



OECD International Academy for Tax Crime Investigation

VAT



VAT Fraud – German Experience

Main Fraud Schemes

- a. Black Market
- b. Carousel Fraud
- c. Non-Declaration of VAT/Turnover
- d. Refund Fraud / Identity Fraud



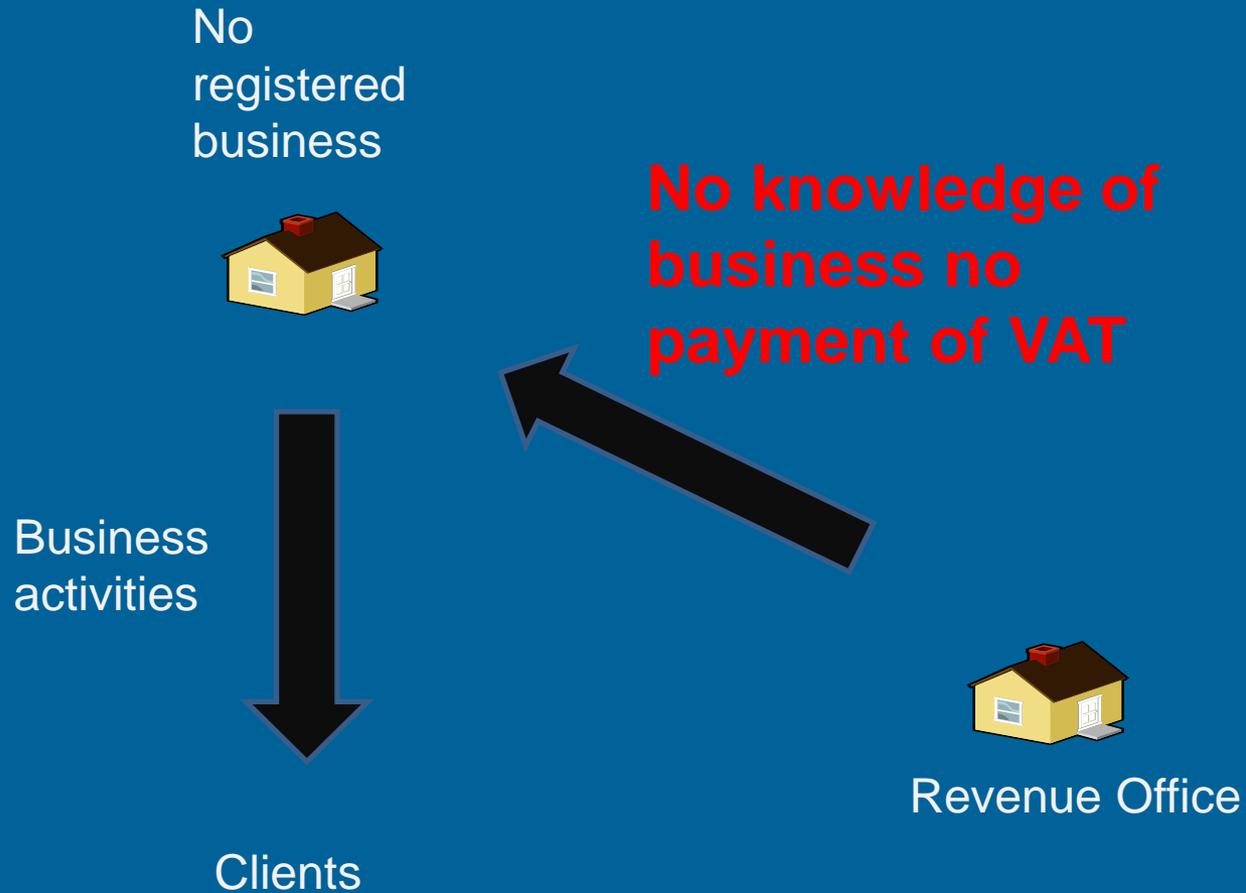
VAT Fraud – German Experience

a. Black Market

- The scheme
- The fraudulent effect
- Initiators
- Detection



The Scheme





The Scheme

- goods / services sold nondeclaration
- no company-registration
- no paperwork / no bookkeeping
- quick changing locations
- often goods of carousel fraud / other tax fraud CP 4200
- organized structures
- cash-based business



