



Encounters with Cryptos in Tax Investigation Cases

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Introduction

- Sharing of 2 cases (Case Alpha and Case Beta) where cryptocurrencies (cryptos) were encountered in our tax investigations.
- Both cases were initially visited for other investigative objectives and the presence of cryptos was discovered in the course of investigation.

Case Alpha

- Case synopsis
 - The main thrusts for Case Alpha were the under-declaration of sales and failure to keep supporting purchase documents by a business entity owned by a female individual (Alpha-1). The business entity primarily conducted its activities via online e-commerce platforms.
 - The husband of Alpha-1, Alpha-2, was also selected as an investigation subject as there was a likelihood of him assisting Alpha-1 in the under-declaration.
- Involvement of crypto
 - During the raid, Alpha-2 was found to engage in crypto trading of Bitcoin, Ethereum and Qash using a local crypto exchange, from whom we obtained trade transaction records.
- Result
 - Alpha-2 was revealed to be the beneficial owner of not only the said business entity, but other business entities as well. He was eventually charged with the failure to register for Goods and Services Tax.
 - His under-declaration of crypto income and other income sources were included in a charge of submitting incorrect Income Tax returns without reasonable excuse, which was then taken into consideration.

Case Beta

- Case synopsis
 - Ongoing investigation of a syndicate involved in a Goods and Services Tax carousel fraud, where the same goods are traded around contrived supply chains within and beyond Singapore.
 - One of the subjects, Beta-1, had his laptop, mobile phone and other electronic devices seized as part of the investigation.
- Involvement of crypto
 - One of the devices seized from Beta-1 was a crypto cold wallet, the Ledger Nano S (see picture for sample).
 - Though the investigation focus was not on cryptos, we took the opportunity to use the case for research.



Case Beta

- Research
 - Attempted to forensically image the cold wallet but was unsuccessful.
 - Analysis on his mobile phone (via forensic image) revealed that he had transacted in Bitcoin.
 - Analysis on his laptop (via forensic image), with a search for the term “bitcoin”, led us to discover an unencrypted SQLite database in a folder called “Ledger Live”, which was the name of the software used by Ledger Nano S.

Case Beta

- Research (continued)
 - From the database, we could see the wallet ID, public keys and transaction IDs. Using the transaction IDs and the website www.blockchain.com, we were able to see and understand the flow of his bitcoins and the addresses of the senders and receivers (sample below showing Ethereum).

Hash	0x06bb4c3494733 [REDACTED]		0x06bb4c3494733 [REDACTED]	2022-05-[REDACTED]
	0x54a63836e [REDACTED]	→	0xbc982f3e [REDACTED]	
Fee	1.392 [REDACTED] ETH (280 [REDACTED] 64 WEI)			+0.00000000 ETH
Hash	0x86b9fa729aae14 [REDACTED]		0x86b9fa729aae14 [REDACTED]	2022-05-[REDACTED]
	0x54a63836e [REDACTED]	→	0xbc982f3e4 [REDACTED]	
Fee	1.381 [REDACTED] ETH (280 [REDACTED] 10 WEI)			+0.00000000 ETH

Case Beta

- Subsequent Actions

- From Beta-1's mobile phone, we noted there were 2 crypto wallet apps installed – CoinStats and CoinHako. We wrote to them for information on Beta-1's Bitcoin's and any other cryptos' transactions.
- CoinStats, based in Armenia, did not reply till date. CoinHako, based in Singapore, responded that Beta-1 had transactions with them in 2020, which was not within the timeframe of the transaction IDs found in the database.
- It was possible that Beta-1 could have used other exchange/wallet (possibly CoinStats) for the said transactions IDs.

Case Beta

- Subsequent Actions (continued)
 - In a later interview, Beta-1 had informed the investigation officer that the cryptos in the seized cold wallet were emptied out through the means of using recovery phrases (see picture for sample).
 - Though the card containing the recovery phrases were seized alongside the cold wallet, Beta-1 could have made a copy prior to the seizure and transferred the cryptos to another new wallet.



Thank you!

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