

LCQ13: Alleviating burden of tax

Following is a question by the Hon Starry Lee and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 24):

Question:

The Coronavirus Disease 2019 epidemic has dealt a heavy blow to Hong Kong's economy, resulting in quite a number of employees earning substantially less income and even being out of a job, as well as quite a number of enterprises making substantially less profits and even closing down. On the other hand, taxpayers with financial difficulties may apply to the Inland Revenue Department (IRD) for payment of tax by instalments. The Government has implemented the following temporary arrangements: for those taxpayers who have been approved on grounds of financial difficulties to settle by instalments their salaries tax, profits tax and personal assessment demand notes issued between August 2020 and August 2021 for the year of assessment 2019-2020, surcharge may be waived for a maximum period of one year counting from the respective due dates of the demand notes, provided that they settle all the instalment payments on schedule. In addition, if taxpayers anticipate that there will be a decrease of more than 10 per cent in their net chargeable income or assessable profits for the current year of assessment, they may apply to the IRD for holding over part of or the whole of the provisional tax. Such holding over arrangement applies to salaries tax, profits tax and property tax. In this connection, will the Government inform this Council:

(1) of the respective numbers of applications received by the IRD up to the end of last month for (a) payment by instalments of (i) salaries tax, (ii) profits tax and (iii) property tax for the year of assessment 2019-2020, and (b) holding over of provisional tax in respect of those three taxes for the year of assessment 2020-2021; how these figures compare to the relevant figures of the same period last year;

(2) regarding the respective applications for (a) payment of tax by instalments and (b) holding over of provisional tax mentioned in (1), of the respective total amounts of (i) salaries tax, (ii) profits tax and (iii) property tax involved; among these cases, the respective largest amounts of tax and provisional tax involved in respect of those three taxes, and the respective occupations and trades in which the applicants concerned were engaged; and

(3) whether it has examined new measures to help relieve the burden of tax on those employees with decreased income and those companies with dropped profits, such as allowing companies with dropped profits to defer the payment of profits tax for one year, or reducing the tax rates concerned, so that they could have more operating funds?

Reply:

President,

My response to each part of the Member's question is set out below:

On parts (1) to (2) of the question

For taxpayers with financial difficulties who were approved by the Inland Revenue Department (IRD) for instalment settlement of their salaries tax, profits tax and personal assessment demand notes issued between December 2019 and December 2020 for the year of assessment (YA) 2018/19, or those issued between August 2020 and August 2021 for the YA 2019/20, no surcharge will be imposed (Note) for a maximum period of one year counting from the respective due dates of the demand notes, provided that the instalment plans are duly adhered to.

Statistics on the instalment plans approved for settlement of tax for the YA 2019/20 from August 2020 to January this year are as follows:

Payment by instalments	Number of cases	Amount of tax involved (\$million)
Salaries tax	1 280	184
Profits tax	150	1,037
Personal assessment	50	6

Statistics on the instalment plans approved for settlement of tax for the YA 2018/19 from December 2019 to January this year are as follows:

Payment by instalments	Number of cases	Amount of tax involved (\$million)
Salaries tax	5 000	730
Profits tax	870	1,837
Personal assessment	130	9

As some taxpayers may have yet to submit their applications for payment by instalments for the YA 2019/20, a direct comparison cannot be made between the figures concerned and those recorded in the previous year.

The IRD also provides for a holding over arrangement of provisional tax. Taxpayers anticipating a decrease of more than 10 per cent in their net chargeable income or assessable profits for the current YA may apply for holding over the whole or part of the provisional tax.

The number of approved applications for holding over of provisional tax

from April 2020 to January this year, and the amount of tax involved are as follows:

Holding over of provisional tax	Number of cases	Amount of tax involved (\$million)
Salaries tax	89 800	4,454
Profits tax	6 700	21,419
Property tax	5 100	95

The number of approved applications for holding over of provisional tax for the financial year (FY) 2019-20, and the amount of tax involved are as follows:

Holding over of provisional tax	Number of cases	Amount of tax involved (\$million)
Salaries tax	47 200	3,564
Profits tax	6 100	16,766
Property tax	3 000	47

Since the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 was only passed in November 2019, taxpayers received their tax bills for the YA 2019/20 later than usual. Thus, the number of applications for holding over of provisional tax for the FY 2019-20 cannot be directly compared with that recorded in this year.

Pursuant to section 4 of the Inland Revenue Ordinance on official secrecy, the IRD must not disclose information of individual taxpayers.

On part (3) of the question

With a view to helping hard-hit business sectors and individuals tide over the difficult times, the Government has introduced a series of measures since early 2020 amounting to over \$300 billion through the 2020-21 Budget and four rounds of injections into the Anti-epidemic Fund to relieve the financial pressure of businesses and individuals.

As mentioned in the response to the first two parts of the question, businesses and individuals may make use of the tax instalment payment and holding over of provisional tax arrangements to improve their cash flow. Salaries tax and profits tax are key sources of government revenue. When assessing any related proposals, the Government will take into consideration a range of factors, including the overall economic situation, the Government's fiscal position, and the needs of the community. The new Budget will maintain a counter-cyclical fiscal policy, with appropriate measures to alleviate the impact of the economic downturn on people's livelihood and to

lay the foundation for economic recovery from the epidemic.

Note: Taxpayers paying property tax may also apply for payment of tax by instalments, but the waiver of surcharge is not applicable to them. About 60 applications (involving \$4.2 million) and 80 applications (involving \$3.9 million) for payment of property tax by instalments were recorded in the financial years of 2019-20 and 2020-21 (by the end of January 2021) respectively.