

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 2018-19, the Field Audit and Investigation Unit completed 1,802 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.8 billion (**Figure 29**).

Figure 29 Results of the Field Audit and Investigation Unit

	2015-16	2016-17	2017-18	2018-19
Number of cases completed	1,804	1,801	1,804	1,802
Understated earnings and profits (\$m)	13,888.8	12,408.8	11,687.7	13,910.0
Average understatement per case (\$m)	7.7	6.9	6.5	7.7
Back tax and penalties assessed (\$m)	2,538.3	2,528.4	2,526.2	2,826.6
Back tax and penalties collected (\$m)	1,824.2	2,386.8	2,231.1	3,352.5

Field Audit

In 2018-19, 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 2018-19, the Field Audit and Investigation Unit completed 207 tax avoidance cases and assessed back tax and penalties of about \$1.43 billion (**Figure 30**).

Figure 30 Results of the audit on tax avoidance cases

	2015-16	2016-17	2017-18	2018-19
Number of cases completed	215	214	208	207
Understated earnings and profits (\$m)	6,826.2	6,201.8	4,613.4	7,891.4
Average understatement per case (\$m)	31.7	29.0	22.2	38.1
Back tax and penalties assessed (\$m)	1,000.4	1,120.2	948.5	1,426.6

Investigation

In 2018-19, 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. During the year, the Department successfully prosecuted one tax evasion case which involved rental income omission and making false statements in connection with claims for deduction of home loan interest.

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 2018-19, the Department completed compliance check on 261,181 property tax cases (**Figure 31**).

Figure 31 Results of the property tax compliance checks

	2015-16	2016-17	2017-18	2018-19
Number of cases completed	186,229	209,499	234,726	261,181
Understated rental income (\$m)	749.2	850.8	951.6	1,111.7
Back tax and penalties assessed (\$m)	89.9	102.1	114.2	133.4