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# NTO WEBINAR

## “Tackling Cross-Border VAT Fraud”

### Background

Value Added Tax (VAT) is a variety of indirect tax that is levied on each stage of a product/services production, distribution, and final sale to the consumer. VAT represents an important pillar of government revenue, as it has helped countries generate more revenue than they would have had without it in place<sup>1</sup>. For instance, VAT accounted for 52% of total taxes on production and imports in the EU in 2020<sup>2</sup>, and it accounts for about 29% of government revenue in Africa<sup>3</sup>. Despite its importance, countries lose substantial revenue to VAT fraud yearly, and its prevalence represent a source of concern not only for tax authorities but also for cross-border commerce.

Understanding the machinations and complexities of VAT fraud is especially relevant in the context of cross-border commerce and revenue mobilisation. Thus, on the **27 of October 2022**, the **Network of Tax Organisations (NTO)** will bring together experts and participants in a webinar that endeavours to expatiate on **the patterns and evolution of VAT fraud schemes, and the strategies and forms of cross-border cooperation that tax authorities are employing to tackle these schemes**. The webinar will feature presentations on salient topic areas of VAT carousel fraud, cross-border trade and international cooperation from the **French and South African tax administrations**. Further, **the African Tax Administration Forum (ATAF) will provide insights into cross-border VAT fraud from the perspective of a regional tax organisation**.

1 Alavuotunki, K., Haapanen, M. and Pirttilä, J., 2018. The Effects of the Value-Added Tax on Revenue and Inequality. *The Journal of Development Studies*, 55(4), pp.490-508.

2 EUROSTAT. 2022. Tax Revenue Statistics - Statistics Explained. [online] Available at: <[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax\\_revenue\\_statistics#:~:text=In%202020%20in%20the%20EU%2C%20revenue%20from%20taxes%20on%20products,taxes%20on%20production%20and%20imports.>](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics#:~:text=In%202020%20in%20the%20EU%2C%20revenue%20from%20taxes%20on%20products,taxes%20on%20production%20and%20imports.>) [Accessed 3 August 2022].

3 ATAF, n.d. Value Added Tax (VAT) Fraud Manifestation and Typologies in Africa: Considerations in Designing a Fit for Purpose Response. Technical Committee on VAT Publication. [online] Pretoria: ATAF Secretariat. Available at: <[https://events.ataftax.org/index.php?page=documents&func=view&document\\_id=144](https://events.ataftax.org/index.php?page=documents&func=view&document_id=144)> [Accessed 2 August 2022].

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## Objectives

This peer learning event equally aims to facilitate engagement among tax administrations on concrete VAT fraud cases with special focus on cross-border cooperation, share best practices on the implementation of innovative tools, solutions and approaches which enhance or safeguard revenue mobilisation.

## Content

VAT compared to its counterparts like Retail Sales Tax is often adjudged to be less vulnerable to fraud since the latter is often beset with enforcement and cross-reporting problems<sup>4</sup>. Nonetheless, the incidence of VAT fraud has reached an uptick in recent years. For instance, the European Commission reported that in 2019 alone, EU member countries lost €134 billion to VAT fraud and evasion<sup>5</sup>, with Missing Trader Intra-Community Fraud – a variety of VAT fraud that relies on the abuse of VAT systems of cross-border trade jurisdictions – accounting for yearly annual tax losses of €60 billion<sup>6</sup>. The African Tax Administration Forum (ATAF) opined in one of its flagship reports that VAT fraud is rampant in Africa. It argued that VAT fraud through misrepresentation of facts and fictitious persons schemes are unintended consequences of the burgeoning interconnectedness of African economies.

It is important to note that the increasing interconnectedness of national economies is not only the driver in the increase in cross-border VAT fraud. Economic agents that are eager to defraud governments of VAT revenue often take advantage of weak regulatory environment to perpetuate such schemes.

Via complex cross-border network of actors, unscrupulous economic agents produce false tax statements, allowing them to generate false turnovers, claim and justify losses, in order to receive VAT refunds. The cross-border nature of

4 TPC. 2022. Why is the VAT administratively superior to a retail sales tax?. [online] Available at: <<https://www.taxpolicycenter.org/briefing-book/why-vat-administratively-superior-retail-sales-tax>> [Accessed 8 August 2022].

5 European Commission, 2021. VAT Gap in the EU Report 2021. European Commission.

6 Europol. 2022. MTIC (Missing Trader Intra Community) fraud | Europol. [online] Available at: <<https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/mtic-missing-trader-intra-community-fraud>> [Accessed 3 August 2022].



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these frauds including reported cases in Italy<sup>7</sup>, South Africa<sup>8</sup>, Hungary<sup>9</sup> and other countries highlights the need for a cross-border, multistakeholder, collaborative approach against these schemes.

