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The VAT gap, both on the European Union scale and that of particular member states (though not all of them) appeals to the imagination and awakens many extreme emotions. For it is difficult to accept that the level is so significant, and - what is more - in recent years it has narrowed quite insignificantly

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despite attempts to limit it. In the popular understanding, this gap is quite often identified exclusively with the consequences of fraud, but it has many more component elements, many of which have nothing to do with abuse. Still, this doesn't change the face that it is precisely fraud and abuse that constitute a particularly significant element of the VAT gap. This article explains how legitimate traders

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can be held liable for unwittingly being a partner to VAT fraud and what businesses can do to protect themselves, and it outlines future changes to the EU VAT regime to combat fraud. Each year, the EU Member States lose billions of euros in VAT revenues on account of fraud. As the EU VAT system is undergoing profound modernisation, this study seeks (i) to take stock of the current state of play, (ii) to assess the current

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regulatory framework and the proposals under discussion, and (iii) to offer a selection of recommendations. An initial conclusion is that, while the European Commission has put a considerable amount of work into the modernisation of the EU VAT system, remaining risks of fraud cannot be ignored. A second substantial conclusion is that a different approach and the use of new technologies would allow the Member States

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to remove significant obstacles that currently impede an effective fight against VAT fraud. This study was provided by Policy Department A at the request of the TAX3 Committee.

German civil and criminal courts have not always agreed over whether to allow a taxpayer to zero-rate intra-Community supplies when the taxpayer making the supply knew (or should have known) that his buyer in the other Member State intended to

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fraudulently evade VAT as a missing trader. This is no longer the case. Zero-rating of intra-community supplies is now being denied in German civil and criminal courts. This paper considers how far Germany appears to be extending the law in this area. In 2011 six cases were heard by the Bundesfinanzhof (German Supreme Tax Court) that demonstrate both (a) the civil court's adoption of criminal analysis and (b) the development of a

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(should have known)
middle ground between
actual knowledge and
absence of knowledge of
fraud in the customer
chain. After the
December 7, 2010
decision by the Court of
Justice of the European
Union (CJEU) in Criminal
Proceedings against R
("R"), the
Bundesfinanzhof made it
clear that it would
follow the reasoning of
the German criminal
courts. Civil courts
have now denied
taxpayers the right to

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zero-rate dispatches to another Member State, when the taxpayer knew (or should have known) based on objective factors, that its buyer intended to use the transfer to fraudulently evade VAT in the other Member State. The unfortunate outcome may be that a single transaction can be taxed twice: once through the denial of the zero-rate on dispatch, and a second time through an enforcement action in the buyer's

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jurisdiction. This is an aggressive approach to combating missing trader fraud. There do not appear to be comparable efforts in other Member States. Two elements of the German cases considered here are noteworthy. First, these are cases that involve fraud in the customer chain rather than the more typical fraud in the supply chain - in other words these cases look forward to fraud in future transactions, rather than backwards at

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fraud in historical transactions. Secondly, the questions in these six cases involve the denial of a zero rate on an intra-community supply rather than the more common denial of a deduction on a domestic purchase.

Vat Fraud

Report of the EFS

Seminar '50 Years of the
EU Customs Union and EU
VAT System :

Developments, Challenges
and Alternatives' Held
on 14 February 2019, at
the Erasmus University

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Rotterdam

**VAT Fraud in the
Customer Chain - The
German Perfect Storm
Cases**

**The Fight Against Fraud
on the EU's Finances**

**Blockchain Technology
Might Solve VAT Fraud**

**'Do You Want a Receipt?'
Combating VAT and Sales
Tax Evasion with Lottery
Tickets**

The report **The Fight Against
Fraud On The EU's Finances (HL
158)** examines the effectiveness
of the EU's system of protection
from financial fraud, and
identifies a number of

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weaknesses. EU law obliges both the European Commission and the Member States to combat fraud on the EU's finances. However, the onus to protect the EU's financial interests falls mainly on the individual Member States because they are responsible for administering 80% of the EU funds. The 404 million Euros cited by the Commission in its annual report offers only a glimpse of the levels of fraud perpetrated against the EU's budget, the Committee believes five billion Euros is a closer figure. Evidence presented to the Committee suggests that

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some Member States do not take their anti-fraud responsibilities seriously.

