

Press release
LCQ4: Holdover of provisional taxes

Wednesday, February 4, 2009

Following is a question by the Hon Jeffrey Lam Kin-fung and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 4):

Question:

Regarding the provisional taxes for the current year of assessment, will the Government inform this Council:

- (a) of the respective numbers of applications, received by the Inland Revenue Department (IRD) up to the end of last month, for holding over the provisional salaries tax and profits tax for the current year of assessment, and the increase in numbers of applications as compared with those of the same period last year; the ultimate number of applications to be received, the total amount of provisional tax involved in the approved applications, and the impact on the overall financial situation of the Government, as anticipated by IRD;
- (b) of the respective total amounts of provisional salaries tax and profits tax for the current year of assessment involved in the applications so far received by IRD for holding over such taxes; and among these applications, the respective largest amounts of provisional salaries tax and profits tax involved, the occupation and trade to which the applicants concerned respectively belong, and according to IRD's estimations based on the information submitted by them, the respective reductions (compared with those of last year), in terms of amounts and percentages, in the annual income and profits earned by them; and
- (c) what new measures are in place to help relieve the burden of tax on the employees and companies with diminished income and profits, such as whether it will allow companies with fewer profits made to defer the payment of profits tax for one year or reduce the tax rate concerned, so that they could have more operating capital?

Reply:

President,

- (a) If a taxpayer estimates that his/her income or profits for 2008-09 would be less than 90% of that of 2007-08, he/she may apply to the Inland Revenue Department (IRD) to hold over the 2008-09 provisional tax. As at the end of December 2008, IRD has processed 48,200 and 5,800 holdover applications for provisional salaries tax and provisional profits tax respectively, representing an increase of 87% for both taxes over the same period a year ago. As some of the tax bills and the second instalment of provisional tax are not yet due, some taxpayers may apply for holdover at a later stage. We therefore cannot ascertain the total number of holdover applications for the 2008-09 provisional tax and the impact on the overall financial situation of the Government at this stage.
- (b) As at the end of December 2008, the amount of held-over provisional profits tax approved by IRD represents about 19% of the total amount of the 2008-09 provisional profits tax, and the amount in respect of provisional salaries tax represents about 14% of the total. To avoid speculations about the identity of individual taxpayers based on the relevant information, we do not consider it appropriate to disclose the largest amount of tax involved in holdover applications and the occupation or trade to which the applicants concerned belong.
- (c) The Inland Revenue Ordinance has flexible arrangement to cater for changes in taxpayers' income. If a taxpayer estimates that his/her income or profits for the current year would be less than 90% of that of the previous year, he/she may, within 28 days before the due date for tax payment, apply to IRD to hold over the whole or part of the provisional tax accordingly. If a taxpayer is unable to pay tax on time due to financial difficulties, he/she may also apply to IRD for paying tax by instalment. We believe that the existing well-established arrangement can help those taxpayers whose income or profits are expected to decrease.

Ends