Executive Summary
Direct Investigation Operation Report

Unsuccessful Delivery of Electronic Tax Returns Submitted by Members of the Public to Inland Revenue Department

Introduction

The digitalisation of public services is an irresistible trend. In particular, the "Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China" has dedicated a chapter to the advancement of digital China, proposing strategic planning to elevate the level of digital-intelligence development and digital government infrastructure. Committed to promoting digital government and smart city operations, the Government of the Hong Kong Special Administrative Region strives to provide the public with more convenient services through digital platforms, including promoting tax digitisation and encouraging the electronic filing of tax returns. The Office considers that electronic filing of tax returns has numerous advantages. Apart from convenience to the public, it also enhances administrative efficiency and is beneficial to both the public and government departments. Statistics show that the number of taxpayers opting for electronic filing has increased year on year. Taking the past year as example, the Inland Revenue Department ("IRD") issued over 900,000 or one-third of the total number of Individual Tax Returns for the 2025/26 year of assessment in electronic form, reflecting the prevalence of electronic filing.

2. However, in 2025, after the deadline for filing Individual Tax Returns for the 2024/25 year of assessment, there were quite a number of taxpayers who had made submissions via IRD's online platform, eTAX, reported to have been notified by the IRD for non-receipt of their tax returns, and some taxpayers even received penalty notices for late filings. IRD considered that the problem occurred when some users confirmed submitting their tax returns via eTAX, they were redirected to "iAM Smart" and digitally signed the document through the "iAM Smart" application, but they did not return from "iAM Smart" to eTAX thereafter. This was due to various reasons, such as users' self-operation, status of browsers or mobile devices, or network irregularities or interruptions, resulting in an incomplete submission process of tax returns.

3. Although IRD has suggested several possibilities that might have prevented users from returning to eTAX, we consider that regardless of the exact cause in individual cases, since returning to the eTAX system after signing with “iAM Smart” is essential for the successful submission of a tax return, IRD should ensure that the system provides adequate and clear instructions. This will enable users to understand and follow the entire electronic filing process, so as to avoid unsuccessful delivery of submitted tax returns to IRD.

4. Notably, IRD had been aware of the problem in 2022. IRD said that it had explored with the Digital Policy Office (“DPO”)[1] to identify areas for improvement in both parties’ systems. Subsequently in August 2023, DPO revised the wording on the signature confirmation page of “iAM Smart”. However, such measure was insufficient to resolve the problem. Between May 2025 and January 2026, there were over 33,000 or 6.7% of the taxpayers whose tax returns could not be delivered to the IRD after completion of the digital signature with “iAM Smart” to file an individual tax return. The figures reveal that these were not isolated cases due to a small fraction of users’ unfamiliarity with the operation, but rather stemmed from the designs of procedures or interface that were prone to cause misunderstanding.

5. The Office considers that given the increasing prevalence of electronic tax returns, any such potential issues as system or technical problems should be identified and rectified promptly to avoid more serious and extensive impact in the future. Moreover, IRD’s failure to receive tax returns may have serious consequences for the taxpayers concerned. Apart from additional efforts and time required to follow up and resubmit the returns, several thousands of taxpayers were subject to estimated assessment by IRD or penalties for late filing, and some were even once prosecuted by IRD. After our intervention, although IRD had voluntarily waived the penalties and discontinued prosecutions, the inconvenience caused to those affected throughout the process should not be taken lightly.

6. However, IRD did not follow up proactively and effectively when the problem initially arose. Fortunately, following our intervention and recommendations, the Department was receptive and proactively addressed the problem with a series of follow-up and improvement measures implemented in time before the bulk of Individual Tax Returns for the 2025/26 year of assessment were issued. We urge IRD to learn from this incident, strengthen daily monitoring, enhance sensitivity, and intervene early and decisively if there are any irregularities.

[1] “iAM Smart” is managed by DPO.

7. Based on our findings, we have the following observations and comments regarding the incident.

(I) Original Instructions for Signature Were Unclear on eTAX and "iAM Smart"

8. After examining the interface and usage process for electronic filing, we consider the problem to involve:

Unclear Instructions

9. According to the process, after filling out a tax return via eTAX and clicking "Sign & Submit", users are redirected to the "iAM Smart" application for digital signature. Upon completion of signature, a "Successfully Signed" page will be displayed. At this juncture, users **must** return to eTAX, and the submission is not completed until a 16-digit transaction reference number is shown on the confirmation page. In other words, returning to eTAX after signing is a crucial step in the submission process. However, users are generally unaware of the prescribed procedures behind the system. They can only proceed step by step as prompted by the interface. Hence, it is essential that the relevant system and application interface provide users with clear and explicit instructions.

