



# WHAT IS A NFT?



OECD International Academy for Tax Crime Investigation

*Conducting Financial Investigations*



# NFT'S EXPLAINED

NFT stands for 'non-fungible token'.

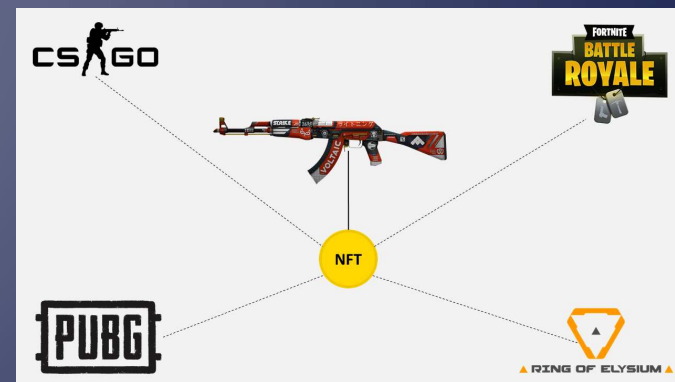
A NFT is a digital asset that links ownership to unique physical or digital objects!



Art



Real estate



Gaming



Limited Edition 'NFT Yourself Album' w/ additional Vinyl Album (physical copy)

Open Edition only available for purchase until March 19th, at 8pm EST

Purchasers of the 'NFT Yourself Album Edition' will receive:

- One full digital album download
- One Limited Edition Golden Eye Vinyl (physical copy)
- One NFT collectible album artwork

NFT collectible with all proceeds benefiting Live Nation's Crew Nation Fund.

Buy

Music

# NFT'S EXPLAINED

NFTs are sold **online**, via cryptocurrencies, and are the **digital proof of ownership** of an item.

NFTs are recorded on the **blockchain**, which ensures that the asset is **unique**.



NFT-projecten: Bored Ape Yacht Club, Meebits,  
Mutant Ape Yacht Club, RTFKT Clone X, Azuki

The **blockchain technology** ensures that the NFT cannot be changed or falsified. The registration on the **blockchain** is tied to a digital wallet. This crypto wallet contains a digital key with which you can prove that the NFT is your property.

# NFT'S EXPLAINED

## Smart contracts:

A **smart contract** is a piece of a code with which certain information is stored on the **blockchain**.

**Smart contract** are supported by multiple blockchains like, Ethereum, Solana, Tezos, Binance Smart Chain, etc.

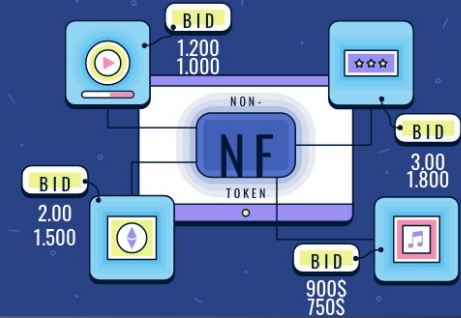
A **smart contract** regulates 2 actions:

- Verifying ownership;
- Ensure that it is possible to transfer the NFT.

The **smart contract** ensures that the transaction is only executed when the predefined conditions are met and verified.



## How Do NFTs work | Learn All About How Does an NFT Work



Voor NFT smart contracten wordt een ERC-721 of ERC 115 contract gebruikt.

# NFT PLATFORMS



Artists can offer NFTs for sale on these platforms/markets.

Buyers can then search the platform and buy the item of their choice.

This is usually done by bidding!

OpenSea has processed more than 10 billion dollar in transactions since its launch in 2017.

