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Ms. Hui Chiu-po
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Dear Ms. Hui,

CPA Australia's response to the IRD's proposals for taking forward the e-Filing Project

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of over 168,000 members working in 100 jurisdictions and regions around the world. This includes over 15,000 members in Hong Kong. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the upgrading of information technology infrastructure of the Inland Revenue Department (IRD). We believe it is important for the IRD to increase the digital provision of its services.

The digitalisation of the IRD's systems and processes should lead to greater efficiencies for all parties including taxpayers, accountants and the IRD. These increased efficiencies should further enhance Hong Kong's reputation for having one of the world's simplest and most competitive tax regimes.

This submission is informed by members of our Greater China Taxation Committee and e-filing practices in other jurisdictions.

We provide the following comments and suggestions in response to the IRD's e-Filing Project:

Simplify tagging requirements for the Tax Computational Taxonomy

The proposal to require the tagging of all the elements within the Tax Computational Taxonomy may lead to additional cost and administrative burden, especially for more complicated tax computations (e.g., partial offshore claim). We note that when e-filing in the United Kingdom became mandatory, HMRC initially published a minimum tagging list for the Corporation Tax Computational Taxonomy. We therefore suggest that the IRD simplify the tagging requirements for the Tax Computational Taxonomy by publishing a minimum tagging list for the most important elements.

Do not impose penalties on unintended incorrect tagging

Manual tagging may lead to unintentional tagging errors. To address business concerns on the imposition of penalties due to unintended incorrect tagging, we recommend that the IRD not consider incomplete and / or incorrect tagging as an incorrect filing or invalid return for a period of two years, as long as the tagging has been performed in a reasonable manner.

Further, the IRD should provide guidelines on when it may impose or remit penalties on tax representatives, including late filing. In our **submission** to the IRD's consultation on the proposed Taxonomy Package in March 2021, we noted that the HMRC stated that it "*will be particularly sympathetic in the first two years to [appeals against penalties for late filing].*"

Publish a list of recognised software suppliers

We support measures to encourage businesses and software vendors to upgrade or develop software to convert documents to iXBRL format. To help companies identify suitable software suppliers, the IRD should publish a list of recognised software

suppliers that conform to requirements. Reference could be made to the HMRC's **list** of commercial software suppliers for Corporation Tax.

Simplify verification of self-developed programs

The IRD should implement a simple and streamlined verification process for self-developed programs. This should include the IRD conducting tests of such programs in conjunction with tax practitioners. This would mean testing on real data across a range of clients.

Postpone the mandatory e-filing for multi-national enterprises (MNEs)

It is expected that MNEs in Hong Kong would be required to file an information return under the Global Anti-Base Erosion (GloBE) rules from 2025, under Pillar Two of BEPS 2.0. This new filing obligation under GloBE rules and the proposal to implement mandatory e-filing for MNEs in the same year in 2025 would impose additional burden on MNEs. The IRD should therefore consider postponing the mandatory e-filing for MNEs to a later year.

Extension of time for e-filing of tax returns

The IRD should consider incentives to encourage business to adopt e-filing. For example, a filing extension of at least one month for taxpayers who file returns electronically. We note that when Malaysia implemented e-filing, it gave a one-month extension to tax returns submitted via e-filing.

Sufficient training and support

As it is likely that many businesses will engage their accountants on e-filing issues, the IRD should provide dedicated training and assistance to tax representatives and their employees before the implementation of e-filing of profits tax returns. The Australian Taxation Office (ATO) provides dedicated support services to tax agents, including a separate phone number for agents.

Establish ongoing consultation forum / working group

The IRD should set up an ongoing consultation forum or a working group with software providers, tax practitioners and business to assist in the design and implementation of the e-Filing Project. Such forums have worked very well with the ATO on large digital transformation projects. In our earlier submission to the IRD, we noted that the ATO has a **Tax Profession Digital Implementation Group**. This consultative group focuses on digital implementation issues and brings together the ATO, professional accounting bodies, digital software providers, and small and large accounting firms.

Increase the threshold for small business

The IRD should review and increase the HK\$2 million gross income threshold for small business. In Australia, the small business turnover threshold is closer to HK\$50 million.

Expand the e-Filing Project

When appropriate, the IRD should consider including other returns in the e-Filing Project. For example, the IRD could expand the e-Filing Project to property tax returns.

If you would like to discuss this submission, please contact Mr Jonathan Ng, Policy Adviser at CPA Australia on jonathan.ng@cpaustralia.com.au.

Yours sincerely,

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