

**Summary of Major Views of Stakeholders and the Inland Revenue Department’s Responses  
in Respect of the Consultation Paper Issued in November 2021**

The table below summarizes the Inland Revenue Department’s (the Department) responses to the major views expressed in the written submissions from the respondents during the consultation conducted from November 2021 to January 2022 on various computer-related support measures offered to businesses for the implementation and transition of the e-Filing Project. It should be read together with the Consultation Paper issued in November 2021. Overall, the views received focused on four key issues: (A) tagging requirements, (B) implementation timeline, (C) consequence of incorrect tagging and (D) provision of additional support. Other suggestions on the Department’s electronic services are also provided.

The respondents that made the written submissions are hereinafter referred to as: “ACCA” (ACCA Hong Kong), “CPAA” (CPA Australia Limited), “Deloitte” (Deloitte Advisory (Hong Kong) Limited), “EY” (Ernst & Young Tax Services Limited), “HKICPA” (The Hong Kong Institute of Certified Public Accountants), “JLCT” (The Joint Liaison Committee on Taxation), “SCAA” (The Society of Chinese Accountants and Auditors) and “TIHK” (The Taxation Institute of Hong Kong).

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<b>A. Tagging Requirements</b>			
1.	There should be a simplified tagging requirement, and minimal tagging list at the initial stage with additional clarifications on the scope of tagging requirement such as which items need to be tagged and which ones do not.	CPAA, Deloitte, EY, HKICPA and JLCT	- The Department has put in place business-friendly facilitating measures to help corporations and businesses familiarize themselves with the IRD Taxonomy Package and the IRD iXBRL Data Preparation Tools (the Tools) at the stage of voluntary e-filing, including the minimum tagging requirement and publication of user guide, tips for tagging, full list of mandatory items and related materials.

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			<ul style="list-style-type: none"> <li>- To simplify the tagging requirement at the initial stage, the Department adopts the minimum tagging requirement under which corporations and businesses do not need to tag all and every data item in their financial statements (FS) and tax computations (TC). Corporations and businesses will only need to tag the primary statements / main tax computation schedules in the respective taxonomy sections as follows: <ul style="list-style-type: none"> <li>• Financial statements – Statement of comprehensive income, profit or loss;</li> <li>• Financial statements – Statement of financial position;</li> <li>• Notes to financial statements – Related party transactions;</li> <li>• Notes to financial statements – Property, plant and equipment; and</li> <li>• Main tax computation schedules in the tax computations (i.e. items with tax adjustments, Depreciation Allowance / Industrial Building Allowance / Commercial Building Allowance schedule and detailed profit and loss account).</li> </ul> </li>   <li>- If the FS and TC of the corporations or businesses do not contain any of the taxonomy sections listed above, such section is not required to be tagged for the e-filing purpose. For example, where corporations or businesses do not have any related party transaction disclosure in their notes to FS, they are not required to tag any elements in relation to related party transactions.</li> </ul>

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			<ul style="list-style-type: none"> <li>- Clarifications on the tagging requirements and tips for tagging can be found on the Department's website : <a href="#">IRD : New Era of Profits Tax Filing - iXBRL Filing</a> and <a href="#">IRD : Tips for tagging</a> respectively.</li> </ul>
2.	<p>There should be more clarity on the tagging requirements:</p> <ul style="list-style-type: none"> <li>(a) for companies having consolidated FS or annual reports;</li> <li>(b) for companies having Chinese FS and TC; and</li> <li>(c) for non-Hong Kong incorporated companies (e.g. BVI/ Cayman Islands, etc.) which do not adopt Hong Kong Financial Reporting Standards (HKFRS) to prepare their FS.</li> </ul>	HKICPA and JLCT	<ul style="list-style-type: none"> <li>- The Department has taken note that some corporations currently submit their consolidated audited FS or full set of annual reports as supporting documents together with their Profits Tax returns in paper form. In order to achieve better performance and reduce the size of the final iXBRL data file, the corporations are recommended to trim down their source documents to the extent that at least provides their statements of financial position or balance sheets and other relevant information at an entity level for the purpose of tagging their accounting data. The relevant procedures have been set out at Part B of <a href="#">User Guide of the IRD iXBRL Data Preparation Tools</a>.</li> <li>- The Department is currently developing a Traditional Chinese version of the IRD Taxonomy Package and the Tools to cater for taxpayers who prepare their FS and TC in Traditional Chinese. The Traditional Chinese version will be launched in April 2024.</li> </ul>