The Fraudulent Effect

- huge money - tax damage
- clients/consumers problems
- social care problems
- competition disadvantages
- faked goods / brands etc.
- influence on economy itself



Initiators

- OCG (organized crime groups)
- Individuals
- Business owners – side business



Detection

- generally difficult
- luck
- observation of markets
- business checks – regularly
- Whistleblowers
- Customs information – co-operation
- Police information
- consumer claims

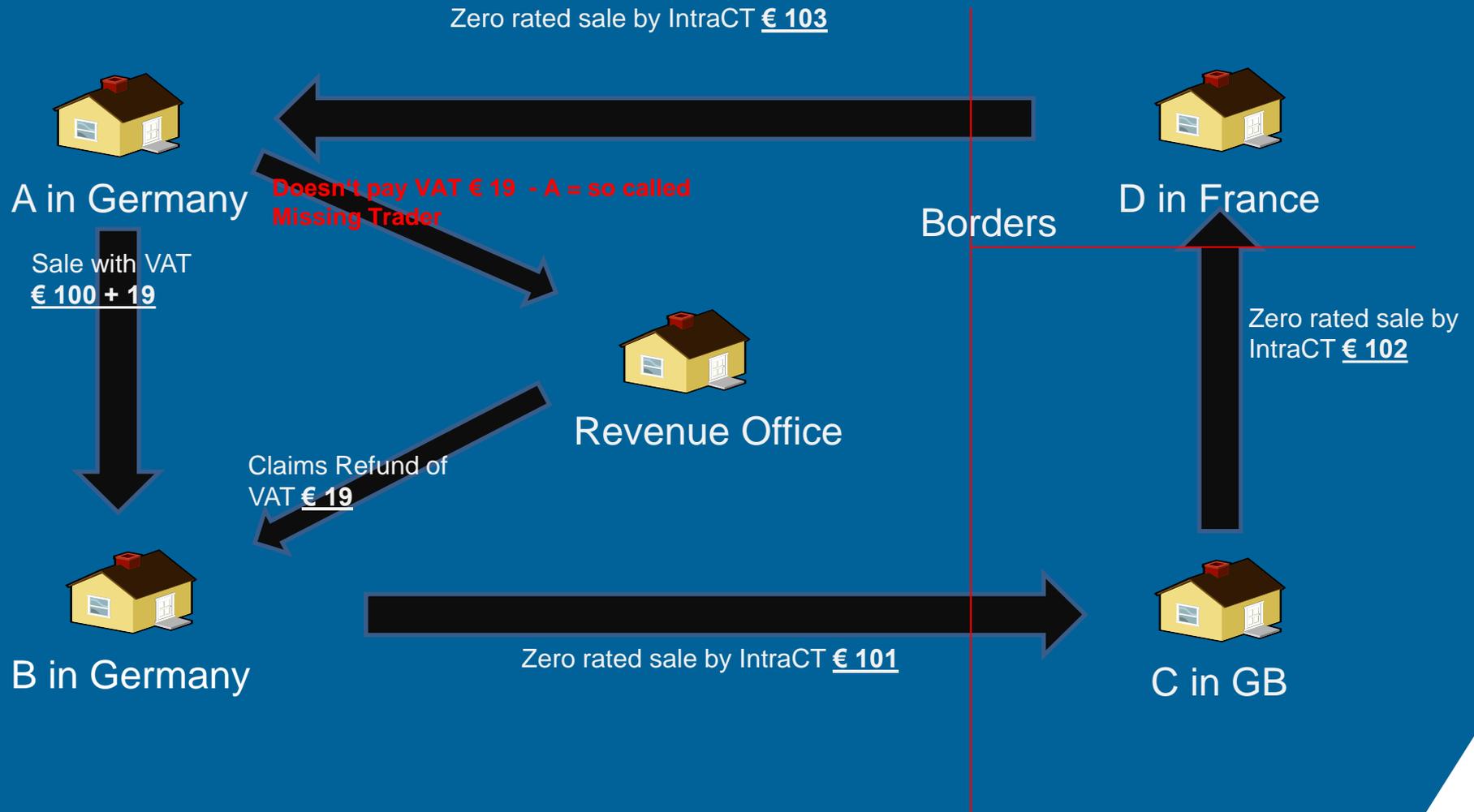


b. Carousel Fraud

- The scheme
- The fraudulent effect
- Missing trader
- Buffer / other involved companies
- Distributors
- Initiators
- Detection



The Scheme





The Fraudulent Effect

- non declaration of turnover
- declaration of turnover –no payment–
problem? Offence?
invoiced VAT deducted in chain - payed out
- competition advantages –non payed VAT part
of the price-range (margin)



Missing Trader

- **Missing trader often shell company**
- **Registered company (VAT/chamber of commerce/etc.)**
- **Inactive company - no economical activity**
- **Managers are hired - not skilled / alcoholics / etc. only for registration....**
- **Missing trader doesn't file tax declarations**
- **After detection – the Missing trader is vanishing –exchanged fast**
- **paperwork shows - not a real business**



Buffer

- **Buffer companies installed to conceal scheme**
- **More Buffers – more difficult to investigate**
- **Sometimes Buffers willingly/knowingly part**
- **Sometimes not aware about participation**
- **Buffers - small amount of money**
- **No reason for Buffers – Necessity?**
- **Paperwork is excellent!!**



Distributors

- **Distributor the last (national) company in chain**
- **Organizes export/freight forwarder/etc.**
- **VAT deduction without taxable turnover (because of export)**
- **Paperwork excellent**



Initiators

- **Organized schemes – OCG involved**
- **Often fraudsters involved in other crimes / terrorism / fraud / tax crimes etc.**
- **Professional money launderers involved**
- **Tax specialist “advisers” for fraudsters - setting up schemes**



Detection

- **Different companies work together - central organized**
