

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 2022-23, the Field Audit and Investigation Unit completed 1,805 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.6 billion (**Figure 28**).

Figure 28 Results of the Field Audit and Investigation Unit

	2019-20	2020-21	2021-22	2022-23
Number of cases completed	1,716	1,801	1,720	1,805
Understated earnings and profits (\$m)	12,893.4	14,496.9	14,090.4	12,741.6
Average understatement per case (\$m)	7.5	8.0	8.2	7.1
Back tax and penalties assessed (\$m)	2,548.5	2,802.7	2,897.4	2,602.3
Back tax and penalties collected (\$m)	2,799.4	3,064.1	2,274.6	2,243.0

Field Audit

In 2022-23, there were 17 Field Audit sections. 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.

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 2022-23, the Field Audit and Investigation Unit completed 192 tax avoidance cases and assessed back tax and penalties of about \$0.8 billion (**Figure 29**).

Figure 29 Results of the audit on tax avoidance cases

	2019-20	2020-21	2021-22	2022-23
Number of cases completed	209	220	187	192
Understated earnings and profits (\$m)	6,979.5	8,417.1	5,548.8	3,934.0
Average understatement per case (\$m)	33.4	38.3	29.7	20.5
Back tax and penalties assessed (\$m)	1,246.6	1,614.3	1,087.3	805.8

Investigation

In 2022-23, there were 5 Investigation sections. 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.

Prosecution

One of the 5 Investigation sections is the prosecution section focusing on criminal investigation of tax evasion. Tax evasion is a serious crime. A person convicted of tax evasion could be sentenced to imprisonment for up to three years and fined.

During the year, the Department successfully prosecuted two tax evasion cases. The first case involved a sole proprietress of an insurance agency business who filed fraudulent returns in which she overstated office assistant expenses of her insurance agency business and made false claims of additional dependent parent allowances. The sole proprietress also signed fraudulent employer's returns for fictitious employees. After trial, the defendant was convicted on all the 11 charges on 15 July 2022 by the Magistrate. She was sentenced to 9 months' imprisonment on 29 July 2022. The defendant lodged an appeal against conviction and sentence initially but then dropped the appeal for sentence. The hearing date is yet to be fixed. The other case involved a businessman who omitted turnover of his sole proprietorship business and rental income from his tax returns wilfully with intent to evade tax. After trial, the defendant was convicted on all the 15 charges on 7 October 2022 by the District Court Judge. He was sentenced to 14 months' imprisonment and was fined \$822,781 (equivalent to 100% of tax undercharged) on 2 November 2022.

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. In 2022-23, the Department completed compliance check on 316,105 property tax cases (**Figure 30**).

Figure 30 Results of the property tax compliance checks

	2019-20	2020-21	2021-22	2022-23
Number of cases completed	266,998	334,867	318,498	316,105
Understated rental income (\$m)	990.8	1,252.5	1,360.8	1,582.5
Back tax and penalties assessed (\$m)	118.9	150.3	163.3	189.9