

IOTA Forum on Combating VAT Fraud

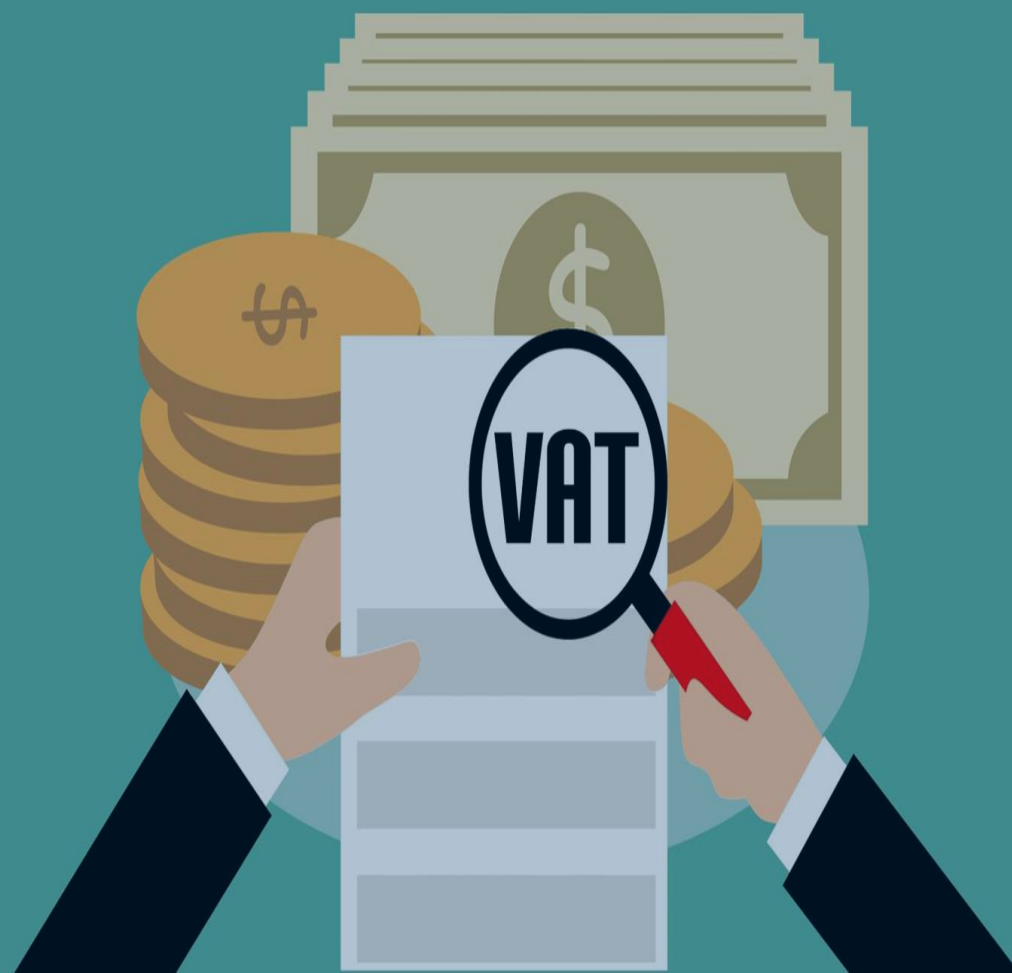
Presentation 10 - Subgroup on *'The use of Alternative Payment Systems in cross-border VAT fraud schemes'*

Ms. So Young Kim



Contents

- Project
 - Purpose & methodology
 - Timeline & participants
- Report
 - Survey
 - Case studies
 - Large datasets analysis
 - Best practices
 - Conclusions
 - Recommendations



What is an APS?

A method of paying for goods or services which sits outside of mainstream commercial banking systems and is not routinely used in the consumer market

The logo for Wise, featuring a blue stylized 'W' and the word 'wise' in a sans-serif font.The Kraken logo, featuring a purple octopus icon and the word 'kraken' in a purple sans-serif font.

What is Cross-border VAT fraud?

Any kind of tax fraud, resulting in the loss of VAT, which involves the movement of goods and/or services across borders, or which involves parties based in one jurisdiction committing a fraud in another

Purpose

To share experiences among IOTA member countries and explore approaches for tackling APS used in cross-border VAT fraud schemes, including enhancing tax administration capabilities in collecting and analysing transactional data coming from new solutions for money transfers



Methodology

1. Survey

Gather data and get the overview on APSs

2. Case studies

Examine how APSs are used in cross-border VAT fraud

3. Large datasets analysis

Employ the analysis of large datasets for traces of APS

4. Best practices

Determine how jurisdictions are investigating and monitoring the threat

Conclusions and Recommendations

(Provide practical solutions to administrations for identifying and countering APS use)

Timeline

UK as
coordinator

Norway as new
coordinator

EUROPOL
participation
covered by the
Letter of Intent

EPPO participation cf. EC
e-Decision 2/2024 on
collaboration between
IOTA and EPPO in
fighting VAT fraud