- **National and international connections**
- **Same goods sometimes traded more than once**
- **Quick change/exchange of suppliers / purchasers**
- **In beginning VAT declarations seem unsuspecting**
- **Market prices higher than trading price**
- **Paperwork excellent**
- **Freight forwarders – real transport**
- **Payment - cash or wire – directly after trade**
- **Payments to companies - not expected**
- **Buffer/Missing trader quick rising turnover**



Detection

Karusellbetrug.pdf - Adobe Reader

Datei Bearbeiten Anzeige Fenster Hilfe

11 (11 von 18) 62%

Kommentar

Typische Lieferanten - Strukturen eines üblichen Händlers -

Zeitliche Entwicklung der Lieferungen

	erstes Jahr												zweites Jahr											
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
A	x	x	x	x	x																			
B	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x				
C	x	x	x	x	x																			
D		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
E			x	x	x	x																		
F				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
G					x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x				
H						x																		
I							x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
J								x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
K									x	x	x	x												
L										x	x	x	x	x	x	x	x	x	x	x				
M													x	x	x	x	x	x	x	x	x	x	x	x

x = Liefervorgang (Rechnung)
A - M = Lieferanten

Demgegenüber sieht die typische Lieferantenstruktur eines Haupthändlers in einem Umsatzsteuer-Karusell tendenziell so aus:

Typische Lieferanten - Strukturen beim Umsatzsteuer-Karusell -

Zeitliche Entwicklung der Lieferungen

	erstes Jahr												zweites Jahr											
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
A	x	x	x	x																				
B	x	x	x	x	x																			
C	x	x	x	x	x																			
D		x	x	x	x																			
E			x	x	x	x																		
F				x	x	x	x																	
G					x	x	x	x																
H						x	x	x	x															
I							x	x	x	x														
J								x	x	x	x													
K									x	x	x	x												
L										x	x	x	x											
M													x	x	x	x								

