

## 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 2024-25, the Field Audit and Investigation Unit completed 1,803 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

	2021-22	2022-23	2023-24	2024-25
Number of cases completed	1,720	1,805	1,802	<b>1,803</b>
Understated earnings and profits (\$m)	14,090.4	12,741.6	21,345.9	<b>15,235.4</b>
Average understatement per case (\$m)	8.2	7.1	11.8	<b>8.5</b>
Back tax and penalties assessed (\$m)	2,897.4	2,602.3	3,303.7	<b>2,810.7</b>
Back tax and penalties collected (\$m)	2,274.6	2,243.0	3,957.1	<b>2,410.5</b>

## Field Audit

In 2024-25, 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 2024-25, the Field Audit and Investigation Unit completed 216 tax avoidance cases and assessed back tax and penalties of about \$0.7 billion (**Figure 29**).

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

	2021-22	2022-23	2023-24	2024-25
Number of cases completed	187	192	222	<b>216</b>
Understated earnings and profits (\$m)	5,548.8	3,934.0	12,799.1	<b>3,827.8</b>
Average understatement per case (\$m)	29.7	20.5	57.7	<b>17.7</b>
Back tax and penalties assessed (\$m)	1,087.3	805.8	1,619.4	<b>721.1</b>

## Investigation

In 2024-25, 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 two tax evasion cases. A couple were prosecuted for omitting rental income of their respective properties from their respective tax returns for the years of assessment 2014/15 to 2019/20 and 2015/16 to 2019/20, and giving false answers in writing to the requests for letting information from the Inland Revenue Department, contrary to Section 82(1)(a) and (e) of the Inland Revenue Ordinance. The two defendants were convicted on all the 13 charges on 5 March 2025 by the Magistrate. The husband was sentenced to 3 months' imprisonment and fined \$338,068 (equivalent to 200% of tax undercharged). The wife was sentenced to 3 months' imprisonment, suspended for 3 years, and fined \$405,300 (equivalent to 200% of tax undercharged).

## 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 2024-25, the Department completed compliance check on 362,313 property tax cases (**Figure 30**).

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

	2021-22	2022-23	2023-24	2024-25
Number of cases completed	318,498	316,105	342,794	<b>362,313</b>
Understated rental income (\$m)	1,360.8	1,582.5	1,765.0	<b>1,610.8</b>
Back tax and penalties assessed (\$m)	163.3	189.9	211.8	<b>193.3</b>