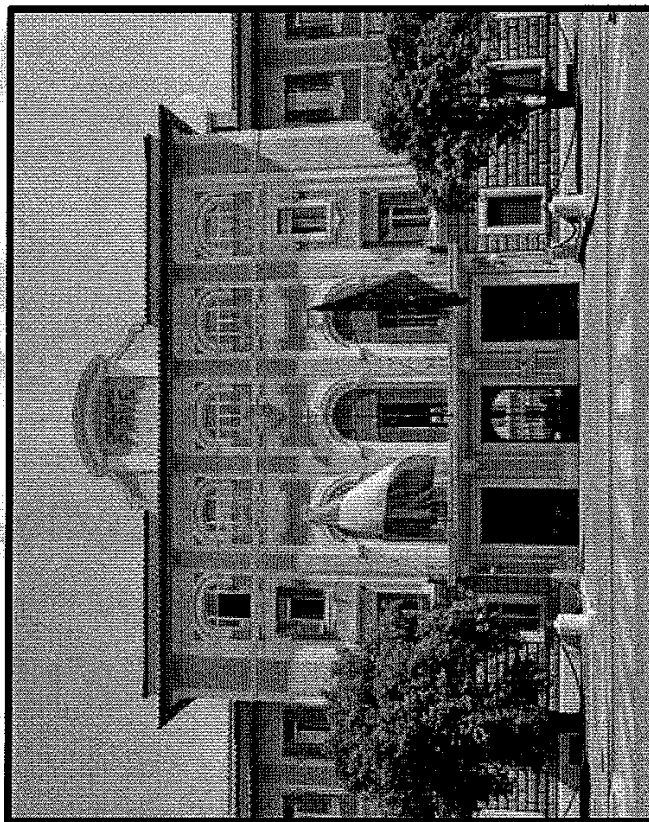


# **GUARDIA DI FINANZA TAX POLICE ACTIVITY**

## ***Tax Controls And Fight Against Evasion***

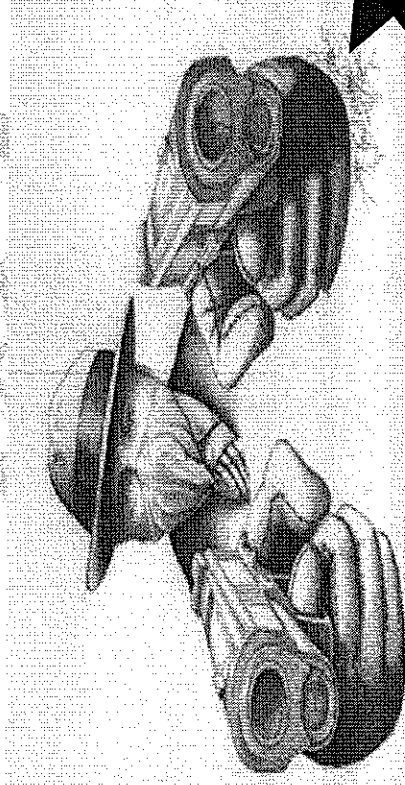


**Roma, 20<sup>th</sup> september 2012**

*Guardia di Finanza*



# UNDERGROUND AND ILLEGAL ECONOMY



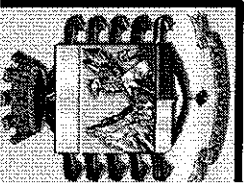
**ILLEGAL  
ECONOMIC-FINANCIAL  
ACTIVITIES**  
425,4 Billions euro

**UNDERGROUND ECONOMY**  
255 – 270 Billions euro  
(between 16,3% and 17,5% of PIL)

**CRIMINAL ECONOMY**  
169,4 Billions euro

Quadrante Finanziario

# UNDERGROUND AND ILLEGAL ECONOMY



DECOMPOSITION  
OF THE MACRO  
PHENOMENON  
"TAX EVASION"



