



In this issue:

**Summary**

**Obligations**

**Consequences**

**Deloitte's view**

**People to contact**

## GES NewsFlash

### Hong Kong – Tax Evasion Case

March 2, 2011

Following the three court cases held in late 2010 in Hong Kong where the defendants were convicted of tax evasion of Hong Kong, there has been another court case recently.

#### Summary

A defendant was convicted of evading tax with willful intent and sentenced to four months' imprisonment, suspended for 18 months, plus a fine of more than 1.5 times the amount of tax evaded.

The defendant owned two properties, both of which were rented out. However, the defendant only reported the rental income from one property and falsely declared that the other property was her residence and claimed deductions for home loan interest in respect of such property in her tax returns for five years of assessment including, 1998–99, 2001–02, 2004–05, 2006–07, and 2007–08.

#### Obligations

The effective operation of Hong Kong's simple tax system with low tax rates requires a high degree of compliance by taxpayers. It is also the primary duty of every taxpayer under law to file timely and accurate returns to the Inland Revenue Department (IRD).

Taxpayers are required to file the Annual Individual Tax Return (Form BIR60) on or before the due date, which is one month after the date of issue.

#### Consequences

Tax evasion is a criminal offence in Hong Kong, omitting to report any taxable income in a tax return or making a false statement in a return in connection with a claim for any deduction or allowance is an offence under the Inland Revenue Ordinance (IRO).

The maximum penalty for each convicted offence (under the IRO) being:

- Three years imprisonment, plus
- A fine of HK\$ 50,000, plus
- A further fine of up to three times the amount of tax evaded

#### **Deloitte's view**

The individual in question was a former assistant general manager of a bank. She pleaded guilty to 10 counts of willfully intending to evade by omitting her rental income and making false statements in connection with claims for deduction of home loan interest in her tax returns after an investigation by the IRD.

In Hong Kong, taxpayers are required to report the income and are allowed to claim deductions as specified under the IRO in the tax return.

This case highlights that the IRD remains focused and has a trend of tackling tax evasion by carrying out investigation to individual taxpayers.

#### **People to contact**

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

#### **Beijing**

##### **Gus Kang**

Tel: + 86 (10) 8520 7600

##### **Huan Wang**

Tel: + 86 (10) 8520 7510

#### **Dalian**

##### **Constant Tse**

Tel: + 86 (411) 8371 2777

#### **Guangzhou**

##### **Keiichi Itaya**

Tel:+ 86 (20) 2831 1379

#### **Hong Kong**

##### **Anne Shih**

Tel: + (852) 2852 1652

##### **Mona Mak**

Tel: + (852) 2852 1051

##### **Stephen Green**

Tel: + (852) 2238 7178

## Shanghai

### Constant Tse

Tel: + 86 (411) 8371 2777

### Joyce W. Xu

Tel: + 86 (21) 6141 1178

### Tony Jasper

Tel: + 86 (21) 6141 1228

## Shenzhen

### Jim Chung

Tel: + 86 (755) 3332 1699

This NewsFlash information is also included in our biweekly GES newsletter, *Global InSight*, which you will receive directly if you are on the central distribution list.

If you are not on the central distribution list and received this communication by some other means, you can follow these few simple steps to be added to the central distribution list:

- Go to the [Deloitte Subscriptions Page](#) on Deloitte.com
- Make sure that under Step 1 you select "Tax" and "Global Employer Services"
- Under Step 2, select "Global InSight"
- Under Step 3, fill out your contact information and click "Save Profile"

Be sure to visit us at our Web site: [www.deloitte.com/tax](http://www.deloitte.com/tax).

**[Back to Top](#)**

---

**[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)**

1633 Broadway  
New York, NY 10019-6754  
United States

### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Copyright © 2011 Deloitte Development LLC. All rights reserved.

Member of Deloitte Touche Tohmatsu Limited

 **[Deloitte RSS feeds](#)**

---

