

# IOTA Forum on Combating VAT Fraud

## “VAT fraud cases: early detection and prevention”

### FEEDBACK FROM THE Group Discussion Sessions 1 & 2

# IOTA Forum on Combating VAT Fraud

## “VAT fraud cases: early detection and prevention”

Group Discussion Session 1

## New/significant VAT Fraud Trends



## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

**GROUP 1**

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

1. Fictitious invoices. Easy to open and close companies, and this is also used by fraudsters. See links with use of fictitious identities, and this is the last trend.
2. VAT fraud with cars. MTIC, conduit companies, margin scheme fraud. VAT fraud at import of cars with fake certificates for customs procedures. Customs fraud with smashed cars from Canada.
3. MTIC fraud with electronics, energy green certificates, design fuel.
4. Conduit companies facilitating fraud in other countries.
5. E commerce \_ platforms and businesses escaping platforms. Established in the country, but Chinese persons behind. Also within gaming, gaming keys. With goods like fast fashion. Undervaluation.

## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

**GROUP 1**

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

6. Remote traders that is domiciled in another country.
7. Abuse of IOSS number. )EU scheme for registering in one state collection of VAT for all EU countries).
8. VAT refund cases
9. Cash sale to consumers
10. Construction sector labour - intensive sector
11. Money laundering through VAT trade. Mixing dirty money with VAT liable activity.
12. Gold – scrap gold sent to Turkey and jewellery in return. Value manipulated.
13. Combining VAT fraud with Excise fraud.

## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

## GROUP 2

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

- The use of fake invoices (goods and services) which are issued for a fee;
- Massive and coordinated VAT refund requests;
  - Overwhelm the tax officials;
  - The requests are made monthly, while the missing traders are on a quarterly reporting obligation;
- Use of remote traders;
- Margin scheme – conversion from the normal taxation either after importation or intra-EU
  - Not mentioned in the recap statements
  - Often after CP 42 importation

## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

**GROUP 2**

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

- Fake exports
- Abuse of cash daily limits
- Nicotine pouches
- E-commerce linked with CP 42
  - Storage facilities
  - No connection between the seller and the importer
- Diversion of goods in transit

## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

**GROUP 3**

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

1. Fictitious invoices: difficult to prove the real service. E-invoices for a quick detection? Sectors: constructions, labour intensive, (electronic) goods. In some countries there are controls by tax authorities through a software before sending them to the custom.
2. Missing traders: tax returns but they don't pay.
3. Back in time registration.
4. Real shipping of the goods, not easy to prove.
5. Car market in Ireland: cars from UK with false documentation.

## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

ONLINE 1

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

1. **Fraud Patterns Persist:** Fraud schemes like carousel fraud and margin scheme abuse remain common, though they’ve become more sophisticated and cross-border. Fraudsters adapt by shifting to new commodities or jurisdictions when older methods are tackled.
2. **Common Schemes:** Notable trends include misuse of reverse charge mechanisms (e.g., on mobile phones), fictitious invoices for non-existent services, VAT-free intra-community chains, and abuse of e-commerce platforms where VAT is evaded.
3. **Platform-based VAT Fraud:** Sellers exploit online platforms (e.g., Amazon), moving goods across EU countries while avoiding VAT. Fraudsters often register and close companies rapidly to avoid detection. Questions persist about platform liability and whether some cases stem from deliberate fraud or lack of understanding.
4. **Fraud Innovation:** Emerging schemes involve items like fake iPhone boxes filled with tiles, or fraud involving low-weight/high-value goods like spices and sugar.
5. **Countermeasures:** Key tools include cross-border cooperation, joint investigations, tighter controls on VAT registration, and liability mechanisms for platforms. Countries also report success in stopping fraud chains through coordinated action.
6. **Conclusion:** Despite evolving tactics, many schemes mirror those seen in the early 2000s. Sustained vigilance, cooperation, and updated tools remain essential.

