

# Field Audit and Investigation

The Field Audit and Investigation Unit is responsible for conducting field audits and investigations on businesses and individuals with a view to combating tax evasion and avoidance. Back tax is assessed and penalties are generally imposed where discrepancies are detected.

During 2011-12, the Field Audit and Investigation Unit completed 1,804 cases (including tax avoidance cases) and collected back tax and penalties of about \$6.8 billion (**Figure 29**).

**Figure 29 Results of the Field Audit and Investigation Unit**

	2011-12	2010-11	2009-10	2008-09
Number of cases completed	<b>1,804</b>	1,805	1,803	1,862
Understated earnings and profits (\$m)	<b>34,083.4</b>	19,470.1	12,192.8	9,084.7
Average understatement per case (\$m)	<b>18.9</b>	10.8	6.8	4.9
Back tax and penalties assessed (\$m)	<b>6,003.0</b>	3,827.4	2,590.4	2,181.2
Back tax and penalties collected (\$m)	<b>6,852.4</b>	3,881.3	2,385.1	2,566.6

## Field Audit

Field audit is conducted on both corporations and unincorporated businesses. The work of field auditors entails site visits to business premises and examination of accounting records of taxpayers in order to ascertain whether correct returns of profits have been made.

In 2011-12, there were 17 Field Audit sections in the Field Audit and Investigation Unit.

### Anti-tax Avoidance

Two of the 17 Field Audit sections concentrate on tackling tax avoidance schemes, whereas other investigation officers and field auditors handle avoidance cases on an operational need basis. During 2011-12, the Field Audit and Investigation Unit completed 226 tax avoidance cases and assessed back tax and penalties of about \$4.36 billion (**Figure 30**).

**Figure 30 Results of the audit on tax avoidance cases**

	2011-12	2010-11	2009-10	2008-09
Number of cases completed	226	234	206	218
Understated earnings and profits (\$m)	26,864.3	11,676.1	6,742.0	1,978.4
Average understatement per case (\$m)	118.9	49.9	32.7	9.1
Back tax and penalties assessed (\$m)	4,356.7	2,193.2	1,240.5	527.1

## Investigation



Investigation officers are responsible for conducting in-depth investigations into suspected tax evasion, and taking penal action (including prosecution proceedings in appropriate cases) as a deterrent. Tax evasion is a serious crime. A person convicted of tax evasion could be sentenced to imprisonment for up to three years and fined.

In 2011-12, there were 5 Investigation sections, one of which is the prosecution section focusing on criminal investigation of tax evasion. During the year, the prosecution section has completed the investigation of 6 cases with prosecution potential and referred the reports to the Department of Justice for legal advice.

## Property Tax Compliance Check

In addition to conducting audits on businesses, the Department also carries out verification checks on the correctness of rental income reported by property owners. Commencing from 2006-07, the Department has broadened the scope of review to cover cases with lower rental income. In 2011-12, compliance check was completed on 102,422 property tax cases (**Figure 31**).

**Figure 31 Results of the property tax compliance checks**

	2011-12	2010-11	2009-10	2008-09
Number of cases completed	102,422	90,681	79,000	60,419
Understated rental income (\$m)	442.5	393.1	365.2	257.6
Back tax and penalties assessed (\$m)	53.1	46.3	43.8	33.8