

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)04**

**(Question Serial No. S0027 )**

Head: (76) Inland Revenue Department

Subhead (No. & title): ( )

Programme: (1) Assessing Functions, (2) Collection, (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to "Reply Serial No. FSTB(Tsy)040"

1. Regarding "the statistics on follow-up cases involving transfer of shares in property holding companies and completed review cases recorded by the IRD", the number of such cases chargeable to profits tax was 60 in 2014-15, but the numbers of such cases have been decreasing year by year since then, with only 1 case recorded in 2018-19. What are the reasons for the significant decrease in the number of such cases?
2. Among the follow-up cases of 2014-15, there were 72 cases of which the review has not yet completed. Similarly, there were dozens of cases not yet completed for every year since then. At present, what is the average time required for completion of each review case? What are the reasons for the delays in completing the review of the above cases?
3. Of the cases chargeable to profits tax, what are the amounts of the highest and the lowest tax payments charged for each year; and what is the average tax payment charged per case for each of the years involved?
4. Regarding the above follow-up and review cases, please advise the details of the staff establishment provided for processing such cases for each of the past 5 years. With the implementation of the two-tier profits tax rates regime by the Government on 1 April 2018, the amount of profits tax charged on the first \$2 million assessable profits is expected to drop significantly as a result. Will the Government assess the situation and increase the manpower to be deployed accordingly?

Asked by: Hon TO Kun-sun, James (LegCo internal reference no.: )

Reply:

1. In part (3) of the reply FSTB(Tsy)040, the figures reflect the number of review cases completed by the Inland Revenue Department (“IRD”) in the relevant financial years (as at 28 February 2019) that are subject to profits tax. The figures do not suggest that a specific percentage of review cases must be subject to profits tax upon completion of review.
2. Depending on the facts and complexity of each review case, the processing time may vary. As such, IRD does not maintain statistics on the time required for processing a review case.
3. Among the cases involving transfer of shares in property holding companies that are subject to profits tax, the highest, the lowest and the average amount of tax assessed in the past five financial years (as at 28 February 2019) are shown in the table below:

Financial Year	Cases Subject to Profits Tax			
	No. of cases	Average amount of tax (\$ (Note 1)	The highest amount of tax (\$ (Note 1)	The lowest amount of tax (\$ (Note 2)
2014-15	60	310,000	3,800,000	100
2015-16	41	440,000	1,970,000	6,500
2016-17	36	390,000	2,720,000	21,300
2017-18	22	850,000	5,190,000	101,000
2018-19 (As at 28 February 2019)	1	420,000	420,000	420,000

Notes:

1. Rounded to the nearest ten thousand
  2. Rounded to the nearest hundred
4. Examination of tax returns and auditing are part of IRD officers’ day-to-day duties. Therefore, IRD does not have the breakdown on staff establishment deployed to follow up and review the above cases specifically. Further, there has been no additional manpower for IRD to implement the two-tiered profits tax rates regime. Nonetheless, IRD has enhanced the computer system and revamped the work process to handle relevant cases.

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