10. However, the original "Successfully Signed" page only informed users that "the document had been successfully signed". Upon completing the digital signing of the tax return, users even instantly received a message and email from the "iAM Smart" system stating that "you have just signed an eTAX document via iAM Smart". Furthermore, the "Successfully Signed" page only had a "Back to Online Service" button, without any wording explicitly reminding users that they must return to eTAX to complete the submission. All these factors could lead the user to assume that the electronic filing had already been completed successfully. It is also noteworthy that before 22 July 2025, after users completed the digital signature via "iAM Smart", the application would remain on the signature confirmation page without automatic redirect; users must manually navigate back to eTAX to complete the submission process. In such circumstances, it is all the more important that the relevant system and application interface provide users with clear and adequate instructions. In fact, the large number of users affected clearly indicates that the problem was not merely due to individual operation errors.

11. In May 2026, IRD finally introduced improvement measures and updated the relevant pages with clear and easy-to-understand instructions. If such clear reminder had been adopted from the outset, the problem could have been avoided.

No Confirmation Email from eTAX

12. In the past, after users had successfully submitted their tax returns, the eTAX system would show a page with a 16-digit transaction reference number, but no confirmation email or message would be issued. As a result, users could not rely on receiving the confirmation email or message from IRD to determine whether the submission had been completed. This also made it more probable for users to mistakenly believe that successfully signing via “iAM Smart” was equivalent to a successful submission of their tax returns.

(II) Unfairness to Affected Users

13. As noted in **paragraph 10**, it was reasonable for users to believe that they had successfully submitted their tax returns and fulfilled their obligation to file a tax return upon receiving a confirmation message and email from “iAM Smart”. However, they were later notified by IRD that their tax returns had not been received and warned that late filing could incur penalties. For the users affected, the problem might not be resolved simply by refiling the tax return. IRD should put itself in their shoes to anticipate and understand the negative impacts that might be caused. Even though IRD ultimately imposed no penalties or additional tax on them, the users affected were still subject to considerable anxiety, distress and psychological pressure, and had to spend additional efforts and time to deal with the problems, which could have been entirely avoided.

Spending Additional Efforts and Time

14. Under the original eTAX system, after users clicked “Sign & Submit”, the system would not automatically save the information entered on the tax return, regardless of whether the submission was successful or not. Users whose submissions were unsuccessful had to re-enter all the information again. Supposing that each of the more than 33,000 users affected spent an extra 15 minutes on re-entry of information and follow-up, the time lost would amount to nearly 500,000 minutes in aggregate,

equivalent to over 11 months. We consider that IRD should explore enhancing the eTAX system with a function to automatically save the information on the tax return on a temporary basis when users confirm to sign and are ready to submit it.

15. In addition, due to the lack of relevant public information, the users affected had to figure out the causes and solutions themselves, make enquiries with IRD, and even resort to social media to search for similar experiences, which was extremely time-consuming and frustrating.

Incurring Penalties

16. If taxpayers have not filed their tax returns in time, IRD will send an electronic reminder to their eTAX Message Box with an email notification. However, such notification would not show the content of reminder. In order to read the reminder, taxpayers must log in their eTAX accounts. As the taxpayers affected had received a message and email from the "iAM Smart" system confirming that their tax returns had been signed, they would have assumed without any doubt that they had already submitted the tax returns. They might not immediately log in and check their eTAX accounts, causing a miss of the reminder that the tax return had not been submitted, and eventually missing the filing deadline with possible consequences of penalties or additional tax. While acknowledging that IRD has security and privacy concerns, we consider there is still room for IRD to explore such enhancement for sending important notifications via eTAX as specifying in the email notification that the message is about urgent and outstanding matters, and stepping up publicity in this regard.

Need to Lodge Objection to Estimated Assessment

17. In the absence of a tax return from a taxpayer, IRD will issue a Notice of Estimated Assessment based on available information, e.g. the salaries reported by employers. The estimated assessment generally takes into account the basic allowance or the married person's allowance, without granting other allowances and deductions that should be claimed by the taxpayer on his or her own initiative with relevant details furnished. To lodge an objection to an estimated assessment, taxpayers must submit a written notice to IRD together with a completed tax return, as well as supporting documents where necessary. The process involved is more cumbersome than simply filing a tax return in the first place.

