

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 0027)**

Head: (76) Inland Revenue Department  
Subhead (No. & title): ()  
Programme: (3) Investigation and Field Audit  
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)  
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In this year, the Inland Revenue Department indicated that it would continue to exert determined efforts in combatting tax evasion and countering tax avoidance schemes. Have the impacts on Hong Kong's economy caused by the epidemic and external environmental factors given rise to any issues related to tax evasion and tax avoidance? There are hundreds of thousands of cases in average per year just for property tax compliance check alone, will the Government need to deploy more resources including equipment and manpower, so as to conduct investigation in a more effective manner? If yes, what are the details? If no, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 10)

Reply:

All along, the Inland Revenue Department (IRD) has been implementing various measures to combat tax evasion and prevent loss of tax revenue. Although the COVID-19 pandemic and external environment factors may have negative impact on the financial position of certain enterprises or individuals, according to the information available to the IRD, there is no indication that tax evasion or avoidance cases, whether as a whole or in relation to specific categories of enterprises or persons, are on the rise. The numbers of field audit and investigation cases completed, anticipated to be completed and the associated amount of back tax and penalty assessed by the IRD for the financial years 2020-21 to 2022-23 are tabulated below for reference:

	<u>2020-21</u> (Actual)	<u>2021-22</u> (Revised Estimate)	<u>2022-23</u> (Estimate)
Cases completed	1,801	1,800	1,800
Total back tax and penalty assessed	\$2.803 billion	\$2.9 billion	\$2.6 billion

For Property Tax Compliance Check (PTCC), it is mainly performed through application of a computer program, whereby rental income reported by landlords in tax returns is automatically matched against information contained in the tenancy agreements submitted for stamping with a view to selecting high risk cases for in-depth review. The number of cases requiring manual follow-up actions is relatively small. The IRD has devised appropriate procedures and manpower arrangement for handling PTCC cases to create a deterrent to tax evasion.

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