## Question 1

Please share with your colleagues any new or significant trends of fraud or innovative fraud schemes that you think it could be beneficial in the fight against VAT fraud

**ONLINE 2**

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 1

1. The classical VAT frauds still continue, like MTIC and margin scheme with cars.
2. Some new frauds for some countries can be old frauds for others, because usually the frauds shift from country to country due to the introduction of legislative changes or a more intensive combat.
3. In general, fraud is becoming more and more organised and fraudsters use old companies (not monitored) being bought specifically to commit fraud. Companies are kept in a shelf in order to enter into action as soon as tax administrations deregister the fraudsters.
4. Mixing margin scheme fraud in cars with electronics, simultaneously by the same trader;
5. Undervaluation of goods at import
6. “Ponzi” schemes connected to money laundering
7. Registration of non-resident traders without any real activity that sell everything through online platforms without any VAT
8. Bogus companies in construction sector and cleaning services with fictitious invoices
9. Issuing of false certificates to reduce VAT liabilities in the importation of cars
10. Monitor of the electricity market to detect eventual VAT fraud sooner

## Question 2

Taking into consideration the replies to the Country Profile (particularly replies to question 2.1), which challenges do you consider most urgent in the fight to VAT fraud? Please share your thoughts with your colleagues, highlighting the possible role of IOTA in enhancing the fight to VAT frauds.

**GROUP 1**

Hybrid Forum meeting,  
11-12 June 2025

## FEEDBACK ON QUESTION 2

1. Case study work shops
2. Forum for discussing tools. Approaches, strategies
3. A central hub for publicly available information in IOTA countries.

## Question 2

Taking into consideration the replies to the Country Profile (particularly replies to question 2.1), which challenges do you consider most urgent in the fight to VAT fraud? Please share your thoughts with your colleagues, highlighting the possible role of IOTA in enhancing the fight to VAT frauds.

## FEEDBACK ON QUESTION 2

- Big data and lack of tools and human resources;
- Lack of access to relevant data from foreign countries;
- Companies are involved in multi taxed activities (VAT, excise)
  - Lack of cooperation between the relevant authorities
- Data protection issues;
  - Sometimes difficult to exchange data at national level;

## Question 2

Taking into consideration the replies to the Country Profile (particularly replies to question 2.1), which challenges do you consider most urgent in the fight to VAT fraud? Please share your thoughts with your colleagues, highlighting the possible role of IOTA in enhancing the fight to VAT frauds.

## FEEDBACK ON QUESTION 2

- Improvable diagonal cooperation between the customs authorities or excise authorities from one MS with the Tax authorities from another MS;
- Domestic companies involved in supply of services abroad;
- Pressure on the tax authorities in relation to VAT refunds
  - Interest after 30 days in one MS
  - after 21 days in another

## Question 2

Taking into consideration the replies to the Country Profile (particularly replies to question 2.1), which challenges do you consider most urgent in the fight to VAT fraud? Please share your thoughts with your colleagues, highlighting the possible role of IOTA in enhancing the fight to VAT frauds.

## FEEDBACK ON QUESTION 2

1. Digital platforms, content creators: Revolut or other chinese bank cards. It's difficult to obtain information and cooperation.
2. In DK many problems to obtain info from banks due to virtual IBAN.
3. Self billing in some digital sectors. Third party data could be useful to obtain cooperation from the taxpayer.
4. E- invoicing: a way to reduce fictitious transactions.

## Question 2

Taking into consideration the replies to the Country Profile (particularly replies to question 2.1), which challenges do you consider most urgent in the fight to VAT fraud? Please share your thoughts with your colleagues, highlighting the possible role of IOTA in enhancing the fight to VAT frauds.

## FEEDBACK ON QUESTION 2

1. Joint strategies are essential, focusing both on early prevention and post-fraud investigation with clear consequences.
2. Rapid control measures and effective cooperation across borders are key, especially in preventing misuse of VAT numbers and fraudulent registrations.
3. There's a need for faster access to information (e.g., bank statements) and harmonisation of legislation across countries.
4. Tools like MLC and e-invoicing are valuable, but require real-time, standardised data exchange across the EU to be effective.
5. Vigilance is needed for companies that initially appear legitimate but turn fraudulent over time.

## Question 2

Taking into consideration the replies to the Country Profile (particularly replies to question 2.1), which challenges do you consider most urgent in the fight to VAT fraud? Please share your thoughts with your colleagues, highlighting the possible role of IOTA in enhancing the fight to VAT frauds.

