

Over 2.6 million tax returns issued for individuals

The Inland Revenue Department (IRD) sent out about 2.68 million tax returns for individuals today (May 2). The Commissioner of Inland Revenue, Mr Wong Kuen-fai, reminded taxpayers to file their tax returns on time by June 3. For sole proprietors of unincorporated businesses, a three-month period is allowed and the filing deadline is August 2. Filing via eTAX will provide an automatic extension of one month (i.e. deadline for general cases is July 3, and for sole proprietors September 2).

Mr Wong also reminded taxpayers to pay sufficient postage if they send the returns by post. He encouraged taxpayers to file their returns through eTAX, which offers an easy, secure and environment-friendly online service for filing tax returns. Taxpayers can ensure tax returns be timely filed to the IRD.

In the Budget for this year, the Financial Secretary has proposed a 75 per cent reduction of the profits tax, salaries tax and tax under personal assessment for the year of assessment 2018/19, subject to a ceiling of \$20,000 per case. The Government has started the law amendment process. After enactment of the relevant legislation, the IRD will effect the tax measures in the 2018/19 tax bills to be issued later.

Mr Wong said taxpayers should complete this year's tax return as usual and no application is needed for the proposed tax measures.

"Individuals with rental income, if eligible, may elect personal assessment in their tax returns to enjoy the tax reduction," he added.

Mr Wong also highlighted new or changed items for the year of assessment 2018/19:

- Personal Disability Allowance at \$75,000 is newly introduced for taxpayers who are eligible to claim an allowance under the Government's Disability Allowance Scheme.
- A married person may elect for personal assessment separately from or jointly with his/her spouse.
- Two-tiered profits tax rates regime: the tax rate for the first \$2 million of assessable profits of a corporation is lowered to 8.25 per cent while that for an unincorporated business is reduced to 7.5 per cent. Assessable profits exceeding \$2 million is to be taxed at 16.5 per cent and 15 per cent respectively. For connected entities, only one nominated entity can enjoy the preferential tax rate. In the 2018/19 tax returns, all business operators are required to state whether their businesses are chargeable at the two-tiered rates and for businesses that have connected entities, whether any other connected entity has

elected two-tiered rates.

- Enhanced tax deductions are allowed under Profits Tax for three types of eligible capital expenditures:
 1. A 300 per cent tax deduction will be allowed for the first \$2 million qualifying research and development expenditure, and a 200 per cent deduction for the remainder.
 2. Capital expenditure incurred in procuring eligible energy efficient building installations and renewable energy devices will be allowed in full in one year instead of the current time frame of five years.
 3. The scope of deduction for capital expenditure incurred for the purchase of intellectual property rights will be expanded from the original five types to eight. The three additional types are performer's economic rights, protected layout-design rights and protected plant variety rights.
- Qualifying premiums paid under a Voluntary Health Insurance Scheme (VHIS): Starting from April 1, 2019, a taxpayer may claim tax deduction for qualifying premiums paid by him/her or his/her spouse as a policy holder of a VHIS policy for an insured person who is the taxpayer or a specified relative of the taxpayer. The ceiling for deduction is \$8,000 per insured person. There is no cap on the number of dependants who are eligible for tax deduction. Taxpayers can fill in the particulars in the 2018/19 individuals tax returns so that the IRD can compute the 2019/20 provisional salaries tax accordingly.

Taxpayers may visit the IRD's website (www.ird.gov.hk) to read the material under "e-Seminars" if they have questions on completing their tax returns. They may also raise their questions in the "Q&A Corner". From today to June 3, except on Sundays and public holidays, the IRD will deploy additional staff to answer the telephone enquiries hotline 1878022 and extend the service hours up to 7pm on weekdays, and from 9am to 1pm on Saturdays.

On revenue collection, Mr Wong said that \$341.4 billion was collected during 2018-19, an increase of \$12.8 billion compared with the previous year. The breakdown is as follows:

2018-19 revenue collection (provisional figures)

Tax Type	2018-19 Revenue (Provisional Figures) (\$million)	2017-18 Revenue (Actual Figures) (\$million)	Change
Profits Tax	166,618	139,100.2	+20%
Salaries Tax	60,143	60,838.8	-1%

Property Tax & Personal Assessment	9,587	8,790.3	+9%
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Total Earnings & Profits Tax	236,348	208,729.3	+13%
Estate Duty	89	31.3	+184%
Stamp Duty	79,979	95,172.8	-16%
Betting Duty	22,194	21,959.1	+1%
Business Registration Fees	2,827	2,726.7	+4%
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Total Revenue Collected	341,437	328,619.2	+4%