

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 2023-24, the Field Audit and Investigation Unit completed 1,802 cases (including tax avoidance cases) and assessed back tax and penalties of about \$3.3 billion (**Figure 27**).

Figure 27 Results of the Field Audit and Investigation Unit

	2020-21	2021-22	2022-23	2023-24
Number of cases completed	1,801	1,720	1,805	1,802
Understated earnings and profits (\$m)	14,496.9	14,090.4	12,741.6	21,345.9
Average understatement per case (\$m)	8.0	8.2	7.1	11.8
Back tax and penalties assessed (\$m)	2,802.7	2,897.4	2,602.3	3,303.7
Back tax and penalties collected (\$m)	3,064.1	2,274.6	2,243.0	3,957.1

Field Audit

In 2023-24, 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 2023-24, the Field Audit and Investigation Unit completed 222 tax avoidance cases and assessed back tax and penalties of about \$1.6 billion (**Figure 28**).

Figure 28 Results of the audit on tax avoidance cases

	2020-21	2021-22	2022-23	2023-24
Number of cases completed	220	187	192	222
Understated earnings and profits (\$m)	8,417.1	5,548.8	3,934.0	12,799.1
Average understatement per case (\$m)	38.3	29.7	20.5	57.7
Back tax and penalties assessed (\$m)	1,614.3	1,087.3	805.8	1,619.4

Investigation

In 2023-24, 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. The first case involved a printing company, its director and manager in preparing false records, thereby understated the sales of the printing company. The director also signed fraudulent tax returns for the printing company. After trial, the three defendants were convicted on all the 11 charges on 16 June 2023 and sentenced on 10 July 2023 by the District Court Judge. The printing company was fined \$200,000 (\$50,000 for each charge) plus a further fine of \$984,362.50 (equivalent to 50% of the tax undercharged). The director was sentenced to 24 months' imprisonment and fined \$984,362.50 (equivalent to 50% of tax undercharged). The manager was sentenced to 12 months' imprisonment. The other case was an estate agent who omitted rental income in her tax returns, made false statements for deduction of home loan interest and gave false answers to the requests for information by the Department. She also, without reasonable excuse, made an incorrect return and understated the rental income therein. The defendant was convicted by the District Judge on all the 12 charges on 15 March 2024. The case was adjourned to 19 April 2024 for sentencing.

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 2023-24, the Department completed compliance check on 342,794 property tax cases (**Figure 29**).

Figure 29 Results of the property tax compliance checks

	2020-21	2021-22	2022-23	2023-24
Number of cases completed	334,867	318,498	316,105	342,794
Understated rental income (\$m)	1,252.5	1,360.8	1,582.5	1,765.0
Back tax and penalties assessed (\$m)	150.3	163.3	189.9	211.8