

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1697)

Head: (76) Inland Revenue Department
Subhead (No. & title): ()
Programme: (2) Collection
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the Indicators, the Inland Revenue Department (IRD) estimated that the numbers of tax recovery cases in 2023-24 and 2024-25 would drop. In this regard, please inform this Committee of:

- a) the statistics on the numbers of tax recovery cases with successful recovery actions, with unsuccessful recovery actions and with recovery actions still in progress, as well as the respective amounts involved in the past 5 years;
- b) in the past 5 years, the number of tax recovery cases that require prosecution actions and the amounts involved; among those cases, the number of cases in which offenders were sentenced to imprisonment and the amounts involved; and
- c) the current number of staff members who are specialised in tax recovery actions against tax evasion and avoidance, etc. in the IRD.

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 30)

Reply:

- a) For taxpayers defaulting tax payment, normally the Inland Revenue Department (IRD) will first issue a surcharge notice for every outstanding tax demand note, imposing a 5% surcharge. If the taxpayer does not fully settle the tax within 6 months from the due date, the IRD will issue another surcharge notice to the taxpayer to further impose a 10% surcharge on the overdue tax and surcharge.

The following table sets out the statistics on the surcharge notices issued by the IRD for different tax types in the 5 financial years from 2019-20 to 2023-24 (up to 29 February 2024):

Types of tax	5% surcharge			10% surcharge		
	No. of charges involved (Note)	Amount of surcharge (\$million)	Amount of tax involved (\$million)	No. of charges involved (Note)	Amount of surcharge (\$million)	Amount of tax involved (\$million)
2019-20						
Profits Tax	9 200	48.72	974	4 400	183.32	1,746
Salaries Tax	56 400	0.60	12	14 000	42.89	409
Property Tax	8 000	8.48	170	2 100	8.26	79
Personal Assessment	3 700	2.43	49	1 000	4.54	43
Total	77 300	60.23	1,205	21 500	239.01	2,277
2020-21						
Profits Tax	12 900	61.11	1,222	1 900	21.64	206
Salaries Tax	114 800	100.17	2,003	4 000	23.84	227
Property Tax	11 900	17.22	344	2 600	10.46	100
Personal Assessment	4 400	4.27	85	500	2.04	19
Total	144 000	182.77	3,654	9 000	57.98	552
2021-22						
Profits Tax	17 000	107.79	2,156	7 500	126.43	1,204
Salaries Tax	156 500	208.83	4,177	22 500	88.06	839
Property Tax	23 500	40.45	809	5 100	23.18	221
Personal Assessment	9 500	6.17	123	900	1.43	14
Total	206 500	363.24	7,265	36 000	239.10	2,278
2022-23						
Profits Tax	25 300	139.03	2,781	6 500	115.57	1,101
Salaries Tax	197 900	275.85	5,517	13 800	69.34	660
Property Tax	20 500	32.93	659	4 800	21.43	204
Personal Assessment	9 100	7.21	144	1 000	3.64	35
Total	252 800	455.02	9,101	26 100	209.98	2,000
2023-24 (up to 29 February 2024)						
Profits Tax	18 100	105.54	2,111	5 800	85.08	810
Salaries Tax	156 000	200.95	4,019	10 500	64.10	610
Property Tax	17 000	23.40	468	2 000	11.54	110
Personal Assessment	8 700	5.26	105	700	1.21	12
Total	199 800	335.15	6,703	19 000	161.93	1,542

Note: Rounded to the nearest hundred

If the tax remains unpaid, the IRD will take further recovery actions against the taxpayer, including the issuance of recovery notices to third parties (such as employers and banks) and the initiation of court proceedings to obtain judgment on the unpaid tax as debt.

The IRD does not keep statistics on the outstanding tax recovered after initiation of recovery actions. As at 29 February 2024, the cumulative number of tax demand notes with payment overdue was around 230 000 and the total amount of tax in default was about \$20.8 billion.

- b) The IRD may apply to the District Court to institute civil jurisdiction action against tax defaulter in respect of the overdue tax. Upon entry of judgment, a defaulting taxpayer becomes liable to legal costs and interest on judgment debt but will not be sentenced to imprisonment. The following table sets out the statistics on court proceedings taken by the IRD against tax defaulters in the five years from 2019-20 to 2023-24 (up to 29 February 2024):

2019-20		2020-21		2021-22		2022-23		2023-24 (up to 29 February 2024)	
No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)
1 463	1,264	603	680	816	224	636	193	672	377

- c) The Field Audit and Investigation Unit of the IRD is dedicated to audit and investigate suspected tax avoidance and evasion cases. For the financial year 2023-24, the Field Audit and Investigation Unit has an establishment of 238 staff.

- End -