



Investigation and combating VAT fraud in BENIN

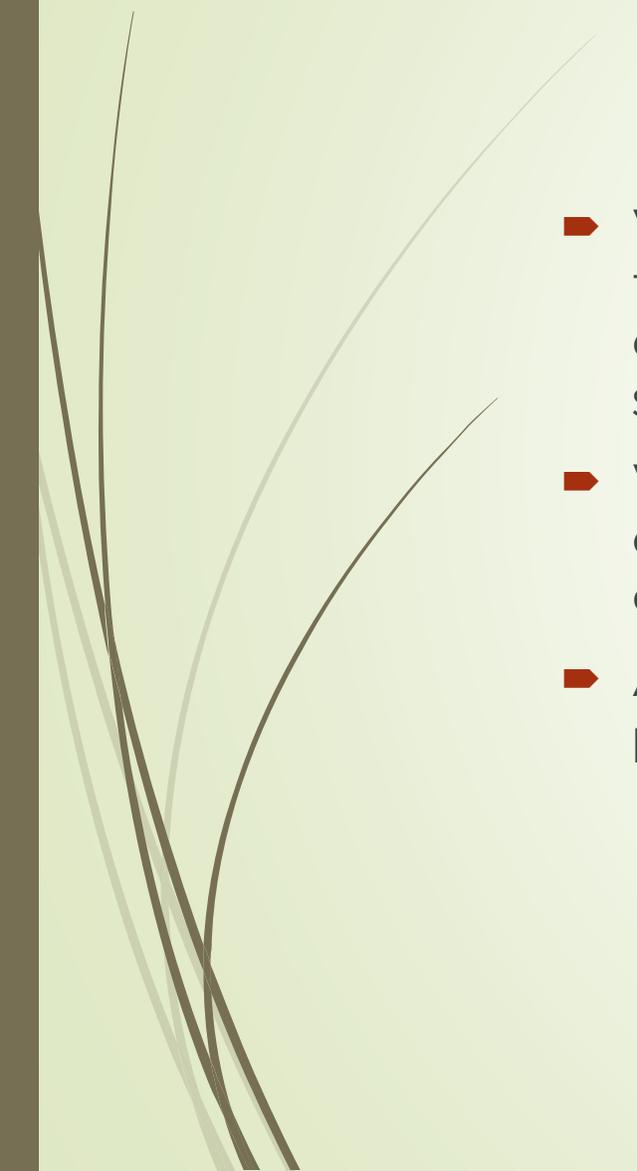
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BACKGROUND AND INTRODUCTION

- ▶ Value Added Tax (VAT) is an indirect consumption tax, charged on most trades of goods and services. It has been adopted by more than 161 countries around the world and remain successful by generating a large share of revenues in Africa.
 - ▶ VAT fraud is a global problem that involves the loss of huge sums of money, causing economic harm to the revenues of national governments in developing countries.
 - ▶ Attacks by organized criminal groups on tax systems to generate substantial profit are not restricted to VAT and are often linked to other criminality
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1- VAT FRAUD IN BENIN

- ▶ VAT was introduced in BENIN through a law on 22 february 1991 and adminitered by the Diectorate General of Taxes
- ▶ In its simplest forms, VAT evasion includes failure of a business to register for VAT and the suppression of cash transactions, thus avoiding VAT altogether, and fake invoices.
- ▶ The development of virtual products and services traded through electronic platforms increased the frequency and the severity of VAT fraud



2-COMBATING VAT FRAUD IN BENIN

- VAT fraud is addressed today by Tax Investigation Unit and law enforcement agencies.
- The General Tax Code which include tax law and tax procedure (all in one) is the first main tool to tackle VAT fraud by given investigation and auditing power to tax officers,
- The Criminal Penal Code is the second tool to combat tax crimes including VAT fraud.
- The outcomes of investigation are sanctions: administrative sanctions for non compliance.
- Criminal penalties after prosecution in court .



3-CHALLENGES IN INVESTIGATION

- ▶ Lack of coordination between domestic revenue department and custom department.
- ▶ Lack of information on time because whistleblowers became rare.
- ▶ Political interference
- ▶ The investigation techniques based only on data and analysis have limited success and need in fact to complement the ground investigation..
- ▶ The various agencies and ruling bodies involved in combating VAT fraud have still a limited range of cooperation and information exchange.
- ▶ Limited resources allocated to the Tax audit and investigation department.
- ▶ Poor understanding of VAT fraud for non tax officers involved in investigation.
- ▶ Lack of capacity to curb e-commerce cross border VAT fraud



CONCLUSION AND RECOMMENDATION

- Improvement of legal framework
 - Capacity building of tax officer and non tax officers involved in investigation
 - The necessary powers to track and trace financial transactions through the banking system and mobile money.
 - Collaborative approach between tax administration, custom administration and law enforcement agencies
 - Allocation of resources to Tax Investigation Department
 - Improve administrative capacity by using IT system
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