Action plan	2023								2024												2025								
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Online meeting - kick-off of the project																													
Action plan																													
Survey - preparation																													
Survey - publishing to IOTA members																													
Survey - collection of the results																													
Survey - analysis of collected data and summaries from online Surveys																													
Presentation of the preliminary work at IOTA VAT Forum in Bern																													
Survey - draft report																													
Online meeting - revision of the action plan, timeline, working methods, tasks and planning of meeting in Oslo																													
Case studies - collection of cases																													
Best practices - collection of practices																													
In-person meeting in Oslo - presentation of Case studies and Best practices. Discussion on Conclusions and Recommendations																													
Case studies - description																													
Best practices - description																													
Conclusions and Recommendations																													
Large datasets analysis																													
Project report - draft (Survey, Case studies, Best Practices, and Conclusions and Recommendations)																													
Project report - revision and finalisation of the draft report for consultation																													
Presentation of the final work at IOTA VAT Forum in Sarajevo																													
Consultation - distribution for comments to Steering Group/IOTA members (deadline for comments: 7 September)																													
Finalisation and publication of the Report																													

Participants

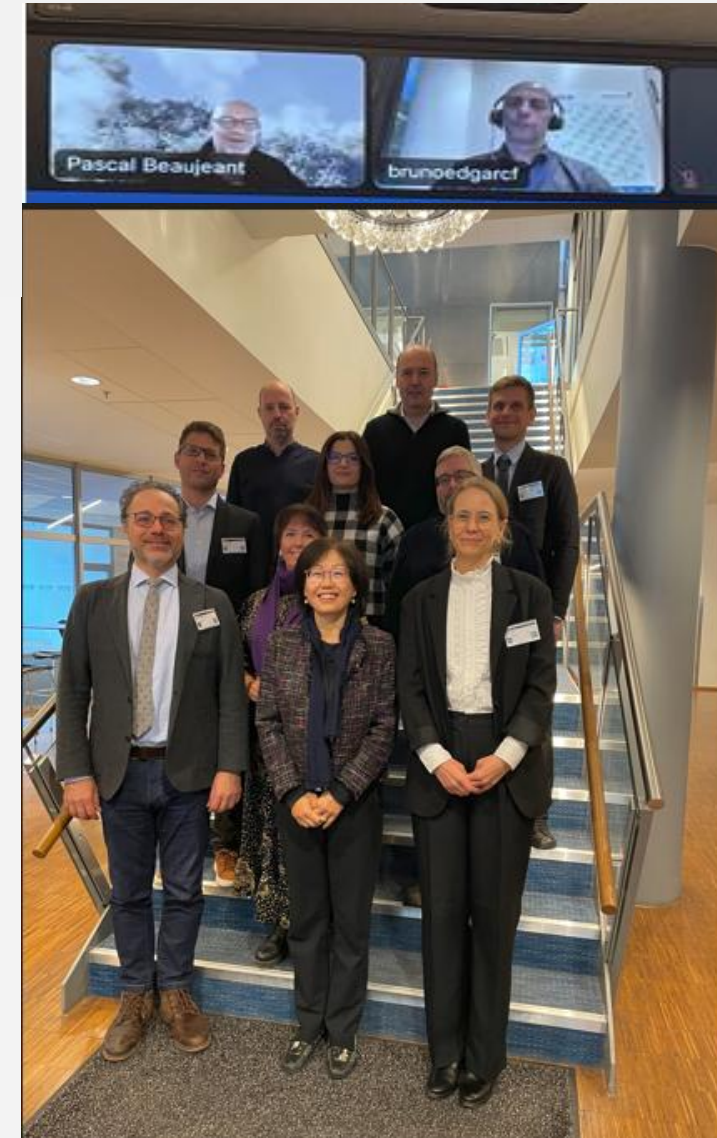
8 IOTA member countries:

- Norway (So Young Kim)
- Austria (Julia Klopfer and Simon Klopfer)
- Belgium (Pieter Vercruysse and Pascal Beaujeant)
- Finland (Raita Melasniemi)
- Hungary (dr. Túri Emese)
- Portugal (João Nunes Fialho)
- Slovakia (Ing. Róbert Píš)
- United Kingdom (Gareth Marklew)