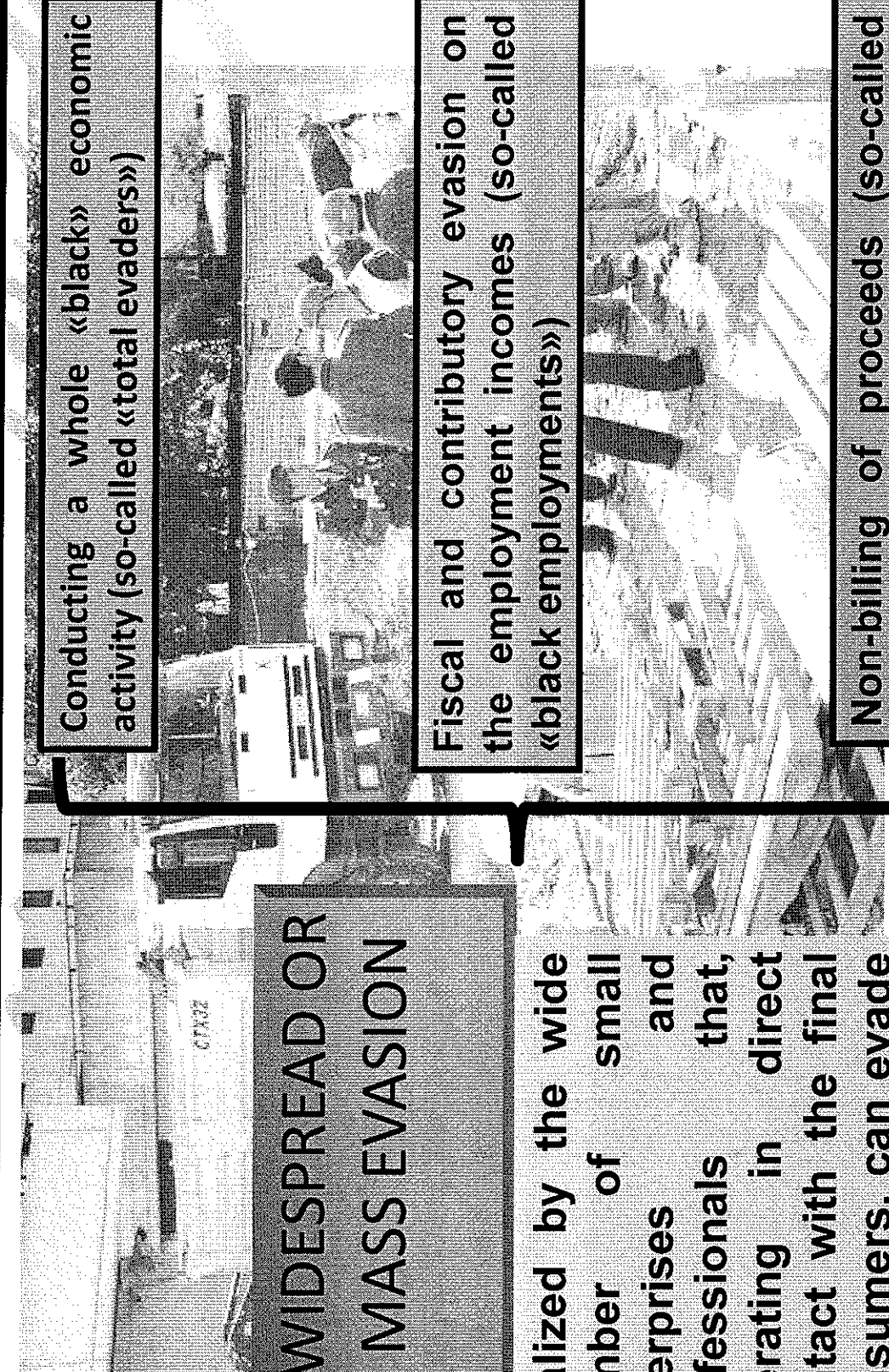
WIDESPREAD  
OR MASS  
EVASION

SOPHISTICATED  
OR FRAUDULENT  
FORMS





# UNDERGROUND AND ILLEGAL ECONOMY



## WIDESPREAD OR MASS EVASION

Realized by the wide number of small enterprises and professionals that, operating in direct contact with the final consumers, can evade through elementary conducts.