## FEEDBACK ON QUESTION 2

1. E-commerce and CPC 42 are the most urgent challenges and most of the frauds are connected with these, so:
2. Challenges are to determine the best way to deal with the non-resident registrations and undervaluation, improving the cooperation between tax and customs, ensure that importers declare the correct information, access to data in order to monitor also the flow of goods not only the flow of invoices (perhaps like EMCS) enabling crosschecks
3. CESOP will be very useful to confirm the OSS declarations
4. In EU one of the challenges will be the VIDA package;
5. Desirable: Regulation with quick fixes for transport documents of 3rd countries

# IOTA Forum on Combating VAT Fraud

## “VAT fraud cases: early detection and prevention”

### Group Discussion Session 2

## Country experiences in risk identification techniques and financial investigation

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

**GROUP 1**

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 1

1. E-invoicing...all the data you need generally. Realise the data may not be genuine.
2. Regular reporting of invoices – maybe domestic only or include cross border. Number of invoices and amount. Each business reports both purchase and sales invoices. Captures invoices in the supply chain allowing identification of discrepancies.
3. AI software to assist in classifying goods – commodity codes. Data from customs shows how it was classified at import which can be matched against classification at sale.
4. Currency register – financial institutions are required to report international transactions.

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

**GROUP 1**

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 1

6. EUROFISC information
7. Prediction models – combination of risk indicators and human analysis.
8. GTIN – global trade item number for goods. Required to be included on invoices. Can trace the product through the supply chain.
9. Risk analysis processes applied to VAT returns
10. Real time analysis – automated analysis of inputs and outputs...established expectations of sales

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

## GROUP 2

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 1

1. E-invoices used, combined by payment data to map chains. Detect mismatch between invoice data and real parties. VAT Depository account registry and KYC.
2. Participation in FUA (follow up actions). Also based on TNA data. Sending warning letter to conduit companies when risks observed, also outside FUAs. Efficient tool. (EUROFISC tools.)
3. Risk management system, monthly profiling (monthly VAT returns). Using databases for further analyses, often manually.
4. E-invoices and specific tool to detect suspicious payment data.

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

## GROUP 2

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 1

6. Cooperation with other institutions, especially Customs and FIU. Fragmented IT system, in phase of establishing e-invoices and data warehouse system.
7. Electronic submission of VAT listing of invoices. Use this for cross-checking. Was a substantial improvement when introduced.
8. Mutual sharing of risk indicators etc. with marked actors/Regulators.

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

## GROUP 3

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 1

1. Real time database in Albania, E-invoices: new criteria to match transactions with bank ones. Now it's only domestic.
2. Hungary: e-invoicing reporting system. Need to improve cooperation with other countries to getting data. Use of CESOP but it has a lot of data and it's difficult sometimes to use.
3. Romania: E-invoicing implemented with database of international transportation data. CESOP and TNA
4. Czech: TNA and data from Eurofisc and VIES system.
5. France: TNA, Eurofisc, E-invoicing in 2026
6. Bosnia: 2021 implementing of a sort of database of e-invoicing separating goods and services.
7. Ireland: TNA, Eurofisc, CESOP. Other system in development. Big data from DAC7
8. DK: TNA, EUROFISC and CESOP (starting point)
9. Italy: TNA, EUROFISC and CESOP (starting point)
10. OLAF: FIU a good sort of info

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

ONLINE 1

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 1

1. **Risk-Based Monitoring:** Countries are using risk assessment systems that analyse taxpayer data, transaction history, behavioural patterns, and anomalies. Tools flag suspicious activity, missing statements, and changes in declarations.
2. **Cross-Border Cooperation:** Platforms like MLC and CECOP enhance information exchange across EU countries, including automated sharing of bank transaction data. However, non-EU countries (e.g. UK) are not part of this framework.
3. **Advanced Analytics:** Predictive analytics and data integration (tax and bank data) are used to identify risky entities early. Resource constraints remain a key limitation.
4. **Human Interaction Still Matters:** Proactive engagement with businesses (calls or visits) can increase compliance with relatively low effort. **AI and Privacy Concerns:** While AI is used in daily operations, it's not fully adopted for audits due to privacy and data protection concerns. Some countries (e.g. France) use AI in innovative ways—like detecting undeclared property features via aerial photos.
5. **New Tools in Development:** Some tax authorities are building internal systems to classify traders and track past connections, improving fraud detection efficiency.

