



Riksrevisjonen

Office of the Auditor General of Norway

Auditing the system of fight against Tax evasion and Fraud

Audit experiences

Why fight tax evasion?

- Lions share of public revenues
- Securing government finances
- Equal treatment of taxpayers
- Confidence in tax system and tax authorities

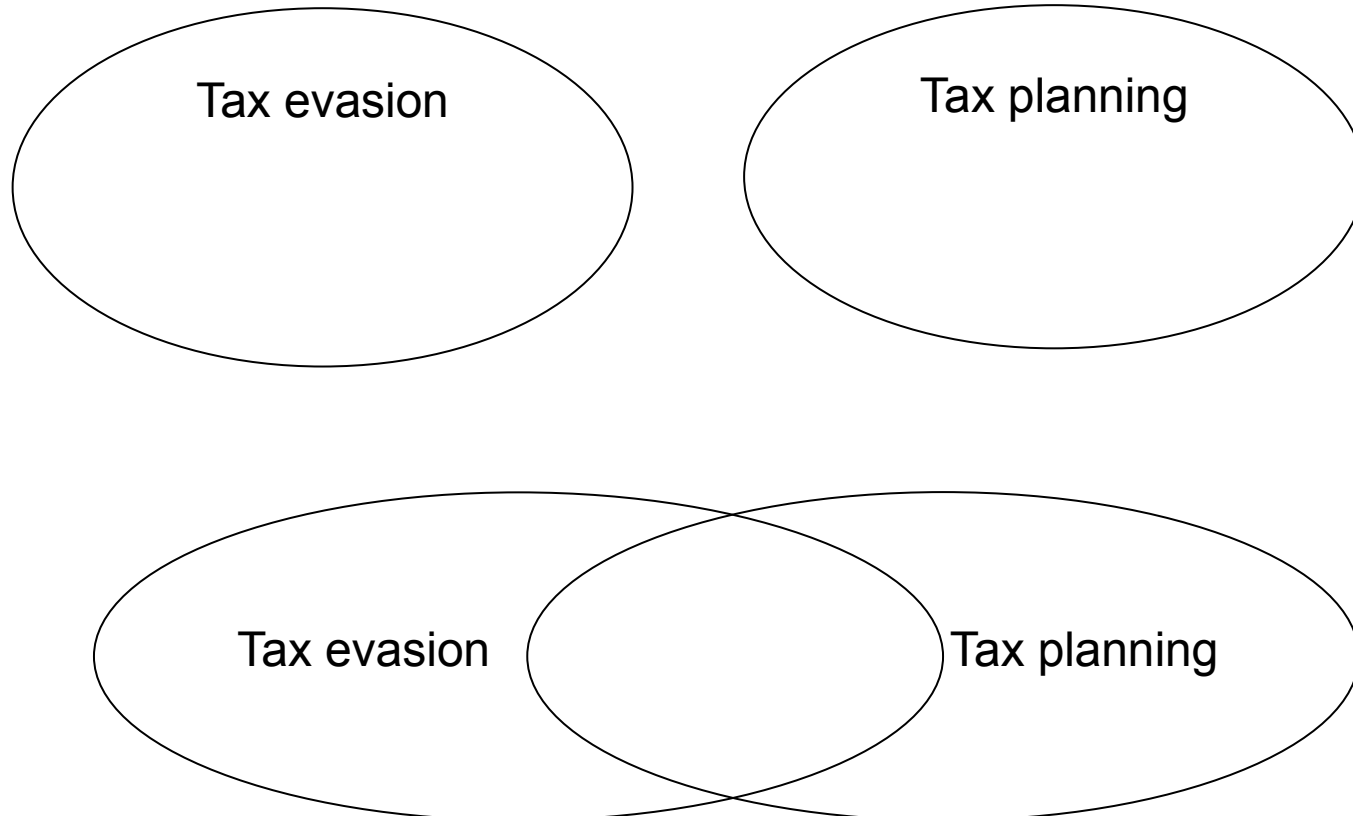
Relevant public authorities

- Tax authority/Revenue authority
- Labour Inspection, occupational safety and health administration
- Directorate of Immigration
- Police
- Prosecuting authorities
- National registration office
- Register of Business Enterprises
- Register of Companies

Tax evasion and fraud - conception/definition

- Not reporting and hence not paying the full amount of due taxes – Criminal
- Borderline – tax avoidance/planning – legal
- Distinction between evasion and avoidance often confused/blurred – Why?

Theory vs. reality



Tax evasion with severe impact

- Transfer pricing, profit shifting
- Thin capitalization
- Fictitious invoices
- Undeclared work, illicit work
- Transactions between owner and company
- Private costs deduction
- Underdeclaration of income
- Overdeclaration of costs

Auditing tax evasion

- Composition of audit team:
 - An advantage if auditors has education and/or experience within tax law, tax audits or tax management
- Thorough prepared risk profile/risk matrix, in comparison with tax authority risk profile

Risks

- Employees, wage and salary earners:
System of extensive reporting from third parties of
income and wealth
Low risk (in Norway)
- Companies, business, individual enterprise,
self-employed:
Self-declaration, financial statements
High risk

Materiality

Degree of tax-base erosion

- **Employees, wage and salary earners:**
Many, hence large tax base, but few possibilities
Low
- **Companies, business, individual enterprise, self-employed:**
Many possibilities, large tax base, globalisation-tax-havens
High

Collection of information and knowledge

- Tax system
 - Tax law and tax agreements/conventions
- Organisation of tax authorities
 - Internal controls, assessment procedures and IT-systems
- Tax-evasion methods
 - Media, TJI, PWYP, national educational establishment, revenue authority

Findings

- Insufficient co-operation between public bodies
- Lack of guidelines and instructions on assessment and collection
 - Result: Varying quality local and regional
- Priority-setting not in accordance with risk and materiality:
 - Very low degree of checks, controls and tax-audits on MNEs
- Unreliable reports from tax authority on:
 - Number of tax audits and checks/controls on tax returns

Findings ctnd.

- Lack of dicipline in registration and documentation
 - OAG and revenue authority unable to confirm that checks and controls are done
- Lack of competence
 - Except LTO, Petroleum taxation office, foreign TP office
- Lack of resources to assess
- Lack of resources to prosecute
 - prosecuting authority