Responsibilities for anti-fraud should include: (i) looking for fraud against the EU's budget; (ii) informing the relevant EU authorities

This research report aims at filling the knowledge gap concerning organized business crime by highlighting one specific phenomenon, that of EU cross-border VAT fraud. It intends to provide insight into: the effectiveness of the present VAT control system; the vulnerability of legitimate trade to criminal inroads; and, the

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development of organized crime in this area.

This article discuss how blockchain, a cryptographic software technology, can be used to improve VAT collection and combat VAT fraud.

Like any tax, the VAT is vulnerable to evasion and fraud. But its credit and refund mechanism does offer unique opportunities for abuse, and this has recently become an urgent concern in the European Union (EU). This paper describes the main forms of noncompliance distinctive to a VAT, considers how they can be addressed, and assesses evidence on their

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extent in high-income countries. While the practical significance of current difficulties in the EU should not be over-stated, administrative measures alone may prove insufficient to deal with them, and a fundamental redesign of the VAT treatment of intra-community trade required. The current difficulties in the EU largely reflect circumstances that would not apply in the United States.

Combating VAT Fraud Through Digital Technologies : a Reform Proposal

Value-added Tax Fraud in the European Union

Blockchain in Global Finance

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and Tax

Digital VAT Carousel Fraud

Afghanistan's New VAT, Part 3 :

the Elegance of the Unitary

Invoice in Saudi Arabia, Fiji, and

Samoa

A New Weapon in the Fight

Against E-commerce VAT Fraud

: Information from Payment

Service Providers

The article analyzes the first VAT fraud on voice over Internet protocol

(VoIP), the Phuncards-

Broker operation, which

took place in Italy

between 2005 and 2007.

The authors explore the

policy implications for

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tax authorities, looking at how changes in their strategies may reduce incentives to participate in the fraud. They argue that, in the short term, information technology solutions might offer some of the best answers when effectively combined with reverse charge, while, in the longer term, an extension of the one-stop shop system may represent a new hypothesis of VAT reform in an anti-fraud

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perspective.

In this article, the first in a three-part series, the authors discuss the choices Afghanistan faces as it implements its first VAT and, in particular, how it can prepare to fight VAT fraud. They review the problem of VAT invoice fraud, examine the traditional use of invoice matching to combat the problem, and begin to consider how technology can help, including the potential use of business process

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reengineering.

In December 2018, the European Commission tabled a proposal that requires payment service providers to record certain information on payment transactions and submit this information to the tax authorities of EU Member States. In this article, the authors address this proposal for collecting and sharing payment information on e-commerce transactions within the European Union. Although the

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authors see the need for collecting this information and welcome the EU approach, the authors also identify the areas in which the proposal could be improved.

The major downside of the current transitional VAT system is that it has proven to be particularly susceptible to VAT fraud. This is a real problem that not only results in revenue losses for Member States, but also disrupts competition and

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increases compliance costs for businesses. This article explores the effectiveness of the anti-fraud measure based upon a chain liability from a Spanish perspective.

Electronic VAT Administration System in Ukraine : Comparative Analysis with the European Union

How the European Commission and European Countries Fight VAT Fraud

Anti-corruption Reforms in Bulgaria

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*Fighting Tax Crime - The
Ten Global Principles,
Second Edition*

*Addressing VAT Fraud in
Developing Countries :*

the Tax Policy-

administration Symbiosis

VAT Fraud and Evasion

The Federal Republic of Germany passed a law to combat VAT fraud in international ecommerce. The new legislation is described and discussed. Ecommerce sellers will have to provide their tax registration and a certificate issued by the competent tax authority that shows their VAT compliance to platform operators. Otherwise platform operators are liable for VAT