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			<ul style="list-style-type: none"> <li>- If corporations or businesses do not adopt full HKFRS, Hong Kong Financial Reporting Standards for Private Entities (HKFRS for Private Entities) or Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (SME-FRF &amp; SME-FRS) (i.e. using other accounting standards in preparing their FS), they are allowed to submit their FS in PDF format for e-filing purpose.</li> </ul>
3.	Suggest to provide a taxonomy for SME-FRF & SME-FRS or “mini” GAAP.	HKICPA	<ul style="list-style-type: none"> <li>- The IRD FS-PE Taxonomy, i.e. the IRD Taxonomy for FS prepared in accordance with the HKFRS for Private Entities, is also applicable to enterprises adopting SME-FRF &amp; SME-FRS.</li> </ul>
<b>B. Implementation Timeline</b>			
1.	Suggest to postpone the mandatory e-filing for multinational enterprises (“MNEs”) to a later period, provide a clear and transparent timetable for the e-filing process and implement the phased mandatory e-filing if all companies will need to file their annual Profits Tax returns through e-filing.	CPAA, Deloitte, JLCT and HKICPA	<ul style="list-style-type: none"> <li>- The implementation of mandatory e-filing of Profits Tax returns will be initiated by phases, starting with MNEs first and then progressing to SMEs. The ultimate goal of the Department is to achieve full-scale implementation of mandatory e-filing by 2030. Section 51AAB of the Inland Revenue Ordinance allows the Commissioner to, through subsidiary legislation, specify the classes or descriptions of taxpayers who must furnish their tax returns in the form of an electronic record in a gazette notice. Before the implementation of mandatory e-filing, the Department will gauge views from stakeholders for formulating the</li> </ul>

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			<p>subsidiary legislation, which will be subject to negative vetting by the Legislative Council.</p> <ul style="list-style-type: none"> <li>- The Department plans to consult with the stakeholders on the implementation plan in the second half of 2023 so as to allow MNE groups to make early preparation. The Department aims at introducing a piece of subsidiary legislation into the Legislative Council in the first quarter of 2024. Meanwhile, the Department continues reviewing the voluntary e-filing services and listening to stakeholders' feedback.</li> </ul>
2.	Suggest to exempt certain SMEs from e-filing. For example, taxpayers with turnover below a certain threshold and who offer their profits to tax.	ACCA	<ul style="list-style-type: none"> <li>- Currently, companies with FS prepared in accordance with non-HKFRS or dormant companies are exempt from electronic submission of their FS in iXBRL format. The Department continues reviewing the voluntary e-filing services and may take into account the respondents' view of widening the scope of exemption threshold if necessary.</li> </ul>
3.	Definitions of MNEs and SMEs for e-filing purposes should be provided.	CPAA, EY and TIHK	<ul style="list-style-type: none"> <li>- In mapping out the scope of taxpayers for the first phase of mandatory e-filing of Profits Tax returns, the Department's preliminary thought is to make reference to the threshold requirement for filing a Country-by-Country Return. That is, an MNE Group whose annual consolidated group revenue for the preceding accounting period reaches at least EUR 750 million would be in-scope for the first phase of mandatory e-filing. This specified threshold is similar to the one in the global anti-</li> </ul>

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			<p>base erosion (GloBE) rules under Pillar Two of the BEPS 2.0 proposals which are targeted at MNE groups with annual consolidated group revenue exceeding EUR 750 million in at least two of the previous four fiscal years. It is expected that such MNE groups, which have already got used to e-filing their Country-by-Country Returns and will likely be required to e-file the coming GloBE Information Returns in future, would have more resources to adapt to the new iXBRL filing requirements.</p> <ul style="list-style-type: none"> <li>- As mentioned in item B(1) above, before the implementation of mandatory e-filing, the Department will gauge views from stakeholders for formulating the subsidiary legislation, which will be subject to negative vetting by the Legislative Council.</li> </ul>
<b>C. Consequence of Incorrect Tagging</b>			
1.	Suggest to treat leniently in penal actions for human errors or unintentional tagging errors at the initial stage of implementation and provide clear guidance on the legal obligations of taxpayers and service providers for late / incorrect e-filing or tagging, and more information regarding the	CPAA, Deloitte, JLCT, HKICPA, SCAA and TIHK	<ul style="list-style-type: none"> <li>- For penalty or other consequences in respect of errors made in preparing iXBRL data files, the Department will consider whether the taxpayer, without reasonable excuse, commits an offence in the Inland Revenue Ordinance (e.g. late filing of a tax return, furnishing an incorrect return or making an incorrect statement), depending on the facts and circumstances of each individual case. Taxpayers should have reasonable knowledge of the taxonomies and iXBRL filing requirements as well as their own financial position before proceeding to the tagging process and preparing an</li> </ul>