Conducting a whole «black» economic activity (so-called «total evaders»)

Fiscal and contributory evasion on the employment incomes (so-called «black employments»)

Non-billing of proceeds (so-called «partial evasion») or undue deduction of charges

## MASS TAX EVASION IN THE E-COMMERCE SECTOR

### ANALYSIS PROJECT BY THE SAFEGUARDING INCOMES SPECIAL UNIT «E – COMMERCE»

- DATA AND INFORMATION provided by EBAY webpage ([www.ebay.it](http://www.ebay.it));
- RISK ANALYSIS: filter of intermediations «completed successfully» and comparison with the tax position of the subjects of the transaction, having regard to the tax returns and other elements of their ability-to-pay.



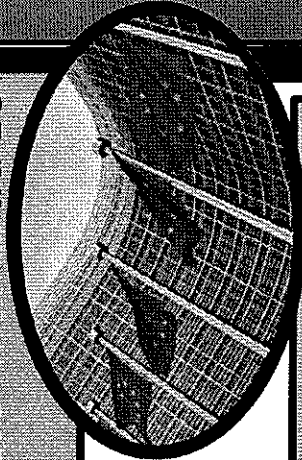
**Focused activity of the Units territorially  
competent towards the selected subjects.**



# UNDERGROUND AND ILLEGAL ECONOMY



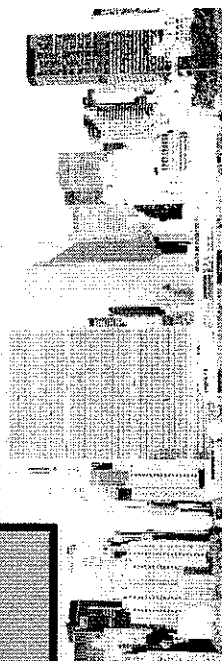
Evasion and VAT frauds, custom duties («smuggling» in the relations with Extra-EU countries)



Organized frauds, based on the systemic use of false invoices

Use of invoices for inexistent operations or over-invoiced

VAT carousel frauds



Practices of «aggressive tax planning» (offshore companies, transfer pricing, elusive operations or abuse of rights)

## SOPHISTICATED OR FRAUDULENT FORMS

Realized by complex business structures that use particularly insidious practices, based on a artificial representation of the real managing facts.

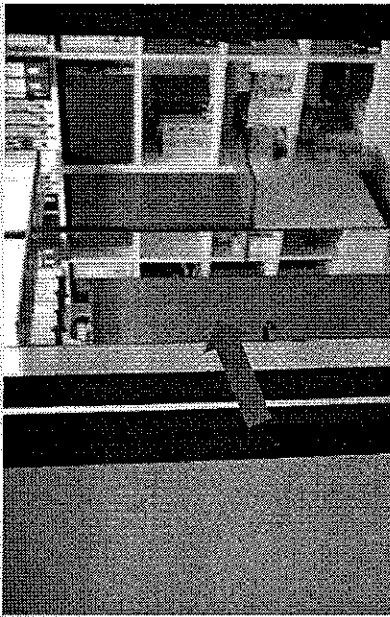


# SOPHISTICATED EVASION AND POLICE APPROACH



- Globalization of the markets
- Use of sophisticated evasion methodologies (triangulations, use of derivatives and accounting tricks)
- Continued use of techniques based on parallel accountings

## Need of a police approach in the fight against tax evasion



Access door concealed by a wall coat rack with mirror.



The opening of the access door to the hidden room is controlled by a remote control.



Once activated the remote control, it opens a door that allows access to a rear compartment of about 10 square meters.

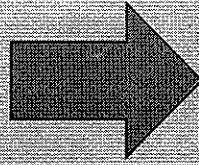


## GUARDIA DI FINANZA EXPERTISE



**Unified and transversal approach for the fight against the phenomenon.**

**The simultaneous possession of the economic-financial police functions and judiciary police give to the Guardia di Finanza a central role in the fight against tax crimes and economic-financial violations**



**Actual recovery of the resources unlawfully subtracted from the State budget and fight against the assets of the economic criminals**