2 EU bodies

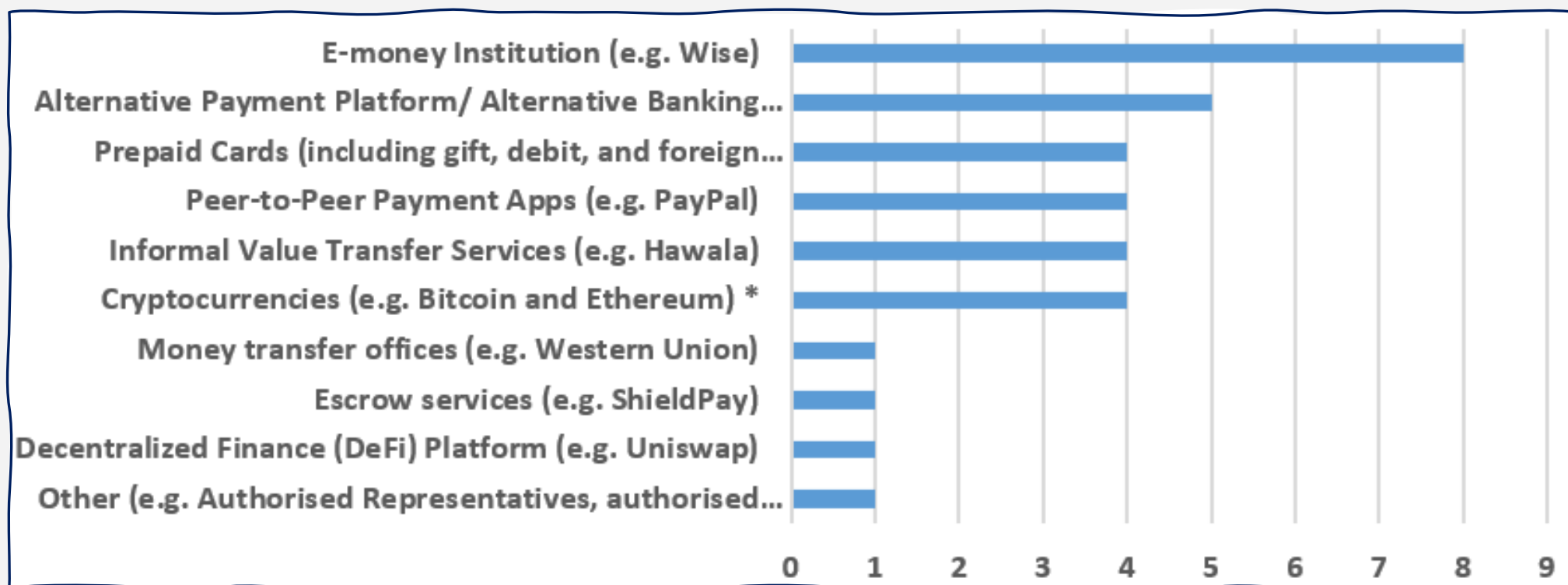
- EUROPOL (Bruno Freitas)
- EPPO (João Marques)

