

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)025**

**(Question Serial No. 1709)**

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

(1) In the past 3 years, how many charities have been reviewed by the Inland Revenue Department (IRD) for their tax exemption status? How many of these charities have had their tax exemption status withdrawn? What are the main reasons for such withdrawal?

(2) Has investigation been carried out on charities involved in civil litigations (e.g. small claims, etc.) on the IRD's own initiative? Are these charities still eligible as tax-exempt charities?

(3) Is there any mechanism in place for the IRD to conduct investigation on the operation of charities so as to monitor whether persons related to charities have spent the funding of the charities on companies potentially associated with themselves (e.g. services outsourced to related companies) to obtain substantial profits?

Asked by: Hon CHU Kwok-keung (LegCo internal reference no.: 22)

Reply:

(1) Charities can be exempted from payment of tax if they satisfy the specified conditions under section 88 of the Inland Revenue Ordinance (Cap. 112). The IRD will review the tax exemption status of charities from time to time. In the past three years, the number of reviews are as follows:

Year	Number of reviews on tax exemption status of charities
2022	3 127
2023	3 183
2024	3 293

In the past three years, the number of charities with their recognition of tax exemption withdrawn by the IRD, and the reasons for withdrawals are as follows:

Year	Number of charities with the recognition of tax exemption withdrawn	Reasons			
		Dissolved or wound up	Ceased operation or dormant	No response to the IRD's enquiries or untraceable	No longer qualified as a charitable institution or trust of a public character
2022	231	123	13	94	1
2023	210	115	11	81	3
2024	279	142	29	104	4

- (2) & (3) The IRD will periodically review the accounts, annual reports and other documents of a tax-exempt charity, regardless of whether the charity was involved in civil litigation, to determine if its objects are still charitable and its activities are compatible with its stated objects. If there is evidence indicating that (a) the activities of a tax-exempt charity are not compatible with its charitable objects; (b) its income and assets are not wholly applied towards charitable purposes; or (c) there are other circumstances affecting its tax exemption status, the IRD would request the charity to provide further information for considering whether its tax exemption status should be withdrawn.

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