Examination of Estimates of Expenditure 2026-27

Reply Serial No.

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CONTROLLING OFFICER'S REPLY

(Question Serial No. 0580)

Head:	(76) Inland Revenue Department
Subhead (No. & title):	()
Programme:	(1) Assessing Functions,(2) Collection,(3) Investigation and Field Audit,(4) Taxpayer Services
Controlling Officer:	Commissioner of Inland Revenue (Benjamin CHAN)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

The total estimate of the Inland Revenue Department (IRD) for 2026-27 is $2,050.7 million, representing a slight decrease of 0.5% compared with the revised estimate for 2025-26. In the same period, the number of non-directorate posts (notional annual mid-point salary value) in the establishment will decrease from 2 896 to 2 837, showing a net decrease of 59 posts. As shown on page 642 of the document, the provision of "Civil Service Provident Fund (CSPF) contribution" under Subhead 000 "Operational expenses" will increase significantly by 19.3%, from $113.8 million in the revised estimate for 2025-26 to $135.8 million in the estimate for 2026-27; and that for "general departmental expenses" will decrease from $396.4 million to $359.3 million.

(a) What are the specific reasons for the significant increase of 19.3% in the estimate of "CSPF contribution"? Has the increase completely offset the savings in salary expenses resulting from the reduction of 59 posts? Please provide an analysis of the changes in the estimates of major items, including emoluments, Mandatory Provident Fund (MPF) / CSPF contribution, general departmental expenses, etc.

(b) "General departmental expenses" is reduced by nearly $37 million (about 9.4%). Which specific expenditure items account for the major savings? Will the reduction affect areas such as the maintenance and upgrading of information technology systems (e.g. the enhancement of the eTAX system, the development of new portals, the Business Tax Portal and the Tax Representative Portal mentioned on page 631 of the document), staff training, and upgrading of office equipment?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 28)

Reply:

(a) The IRD's estimate of the "Civil Service Provident Fund (CSPF) contribution" for 2026-27 is 19.3% higher than the revised estimate for 2025-26. The main reasons include: (i) the number of officers eligible to switch from the Mandatory Provident Fund (MPF) Scheme to the CSPF Scheme upon further appointment on permanent terms will increase; and (ii) the Government's voluntary contribution rate will increase from 5% to 25% gradually with the years of service of civil servants under the CSPF Scheme. CSPF contribution and salaries of civil servants are different expense items which will not set off each other. However, CSPF contribution has already taken into account the decrease of 59 posts.

The analysis of the changes in salaries, CSPF contribution, MPF contribution and general departmental expenses comparing the revised estimates for 2025-26 and estimates for 2026-27 is tabulated below:

Expenditure item	Revised estimate for 2025-26 ($'000) (a)	Estimate for 2026-27 ($'000) (b)	Change in expenditure ($'000) (b)–(a)
Salaries	1,483,572	1,488,126	4,554 (+0.3%)
CSPF contribution	113,830	135,790	21,960 (+19.3%)
MPF contribution	5,599	5,972	373 (+6.7%)
General departmental expenses	396,371	359,340	(37,031) (-9.3%)

(b) The IRD's estimate of "general departmental expenses" for 2026-27 is lower than the revised estimate for 2025-26 by $37 million. This is mainly due to an expected reduction in the cost and manpower for processing paper documents as a result of the launch of the new Individual Tax Portal, Business Tax Portal and Tax Representative Portal in July 2025, which enable wider use of electronic services by taxpayers. The reduction in expenditure will not affect the maintenance and upgrading of information technology systems, staff training, upgrading of office equipment or other areas.

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