



IOTA FORUM ON COMBATING VAT FRAUD

Collecting, managing and exchanging information and data

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Background

- OECD's Working Party No. 9 (WP9) on Consumption Taxes has had a particular focus on the **VAT treatment of cross-border transactions in the digital economy** (supplies of goods and services via the internet)
- Result: Jurisdictions implementing **consistent laws** based on a set of **agreed principles**
- Jurisdictions generally face the **same group** of (global) businesses whose supplies are treated in a similar way, but
- Approaches to compliance for these taxpayers are **often implemented in isolation**



WP9 Focus Group on Enhancing VAT Enforcement

- Creation of the Focus Group on **Enhancing VAT Enforcement**
- Open to WP9 delegation jurisdictions including partners
- Membership encouraged from **tax officials** dealing with VAT fraud and non-compliance in digital trade
- Sharing **non-taxpayer specific** information and intelligence on VAT **risks and approaches** for dealing with them
 - Sub-Group on risk detection strategies
 - Sub-Group on enhancing international co-operation



Risk detection strategies “follow the money”

- Detection through a “follow the money” strategy – payment data
- Increasing number of jurisdictions looking to introduce **legislated data reporting** regimes and increased use of **EOI requests**
 - Risk of **inconsistencies and divergent** systems
 - Probable issues for global businesses in **complying** with multiple, divergent systems
- Requires a detailed understanding of **payment ecosystem** – actors involved and payment data they hold
- Formation of **Consultative Project on Payment Data** (tax administrations and payment industry representatives)



