

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)021****(Question Serial No. 2548)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): ()Programme: (2) CollectionControlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Will the Government please inform this Committee of:

- (A) the number of tax recovery cases with recovery actions not yet completed up till now, and the main reasons for not having completed the actions;
- (B) the details of the recovery cases for the financial years 2015-16 and 2016-17 as requested in the table below:

Amount of tax involved in recovery cases	No. of cases				
	Salaries Tax	Profits Tax	Property Tax	Personal Assessment	Stamp Duty
below \$100					
\$100 – \$500					
\$501 – \$1,000					
\$1,001 – \$5,000					
\$5,001 – \$10,000					
\$10,001 – \$50,000					
\$50,001 – \$100,000					
\$100,001 – \$500,000					
\$500,001 – \$1,000,000					
\$1,000,001 – \$5,000,000					
Over \$5,000,000					

- (C) the details of the staff establishment for taking recovery actions, including the ranks (with salary points specified), the number of staff deployed, and the total expenditure involved on personal emoluments;
- (D) the flow of the recovery process, and the time generally required for completion of each case for different categories of tax, such as salaries tax and profits tax.

Asked by: Hon LAM Kin-fung Jeffrey (Member Question No. 9)

Reply:

- (A) If a taxpayer defaults on tax payment, the Inland Revenue Department (IRD) will take recovery actions including imposition of surcharge, issuance of warning letter, recovery notices to third parties (such as employers and banks), and initiation of court proceedings. The number of tax recovery cases to be completed in financial year 2016-17 is estimated to be 268 000.

As at 28 February 2017, there were 141 602 tax demand notes with payment overdue. For some taxpayers who encountered financial difficulties in paying their tax on time, they might have applied to IRD for making tax payment by instalments. As for other cases, the tax recovery work is underway. Where a case involves legal proceedings, the process would usually take a longer time, and could hardly be completed within a short period. IRD will continue to take appropriate actions to recover tax in default so as to protect government tax revenue.

- (B) The following table sets out the statistics on the surcharge notices issued by IRD for different tax types in financial years 2015-16 and 2016-17 (as at 28 February 2017):

Types	5% surcharge			10% surcharge		
	No. of charges involved^	Amount of surcharge involved (\$million)	Amount of tax involved (\$million)	No. of charges involved^	Amount of surcharge involved (\$million)	Amount of tax involved (\$million)
2015-16 financial year						
Profits Tax	16 400	95.44	1,909	4 100	65.88	627
Salaries Tax	192 700	135.08	2,702	12 200	40.91	390
Property Tax	19 600	18.05	361	2 500	6.24	59
Personal Assessment	14 400	6.63	132	900	3.24	31
Total	243 100	255.20	5,104	19 700	116.27	1,107
2016-17 financial year						
Profits Tax	16 400	98.99	1,980	4 500	74.35	708
Salaries Tax	172 500	141.33	2,827	13 700	43.55	415
Property Tax	17 900	17.10	342	2 800	7.17	68
Personal Assessment	14 400	6.77	135	1 000	3.51	33
Total	221 200	264.19	5,284	22 000	128.58	1,224

^ Rounded to nearest hundred

As for stamp duty, there were 13 328 and 12 078 late stamping cases in financial years 2015-16 and 2016-17 (as at 28 February 2017) respectively. The late penalty involved amounted to \$30 million and \$100 million respectively. The significant increase in the amount of late penalty collected in 2016-17 was mainly caused by one case involving a large sum of penalty (the case is related to stock borrowing and lending transactions).

IRD has no breakdown on the tax default cases by the amount of tax in default.

- (C) The Enforcement Section is headed by an Assistant Commissioner of IRD and has an establishment of 217 staff, comprising 32 Assessor grade staff, 141 Taxation Officer

grade staff, 42 clerical grade staff and 2 Common grade staff. The revised estimate of funding provision in financial year 2016-17 for the section is \$127.2 million.

- (D) The time required for tax recovery depends very much on the circumstances of individual cases and hence cannot be generalized. IRD does not maintain statistics in this regard. Regarding the flow of the recovery process, as mentioned in Part (A) above, the recovery actions which may be taken by IRD generally include imposition of surcharge, issue of warning letter, recovery from employer or other third parties, initiation of court proceedings, etc.

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