**NFT**

**NON-FUNGIBLE TOKEN**

# CRIMINAL ABUSE OF NFTS

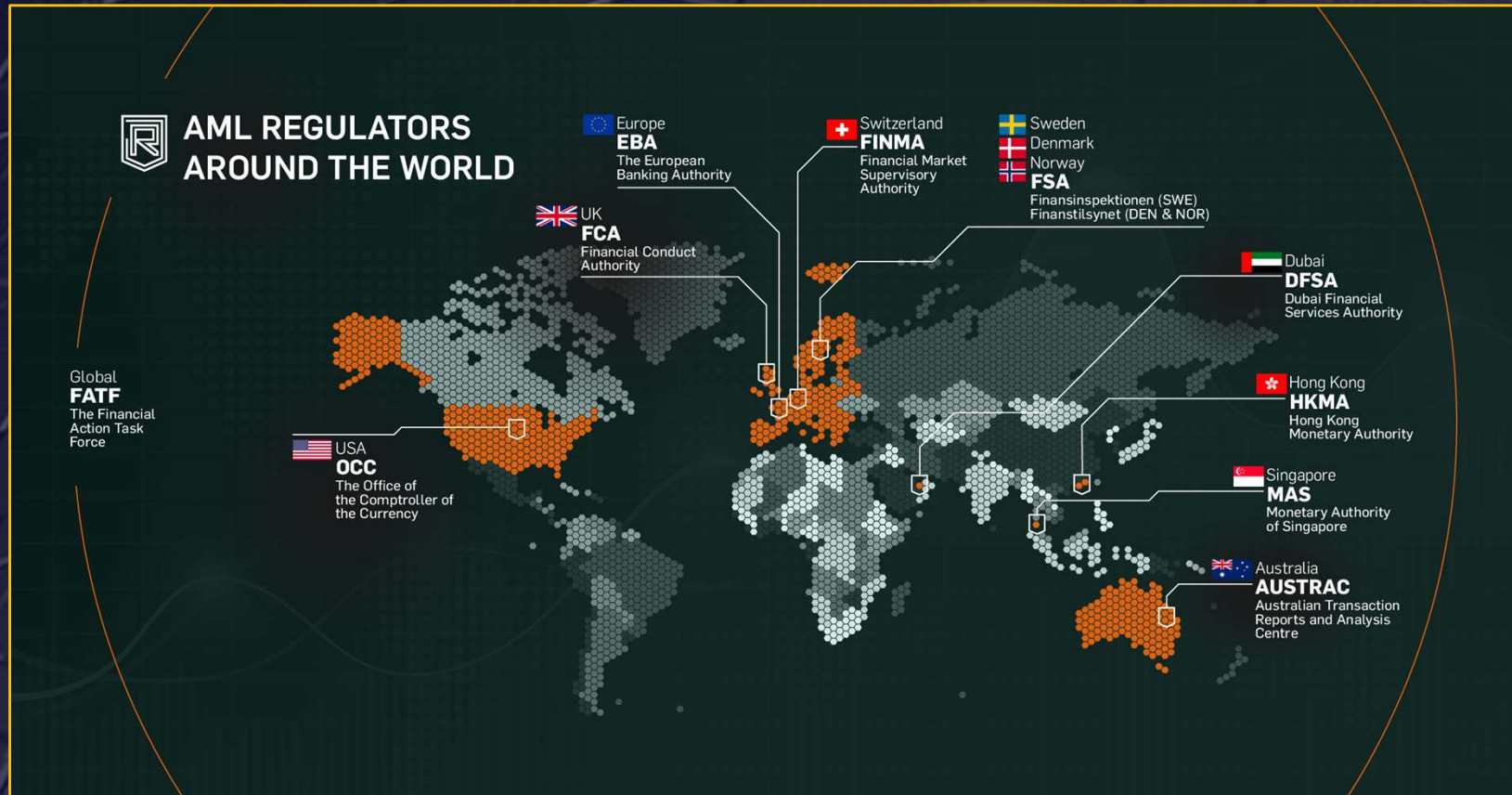


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# VULNERABILITIES



**NFTs are currently NOT bound by laws and regulations!**

# VULNERABILITIES

Many NFT platforms do not perform KYC/AML checks!



