Examination of Estimates of Expenditure 2026-27

Reply Serial No.

FSTB(Tsy)095

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3366)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Inland Revenue Department (IRD) please provide the following information:

1. What were the numbers of cases involving surcharges on tax in default in the past 3 years and the amounts involved? What were the numbers of cases in which the tax in default was recovered and the amounts involved? Please provide a breakdown by tax type.

2. What is the number of cases in which the tax in default has not been recovered as of this February? What are the amounts involved? What are the overdue periods? What recovery actions will be taken by the IRD?

3. With regard to countering tax evasion, what were the numbers of cases in which back tax and penalties were collected by the IRD in the past 3 years and the amounts involved? Please provide a breakdown by tax type.

Asked by: Hon CHU Lap-wai (LegCo internal reference no.: 43)

Reply:

1. If a taxpayer defaults on tax payment, IRD will normally first issue a surcharge notice in respect of each outstanding demand note to the taxpayer, imposing a 5% surcharge on the tax in default. If the taxpayer does not fully settle the tax within six months from the due date, IRD will issue another surcharge notice to the taxpayer to further impose a 10% surcharge on the overdue tax and surcharge.

   The statistics on the surcharge notices issued by IRD for different tax types in the three financial years from 2023-24 to 2025-26 are set out below:

Tax Type	Imposing 5% surcharge			Imposing 10% surcharge		
	No. of demand notes involved (Note)	Amount of surcharge ($ million)	Amount of tax involved ($ million)	No. of demand notes involved (Note)	Amount of surcharge ($ million)	Amount of tax involved ($ million)
2023-24						
Profits Tax	22 500	151.62	3,033	6 000	87.62	835
Salaries Tax	159 800	208.86	4,177	10 500	64.30	612
Property Tax	17 900	25.11	502	2 000	11.43	109
Personal Assessment	9 400	5.87	117	700	1.41	13
Total	209 600	391.46	7,829	19 200	164.76	1,569
2024-25						
Profits Tax	23 800	166.35	3,327	7 700	116.38	1,109
Salaries Tax	174 200	239.24	4,785	17 900	103.36	984
Property Tax	18 500	26.85	537	2 700	13.68	130
Personal Assessment	10 200	6.85	137	900	2.97	28
Total	226 700	439.29	8,786	29 200	236.39	2,251
2025-26 (up to 28 February 2026)						
Profits Tax	20 000	120.09	2,402	7 400	147.05	1,400
Salaries Tax	171 800	240.35	4,807	22 600	101.37	965
Property Tax	17 800	27.12	542	3 400	15.81	151
Personal Assessment	10 800	6.82	136	900	3.32	32
Total	220 400	394.38	7,887	34 300	267.55	2,548

Note: Rounded to the nearest hundred

IRD does not maintain statistics on the tax in default successfully recovered through recovery actions.

2. Up to 28 February 2026, the numbers of demand notes with tax due in the financial years 2023-24 and 2024-25 but remain outstanding despite the recovery actions taken by IRD were around 25 000 and 43 000 respectively. The respective amounts of tax involved were about $2.2 billion and $2.8 billion. Since some of the taxpayers who failed to pay tax on time due to financial difficulties have been approved by IRD to pay tax by instalments, and it takes time to process certain cases which involve legal proceedings, recovery of the overdue taxes could not be completed in the relevant financial year. IRD will continue to take follow-up actions against tax defaulters to protect government tax revenue.

As for the demand notes issued by IRD in the financial year 2025-26, the taxes concerned are generally due in January 2026. For the overdue taxes, IRD will take recovery actions, including imposing surcharges as mentioned above, issuing recovery notices to third parties (e.g. employers and banks) and undertaking civil litigation in the District Court. Since various tax recovery actions are still in progress, statistics on demand notes that remain outstanding despite the recovery actions taken by IRD are not available at this stage.

3. IRD is committed to combating tax evasion and avoidance. It leverages information technology to enhance work efficiency and effectiveness, such as using computer-assisted data analyses to identify high-risk cases for tax audit. Officers of the Field Audit and Investigation Unit will conduct on-site inspections of taxpayers' business premises and examine their accounting records to ascertain whether the profits reported and information submitted were correct. In the financial years from 2023-24 to 2025-26, the total numbers of audit cases completed by the IRD and the relevant amounts of back tax and penalties assessed are as follows:

	2023-24	2024-25	2025-26 (up to 28 February 2026)
Total number of cases completed	1 802	1 803	1 707
Back tax and penalties assessed	$3.304 billion	$2.811 billion	$2.651 billion

IRD does not maintain a breakdown of investigation cases by tax type.

- End -