VAT Fraud : early detection and prevention in Denmark

IOTA Forum on Combating VAT Fraud
11 – 12 June 2025
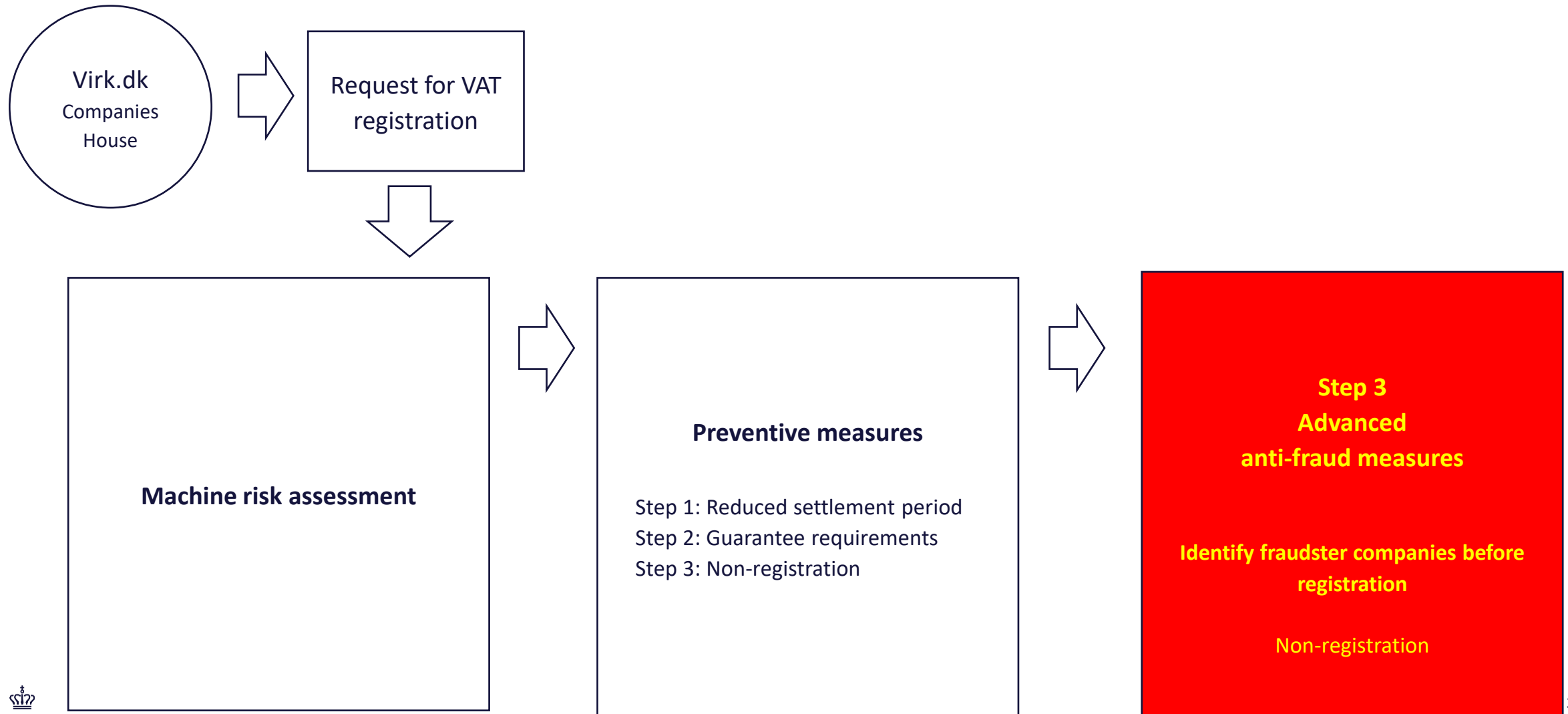Sarajevo, Bosnia and Herzegovina

Background

The Danish Tax Agency has focus on fraud prevention during the registration phase.

We have a process which give us an early detection in order to prevent revenue losses.

Because of the process, we see more and more that fraudulent networks are using dormant companies, already registered for VAT, so they do not have to apply for VAT registration when the fraudulent activities start.

In MTIC cases concerning trades within electronic goods, we also see an increase in the use of Remote Traders and fictitious invoices.

