

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1922)

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:

1. Regarding the tax investigation conducted by the Inland Revenue Department (IRD) over the past 3 years, please provide the numbers of investigation cases which were carried out on the IRD's own initiative, through random-checking, and upon receipt of complaints or informers' reports. Please set out the numbers of demand notes and the amounts of tax involved by tax types (e.g. profits tax, salaries tax, etc.).

2. Did the Government deploy more manpower and resources to the investigation work relating to revenue collection over the past 3 years? If yes, what are the details? If no, will the Government consider increasing the relevant provision such that the effectiveness could be enhanced through active investigations? If not, what are the reasons?

Asked by: Hon LEE Chun-keung (LegCo internal reference no.: 6)

Reply:

1. The Inland Revenue Department (IRD) all along exerts efforts in combating tax evasion and countering tax avoidance schemes. In the financial years 2021-22 to 2023-24 (up to 29 February 2024), the total number of cases completed and the amount of back tax and penalties assessed by the IRD are as follows:

| | 2021-22 | 2022-23 | 2023-24 (up to 29 February 2024) |
|---------------------------------|-----------------|-----------------|-------------------------------------|
| Total number of cases completed | 1 720 | 1 805 | 1 741 |
| Back tax and penalties assessed | \$2.897 billion | \$2.602 billion | \$3.263 billion |

The IRD does not maintain statistical breakdown by the types of investigation and tax. The IRD is therefore unable to provide the requested information.

2. One of the IRD's missions is to collect revenue efficiently and cost-effectively. During the past 3 financial years, the establishment of the Field Audit and Investigation Unit was broadly the same. According to the information available to the IRD, there is no indication that the number of tax evasion or avoidance cases is on a rising trend in recent years. Besides, the Field Audit and Investigation Unit has all along been making good use of information technology to enhance the efficiency and effectiveness of its work. For example, computer-assisted data analyses are performed to identify high-risk cases for audit. The IRD will continue to explore measures to improve the efficiency of tax administration in future. Therefore, the IRD has no plan to increase the manpower and resources of the Field Audit and Investigation Unit at present.

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