Tax crimes as predicate offences for money laundering

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The FATF revision of 2012

Exchange of tax information concerns the relationship between states. The designation of tax crimes as predicate offences for money laundering concerns the conduct of the banks themselves. It transforms a client's tax evasion into a possible source of criminal proceeds, which the bank must not help to conceal. The Financial Action Task Force revised its Recommendations in February 2012 and required jurisdictions to include serious tax crimes among the predicate offences, leaving each jurisdiction to define which tax crimes it considered serious.[1]

Singapore had prepared the ground. In September 2011 MAS reminded financial institutions to remain vigilant against suspicious inflows of funds in anticipation of agreements between foreign jurisdictions to resolve outstanding tax issues. In a keynote speech on 27 October 2011, the Managing Director of MAS, Ravi Menon, announced the intention to criminalise the laundering of the proceeds of serious tax offences.[2] The timing was not accidental. According to the Ministry of Finance,

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MAS acted in response to the withholding tax treaties then being negotiated and signed in Europe, which raised the prospect of undeclared European money moving from Swiss banks towards Asia.[3]

The designated offences

On 9 October 2012 MAS published a consultation paper on the designation. It explained that wilful and fraudulent tax evasion were serious tax crimes involving omissions, falsifications or fraudulent conduct with intent to evade tax. Singapore would designate the offences under sections 96 and 96A of the Income Tax Act and sections 62 and 63 of the Goods and Services Tax Act. The Second Schedule of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (CDSA) would be amended accordingly, with effect from 1 July 2013. The consultation paper noted that the tax offences would join a list of more than 400 existing predicate offences. It named Australia, Hong Kong, the Netherlands and the United Kingdom among the financial centres that had already designated tax offences.[4]

The two income tax offences differ in gravity. Section 96 covers wilful evasion through the omission of income, false statements or false answers, and carries a penalty of three times the tax undercharged, a fine of up to S$10,000 and imprisonment of up to three years. Section 96A covers serious fraudulent evasion through false books or records or any fraud, art or contrivance. It carries a penalty of four times the tax undercharged, a fine of up to S$50,000 and imprisonment of up to five years.[5] Negligent errors and mere omissions to file are not covered. The Swiss concept of a qualified tax offence, discussed below, draws the line differently.

The money laundering offences of the CDSA apply in full to the proceeds of these crimes. A person who assists another to retain the benefits of criminal conduct, or who conceals, converts or transfers them, faces a fine of up to S$500,000, imprisonment of up to ten years, or both.[6] For a relationship manager, the designation therefore changed the nature of the risk. Helping a client to keep undeclared assets out of sight of his home authorities ceased to be a commercial choice and became a potential criminal offence in Singapore.

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Foreign tax offences and dual criminality

The decisive question for a wealth management centre concerned foreign tax evasion. Under section 2(1) of the CDSA, a "foreign serious offence" is an offence against the law of a foreign country that would have been a serious offence had the conduct occurred in Singapore. The response of MAS to the consultation, published on 28 March 2013, drew the consequences. Singapore applies dual criminality for mutual legal assistance and for the statutory duty to report. The evasion of a foreign tax of a type that Singapore does not levy, such as an inheritance tax or a wealth tax, is therefore not a foreign serious offence.[7]

MAS refused to let this technical limit become a loophole. It distinguished three cases. Where a bank knows or suspects that a client's assets are the proceeds of evading a foreign tax of a type Singapore imposes, it must file a suspicious transaction report and is protected against any breach of confidentiality. Where it is uncertain whether the foreign tax corresponds to a Singapore tax, it must also file and is equally protected. Where it is certain that the tax has no Singapore equivalent, it is not obliged to file. A voluntary report in that case does not enjoy the statutory protection. In all three cases, however, MAS expects banks to apply their risk controls to prevent the holding of assets suspected to derive from wilful or fraudulent tax evasion, "be it a domestic or a foreign offence".[8]