IOTA (Massimo Morarelli)



Survey

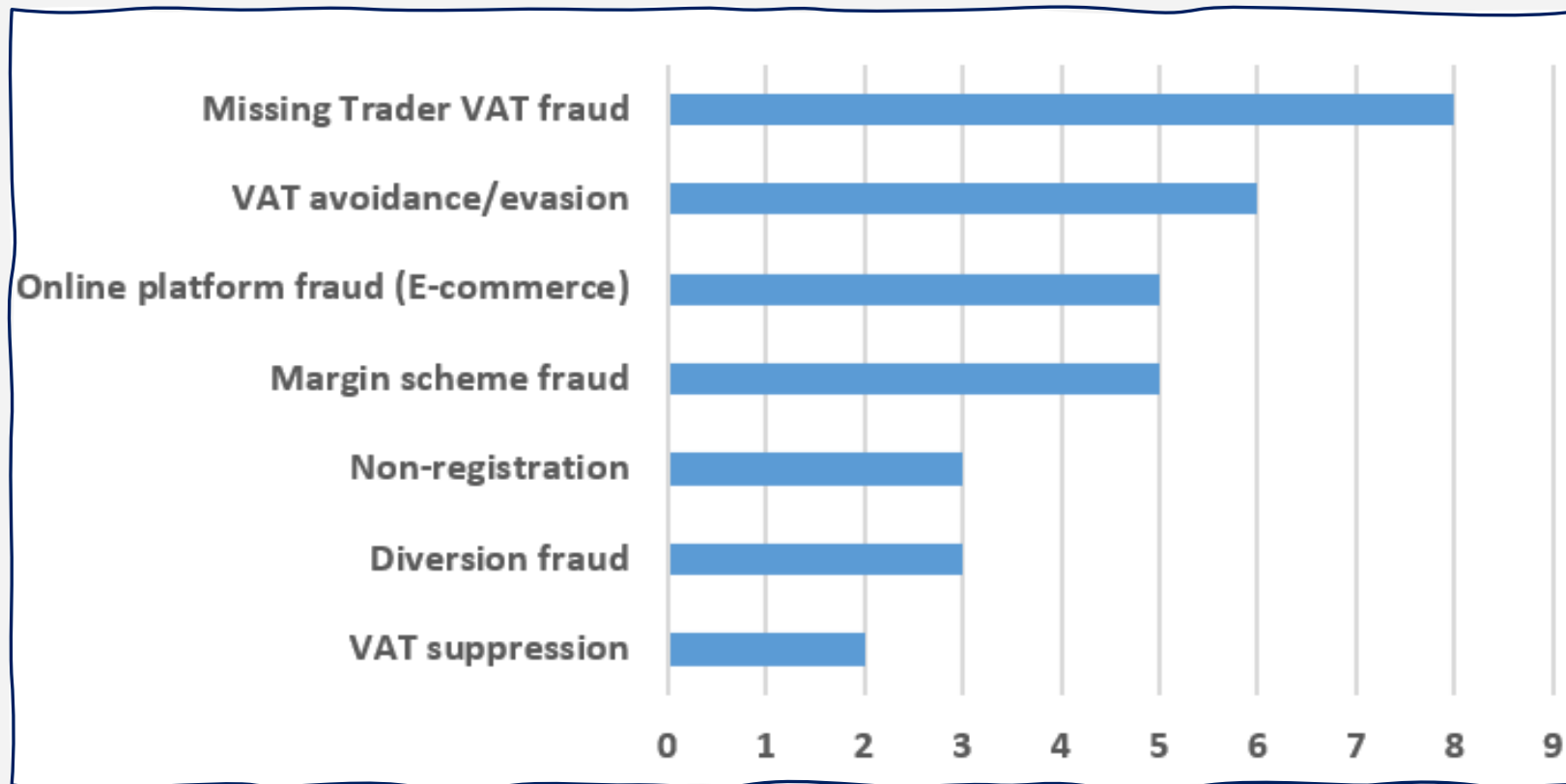
- Type of APS identified within investigations