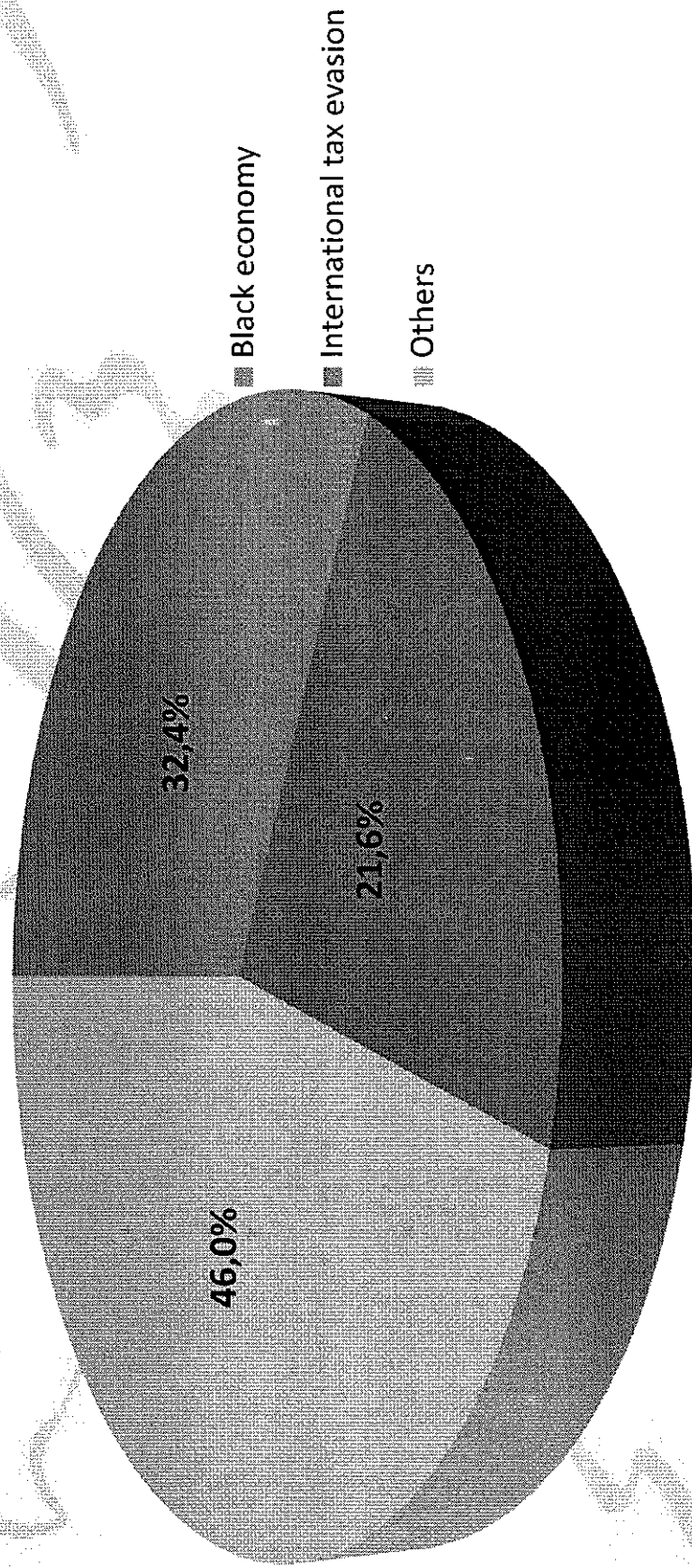
## International tax evasion- G. di F. results

	2010	2011	2012 (jan - aug)
<b>Total undeclared income(*)</b>	<b>50</b>	<b>50,6</b>	<b>38,2</b>
<b>International tax evasion undeclared income(*)</b>	<b>7,9</b>	<b>10,9</b>	<b>12,2</b>
	<b>15,79%</b>	<b>21,65%</b>	<b>32,15%</b>

