

Increase in debts 'irrecoverable'

\$1.11b unpaid tax is record

By CHIU KIT-YING

The \$1.11 billion arrears in earnings and profits tax up to the end of March is at an "all-time high," the Commissioner of Inland Revenue, Mr Victor Ladd, told the Public Accounts Committee yesterday.

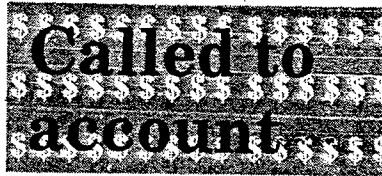
Of the outstanding tax of \$1.11 billion reported in the latest audit report, Mr Ladd revealed, \$350 million came from a relatively small number of companies currently in liquidation.

This was because of the current "less healthy" property market compared with early 1982 and last year, he said.

"To exclude the large sum of money from a small number of cases, the percentage of arrears compared with before is not dramatically higher," he said.

More than 92 per cent of the arrears of earnings and profits tax related to tax in 1982-83 and 1983-84 and only 1.2 per cent is considered irrecoverable.

Because most of the winding up cases involved lengthy court proceedings, he said, there was "little more" the Inland Revenue Department could do apart from lodging appeals to the companies.



But Mr Ladd said the percentage of irrecoverable cases is likely to be much higher.

"The figure of 1.2 per cent is related to those cases known to be irrecoverable on the day of the (audit) report.

"My own view is that the percentage is likely to be somewhat larger than that," he said.

He however pointed out the total amount of \$1.18 billion arrears was reduced to \$888 million at the end of last month — a "significant reduction."

Mr Peter C. Wong asked whether the commissioner felt he had ample power, under the existing ordinance, to recover arrears and whether there was a need to have legislative measures.

"I think the power I have is adequate."

"I see no way by amending legislation that will lead to more effective recovery action," he said.

Neither did he think changes in the present procedure were necessary.

The commissioner said his department's recovery procedure was "very established" and a "clear routine."

In reply to the chairman of the committee, Mr S.L. Chen, Mr Ladd said:

"We would be living in an ideal

Deficit hits \$683 million

The Government deficit for September was a whopping \$683 million — more than double that for the same month last year.

This put the Government in the red to the tune of \$3.6 billion for the first six months of the financial year, according to figures gazetted yesterday.

This is a substantial increase from the Government's budgeted deficit of \$2.1 billion for the whole of 1984-85.

In fact, in his mid-year review in September, the Financial Secretary, Sir John Bremridge had stated that an "appreciably smaller" Government deficit than the budgeted \$2.1 billion was expected this year.

Expenditure in September came to \$2.6 billion, which was actually about \$350 million less than spending in September last year.

Revenue for the month at \$1.9 billion, however, was much lower than the \$2.63 billion received in September last year.

world if we could get all debtors to pay on time, in the nature that some people tend to be late."

In a defensive line, Mr Ladd asked the committee to view the amount of arrears in the context of the total amount of revenue collected.

When related to the \$55 billion tax collected last year, Mr Ladd said the arrears "though not an insignificant figure, nonetheless is not an outrageously high figure."

In response to Mr Chen's insistence that the outstanding tax was indeed a large sum, Mr Ladd said: "Every effort is being made (to recover the arrears)."

Mr Peter Poon asked what additional measures were introduced — apart from existing standard procedures — to recover unpaid tax.

"The fact is, with an increasing number of defaulters, the staff involved is under some strain," he said.

He added that although staff were deployed from other parts of the department, there was a limit.

Mr Stephen Cheong asked if there was no tax arrears, whether the deficit would be reduced.

"That is arithmetically correct," Mr Ladd replied.

In reply to another question by Mr Wong, Mr Ladd conceded that a large percentage of tax appeals was unsuccessful.

He estimated the department had to write off 2.5 per cent of total tax charged under earnings and profits tax.