

# Commissioner's Overview



2003-04 marked a busy but challenging year for the Inland Revenue Department.

Having adversely affected by the outbreak of SARS in early 2003, the economy took a turn for the better towards the latter half of the year. With reviving confidence and optimism, our economy staged a rapid rebound. Total IRD collections for the year amounted to \$106.2 billion, representing a 14% increase over the collections in the previous year and the highest collection since 1998-99.

As one of the measures to help the community tide over the difficulties arising from the SARS outbreak, the Administration announced in April 2003 a tax rebate of \$2.3 billion under Salaries Tax and Personal Assessment to 1.3 million taxpayers. This represented more than 3 times the number of refunds normally issued by the Department in a year. With the effort and dedication of all staff, timely relief to the taxpayers was ensured. After more than 7,000 hours of overtime work by the front line staff, refund cheques were in the hands of the taxpayers in 3 months. Special messages were printed on the rebate envelopes to encourage taxpayers to spend the refund and help stimulate the local economy.

Developments were also seen in the area of international taxation. During the year, not only could we conclude the Avoidance of Double Taxation Agreements (DTAs) with Norway, Singapore, Sri Lanka and the Macau Special Administrative Region on international shipping/air service incomes, there was also important breakthrough in the negotiation of Comprehensive Double Taxation Agreement (CDTA).

In December 2003, Hong Kong signed an Agreement with Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital. This was the first CDTA concluded by Hong Kong with another economy and signified an important milestone in Hong Kong's own programme of CDTAs. The Agreement will bring certainty in respect of taxation to Belgian and Hong Kong investors doing business in each other's jurisdiction, thereby fostering closer economic ties between the two places.

On the taxation arrangement for cross-border employees as specified in the 1998 Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, agreements were reached during the year with the State Administration of Taxation of the Mainland over certain issues of mutual concern relating to the interpretation and implementation of the Arrangement. They were reflected in a pamphlet published on the IRD website.

During the year, the Department continued to streamline its organization and optimize the use of resources through various initiatives, in particular, the more intensive use of information technology and risk management techniques. The total establishment was reduced by some 5%, from 3,211 posts in March 2003 to 3,079 posts in March 2004. The savings were made possible through the implementation of the following initiatives in the year:-

- Document Management System. The system brings about automation in the processes of documents capturing, indexing, storage and retrieval and enables staff to gain access to the same document concurrently via their workstations. It serves to save time, reduce paper consumption and enhance operational efficiency in handling enquiries and other areas of work.
- Closure of the Kowloon and Tsuen Wan sub-offices. With the outsourcing of collection service and increasing popularity in the use of electronic services, delivery of services in our headquarters at Revenue Tower is considered more cost-effective.
- The setting up of three centralized processing centres namely, the Document Processing Centre, the Output Despatch Centre and the Tax Record Centre. Through re-engineering the Department's business processes with the aid of information technology and centralizing certain cross-unit common functions and business processes in the 3 processing centres, the Department is able to save manpower resources, flexibly redeploy staff and reshuffle their duties to cater for seasonal needs and, at the same time, reap the maximum benefit of economies of scale to enhance overall efficiency and productivity.

In August 2004, a new e-Stamping service for tenancy agreements, agreements for sale and assignments of landed properties was launched. Further enhancement in operational efficiency and savings in manpower will be envisaged.

With careful planning, the efficiency saving measures will not affect our quality of services. We hold firmly to our commitment of providing quality services to our customers and hence adopt the "EEC" service strategy. "EEC" effectively means that the tax information we provide must be "Easy to understand", tax returns must be "Easy to complete" and we shall be "Communicating with taxpayers", thus facilitating their compliance with obligations in return lodgement and tax payment. We shall strive to provide efficient and cost-effective services to meet the many and varied needs of all our customers, with the aims of reducing the numbers of enquiries and complaints and releasing the saved resources for better use.

I am pleased to report that in the 2003-04 Outstanding Customer Service Award Competition organized by the Civil Service Bureau, we were chosen as the second runner-up in the department award category and the champion in the counter service team award category. The recognition of our efforts will encourage us to continue enhancing our services in both quality and quantity.

Finally, I would like to express my hearty gratitude to all the staff and partners at work. Your full support has enabled the Department to rise to the challenges and to get through a successful year. We shall continue to serve with devotion and strive for perfection, so as to achieve a triple-win situation - a satisfied taxpaying public, a pool of motivated and enthusiastic staff and a tax administration that achieves its statutory functions effectively.

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**Commissioner of Inland Revenue**