Registration process in Denmark

Virk.dk
Companies House

Request for VAT registration

Machine risk assessment

Preventive measures

Step 1: Reduced settlement period
Step 2: Guarantee requirements
Step 3: Non-registration

**Step 3
Advanced
anti-fraud measures**

Identify fraudster companies before registration

Non-registration

Dormant companies – fraudulent activities

In case of the use of dormant companies, or in case of VAT registration of a new company, and subsequent use of the company for fraudulent activities, we have legal base in Denmark, which allows us to deregister the company for VAT.

Objective conditions:
- The company supplies goods or provide services with the place of delivery in Denmark.
- In case of supplies of goods, the goods must have been acquired from other EU or non-EU countries by the company or its supplier.
- Risk of revenue loss

Subjective conditions:
A risk assessment, are there excusable reasons why the company meets the objective conditions or whether the operation of the company involves a risk for further revenue losses.

Decision: guarantee – 8 days deadline – in case of non-guarantees, deregistration.
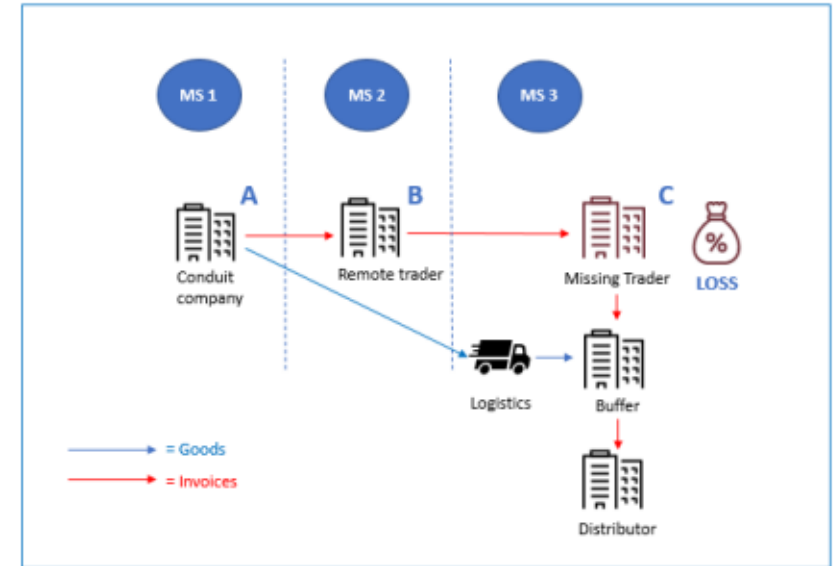
Remote Trader

In MTIC cases concerning trades within electronic goods, we see an increase in the use of Remote Traders.

There is no tax loss in the MS where this trader is situated. The role of this trader is more like a noncompliant conduit (not fulfilling their administrative obligations).

To combat Remote Traders registered in Denmark, we have a legal base, which allows us to deregister the company for VAT.

Conditions:
- The audit reveal with high degree of certainty that the company is not operated from its registered address or
- The company has provided incorrect information as to who is involved in the management of the company (strawman)

Source: Eurofisc Good Practice Guide

Fictitious invoices

In MTIC cases concerning trades within electronic goods, we see a tendency in the use of fictitious invoices.

From 1 January 2024 we have a legal base that gives us options in combating VAT fraud with the use of fictitious invoices.

