

Penalty and Compliance

(a) Penalty on Non-compliance

- The effective operation of Hong Kong's simple tax system with low tax rates requires a high degree of compliance by taxpayers. It is also the primary duty of every taxpayer under law to file timely and accurate returns to the Inland Revenue Department ("IRD").
- If the requirements under the Inland Revenue Ordinance ("IRO") are not complied with, the relevant punitive provisions empower the Commissioner, depending on the nature and/or the degree of culpability of the offence and at his discretion,
 - ✧ to institute prosecution
 - ✧ to compound
 - ✧ to assess additional tax (which is a form of penalty) in respect of the offence.

Factors that may affect the course of action to be taken include

- ✧ the strength of evidence
 - ✧ the amount of tax undercharged or would have been undercharged (hereinafter collectively referred to as "tax undercharged")
 - ✧ the sophistication of the scheme
 - ✧ the period of time over which the offence was committed.
- For details, please refer to the "[Penalty Policy](#)".

(b) Taxpayer Education targeted at Self-compliance

- The IRD firmly believes that continuing taxpayer education can help promote voluntary compliance by employers and taxpayers. Consequently, new programmes targeted at business owners, employers, employees and other taxpayers are introduced year after year to enhance tax knowledge and to ensure correct completion of tax returns.
- E-Seminars aim to provide guidance to employers, property owners and individual taxpayers on how they should complete their tax returns, fulfill their tax obligations and overcome difficulties in compliance. The merit of this new type of service is that it permits unlimited access by unlimited number of interested viewers to broaden/deepen his/her tax knowledge round-the-clock via computer terminals installed at home, in the office, in the Home Affairs Department, community halls or public libraries. Furthermore, viewers are encouraged to leave an e-question in the “Q & A Corner” at the end of the e-Seminar programmes. For effectiveness and to minimize duplications, answers will be provided periodically on a collective basis and by means of illustrative examples.
- Should you require further information, please lodge an e-question. [Click HERE to enter the “Q & A Corner”](#).