Annex A: Illustration of GST Missing Trader Fraud

In a typical GST Missing Trader Fraud arrangement, a group of businesses would form a supply chain where goods are sold through the chain. At each stop along the supply chain, the seller charges GST on the goods sold. The original upstream seller then disappears without paying the collected GST to IRAS, hence the term “Missing Trader”. In the meantime, the goods sold down the chain are purportedly exported by the last seller in the chain. Since exports are zero-rated, the last seller does not collect GST on the exports but instead claims a refund from IRAS on the GST paid on its purchases of goods. If IRAS refunds this last seller, it will result in a loss to the State because the Missing Trader did not pay the GST that he collected for his sale of goods at the start of the chain.

In some variations of the GST Missing Trader Fraud, goods can either be fictitious, or the same goods can be re-imported and re-exported repeatedly; such an arrangement is also known as “carousel fraud”. The illustration below shows an example of the GST Missing Trader Fraud using 9% GST rate: