

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)033

(Question Serial No. 1802)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Estate duty was abolished in 2006 in Hong Kong. However, the number of estate duty cases finalised continued to increase over the past 3 years and is expected to increase from 458 cases in 2019-20 to 560 cases in 2021-22. Please advise the following:

1. the reasons for such increase;
2. the situation of the cases to be finalised in general and during each of the past 3 years, whether all cases were charged with estate duty at a nominal value of only \$100 or some were still charged with estate duty at the then prevailing rates of 5% to 15% in or before 2005. Were there any surcharges on overdue payments involved?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 67)

Reply:

Although Estate Duty was abolished with effect from 11 February 2006, the Estate Duty Ordinance (Cap. 111) is still applicable to the estate ("subject estate") of the deceased who passed away before that date. The Estate Duty Office is still receiving new applications in respect of the subject estate. The reasons include: the descendants did not identify the assets of the deceased until many years after his/her death; the descendants resided overseas and had been unable to deal with the assets; the deceased had migrated overseas and it took time for his/her descendants in Hong Kong to deal with the assets, etc.

To minimise the risk of the spread of COVID-19 in the community, the Inland Revenue Department (IRD) implemented special work arrangements intermittently during the period from end-January 2020 to mid-February 2021 and only provided limited services under such arrangements. Hence, the number of completed cases dropped to 458 in 2019-20. The IRD estimated that if the epidemic continues to abate, the number of completed cases in 2021-22 will return to the pre 2019-20 level, i.e. about 560 cases.

For the completed estate duty cases in the past three years, most of the principal values of the estate were under the threshold and were exempt from estate duty. Only a small portion of the cases were liable to estate duty at the rate applicable to their respective estate value and

interest (which accrues at 4% per annum from the date of death until the expiration of 6 months from the death, and at 8% per annum thereafter) in accordance with the Estate Duty Ordinance. In addition, the estate duty of the estate of the deceased who passed away during the period from 15 July 2005 to 10 February 2006 would only be charged at a nominal amount of \$100.

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