



Service Public
Fédéral
FINANCES

VAT REFUND CLUSTER DETECTION

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INSPECTION SPÉCIALE DES IMPÔTS • SERVICE PUBLIC FÉDÉRAL FINANCES



ADMINISTRATIVE SITUATION IN BELGIUM



Belgian Federal Public Service Finance is name of the central ministry of Finance in Belgium

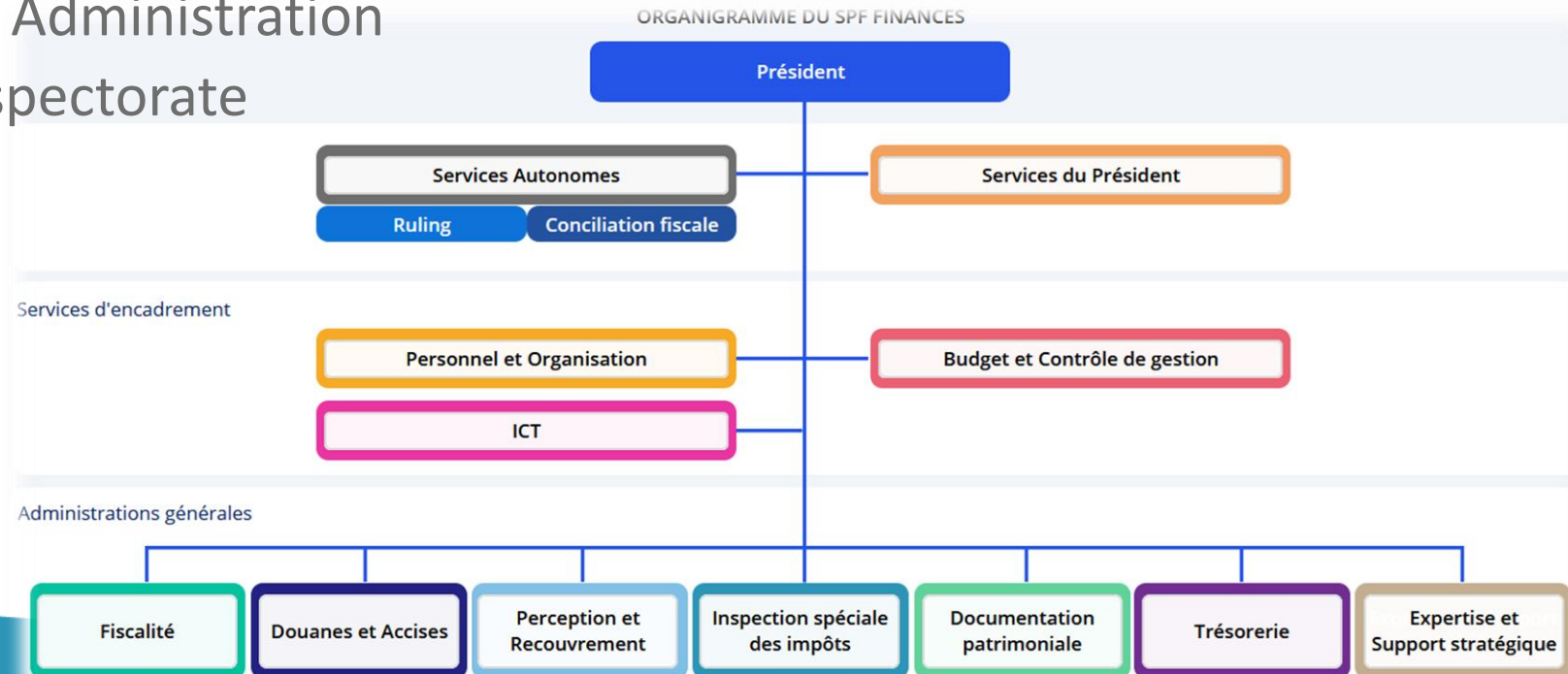


FPS Finance is responsible for the levy and collection of direct and indirect taxes as well as the Customs tariffs