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	circumstances under which they could commit an offence.		iXBRL data file. A lenient approach will be taken in assessing the accuracy of tagging, especially in the early years of voluntary adoption of iXBRL filing of supporting documents.
2.	Suggest to provide more guidelines on when the Department may impose or remit penalties on tax representatives, including late filing.	CPAA	- Please refer to FAQ 16 under the " <a href="#">IRD : New Era of Profits Tax Filing - iXBRL Filing</a> " section on the Department's website.
<b>D. Provision of Additional Support</b>			
1.	<p>Suggestions include:</p> <p>(a) to provide sufficient consultation timeslots in relation to the usage of the Tools in e-Appointment service before the official e-filing due date ;</p> <p>(b) to provide trainings and support to taxpayers, tax representatives and their employees for learning and promoting the process of e-filing;</p>	ACCA, CPAA, Deloitte, HKICPA and JLCT	- Before the launch of voluntary e-filing of Profits Tax returns on 1 April 2023, the Department conducted two rounds of consultation on the e-Filing Project in 2021 and 2022 respectively. Apart from issuing consultation papers to professional bodies, accounting and tax practitioners, business chambers, trade associations and software vendors, the Department also organized a series of consultation sessions, webinars and meetings with various interested parties to raise awareness of the new features of the e-filing requirements in 2023, to promote voluntary e-filing of Profits Tax returns and to seek stakeholders' views on the proposed IRD Taxonomy Package and the Tools.

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	<p>(c) to provide alternative communication channels and tools for making enquiries, such as communication tools that allow for sharing screens or screenshots;</p> <p>(d) to provide more clarity on the communication time and target response time of each e-Appointment call;</p> <p>(e) to conduct an ongoing consultation forum or form a working group with software providers, tax practitioners and businesses to assist in the design and implementation of the e-Filing Project.</p> <p>(f) to provide FAQs with regular updates.</p>		<ul style="list-style-type: none"> <li>- After the launch of voluntary e-filing of Profits Tax returns on 1 April 2023, the Department continues working closely with software providers, tax practitioners, businesses and other stakeholders. Different forms of support (including training sessions for accounting and tax practitioners, guidance notes, frequently asked questions, e-Appointment service, online demo videos and etc.) are being provided to facilitate better understanding of the new iXBRL filing requirements by taxpayers.</li> <li>- Taxpayers can access the online booking system, namely <a href="#">e-Appointment</a>, to book-in-advance a specific timeslot of 30 minutes within the next 20 working days for making enquiries in relation to the use of the Tools via phone call. The Department's officers will call the taxpayer via the provided phone number at the specific time he/she has booked the service.</li> <li>- The frequently asked questions (FAQs) have been published on the Department's website. There will be regular reviews and updates to the FAQs.</li> </ul>
2.	Suggest to include the conversion of PDF files function into the free conversion tools.	HKICPA and SCAA	<ul style="list-style-type: none"> <li>- Under the current design, the FS in Microsoft Word formatted in .doc or .docx and TC in Microsoft Excel formatted in .xls or .xlsx can be imported into the Tagging Tool for generating iXBRL data files. As advised by the industry practitioners, our current design would be able to cater for the majority of users.</li> </ul>



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			<ul style="list-style-type: none"> <li>- In any event, the Department encourages corporations and businesses to upgrade or develop their own computer programs which are capable of converting their supporting documents (e.g. PDF files) into iXBRL format and generating the required iXBRL data files for e-filing purposes.</li> </ul>
3.	Suggest to provide the two free conversion tools to all businesses regardless of the business size so that taxpayers can choose the conversion tools based on their preferences.	Deloitte and JLCT	<ul style="list-style-type: none"> <li>- The Tools developed by the Department consist of Tagging Tool and Template Tool. The Tagging Tool performs an automatic detection of figures and labels from FS and TC and matching with elements in the IRD Taxonomy Package according to the rules already built therein. The Template Tool, which is simple and easy to use, is specifically designed for small corporations or businesses (with gross income not exceeding \$2,000,000) to input figures and text in pre-defined templates for generating iXBRL data files without the necessity of matching the data with relevant tags.</li> <li>- In general, the FS and TC prepared by larger corporations or larger businesses are relatively complicated and involve a number of pages. If larger corporations or larger businesses are allowed to use the Template Tool, they have to spare more time to fill in the pre-defined templates based on the data shown in their own FS and TC. As such, the input effort is expected to be significant when comparing with the tagging effort under the Tagging Tool which has the auto-tagging capability.</li> </ul>

