



The new reality: auditing highly complex e-commerce cases

IOTA Forum on Combating VAT Fraud

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Serge HOLLERICH, Luxembourg



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Administration de l'enregistrement,
des domaines et de la TVA



- The fight against VAT fraud has always been among the major concerns for Tax authorities
- Legislative measures and better cooperation have diminished but not eradicated the classic MTIC fraud **Legislative measures**
- Fraudsters try to delay detection as much as possible, therefore they modify fraud schemes and avoid early detection by: **Modify fraud schemes**
- ✓ Moving to less monitored and/or regulated markets, e.g. services, environmental
- ✓ Acting on a global scale by involving countries outside EU **Outside EU**
- ✓ Maximizing profit by a multi-tax fraud approach
- ✓ Taking advantage of loopholes in legislation, taxation, procedures and cooperation, e.g. CP42.00, Excise/VAT fraud, Margin scheme abuse, E-Commerce, Energy market
E-commerce

The

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Profile

- Simplified Limited Liability Company set up in 2025
- Annual VAT declaration obligations: no obligation to submit a declaration until March 2026
- Not registered in OSS, no other VAT identification known
- “Gen Z” influencer type Manager-Digital Nomad

Motto: “between Luxembourg & wherever the next flight lands”

- ✓ Detection after 6 months following high intracommunity acquisition of services from known social media actors
- ✓ Crosscheck in CESOP confirms high transfers to bank accounts held by our trader
- ✓ First physical on-site check identifies company address as private domicile of his parents, no signals whatsoever of important economic activity
- ✓ Contact via letter provides positive feedback and trader is compliant for now and sends in annual VAT declaration and provides bank statements: no application of VAT to 99% of turnover



Trader compliant-problem solved?

NO!



Completed so far

- ✓ Detection of a risky trader
- ✓ Quick reaction by on-site visit
- ✓ Contact with taxpayer

Next step

- ❑ Asking relevant questions to ourselves before asking them to the taxpayer:
 - The trader is active in e-commerce
 - ✓ Which are his sales channels?
 - ✓ What are the products?
 - ✓ Where are the predominant markets?
 - ✓ How does he handle: Marketing? Targeted Market? Customers? Logistics?
 - ✓ Only registered for VAT in Luxembourg? Elsewhere? OSS? IOSS?
 - ✓ Manager fiscal past? Public profile?
 - A lot of information to be retrieved online first



- ✓ The trader sells orthopedic pillows via sales channels on Instagram, Facebook and Shopify
- ✓ B2C sales (mainly FR to our information)
- ✓ The trader uses influencers for marketing purposes: promoting videos can be seen on Instagram, Facebook, Youtube etc
- ✓ Payments received from marketplaces
- ✓ Payments predominantly to a company based in HGK
- ✓ The trader seems to recur to dropshipping
- VAT liability = marketplace as deemed supplier?



The pillow



Are this pillow and the picture below
maybe familiar to some of you?



**ZYVO Rest Pillow Kopf - Nacken
Therapiekissen Schlafapnoe
Orthopädisches Kissen Schnarchen Apnoe
Unterstützung des Nackens Abnehmbarer
und waschbarer Schlafprobleme wirksam
verbessern (Schwarz)**

Ergonomisches Orthopädie-Design für gezielte
Kopf- & Nackenunterstützung
Schmetterlingsförmige Kontur
ergonomischen Prinzipien –
Kopf und Nacken, ideal bei
Schlafbeschwerden ...

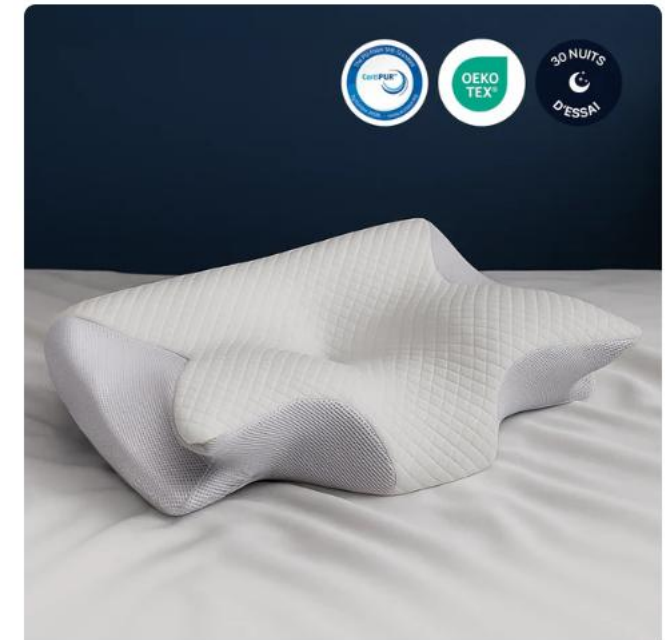
Lieferzeit: Gewöhnlich
bis 6 Tagen



**VOUS AVEZ OBTENU
60% DE RÉDUCTION**
À l'occasion de la sortie de notre nouveau produit !

Nackenkissen Kopfkissen Memory
Foam Kissen für Rücken-, Seiten- und
Bauchschläfer, 60x40x12/14cm, Grau
4,3 ★★★★★ (13.957)
300+ Mal im letzten Monat gekauft

49¹⁵ €



Oreiller Soya 2.0

€119,90

Impossible to “avoid” a
commercial about this
pillow



Same pillow - but different traders and prices!

Product age vs promoted new invention

Real Origin: China vs Simulated Origin

Real value vs (hyped) price span



What about the awareness of our trader?

Current status according to our investigations

window dressing **yes**

manager = strawman (like in MTIC) **no**

manager = aware of daily transactions **probably not**



What about the “supplier” in our case: the role of the trader
from HGK?



- Name of the trader suggests French influence
- “Founder” of the trader is a French citizen AND resident living in Marseille according to his professional profile
- No VAT identification found
- Homepage in French
- Claims to provide full services to about 800 online sellers since 2019
- CESOP informs about more than 5 million € incoming payments (B2B) for 2024 and 2025 (which should be correspondent to 8% of the turnover from the online sellers)
- Which are these services provided according to their website?

 **Logistique** |  **Branding** |  **Sourcing** |  **Automatisation**

 **Shooting photo** |  **SAV** |  **Mise en conformité CE/FCC**



- ✓ All-inclusive package for online sellers
- ✓ Oversight of daily activities seems out of the hands of our online seller
- ✓ Our trader receives payments from marketplaces and is transferring a large amount to the HGK (French?) trader-real economic activity?



NEXT STEP(S)?



- Determine VAT liability
- ✓ international cooperation necessary to assess if marketplaces declared the VAT on behalf of our trader
- Assess if our trader is having a real economic activity
- ✓ is he responsible for the sales through the different channels?
- ✓ to which extend is he the owner of the goods?
- Try to find the entry gate of the goods
- Investigate the role of the HGK trader



- Investigating VAT cases in the e-commerce has become incredibly complex and time-consuming
- ✓ reduced administrative burdens for traders can lead to reduced tax recovery
- ✓ mandatory international cooperation needed to solve VAT liability issue
- ✓ strategical reflection needed for smaller countries in regards of ROI
- ✓ recovery of debts becomes increasingly complex



Questions?
Thank You!