(\*) figures are in billion of euros



## 2011 - Income tax - Tax evasion methods



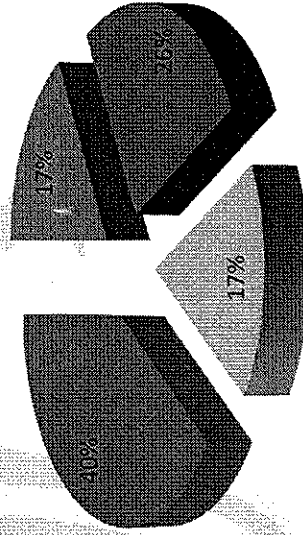
Հանրային Գործարարական Կենտրոն



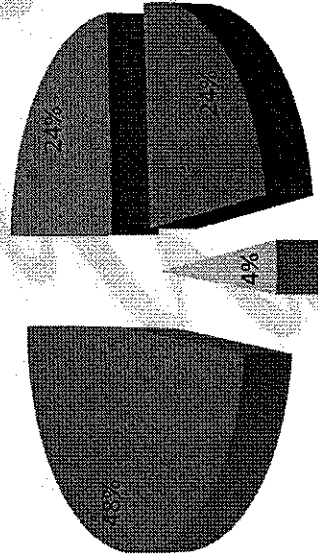
# INTERNATIONAL TAX EVASION PHENOMENA



2011



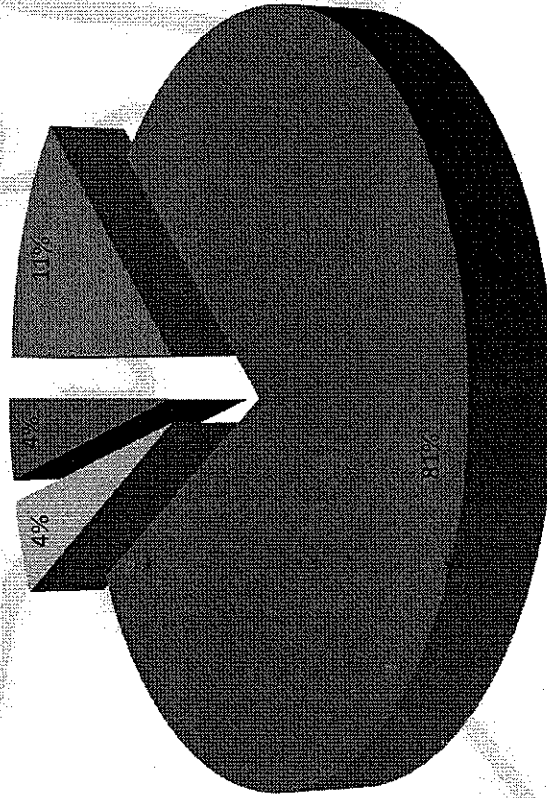
2010



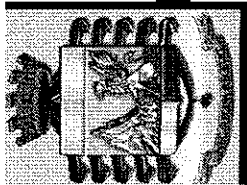
- Fictitious foreign residence
- Hidden permanent establishments of foreign companies
- Transfer pricing
- Others

# INTERNATIONAL TAX EVASION PHENOMENA

2012 – January – August



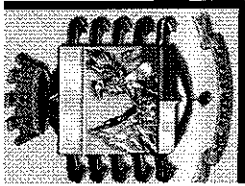
■ Fictitious foreign residences   ■ Hidden permanent establishments of foreign companies   ■ Transfer pricing   ■ Others



# TAX CRIMES ASCERTAINED BY THE GUARDIA DI FINANZA



	2011	2012 (Jan - Jun)
<b>Suspects charged</b>	<b>12.030</b>	<b>6.027</b>
<b>Total violations confirmed</b>	<b>11.581</b>	<b>6.407</b>
. Fraudulent declaration (artt. 2 e 3)	3.627	1.730
. Unfaithful declarations (art. 4)	1.264	676
. Omitted declaration (art. 5)	2.097	1.362
. Emission of invoices for non existent operations (art. 8)	1.981	1.030
. Hiding/distruction account books (art. 10)	2.048	1.066
. Non payment of VAT (art. 10-ter)	402	260
. Illegal compensation (art. 10-quater)	162	85
. Total value of good seized	902 million €	314 Million €



# VAT FRAUDS



VAT carousel frauds – dimensions of the phenomenon

EU Commission (Green book on the VAT future – December 2010) estimates the damage of the VAT carousel frauds in the European ambit in about 120 billions euro, equal to 12% of VAT total revenue

VAT carousel frauds – G. di F. results

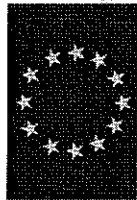
2010 and 2011 VAT evaded

> 2010 : 2,7 billions of euros

> 2011 : 1,8 billions of euros

Evaded VAT through carousel frauds is equal to about 40% of that overall discovered in 2010 and about 25% of that of 2011.

