

# VAT Registration

*FORMS*

IOTA Report for Tax Administrations



Intra-European Organisation of Tax Administrations

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# VAT REGISTRATION FORMS

## *IOTA Report for Tax Administrations*

Intra-European Organisation of Tax Administrations (IOTA)



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## PREFACE

A substantial problem in many IOTA tax administrations, the fight against VAT fraud appears to be difficult and time consuming, entailing tax administrations to adapt their organisation, methods and procedures.

Following a risk management strategy, many measures have been implemented to guarantee more security in internal processes and to search for opportunities to identify and tackle potential fraudulent behaviours. The introduction of internal regulations or effective processes has particularly contributed in initiating a dynamic approach towards the identification of risk factors.

One of the requirements of some types of VAT fraud is the need to obtain VAT registration number. In order for a fraudster to commit carousel or other kinds of VAT-refund frauds, registration is a preliminary condition: no registration would mean no VAT refund.

One of the earliest stages in the detection of potential fraudulent activities resides in the registration process, during which taxpayers are making their first steps or are having their first contacts with tax administrations. The moment of registration is therefore an increasingly important opportunity for tax administrations to identify potential fraudulent registrations. It is the first step for tax administrations in the risk assessment process of any VAT applicant since many serious VAT frauds are carried out within a short period from registration.

Although the main purpose of the registration form is to identify the taxpayer for administrative purposes, the VAT registration form can also be designed to enable a more targeted audit-selection procedure. The information given in the form can be used as a means for risk-analyses and for prevention of possible fraudsters to enter the VAT (registration) system. A battery of queries, indicators or questions appears to be effective to collect information in order to analyse the risky parameters and to react accordingly.

This report on VAT registration controls does not aim to be a good practice guide on methods which shall be implemented to detect and prevent fraud. It seeks to point out some methods which have been identified to be effective in this field.

During the development of the material used in this publication, input was provided by Area Group Members from the majority of IOTA Member tax administrations, who supported the efforts to collect experiences in the field of VAT registration. The IOTA Secretariat would like to thank them all but more specifically the four task team members, Netty Bussink-Vergoes Houwens, Netherlands, Guri E. Stange Lystad, Norway, Marcel Novotny, Slovak Republic and Mr. Radoslav Raspudic, Croatia, who compiled this report.

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Area Group Prevention and Detection of VAT Fraud  
Intra-European Organisation of Tax Administration

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## 1. INTRODUCTION

The IOTA Area Group Prevention and Detection of VAT Fraud (PDVF) decided at a meeting in May 2005 to look further into the topic of Pre- and Post Registration Control, and to compare the approaches in the different Member tax administrations.

Some tax administrations have procedures for controlling the applicants for registration. This control can be either before, during or a short time after the registration is being granted.

The basis for any control is the information given in the VAT registration form<sup>1</sup> and the information received from other sources that the tax administration has access to at the point of registration. To investigate this procedure, the Area Group PDVF decided to form two task teams - one to collect, analyse and present the main methods used within the IOTA tax administrations on pre- and post-registration strategies and methods to prevent and detect potential VAT fraudsters - Task Team on VAT registration Control. The other Task Team operating on VAT Registration Form was designated to compare the VAT Registration forms used in the IOTA Member tax administrations, to compare what kind of information the different tax administrations require from the applicants that can be used as information for the pre- and post-registration controls.

### 1.1. Aim of the report

The Task Team on VAT Registration Forms was aiming to prepare a comparative study on the VAT Registration Forms used in the IOTA Member tax administrations in order to give some indication on how the registration form could be used as a tool by some IOTA Members to prevent and detect VAT fraud, or at least could be a major stage in this process.

The Task Team received 27 VAT registration forms. Most IOTA Members have specific VAT application forms; a few Members use a registration form for all taxes. Besides the information in the registration forms, some IOTA tax administrations also receive information from other sources, like Companies House, Chamber of Commerce and Court of Registration.

The main purpose of the registration form is to identify the taxpayer for administrative purposes. However, the VAT registration form can also be designed to enable a more targeted audit-selection procedure. The information in/from the form can be used as a means for risk-analyses and for prevention of possible fraudsters entering the VAT registration system.

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<sup>1</sup> The term VAT registration form is used for the form on which the applicant provides information before being registered in the VAT register.

## 1.2. VAT registration forms as a source of information

The questions asked in the respective VAT registration forms vary. It is therefore interesting to compare which questions the different tax administrations require answering by taxpayers applying for registration.

Tax administrations' activities to prevent and detect VAT fraud often imply a balance between burdens on taxpayers and the need for relevant information. At the point of considering to introduce new questions in the VAT registration form, it will consequently be useful, or sometimes opportune, to ask if the questions in the existing VAT registration form are necessary, are the questions relevant, would other questions be more relevant? Can some of the existing questions be removed from the form or reworded?