# VULNERABILITIES

**Shifting large amounts  
of money in a  
borderless, partly  
anonymous market!**



# VULNERABILITIES



**The most expensive  
NFTs are exchanged  
between a small number  
of wallets!**

**Ability to add/create  
value to something  
trivial!**



# **NFTs and Money Laundering**



# WASH TRADING

A wash trader would buy and sell their own NFT so that it will show inflated volume and interest and possibly a price increase. (The wash trader controls both the buy and sell prices so they can buy it at a higher price from themselves.) This behavior can be repeated over and over.

As a result, outsiders seeing this increased activity might consider buying the NFT at an inflated price. Once the NFT is sold to an outsider, the NFT creator pockets the difference.



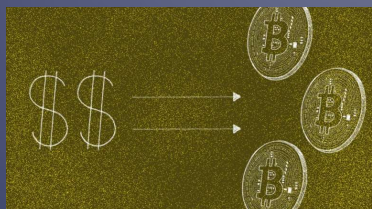
# NOTHING HAS CHANGED



Dirty/illicit money



Convert into crypto



Buy a NFT (or create a NFT)



Artificially inflate prices by planted counterparty who buys at a higher price



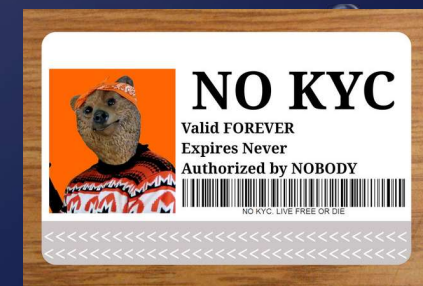
Create an account WITH KYC and a verified bank account



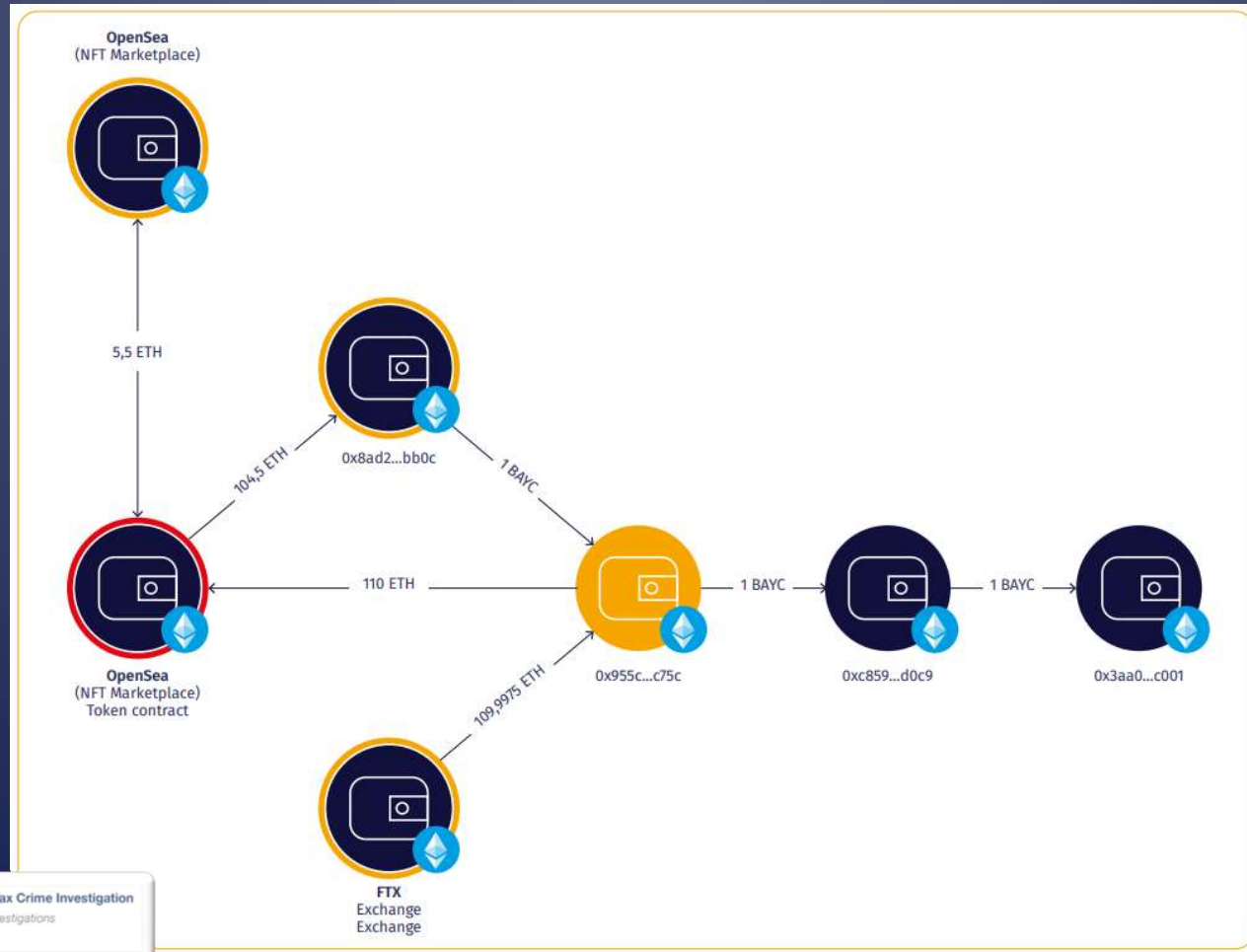
Buy your own NFT back!



