

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 2020-21, the Field Audit and Investigation Unit completed 1,801 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.8 billion (**Figure 28**).

Figure 28 Results of the Field Audit and Investigation Unit

	2017-18	2018-19	2019-20	2020-21
Number of cases completed	1,804	1,802	1,716	1,801
Understated earnings and profits (\$m)	11,687.7	13,910.0	12,893.4	14,496.9
Average understatement per case (\$m)	6.5	7.7	7.5	8.0
Back tax and penalties assessed (\$m)	2,526.2	2,826.6	2,548.5	2,802.7
Back tax and penalties collected (\$m)	2,231.1	3,352.5	2,799.4	3,064.1

Field Audit

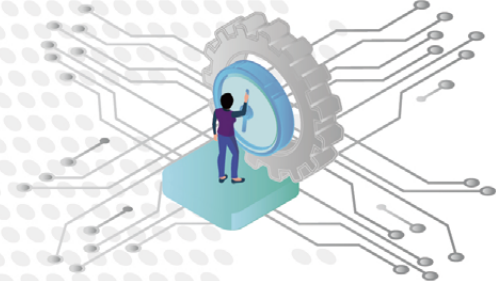
In 2020-21, there were 17 Field Audit sections. Field audit is conducted on both corporations and unincorporated businesses. The work of field auditors entails site visits to business premises and examination of accounting records of taxpayers in order to ascertain whether correct returns of profits 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 2020-21, the Field Audit and Investigation Unit completed 220 tax avoidance cases and assessed back tax and penalties of about \$1.61 billion (**Figure 29**).

Figure 29 Results of the audit on tax avoidance cases

	2017-18	2018-19	2019-20	2020-21
Number of cases completed	208	207	209	220
Understated earnings and profits (\$m)	4,613.4	7,891.4	6,979.5	8,417.1
Average understatement per case (\$m)	22.2	38.1	33.4	38.3
Back tax and penalties assessed (\$m)	948.5	1,426.6	1,246.6	1,614.3



Investigation

In 2020-21, 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 two tax evasion cases. The first case involved 2 company directors making use of or authorizing the use of fraud, art or contrivance, thereby overstating the company's expenses to evade profits tax. The two defendants were acquitted of all charges in the first trial. The Secretary for Justice lodged an appeal against the judgement for two charges. The Court of Appeal allowed the appeal and remitted the case to the District Court for retrial. Finally, the two defendants were convicted of evading profits tax and were sentenced to 6 weeks' imprisonment. The second case involved an employee making false statements in connection with holdover applications for provisional salaries tax and claims for deductions of expenses of self-education and approved charitable donations. The defendant pleaded guilty to the charges and was sentenced to 12 weeks' imprisonment.

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 2020-21, the Department completed compliance check on 334,867 property tax cases (**Figure 30**).

Figure 30 Results of the property tax compliance checks

	2017-18	2018-19	2019-20	2020-21
Number of cases completed	234,726	261,181	266,998	334,867
Understated rental income (\$m)	951.6	1,111.7	990.8	1,252.5
Back tax and penalties assessed (\$m)	114.2	133.4	118.9	150.3