

EU VAT Legislation, an Invitation to Fraud

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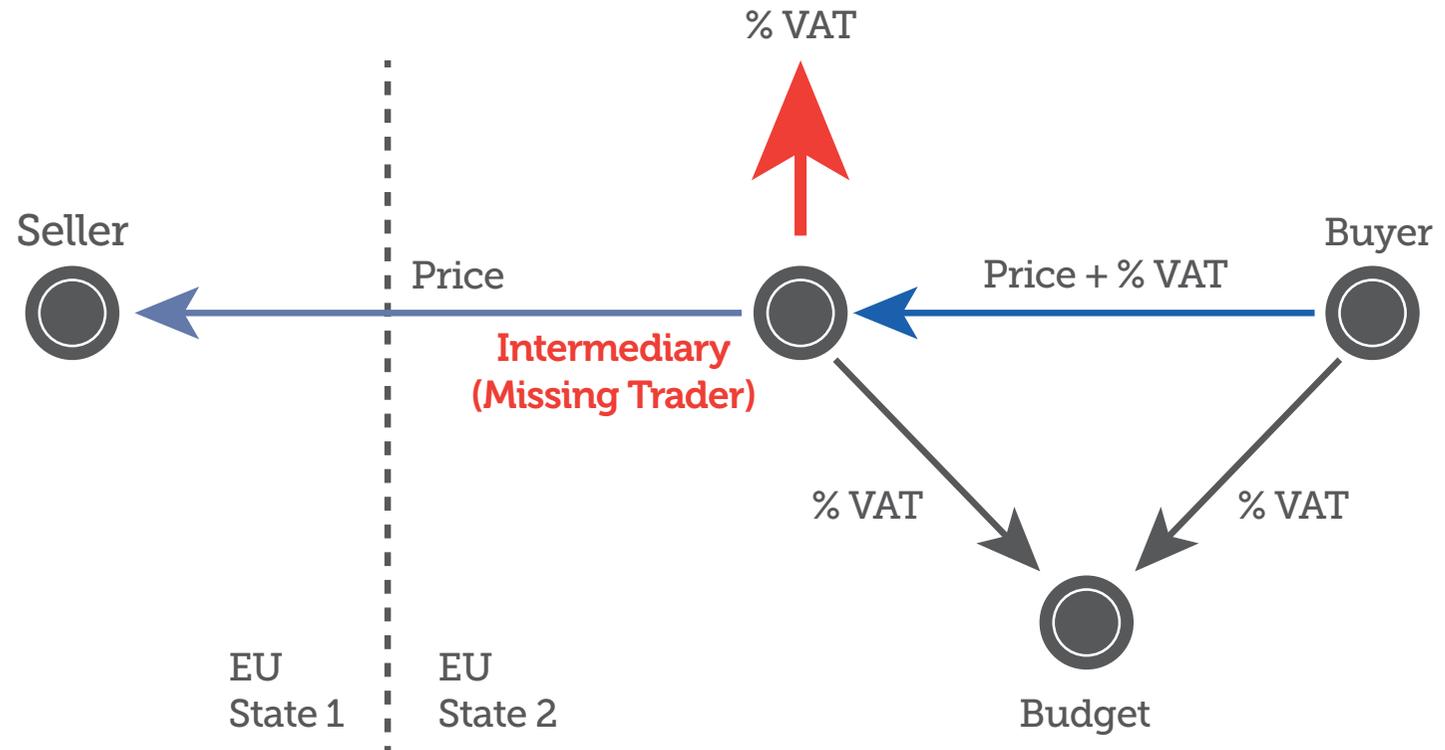
Context

- *“Certain fraud schemes are intrinsic to the current transitional VAT system, such as fraud linked to the exemption of the Intra-community supplies between taxable persons established in different Member states.”*
- *[...] “particular forms of fraud –the so-called carousel and missing trader fraud are particularly damaging to public finances and have a clear international dimension.”*

Source: Proposal of the Commission for a Quick Reaction Mechanism (QRM) to fight the VAT fraud, no. 10/2011

How does the fraud scheme work in B2B?

