

\$2,896m in taxes fill Govt coffers

The Inland Revenue Department collected \$2,896 million during the year ending March 31, an increase of 11.2 per cent from the previous financial year.

According to the department's 1975-76 annual report, the bulk of the revenue - \$2,234 million - was derived from Earnings and Profits Tax, while the remainder came from other levies on stamps, betting, estates, entertainment and business and hotel registrations.

The departmental collections comprised 46.3 per cent of the year's total Government revenue.

The Earnings and Profits Tax, applicable to anyone involved in a trade, profession or business, amounted to 6.5 per cent of Hongkong's Gross Domestic Product, down slightly from the previous year's seven per cent.

Last year's amendment to the Inland Revenue Ordinance meant that assessable profits were determined on the basis of actual profits for the year of assessment, and not, as in the past, on the preceding year's profits with special rules for the

commencement and cessation of businesses.

That the transition took place relatively smoothly was due to goodwill on the part of professional practitioners who shared the authorities' desire to see the new system introduced with the minimum disruption, the report said.

The number of active files for people liable to Salaries Tax in March stood at 225,420, representing an increase of 35 per cent from the previous year.

"The increase is mainly attributable to the continued rising trend of salaries in the Colony which brought more people into the taxable bracket," the report noted.

The record total salaries tax assessment last year - \$527 million - reflected the continued increase in the level of emoluments being paid to employees partly as a result of inflation, it pointed out.

As in previous years, the largest number of taxpayers (68 per cent) fell within the \$1,000 to \$3,000 per month income range.

Property assessments issued during the year resulted in demands for taxes amounting to \$266 million, a decrease of \$19 million from 1974-75. However, \$123

million of the tax was not collectable because of off-sets against Profits Tax or under Personal Assessment.

Inland Revenue investigators also had a busy year, with 157 cases of understatement of earnings and profits under active examination in March. The average understatement of \$599,000 per case was equal to 74 per cent of the earnings and profits assessed.

The report commented: "The level of evasion revealed by the cases settled continues to be very high and demonstrates a need for increasing the activities of the Investigation Section, a need which has been recently recognised by the Hongkong Government by a substantial increase in the authorised establishment of the section."

The maximum penalties for evasion were increased from 100 per cent to 300 per cent of the tax undercharged at July last year, and it is hoped this would have a deterrent effect on would-be evaders, it added.

The administrative costs of the department rose by 9.3 per cent to \$34.3 million, with personal emoluments - up 11 per cent from the preceding year - the major factor in the increase.