



EUROPEAN ANTI-FRAUD OFFICE

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## **OLAF and partners target VAT carousel fraud in cross-border operation**

**On 2-3 October, the European Anti-Fraud Office (OLAF), the Romanian National Anticorruption Directorate (DNA) and the Italian Guardia di Finanza searched the homes and offices of several individuals in Romania, in a joint operation. Eight persons suspected of being part of a transnational organised criminal group are being interviewed by law enforcement officials.**

Through efforts supported by OLAF at European level, the Prosecutor's Office of Ferrara (Italy) opened an investigation into suspected cross-border VAT fraud, spread over several EU Member States.

The amount of evaded VAT is estimated at around EUR 30 million. It is alleged that a complex carousel fraud scheme was set up to evade VAT duties on the sale of high-value electronic devices. Fraudsters would avoid paying VAT to Italian authorities using shell companies throughout Europe and foreign bank accounts to hide their identity.

OLAF supported the Italian Prosecutor by liaising with the Romanian authorities and alerting them to the fact that the fraudsters were using Romanian frontmen and companies.

A European Investigative Order was addressed by the Italian Prosecutor to the Romanian judicial authorities. Romanian magistrates consequently allowed Italian Guardia di Finanza officers to carry-out joint searches in Romania, together with the DNA. OLAF investigators participated in the operation on the ground.

To read about the operation in detail, see the [Guardia di Finanza press release](#).

### **Background:**

VAT fraud can pose a major EU-wide problem. Trade facilitation regimes allow for VAT to be paid in the Member State of destination of the goods. This can be abused by fraudsters who set up fraudulent VAT carousels to avoid paying VAT duties. The same goods are bought and resold by the fraudsters several times via middlemen. Each time, the amount of VAT owed increases but the company either disappears or becomes insolvent before the tax authority can collect the accumulated VAT. With carousel fraud, the same product goes around several times before the fraudsters disappear. VAT fraud can occur in many sectors including high-value goods and is often carried out by criminals and organised crime networks. Fraudulent VAT schemes generate financial profits which can then be subject to money laundering in the same way as the profits from other criminal activities. OLAF is mandated at European level to protect the financial interests of the EU from fraud. It is in this context that it has supported the efforts of Italian and Romanian law enforcement officials in uncovering the fraudulent pattern and putting an end to the scam.

**The Romanian National Anticorruption Directorate (DNA)** is a prosecutor's office specialized in combating high and medium level corruption. DNA carries out criminal investigation activities in cases of offences assimilated to corruption and in direct connection with corruption. Moreover, DNA investigates offences committed against the financial interests of the European Communities as well as certain categories of serious offences of economical-financial criminality.

**The Italian Guardia di Finanza** is a military Police Force reporting directly to the Minister of Economy and Finance, with general economic and financial crime-fighting competences. In this context, in 2016, the institutional mission of the Guardia di Finanza, as per the indications of the Government Authority, was organised based on three strategic objectives in relation to: 1) countering tax dodging and frauds, 2) offences in relation to public spending and 3) other unlawful deeds of an economic and financial nature.

### **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;
- suspicion of serious misconduct by EU staff and members of the EU institutions.

### **For further details:**

Alina BUREA  
Spokesperson  
European Anti-Fraud Office (OLAF)  
Phone: +32 2 29 57336  
E-mail: [olaf-media@ec.europa.eu](mailto:olaf-media@ec.europa.eu)  
[http://ec.europa.eu/anti\\_fraud](http://ec.europa.eu/anti_fraud)



Silvana ENCULESCU  
Deputy Spokesperson  
European Anti-Fraud Office (OLAF)  
+32 2 29 81764  
[olaf-media@ec.europa.eu](mailto:olaf-media@ec.europa.eu)  
[http://ec.europa.eu/anti\\_fraud](http://ec.europa.eu/anti_fraud)