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4.	Suggest to identify suitable software suppliers that conform to the requirements specified on the IRD website.	CPAA, Deloitte and JLCT	- The respondents' recommendation is noted. The Department welcomes software suppliers to develop iXBRL conversion tools which conform to the Department's iXBRL filing requirements for facilitating adoption of e-filing by taxpayers. Depending on the market development and the stakeholders' feedback during the voluntary e-filing stage, the Department may consider this recommendation later.
5.	Suggest to implement a simple and streamlined verification process for self-developed programs and conduct tests of such programs in conjunction with tax practitioners.	CPAA, Deloitte, EY and TIHK	- The respondents' recommendation of implementing a simple and streamlined verification process for self-developed programs is noted. Depending on the market development and the stakeholders' feedback during the voluntary e-filing stage, the Department may consider this recommendation later.
6.	Suggest to set up a platform for uploading a test data file in order to verify whether the data file produced by self-developed computer programs conforms to the specifications in the iXBRL schemas.	Deloitte and HKICPA	- A trial run with the preliminary version of the IRD Taxonomy Package and the Tools was conducted from 19 December 2022 to 18 January 2023. During the trial run, the participants were able to experience uploading their iXBRL data files, either generated by the Tools or their own self-developed software, for testing the validity of the iXBRL data files. This trial run served as a means to test whether the iXBRL data files generated by self-developed programs could be in conformance with the IRD Taxonomy schema and comply with the XBRL specifications.

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<b>E. Other Suggestions</b>			
1.	Suggest to extend the time for e-filing of Profits Tax returns (at least one month or more).	ACCA, CPAA, Deloitte, HKICPA and TIHK	- A further one-month extension of filing deadline has been granted to encourage taxpayers or their service providers to participate in voluntary e-filing of Profits Tax returns.
2.	Other suggestions include: (a) to provide incentives (such as subsidy, tax relief or tax deduction) to taxpayers and software suppliers in respect of the expenditure incurred on developing or upgrading relevant computer programs; (b) to provide incentives in order to encourage overseas software suppliers to invest and localize the iXBRL preparation tools which can be used for e-filing in Hong Kong; (c) to provide information and transparency on data security and data usage; (d) to clarify whether the response on tax refund cases will be quicker;	Deloitte, JLCT and SCAA	<ul style="list-style-type: none"> <li>- The respondents' suggestions are noted. The Department may suitably take into account their views in providing better assistance to the public.</li> <li>- The Department is always aware of the importance of data security and data usage. We will provide the relevant information and ensure transparency on data security and data usage.</li> <li>- e-Filing of Profits Tax returns will take years to achieve high take-up rate. It is envisaged that the Department's efficiency in processing returns, raising assessments (including tax payable and repayable cases) and post-assessment follow-up works would be gradually enhanced by reason of the present e-filing initiative.</li> </ul>

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	<p>(e) not to introduce new information requirements in the early stage of e-filing adoption;</p> <p>(f) to state clearly whether to accept other related tax documents such as audited FS and tax representative authorization letter bearing directors' / taxpayers' e-signature (e.g., using software such as DocuSign); and</p> <p>(g) to allow inactive companies to file simplified Profits Tax returns for the purpose of collecting basic data and audited accounts.</p>		
3.	Suggest that service providers should be allowed to retain an electronic copy of wet signed Form IR1476 in lieu of the physical hard copy of the Form.	EY	- The respondent's suggestion is noted. The Department may suitably take into account the suggestion in providing greater convenience to the public.

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4.	Suggest that the e-filing system should be user-friendly and practical to match the business requirement and facilitate the interaction between companies and professional advisors; and be adaptable and able to accommodate future needs.	HKICPA	- The system development of the new tax portals is in active progress. The Department aims at providing user-friendly, secure and reliable tax portals for taxpayers to access our services via electronic means at their convenience.