

# Auditing the system of fight against tax evasion and fraud



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of Republic of Moldova**

**Viorel Pantelei  
Ion Bulmaga**

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## Definition:

**Tax fraud** occurs when an individual or business entity willfully and intentionally falsifies information on a tax return in order to limit the amount of tax liability. Tax fraud essentially entails cheating on a tax return in an attempt to avoid paying the entire tax obligation. (Examples of tax fraud include claiming false deductions; claiming personal expenses as business expenses; and not reporting income).

**Tax evasion** is the illegal evasion of taxes by individuals, corporations and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting, such as declaring less income, profits or gains than the amounts actually earned, or overstating deductions. Tax evasion is an activity commonly associated with the informal economy. (For examples: One measure of the extent of tax evasion (the "tax gap") is the amount of unreported income, which is the difference between the amount of income that should be reported to the tax authorities and the actual amount reported).



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# Low

- **Art. 244 from The Criminal Code of Republic of Moldova said about:** Tax evasion of corporations and trusts.
- **The internal rules** prescribes thresholds for cases that the State Tax Office must refer to relevant authorities for possible fraud investigation and prosecution.
- Cooperation mechanism between competent authorities in prevention and fighting tax is regulated by common rules. For examples: *Local STO do the processing of cases under MDL 500,000 directly with the local prosecutor offices, while cases of MDL 500,000 and above are referred to the Police by the STO's.*



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# Competent authorities in prevention and fighting tax fraud and evasion:

- **State Tax Office** (*The inability to develop or prosecute tax fraud cases seriously hampers the STO's efforts to deliver on the Government's expectation of improved taxpayer compliance to strengthen Moldova's economy*).
- **Police** (*All potential tax fraud cases meeting these thresholds are referred either to the local prosecutor office or to the Police*).
- **Public Prosecutor.**

**P.S.** *Both the Prosecutor and the Police are independent and have their own investigative staff and mandate to prosecute tax crimes.*



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**Compliance of preventions measures  
the tax fraud and evasion is auditing  
by the Court of Accounts of  
Republic of Moldova in the audit  
mission of public revenues.**



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# Step of Auditing:

## 1. Planning

- 1.1 Studding of internal Low*
- 1.2 Information system analysis STO*
- 1.3 Evaluation of risks*
- 1.4 Analysis of internal controls*

## 2. Execution

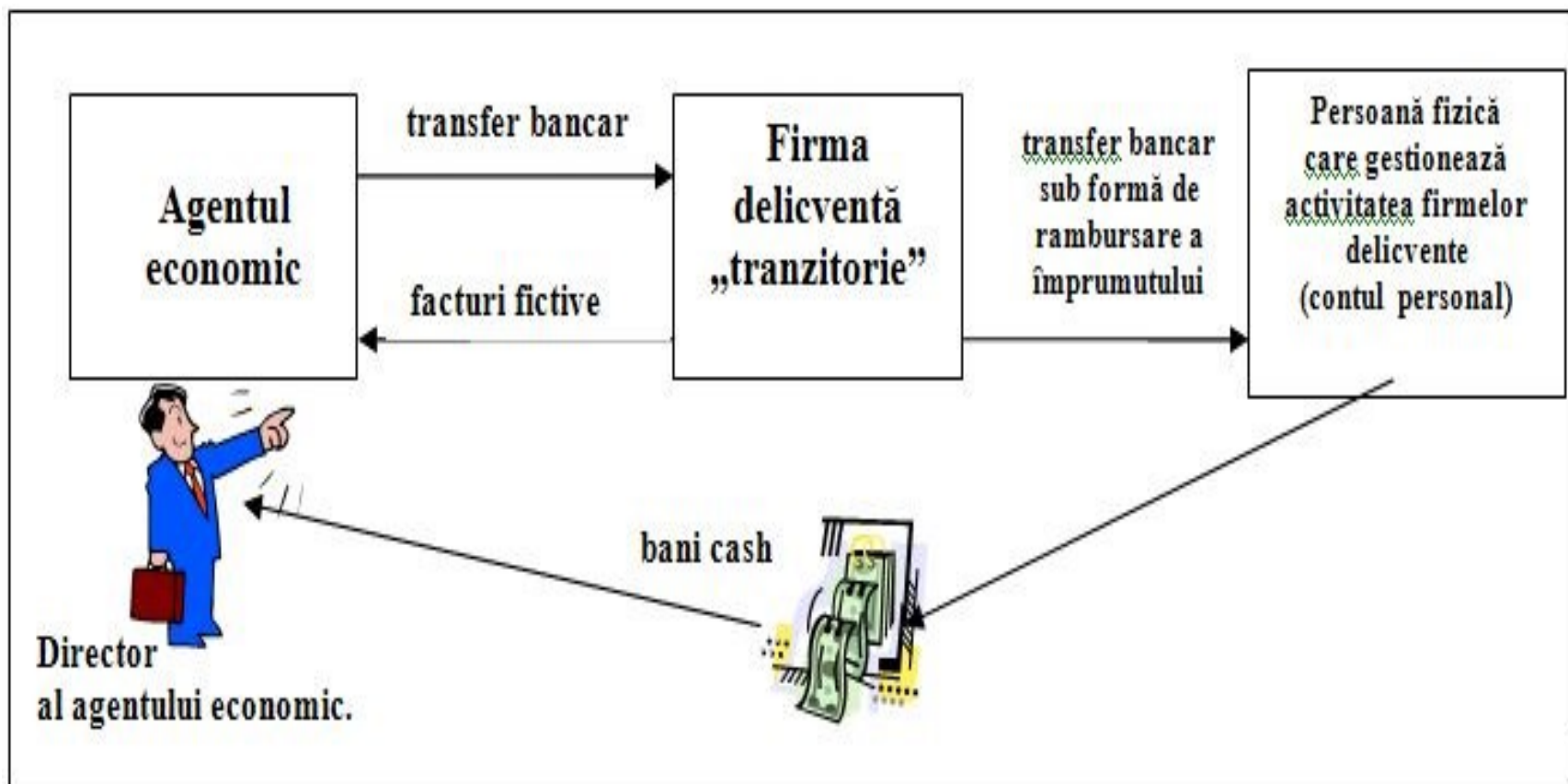
- 2.1 Analysis of List of “Phantom Companies”*
- 2.2 Reasons declaring “Phantom Companies”*
- 2.3 Analysis of efficiency measures in prevention tax fraud*
- 2.4 Analysis of procurement and sales the “Phantom Companies”*
- 2.5 Analysis of declaration and payment the tax (VAT)*
- 2.6 Identifying tax evasion schemes.*