(III) Failure to Resolve the Problem Promptly and Thoroughly

18. As early as 2022, IRD had already received public reports that after digitally signing their tax returns with “iAM Smart”, some taxpayers were subsequently notified by the Department that their submissions had not been received. At that time, IRD noted that the wording on the “iAM Smart” confirmation page after signature completion lacked clarity, and liaised with DPO to explore any room for improvement. In the following year, DPO revised the wording on the “iAM Smart” signature confirmation page, reminding users accessing “iAM Smart” and other government online services (including eTAX) with two different devices to return to the other device to continue using the online service. Yet the revised wording was still not clear enough to convey adequately and precisely to different users (including those accessing eTAX and “iAM Smart” with the same device) the key message that, after signature, they must return from “iAM Smart” to eTAX to complete the submission process.

19. As noted above, IRD had been aware of the problem three years ago but did not resolve it promptly and effectively, missing the chance to nip it in the bud. The Office understands that IRD attempted to address the problem by following up with DPO and having the latter amend the aforementioned wording. Nevertheless, having taken those steps, IRD should have reviewed whether the measures had achieved the intended effect and assessed whether the problem had been resolved in light of public feedback and complaints. In fact, the problem later emerged again extensively, showing that IRD failed to timely recognise the inadequacy of its initial adjustments.

20. Furthermore, IRD confirmed that it had received public reports successively since early September 2025 on the cases regarding submissions of tax returns for the year of assessment 2024/25. However, at the initial stage, the Department failed to tackle the problem at its root. It failed to immediately verify the validity of the allegations, assess the scope of impact, or identify the causes of the unsuccessful submissions, but merely advised the users affected to resubmit their tax returns as soon as possible.

21. Given that IRD had been aware of the problem and its potential risks as early as 2022, it should have been more alert and intervened swiftly when receiving similar public feedback again in 2025. Particularly when the problem recurred, the Department’s sensitivity and crisis awareness should have increased accordingly. It should not have merely treated such cases as isolated operational errors or focused on urging those affected to resubmit their tax returns. The appropriate response would have

been to collect objective evidence to verify the problem, including analysing signature records, ascertaining the validity of the allegations, identifying the root causes, and assessing both the number of users affected and the actual impacts. We consider that IRD should have scrutinised the problem from a systemic perspective to examine any deficiencies in the processes, interface design, cross-platform integration and monitoring mechanism, rather than merely dealing with its symptoms. However, the Department did not take proactive follow-up action initially after reports of such cases in 2025. It was not until the launch of our preliminary inquiry that IRD began verification and sought information from DPO to delve into the matter. We recommend that IRD learn from this incident, enhance sensitivity and crisis awareness in relation to the operation of public services, and strengthen its monitoring mechanism. The Department should also keep tabs on media coverage and public feedback on its services, and respond swiftly whenever irregularities are detected. We are pleased to note that IRD has agreed that it is essential to enhance the sensitivity and vigilance of staff at all levels, and that any systemic issues identified should be reported to management as soon as possible for assessing the magnitude and taking proper follow-up measures.

22. From the perspective of public administration, the waste caused by the problem was not confined to the users affected. IRD staff members were also required to undertake a range of otherwise non-existent workloads arising from the incident, including handling additional enquiries and complaints, providing explanations and redressing grievances, waiving penalties, and processing objections to tax assessments, which constituted a serious drain on manpower resources. The extra workloads and consumption of resources could have been avoided altogether by identifying the problem early, investigating its root causes, and implementing timely remedial measures. When delivering people-oriented public services, the Department must also always examine problems through the lens of effective use of public resources and prevention of administrative waste.

(IV) Should be More Proactive in Assisting Users Affected

23. We found that IRD originally had no plans to proactively contact the users affected. Instead, IRD relied on staff in various sections to advise those who made enquiries or lodged complaints to resubmit their tax returns as soon as possible. It was not until the launch of our preliminary inquiry that the Department further liaised with DPO to obtain records of digital signature for analysis, eventually identifying all the

users affected. Had IRD proactively identified the users affected as soon as the incident was known, it would have been able to verify the extent of the impact and follow up earlier. We are pleased to note that IRD was subsequently receptive to our recommendations and implemented a series of measures, which is commendable. However, in dealing with those affected, the Department should adopt a more people-oriented approach and offer proactive assistance.

