

MEDIA RELEASE

16 February 2023

NamRA WARNS AGAINST TRADE-BASED MONEY LAUNDERING

The Namibia Revenue Agency (NamRA) is aware of individuals who create ghost trading companies with an intention to defraud tax. This criminal practice takes the form of a missing trader intra-community (MTIC) fraud, resulting in theft of Value-Added Tax (VAT) from the State by organised criminal groups relying on the abuse of the VAT rules for cross-border transactions. They fraudulently generate huge amounts of money in unlawful profits by avoiding the payment of VAT or by fraudulently claiming repayments of VAT from the revenue authority. Alternatively, this is done through a “carousel fraud” where the perpetrators exploit the zero-rating of exports combined with the “deferred payment” mechanism for collecting VAT on imported goods. In other instances, a trader who is a VAT taxable person collects VAT on sales and then disappears, absconding with the VAT so collected.

Following NamRA’s investigations in this regard, two businessmen were arrested in June 2022 and January 2023 respectively, following a case lodged with the Namibian Police (**CR484/10/2022**). The accused persons established “ghost businesses or ghost trader” in Namibia that were registered with NamRA using “fake documents” for Import VAT, Income Tax and VAT.

One suspect owns, with his family, various companies trading mainly in northern Namibia. The suspect under this scheme would import goods from South Africa via his company in that country to the ghost trader in Namibia at 0% VAT import. The latter would defer paying import VAT at import and the goods would be consumed by the suspect’s ghost company and sell it amongst his other companies and to unsuspecting traders. The ghost trader will then disappear from the transaction chain. All these transactions have serious implications on import VAT, Income Tax and VAT.

The accused persons in this regard have since been released on bail. In the process, several assets have been seized with an intention to have them forfeited to the State. At the moment, N\$299 million is linked to the fraudulent deferred import VAT, while the amount for Income Tax is yet to be determined. NamRA wishes to reiterate that trade-based money laundering entangles trade facilitation and taxation processes in the country and the Agency remains committed to enhancing the enforcement of the applicable laws.

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