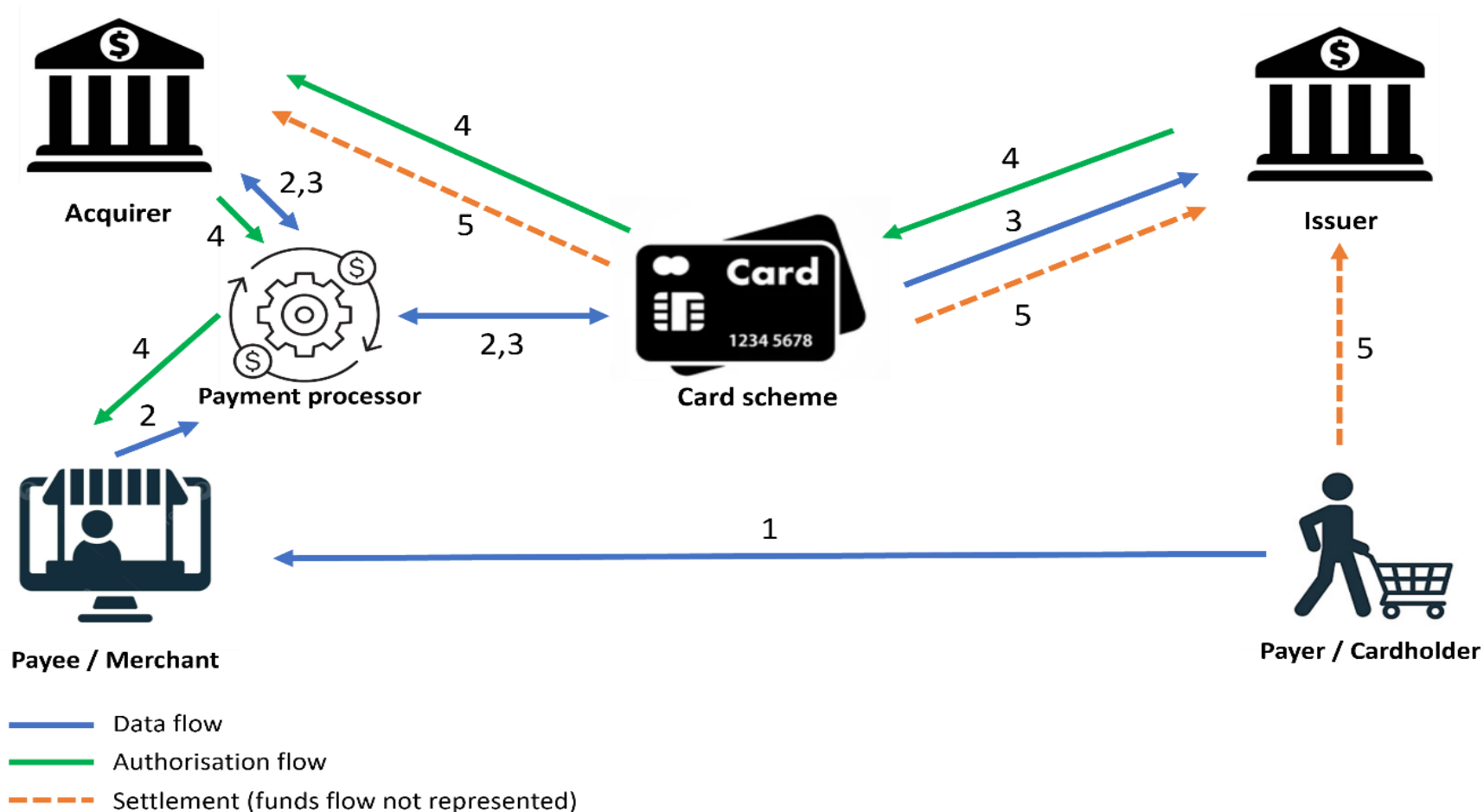
“Follow the money” - Analysis

Outputs so far:

- Detailed **analysis and description** of payment processes for cards, digital wallets, and account transfers
- Identification of **challenges and opportunities** for tax administrations and payment industry actors
- High-level **Guiding Principles** for jurisdictions to consider when designing and implementing data reporting obligations
- **Practical considerations** associated with payment data reporting



“Follow the money” – Example of payment process





“Follow the money” – Payment data evaluation (table sample)

Data linked to	Entity type ²	Data points	Evaluation Framework											
			Accessibility			Reliability			Quality			Sensitivity		
			1	2	3	1	2	3	1	2	3	1	2	3
Payee (merchant)	Card scheme ³	• Merchant name												
		• Merchant ID (MID)												
		• Merchant country code												
		• Merchant Category Code (MCC)												
		• Address												
		• Acquirer bank name												
		• Any other data points?												
	Issuer bank	• Merchant name												
		• MID												



Administrative co-operation - Scope

- Potential for compliance improvements through greater **co-operation and communication** between tax administrations
- Important in particular for jurisdictions **outside Europe**
- To **widely share** information and intelligence on: VAT risks in digital trade; emerging issues; evolutions in business models; best practices in dealing with VAT fraud and non-compliance; and, closer working relationships between tax officials
- To **improve compliance programmes** regardless of their degree of development or implementation



Administrative co-operation – Outputs so far

Outputs so far:

- Detailed analysis of existing instruments providing the legal bases for administrative co-operation involving VAT matters
- Improved understanding of, and use of, exchange of information
- Progression of work on [multilateral audits](#) as a tool to deal with international VAT fraud and non-compliance
- Establishment of an OECD digital Community – the Secure Community for tax Administrations Network for VAT (SCAN-VAT)



SCAN-VAT

Notes and guidance developed by WP9 that relate to administrative co-operation in VAT matters.

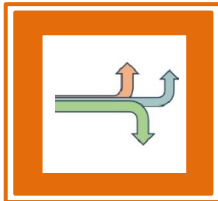


Process to follow for participants to **post a case**

Directory of (Anonymised) Cases of VAT fraud and non-compliance observed in digital trade, whatever the status of the legal proceedings in progress (detected, prosecuted, court case, etc.).



Observed trends re VAT fraud/non-compliance risk patterns



Information about the **Focus Group meetings**



Terms and conditions governing SCAN-VAT



Secure Community for tax Administrations Network on VAT SCAN-VAT



Country specific information including :
Links to government websites displaying lists of VAT-registered taxpayers ; Situation regarding the adherence/reservations on the MAAC ; Any other country-specific information that countries would consider useful to share.



Actions undertaken/planned in the area of VAT compliance management e.g. analysis of specific risk sectors



Forms and Template e.g. letters used by tax administrations to communicate with (potential) non-resident taxpayers; an optional standard form for the request of information to foreign tax administrations.



Links to the available OECD **general reference material** on administrative cooperation among tax authorities



Summary

- Focus on practical VAT administration
 - Detection of risks through payment data
 - Increased and better targeted EOI for VAT
 - Increased sharing of information and intelligence across a wide range of international VAT areas
 - Closer co-operation among tax administrations
- All of which leading to better VAT compliance



Thank you

