

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1894)

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:

As mentioned in the Budget Speech, the Government will implement the international tax reform proposals drawn up by the Organisation for Economic Co-operation and Development (OECD) to address base erosion and profit shifting (abbreviated as BEPS 2.0). Hong Kong plans to apply the global minimum effective tax rate on large multinational enterprise groups and implement the domestic minimum top-up tax starting from 2025 onwards.

I. Please advise on the relevant additional expenditures and costs involved for the implementation of the recommendations made by the OECD concerning the operation of Hong Kong's tax system; and

II. whether additional posts are required for handling the work involved. If yes, what are the details?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 1)

Reply:

At present, a Deputy Commissioner of the Inland Revenue Department ("IRD") is responsible for co-ordinating and leading the Research Team and Profits Tax Unit of the IRD to actively take forward the implementation of BEPS 2.0, including conducting the related consultation work and studying the legislative framework. To prepare for the implementation of BEPS 2.0, the IRD is creating by phases a total of 38 non-directorate posts (including 29 Assessor Grade posts and 9 Taxation Officer Grade posts) in the financial years of 2022-23 and 2023-24 to cope with the additional and heavy workload in respect of the enhancement of computer system arising from the implementation of BEPS 2.0, and to provide support to the multinational enterprise (MNE) groups under the scope of BEPS 2.0. The relevant work includes establishing a portal to facilitate the MNE groups concerned to submit tax returns and make enquiries on issues such as tax assessments and tax matters, as well as setting up a dedicated team to assist the relevant enterprises in filing tax returns, raise assessments, handle enquiries and provide technical support to the enterprises for using the portal. These initiatives will help the trade adapt to the new tax rules. The creation of 38 non-directorate posts is partly offset by the deletion of 13 non-directorate posts, resulting in a net increase of

25 non-directorate posts. The additional expenditure of the above-mentioned newly created posts is about \$36 million per year.

In addition, in order to strengthen the directorate support in the IRD for handling various tasks including the CDTAs, the Government will submit a proposal to the Finance Committee of the Legislative Council (LegCo) for the creation of one permanent Assistant Commissioner post in the IRD, and the proposal was presented to the LegCo Panel on Financial Affairs on 3 April this year. For 2023-24, the IRD will absorb the necessary cost of this proposal from within its existing resources.

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