This webinar contributes to meeting these needs by fostering close collaboration, exchange of best practices and discussions on patterns of VAT fraud schemes with concrete cases.

The webinar will be moderated by International VAT expert, Mr. Massimo Morarelli. Presentations from representatives of the French tax administration, the South African Revenue Services (SARS), and the African Tax Administration Forum (ATAF) will highlight the nature and pattern of described fraud, challenges and bottlenecks, as well as examples of cross-border solution/cooperation.

#### Guiding Questions to the speakers:

- What are the most common patterns of VAT fraud in your jurisdiction?
- Please describe a case of cross-border inter-regional VAT fraud identified and/or prevented by your administration. With whom did you cooperate? What were the highlights of the case and factors of your success?
- In what ways have cross-border information exchange mechanisms enhanced the fight against cross border VAT fraud?
- What were the bottlenecks and challenges in the process of tackling this VAT fraud case?
- How can regional tax organisations enhance their information exchange mechanism in the fight against VAT fraud?
- How have you sought to tackle VAT fraud in your jurisdiction? What lessons can you offer another jurisdiction and organisation?

7 FATF, 2020. Update: COVID-19-related Money Laundering and Terrorist Financing – Risks and Policy Responses. [online] Paris, France: The Financial Action Task Force (FATF), p.29. Available at: <<https://www.fatf-gafi.org/media/fatf/documents/Update-COVID-19-Related-Money-Laundering-and-Terrorist-Financing-Risks.pdf>> [Accessed 2 August 2022].

8 Daily Maverick. 2022. AMABHUNGANE: Gold 'scam' robs South Africa of tens of billions of rands in unpaid tax, says SARS. [online] Available at: <<https://www.dailymaverick.co.za/article/2022-02-02-gold-scam-robs-south-africa-of-tens-of-billions-of-rands-in-unpaid-tax-says-sars/#:~:text=shadowy%20underworld%20of,Krugerrands,-%2C%20scrap%20jewellery%2C%20illegal>> [Accessed 5 August 2022].

9 Europol. 2022. €14.2 million seized from cross-border VAT fraudsters in Hungary | Europol. [online] [ia-press/newsroom/news/e2%82%AC142-million-seized-cross-border-vat-fraudsters-in-hungary](https://www.europol.europa.eu/press/newsroom/news/e2%82%AC142-million-seized-cross-border-vat-fraudsters-in-hungary) > [Accessed 5 August 2022].

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## Agenda

The event will take place on Thursday, 27 October 2022 at 12.30 (UTC time).

Time (UTC)	Agenda Item	Speakers
12:30-12:40	Opening and welcome remarks	Moderator: Mr. Massimo Morarelli- Expert on Technical Taxation at IOTA
12:40 -13:00	Country case 1: France	Presentation: <ul style="list-style-type: none"><li>• Ms. Marie-José Ferreiro, Head of the 1st National Investigation Unit (BNI 1) from the National Tax Inquiries and Intelligence Directorate (DNEF), General Directorate of Public Finances (DGFIP), France</li><li>• -Mr. Axel Gonzalez, Tax investigator at the BNI 1 of the DNEF, DGFIP , France</li></ul>
13:00-13:20	Country case 2: South Africa	Presentation: <ul style="list-style-type: none"><li>• Ms. Keabetswe Thothela, Operational Specialist: Investigations at South African Revenue Services (SARS), South Africa</li><li>• Mr. Hansie Griffin, Operational Specialist: Investigations at SARS, South Africa</li></ul>
13:20-13:30	Break and networking	
13:30-13:45	NTO Perspective	Presentation: Mr. Emeka Nwankwo, Manager, Domestic Taxes at ATAF
13:45-14:05	Q&A and open discussion	All
14:05-14:15	Closing remarks	Mr. Massimo Morarelli, IOTA
14.15-14.30	Exchange with speakers	Speakers & participants

## Format and logistical Considerations

The event is organised by the Network of Tax Organization (NTO). The NTO Secretariat is facilitated by the International Tax Compact (ITC). The webinar will take place via the video conferencing tool “Hopin” which will also feature an exhibition area with all webinar materials and a networking possibility during the whole event. The meeting language will be in English with simultaneous translation in French and Spanish. Participation requires online registration and is by invitation only. After the registration, participants will receive a link to the platform and a calendar blocker.

## Follow-up processes

The webinar is intended to foster exchange of experiences and peer-to-peer learning on the challenges of tax collection among tax administrations. A document summarising the main outcomes of the discussion will be prepared by the NTO Secretariat for dissemination through the NTO website and the ITC social media accounts to encourage further consultation.



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