* Bitcoin, USDT, Tron and Ethereum blockchains

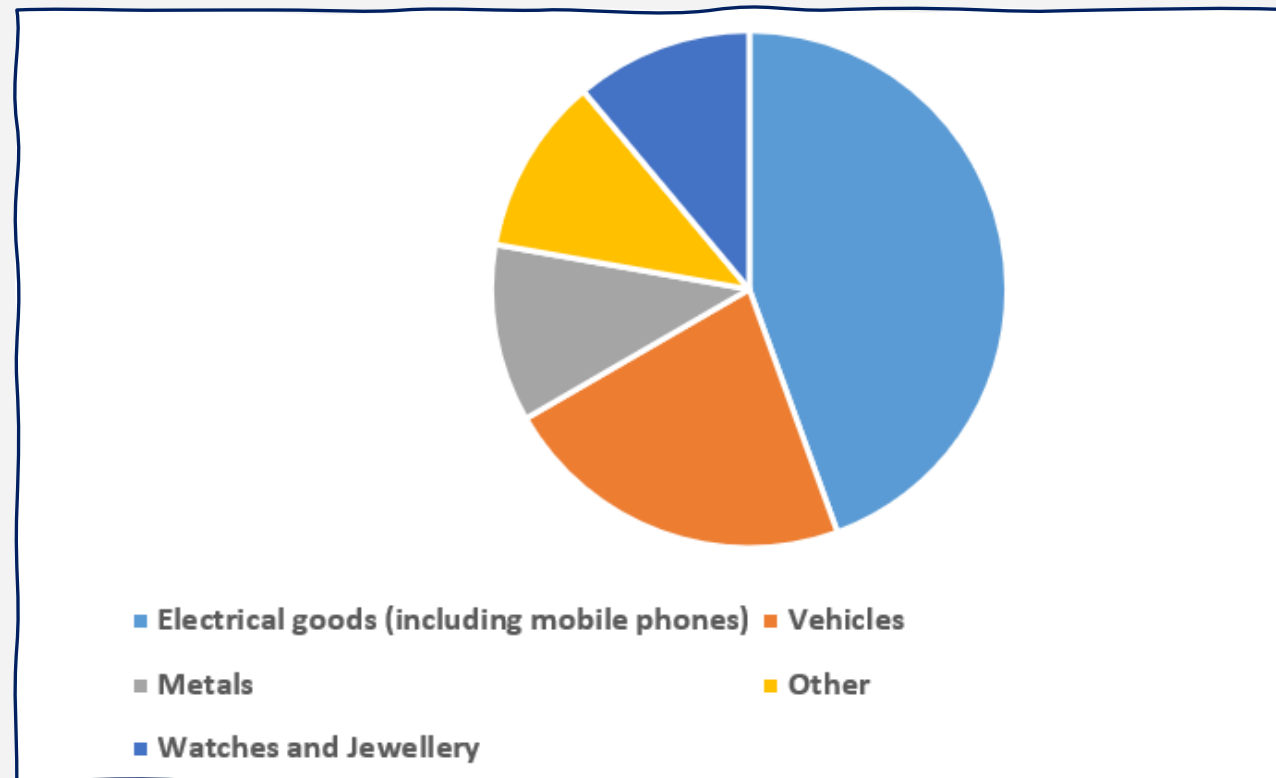
Survey

- Type of cross-border VAT fraud facilitated by the APS



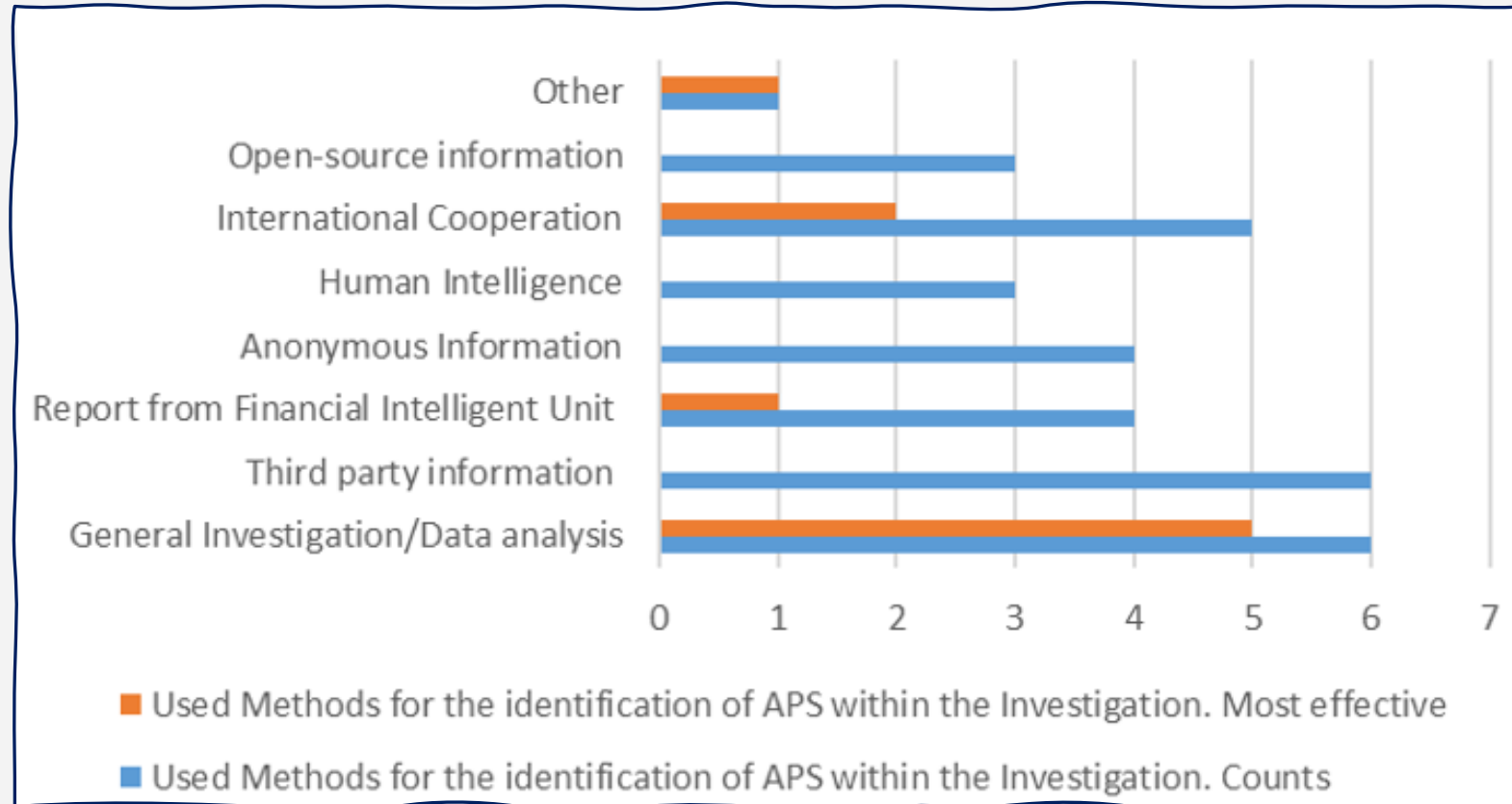
Survey

- Most common commodities featured within investigations containing an APS



Survey