## QUESTION 1

In your tax administration, what are the latest tools and techniques for detecting and preventing VAT fraud?

## Feedback to the Question 1

1. One example was a specific software that collects all the available data (national and international, like Eurofisc data and also platform's data for instance) and attributes a risk profile to taxpayers. All auditors can have access to this software.
2. Some countries already use e-invoice to detect VAT fraud. Other techniques is to prevent and detect is a more practical one, which is for instance to monitor energy markets to detect eventual VAT fraud sooner or to follow the people that already were sentenced to jail and are now free to move.

## QUESTION 2

What risk identification techniques are used to detect VAT fraud in the sector of digital services (B2C gaming, adult entertainment, short term rentals etc) and which data play a decisive role in detecting VAT fraud?

## Feedback to the Question 2

1. Follow the money strategy – monthly reporting by financial institutions. Tax administration has direct access to this information. Includes domestic and international transactions.
2. For goods – obtain information by request from logistics and transport businesses.
3. Opensource intelligence – internet
4. Request information from platforms (eg short-term accommodation)
5. CESOP (may be limited by internal structures of tax administration)

## QUESTION 2

What risk identification techniques are used to detect VAT fraud in the sector of digital services (B2C gaming, adult entertainment, short term rentals etc) and which data play a decisive role in detecting VAT fraud?

**GROUP 1**

Hybrid Forum meeting,  
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## Feedback to the Question 2

6. Online platforms required to report supplies (domestic). Non-resident platforms – use EOI processes to obtain data.
7. Domestic information gathering powers (not automatic reporting). EOI processes for non-residents.
8. Financial institution formal reporting – credit card transactions
9. Opensource information - internet - look for suppliers selling to a jurisdictions
10. Analytical risk processes. Compile databases. List of businesses who may pose a risk & are monitored.

## QUESTION 2

What risk identification techniques are used to detect VAT fraud in the sector of digital services (B2C gaming, adult entertainment, short term rentals etc) and which data play a decisive role in detecting VAT fraud?

## Feedback to the Question 2

1. Complement question 2 with question of application of recovery measures.
2. Detection (targeted searches and payment information), assessment, registration, collection. Issue of assistance in recovery.
3. One country use split payment based on lists classifying services.
4. Publish lists of indirect tax debtors (company name and amount. On tax administration web site, domestic companies only.)
5. DAC 7 information (but designed for direct taxation, so not that relevant for VAT.)

## QUESTION 2

What risk identification techniques are used to detect VAT fraud in the sector of digital services (B2C gaming, adult entertainment, short term rentals etc) and which data play a decisive role in detecting VAT fraud?

## GROUP 3

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 2

1. Problem of identification in services of renting home in Albania: platforms like “booking”. B2C or B2B (not registered for VAT)
2. Hungary: problem with digital platforms for small companies especially in sector of gaming or entertainment
3. CZ: data from platforms (Airbnb, booking) and CESOP
4. France: Platforms have to declare all the transactions done in the Country
5. Ireland: Anti money laundering legislation

## QUESTION 2

What risk identification techniques are used to detect VAT fraud in the sector of digital services (B2C gaming, adult entertainment, short term rentals etc) and which data play a decisive role in detecting VAT fraud?

**ONLINE 1**

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 2

1. Risk Identification in Digital Services: Countries are using website analysis, historical comparisons, and test purchases to verify company identities and assess VAT compliance, particularly in sectors like gaming, adult content, and short-term rentals.
2. Key Data Sources: Payment card data and CECOP reports are crucial for linking payments to business names, especially when websites or platforms use different names from the actual company.
3. E-Commerce Challenges: Many online sellers—especially influencers or small businesses—are unaware of tax obligations. Non-compliance is widespread, particularly regarding VAT and income tax, often due to inexperience or lack of understanding.
4. Unregistered and Non-EU Companies: Denmark, for example, monitors unregistered e-commerce businesses, but many do not respond to requests. Nonetheless, platforms like the (Mini) One Stop Shop have helped increase compliance, including from non-EU companies.
5. Platform Responsibility: There is growing recognition that clear rules on platform VAT liability are essential. Proper regulation at the platform level could significantly increase VAT collection.
6. New Risk Areas: Emerging e-commerce trends include refurbished goods and platforms like Etsy. Authorities often find many new businesses in previously unmonitored sectors, requiring ongoing resource-intensive monitoring.
7. Ongoing Limitations: Despite improvements, distinguishing digital service fraud from general non-compliance remains difficult. While tools like CECOP are promising, they are still being tested and integrated fully. Collaboration across Member States is ongoing to enhance detection and control mechanisms.

