

DISCOVER AND FIGHT E-TAX FRAUD

Amarilda Xhaferri

European University of Tirana, Albania

Abstract

This is a paper based on research methods referring to national and international statistics on the implementation of administrative structures, legal and technical means through which aimed to put the focus and fight fiscal evasion in the field of internet, a sphere of informality, currently with a scary spread rates, which is threatening to infect day after day Albania as well as any other country where this phenomenon has probably already taken disturbing dimensions. The economic activity of the Internet is significantly extended. If the web will make it compare to the GDP of a country, it would be the fifth economy the largest in the world. This explains the importance of the economic and legal aspects, and, therefore, the need for states to control an activity that partly escapes classic controls.

Key words: internet, economy, fraud, VAT, fiscal evasion

I. INTRODUCTION

This article provides an overview of skills improvement methods which should be planned at tax crime investigation units. It provides some proposals for arranging respective specialised trainings tailored to the character of activities which are implemented. The economic activities on the Internet are characterized by a dematerialization form of sales channels and the difficulty often encountered in the identification of the legal structure that operates on behalf of the Internet. Discovering VAT fraud on Internet means not only of course a good knowledge of the technical aspects, but the use of specialized techniques seems to be a way to reduce material duties and especially to get a concise overview of all the data, which are amplified in comparison with traditional investigation. This is very important to run an investigation. However, the technical approach should not be the only way to consider the problem. The risk of tax evasion distracted from the moment that is real scope of the investigation. Price of implementation, of both human and material assets would be very high. Interpol, Europol, 2010” provisions of the Schengen Treaty and the project of Police and customs office representatives in the Nordic countries” Sweden Tax Agency 2010

II. OPERATIONAL WORK

Operational work of tax crime investigation units has significantly expanded over the recent years. More and more investigators engage in operational work full-time; this sphere of work is expected to expand even further. The requirements applicable to investigators will get higher as the volume of operational work at tax crime investigation units increases. Partial shift of the operational activities is in progress: introduction of the Register of National Operational activities of the Tax Department (RNOATD) has started; therefore the need for IT and analytical expertise increases significantly. This category of employees can also specialize in certain areas which have to be set for the personal skills improvement plans. The article does not describe specific skills improvement methods. Office employees might also encounter specific work assignments and requirements, therefore, specialized skills improvement might become a necessity and should be provided for in personal skills improvement plans.

Qualification of this employee category is important for the overall efficiency of tax crime investigation units and their co-operation with other institutions. Tax tribunal Magazine. Magazine of

the “Intra European Organization of Tax Administration”. 2007 (<http://www.iota-tax.org/publications/tax-tribune.html>. IOTA 2007)

III. THE ROLE PLAYED BY ACTORS OF THE INTERNET

The overall structure of Internet is made up of various stakeholders. Accurate understanding of the way in which they work determines how relevant information gathered.

Receptionist, Internet Service Providers, Logistic Companies, Companies that participate in the financing of economic activity and are disclosed on the Internet. These activities are a natural support Internet: they enable the storage of information provided by the user as well as the required connection for transmitting data over the Internet.

Internet Service Providers (ISP) ISP mission for example, is to connect a device to the Internet or network transmitted to or receives data electronically. It can distribute different information. There are different options that can distribute different information such as: Contract and initialled by the owner of the web pages, the price of distribution service, means of payment, IP addresses of Internet experts, the volume of data received and transmitted etc.

The hypothesis of a receptionist who is outside the country is the biggest difficulty for investigation services, as territory rules do not allow a simple investigation of the company.

