

5 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 2014-15, the Field Audit and Investigation Unit completed 1,803 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.5 billion (**Figure 29**).

Figure 29 Results of the Field Audit and Investigation Unit

	2011-12	2012-13	2013-14	2014-15
Number of cases completed	1,804	1,802	1,802	1,803
Understated earnings and profits (\$m)	34,083.4	16,348.0	12,936.4	12,857.9
Average understatement per case (\$m)	18.9	9.1	7.2	7.1
Back tax and penalties assessed (\$m)	6,003.0	3,447.7	2,540.0	2,533.1
Back tax and penalties collected (\$m)	6,852.4	3,438.3	2,158.7	2,861.4

Field Audit

In 2014-15, 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 2014-15, the Field Audit and Investigation Unit completed 217 tax avoidance cases and assessed back tax and penalties of about \$1.16 billion (**Figure 30**).

Figure 30 Results of the audit on tax avoidance cases

	2011-12	2012-13	2013-14	2014-15
Number of cases completed	226	207	219	217
Understated earnings and profits (\$m)	26,864.3	7,576.4	5,124.9	6,027.7
Average understatement per case (\$m)	118.9	36.6	23.4	27.8
Back tax and penalties assessed (\$m)	4,356.7	1,523.8	909.3	1,155.6



Investigation

In 2014-15, 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 3 years and fined.

In 2014-15, the Department successfully prosecuted 7 evasion cases. They mainly involved taxpayers making false statements in connection with claims for deductions/allowances or omitting rental income. In the 7 cases, the defendants of 4 cases were each sentenced to 4 weeks to 2 months imprisonment with suspended sentences and those for the remaining 3 cases were each imposed a community service order of 160 to 240 hours. The maximum case was fined \$180,000, equivalent to 230% of the tax evaded.

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 2014-15, the Department completed compliance check on 161,860 property tax cases (**Figure 31**).

Figure 31 Results of the property tax compliance checks

	2011-12	2012-13	2013-14	2014-15
Number of cases completed	102,422	117,923	140,705	161,860
Understated rental income (\$m)	442.5	461.7	553.3	635.0
Back tax and penalties assessed (\$m)	53.1	55.4	66.4	76.2