Convert into fiat money



# WHAT DOES A NFT TRANSACTION LOOK LIKE?

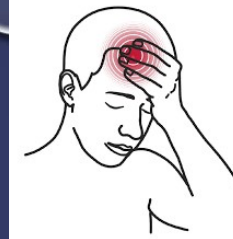


# NFTS AND VAT CHALLENGES

## 1) NEW TECHNOLOGY

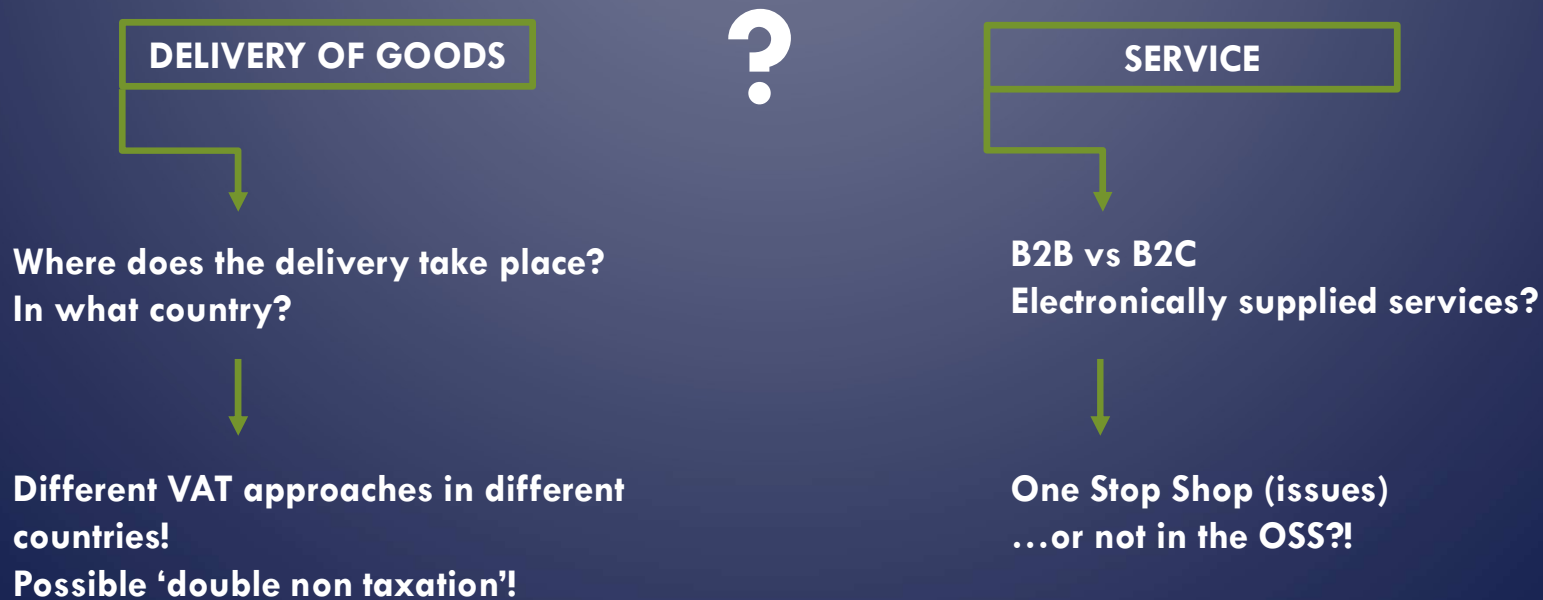
- **Blockchain technology**
- **Decentralised system (crypto) – no single point of contact**
- **Anonymity of cryptocurrencies**
- **KYC? (to easy to avoid)**
- **No AML regulations (at this moment)**

