

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)038**

**(Question Serial No. 1164)**

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- A) Please advise on the number of applications for paying tax by instalments, the types of tax involved, the number of successful applications, the average number of days for vetting the applications, the average number of instalments, as well as the mean, the median, the 25th percentile and the 75th percentile values of repayment for the previous year.
- B) What information is required to apply for payment of tax by instalments? For those applications which were refused, please set out the grounds for refusal by type of tax.
- C) The Financial Secretary announced on 4 December 2019 that no surcharge would be imposed on the payment of tax by instalments. How many applications have been received for each type of tax so far? Please advise on the status of the vetting process.
- D) Members of the public and certain industries have raised concerns over the problems with the process of applying for payment of tax by instalments, such as the complicated procedures and the requirement of submission of a large number of documents. There is also a lengthy vetting process. Some taxpayers were even not issued with an approval letter before the due date and were asked by the Inland Revenue Department (IRD) to pay the tax first. The measure seems to do little to support enterprises and relieve people's burden. How will the IRD evaluate the effectiveness and efficiency of this instalment arrangement? For taxpayers who have submitted their applications but are unable to pay the tax by the due date, will the Government waive all late payment penalties (regardless of whether the applications are ultimately approved or not)?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 25)

Reply:

- A) Taxpayers who encounter financial difficulties in settling their tax bills on time may apply to the Inland Revenue Department (IRD) for payment of tax by instalments. The number of cases approved and amount of instalment payments by tax type in the financial year 2018-19 are provided in the table below.

Type of Tax	Number of demand notes approved for payment by instalments	Amount of tax involved (\$ million)
Profits Tax	800	289
Salaries Tax	3 160	189
Property Tax	90	2
Personal Assessment	190	12

The IRD does not kept statistics on the number of applications for instalment payments or conducted further analysis on cases approved. The IRD will normally provide a reply to applicants within 21 working days upon receipt of their applications.

- (B), (C) and (D)

Taxpayers applying for instalments must complete an application form stating the reasons for failing to pay tax on time and provide supporting information and documents, including a concrete repayment proposal, copies of bank statements/passbooks for the latest three months, details of income and expenditure and debts repayment for the latest three months. For applicant who is a business operator, further supporting documents such as management accounts for the latest three months and cash flow position and forecast may be required. The purpose of requesting documentary evidence from applicants is to ascertain the financial position of the applicant so that an appropriate instalment arrangement can be granted by the IRD.

In light of the prevailing economic condition and the possible financial difficulties faced by some taxpayers, the IRD announced in December 2019 that for taxpayers in financial difficulties who obtained IRD's approval for settlement of demand notes for salaries tax, profits tax and personal assessment issued between December 2019 and December 2020 for the year of assessment 2018/19 by instalments and provided that the instalment plans are duly adhered to, no surcharge will be imposed for a maximum period of one year counting from the due dates of the demand notes concerned. Up to 29 February 2020, the IRD received about 3 200 instalment applications, of which about 1 400 applications have been approved. The IRD will continue to make best efforts to process the remaining applications.

The IRD has on its website reminded taxpayers who apply for payment of tax by instalments to make application as early as possible before the due dates of the relevant demand notes. Pending the reply from the IRD, taxpayers can make payments in accordance with their payment proposals without paying the tax in full. If the application is not approved afterwards, the IRD will inform the taxpayers of the rejection in writing and the taxpayers will be requested to settle the tax on or before the due dates specified on the demand notes or within 14 days after the date of the rejection letters, during which the IRD will not impose the 5% surcharge.