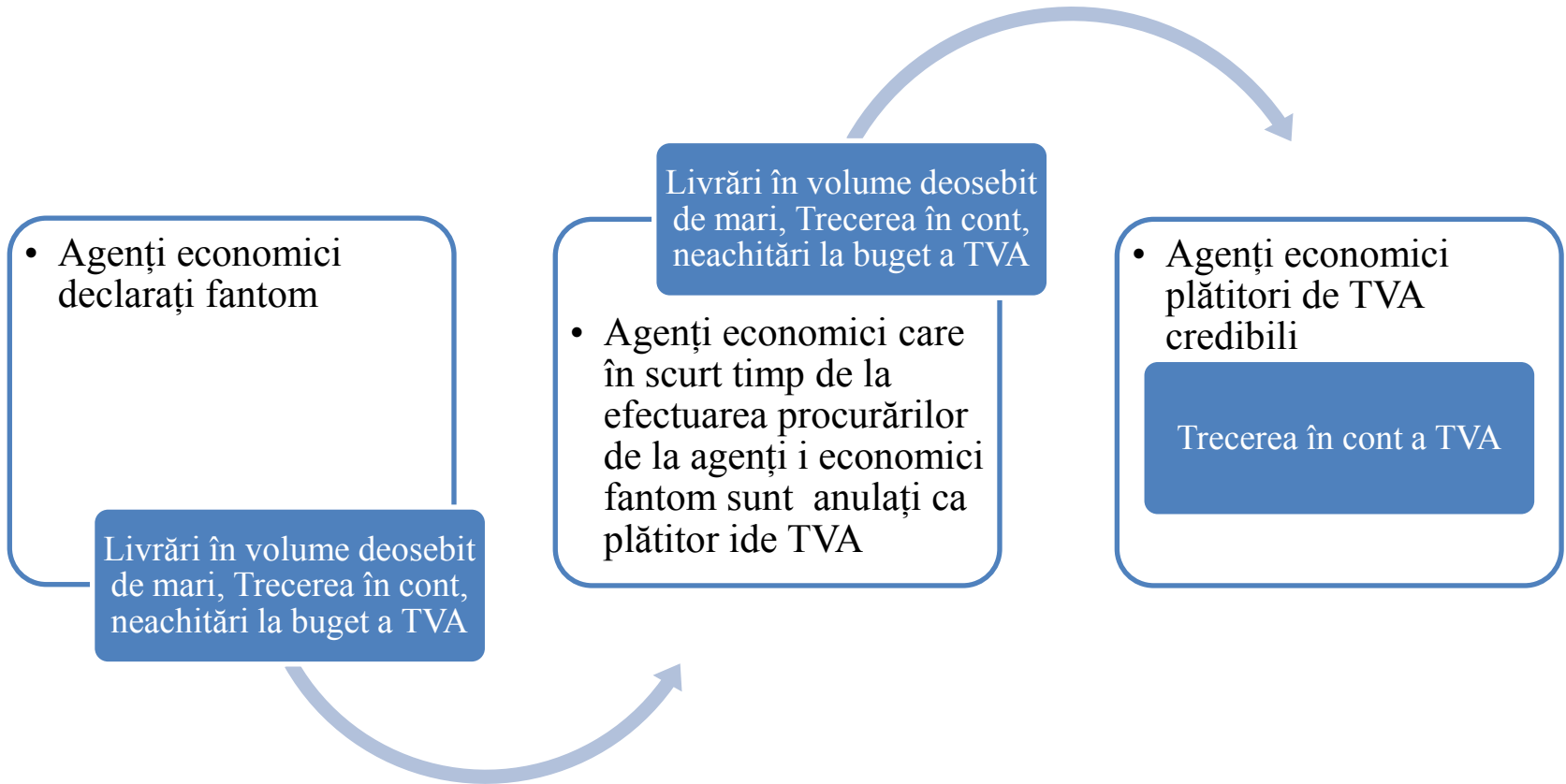
## First exemple:

