

**REPUBLIC OF BULGARIA
MINISTRY OF FINANCE
NATIONAL REVENUE AGENCY**



Addressing tax frauds – the case of Bulgaria

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Tax frauds counteraction - main priority of NRA (1)

- ✦ The counteraction to tax frauds is one of the basic priorities of the Bulgarian Revenue Administration.
- ✦ This counteraction is especially important when not only in Bulgaria, but also in the whole of Europe there is a serious lack of resources due to the financial crisis.
- ✦ This puts up another challenge in searching for means and ways to increase the revenue to the budget.



Tax frauds counteraction - main priority of NRA (2)

- ✦ Tax frauds do not only involve the public, but also affect the private sector by violating the principle of competitive tax subjects.
- ✦ This is due to the fact that the participants in tax frauds generate illegal benefit and also receive advantage compared to the rest of the market agents.
- ✦ That is how tax frauds are damaging the normal operation of the free market and are violating its basic principles.



Interaction and cooperation with national institutions in fighting tax frauds

- ✦ Consolidating the information and coordinating the joint actions with other institutions to combat tax frauds and reduce the share of the informal (grey) economy.
- .
- ✦ Competent assistance and cooperation on behalf of NRA to the legislative and judicial authorities.



Active partnership and communication with national institutions in fighting tax frauds

- ✦ Providing information exchange with Customs Agency, Traffic Police, Border Police, Prosecutor's Office, municipalities and other agencies to increase the effectiveness of control actions and counteract to tax frauds.
- ✦ Participating in programs for prevention and detection of financial and fiscal crimes, and increasing the effectiveness of interaction with the Ministry of Interior, State Agency for National Security, National Social Security Institute, Investigator's and Prosecutor's Offices.



Cooperation with international institutions in fighting tax frauds

- ✦ Exchange of information on request;
- ✦ Exchange of information without prior request;
- ✦ Presence of foreign officials during administrative investigations;
- ✦ Performing simultaneous tax control;
- ✦ Requests for administrative notification



Main priorities in fighting tax frauds

- ✦ Increasing the exposure of violations of the Tax and the Social Security Systems, which will result in enhancing the financial discipline, tax legislation compliance and greater fiscal effect.
- ✦ High level of communication between the authority carrying out penal proceedings and the authorities dealing with tax frauds investigation.



Main purposes in fighting tax frauds

- ✿ Fiscal purpose - limiting the damages to the state budget caused by tax evasion and by tax frauds in particular.
 - The tax authorities investigate companies and individuals who are of significant risk for the budget.
- ✿ Penal purpose - helping the criminal investigation of tax fraud with a view to determine and accuse the individuals, who organized, committed and those who took favor of these fraud.
- ✿ Preventive purpose - the comprehensiveness of taxable persons coverage and the strict and legitimate taxation and tax compliance are increasing the respect towards the revenue administration and the discipline on behalf of taxpayers.



Main tasks of the tax authorities investigating tax frauds (1)

- ✦ Organizing the collection and processing of information on eventual tax frauds at national and regional scale.
- ✦ Creating, maintaining and updating data arrays for internal official use regarding tax subjects (companies and individuals) who are potential tax fraudsters.
- ✦ Developing and applying techniques and methods for exposure, tracing and detecting companies and individuals who are involved in tax fraud schemes of national and regional scale.



Main tasks of the tax authorities investigating tax frauds (2)

- ✦ Detecting and exposing tax fraudsters' aims or mechanisms in order to undertake adequate counteractions.
- ✦ Developing and applying technology or methodology for tracing commodity or money flows in order to provide unquestionable evidences of tax fraud.
- ✦ Organizing, coordinating and controlling the audits of taxpayers involved in tax frauds.



Administrative tools

NATIONAL LEVEL

- ✦ Information from all the databases of NRA;
- ✦ Information from a special software application for identification, registration and analysis of fraud cases;
- ✦ Information received as a result of the cooperation with other national organizations and institutions.

EU LEVEL

- ✦ VIES (VAT Information Exchange System);
- ✦ Administrative cooperation - Council Regulation 1798/2003.



Tools at national level - special software application for special cases investigation - SAI

Process description - main steps:

- ✦ When indications are detected of a fraud committed, the tax authority enters the required information into the special software application.
- ✦ An employee is assigned to be in charge of the analytical and investigation operations.
- ✦ The tax authority takes measures to collect the information required to investigate and analyze the case, as well as to generate a form for case assessment.
- ✦ Special committee classifies the cases and drafts suggestions for the further measures.
- ✦ The Deputy Executive Director of NRA who is in charge of tax fraud combating reviews the suggestions and approves the suggested measures.



Tools at national level - cooperation with other institutions

- ✿ For successful counteraction to organized tax frauds, as well as for achieving preventive effect, NRA is closely cooperating with the authorities of the Prosecutor's Office, the Ministry of Interior and the Customs Agency.
- ✿ For this purpose, there are Coordination Councils in all the regional centers involving employees of NRA and Prosecutor's Office, who are analyzing all the fraud cases detected by the revenue authorities and are planning the actions required for each particular case.
- ✿ In terms of the administrative proceedings these could be actions related to inspections or audits, which may result in assessment of additional liabilities or taxpayers deregistration.



Tools at European level

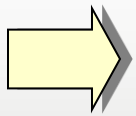
- ✦ Automatic information exchange using the VIES system:
 - exchange of data on Intra-Community supplies;
 - exchange of registration data;
- ✦ Exchange of information requests – using standard forms (SCAC) - for control purposes;
- ✦ Spontaneous information exchange - in case there is information available, which is important for the correct assessment of VAT in other Member State.



Additional networks for information exchange

Exchange of data through additional networks for combating frauds at European level:

1. EUROCANET;
2. AUTOCANET;



Preparing for the EUROFISC launch



Eurocanet network for exchange of information

LEGAL BASE

- ✦ Council Regulation (EC) 1798/2003 on administrative cooperation in the field of the value added tax

HOW IT WORKS

- ✦ Exchange of information via security CCN network, only between competent authorities.
- ✦ As soon as possible, and it means as soon as it is available.
- ✦ Spontaneous exchange of information.
- ✦ In order to allow the detection of missing traders.



Other options for administrative cooperation

- Agreements on exchange on bilateral basis of data related to Intra-Community Acquisitions with the administrations of:
 - Romania
 - Greece
 - Hungary
 - Lithuania

Accomplished with the support of NRA's top management.



Other opportunities for administrative cooperation

- Organizing and carrying out meetings with representatives of the tax administrations of Greece and Romania in order to initiate measures to improve the mutual cooperation and the information exchange.
- A memorandum shall be signed between the National Agency for Tax Administration of Romania and the National Revenue Agency of Bulgaria to improve the cooperation in combating VAT frauds.



Bilateral memorandum with Romania

- ✦ The purpose of the upcoming memorandum is to improve and strengthen the mutual assistance and the cooperation between the two administrations.
- ✦ Exchange of experience and information will be carried out by direct communication and cooperation between the subordinated structures of these two administrations located in the regions close to the border.
- ✦ The direct exchange of information between the subordinated structures is aimed at improving the options for reaction in fighting tax frauds and tax evasion. It will be carried out according to Council Regulation (EC) №1798/2003.



Thank you for your attention!