Sanctions:
- Deregistration if a company buys and use, or issues fictitious invoices.
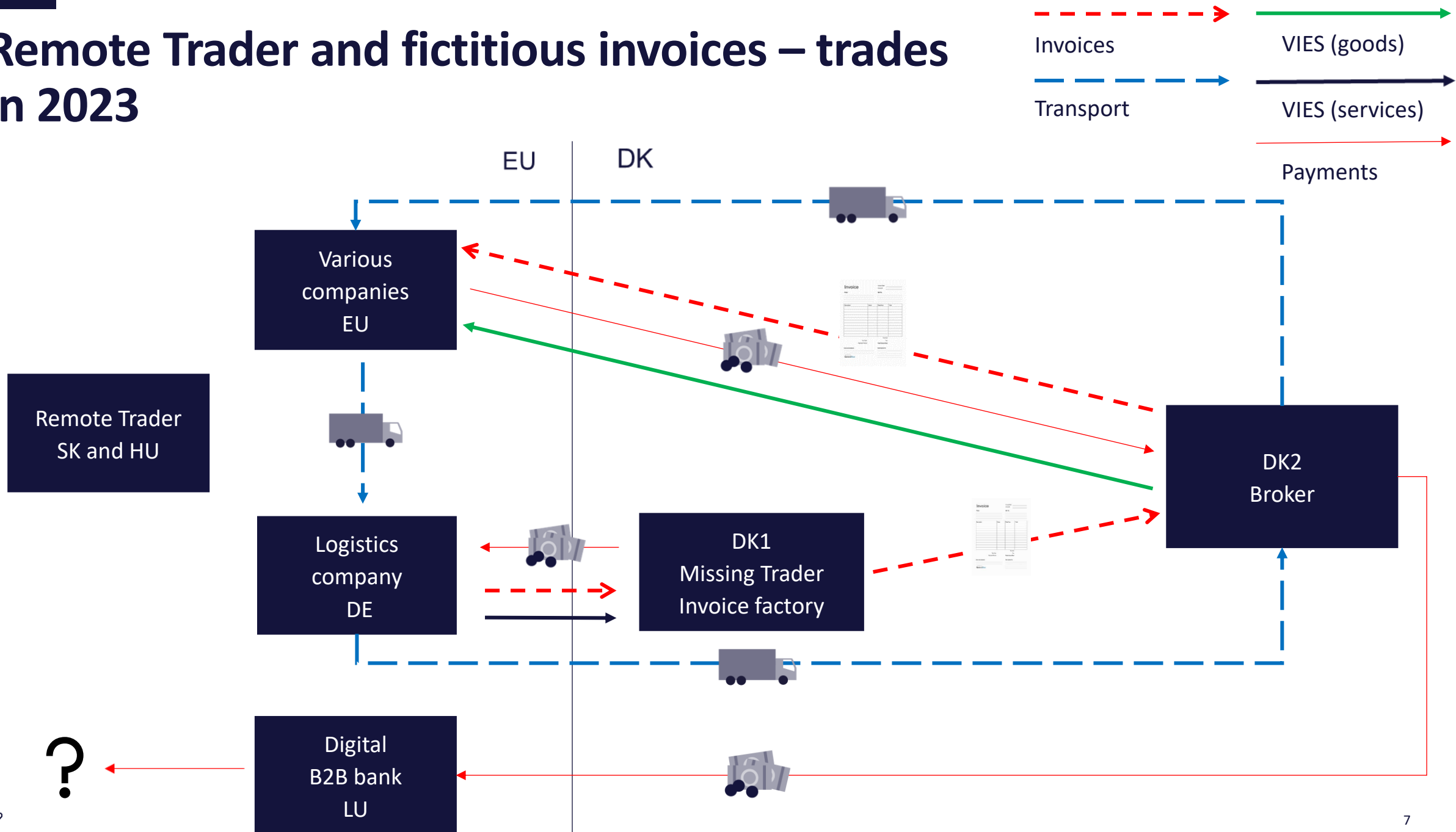- Joint liability against the management of the company that uses the fictitious invoices.