# VAT FRAUD SCHEME



UE SELLER

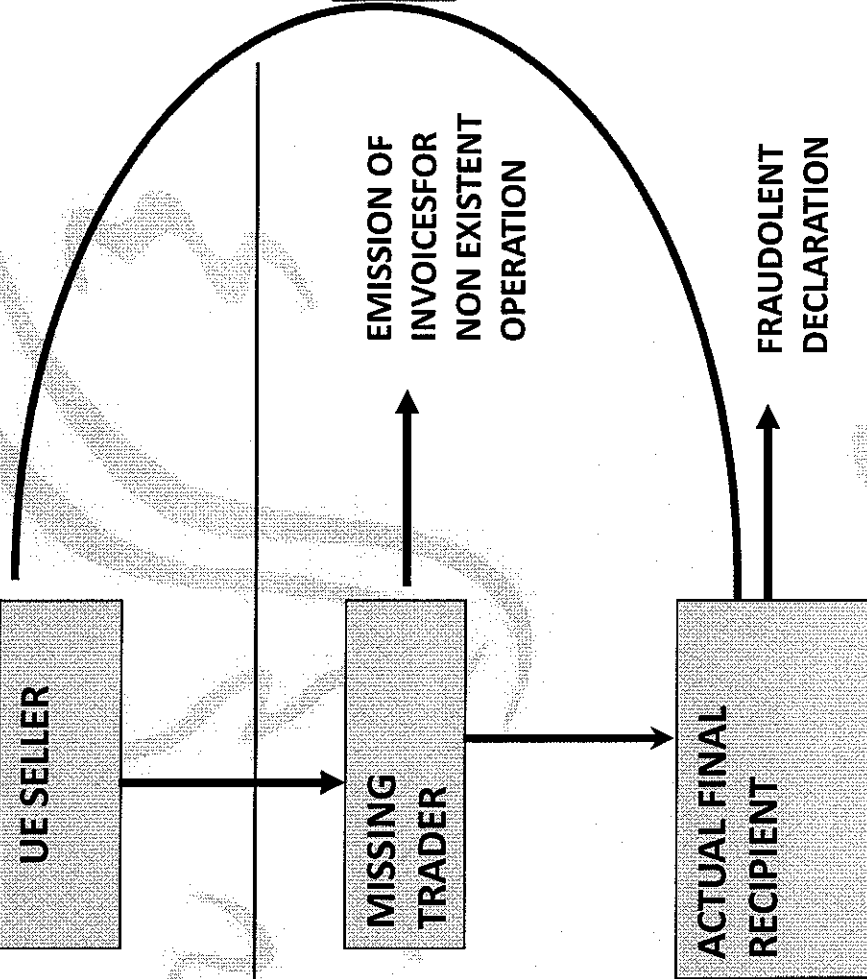
MISSING  
TRADER

ACTUAL FINAL  
RECIPIENT

EMISSION OF  
INVOICES FOR  
NON EXISTENT  
OPERATION

FRAUDULENT  
DECLARATION

REAL PATH  
OF GOODS



# VAT FRAUDS

## VAT FRAUD THROUGH THE INSTRUMENTAL USE OF THE INTENT STATEMENTS

False sale.  
E.g. 100 non VAT taxable

False sale. Invoices the expense, add his own remuneration and hive off VAT.  
Invoice tot. 108 (90 taxable + 18 VAT)

