

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)100

Question Serial No.

1799

Head: 76 Inland Revenue DepartmentSubhead (No. & title):Programme: (2) CollectionControlling Officer: Commissioner of Inland RevenueDirector of Bureau: Secretary for Financial Services and the TreasuryQuestion:

In respect of the recovery actions taken by the Inland Revenue Department in the past 2 years, please provide the following details:

- (a) the types of recovery cases and the number of cases for each type;
- (b) the amount involved in the recovery cases;
- (c) the number of recovery cases not yet completed.(i.e. tax in default);and
- (d) the ways to enhance the efficiency of recovery actions.

Asked by: Hon. TONG Ka-wah, RonnyReply:

(a) & (b)

Once a taxpayer defaults on tax payment, normally the Inland Revenue Department (IRD) will first impose a 5% surcharge on every overdue charge by issuing a 5% surcharge notice. If the taxpayer does not fully pay the tax within 6 months from the due date, IRD will issue a 10% surcharge notice to the taxpayer to further impose a 10% surcharge on the overdue tax and surcharge.

In the financial years 2010-11 and 2011-12 (as at 31 January 2012), the statistics on the surcharge notices issued by the IRD for different tax types are as follows:

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)
2010-11 financial year						
Profits Tax	14 300	77.35	1,547	3 000	42.90	409
Salaries Tax	147 100	92.63	1,853	7 100	24.85	237
Property Tax	15 900	8.53	171	1 300	2.04	19
Personal Assessment	11 800	4.41	88	600	1.05	10
Total	189 100	182.92	3,659	12 000	70.84	675
2011-12 financial year *						
Profits Tax	5 500	48.58	972	2 900	50.73	483
Salaries Tax	82 500	76.05	1,521	7 300	29.92	285
Property Tax	14 400	8.70	174	1 100	2.33	22
Personal Assessment	9 900	3.58	71	600	2.09	20
Total	112 300	136.91	2,738	11 900	85.07	810

* As at 31 January 2012

If the tax remains unpaid after the issuance of the 5% surcharge notice, IRD will open a collection file and take further recovery actions on all overdue charges in respect of the same taxpayer, including the issuance of recovery notices to the third parties (such as employers and banks) and the initiation of court proceedings.

In the financial years 2010-11 and 2011-12 (as at 31 January 2012), the numbers of cases for which IRD has taken recovery actions are as follows:

	2010-11 No. of cases#	2011-12 * No. of cases#
Recovery Notices	102 293	52 491
Legal Proceedings	5 897	4 033

* As at 31 January 2012

IRD does not have statistical breakdown on tax recovery actions by tax types

(c)

As at 31 January 2012, the total amount of tax in default was \$10.5 billion, involving 187 800 charges.

(d)

IRD adopts multi-pronged measures to promote, educate and remind taxpayers to pay tax on time and to enhance their understanding of tax obligations, particularly the tax obligations of employers and persons who plan to leave Hong Kong. Before commencement of each tax payment season, IRD will publish notices in various newspapers and insert a pop-up dialogue box in its website to remind taxpayers to pay tax on time. For eTax account holders, IRD would also send them e-Alert messages before their tax is due as a reminder to pay tax on time.

For taxes overdue, IRD will promptly take various recovery actions, including imposition of surcharges as mentioned above, issuance of recovery notices to employers, banks and other persons who owe money to or hold money for the tax defaulters, and the initiation of court proceedings. If a tax defaulter intends to depart or has departed from Hong Kong to reside elsewhere, the Commissioner of Inland Revenue may apply to the District Court for a "Departure Prevention Direction" to prevent the person from leaving Hong Kong.

Signature: _____

Name in block letters: CHU Yam-yuen

Post Title: Commissioner of Inland Revenue

Date: 29.2.2012