## QUESTION 2

What risk identification techniques are used to detect VAT fraud in the sector of digital services (B2C gaming, adult entertainment, short term rentals etc) and which data play a decisive role in detecting VAT fraud?

**ONLINE 2**

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 2

1. No specific tools were mentioned regarding digital services

### QUESTION 3

Which financial data/tools do you use in your VAT fraud investigations? How do you apply the principle of "follow the money" (e.g. identification of the taxable person liable to remit VAT)? Please share your experience.

**GROUP 1**

Hybrid Forum meeting,  
11-12 June 2025

### Feedback to the Question 3

1. Other government agencies and units – eg money laundering specialists
2. FIU – Financial Intelligence Unit
3. Responsibility for financial institutions to add e-invoice number to information gathered – banks will not accept payment instruction unless e-invoice number is present. This reporting is real-time for B2B transactions. This is matched and analysed by tax administration.
4. (Asia) According to national legislation access limited by strong data protection rules (similar to GDPR). Only if the business refuses to provide information, then can obtain from banks.

### QUESTION 3

Which financial data/tools do you use in your VAT fraud investigations? How do you apply the principle of "follow the money" (e.g. identification of the taxable person liable to remit VAT)? Please share your experience.

## GROUP 2

Hybrid Forum meeting,  
11-12 June 2025

### Feedback to the Question 3

1. FIU data, including FIU.net ORBIS, information from national authorities. Request data in a single format to facilitate analysis. Machine learning. Ability to cross check link across bank accounts. (EPPO)
2. All elements from criminal investigation are used for analyses. (Cars, real estate...) (EPPO)
3. Information on bank account status,
4. Financial transaction data cross border (CESOP and similar.)

## QUESTION 3

Which financial data/tools do you use in your VAT fraud investigations? How do you apply the principle of "follow the money" (e.g. identification of the taxable person liable to remit VAT)? Please share your experience.

## GROUP 3

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 3

1. FIU
2. Bank statement analysis
3. Financial investigations
4. Prevision of joint and several liability (LLC companies) also in administrative activities.
5. In UK: non conviction seizures investigations, only administrative.
6. Follow the money: a complex process in different steps through the use of the mentioned tools.

## QUESTION 3

Which financial data/tools do you use in your VAT fraud investigations? How do you apply the principle of "follow the money" (e.g. identification of the taxable person liable to remit VAT)? Please share your experience.

**ONLINE 1**

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 3

1. Use of Financial Data: Financial data is essential in VAT fraud investigations, especially for identifying key individuals and tracing the flow of funds within fraudulent schemes.
2. Follow-the-Money Approach: This principle helps uncover the organisers behind fraud operations and locate where the money ultimately ends up, providing critical leads for investigations.
3. Legal and Operational Challenges: Accessing financial data often requires legal permissions, such as court orders in some countries, and notifying the individuals involved can complicate investigations.
4. CECOP's Role: The CECOP system plays a central role in accessing and analysing EU-wide financial transactions, with ongoing developments expected to enhance capabilities further.

## QUESTION 3

Which financial data/tools do you use in your VAT fraud investigations? How do you apply the principle of "follow the money" (e.g. identification of the taxable person liable to remit VAT)? Please share your experience.

**ONLINE 2**

Hybrid Forum meeting,  
11-12 June 2025

## Feedback to the Question 3

1. Some countries have more access to financial data than others, and it is easier within criminal investigations. DAC7 is useful but countries also use the bank obligations under the AML legislation or other legislation to have access to financial data. In one case, the tax administration can make agreements with banks regarding information about the bank accounts during the intelligence phase.