



## SFCT Intelligence Bulletin

# Targeting fraud in GST refunds



How the Serious Financial Crime Taskforce is targeting GST refund fraud.

### Warning

The Serious Financial Crime Taskforce (the Taskforce) is warning businesses about using related-party structuring and false invoicing, and entering into artificial and contrived arrangements to cheat the tax and super systems.

Following intelligence and activities conducted by member agencies, the Taskforce is seeing increasingly frequent and significant occurrences of fraudulent high-value GST refunds. The behaviours seen range from real businesses inflating invoices and overclaiming to outright fraud using fictitious transactions in attempts to create high-dollar-value refunds.

### What we are seeing

We are seeing sophisticated structuring arrangements between inter-related parties undertaken to obscure transactions and disguise artificial or fraudulent arrangements resulting in purported high-value GST refunds. These arrangements often involve high-value purported transactions or purchases, such as purchases of real property.

We believe there are networks of industry participants within established related-party groups who are involved in commercial arrangements that seek to exploit the GST rules in relation to inter-related party transactions.

The arrangements exhibit some or all of the following features:

- false invoicing between related entities (for example, inflating invoices or issuing invoices where no goods or services are actually provided)
- deliberately misaligning GST accounting methods across the group (for example, one entity operating on a non-cash basis while another uses a cash basis in order to contrive a GST refund due to the mismatched timing of the methods)
- duplicating GST credit claims in related entities for a single high-value transaction
- claiming GST credits for purported purchases, development or construction by related entities that never occurred
- the use of straw directors in an attempt to hide the true relationship between entities.

The Taskforce is seeing these behaviours amongst industry participants in the property and construction sector particularly but proliferating more widely across other sectors.

In many cases, groups appear to be using the high-value refunds generated from these activities to fund ongoing business activities, finance further purchases and expansion, or to manage fluctuations in their cash flow.

### Taskforce target

The Taskforce is targeting these behaviours to ensure a level playing field for those taxpayers who do the right thing.

Behaviours that exploit GST rules using artificial arrangements are fraud. These artificial arrangements are established to obtain a benefit from the tax system with no entitlement and may constitute tax crimes. It appears that some participants are induced to participate in these arrangements on the false belief that they are sharp practice but legally effective.

The Taskforce targets deliberate and organised tax fraud. It is currently focussing on compliance action related to these behaviours, including the possibility of criminal investigations, and to support the ATO to undertake promoter penalty actions against advisers and intermediaries who are encouraging taxpayers to adopt these behaviours.

### Taskforce action

The Taskforce is warning businesses against using these types of arrangements. We are equipped with the resources, sophisticated data matching, analytics capability and intelligence-sharing relationships to uncover even the most elaborate financial crime.

While most Australian businesses do the right thing, a small minority try to defraud the tax system. This behaviour undermines the integrity of the tax and super systems and disadvantages honest businesses who are doing the right thing.


We will effectively deal with those who engage in GST fraud, false invoicing or other illegal financial arrangements. We will work with partner agencies where appropriate. Those who seek to defraud the tax and super systems will get caught and face the full force of the law.

### What you can do

If you are a business involved in a GST refund fraud arrangement or other illegal invoicing or financial arrangement, we strongly encourage you to come forward and make a voluntary disclosure rather than wait for us to contact you. Early cooperation and voluntary disclosure of behaviour may reduce the penalties we impose. You may wish to seek professional advice from an independent legal or tax professional.

If you are a concerned member of the community who suspects a business or individual is involved in a false invoicing arrangement or GST refund fraud, you can confidentially report to us by making a tip-off online at [ato.gov.au/tipoff](https://ato.gov.au/tipoff) or by phoning **1800 060 062**. You may request access to whistleblower protections.

If you prefer to speak with us in a language other than English, you can call the Translating and Interpreting Service (TIS National) on **13 14 50** for help with your call.

 **This is a general summary only.**  
For more information, go to [ato.gov.au/SFCT](https://ato.gov.au/SFCT)

