



Tax Newsflash

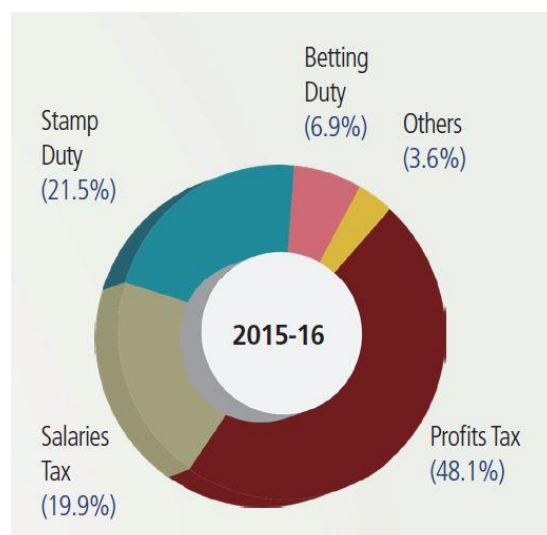
Hong Kong Tax News: IRD's Annual Report 2015-16

The Inland Revenue Department (IRD) has released its Annual Report for 2015-16. Here are some of the information that you may be interested in:

Revenue collected by tax type

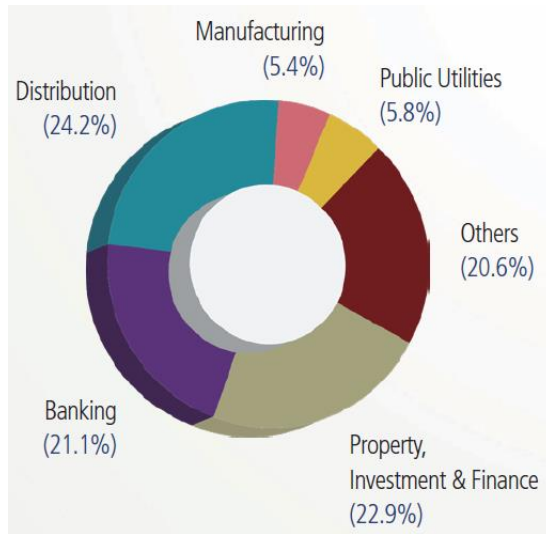
The total revenue collected by the IRD in 2015-16 has dropped by 3.5% as compared with the previous year. The drop mainly came from the significant drop of stamp duty collection.

The revenue collected by the IRD accounted for 76% of the Government's General Revenue. Profits Tax contributed the largest part of the total revenue collected by the IRD. Salaries Tax has no longer been the 2nd largest of the tax collection since 2014-15, being replaced by Stamp Duty. The diagram below illustrates the composition of the tax revenue collections.



Profits Tax

Of the total final tax assessed for 2014-15, the property and financial sectors together contributed 44% and the distribution sector generated 24.2%.

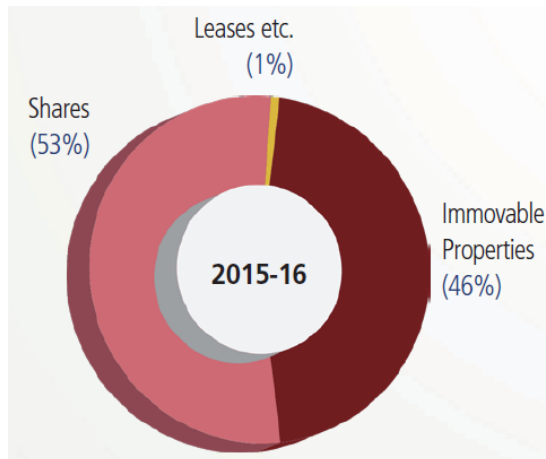


Salaries Tax

For the year of assessment 2014-15, the number of standard rate taxpayers only accounted for 1.7% of the total no. of salaries taxpayers, but they contributed 40% of the Salaries Tax assessed by the IRD.

Stamp Duty

The diagram below illustrates the composition of Stamp Duty collections for 2015-16.



The stamp duty collections from immovable properties in 2015-16 significantly decreased by 42% as compared to that of 2014-15. This was resulted from the decrease in the number of immovable property transactions since August 2015, as well as the one-off receipt of additional stamp duty in the previous year as a transitional period. On the other hand, the stamp duty collections from share transactions increased 34% because the number of securities transactions has increased significantly in the first half of 2015-16. Overall, there was a decrease of 16% in the total stamp duty collected during 2015-16.

Field audit cases

The IRD completed 1,804 cases and assessed back tax and penalties of about HK\$2.5 billion during 2015-16. Out of which, 215 cases were related to tax avoidance and the relevant back tax and penalties were about HK\$1 billion. The table below illustrates the results of the Field Audit and Investigation Unit over the last few years.

	2012-13	2013-14	2014-15	2015-16
Number of cases completed	1,802	1,802	1,803	1,804
Understated earnings and profits (\$m)	16,348.0	12,936.4	12,857.9	13,888.8
Average understatement per case (\$m)	9.1	7.2	7.1	7.7
Back tax and penalties assessed (\$m)	3,447.7	2,540.0	2,533.1	2,538.3
Back tax and penalties collected (\$m)	3,438.3	2,158.7	2,861.4	1,824.2

Advance rulings

During 2015-16, the IRD completed the processing of 29 advance ruling applications. Out of which, 16 rulings were made, 12 applications were withdrawn and 1 ruling was declined.

Advance pricing arrangement (APA)

Up to 31 March 2016, the IRD has received quite a number of applications in relation to tax treaties with different partners including Mainland China, Japan, Malaysia and the Netherlands. These cases are currently under different stages of the APA programme and a few of them have been completed. At present, the IRD will only consider bilateral or multilateral APA applications due to resource constraints and the deficiency of a unilateral APA.

Legislative amendments

During 2015-16, five legislative bills were enacted. They are related to:

1. Tax appeal mechanism related to Board of Review
2. Concessionary revenue measures introduced in the 2016-17 Budget
3. Corporate treasury center, interest deduction, interest income and regulatory capital securities
4. Open-ended fund structure
5. Automatic exchange of financial account information (AEOI)

The Annual Report can be downloaded through this link http://www.ird.gov.hk/eng/ppr/are15_16.htm.

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