Combatting the Professional Enablers of Tax and Other Financial Crimes (Specialty) Programme
Summary of financial crime investigation

Background

Mr Y was a tax agent who was engaged by a businessman to prepare and submit Profit and Loss ("P&L") statements and Income Tax Returns for his businesses in the renovation industry. Mr Y had used his accounting and tax knowledge to assist his client in committing tax offences for several years.

How Mr Y conspired with his client to commit the tax offences

On one occasion, Mr Y informed his client that his businesses' annual revenue had exceeded S$1 million and were required to be registered for Goods and Services Tax ("GST")[1]. His client said that he did not want to register his businesses for GST. Mr Y agreed to help his client arrange the tax filings of his businesses so that the relevant revenue figures would be below S$1 million. This became a standing arrangement between them.

Mr Y helped his client prepare his businesses' P&L Statements and income tax returns as follows:

(a) Mr Y would retrieve the P&L Statements and Balance Sheets generated from the accounting software used by his client's businesses ("in-house accounts").

(b) Certain cash collections would already be excluded from the in-house accounts (his client had instructed his staff to do so).

(c) Mr Y would then prepare the P&L statements and the Income Tax Returns for his client's businesses ("certified accounts"), using the in-house accounts by:

   i. Firstly, arbitrarily reducing the relevant revenue figures of his client's businesses so that they are below S$1 million;

   ii. Secondly, arbitrarily reducing the relevant expense figures to maintain the net profit of the businesses in question, following the reduction of the relevant revenue figures (as described above); and

   iii. Thirdly, making subsequent further "adjustments" to the expenses figures, to reduce the net profits of the businesses in question, in accordance to his client's instructions.

(d) The certified accounts and income tax returns containing the false information were then submitted to the Inland Revenue Authority of Singapore.

How we uncovered the conspiracy

We analysed the Microsoft Excel spreadsheets that Mr Y had used to prepare his client's businesses' certified accounts. Detailed comparison of the certified accounts and the in-house accounts revealed a consistent pattern of alterations over several years, as summarised above. These forensics findings, together with the statements given by Mr Y, his client and his client's staff, helped us establish the modus operandi.

Outcome

Mr Y's client was convicted for failing to register his businesses for GST and giving incorrect information in his businesses' Income Tax Returns. His client was sentenced to S$17,000 in fines and about S$750,000 in penalties. This is in addition to the approximately S$1 million back-dated taxes that his client had to pay. Mr Y was convicted for conspiring with his client to assist him avoid GST registration for his businesses. For engaging in the conspiracy, Mr Y was ordered to pay a S$7,000 fine and approximately S$80,000 penalty (10% of GST due).

Submitted by: Loh Wai San (Inland Revenue Authority of Singapore), March 2023

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[1] Under Singapore tax laws, businesses with annual revenue exceeding S$1 million are liable to register for GST.