The authority who manages or administers a web page, especially when the data are anonymous, is handy for discovering them. However, the volume of the information does not allow drawing conclusions on real economic activity, and also the cost of service is not always useful. This information is very useful, as well, to discover who administers online by this website, especially when data are anonymous. Sources of general information from various internet sites, such as: (<http://www.dap.gov.al/images/revistat/revista5.pdf>), (<http://www.nitaccountancy.co.uk/our-services/tax-consultancy/> http://eduart0.tripod.com/fiscal_news.html). They are especially interested to test location in the national land: as the computer is connected with a physical wire, it is very strong evidence when reported to be in the place where it is thought that assessable. As noted above, economic flows linked to the Internet, have increased significantly. Even physical flows associated with Internet sales have increased significantly. We note the development of specialized firms for delivery of parcels sold on the Internet. It is possible here to get information on the number of parcels and their weight. This is a good indicator of activity and can be used to investigate on it. There are different ways to finance economic activity located on the Internet. Historically the Internet is free, unlike some national models, such as in France. “Ads” is emerging as the best way to finance web pages. Two models co-exist: The traditional model: advertising messages displayed on web pages with a reduced price, as a result of increased number of clicks when they appear on the monitor.

New model: display advertising is directly related to research users and points of interest. Business action is the same in both models: the client (advertiser) requires a specialist (or a media agency or an advertising agency) to display an advertisement in a country belonging to a third party. Engagement of an advertiser is the evidence that suggests tax authorities intervention. Information collected by the tax authorities on this subject can be controlled in order to cross with the information from the income statement, and also offers a good clue for potentially weak sales. Third parties may also have an interest tax for the amount of money that takes for the advertising space. In France, the traditional model actors are mainly French companies that are supposed to obtain information from them. Considering the new model, it is mainly determined or performed by a company located outside. It is not possible to exercise the “right of communication” under the rules of territoriality. Maria Fletcher, Robin Loof & Bill Gilmore, “*EU Criminal Law and Justice*”, Edward Elgar Publishing Ltd, London, 2008. International administrative assistance is not efficient. There is still a way to avoid the obstacle: “media agencies”. In fact they are responsible for the implementation of advertising campaigns on behalf of advertising through the establishment of a communication strategy. Therefore they dominate information allowing cross-checks.

Means of Payment is another source where investigators should focus. Credit cards remain one of the means of payment more prevalent on the Internet. Although considered safety related practices, have led to the creation of tools that are dedicated to the payment of Internet prices. Means of payments are mainly divided in two categories:

- a) Micro payments: Most of the transactions on the Internet are made up of small amounts. This is especially true for communication as a code to unblock a web page or a video. Some companies are specialized in mediating between web pages that provide a service and Internet users who want to buy it: when the user decides to buy, he pays the required amount using the payment methods available to him, such as credit card, SMS, free phone line.
- b) Electronic portfolio: The mediator in this case pays the amounts collected periodically for the beneficiary, minus his commission.

Sector survey shows that these companies are largely national. These means of payment are very close to a bank account “classic” that is destined to Internet purchases. The user must create an account and have to bind it to a bank account (or credit card) in order to perform actions of debt and credit. After an online transaction, the amount received or paid by the user transferred through the banking system and turn counterpart transaction is committed. One of the biggest difficulties is the main company that produces this kind of work is located abroad. In this way it is difficult to get information. However, this problem is avoided: after some deep investigation, was discovered a banking intermediary located in national territory, of carrying out the operations with the central bank. In this way it is possible for the tax authority to obtain and develop an analysis of financial flows. All these elements lead to a new strategy for detecting Internet fraud.