**MISSING TRADER**  
(testifies falsely to be a regular exporter)

**ITALIAN OPERATOR**  
Sells without VAT on the basis of the submission of the intent declaration

**REAL ITALIAN BUYER**  
Purchases the good at 90, Lower price than that charged by the real supplier deducting VAT

Effective transfer of the goods





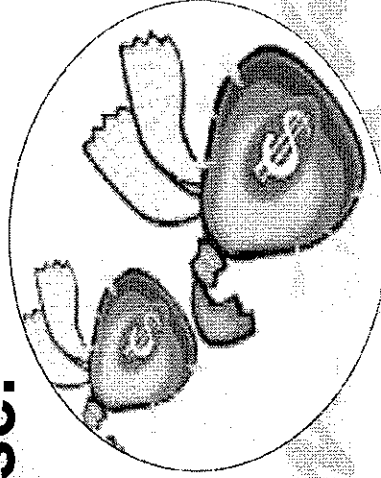
## SOPHISTICATED FORMS OF EVASION: ABUSE OF RIGHTS



**AVOIDANCE/ABUSE DIFFERENT THAN  
TAX EVASION**

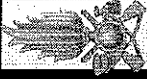
**EVASION BELONGS TO THE ILLICIT  
AREA:**

**conducts aimed at hide to the State the  
existence of the tax premise or to conceal,  
in whole or in part, the tax base.**



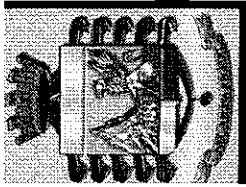


## RECENT DEFINITION OF "ABUSIVE PRACTICE"



**Cass., sentence no. 2193  
on 16<sup>th</sup> February 2012**

**enjoy unfair tax advantages from the distorted use,  
although not inconsistent with any specific provision,  
of adequate legal instruments to achieve a tax saving,  
in absence of economically significant reasons that  
justify the operation, different than the mere  
expectation of that tax saving**

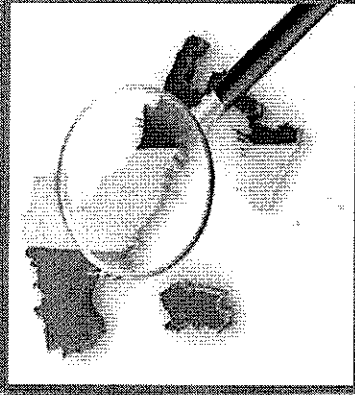


## ABUSE OF THE RIGHTS AND TAX AVOIDANCE



### Data Guardia di Finanza inspections

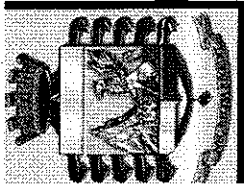
A large part of the tax recovery proposals are based on the application of anti-avoidance rules



Since 2010 to nowadays



- 149 inspections with the application anti-avoidance rules
- reporting taxable bases subtracted to taxation for about circa 5,4 billion euro



## GUARDIA DI FINANZA INSPECTIONS ON ABUSE OF RIGHTS



Few cases with findings based on the “abuse of rights” principle.

Activities conducted by the biggest and most structured Tax Police Units: abuse applied to sequences of acts, negotiations and operations arising from forms of tax planning very aggressive, (e.g. through the instrumental and anti-juridical use of company structures resident abroad or specific tax regimes, to exploit existing asymmetries between different tax systems of various States).



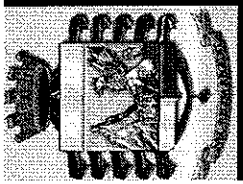
## COOPERATION BETWEEN GUARDIA DI FINANZA AND REVENUE AGENCY



**ANNUAL INTERVENTION PLANS to fight against tax evasion and cooperation with the Revenue Agency, elaborated on the basis of**

➤ **compulsory onsite inspections in the tax field, in relation to the turnover of the economic subjects to be controlled**

- **enterprises of significant size** → **«tutoring»**
- **enterprises of «average size»** → **annual controls on 1/5 of the subjects**



## COOPERATION BETWEEN GUARDIA DI FINANZA AND REVENUE AGENCY

- **fight against some particular typologies of evasion:**
  - **VAT national and intra-community frauds;**
  - **Tax heavens and international tax planning;**
  - **«open and close» enterprises, companies «in systemic loss» and undue compensations;**
  - **Taxpayers complying the «sectors surveys» emerged as not reasonable and/or consistent;**
  - **«qualified communications» by the Municipalities.**