- **Lack of law enforcement skills.**
- **Difficult to follow the money/goods.**



# NFTS AND VAT CHALLENGES

## 2) WHAT ARE WE TALKING ABOUT?



# NFTS AND VAT CHALLENGES



## 2bis) WHAT ARE WE TALKING ABOUT?

A transfer of physical property/ownership?

- Full ownership?
- Partial ownership?

A license to use something (gaming)?

A license to access something (music)?

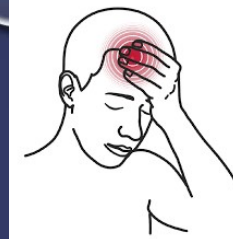
Royalties (music/artwork)?

Copyrights (music/artwork)?

Different VAT treatment?!  
Different VAT rates?!

What if the link between the NFT and the asset is broken?!

# NFTS AND VAT CHALLENGES



## 3) TAXABLE AMOUNT?

- NFTs mostly sold by bidding.
- Ability to add/create value to something trivial!

Arm's length principle?  
Fraud-prone?

## 4) VAT RATES?

A transfer of physical property/ownership?

A license to use something (gaming)?

A license to access something (music)?

Royalties (music/artwork)?

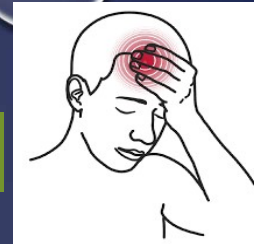
Copyrights (music/artwork)?

Different VAT rates in different countries?!

Danger of taxshopping!

# NFTS AND VAT CHALLENGES

## 5) TYPICAL ENFORCEMENT CHALLENGES



### NFT marketplaces/platforms:


- Important source of information
- 269 platforms, 2.460.000 wallets, 10.275.000.000 \$, 231.000.000.000 \$
- Even in colder prevailing market conditions, still high trading volume?!
- Where to go to? (USA, HK, ?, ...)
- GDPR?
- Legal powers of tax administrations/law enforcement?

### NFTs & follow the money:

- Payment methods (debit/credit card, Paypal, crypto's)
- Payment via cryptocards, the investigators nightmare?! (eg advcash.gi)
- Responsibility/accountability of the platforms/marketplaces?!