24. The users affected by this incident are different from those who disregard the due date and file their tax returns belatedly. The former had attempted to file their tax returns in time to fulfil the obligation of taxpayers, but the submissions were unsuccessful due to issues relating to system operation, process integration, etc. It is hardly fair to impose on them the same consequences or cumbersome remedial procedures as those who disregard the due date, such as lodging objections to tax assessments or applying for penalty waivers, even though it is prescribed by established rules.

25. We note that in January 2026, IRD reached out to the users affected who had not yet filed their individual tax returns for the year of assessment 2024/25. We recommend that IRD go the extra mile by examining the circumstances of taxpayers who failed to file in time due to this incident, and consider proactively assisting them in applying for penalty waivers and for the refund of overpaid tax (if any). Where feasible, IRD should also streamline the application procedures. We are pleased to note that IRD has taken the initiative to withdraw the records of penalties and will refund the penalties already paid, and that it will also reach out to those who have not yet filed their tax returns and those who have received a Notice of Estimated Assessment for follow-up, and will simplify the procedures for lodging an objection to tax assessment.

Recommendations

26. In light of the above, The Ombudsman recommends that IRD:

Optimising Relevant System and Application Interface

(1) review and revise the original wordings on the eTAX and “iAM Smart” interface to clearly instruct users that after signing digitally with “iAM Smart”, they must return to eTAX to complete the remaining steps for submitting a tax return;

(2) collaborate with DPO to revise the confirmation email issued after users have successfully signed a tax return with “iAM Smart”, clarifying that successfully signing is not equivalent to completion of submission, and to provide clear further instructions on the subsequent steps to guide users through in completing the submission process;

(3) issue a confirmation message or email after users have successfully filed their tax returns via eTAX to clearly notify them of the status of their submission;

(4) enhance the eTAX system with a function to automatically save the information on the tax return on a temporary basis when users confirm to sign and are ready to submit it, such that they need not enter all the information again in case the submission is not completed;

(5) comprehensively review the eTAX platform to ensure that clear instructions for digitally signing with “iAM Smart” are given for all other existing tax services, to avoid further cases where users complete the signing process but fail to submit documents;

(6) draw lessons from this incident for the launch or updating of electronic tax services in the future, with more thorough consideration given to the operating process across applications, system integration and habits of different users to ensure smooth operation of services;

(7) continue to regularly review and test the existing services on the eTAX platform to ensure normal operation at technical level, and continue to enhance services from the perspective of users and their actual usage experience;

(8) step up publicity and provide relevant tutorials and information to help users understand the correct process and essential steps for signing and filing tax returns via eTAX and “iAM Smart”;

(9) in the event of irregularities in the tax filing system, proactively notify the public or the users affected, and release adequate and clear information;

(10) consider optimising the arrangements for sending important notifications via eTAX, and stepping up publicity to reduce the chance of important messages being overlooked by the public;

Follow-up with Users Affected

(11) conduct further data analysis to evaluate the actual impact caused by the problem;

(12) following recommendation (11), assist the users affected in applying for penalty waivers and for the refund of overpaid tax, and to streamline the relevant application procedures as far as practicable;

(13) reach out to the users affected who have not yet filed tax returns for the relevant year and provide assistance;

Reinforcing Daily Monitoring

(14) enhance frontline staff members’ sensitivity to service irregularities reported by the public.; Any potentially extensive problems should be identified and promptly reported to management, and management should effectively monitor any irregularities, conduct timely and comprehensive reviews, identify the root causes, intervene and take effective follow-up measures;

(15) strengthen monitoring of public views through various channels, including media reports, online discussion forums and social media platforms to identify and resolve the difficulties encountered by users at an early stage;

Inter-departmental Collaboration

(16) strengthen communication and exchange information regularly on the electronic filing service with DPO for continuous improvement of public e-services;

(17) in the long term, consider establishing a mechanism with DPO to regularly cross-check the signature records of “iAM Smart” against the filing records of eTAX for early detection and follow-up of any cases of signature without submission;

(18) share the lessons from this incident with DPO to facilitate its comprehensive review of workflows and interfaces on the e-service applications of other government departments or public organisations that also use the “iAM Smart” digital signature service to identify any room for enhancement, thereby fostering inter-departmental collaboration and synergy.

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