

OLAF case reveals €107 million EU-wide fraud

The European Anti-Fraud Office (OLAF) has finalised an investigation of a sophisticated EU-wide potential fraud scheme involving the import of goods from China. The case reveals a suspected €14 million fraud in underpaid customs duties and an estimated €93 million in VAT evaded.

The OLAF investigation started with a focus on a small number of consignments of textiles and shoes, first identified in Italy by the Italian Guardia di Finanza, but later expanded until it covered some 1,992 consignments. OLAF worked closely with the Italian Guardia di Finanza and the Italian customs service and then with the customs authorities of Hungary, Slovenia and Slovakia in building up the picture of how the consignments first entered and were then distributed throughout the EU.

Three companies operating from the United Kingdom first arranged for the import of the consignments into the EU. They were brought in through different ports in various Member States and were ultimately traced back to Slovakia. In Slovakia, their customs value was under-declared causing a suspected initial loss to the EU budget of €14 million. Although the goods had originally been declared as being destined for the United Kingdom, they were found to have been rerouted from Slovakia to other declared destinations throughout the EU and under a regime of suspended VAT payments due on them. At least 11 Member States are concerned and OLAF has established through a detailed examination of the transport records of the consignments that the goods disappeared from official control and were likely sold on the black market. OLAF estimates that the loss of VAT for the consignments could be as high as €93 million.

OLAF carried out its administrative investigation to determine if financial losses occurred against the EU budget. This case was finalised by OLAF in complementarity with the European Public Prosecutor's Office (EPPO), which will now pursue a criminal investigation.

In this case, OLAF has issued financial recommendations to the 11 Member States affected so that appropriate action can be taken at national level. The criminal aspects of the case have been reported to the EPPO for a possible criminal investigation in respect of the Member States concerned. OLAF has also issued a judicial recommendation to the Hungarian Prosecutor General's Office for follow-up of the criminal aspects identified in respect of that Member State.

Commenting on the case, OLAF Director-General Ville Itälä said: *"OLAF has just closed a major case of customs and VAT fraud that has multiple implications. First, suspected fraudsters left EU taxpayers with a bill of up to €107 million. Second, selling products on the black market – often at rock bottom prices – distorts the single market and harms legitimate businesses. We have issued financial recommendations to recover the money*

and judicial recommendations to prosecute those behind the scheme. In line with the good working arrangements in place, we are ready to support the European Public Prosecutor's Office with the criminal investigation."

OLAF mission, mandate and competences:

OLAF's mission is to detect, investigate and stop fraud with EU funds.

OLAF fulfils its mission by:

- carrying out independent investigations into fraud and corruption involving EU funds, so as to ensure that all EU taxpayers' money reaches projects that can create jobs and growth in Europe;
- contributing to strengthening citizens' trust in the EU Institutions by investigating serious misconduct by EU staff and members of the EU Institutions;
- developing a sound EU anti-fraud policy.

In its independent investigative function, OLAF can investigate matters relating to fraud, corruption and other offences affecting the EU financial interests concerning:

- all EU expenditure: the main spending categories are Structural Funds, agricultural policy and rural development funds, direct expenditure and external aid;
- some areas of EU revenue, mainly customs duties;
- suspicions of serious misconduct by EU staff and members of the EU institutions.

Once OLAF has completed its investigation, it is for the competent EU and national authorities to examine and decide on the follow-up of OLAF's recommendations. All persons concerned are presumed to be innocent until proven guilty in a competent national or EU court of law.

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