- Methods used to identify APS



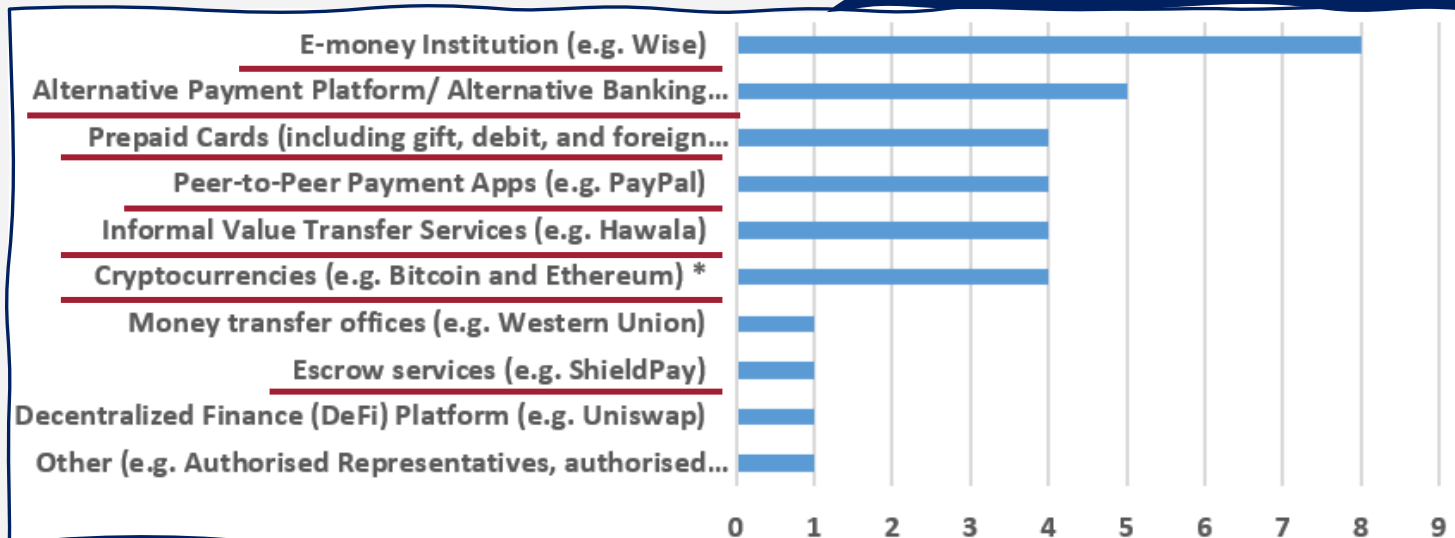
Case studies



Structure:

- Case title: Country name + APS type + VAT fraud type
- Contents:
 - Case description
 - VAT fraud scheme with diagram
 - How APS is being used
 - How to detect/tackle
- Currency in the case: EUR

