

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2804)

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 respect of combatting tax evasion and countering tax avoidance schemes, please inform this Committee of the following:

1. Regarding the tax investigation conducted by the Inland Revenue Department (IRD) over the past 3 years, please set out for each year the respective 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 by tax types (e.g. profits tax, salaries tax, etc.), together with the numbers of demand notes and amounts of tax involved.
2. What are the manpower and annual expenditure currently involved in tax evasion investigations? Has the IRD planned to deploy more resources to investigate tax evasion and tax avoidance cases? If yes, what are the details?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 17)

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. The Field Audit and Investigation Unit of the Inland Revenue Department is dedicated to auditing and investigating suspected tax avoidance and evasion cases. For the financial year 2023-24, the staff establishment and financial provision of the Field Audit and Investigation Unit are tabulated as follows:

Financial Year	Staff establishment	Financial Provision (\$ million)
2023-24 (Revised Estimate)	238	255.7

One of the IRD's missions is to collect revenue efficiently and cost-effectively. During the past three 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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