Supervisory expectations

The supervisory expectation has since been written into the guidelines to the anti-money laundering notices. The current guidelines to MAS Notice 626 for banks state that banks are expected to reject a prospective customer where there are reasonable grounds to suspect that the customer's assets are the proceeds of serious crimes, including wilful and fraudulent tax evasion. In an existing relationship, a suspicion calls for enhanced monitoring and, where appropriate, termination. A bank that wishes to retain the client needs the approval of senior management with documented reasons. The guidelines expressly apply this to serious foreign tax offences, even where Singapore has no equivalent tax.[9]

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Appendix B of the guidelines lists indicators of tax-related suspicious transactions. They include negative tax-related media reports, an unclear purpose for opening accounts in Singapore and large transfers to or from jurisdictions with a higher risk of tax evasion that the client cannot reasonably justify. Further indicators are the reinvestment of funds in the client's home country after transit through a tax haven, accounts managed by inadequately supervised external asset managers, dealings in precious metals out of line with the client's background and an unjustified use of safe deposit facilities.[10] The list reads like an inventory of the techniques of the old offshore business. Each of them must now be treated as a warning sign.

Enforcement and international cooperation

The national money laundering risk assessment of 2024 counts tax crimes among Singapore's key threats, alongside fraud, organised crime, corruption and trade-based money laundering. It observes that Singapore, as a wealth management hub, "is inherently exposed to ML involving tax crime proceeds originating from abroad". At the end of 2022, Singapore-based asset managers managed S$4.9 trillion, 76 per cent of which originated outside Singapore. The report notes an increase in incoming foreign requests relating to tax offences and the role of legal persons and arrangements in laundering foreign tax crime proceeds.[11]

The same report describes cases that show the new regime at work. In one, the Commercial Affairs Department seized S$3.5 million from Singapore bank accounts of companies held through trust structures. A Singapore licensed trust company had allegedly set them up to conceal a US citizen's beneficial ownership of undeclared assets. The proceeds were eventually returned to the American government under a settlement with the taxpayer. In another, information shared spontaneously by Singapore authorities with the United Kingdom helped to secure the conviction of Bernie Ecclestone on 12 October 2023 for failing to declare a trust holding more than £416 million. He received a suspended sentence of seventeen months and paid more than £650 million in respect of his tax affairs.[12] The individual responsibility of banks and their officers in such cases is examined in Chapter V of Part H.

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Notes

1. Monetary Authority of Singapore, *Consultation Paper on Designation of Tax Crimes as Money Laundering Predicate Offences in Singapore*, P019-2012, 9 October 2012, preface and para. 1: revision of the FATF Recommendations in February 2012; jurisdictions "may decide on the definition and range of tax crimes which it considers serious". ↩

2. MAS, Consultation Paper P019-2012, preface para. 1 and note 1: MAS reminder to financial institutions in September 2011; policy intent made known in October 2011 in a keynote speech by Ravi Menon at the Wealth Management Institute Connection on 27 October 2011. ↩

3. Ministry of Finance, press release of 14 May 2013, note 2: "In Sep 2011, in response to withholding tax treaties being negotiated and signed in Europe", MAS directed financial institutions in Singapore to guard against possible inflows of illicit funds. ↩

4. MAS, Consultation Paper P019-2012, paras. 2–3: designation of tax offences "under s.96 and s.96A of the Income Tax Act and s.62 and s.63 of the Goods and Services Tax Act"; amendment of the Second Schedule of the CDSA by June 2013; criminalisation effective 1 July 2013; MAS, "MAS to Designate Tax Crimes as Money Laundering Predicate Offences", media release of 9 October 2012. Consultation Paper P019-2012, preface para. 3: designation comparable to OECD jurisdictions and key financial hubs "such as Australia, Hong Kong, Netherlands and the UK"; "the latest addition to the list of over 400 other ML predicate offences". ↩