ADMINISTRATIVE SITUATION IN BELGIUM

- Subdivision into several autonomous administrations
 - Customs
 - Revenue & perception
 - General Fiscal Administration
 - Special Tax inspectorate





SPECIAL TAX INSEPCTORATE



The special tax inspectorate
is the anti fraud unit



700 auditors

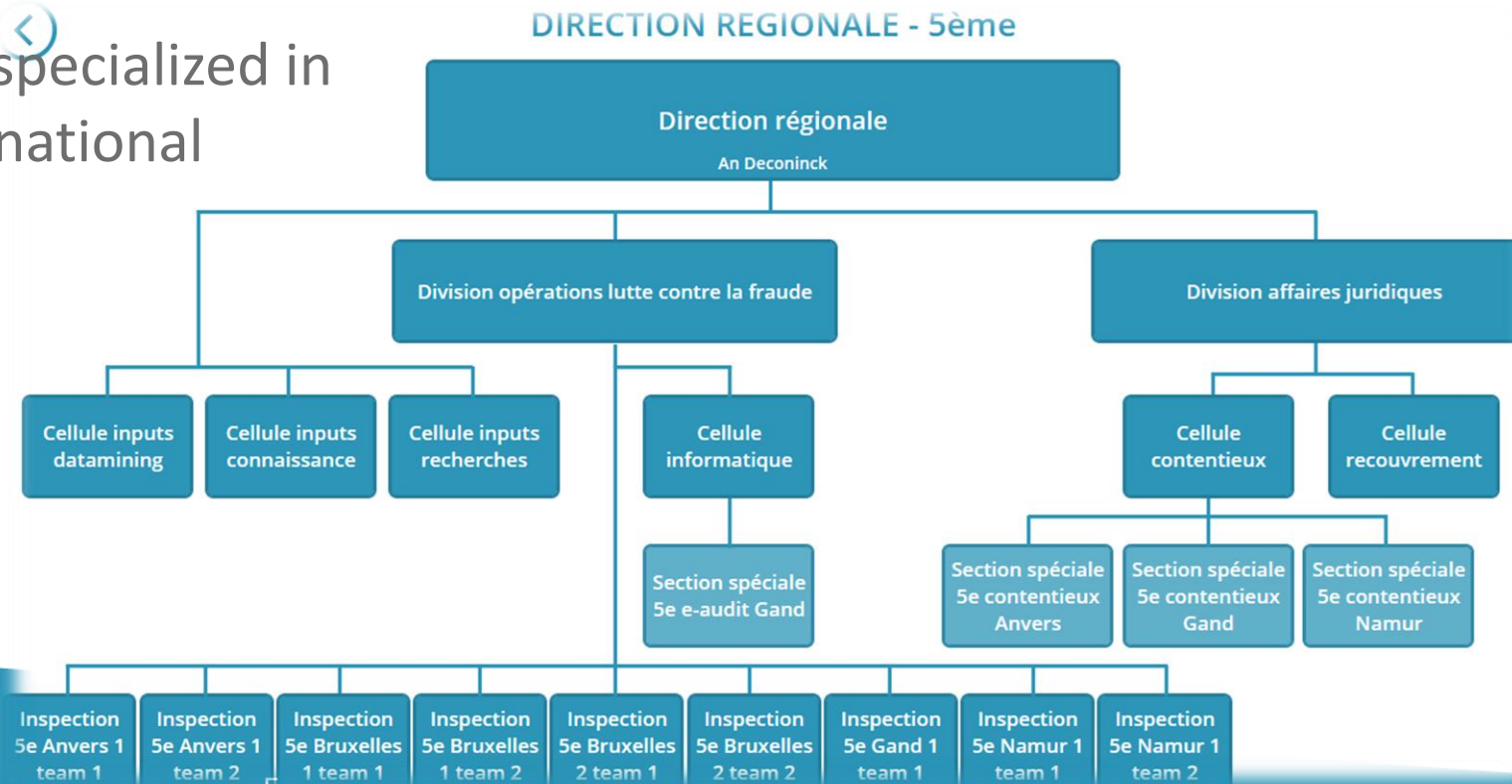


Extensive responsibilities



SPECIAL TAX INSEPECTORATE

- 4 Regional direction with territorial jurisdiction
- Each direction is divided into multiples taxation teams called inspections and one back office team
- 5th Direction mainly specialized in VAT Mtic fraud with national jurisdiction



