



Audit of the effectiveness of the combat VAT evasion

Purpose of the audit:

- to verify the efficiency of the combat VAT evasion, with a focus on timeliness of financial institutions procedure for its detection, particularly in the implementation of possible measures against tax evasion
- to verify the effectiveness of cooperation among customs and tax sections of the Financial Directorate of the Slovak Republic, in the context of cross-border VAT fraud

The audit was focused on two key areas:

1. The Action Plan to combat tax fraud in 2012 to 2016
2. The system of the Financial Administration of the Slovak Republic to combat VAT evasion

1. The Action Plan to combat tax fraud in 2012 to 2016

In the Government Programme for the years 2012 to 2016, the Government of the Slovak Republic has undertaken to combat tax fraud in an effective, uncompromising and systematic manner.

The Action plan to combat tax fraud is divided into three stages

First Stage - measures in effect from 1 October 2012, for example:

- introduction of the obligation for high-risk persons to lodge a financial guarantee upon registration for VAT purposes
- cancellation of registration for VAT purposes of persons who cannot be contacted, do not communicate with a tax administrator, or fail to comply with their legal obligations
- a mandatory monthly tax period for new VAT payers applicable for the first 12 months

Second Stage - measures in effect from 1 October 2013, for example:

- introduction of a tight tax supervision regime over high-risk entities
- conclusion of bilateral agreements on the exchange of information relating to tax matters + updates of existing and conclusion of new tax treaties on double taxation
- introduction of the obligation for a contribution administrator to deposit financial contributions by shareholders in a limited liability company with the State Treasury

Third Stage – measures in effect from 1 October 2014, for example:

- introduction of the obligation to provide information on domestic supplies of goods and services to a tax administrator in an electronic form (control statement)
- introduction of a taxpayer rating system and obligation to indicate the rating on tax documents
- establishment of an insolvency register

2. The system of the Financial Administration of the Slovak Republic to combat VAT evasion

Financial Directorate of the Slovak Republic introduced in the tax evasion combat:

- System changes
- Measures

System changes:

- a network of organizational units which cooperate closely within the system of the combat tax evasion
- establishment of the Criminal Office of Financial Administration
- the conception of control activity of Financial Administration
- strategic materials focused on improving processes related to taxes
- anti-corruption programme in the Financial Administration

Taken measures:

- monitoring risk subjects
- increasing the tax surveillance in the area of VAT registration and cancellation of registration
- monitoring the business activities conducted via the Internet (for example E-shop)
- interconnection of information databases analyzed and monitored by the relevant departments
- risk analysis of tax evasions causes

Conclusions of the SAO SR:

- Financial Administration is able to audit only 6% of all VAT payers a year
- in the first 9 months of introduction of the measure 8 656 VAT registrations were cancelled and amount of not refunded VAT was 48 mil. euro
- information system of the Financial Administration did not correspond to the requirement for effective system to combat tax evasion
- Financial Administration did not have an effective automated instruments to verify whether the information reported in tax returns is correct
- information needed to perform automated cross-checks of the taxpayers before the refund of excessive VAT were absent
- a lot of information received within the automatic exchange of information was not processed by Financial Administration, because of its excessive volume and lack of technical support

Recommendations:

- continuously apply other measures in the system to combat tax evasion
- increase the efficiency of processes related to the elimination of tax evasion on VAT by permanent monitoring of their performance and efficiency

Effective system to combat tax evasion cannot be built without ensuring clear legislation, technical programmes, adequate human and financial resources, political and social will and support.

Information system of Financial Administration on high technical level is necessary for ensuring modern tax administration and the elimination of tax evasion.



THANK YOU FOR YOUR ATTENTION