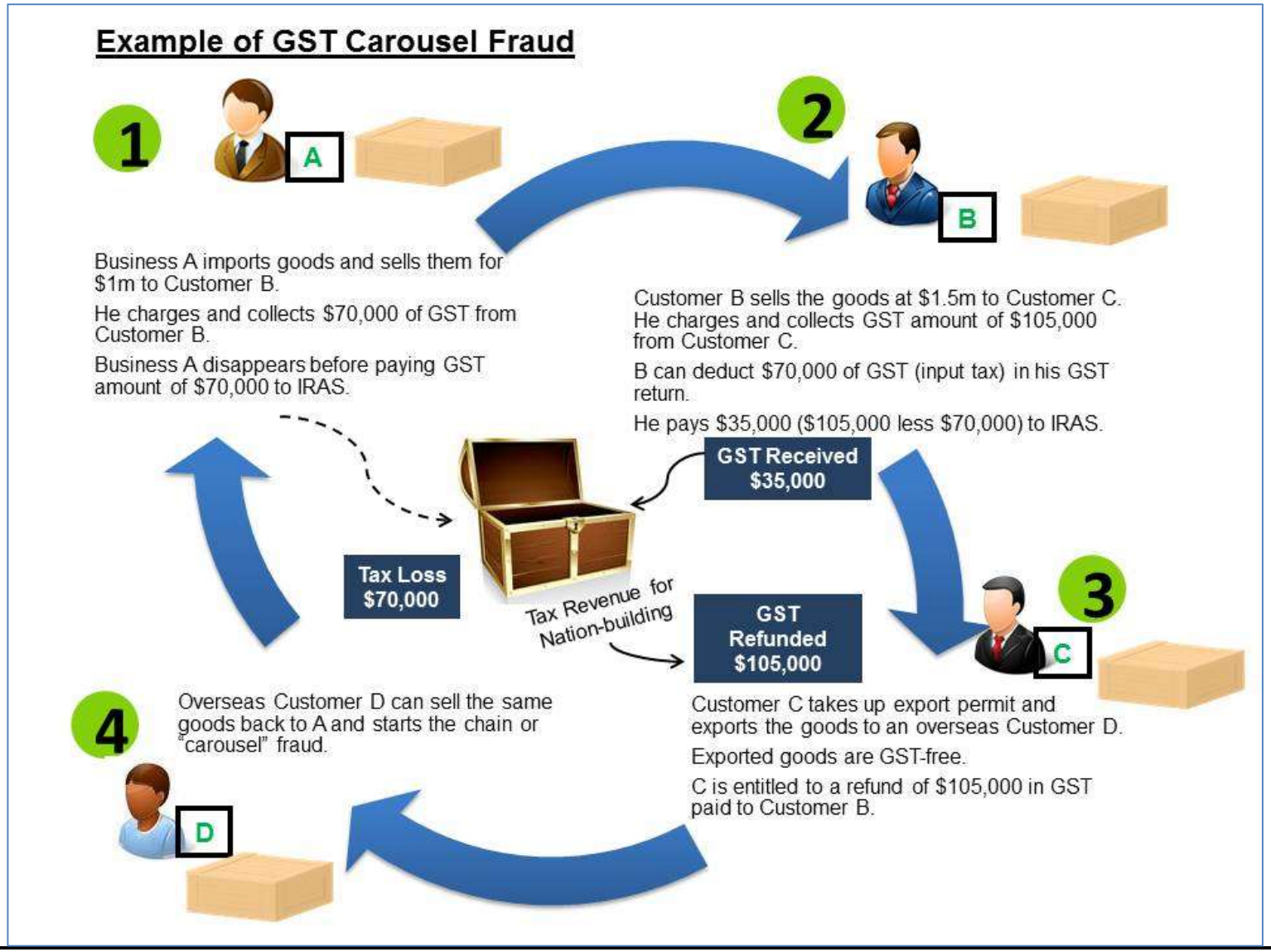
Example of GST Carousel Fraud
1
A
Business A imports goods and sells them for $1m to Customer B.
He charges and collects $70,000 of GST from Customer B.
Business A disappears before paying GST amount of $70,000 to IRAS.
2
B
Customer B sells the goods at $1.5m to Customer C.
He charges and collects GST amount of $105,000 from Customer C.
B can deduct $70,000 of GST (input tax) in his GST return.
He pays $35,000 ($105,000 less $70,000) to IRAS.
GST Received $35,000
Tax Loss $70,000
Tax Revenue for Nation-building
GST Refunded $105,000
3
C
Customer C takes up export permit and exports the goods to an overseas Customer D.
Exported goods are GST-free.
C is entitled to a refund of $105,000 in GST paid to Customer B.
4
Overseas Customer D can sell the same goods back to A and starts the chain or "carousel" fraud.
D