



**SINGAPORE
CUSTOMS**



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Five arrested, fined and jailed for fraudulent GST refund claims and money laundering charges – more than 1,300 charges brought against five

Five Indian nationals (“the accused persons”) – Karunanithi Saravanan (aged 36), Karunanidhi Rajesh (aged 32), Waithiyalingam Karunanidhi (aged 61), Kothandaraman Gnanam (aged 29), Ramaiyan Karthikeyan (aged 43) - were convicted of offences relating to fraudulent Goods and Services Tax (GST) claims under the electronic Tourist Refund Scheme (“eTRS”). They were also found guilty of money laundering offences by taking the cash arising from the fraudulent GST refunds out of Singapore.

Each of these accused persons faced over 200 charges of engaging in a conspiracy to claim fraudulent GST refunds amounting to approximately \$167,253.

For bringing criminal proceeds out of jurisdiction, the 5 accused persons faced a total of 127 charges amounting to \$112,924.

(See Annex A for summary of court sentences)

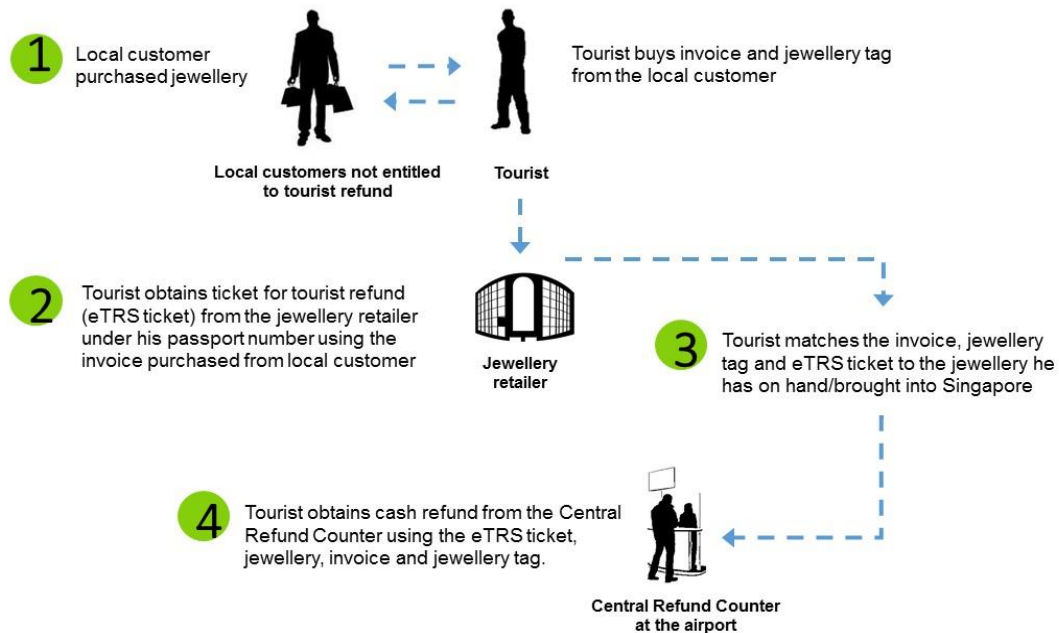
Fraudulent GST Refund Claims

The five accused persons were arrested by the Inland Revenue Authority of Singapore (IRAS) and Singapore Customs on 1 Feb 2017 for making fraudulent GST refund claims at Changi Airport. Their fraudulent schemes were exposed in a joint operation by IRAS and Singapore Customs. Investigations revealed that fraudulent claims of approximately \$167,253 in GST refunds were made by the five accused persons since 2015.

As part of their illegal scheme, the accused paid other customers (who were not entitled to the eTRS refund) for their jewellery invoices. With these invoices and using their passports, the accused masqueraded as “tourists” to obtain eTRS tickets from the respective shops and, subsequently claimed eTRS GST cash refunds at Singapore Changi Airport.

A graphic illustration of a GST refund claim fraud is shown here:

Illustration of a Tourist Refund Fraud



Removing Criminal Proceeds arising from Fraudulent GST claims from Singapore

As tax crimes were designated as money laundering offences with effect from 1 July 2013, the case was also referred to the Commercial Affairs Department (CAD) of the Singapore Police Force (SPF) for further investigations into possible money laundering offences.

CAD’s investigations revealed that between March 2015 and May 2016, the five accused persons removed criminal proceeds amounting to \$112,924 out of Singapore. Hence, the accused persons faced a total of 127 counts of offences under section 47(1)(b) of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (CDSA), Chapter 65A, for removing cash arising from fraudulent GST refund claims out of Singapore.

Measures to Prevent eTRS abuse

Retailers that operate the tourist refund scheme are obliged to put in place safeguards to prevent abuses. In respect of the minority of retailers assessed to pose higher risks, IRAS requires that they put in place additional measures. They serve to deter fraud, and to facilitate IRAS' efforts in fraud detection, while allowing genuine tourists to continue enjoying a seamless tourist refund process.

For example, these retailers are required to install a CCTV surveillance system on their retail premises to record the eTRS tickets issuance and sale process. They must also indicate prominently on each sale invoice, whether or not an eTRS ticket has been issued at the point of sale. The measures, taken together, are aimed at deterring fraudsters from obtaining eTRS tickets using invoices purchased from local customers who are not entitled to eTRS tickets.

Zero Tolerance towards Tax Fraud and other Criminal Activities

Singapore has always adopted a zero tolerance approach towards tax fraud, money laundering and other criminal activities.

The authorities take a serious view on such fraudulent GST refund claims and money laundering activities and will not hesitate to take stern enforcement actions against these individuals and any persons assisting them. Anyone who commits the offence of wilful intent to make a false GST refund claim or, assist any other person to make such false claim faces a penalty of up to 3 times the amount of refund wrongfully claimed and a fine not exceeding \$10,000, and/or imprisonment of up to 7 years. Anyone who commits a money laundering offence of converting, transferring or removing benefits from criminal conduct from jurisdiction under section 47(1)(b) of the CDSA shall be liable on conviction to a fine not exceeding \$500,000 or to imprisonment for a term not exceeding 10 years or to both.

About the Electronic Tourist Refund Scheme (eTRS)

Tourists can claim GST refunds on goods they have purchased and will bring out of Singapore. A person who did not purchase the goods and yet seeks or obtains a GST refund under the tourist refund scheme, commits a serious offence under the GST Act.

Under the eTRS, a tourist receives a receipt of goods purchased and an eTRS ticket when he buys goods from a GST-registered retailer participating in the eTRS. The tourist then uses the eTRS ticket or the credit card with which he purchased the goods to make a GST refund claim at a port of departure, usually Changi Airport.

As a control measure, physical inspection of the goods may be carried out at the GST refund counter by Singapore Customs officers before a GST refund claim is approved.

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Annex A

Court Sentences

Karunanithi Saravanan was sentenced to a total of **38** months' imprisonment, a fine of **\$70,000** and a penalty of **\$51,952.71**.

Fraudulent GST refund claims under tourist refund scheme

Summary	Count of charges	Amount of fraudulent GST refund	Tax penalty amounting to 3 times of tax wrongfully claimed	Imprisonment term	Fine
Total	249	\$167,253.53	\$501,760.59		
TIC ¹	235	\$149,935.96	\$449,807.88		
Proceed	14	\$17,317.57	\$51,952.71	36 months	\$70,000

Removing Criminal Proceeds from Singapore

Summary	Count of charges	Total amount	Imprisonment term
Total	22	\$7,371.87	
TIC	15	\$1,936.97	
Proceed	7	\$5,434.90	2 months

¹ Charges taken into consideration for sentencing.

Karunanidhi Rajesh was sentenced to a total of **39** months' imprisonment, a fine of **\$56,000** and a penalty of **\$51,952.71**.

Fraudulent GST refund claims under tourist refund scheme

Summary	Count of charges	Amount of fraudulent GST refund	Tax penalty amounting to 3 times of tax wrongfully claimed	Imprisonment term	Fine
Total	249	\$167,253.53	\$501,760.59		
TIC	235	\$149,935.96	\$449,807.88		
Proceed	14	\$17,317.57	\$51,952.71	36 months	\$56,000

Removing Criminal Proceeds from Singapore

Summary	Count of charges	Total amount	Imprisonment term
Total	32	\$38,406.60	
TIC	21	\$17,826.80	
Proceed	11	\$20,579.80	3 months

Waithiyalingam Karunanidhi was sentenced to a total of **39** months' imprisonment, a fine of **\$42,000** and a penalty of **\$51,952.71**.

Fraudulent GST refund claims under tourist refund scheme

Summary	Count of charges	Amount of fraudulent GST refund	Tax penalty amounting to 3 times of tax wrongfully claimed	Imprisonment term	Fine
Total	249	\$167,253.53	\$501,760.59		
TIC	235	\$149,935.96	\$449,807.88		
Proceed	14	\$17,317.57	\$51,952.71	36 months	\$42,000

Removing Criminal Proceeds from Singapore

Summary	Count of charges	Total amount	Imprisonment term
Total	29	\$30,228.69	
TIC	20	\$14,338.30	
Proceed	9	\$15,890.39	3 months

Kothandaraman Gnanam was sentenced to a total of **39** months' imprisonment, a fine of **\$28,000** and a penalty of **\$51,952.71**.

Fraudulent GST refund claims under tourist refund scheme

Summary	Count of charges	Amount of fraudulent GST refund	Tax penalty amounting to 3 times of tax wrongfully claimed	Imprisonment term	Fine
Total	238	\$163,167.62	\$489,502.86		
TIC	224	\$145,850.05	\$437,550.15		
Proceed	14	\$17,317.57	\$51,952.71	36 months	\$28,000

Removing Criminal Proceeds from Singapore

Summary	Count of charges	Total amount	Imprisonment term
Total	24	\$22,310.10	
TIC	16	\$10,077.90	
Proceed	8	\$12,232.20	3 months

Ramaiyan Karthikeyan was sentenced to a total of **39** months' imprisonment, a fine of **\$14,000** and a penalty of **\$51,952.71**.

Fraudulent GST refund claims under tourist refund scheme

Summary	Count of charges	Amount of fraudulent GST refund	Tax penalty amounting to 3 times of tax wrongfully claimed	Imprisonment term	Fine
Total	212	\$150,921.19	\$452,763.57		
TIC	198	\$133,603.62	\$400,810.86		
Proceed	14	\$17,317.57	\$51,952.71	36 months	\$14,000

Removing Criminal Proceeds from Singapore

Summary	Count of charges	Total amount	Imprisonment term
Total	20	\$14,606.74	
TIC	13	\$5,194.17	
Proceed	7	\$9,412.57	3 months

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