

Fine and jail sentence for printing company, its director and manager for tax evasion

A printing company, its director and manager were convicted on June 16 of evading profits tax at the District Court. The director and manager were remanded in custody. The defendants were sentenced today (July 10). The company was fined \$200,000 (\$50,000 for each charge) plus a further fine of \$984,362.50, equivalent to 50 per cent of the tax evaded. The director was sentenced to 24 months' immediate imprisonment and fined \$984,362.50, equivalent to 50 per cent of the tax evaded. The manager was sentenced to 12 months' immediate imprisonment.

The director and manager of the printing company, aged 64 and 69 respectively, are a couple. Both of them and the printing company pleaded not guilty to the relevant charges. After the trial, they were convicted of a total of 11 counts of wilfully with intent to evade tax. The charges comprise six counts for the three defendants of preparing or maintaining false books of accounts or other records, thereby understating the sales of the printing company for the years of assessment 2006/07 to 2008/09, contrary to section 82(1)(f) of the Inland Revenue Ordinance (IRO) (Cap. 112); one count for the printing company of omitting its sales income from the profits tax return for the year of assessment 2009/10, contrary to section 82(1)(a) of the IRO; and four counts for the director of signing the profits tax returns of the printing company for the aforesaid four years of assessment without reasonable grounds for believing the same to be true, contrary to section 82(1)(d) of the IRO.

An investigation by the Inland Revenue Department (IRD) revealed that the director had made use of a bank account of a dormant company to receive the sales incomes from a customer. The director transferred only part of the incomes to the bank account of the printing company and the remaining balance to the couple's personal bank accounts. The director and manager fabricated debit notes and relevant receipt records by amending the product unit prices and sales amounts of the original debit notes to match with the amounts deposited into the printing company's bank account. Such false records were then sent to the accountant for the preparation of financial statements of the printing company. As a result, only the reduced sales incomes of the printing company were reported to the IRD. The sales incomes of 33 transactions of the printing company were reduced for the four years of assessment 2006/07 to 2009/10. Revised total understated sales incomes were \$12,869,258 and total tax evaded amounted to \$1,968,725.

A spokesman for the IRD reminded taxpayers that tax evasion is a criminal offence under the IRO. Upon conviction, the maximum penalty for each charge is three years' imprisonment and a fine of \$50,000 plus a further fine of three times the amount of tax evaded.