



Taxpayer Alert

Arrangements designed to improperly obtain goods and services tax refunds

About Taxpayer Alerts

Alerts provide a summary of our concerns about new or emerging higher risk tax or superannuation arrangements or issues that we have under risk assessment.

While an Alert describes a type of arrangement, it is not possible to cover every potential variation of the arrangement. The absence of an Alert on an arrangement or a variation of an arrangement does not mean that we accept or endorse the arrangement or variation, or the underlying tax consequences.

Refer to Law Administration Practice Statement [PS LA 2008/15 Taxpayer Alerts](#) for more information about Alerts. See [Alerts](#) issued to date.

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Overview

1. Following the issue in December 2024 of the [Serious Financial Crime Taskforce intelligence bulletin – targeting fraud in GST refunds](#), we continue to observe artificial and contrived arrangements involving structuring between entities working together to improperly obtain immediate refunds of goods and services tax (GST). The corresponding GST liabilities are either indefinitely deferred or deliberately evaded.
2. These arrangements involve false invoicing, where entities claim GST credits for acquisitions they did not make or did not make to the extent claimed and are established to obtain a benefit from the tax system to which there is no entitlement. This is tax fraud.
3. The arrangements typically involve:
 - purported high-value acquisitions of goods or services at inflated prices, giving rise to large GST refund claims
 - the appearance of high-value transactions taking place where, in reality no transactions have occurred or, if transactions have occurred, not to the extent claimed
 - services often vaguely described as ‘project management’ or ‘consultancy services’, deliberately making the services difficult to verify.

4. Entities are often using these arrangements as a form of finance to obtain an unfair competitive advantage.

Description

5. The arrangements of concern usually include some or all of the following features:
- The supplier and the recipient are not dealing at arm's length and are often related parties or associates of one another. There may be 'straw directors' installed to obscure the true nature of their connection.
 - The supplier and the recipient may or may not be part of a larger group of entities¹, some or all of which undertake genuine business activities.
 - There is false invoicing between related entities – for example, inflating invoices or issuing invoices where nothing is actually provided or that do not include sufficient detail about what has been purportedly supplied.
 - There is deliberate misaligning of GST accounting methods across a group of entities – for example, one entity operating on a non-cash basis while another on a cash basis in order to contrive a GST refund before any GST becomes payable.
 - There are multiple entities within the group claiming a GST credit for the same acquisition.
 - The activity that the purported acquisition is in relation to is not undertaken, nor ever seriously contemplated.
6. Examples of common elements in these arrangements:
- The parties enter into contractual agreements for the purported supply of services, often vaguely described as 'project management' or 'consultancy services'², for a commercially unrealistic price.
 - The contractual agreements are designed to give the arrangement the pretence of legitimacy; however, the services described in the agreements are not supplied and key clauses are never enforced.
 - In some cases, the supplier contends that it procured third parties, who are also complicit, to provide the services.
 - Payment for the services does not occur. Either the outstanding amount remains unpaid or it is asserted that payment has been made after a round-robin movement of funds between the parties. It may be clear that the recipient does not have the capacity to pay for the purported services.
 - The participants may claim that consideration has been provided by way of a reduction to a previously existing loan owed to the supplier by the recipient or that payment is contingent upon an event yet to occur.
 - The recipient claims the GST credit on its purported acquisition from the supplier in the tax period in which it receives the tax invoice. To support the

¹ References to a group are not necessarily references to a GST group under Division 48 of the *A New Tax System (Goods and Services Tax) Act 1999*.

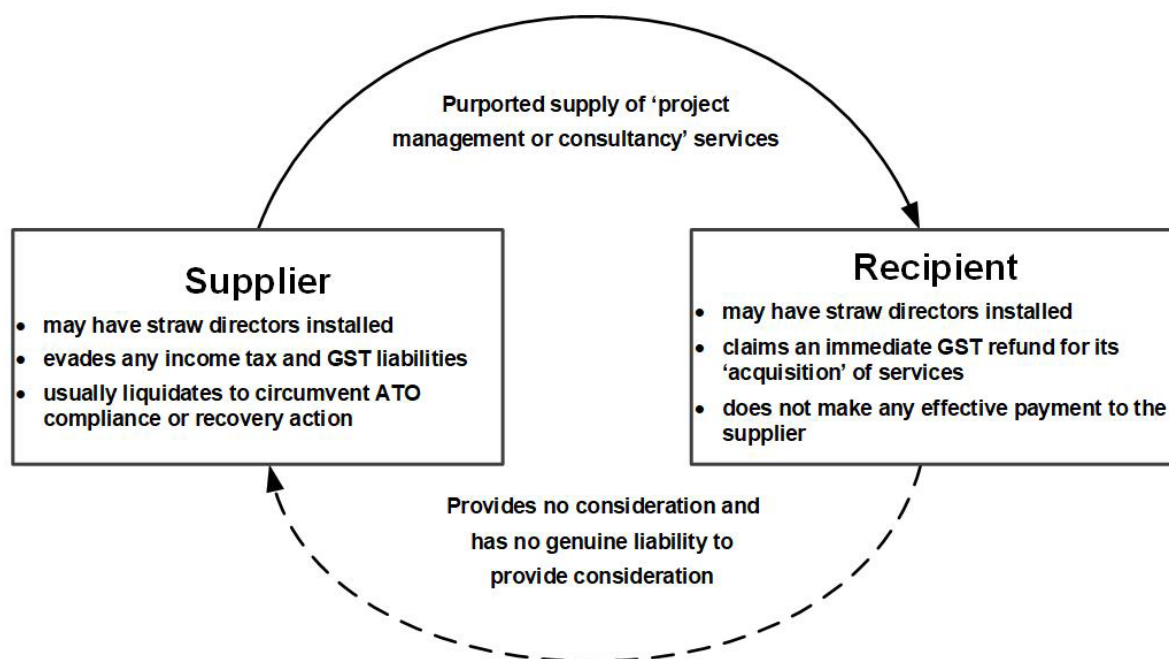
² We are aware of instances where arrangements involve the purported sale of goods, including real property, equipment or machinery, between colluding parties.

