



香港華人會計師公會
The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)
(Incorporated in Hong Kong as a company limited by guarantee)

Mr. Tam Tai Pang, JP
The Commissioner
Inland Revenue Department
Government of the Hong Kong Special Administrative Region
The People's Republic of China

26 January 2022

Dear Sir,

Proposals for Taking Forward e-Filing Project

On behalf of the members of the Society of Chinese Accountants and Auditors ("SCAA") we would like to thank Deputy Commissioner Mr. Leung Kin Wah, JP and his team to organize a consultation session for our members on 4 January 2022.

In general, our members are supportive of the Inland Revenue Department ("IRD")'s e-filing initiatives which will be extremely useful during the pandemic and other unforeseen circumstances while building a smart city in Hong Kong.

We are also supportive of "the ultimate goal of the IRD to achieve full-scale implementation of mandatory e-filing". This will surely help to enhance the corporate governance of businesses, especially limited liabilities companies incorporated in Hong Kong, and protect the interests of all stakeholders.

Regarding your proposals in paragraphs 7 to 13 of Proposals for Taking Forward e-Filing Project issued in November 2021, we have the following comments and suggestions:

1. It is important that the IRD reminds the community that submission of the iXBRL financial statements does not relieve the duty of the limited liability company to prepare audited financial statements. We recommend that more frequent requests for audited financial statements be made by the IRD especially in the initial stages of implementation of e-filing so that the business community will be aware of the dual requirements.
2. We welcome the IRD for providing free conversion and tagging tools for business to convert financial statements that are recorded using Microsoft Word or Excel Formats. As both WORD and EXCEL files can be easily changed after the financial statements are signed or approved by the directors, we recommend that PDF files may also be included in the free conversion tools to ensure the accuracy and validity of the audited financial statements.
3. We agree with the IRD that the present threshold of Gross Income not exceeding HK\$2 million and satisfying conditions be used as the definition of small Businesses.
4. We welcome the provision of E-Concierge and we offer to assist the IRD if more help is required from SCAA and our members.
5. SCAA will be happy to assist in trial runs before the launch of e-filing. Please let us know more information regarding this in due course.



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6. Penalties against service providers

(i) We understand that there is penalty for Service Providers if they furnish a tax return not in accordance with the information provided or instructions given by the taxpayer and the return is incorrect in a material particular. As many of our members also perform the audits of the financial statements, please clarify the responsibilities of the service providers if the CPA firms have already qualified in their opinion that the auditors have reservation as to the accuracy and/or completeness of the financial information on the audited financial statements. If the auditor disagrees with the figures on the financial statements, should the correct figure be used or should the figures on the audited financial statements (with heavy modifications on the audit opinion) be used, especially if the taxpayer is not required to file even the PDF format of the financial statements? We recommend that the electronic PDF version of the audited financial statements be submitted to the IRD annually to avoid the problems as stated above.

(ii) As explained above, our members often act as the auditors of the businesses. However, it is not uncommon that partial information be only available to the auditor for completion of the audit before the deadline for submission of the Profits Tax Return. As Failure to furnish a Tax Return may incur penalties against the service providers, would the certified public accountants who also act as service providers for the e-filing be liable to penalties if they are not able to complete the audit and therefore furnish the tax return with accurate information on time? Previously this responsibility rests with the taxpayers themselves.

(iii) In the initial stage of implementation, our members may expect to have some human errors due to ignorance of the system, our members request that the IRD may be lenient in penalizing our members for obvious human errors without intent to defraud the IRD.

We will be happy to answer any further questions that you may have. Should you require more information, please do not hesitate to contact Ms. Elizabeth Law, Chairman of our Taxation Committee, or Mr. Andrew Chen, Vice-Chairman of our Taxation Committee.

Yours sincerely,

WU Chun Sing, Parco
President

LAW, Elizabeth
Taxation Committee Chairman

The Society of Chinese Accountants and Auditors was formed in 1913 and incorporated in 1971. The CPA firms of which our members are partners, directors or managers, service a significant majority of businesses in Hong Kong, and also companies investing into or through Hong Kong. Our members directly and regularly communicate with clients, their directors and employees and consequentially understand their needs and concerns.