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**evasion of the respective
ecommerce sellers. Without
providing a tax registration and
the certificate platform operators
will not allow sellers to sell on
their platforms anymore. The
transition period will be much
shorter for overseas sellers than
for EU sellers. Practical problems
will arise at the beginning likely.
Suspension of accounts can be
the consequence.**

**First published in 2017, Fighting
Tax Crime - The Ten Global
Principles is the first
comprehensive guide to fighting
tax crimes. It sets out ten
essential principles covering the
legal, institutional,
administrative, and operational
aspects necessary for developing
an efficient and effective system**

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for identifying, investigating and prosecuting tax crimes, while respecting the rights of accused taxpayers.

The G20, the OECD and the EU have taken several initiatives to improve transparency and exchange of information to combat tax avoidance and tax evasion, including VAT fraud. A coordinated international approach seems to be the only solution to effectively fight VAT fraud within the EU. An analysis of the developments in international cooperation, however, shows that Member States (MS) seem to underuse other means of international cooperation that exist besides the exchange of information. The exchange of information in its

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turn seems to be mainly used within the national context. The authors conclude that due to a lack of coherence in the 'control' systems of MS and due to the fact that 'coordination' does not always mean 'collaboration', MS still seem to address this 'European' problem mainly on a national level which does not lead to a substantial decrease of the level of VAT fraud (including a lower tax gap) within the EU. This article highlights the necessary mutual dependence that exists between tax policy and administration, designated here as tax policy-administration symbiosis. Section 2 presents some general considerations on VAT fraud, including the presentation of a broad typology

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of VAT fraud. In Section 3 the role of VAT and its main characteristics in African countries are discussed, with a specific focusing on what is designated as VAT policy and enforcement gaps. In Section 4 attention moves to anti-fraud policy, discussing first some of the new trends in combating VAT fraud and then various power enhancing and administrative measures, as well as legal design features that have been adopted in African countries. Section 5 concludes with considerations regarding the need for a comprehensive administrative and legal design approach; one that recognizes the wider dynamics of the tax policy-administration symbiosis.

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Recent Hungarian Measures to Combat VAT Fraud

What Do We Know, and What Can be Done?

VAT and International Trade's Crossroads : Right, Left Or Straight On?.

Ak-Ale

The New VAT General Reverse- charge Mechanism

Amending Directive 2006/112/EC to Combat Tax Evasion Connected with Intra-Community

Transactions

The United Arab Emirates has enforced a VAT law for the taxation of goods and services since 1 January 2018. As VAT systems are susceptible to frequent VAT fraud, the author, in this article, explores provisions

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in the UAE VAT Law that could solidify VAT legislation against the occurrence of VAT fraud, provided they are implemented fully. Governments both in developed and developing countries are facing the problem of value added tax (VAT) and sales tax evasion. This explains a growing interest in policies alternative to the traditional methods of deterrence. This paper describes the achievements resulting from a zero cost policy against VAT and sales tax evasion based on rewards. Customers are encouraged to request an

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invoice by changing the invoice into a lottery ticket, thereby making VAT and sales tax fraud and evasion more difficult for suppliers. Such a policy has, for example, been introduced in some Asian countries. After having characterized VAT and sales tax evasion as a special kind of public good situation, a theoretical explanation based on behavioral Economics models of the success empirically registered by this policy will be discussed. Given this theoretical framework, we then introduce an empirical test in order to verify the ex-ante

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applicability of the policy described in different socio-economic contexts. Finally we discuss the possible countervailing effects as well as the positive long-term side-effects of the introduction of the policy. Commentary on Directive 2008/117/EC and Council Regulation (EC) 37/2009. The purpose of these measures is to ensure that information on cross-border transactions is collected and exchanged between Member States more quickly, to enable the member States to detect VAT fraud more rapidly. In this article, the final installment in a three-part series, the authors examine

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the technology-intensive systems that Saudi Arabia, Fiji, and Samoa are using to combat VAT fraud, including how they can be updated as new schemes emerge, and what Afghanistan should consider as it implements its VAT.