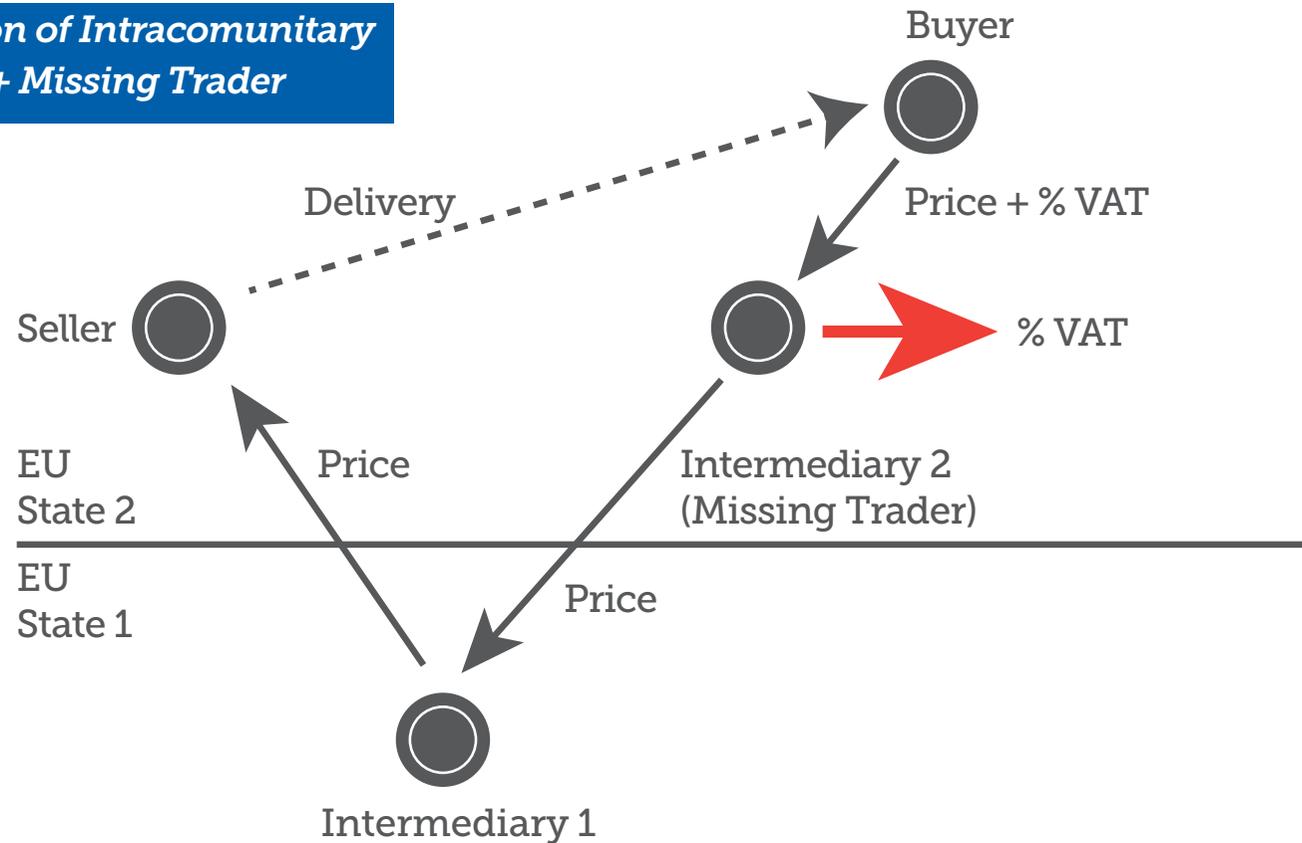
1. Directly



How does the fraud scheme work in B2B?

