Examination of Estimates of Expenditure 2026-27

Reply Serial No.

FSTB(Tsy)034

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0939)

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:

The estimate for Programme (3) "Investigation and Field Audit" decreased in the past 3 consecutive years (page 636 of the document). For the key performance indicator "back tax and penalty per dollar of provision", the revised estimate of $9.9 for 2025-26 is lower than the amount of $10.2 for 2024-25, and the estimate for 2026-27 is expected to further decrease to $9.5.

(a) Given that combating tax evasion and countering tax avoidance are identified as priority tasks (page 637), why is a consecutive decline in the "cost-effectiveness" (i.e. the amount of tax recovered per dollar of provision) of the programme expected? Does it reflect an increase in the level complexity or difficulty in tax investigation?

(b) To reverse the downward trend in "cost-effectiveness", what new strategies or new technology (such as more advanced data analytics) will be used by the Inland Revenue Department (IRD) in 2026-27? Will additional resources be allocated correspondingly to facilitate the implementation of these measures?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 29)

Reply:

(a) The amount of "back tax and penalty per dollar of provision", which is one of the performance indicators of the Inland Revenue Department (IRD), fluctuates as it is influenced by various objective factors, including the circumstances of cases completed, staff establishment and pay adjustments in the relevant financial year. The IRD remains committed to combating tax evasion and tax avoidance, and keeping the audit and investigation costs at a reasonable level by leveraging information technology to enhance work efficiency and effectiveness.

(b) From time to time, the IRD reviews its field audit and investigation strategies and explores the introduction of more advanced data analysis systems, with a view to further enhancing its capacity to recover back tax and penalty. The IRD will seek additional resources for the relevant enhancement work in accordance with the established mechanism if necessary.

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