



EUROPEAN ANTI-FRAUD OFFICE

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## **Catch them while you can: Joint Customs Operation Orion led by OLAF and Hellenic Customs stops fraudulent traders from abusing EU customs rules**

**Imagine a load of textiles is imported from outside the European Union (EU) into Poland, but is meant to be transported and sold on the French market. Thanks to EU customs rules - the so-called "procedure 42"- the importer may choose to pay VAT in the latter country. Unfortunately, fraudsters see these trade facilitation rules as an opportunity for personal gain: months later, if the same load of textiles remains in Poland and is inspected there, it becomes obvious that it never travelled to France. Fraudsters use such circumvention techniques to evade customs duties and VAT, creating losses for both the EU and the Member States' revenues. Faced with these risks, a coordinated response from customs and tax authorities is needed. Therefore, the European Anti-Fraud Office (OLAF) and the Hellenic Customs led Joint Customs Operation Orion, which was the first operation of this type focusing on the abuse of procedure 42, related to customs and VAT fraud.**

Operation Orion was carried out by the customs authorities of 23 Member States<sup>1</sup> in close cooperation with the tax authorities. It took place earlier in 2016, and its results were presented in Athens last month. More than 200 physical controls, 390 documentary controls and 50 on-the-spot checks were made during the operational phase. This led to customs officers uncovering several instances of undervaluation and misclassification of goods at import, as well as a string of missing traders who "disappeared" in order to evade customs duties and VAT.

Member States joined their expertise and worked to target customs and VAT fraud and protect their financial interests as well as those of the EU by overcoming existing differences in the legal and organisational structure of customs and tax administrations in each Member State. OLAF provided the organisational, logistical, financial and technical support that allowed for a real-time exchange of information and intelligence. The operation was coordinated from the Physical Operational Coordination Unit (P-OCU) at OLAF's premises in Brussels with the participation of a group of liaison officers and a representative from EUROPOL.

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<sup>1</sup> Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Luxemburg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain took part in this Operation.

## **Background**

Customs procedure 42 is a mechanism an EU importer uses in order to obtain a VAT exemption. It is applied when goods imported from outside the EU into one Member State will be transported to another Member State. In such cases, the VAT is due in the latter Member State of destination. Customs procedure 42 is a legitimate trade facilitation procedure. Nevertheless, in certain cases this procedure has also been vulnerable to circumvention, leading to significant losses throughout the EU, which have an impact on both the EU's own resources and Member State VAT revenues. Frequent fraudulent practices that have occurred in relation to abuses of customs procedure 42 are the employment of missing traders (who fictitiously disappear with the VAT due to be paid) as well as the undervaluation of goods and misclassification of goods at import. The phenomenon of missing traders is also addressed in the context of the EU Policy Cycle – EMPACT Project (European Multidisciplinary Platform Against Criminal Threats). In this framework, the customs authorities of the Member States play a crucial role, on the one hand to facilitate trade and on the other hand to fight against fraud. It is therefore of utmost importance that there is enhanced cooperation between Member States' customs authorities as well as between customs authorities and other competent authorities.

Details on other Joint Customs Operations facilitated by OLAF can be found [here](#).

## **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.

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