More Action Needed

Will the EU Show the US the 'Way Forward'

*Report from the Commission on the Use of Administrative Cooperation Arrangements in the Fight Against VAT Fraud
Tackling VAT Fraud in Europe : the International Puzzle Continues ...*

*Protecting Against VAT Fraud
Gulf Cooperation Council : Anti-fraud Provisions in the UAE VAT Law*

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The current VAT system for intra EU B2B is susceptible to fraud. This is one of the main reasons why the European Commission has tabled a proposal for a definitive VAT system based on the destination principle. On the other hand, there are Member States that want to introduce a general reverse charge mechanism in the fight against VAT fraud. While the definitive VAT system proposed by the European Commission taxes all supplies in the supply chain, the general reverse charge mechanism has the opposite effect. Under this mechanism effective collection of VAT is postponed to the last link in the supply chain. In this article, the authors evaluate both systems as well as the current system to assess which system is best. The fight against VAT fraud calls for a major overhaul of the VAT system.

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After presenting existing reform proposals, in this article, the authors advocate making use of the opportunities offered by digitization and suggest that the reverse charge mechanism should generally apply to business-to-business transactions when the supplies have been recorded in a central online database.

Combating Fiscal Fraud and Empowering Regulators analyzes the impact of new international tax regulations on the scope and scale of tax evasion, tax avoidance, and money laundering

This editorial addresses EU policies to combat VAT fraud with special attention to the missing trader fraud (MTF).

Lessons from Korea?

Fighting E-commerce VAT Fraud: New EU Compliance Obligations for

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Payment Service Providers
Tackling Intra-community VAT Fraud
New German Law to Combat VAT
Evasion in Ecommerce
Afghanistan's New VAT, Part 1 :
Invoice Matching Or a Unitary Digital
Invoice
Economic Impact, Challenges and
Policy Issues

In this article, the author discusses new EU reporting obligations for payment service providers that are meant to provide EU states with payment data that will help them detect noncompliant foreign sellers.

VAT is one of the main sources of revenue for more than 160 states around the world. However, these states constantly have to improve their VAT systems in order to tackle the numerous cases of fraud. The EU VAT system applies in a harmonized way in all the Member States. However, the Member States still have some flexibility in

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the area of the fight against VAT fraud. In Ukraine, there is a full-scale electronic VAT administration system in place, entailing the drawing up of VAT invoices by taxable persons (suppliers) and their being recorded in a state register, setting up special accounts to pay the VAT, preliminary monitoring of conducted transactions reflected in tax invoices, and automatic refunds of VAT amounts upon taxable persons' applications. In this article, the author makes a comparative analysis of the Ukrainian and the EU (and selected Member States') VAT administration systems and identifies their current strengths and weaknesses.

On Thursday, March 29, 2007 the European Commission, Directorate-General for Taxation and Customs Union, will host a one-day Conference on Fiscal Fraud - Tackling VAT Fraud: Possible Ways Forward. The conference is based on the Communication of May 31, 2006 explaining

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the need to develop a coordinated strategy to improve the fight against fiscal fraud. This paper indicates that the EU examination of carousel fraud points the way forward for advocates of a US VAT as well. About 40% of EU VAT fraud appears to be 'missing trader intra-community' (MTIC) or carousel fraud. The best estimates of EU losses to carousel fraud are put at 23 billion euros annually. UK studies put domestic losses from carousel fraud at 2.98 to 4.47 billion euros. Fraud concerns understandably resonate deeply among American advocates of a federal level VAT in the US. It needs to be taken into consideration that inserting a national credit-invoice VAT into the US fiscal fabric would be to set out the welcome mat for an American carousel fraud, as well as the more traditional VAT frauds. The vulnerability of a US VAT to carousel fraud is a direct result of the American tendency for national, state

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and local tax systems to 'piggy backing' on one another is taken into account.

This book seeks durable solutions for tax crime and is a great resource for the development of knowledge, policy and law on tax crime. The book uniquely blends current practice with new approaches to countering tax crime. With insights from the EU-funded project, PROTAX, which conducts advanced research on tax crimes, the book comparatively analyses the EU's tax crime measures and the Ten Global Principles (TGPs) on fighting tax crime by the Organisation for Economic Cooperation and Development (OECD).

