

## **Press Conference 2 May 2013**

### **The Gist of CIR's Speech**

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I shall speak mainly on 3 topics: matters relating to this year's individuals tax returns, the work in international tax treaties, and the revenue collections in 2012-13.

#### **2012-13 Tax Returns for Individuals**

Today, IRD is sending out 2.32 million individuals tax returns for the year of assessment 2012-13.

In the Budget this year, the Financial Secretary has proposed to increase the child allowance as well as the additional child allowance in the year of birth, and raise the deduction ceiling for self-education expenses. Besides, he has proposed a one-off reduction of 75% of the profits tax, salaries tax and tax under personal assessment for the year 2012-13, subject to a ceiling of \$10,000 per case.

The Government has started the legislative amendment exercise for these proposals. After enactment of the relevant legislation, IRD will effect the 2012-13 tax reduction in this year's tax bills, and will automatically apply the new allowances and deduction ceiling, if applicable, in calculating the 2013-14 provisional tax. Taxpayers should complete their tax returns as usual. No application is required for the proposed tax reduction.

A one-month period is allowed for filing individuals tax returns. The deadline is 3 June 2013, because 2 June is a Sunday. For sole proprietors of unincorporated businesses, a three-month period is allowed, i.e. the filing deadline is 2 August 2013. For on-line filing via eTAX, all taxpayers will get an automatic extension of 1 month.

## **International Tax Treaties**

Now, I will report the latest development of international tax treaties in Hong Kong.

Since April last year, Hong Kong has entered into 5 more Comprehensive Double Taxation Agreements (CDTAs), making the total number of CDTAs signed to 28. These 5 countries are Malaysia, Mexico, Canada, Italy and Guernsey. Furthermore, the negotiation for CDTAs with another 4 countries has been completed and the formal agreements will be signed soon. In the meantime, we will continue our CDTA negotiation with several other countries in Europe, Asia Pacific, the Middle East and Africa.

In recent years, there have been increasing aspirations to enhance tax transparency with a view to preventing and combating fiscal evasion. According to the latest international standard, a jurisdiction should be able to enter into 2 types of information exchange instruments. The first one is the CDTAs which Hong Kong has been promoting. The second type is the Tax Information Exchange Agreements (TIEAs). It is thus time critical for Hong Kong to have in place a legal framework for TIEAs so as to comply with the international standard, thus preserving Hong Kong's international reputation, and avoiding Hong Kong being regarded as an uncooperative tax jurisdiction. Towards this end, the Government introduced the Inland Revenue (Amendment) Bill 2013 into the Legislative Council last week.

## **IRD Revenue Collections**

Finally, I will round up by giving an account of the revenue collections by IRD in the year 2012-13, and the forecast collection for the coming year.

In the year 2012-13, IRD collected \$242.2 billion. It represents an increase of \$3.8 billion or 2% over the amount collected in the previous year. Profits tax soared by 6% to \$125.6 billion, while salaries tax was reduced by 2% to \$50.5 billion. Stamp duty also dropped by 3% and stood at \$42.9 billion. In the coming year, the forecast

collection by IRD is \$245.9 billion.

Hope you will find the information sheets on revenue collections and completion of tax returns helpful.

Thank you.