Kennzeichen:
Jeweils nur eine ver-
hältnismäßig kurze
Geschäftsbeziehung
mit jedem Lieferant

x = Liefervorgang (Rechnung)
A - M = Lieferanten

Diagram shows usual supplier structure

Diagram shows quick changing structure of suppliers within a carousel



Detection

KXKUE DATEN		DAISY: KK-Umsaetze - Anzeige		20/09/12 / 15:15:13			
		FKT		M397			
				Filiale: 100/35			
Nur Interne Konten:		Betrag	GVO	Memo	Buch-Tag	Valuta	Bemerkung
Konto-Nr.	ISC						
3826849	/00 EUR	10,00-	18	97171	01.08.12	31.07.	
	/00 EUR	0,20-	18	97190	01.08.12	30.07.	
	/00 EUR	905.687,36	39	97235	01.08.12	01.08.	
	/00 EUR	898.982,30-	09	97171	02.08.12	02.08.	
	/00 EUR	172.336,40-	09	97171	03.08.12	03.08.	
	/00 EUR	173.519,03	39	97235	03.08.12	03.08.	
	/00 EUR	800,00-	62	97161	06.08.12	06.08.	0000001
	/00 EUR	337.741,20-	09	97171	07.08.12	07.08.	
	/00 EUR	340.624,11	39	97235	07.08.12	07.08.	
	/00 EUR	782,21-	34	97186	09.08.12	09.08.	
	/00 EUR	8.677,25-	06	00100	17.08.12	17.08.	
	/00 EUR	1.322,75-	55	00115	17.08.12	17.08.	
	/00 EUR	300,00-	06	00100	17.08.12	17.08.	
	/00 EUR	224,91-	35	97186	17.08.12	17.08.	
	/00 EUR	356.851,73-	09	97171	21.08.12	21.08.	
3826849	/00 EUR	352.691,93-	09	97171	21.08.12	21.08.	0000001
	/00 EUR	400,00-	62	97161	21.08.12	21.08.	
	/00 EUR	355.130,53	39	97235	21.08.12	21.08.	
	/00 EUR	359.319,54	39	97235	21.08.12	21.08.	
	/00 EUR	800,00-	62	97161	22.08.12	22.08.	0000001
	/00 EUR	176,42-	34	97186	23.08.12	23.08.	
	/00 EUR	180.771,28-	09	97171	27.08.12	27.08.	
	/00 EUR	182.004,88	39	97235	27.08.12	27.08.	
	/00 EUR	357.180,64-	09	97171	28.08.12	28.08.	
	/00 EUR	359.642,88	39	97235	28.08.12	28.08.	
	/00 EUR	32,64-	03	97190	31.08.12	31.08.	
	/00 EUR	10,00-	18	97171	03.09.12	31.08.	
	/00 EUR	0,30-	18	97190	03.09.12	30.08.	
	/00 EUR	353.960,95-	09	97171	04.09.12	04.09.	
	/00 EUR	354.407,15	39	97235	04.09.12	04.09.	
3826849	/00 EUR	180.835,49-	09	97171	05.09.12	05.09.	
	/00 EUR	180.547,17	39	97235	05.09.12	05.09.	
	/00 EUR	423,32-	34	97186	10.09.12	10.09.	
	/00 EUR	363.349,55-	09	97171	11.09.12	11.09.	
	/00 EUR	362.787,68	39	97235	11.09.12	11.09.	
	/00 EUR	365.173,75-	09	97171	13.09.12	13.09.	
	/00 EUR	364.609,34	39	97235	13.09.12	13.09.	
	/00 EUR	368.516,32-	09	97171	19.09.12	19.09.	
	/00 EUR	227,77-	35	97186	19.09.12	19.09.	
	/00 EUR	367.947,14	39	97235	19.09.12	19.09.	

bankaccount in
carousel!