This scheme was used by the “Phantom Companies”



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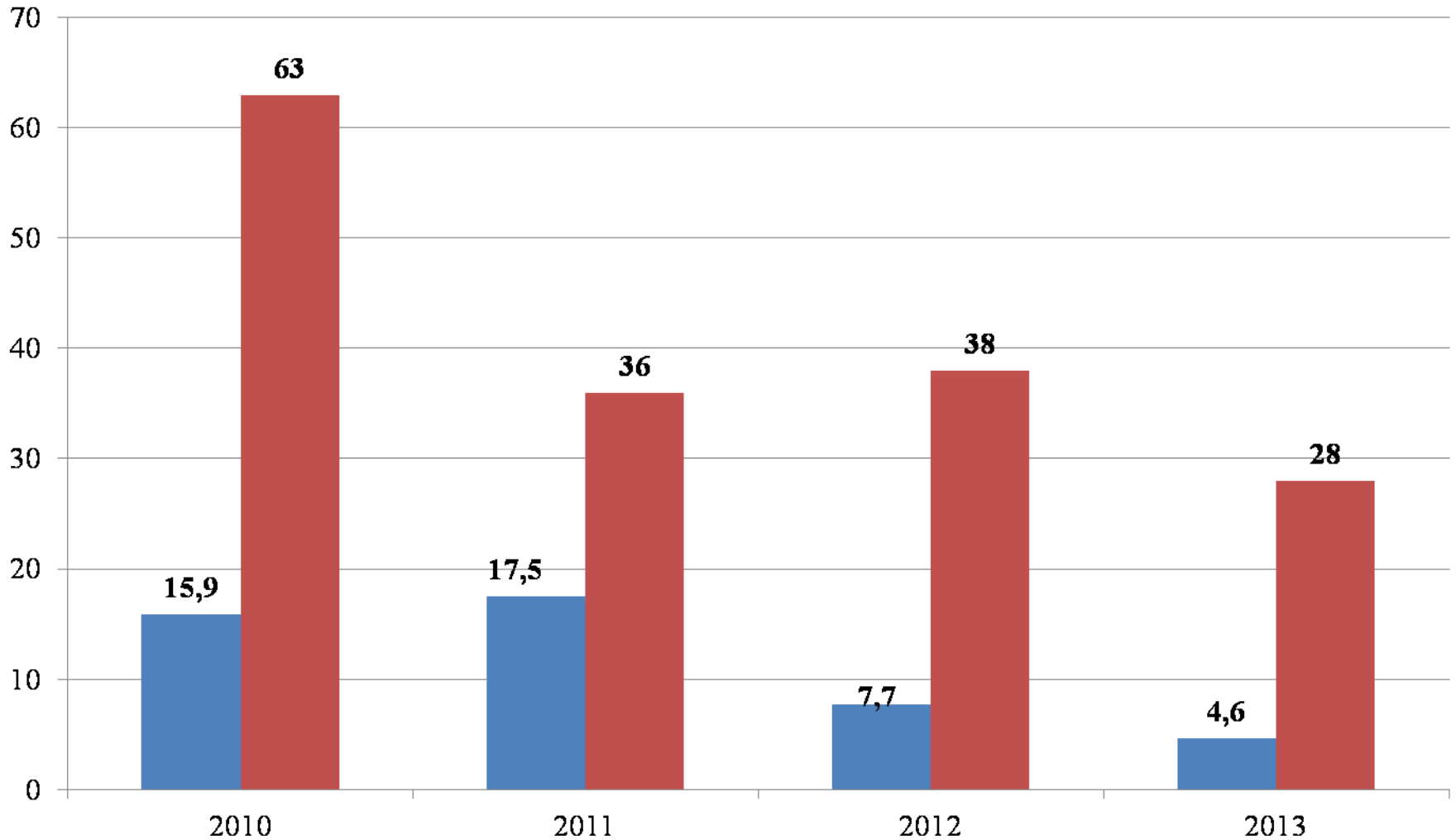
## Second example



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**■ Tax Fraud (VAT) (mil.euro)   ■ Number of “Phantom Companies”**



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# The reasons of persistent phenomenon:

1. Legislative deficiencies
2. Reluctance to implement the best practices of other countries to counter the phenomenon



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In conclusion we mention that counter tax evasion is necessary to initiate a joint working group of key agencies to identify barriers and find solutions to enable successful investigation, prosecution, and conviction of taxpayers who intentionally and materially evade tax laws.



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**Vă Mulțumim!**  
**Thank You!**  
**Vielen Dank!**



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