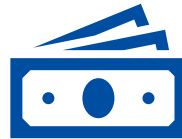


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INVESTIGATION TEAM



Small team



Focused on fast reaction
and not establishing tax



National jurisdiction



Close work with the
datamining team



VAT REFUND CONTROL

Control of VAT refund claims is the responsibility of the General Fiscal Administration

For each taxable period, and based on the VAT returns, the Fiscal administration chooses cases for further investigation

The selection is a mix of predictability and randomness

Vat refunds are delayed

Each case selected is audited



VAT REFUND CONTROL

Some weaknesses :

- Focus put only on case by case
- Some audits made after the refund
- Territorial division
- Organizational issues
- Predictability
- Limited time per audit



INVESTIGATION TEAM & VAT REFUND

- Since the beginning of the investigation team project in March 2020 more than 1000 VAT refund were investigated.
- Selection of dubious VAT refund on a quarterly basis (mostly).
- Various risk indicators used for those selection.
- Those quarterly selections are adapted to the latest discovered fraud trends.
- Freedom to select the cases to be investigated.
- Part of the selection is sent to General Fiscal Administration the other part is investigated by Investigation team.



INDICATORS USED

- Potentially risky address
- Number of published acts
- Mismatch with client listings/ suppliers' listings the two last years
- Ratios between specific cells in the VAT returns
- Change of behavior of the company
- Red flags from other fraud profiles
- Risky corporate form/ company type
- Quality of the manager



EVOLUTION OF DETECTED CASES

In every selection different problematics are investigated.

Legitimate
mistakes from
taxpayers

Real companies
abusing VAT
refund

One shot
fraudsters

Clusters of VAT
refund fraud



EVOLUTION OF DETECTED CASES

- Since the beginning fraud clusters where detected.
- What is a fraud cluster?
 - similarities in the VAT returns,
 - reasonable VAT refund amounts, total amount sliced between multiples companies,
 - companies are be linked with each others,
 - fictitious outgoing transactions
 - use of fake address,
 - use of strawmen.



EVOLUTION OF DETECTED CASES

- Evolution of the complexity of the fraud.
- Fraudulent companies are more difficult to link with each others at first look.
- Sausage slicing technique
- Links with other fraud typologies (MTIC, TBML)
- Abuse of the weak spots of the administration



WEAK SPOTS OF THE ADMINISTRATION IN BELGIUM

- VAT number is easy to acquire. Old or New
- Vat retruns are easily submitted via internet.
- Many insentives for starter companies
- Changing the board of directors or the address of a company is easy
- The fiscal administration is slow to react
- The fiscal administration lacks manpower in some districts
- Lack of Judicial consequences



FRAUD CLUSTER BEHAVIOR TODAY

- Manager with a strawman profile, often non resident.
- Late filing of the VAT returns.
- Simplistic VAT returns.
- VAT return submitted by the manager himself, no accountant.
- Dormant company or company taken over.
- Shared bank account.
- Bank account is changed at the last moment.
- Change of address and manager at the very last moment even retrospectively.
- Sometimes the former manager continue the normal activity of the company at the same address on an other name.



FRAUD CLUSTER DETECTION



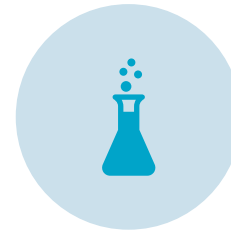
WHEN THE MONEY IS
GONE IT IS GONE.



CASES ARE EASY TO
IDENTIFY 6 MONTH
TOO LATE



QUICK DETECTION



QUICK REACTION



KNOWLEDGE OF THE
ADMINISTRATIVE
PROCESS

Questions



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