 thousand e-returns, and issued some 300 thousand e-receipts to eTAX users.

Receiving and filing tax returns - individuals

It is convenient and environment-friendly to receive and file an individuals tax return online. 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 online last year, 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 online. You can also save the e-return template in your personal computer, and use IRD's tax computation program to calculate the amount of tax payable in your coming bill.

Filing profits tax returns

This year, our e-filing service has been extended to cover small businesses, including corporations and partnerships. The director, secretary or manager of a small corporation, or the precedent partner in the case of a small partnership, can file their company's profits tax returns online via their own eTAX accounts. In order that more companies can use online filing, IRD has expanded the meaning of small business to include those having a gross annual income of \$2 million or below during the year. These companies are not required to attach supporting documents with their tax returns, but are still required to keep them and submit them when being called for.

The e-filing process for a profits tax return involves 2 steps: completion and submission. If a tax representative is hired, the representative can first complete the tax return online, and send the electronic file of the completed return to the client. The client can then submit the return via his eTAX account. In the submission process, the filer would sign the return with his eTAX password or personal digital certificate. The system will issue an instant acknowledgement for each successful submission of return.

To encourage online filing of this year's tax returns, we are granting an extension to all e-filers. Individuals will have automatic extension of one month to the 3rd of July. Sole proprietors will also have automatic extension of one month to the 3rd of September. For profits tax returns, in addition to the normal extension granted according to their accounting date, e-filers can apply for another 2-week's extra extension.

International Tax Treaties

Hong Kong has in recent months made a breakthrough in international tax treaties. In late March, we have signed comprehensive double taxation agreements (CDTAs) adopting the latest international standard of exchange of information with 3 countries, namely Brunei, the Netherlands and Indonesia. Up to the present moment, we have concluded negotiation with another 7 countries pending the formal signing of CDTAs. They are Austria, France, Hungary, Ireland, Japan,

Switzerland and Liechtenstein. That is to say, we have signed or initialed CDTAs with 10 countries adopting the latest version of the Exchange of Information Article.

This breakthrough came after our completion of legislative amendments in March enabling Hong Kong to follow the latest exchange of information standards of the Organisation of Economic Co-operation and Development (OECD).

Apart from new partners, we are also actively negotiating with our 5 existing treaty partners to upgrade the Exchange of Information Article to the latest version. We have so far come to agreement with 2 of them.

IRD Revenue Collections

Finally, let me round up this session with IRD's revenue collections in the financial year 2009-10.

IRD's collections reached \$179.1 billion in 2009-10, \$12.4 billion or 6% less than last year's figure of \$191.5 billion. Earnings and profits tax stood at \$123.2 billion, which is \$22.9 billion or 16% lower than last year's figure. This accounts for 69% of our total collections.

Stamp duty, on the other hand, has risen substantially by 32% to \$42.4 billion. Betting duty is relatively stable and increased slightly by 1% to \$12.8 billion.

Further details can be found in the papers distributed.

Thank you.