recipient's GST credit claim, the supplier will assert that it has or will have a GST liability but

- does not lodge its Business activity statement (BAS) for the tax periods during which it purportedly made the supplies
- lodges its BAS but fails to report the GST liability on the purported supplies
- lodges its BAS and reports the GST liability but offsets all or the majority of the liability through claims for GST credits on acquisitions it did not make, or
- lodges its BAS and reports the GST liability but fails to pay the liability.
- Often the participants in these arrangements are related entities or associates of one another and would be eligible to elect to form a GST group under Division 48 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) but choose not to. GST grouping would normally eliminate GST on intra-group transactions and thus prevent participants obtaining some of the typical improper GST benefits from these arrangements.
- Entities involved in the arrangements often liquidate to circumvent compliance or recovery action by us.

7. Figure 1 of this Alert is a diagrammatic representation of the arrangement.

Figure 1: Arrangement



Our concerns

8. We are concerned that entities are using these types of arrangements to commit tax fraud by improperly obtaining GST refunds and evading GST obligations. The

arrangements undermine the integrity of the tax system by seeking to exploit the GST rules.

9. Entities are often using these arrangements to obtain an unfair competitive advantage. This creates an uneven playing field for businesses doing the right thing.

10. The purported supplies in these arrangements are artificial, contrived and improperly obtain a tax benefit for the entities involved.

11. There is no entitlement to a GST credit where no taxable supply has been made by the supplier or where the purchaser does not provide (and is not liable to provide) consideration.

What we are doing

12. Each case turns on its own facts and circumstances. We are engaging with taxpayers to ensure that all parties have correctly met their GST and income tax obligations. Taxpayers and advisers who adopt these types of arrangements will be subject to increased scrutiny from us.

13. We have sophisticated systems in place to identify high-risk GST refunds. Transactions are not viewed in isolation and we will withhold refunds pending a review to ensure compliance with the GST Act.

14. We will consider whether any taxable supplies have been made by the supplier and whether consideration was provided and there is a genuine liability to provide consideration by the recipient.

15. We will also examine whether the documentation for the purported transactions reflects the true intentions of the parties and whether the arrangements (or particular steps within the arrangement) are shams at general law.

16. The anti-avoidance provisions of Division 165 of the GST Act may apply, where the arrangements are artificial and contrived in their design and execution.

17. In appropriate cases, sanctions under criminal law may apply to fraudulent claims.

18. Registered tax agents advising entities to incorrectly claim GST credits may be referred to the Tax Practitioners Board to consider whether there has been a breach of the *Tax Agent Services Act 2009*.

19. Promoter penalty laws may also apply under Division 290 of Schedule 1 to the *Taxation Administration Act 1953* for promoters of these types of arrangements.

What you should do

20. You should consider whether our concerns apply to you. If you have entered into a similar arrangement to that described in this Alert, we encourage you to:

- phone or email us using the contact details provided at the end of this Alert
- seek independent advice as to the legal and tax consequences of your arrangement
- make a voluntary disclosure to reduce penalties that may apply.

21. Penalties may apply if you have not complied with your GST or income tax obligations in relation to such arrangements. Penalties may be significantly reduced if you contact us and make a voluntary disclosure. Generally, the reduction is greater if you make the disclosure before we notify you of an examination of your tax affairs.

22. If you are a registered tax agent or tax adviser who has been involved in these arrangements, you are at risk of being perceived as a 'promoter' of a scheme. We encourage you to engage with us.

Providing information

23. To provide information about this type of arrangement or about a promoter of this or another arrangement:

- phone us on **1800 060 062**
- complete the [ATO Tip-Off Form](#)
- contact the officer named in this Alert.

Contact officer: Ben Osborn
Email: Ben.Osborn@ato.gov.au
Phone: **08 9268 5991**

Commissioner of Taxation
24 July 2025

References

Legislative references:

- ANTS(GST)A 1999 Div 48
- ANTS(GST)A 1999 Div 165
- TAA 1953 Sch1 Div 290
- Tax Agent Services Act 2009

Related practice statements:

- PS LA 2008/15

Other references:

- Serious Financial Crime Taskforce intelligence bulletin – targeting fraud in GST refunds
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ATO references

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