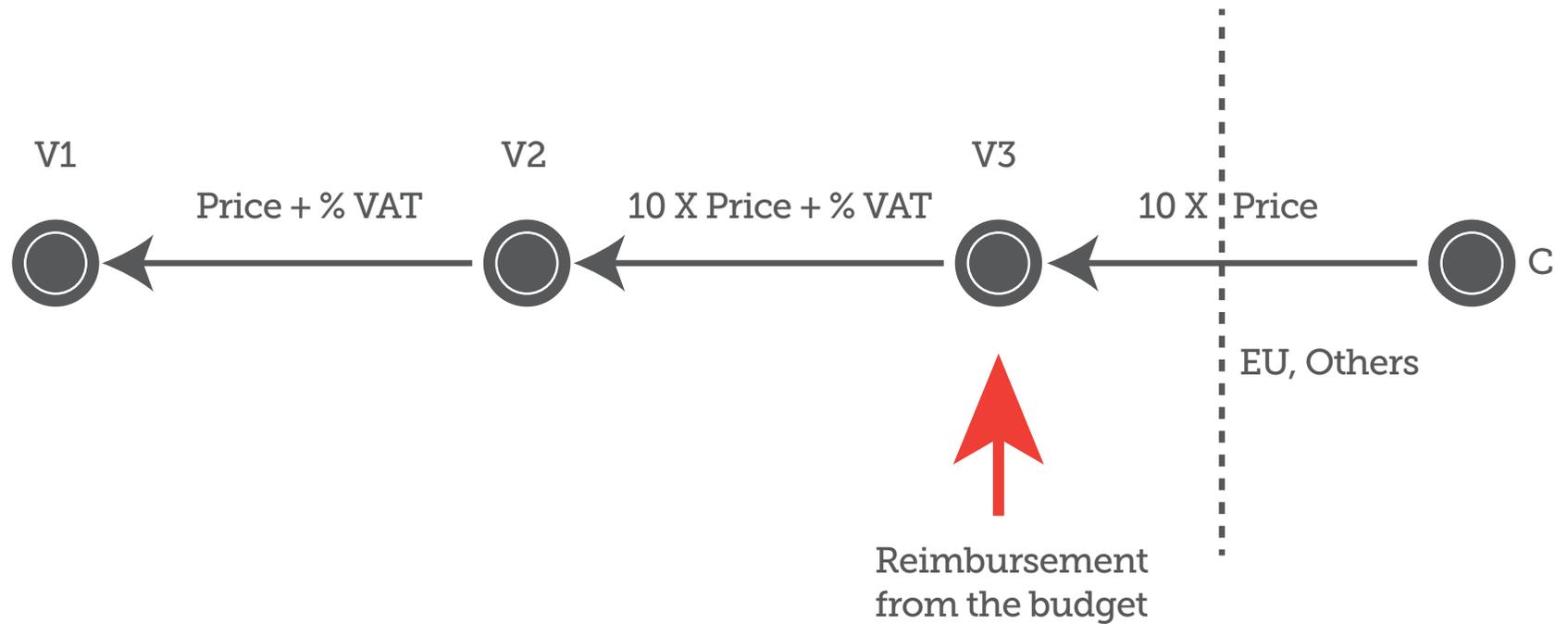
2. Indirectly

Simulation of Intracomunity Delivery + Missing Trader



How does the fraud scheme work in B2B?

3. Not only Missing Trader: Illegal Reimbursements



Possible solution

Q: Why is the fraud massive?

A: Because there is a significant flow of money that can easily be embezzled by fraudsters

Q: What's to be done?

A: We know the solution: reverse charge erga omnes

- fully eliminates the “missing trader fraud” as there is no flow of money left for fraudsters
- fully eliminates fraud and corruption related to reimbursement of VAT
- reduces considerably the administrative cost
- improves significantly the companies' cash flow in EU

Q: What is the risk?

A: Reverse charge erga omnes could increase the risk of fraud in retail business. However:

- retail business is easy to control, retailers are visible; licenses can be also considered
- states can stimulate electronic payments to the budget
- terms of payments for retailers can be reduced (to weekly)

Q: Why not reverse charge erga omnes?
A: Bureucracy... corruption...

Gabriel Biriş

Founding partner of Biriş Goran, Gabriel is widely regarded as one of the leading tax experts in Romania, with over 18 years experience with Romanian and International taxation.

Chambers Europe has ranked Gabriel, for 6th year consecutively, "Highly Recommended" as a leading lawyer for Tax in Romania and over the years described him as "the authority on tax issues in Romania", "the undisputed leader in the tax field" and "the market leader".

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