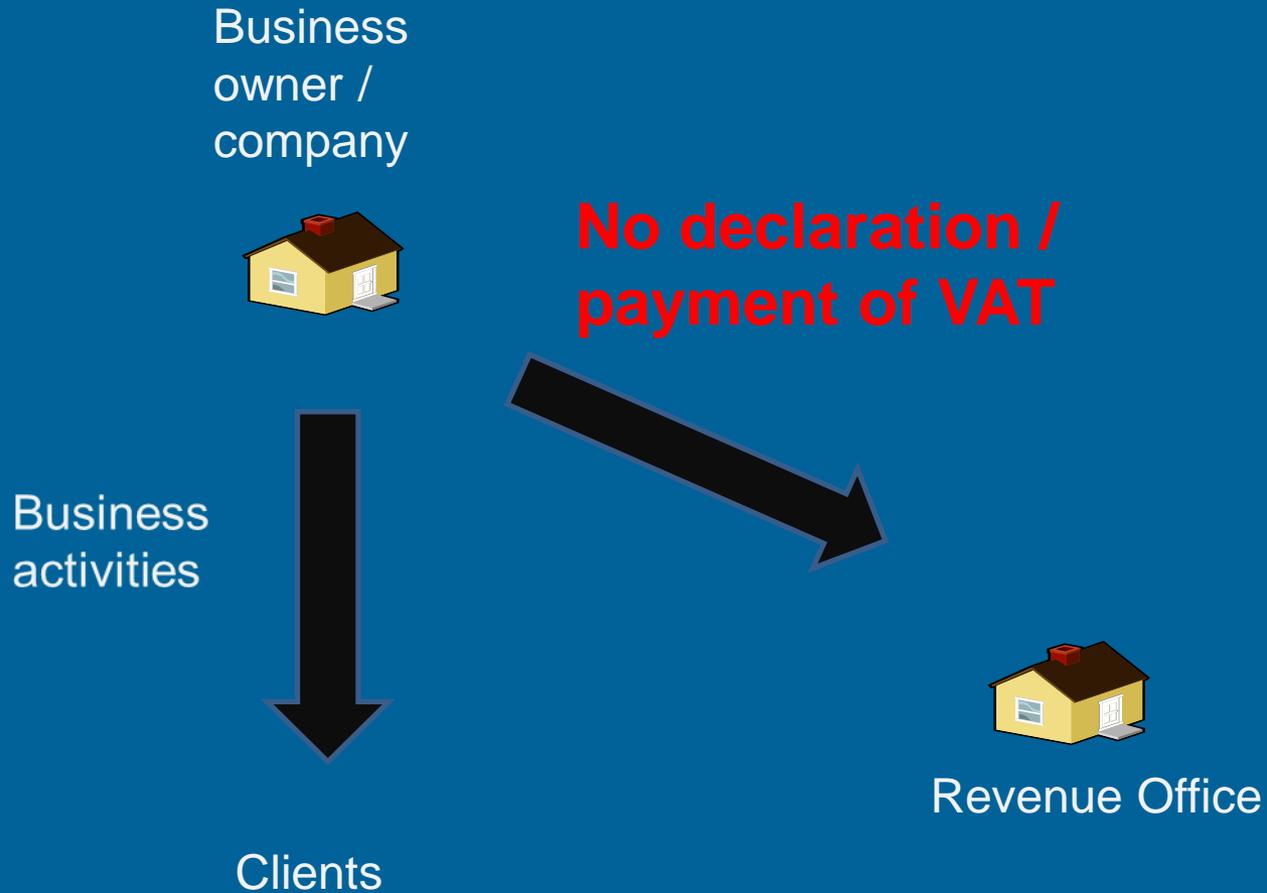


c.) Non-Declaration VAT/Turnover

- The scheme
- The fraudulent effect
- Initiators
- Detection



The Scheme





The Fraudulent Effect

- Tax damage
- Competition disadvantages
- Faked goods / brands etc.
- Influence on economy itself



Initiators

- Individuals
- Business owners – side business

generally

“Every businessman”