IV. CURRENT QUALIFICATIONS OF TAX CRIME INVESTIGATION UNITS. QUALIFICATION REQUIREMENTS

An experiment was undertaken some time ago: prosecutors were asked to perform systematic continuous qualification assessment of all pre-trial investigations. In a wider scope, the experiment did not justify itself because the number of pre-trial investigations which were subjected to the assessment was too small, and the experiment was eventually discontinued. Nevertheless, the results demonstrated that quite frequently, prosecutors were satisfied with the quality of pre-trial investigations, although a certain need for skills improvement among tax crime investigators was also noted. In prosecutors' opinion, a fully-reliable assessment of tax crime investigators' skills could not be performed on the basis of material available. The group is of the opinion that since the establishment of tax crime investigation units the skills have improved. At present most investigators are highly-skilled; many of them have been previously employed as experts or tax auditors at the Tax Department and therefore have a lot of experience of dealing with reports. Great basic crime investigation skills are acquired at the police higher school which offers separate training programs and practical training upon their completion. The skills necessary for crime investigation have been improved by acquiring more experience and adopting other measures, such as expanded training in the methods of interrogation, TCIU (Tax Crime Investigation Units) II and application of SEBRA system. Besides, many investigators perform book-keeping evaluations in cases of book-keeping crimes. Some investigators also work on external surveillance assignments.

The work of operational activities is also rapidly improving. Creation of the register of operational activities as well as introduction of I-base and Analyst's Notebook software has made activity development a lot faster. The instruments of work are a natural part of activities of tax crime investigation units. Some investigators were specialized in this particular sphere; some new employees possessing special skills have been hired.

Some office employees have completed administrative training at the Economic Crime Investigation Service and regularly attend meetings where they share their experience; that's how skills are improved and new skills improvement instruments are created.

All tax crime investigators should be well familiar with tax legislation. The majority of persons hired to work at tax crime investigation units have worked at the Tax Department and therefore possess sufficient skills in the sphere of taxes. The majority has worked as tax auditors and therefore has substantial experience of dealing with reports. Still, some employees hired from within the system require additional training, while employees hired from the outside require continuous comprehensive long-term training and additional practical training at one or several fiscal units of the Tax Department. Maintaining the acquired skills is very important. Numerous changes take place in the tax system; all tax crime investigators should be offered an opportunity to participate in all general introductory and thematic training courses arranged for other employees of the Tax Department. Also, tax crime investigation departments should always be included as a target group in the Tax Department when sending invitations to attend training courses or launching specific projects where criminal tax activities are likely to occur. Experience of dealing with reports is also highly important, particularly in major cases which involve investigation of several enterprises, book-keeping or debtors' crimes. The expertise should be kept up-to-date and improved continuously. Some tax crime investigation units might require special expertise, such as experience of dealing with reports or knowledge of certain taxes. Provision for improvement of the expertise should be made in individual skills improvement plans.

IT skills requirements are increasing in all tax crime investigation units. This sphere calls for particular attention. The demand for such skills should be particularly high among investigators of operational cases because efficient operational work requires processing and analysis of large volume of material kept in specialized databases of operational activities.

The Group is of the opinion that units should possess their own IT specialists who could offer assistance in data review and analysis. Special training should be arranged for such experts. Law no. 9920, dated 19.05.2008 "*On tax procedures in the Republic of Albania*" Ministry of finance 2008. <http://www.qkr.gov.al/nrc/ligjet/procedtatim/LIGJ9920>.

Since the course time, tax crime investigation units expanded more and more departments moved into separate offices and acquired their own office staff. Some members of the staff started specialising in particular work assignments only.

V. NEW STRATEGY FOR MONITORING AND DETECTION TAX FRAUD ON THE INTERNET

Broad Range Internet requires defining a strategy for administrative actions focused on the most important aspects to identify tax fraud. Information collected from several players on the Internet can be very important for tax objectives and their use may be appropriate for various operations. Utilization of tax databases is also a way to detect tax fraud. This approach should put aside their research for special investigations, whose origin is simply "to an event." Detection of fraud can carry a comprehensive approach. Already we have seen the role played by the actors involved in the field of payments and advertising. It is also a good way to understand the Internet globally. Micro payments: operators are often national. This is an element of trust for users. Tax authorities may carry out "regular communication rights" (annually) to determine payments were made legal structures / individual beneficiaries by most important issues. Experience has highlighted three important tax issues:

- Unknown activities
- Hidden sales
- Restoration of business outside national borders.

This approach enables us to have a complete understanding of fast growing businesses in web pages and contributes to increase the knowledge of the internet service.