The study critically examines how the TGPs can serve as minimum standards for the EU to counter tax crime such as tax evasion and tax fraud. The study also analyses how the anti-tax avoidance package can be graduated to fight tax crime in the EU.

When escalated, the strengths of the EU tax

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crime measures and TGPs can form a fortress in which criminal law can be empowered to mitigate tax crimes with greater effect. The book will be particularly useful for end-user stakeholders such as tax policy makers, LEAs, professional enablers as well as academics and students interested in productive interaction between tax, criminal and administrative laws.

- Text in English and Chinese -

A New Boundary for Criminality?

Countering Tax Crime in the European Union

American VAT - The Carousel Fraud Threat

Joint and Several Liability as a Measure to Tackle VAT Fraud : the Spanish Perspective

Benchmarking the OECD ' s Ten Global Principles

Report of the seminar,
including the following

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subjects: Rules-based trade under fire: the EU Customs Union in uncertain times; The EU Customs Union after Brexit; Key reforms to the EU VAT system: state of play; Alternative approaches for combating VAT fraud: transaction network analysis and blockchain. Followed by a panel discussion.

In an attempt to combat the shadow economy, the Hungarian government has introduced a basket of measures aimed at reducing VAT fraud. This article explains further.

An invoice reporting system

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based on blockchain technology can offer confidentiality, 100% VAT fraud detection and advantages for businesses. In order to fully understand the benefits that a blockchain-based invoice reporting system can bring to VAT, in this article the author gives an example of how blockchain technology can actually be used to fight VAT fraud, without making things overly complicated. The author also explains that implementation would not be a revolution of the VAT system, but only a technological evolution.

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Adopted a decade after the commencement of VAT in the UK, the Korean VAT was largely modelled on the European precedent and most features of the tax have parallels with the traditional VAT. In two significant aspects, however, the Korean VAT diverges from its European counterparts. The first aspect is the collection of comprehensive data on sales and purchases by the revenue authority, along with the administrative practice of comprehensive matching of supplier and customer invoices. This approach has

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been a feature of the Korean system from the time of its adoption. The second aspect is the more recent creation of a “ cash receipt ” system that rewards final consumers paying by cash if they insist on a cash receipt that automatically reports sales to the revenue authority. The latter system appears to have achieved some positive results in terms of reducing non-disclosure of cash sales. The benefits of the first initiative, comprehensive data collection and matching, are, however, questionable. It has not been shown that the

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additional administrative and compliance costs achieve results which are markedly better than competent targeted auditing systems under more conventional VAT administration systems.

Recent moves by Israel and Portugal to adopt administrative processes similar to the Korean model may yield limited benefits.

Combating VAT Fraud

On the Use of Administrative Cooperation Arrangements in the Fight Against VAT Fraud
Fighting VAT Fraud and Enhancing VAT Collection in a Digitalized Environment

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Combining Modern
Technology and Real-time
Invoice Reporting to Combat
VAT Fraud : No Revolution,
But a Technological Evolution
VAT on Intra-community
Trade and Bilateral Micro
Revenue Clearing in the EU
On the Eve of EU Accession

This article describes two use cases
where blockchain is a game changer
for businesses: in international money
transfers and in combating VAT fraud
(missing trader fraud).

Ak-Ale Fighting VAT Fraud and
Enhancing VAT Collection in a
Digitalized Environment

The digital transformation of the
economy is successfully exploited by
fraudsters who develop ways to avoid

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paying value-added tax (VAT) and steal VAT revenues for their own gain. Means are available to not just counter such fraudsters, but at the same time facilitate VAT collection. This article investigates different kinds of VAT fraud and the collection challenges they pose, following which it evaluates a number of technology solutions for their capacity to improve the EU VAT system.

Combating Fiscal Fraud and
Empowering Regulators
12th Report of Session 2012-13