

## chapter 6

# 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 2021-22, the Field Audit and Investigation Unit completed 1,720 cases (including tax avoidance cases) and assessed back tax and penalties of about \$2.9 billion (**Figure 28**).

**Figure 28 Results of the Field Audit and Investigation Unit**

	2018-19	2019-20	2020-21	2021-22
Number of cases completed	1,802	1,716	1,801	<b>1,720</b>
Understated earnings and profits (\$m)	13,910.0	12,893.4	14,496.9	<b>14,090.4</b>
Average understatement per case (\$m)	7.7	7.5	8.0	<b>8.2</b>
Back tax and penalties assessed (\$m)	2,826.6	2,548.5	2,802.7	<b>2,897.4</b>
Back tax and penalties collected (\$m)	3,352.5	2,799.4	3,064.1	<b>2,274.6</b>

## Field Audit

In 2021-22, 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 2021-22, the Field Audit and Investigation Unit completed 187 tax avoidance cases and assessed back tax and penalties of about \$1.09 billion (**Figure 29**).

**Figure 29 Results of the audit on tax avoidance cases**

	2018-19	2019-20	2020-21	2021-22
Number of cases completed	207	209	220	<b>187</b>
Understated earnings and profits (\$m)	7,891.4	6,979.5	8,417.1	<b>5,548.8</b>
Average understatement per case (\$m)	38.1	33.4	38.3	<b>29.7</b>
Back tax and penalties assessed (\$m)	1,426.6	1,246.6	1,614.3	<b>1,087.3</b>

## Investigation

In 2021-22, 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 three tax evasion cases. The first case involved a taxpayer making false claims for dependent parent allowances and additional dependent parent allowances in her tax returns to evade salaries tax. The defendant pleaded guilty to the charges and was sentenced to imprisonment for one month and two weeks. The other two cases involved a couple making false claims for deductions of expenses of self-education and approved charitable donations in their respective tax returns to evade salaries tax. Both pleaded guilty to the charges. The husband was sentenced to two months' imprisonment while his spouse was sentenced to two months' imprisonment, suspended for three years.

## 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 2021-22, the Department completed compliance check on 318,498 property tax cases (**Figure 30**).

**Figure 30 Results of the property tax compliance checks**

	2018-19	2019-20	2020-21	2021-22
Number of cases completed	261,181	266,998	334,867	<b>318,498</b>
Understated rental income (\$m)	1,111.7	990.8	1,252.5	<b>1,360.8</b>
Back tax and penalties assessed (\$m)	133.4	118.9	150.3	<b>163.3</b>