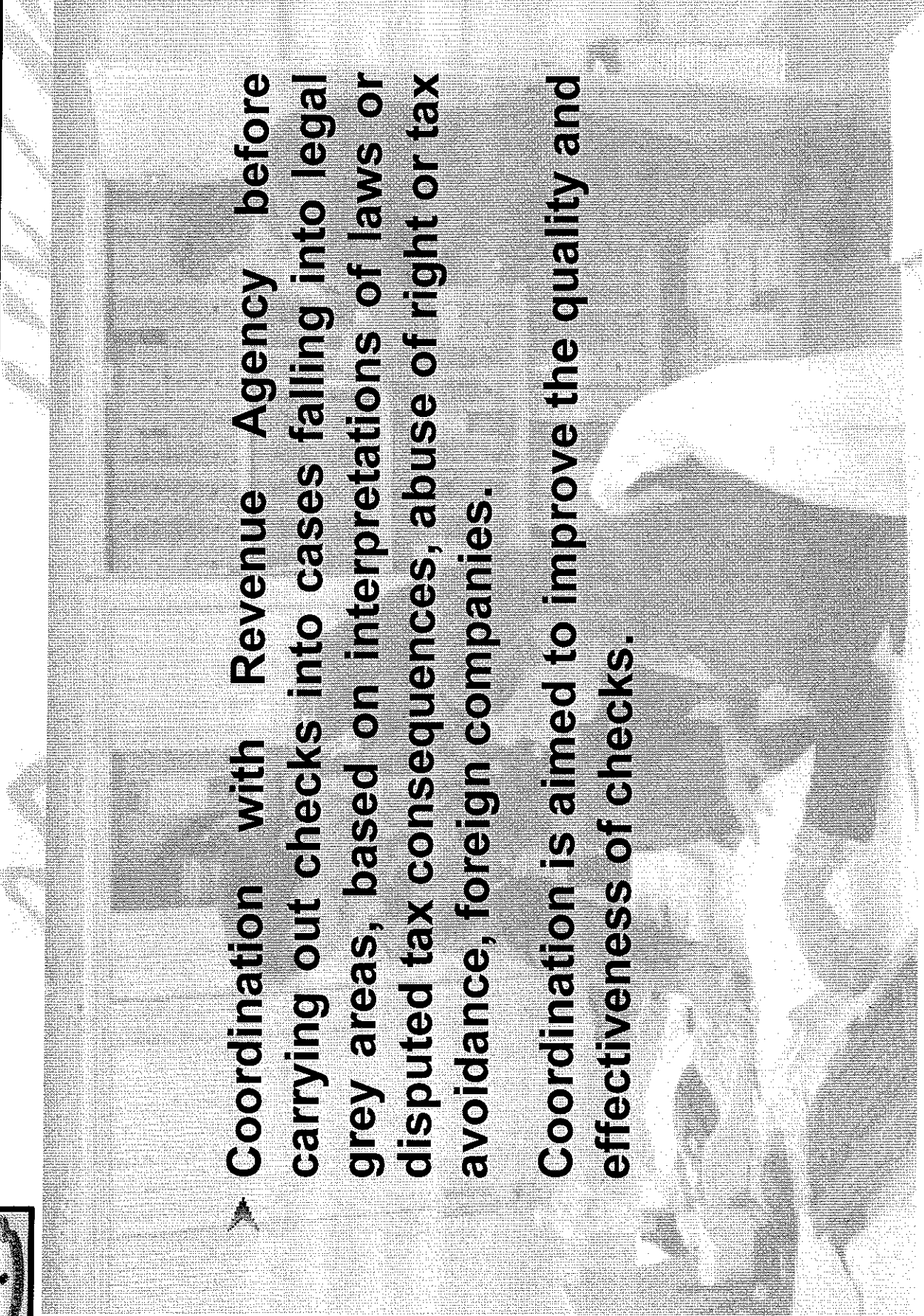


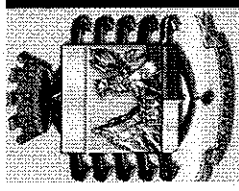
## COOPERATION BETWEEN GUARDIA DI FINANZA AND REVENUE AGENCY



➤ **Coordination with Revenue Agency before carrying out checks into cases falling into legal grey areas, based on interpretations of laws or disputed tax consequences, abuse of right or tax avoidance, foreign companies.**

**Coordination is aimed to improve the quality and effectiveness of checks.**





*Thank you for your kind attention*

