

Salaries Tax Objection
Payment on termination of employment

Dear Commissioner of Inland Revenue,

Objection to Salaries Tax assessment for 2019/20

In accordance with section 64(1) of Inland Revenue Ordinance, I object to the notice of assessment issued on XXX under charge number XXX on the following grounds:

- (1) the assessable income is excessive and not in accordance with my tax return; and
- (2) the sum XXX paid on my termination of employment is not assessable.

As established from tax cases in Hong Kong, compensation received by an employee on termination of employment is not assessable. In fact, XXX is the payment in lieu of notice and XXX is the severance payment under the Employment Ordinance. These two payments are not taxable because they are compensation rather than remuneration.

Besides, XXX is a compensation paid by my former employer for the breach of employment contract. I must stress that the compensation was paid for my loss of employment.

I would like to point that compensation payments were held as non-assessable in Hong Kong Board of Review cases No. D43/93, D13/94 and D16/95 and in the UK court case Duff v. Barlow 23 TC 633.

In support of my objection, I would like to supply the following information:

- (a) a copy of my employment contract and
- (b) a copy of my correspondence to employer in connection with the termination of employment, and
- (c) a copy of my employer's confirmation about the nature and computation of the payments.

Hold-over of tax in dispute

I shall be grateful if you will hold over the tax in dispute unconditionally pending the result of the objection. Please send me your acknowledgement of my objection within 21 days of this notice of objection.

Please let me have the formal notice of the tax held over 7 days before the due date of tax payment. Thank you for your kind attention.

Yours sincerely,
Signature of taxpayer
Name of taxpayer

Mobile telephone number
IRD File Number:

Tax consulting service is available at rytc.com.hk