5. Income Tax Act 1947, ss. 96(1) and 96A(1), as reproduced by LawPlayer (lawplayer.com/sg/article/ITA1947/96 and /96A, accessed November 2026): s. 96, wilful intent to evade tax, treble penalty, fine not exceeding $10,000 or imprisonment not exceeding 3 years; s. 96A, false books or records or "fraud, art, or contrivance", penalty of four times the tax, fine not exceeding $50,000 or imprisonment not exceeding 5 years. ↩

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6. Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992, ss. 51(5) and 54(5), as reproduced by LawPlayer (lawplayer.com/sg/act/CDTOSCCBA1992, accessed November 2026): for an individual, "a fine not exceeding $500,000 or … imprisonment for a term not exceeding 10 years or … both". ↩

7. Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992, s. 2(1), as reproduced by LawPlayer (accessed November 2026): "foreign serious offence" means "an offence (other than a foreign drug dealing offence) against the law of a foreign country or part thereof" where the act or omission would have constituted a serious offence if it had occurred in Singapore. MAS, *Response to Feedback Received – Consultation Paper to Designate Tax Crimes as Money Laundering Predicate Offences in Singapore*, 28 March 2013, paras. 3.3 and 3.7: dual criminality applies to tax crimes for mutual legal assistance and STR filing; "a foreign tax evasion offence is not a 'foreign serious offence' under the CDSA if it relates to a type of tax not imposed by Singapore". ↩

8. MAS, Response to Feedback of 28 March 2013, paras. 3.4–3.7 and Figure 1: Case A, filing required with protection under the CDSA; Case B (uncertainty), filing required with protection; Case C (no equivalent tax in Singapore), no filing obligation and no statutory protection for a voluntary report; reference to s. 39(1) and (6) CDSA. Ibid., paras. 3.2–3.3: FIs should "prevent the holding of assets where there are reasonable grounds to suspect that they are the proceeds of wilful or fraudulent tax evasion (be it a domestic or a foreign offence)", even where the foreign tax has no equivalent in Singapore. ↩

9. MAS, *Guidelines to MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism*, 28 March 2024, last revised on 1 July 2025, para. 8-6-6: banks are expected to reject a prospective customer "where there are reasonable grounds to suspect that the customer's assets are the proceeds of serious crimes, including wilful and fraudulent tax evasion"; enhanced monitoring, discontinuation or senior management approval for existing customers; application to "serious foreign tax offences, even if the

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foreign offence is in relation to the type of tax for which an equivalent obligation does not exist in Singapore". ↩

10. MAS, Guidelines to MAS Notice 626 (version of 1 July 2025), Appendix B, para. B-9, "Tax Crimes Related Transactions", items (i) to (x), including adverse tax-related reports, "Unconvincing or unclear purpose or motivation for having accounts opened in Singapore", round-tripping through a tax haven, accounts managed by inadequately regulated external asset managers, precious metals and safe deposit facilities, and participation in a Tax Amnesty Programme. ↩

11. Singapore, *Money Laundering National Risk Assessment 2024*, paras. 3.2 and 6.2.17–6.2.18: tax crimes among the key ML threats; Singapore "is inherently exposed to ML involving tax crime proceeds originating from abroad"; S$4.9 trillion managed at end-2022, 76 per cent from outside Singapore; increase in incoming foreign requests on tax offences; tax crime STRs often linked to adverse news or participation in foreign tax amnesty programmes. ↩

12. *Money Laundering National Risk Assessment 2024*, Case Study 8: a Singapore licensed trust company allegedly set up trust structures for a US citizen to conceal beneficial ownership; assets routed from a foundation into Singapore corporate accounts from 2012 to 2017; CAD seized S$3.5 million; proceeds returned to the US government; investigations of the trust company ongoing. Ibid., Case Study 1: Singapore authorities proactively shared information with the UK through FIU and law enforcement channels; conviction of Bernie Ecclestone on 12 October 2023; undeclared trust holding more than £416 million; sentence of 17 months suspended for two years; payment of more than £650 million. ↩

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