Case studies



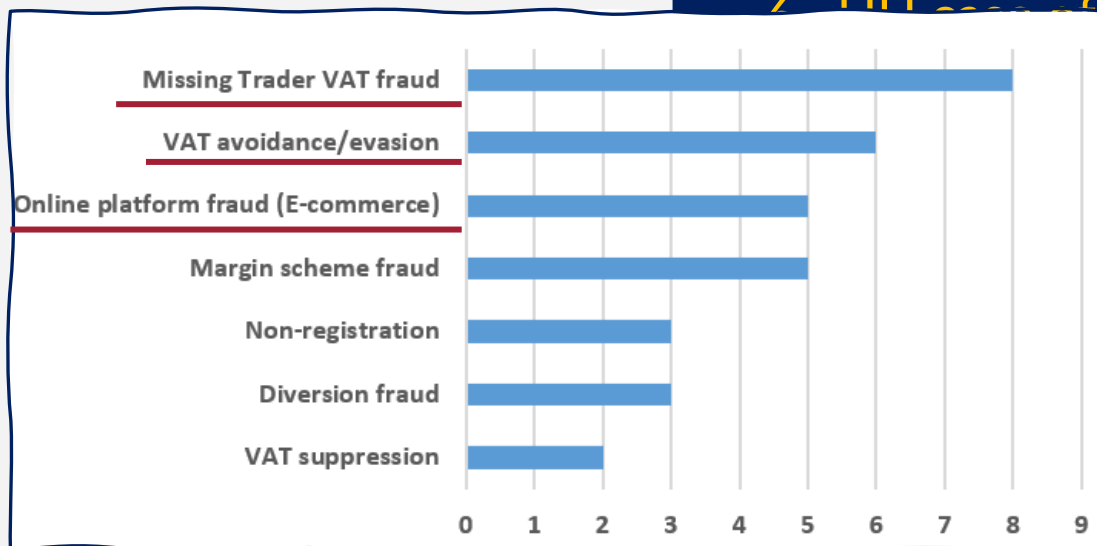
EMI used in MT VAT fraud

Hawala used in alleged acquisition VAT

APP used in e-commerce VAT fraud

EMI used in Missing Trader VAT fraud

Peer payment Apps used in e-commerce



EMI used in

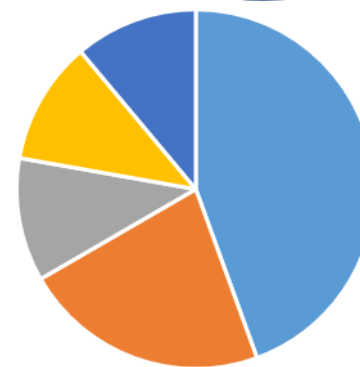
cryptoassets

escrow account

EMI and cryp

financial service

financial service tax

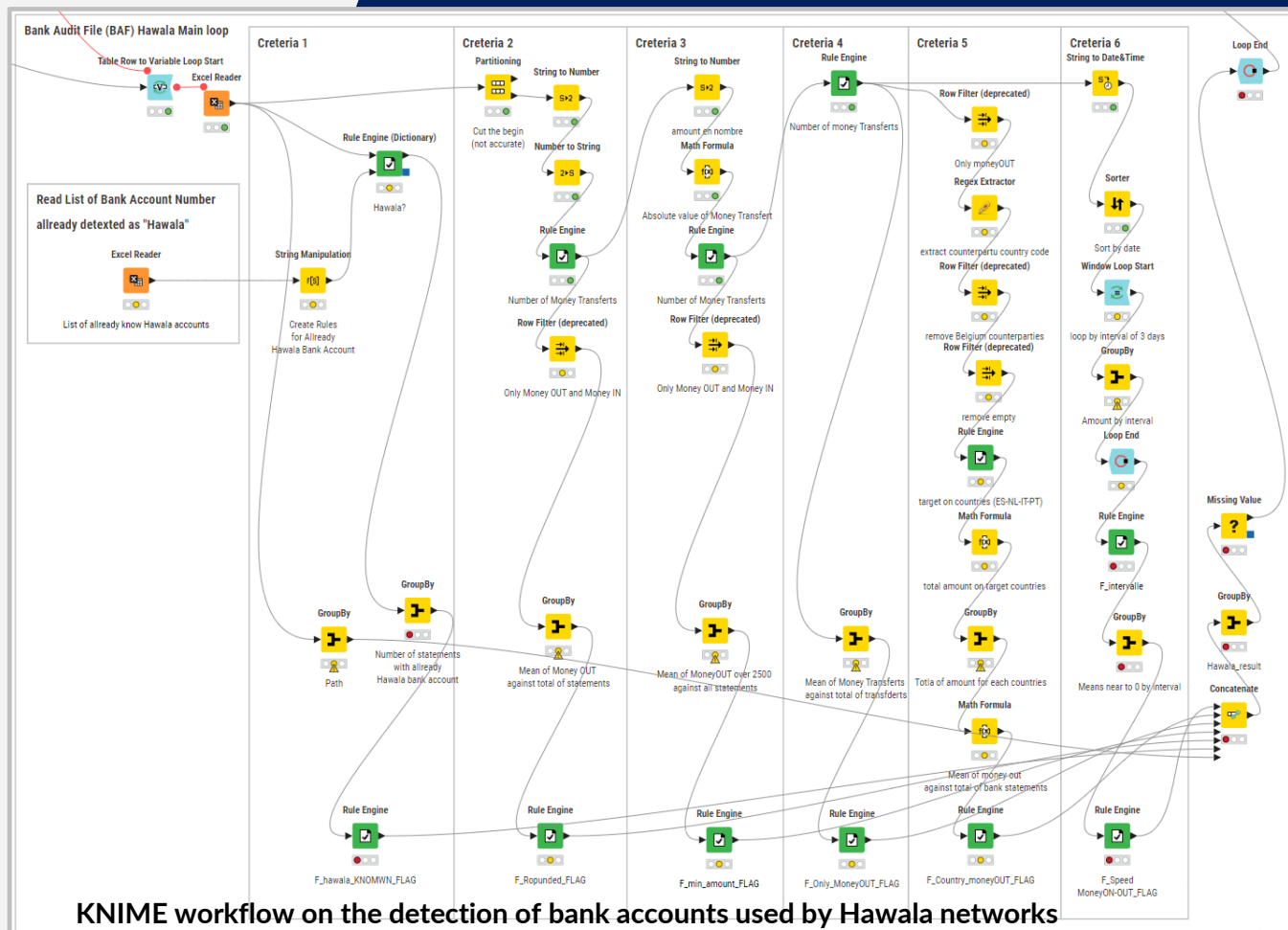


Legend for the pie chart:

- Electrical goods (including mobile phones)
- Vehicles
- Metals
- Other
- Watches and Jewellery