NAME	NFTS	BLOCKCHAIN	CATEGORIES	COMMISSION	PAYMENT METHODS		ACTIVE SINCE
					CREDIT CARD	PAYPAL	
OpenSea	599	ETH, MATIC, KLAY	Utility, Collectibles, Trading Cards, Art, Domains, Virtual Worlds, Sports, Gaming Assets	2.50%	×	×	2018
GhostMarket	10	SOUL, NEO, BSC, MATIC, AVAX, ETH	Art	2.00%	✓	×	2020
Crypto.com NFT Platform	4	CRO	Collectibles	0.00%	✓	×	2021
HoDool.com NFT Marketplace	5	BSC	Art, Collectibles	15.00%	×	×	2021
BMall	10	ETH, MATIC, KLAY		1.00%	×	×	2022
Waxtash Marketplace	10	WAX	Trading Cards, Collectibles	0	×	×	2020
Blockparty Marketplace	10	ETH	Art	0	✓	×	2020
World of Ether Marketplace	1	ETH	Trading Cards, Collectibles, Gaming Assets	0	×	×	2018
MLB Champions Marketplace	1	ETH	Sports, Gaming Assets	0	×	×	2018
Enjin Marketplace	21	ETH	Trading Cards, Art, Virtual Worlds, Utility, Domains, Gaming Assets	0	×	×	2019
SuperRare	10	ETH	Art	15.00%	×	×	2018
Sorare Marketplace	1	ETH	Sports, Trading Cards, Gaming Assets	0.00%	✓	×	2018

**Mission impossible? o information, no taxation (investigation)!**

The background of the image is dark, featuring wisps of blue and orange light that resemble flames or smoke. The blue light is more prominent in the upper and central areas, while the orange light is concentrated in the lower and right-hand corners. The overall effect is dramatic and intense.

ARE YOU  
READY FOR IT

**THERE  
MAY BE  
TROUBLE  
AHEAD.**

# MT(IC) FRAUD VIA NFT'S



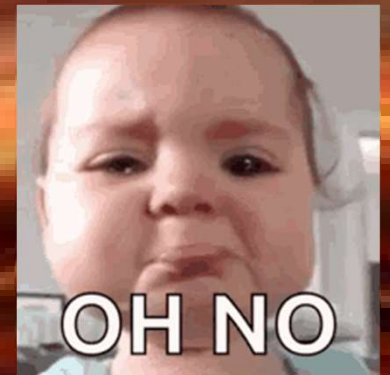
Belgian company  
buys an NFT from...



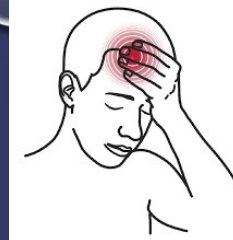
...with the reverse  
charge mechanism!



Selling the NFTs on the  
local market  
...with Belgian VAT!



# NFTS AND VAT CHALLENGES



## 6) MORE TROUBLE TO COME?

What if?

- A Belgian taxable person buys an NFT from another taxable person in another member state (EU)?
- A Belgian taxable person buys an NFT from another taxable person outside of the EU?

→ Due to the 'reverse charge' system the NFTs will enter the EU tax free!

What if?

- That same Belgian taxable person sells those NFTs within Belgium!

→ There is likely to be VAT on that sale!

What if?

- That same Belgian taxable person fails to remit/pay his VAT tax return!

→ **MT(IC) fraud danger!**

## KEY POINTS

1) NEW TECHNOLOGY

2) WHAT ARE WE TALKING ABOUT?

3) TAXABLE AMOUNT?

4) VAT RATES?

5) TYPICAL ENFORCEMENT CHALLENGES

6) MORE TROUBLE TO COME?

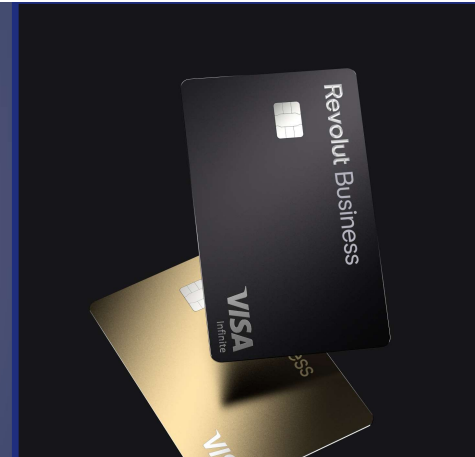
- **Not enough skills:**
  - tax administrations & law enforcement
  - tax payers
- **No country guidance (at this moment)**
- **High risk of:**
  - no VAT declaration due to tax payer and tax administration ignorance
  - One Stop Shop issues (eg jurisdiction issues)
  - VAT taxshopping & VAT (missing trader) fraud
  - Danger of money laundering activities





# SHALLOW WATERS

## MALTA ROUTE



1) A BELGIAN INDIVIDUAL SETS UP A BELGIAN COMPANY.

