

## **Press release**

### **LCQ2: Tax assessments**

Wednesday, December 15, 2010

Following is a question by the Hon Albert Chan and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (December 15):

Question:

In recent years, I have received complaints from members of the public about errors in tax assessments of the Inland Revenue Department (IRD), resulting in these complainants' being charged huge amounts of tax. In one of the cases, a member of the public declared in the tax return the total amount of income to be \$86,868. However, IRD had mistaken it as \$8,686,800 and demanded that person to pay \$2.6 million of tax. The complainants also said that members of the public affected by IRD's incorrect tax assessments had to negotiate with IRD for months before it would correct the assessments. Those affected had mentally suffered immense nuisance in negotiating with IRD, and some of them even incurred financial losses, but IRD refused to pay compensation for its incorrect tax assessments. In this connection, will the Government inform this Council:

(a) in each of the past three years, of the number of cases involving incorrect tax assessments due to IRD's errors;

(b) among the cases in (a), of the greatest discrepancy in the amount of assessable income or tax payable between the correct and incorrect tax assessments; and

(c) whether the Government will consider making compensation to members of the public who have suffered mentally or financially as a result of incorrect tax assessments due to IRD's errors; if it will, of the details; if not, the reasons for that?

Reply:

President,

My answers to parts (a) to (c) of the question are set out below:

All along, the Inland Revenue Department (IRD) endeavours to serve the community. It handles tax matters in a fair, impartial and professional manner and assists members of the public to understand and fulfill their tax obligation.

In making tax assessments, IRD would first examine the information furnished by taxpayers in their tax returns. IRD would conduct tax assessments based on the information furnished in the tax returns after confirming the prima facie accuracy of the information. There is also a computer monitoring system to detect anomalies in the tax returns, for example, the income declared by a taxpayer being much higher than the taxable income in his/her income record. For dubious cases, IRD would double check the information furnished in the tax returns before issuing notices of assessment.

While IRD strives to ensure that tax assessments are made fairly and accurately, it is highly difficult to eliminate individual tax assessment errors. In this regard, taxpayers could exercise their rights provided under the Inland Revenue Ordinance (IRO) to lodge objections and appeal against tax assessments. If a taxpayer wishes to dispute a tax assessment, he/she could lodge a notice of objection in writing to the Commissioner of Inland Revenue (the Commissioner) within one month after the date of issue of the notice of assessment. Upon receipt of the objection, IRD would re-examine the relevant case to consider whether the reasons for objection advanced by the taxpayer are justified. Where the taxpayer's objection or appeal is successful, the Commissioner would refund the amount of tax paid in accordance with the IRO. There are, however, no statutory provisions stipulating that the Commissioner must compensate for any loss of the taxpayer.

Tax assessment errors may be caused by various reasons, including inaccuracy in the information or documents submitted to IRD, or mistakes made by the taxpayers or the assessing officers. For some cases, it is also difficult to determine clearly whether the errors are caused by mistakes of the assessing officers or the taxpayers. IRD does not keep statistics on tax assessment errors caused by its own fault. However, we understand that the case mentioned in the preamble of the question is an isolated case.

We understand that tax assessment errors would cause inconvenience to the taxpayers. As such, IRD would rectify the errors as soon as they are found so as to minimise the impact on the taxpayers. IRD would also learn from mistakes and improve its system and operation with a view to avoiding recurrence of similar mistakes. Besides, IRD would conduct staff training from time to time so as to equip the staff with necessary knowledge, skills and attitude for provision of professional and quality services to the public.

In addition, IRD provides a wide range of services to facilitate members of the public to complete their tax returns accurately and to better understand the requirements under the IRO. These services include providing in IRD's website simple guidelines with a sample tax return and points-to-note for completing the tax return, and handling enquiries by taxpayers in person, by phone or by email. Each tax return is also enclosed with detailed guidelines to facilitate taxpayers to complete their tax returns. We encourage taxpayers to read and follow the guidelines carefully so as to avoid errors or omissions.

In future, IRD will continue to enhance its work efficiency and service quality in order to provide customer-oriented quality services for members of the public.

Ends