

Taxpayer fined for omitting rental income and incorrectly claiming deductions of home loan interest

A taxpayer was convicted today (February 20) at the Kwun Tong Magistrates' Courts on three charges in relation to omitting rental income and incorrectly claiming deductions of home loan interest when filing returns for property tax and salaries tax. He was fined \$3,000 (\$1,000 for each charge) plus a further fine of \$8,537, equivalent to 10 per cent of the tax undercharged.

The defendant, aged 36, pleaded guilty to three counts of, without reasonable excuse, giving incorrect information in the tax returns in relation to letting property and deduction for home loan interest affecting his own liability to tax for the years of assessment 2011-12 to 2013-14, contrary to section 80(2)(c) of the Inland Revenue Ordinance (Cap. 112) (IRO).

The court heard that at the relevant times, the defendant owned two properties in Kowloon (Property 1 and Property 2). In his tax returns for the years of assessment 2011-12 and 2012-13, the defendant claimed deductions of home loan interest in respect of Property 1. In his tax return for the year of assessment 2013-14, the defendant claimed deduction of home loan interest in respect of Property 2.

An investigation by the Inland Revenue Department (IRD) revealed that Property 1 had been let out since June 1, 2010. The defendant omitted to report rental income of \$543,128 from Property 1 in his tax returns for the years of assessment 2011-12 to 2013-14, and made incorrect claims for deduction of home loan interest in the total amount of \$33,600 in respect of Property 1 for the years of assessment 2011-12 and 2012-13. Property 2 was under construction when the defendant signed an agreement to purchase it in December 2012 and was assigned to the defendant on October 31, 2014. The defendant also made an incorrect claim for deduction of home loan interest in the amount of \$85,200 in respect of Property 2 for the year of assessment 2013-14. The total amount of tax undercharged for the three years of assessment is \$85,369.

A spokesman for the IRD reminded taxpayers that any person who, without reasonable excuse, gives any incorrect information in relation to any matter or thing affecting his own liability (or the liability of any other person) to tax, commits an offence under the IRO. Upon conviction, the maximum penalty for each charge is a fine of \$10,000 plus a further fine of three times the amount of tax undercharged.