Detection

- usually difficult without indicators
- special technical investigative tech.
- business checks – regularly
- analyzing business while checks
- business figures / noticeable effects
- Whistleblowers
- Customs information – co-operation
- Police information
- consumer claims



d.) Refund Fraud / Identity Fraud

- The scheme
- The fraudulent effect
- Initiators
- Detection

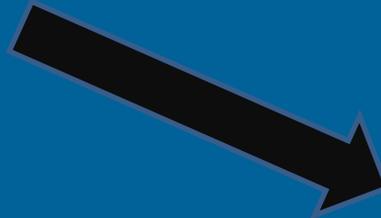


The Scheme

Business owner /
company/individuell



**Claim Refund -
illegally**



Revenue Office



The Fraudulent Effect

- Tax damage
- Bribery/corruption
- Trust in system



Initiators

- Individuals
- Business owners

generally

“Everybody”



Detection

- difficult without indicators
- Refundclaim audits
- invoice checks – regularly
- analyzing business while checks
- business figures / noticeable effects
- Whistleblowers
- Customs information – co-operation
- Police information – bribery/corruption



VAT-Fraud Approach

- Initially be aware of problem
- Be aware of schemes
- Analyzation closed cases “learn of mistakes”
- Try to find weak points in systems / structures / etc.
- Try to close gaps / often within laws – promotion of findings



VAT Fraud – Possible Answers

Re-/Action of tax administration

- **Training - build specialist**
- **Installing special units**
- **Automatic checks of tax declarations – database checks / use new technical investigative techniques**
- **Announced/non-announced checks/audits**
- **Market surveillance / intelligence**
- **Public information**
- **Co-operation police/customs/business unions/chamber of commerce**



- **Foundation – checks – audits of new founded companies**
- **Compliance surveillance – forms to be filled etc.**
- **Central databases with fraud schemes**
- **Access for every investigator**
- **Obligation to insert fraudulent scheme initially**
- **Access to STR**
- **Access to custom databases**
- **Check list - early alerts**



VAT Fraud – Check List Missing Trader

Indicators for missing trader

new founded company
company act not very long, stopped when audit starts
no declarations of VAT or ZERO Declarations
VAT declarations but no payment
bad liquidity of company
no office rooms where company is registered
no manager / employee where company is registered
no mailbox
registered at business services / professional enablers
registered but only mobil number or foreign telefon number
manager is not registered at the same place as company
rented office/rooms but they aren't used for activities of company
business runs in usual apartement houses/no business rooms
managers are from abroad – living abroad
managers do not speak national language / other native language
managers installed are unemployed people / social benefiteres without knowledge of business
business bank accounts are abroad
national bank account is only used for admin costs etc.
People outside the company itself are aloud to act for the company – procura
rising turnover within the first weeks/months – from zero to 100
sudden rising of export/import activity
company has only 3 suppliers and 3 clients
invoices of company are missing basic facts! Chamber of commerce nr...
no letter head/business forms for invoices etc.
further running business with clients despite the fact that payments are missing for earlier trades



VAT Fraud – Check List Buffer

Indicators for buffers

rising turnover within the first weeks/months – from zero to 100

VAT payment and VAT refund almost same amount

small margin on a daily trading base

change of field where the activity has been

not many clients and suppliers

payment by using bank accounts from abroad

national bank account is only used for admin costs etc.

bank account is organized by people outside the company – bank account in favour of third person

invoices of company are missing basic facts!

no letter head/business forms for invoices etc.

further running business with clients despite the fact that payments are missing for earlier trades

no market prices are invoiced

trading with older goods – e.g. mobiles one year old

no margin – gain in trades

no guarantee goods etc.

invoices are paid very fast sometimes prior to the trade no missing payments

no costs for acquiring of clients / advertisement etc.



VAT Fraud – Check List Distributor

Indicators for distributors

high refund of VAT

only own freightforwarders are involved – no acceptance of freightforwarders suggested by clients

warehouses often abroad

trade only with pre-payments

company knows the whole chain of the goods – from missing trader-buffer with prices documents etc.

clients are exchanged on a daily one to one base



VAT Fraud – Summary

Summary

- **Importance - being aware of problem**
- **Learn of prior investigations – database/intelligence/etc.**
- **Co-operation**
- **Supervisors/prosecutors/judges have to be informed about problems/ trends/ techniques used**
- **Publication - successful investigations**