

Did you receive THE Green Envelope? Tips on the 2019/20 individual (salaries) tax return

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Individual Tax Return Filing for the Year 2019/20

The Hong Kong Inland Revenue Department or simply the Hong Kong Tax Authority (“IRD”) has now issued the year 2019/20 individual (salaries) tax returns (yes, that green envelope) for completion.

Lodgement of tax exemption claims

Individuals are obliged to report their relevant income in their individual tax returns. In case certain conditions for tax exemption claims, such as time apportionment claim, 60-days tax exemption claim, can be met, individuals are required to lodge the tax claim in their individual tax returns and provide the relevant information therein.

For example, an expatriate who is employed by a company overseas and assigned to Hong Kong to work may qualify for a time apportionment claim, under which only income attributable to his/her employment services rendered from out of Hong Kong shall be taxable under Hong Kong salaries tax. Usually, the employment has to be satisfied as a non-Hong Kong sourced employment in order to qualify for a time apportionment claim, which shall be determined by looking at a number of facts and circumstances.

In addition, if an individual stays in Hong Kong for not more than 60 days in a tax year, his/her employment income may be entitled to full exemption claim in Hong Kong, provided that he/she qualifies as a visitor to Hong Kong.

Moreover, if an individual is a pilot or a seafarer, his/her employment income can potentially be fully tax exempted in Hong Kong if he/she is present in Hong Kong for not more than 60 days in a tax year and a total of 120 days for two consecutive tax years, one of which is the tax year concerned. Please note that the transit days in Hong Kong are counted as days present in Hong Kong.

Tax filing/informing obligations

The filing due date of the 2019/20 individual tax returns will be 2 July 2020. In case a tax representative (say our firm) is appointed to handle the tax return filing, the filing deadline can be extended to 3 August 2020. Kindly note that late filing of the individual tax returns will potentially result into penalty/fine, issuance of estimated tax assessments and/or prosecution actions to be taken by the IRD.

Please also note that once the tax returns are issued, individuals are obliged to completed and submit the tax returns to the IRD by the filing due date, irrespective of whether they have

income derived or not and whether they reside in Hong Kong or not.

In addition, individuals have to complete their tax returns with care since provision of incorrect/incomplete/inconsistent information to the IRD can potentially result into enquiries and/or even penal/prosecution actions by the IRD.

In case an individual, such as the new taxpayer in Hong Kong, does not receive the 2019/20 individual tax return from the IRD and he/she has income chargeable to Hong Kong tax for the year 2019/20, he/she is obliged to voluntarily inform the IRD in writing of his/her tax chargeability and request for issuance of the tax return for completion by 31 July 2020. Failure to comply with this informing obligation may also result into penal and/or prosecution actions by the IRD.