VI. GLOBAL GATHERING INFORMATION FROM THE INTERNET

Electronic portfolio: the largest operator is American. It does not take into account, for the moment, to turn into a permanent national land and therefore does not respond to “communication rights”, except through an electronic platform dedicated to government services, but requires the transmission of a complaint on behalf of a foreign entity, difficult to be implemented due to territorial rules. However deep investigations have been carried out and have allowed service to avoid this problem. In this way, “communication rights” are placed with the bank intermediary between the firm's proprietary electronic portfolio and national banks, the accounts of which are connected to. It collected a large amount of information, which has made possible the detection of tax issues in a very similar way to that previously mentioned micro payments. Other “communication rights” will send them one agent to provide general oversight of the Internet industry. Advertising: The market for Internet advertising is primarily owned by an American company. It's almost impossible to get information through “communication rights”. The main issue is how to handle information about advertising campaigns undertaken by national companies. Its problem is avoided in the service of knowledge on the role of media agencies. In fact, they carry out intermediary between advertising companies (like Google, Facebook, Yahoo...) and the client who has made an order for the advertising campaign. As such, they keep all receipts issued by the advertising companies. Therefore we can have an idea for duties paid by a company for advertising and campaign and can compare the data entered in the income statement, in order to assess the economic coherence. In other cases, the information collected from media agencies has enabled the demonstration of a permanent deal companies, located in the area of advertising pointing out inconsistencies between the real establishment of a legal company and this is often different. “VAT fraud, tax issues – complex cases. Methodologies”, consistent (www.ebraria.com)

However, only large companies use media agencies. Information on small companies is not easy to be taken. The largest advertising companies, located in national territory, were under a survey on “communication rights”. They were told to find payments they have made with web sites, which the cooperate agreed to introduce in advertising space.

This action was made once, but it should be performed regularly. All information gathered was assessed “risk”. In this way, their analysis was processed through the experience of services in this field, using special software, reference web sites, etc. In this way is emphasized technical knowledge of Internet mechanisms. The issue is to identify the most visited web pages via a “hit parade”. This action is a good way to have a general monitoring of the Internet. This is achieved via the 100 best sites issued by Google and Alexa and other sites visited by Internet users. Service also collects information through the press or during dedicated Internet activities.

Various papers can contain on their subject information about the operation of Internet campaigns, useful for conducting investigations. In this way, the foreign companies operating in a country, could be further investigated, creating favorable circumstances that increase the chances of success or effectiveness.

Dedicated Internet Activities, this is a unique opportunity to test changes in the sector and young players.

VII. CONCLUSION

On page 54, the draft law, prop. 1997/98:10 says: “Since in most cases, tax authorities will engage in tax crime investigation activities, in our opinion they should also perform a certain prevention of tax crimes”. When doing prevention work, some tax crime investigation units used external contacts and improved dissemination of the information provided, etc., while the activities of others were more limited. Nevertheless, some common goals have been achieved: the *Twin Track* system has been created; it is used to systematize and assess information about completed pre-trial investigations on continuous basis. It is proposed that the system should be used as a basis for the implementation of different preventive measures, e.g. dissemination of information. Disclosure of tax fraud in Internet presupposes a very good knowledge of the key players. This is a basic method to set up lines of

inquiry. Technical elements are also very important but should be central to the prosecution of Internet fraud.

These elements should address the tax authorities to determine the strategy of monitoring and control activities on the Internet, taking into account all elements developed above. Cooperation among member countries of IOTA is still very important of course. "*Albanian Tax Department's Manual of investigation*" in collaboration with Sweden Tax department, Tirana Albania 2009. The combination of the rules, should enable an effective fight against tax fraud on the Internet simultaneously shall constitute a special value not only for its utility in the investigation, unification of practices, but also because the fight against corruption and financial crime is the main priority of the administrative structure of the Republic of Albania and it is believed that will increase the work efficiency in fighting against these phenomena.

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