↑  
USER

FUNDING

2) THE COMPANY SETS UP A MALTESE COMPANY.

4) THE MALTESE COMPANY LEASES THE YACHT TO THE BELGIAN INDIVIDUAL



3) THE MALTESE COMPANY BUYS THE BRAND NEW YACHT FROM A FRENCH BOAT BUILDER

**DUE TO THE WAY LEASING IS TREATED IN MALTA, ONLY A VAT RATE OF AROUND 5% IS APPLIED. WHERE THE VAT RATE IN BELGIUM IS 21%.**

### INTERNATIONAL WATERS



# Cryptocurrency and illicit finances

Cryptocards:



# Cryptocurrency and illicit finances



## Cryptocards:



<b>A – URL</b>	<a href="https://www.bitwala.com">https://www.bitwala.com</a> <a href="https://app.bitwala.com">https://app.bitwala.com</a>
<b>B – Location</b>	German company located in : Bitwala GmbH Ohlauer Straße 43 10999 Berlin Germany  Company registration number : HRB173698B, Amtsgericht Charlottenburg Germany  Support Center Phone : +49 30 2398 0075 support@bitwala.com
<b>c-1 – Verification of the company's credibility</b>	BITWALA issues a non-anonymous cryptocard. It displays the currency EUR. It is delivered by standard mail. The 3D SECURE system is delivered with the card.
<b>c-2 – Search on the card issuer</b>	The BITWALA Mastercard has the BIN 537458 and comes from SOLARIS Bank AG in Belgium. The card is prepaid.

<b>c-3 – Creating an account to access the order</b>	Create an account with an email address and a password.
<b>c-4 – Data required to identify oneself (KYC)</b>	Bitwala only offers BITCOIN crypto-currency. The account management is done through the website or application. KYC is very rigorous. A video interview of nearly 15 minutes is conducted for the KYC verification. Security features of identity documents are verified online and questions about civil status are asked.

Solarisbank

Services Developers Contact us EN DE

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The tech company with a banking license

Our Women's Network is here  
Learn more about Future, Solarisbank Women's Network initiative, focused on closing the fintech gender gap.

# Cryptocurrency and illicit finances



Cryptocards:



24/7 customer support  
support@advcash.com

Kazakhstan  
+7 727 350 54 95

Business and partnerships  
business@advcash.com

Russia  
+7 800 777 47 25

<b>A – URL</b>	<a href="https://advcash.gi">https://advcash.gi</a> <a href="https://wallet.advcash.com">https://wallet.advcash.com</a>
<b>B – Location</b>	Russian company located in : ADV PROJECT LTD Suite 16, Block 5, Watergardens, GX11 1AA Gibraltar
<b>c-1 – Verification of the company's credibility</b>	ADVCash delivers a non-anonymous cryptocard. It displays the currency EUR. The 3D SECURE function is not specified and has not been tested. It is delivered by DHL.
<b>c-2 – Search on the card issuer</b>	ADVCash's VISA card has the BIN 434933. The banking service provider is Laurentian Bank in CANADA. This is a prepaid card.

<b>c-3 – Creating an account to access the order</b>	Create an account with an email address and password
<b>c-4 – Data required to identify oneself (KYC)</b>	8 cryptocurrencies are available, including Bitcoin, Ethereum, Litecoin. The account management is done through the website or application. The latter, it is not in the Playstore but on the website appsgeyser.io by allowing data from an unknown source to be downloaded.

Advanced Cash Limited is a licensed payment service provider authorized by the Belize Financial Services Commission (FSC), licenses MT 000107/97, PPS 000107/98.

CRYPTO



Thank U

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Conducting Financial Investigations



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