Large datasets analysis

1. BE case of Hawala used in MT VAT fraud



KNIME workflow on the detection of bank accounts used by Hawala networks

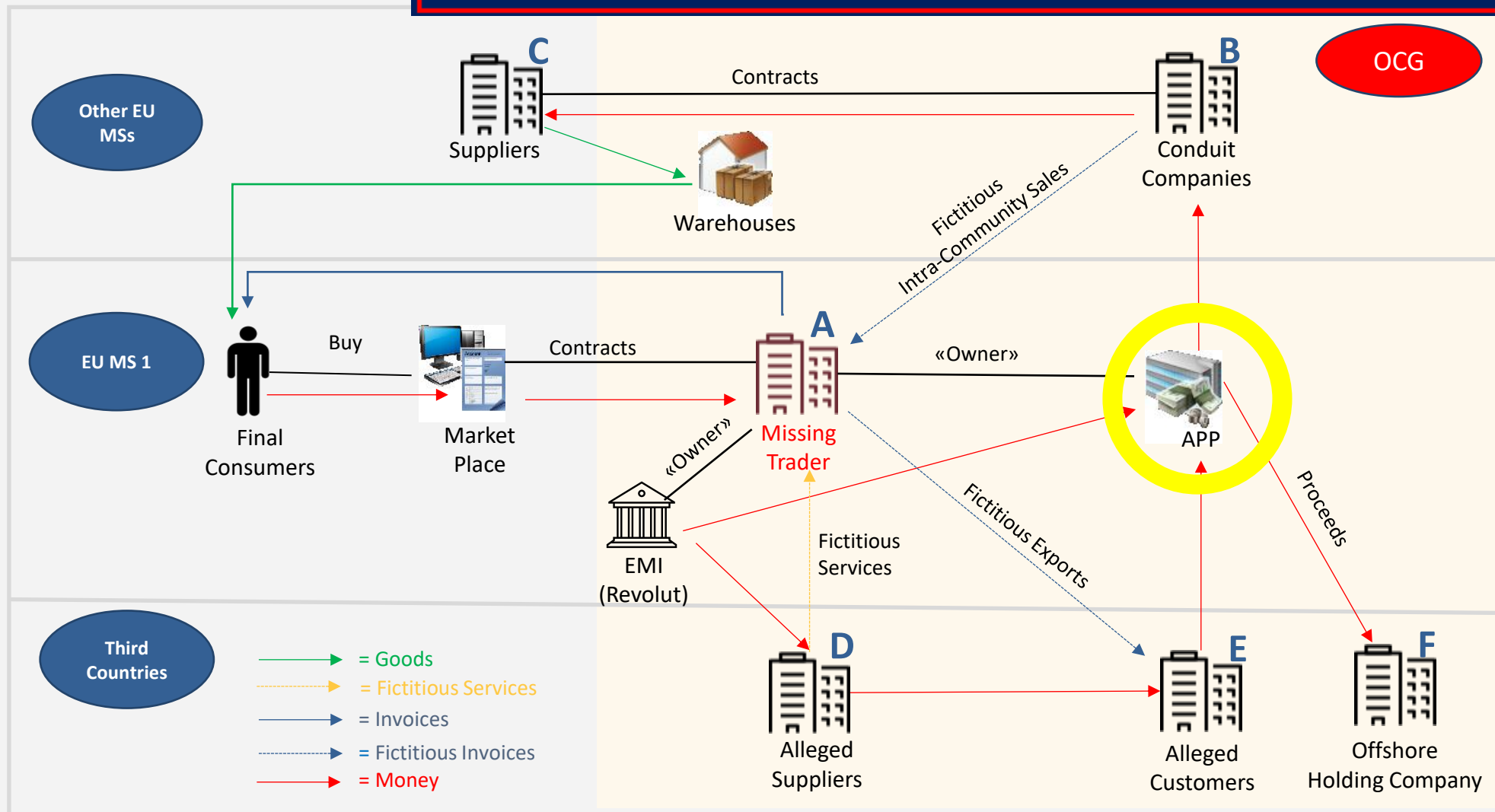
alleged acquisition VAT
e-commerce VAT fraud
using Trader VAT fraud
apps used in e-commerce
ing VAT fraud
s-border VAT fraud
cross-invoicing VAT fraud
ed in cross-border supply
ate VAT refunds and

Large datasets analysis

1. BE case of Hawala used in MT VAT fraud
2. DK case of EMI and Hawala used in alleged acquisition VAT fraud
3. EPPO case of EMI and APP used in e-commerce VAT fraud
4. EPPO case of gift cards used in Missing Trader VAT fraud
5. DE case of Peer-to-Peer payment Apps used in e-commerce VAT fraud
6. HU case of EMI used in cross-invoicing VAT fraud
7. PT case of cryptoassets used in cross-border VAT fraud
8. SE case of escrow account used in cross-invoicing VAT fraud
9. UK case of EMI and cryptoassets used in cross-border supply chain fraud
10. SI case of financial service to generate VAT refunds and avoid financial service tax

Large datasets analysis

3. EPPO case of EMI and APP used in e-commerce VAT fraud



Best practices



1. Belgium
2. Finland
3. Hungary
4. Norway
5. Spain
6. United Kingdom

Conclusions

- Robust strategies must be adopted, including:
 - Knowledge
 - Expertise/capabilities
 - Network
 - Interoperability
 - Rating APS

Raising awareness is the first step in adopting a concrete response to the risk posed by APS

Cooperation between national authorities and international organisations is essential

Recommendations

- Raising awareness
- Risk analysis
- Use of data sources
- Data analytics
- Cooperation
- Training
- More human and technical resources to the topic



Report

IOTA REPORT

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Total number of pages		63-68

Looking to the future

We also hope to make recommendations on the following topics:

- Topics of interest for subsequent IOTA subgroups, webinars, conferences, including promotional activities of this report
- Areas for future research by using training sessions and workshops, e.g. the use of data analysis tools
- Opportunities for collaboration between IOTA members, including sharing of best practice and experiences to seek to get “ahead of the curve”



Any Questions?

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