Conditions for deregistration:
- Intentional or grossly negligent;
- Declared VAT on purchases containing the fictitious invoice (buyer)
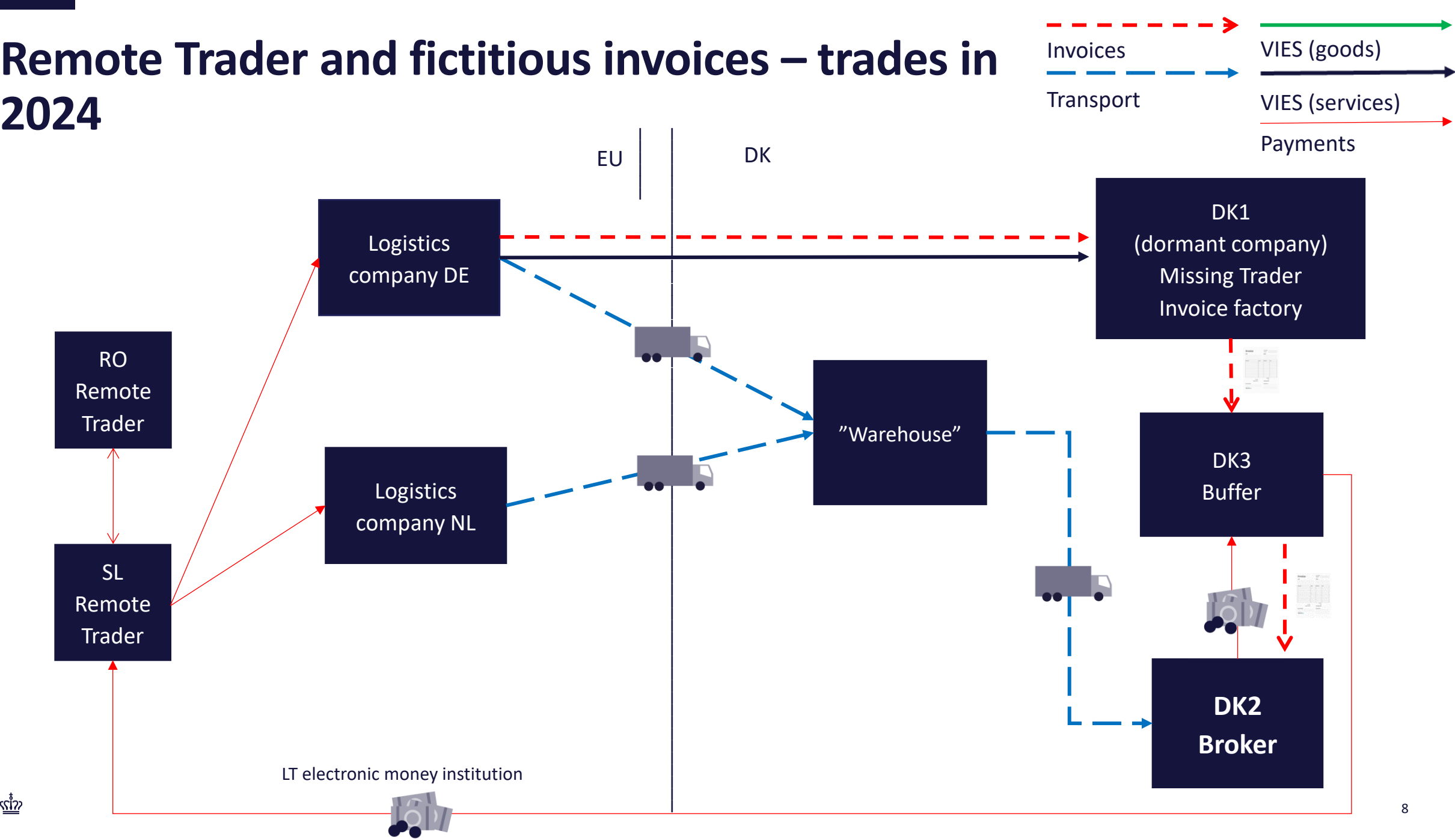- The invoice must be suitable for use as documentation (issuer)

Conditions for joint liability:
- Intentional or grossly negligent;
- Participation in management
- Declared input VAT containing the fictitious invoice (buyer)

Remote Trader and fictitious invoices – trades in 2023

Remote Trader and fictitious invoices – trades in 2024

Invoices — Transport · VIES (goods) — VIES (services) — Payments

EU | DK

RO Remote Trader

SL Remote Trader

Logistics company DE

Logistics company NL

"Warehouse"

DK1 (dormant company) Missing Trader Invoice factory

DK3 Buffer

DK2 Broker

LT electronic money institution

Remote Trader and fictitious invoices - summary

Sanctions for trades in 2023

Remote Traders in SK and HU:
- No sanctions against Remote Traders in another MS since its outside DK jurisdiction

DK1 – Missing Trader (invoice factory):
- Deregistration
- VAT liable for payment (no real activity, but VAT has been declared on invoices)

DK2 – Broker:
- Denial of input VAT

Sanctions for trades in 2024

Remote Traders in RO and SL:
- No sanctions against Remote Traders in another MS since its outside DK jurisdiction

DK 1 – Missing Trader (invoice factory):
- Deregistration
- Decision on VAT liable for payment (no real activity, but VAT has been declared on invoices)

DK3 – Buffer:
- Denial of input VAT
- **Deregistration**
- **Joint liability**

DK2 – Broker:
- Denial of input VAT, if knew or should know can be invoked

Thank you for your attention

Any Questions ?