

Press release

LCQ5: Payment of tax by self-employed persons

Wednesday, June 17, 2009

Following is a question by the Hon Jeffrey Lam Kin-fung and a reply by the Acting Secretary for Financial Services and the Treasury, Ms Julia Leung, in the Legislative Council today (June 17):

Question :

Will the Government inform this Council of:

(a) the number of self-employed persons (e.g. fung shui consultants) who filed tax returns, the occupations of the five self-employed persons paying the highest amounts of tax, and the amounts they paid, in each of the past five years;

(b) the number of self-employed persons who had not filed tax returns as found out by the authorities, the total amount of tax and the number of tax years involved, the total amount of fine imposed on them, as well as the heaviest penalty imposed on the convicted persons, in each of the past five years; and

(c) the measures adopted by the authorities at present to trace the sources and amount of income of self-employed persons, as well as to counter their evasion of tax?

Reply :

President,

(a) & (b) The Inland Revenue Ordinance does not define "self-employed persons". Any person earning income by providing services in Hong Kong in his personal capacity is regarded as carrying on a business in Hong Kong. He is required to apply for registration of business and file tax returns. Assessable profits derived from such business will be chargeable to profits tax.

As the Inland Revenue Department (IRD) does not distinguish whether the business operators are "self-employed persons", we are not able to provide the information requested in parts (a) and (b) of the question.

As regards penalties on tax evasion, any person who without reasonable excuse makes an incorrect tax return or fails to notify the IRD that he is chargeable can be subject to a maximum fine of \$10,000 and a further fine of treble the amount of tax undercharged. In case of wilful tax evasion by making incorrect tax returns, the maximum penalties will be a fine of \$50,000 and a further fine of treble the amount of tax undercharged, as well as three-year imprisonment.

(c) As regards part (c) of the question, different divisions in the IRD are involved in combating tax evasion. The information collection team of the Department collects various types of information for reference in tax assessment. There is also a Field Audit and Investigation Unit responsible for auditing and investigating suspected cases of under-reporting. For more effective countering of tax evasion, the IRD will from time to time adjust the criteria for selecting cases for audit, taking into account the prevailing social conditions, the boom and bust of trades and the development of business practices. Besides, the IRD from time to time receives reports from members of the public on potential tax evasion cases.

The number of cases completed by IRD's Field Audit and Investigation Unit in the past five years and the back tax and penalties collected have been listed in Annex.

Ends