## 1.3. Incomplete information in the VAT registration form

The replies to the questions asked in the VAT registration form will normally be of importance for the tax administration for administrative or risk-assessment purposes. Consequently it is important to ensure that the applicants give the information that is requested in the VAT application form.

Some tax administrations use yes/no-boxes to encourage/force applicants to reply to all the questions in the VAT registration form. If the VAT registration form can be submitted electronically, the software can also be designed to deny registration if the replies to all the questions are not completely filled in. For registration forms submitted on paper, it is however a question how to handle incomplete registration forms. Is this a reason for denying registration, - always or only if some of the core-information is missing? Or are tax administrations obliged to register the respective taxpayer, if all information except from name and address is missing?

## 1.4. Task Team working methods

Information and answers mentioned in this report relate to 2006, the period during which the study was conducted. Statistical information presented in Annex 4 of the general questionnaire has been updated.

A premise for this study was to have an English version of the VAT registration form for each of the different tax administrations. For those tax administrations that do not have an official English version, this study meant that they had to translate their VAT registration form into English. The contribution to this report is therefore not limited to the members of the task team, but also includes members of the Area Group PDVF who translated and submitted information from their tax administration.

The questions from the different tax administrations participating in this study are listed in Annex 1 of the report.

The different VAT registration forms include questions that could be relevant for the selection of risky entities. The task team asked the Member tax administrations

involved to give more information on the reason why they included these specific questions in the VAT registration form, and their effectiveness. These questions are addressed as “target-questions”.

These questions and comments are described in the second part of the report. The comments were focussed on the following:

- For what purpose does your tax administration request this information?
- Is this information for the selection of candidates for further checks?
- If so, please explain and give an example.
- What is your experience by using this information?

The Member tax administrations were also asked to give some general background-information concerning their VAT system and figures related to the number of registrants, number of VAT returns etc, in order to give a perspective on the quantity and spectre of audits needed to be performed. This information is commented on in Chapter III and attached in Annex 4.

### 1.5. Caveat

- Most of the English versions of the VAT registration forms are unofficial translations. Please be aware that these forms cannot be used for official purposes.
- Many of the questions in the VAT registration form used by the different tax administrations are the same, but asked in different ways. The list of questions does not show all the nuances in the respective VAT registration forms.
- Some tax administrations do not use a separate VAT registration form, but only one form for different purposes. This factor complicates the comparison between the different VAT registration forms.
- As some tax administrations have direct access to relevant information from internal or external sources other than the VAT registration form, these questions are not included in the form. This is another factor that complicates the comparison.
- Some tax administrations send additional questionnaires to entities if the tax administration considers it necessary for a more complete risk assessment at the point of registration. These questions are not included in this study.
- For deeper enquiries and more detailed and reliable information contact the respective tax administrations.

### 1.6. Reading guide

With brief comments, the result of the collection of all the answers from the Member tax administrations participating in this study will also be presented in a spreadsheet under a web-based format. As regard the web based format four types of answers are presented in the spreadsheet:

Yes/no answers	Text answers	Enclosed documents	No answer
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- Yes/No answers can be with or without text (hyperlinks). Answers with hyperlinks are highlighted.
- Enclosed documents are attached in full (word, excel spreadsheet or powerpoint format).
- Under each country you will find (hyperlinks) the English version of the respective VAT registration form(s).

This report contains the following annexes.

1. Annex 1: an overview of the questions asked in the various VAT registration forms.
2. Annex 2: an overview with the responses of the Member tax administrations on the questions asked in Annex 1.
3. Annex 3: an overview of the Member tax administrations who were invited to comment on the “target-questions”.
4. Annex 4: an overview with the additional questions.

## 2. SUMMARY

The number of questions asked in the respective (VAT) registration forms vary from a few to an extended list. Each answer can be of value to identify persons who intend to abuse the VAT registration. But it is especially the combination of answers on the various questions that leads to a risk profile of the applicant.

All IOTA tax administrations require more general information about the identification of the applicant, like name, detailed address, trading name, persons responsible, telephone number bank account number, etc. Some IOTA Members pointed out that in cases of VAT fraud it is especially interesting to check the persons behind the phone numbers (mobile and landline, home and business) and the persons who have access to the bank accounts.

Questions concerning the structure and legal status of the business can be of use in respect to the liability for VAT debts. The legal status can also indicate a risk for VAT fraud. For example missing traders often use the status of a limited company.

A comparable risk can come from the information about persons involved in the business. Some IOTA Members experienced that by asking information about these persons it can be established that these persons were involved in previous frauds or bankruptcies.

Also questions concerning business activities proved to be helpful in detecting potential fraud. Some IOTA Members take further action when the business activity is in a high risk area, like trade in mobile phones and computer equipment.

Many IOTA members ask for information related to turnover. This information is needed for administrative purposes in order to determine if the registration threshold is exceeded. But some IOTA members use this information also for risk-analyses. Especially in combination with the answers regarding business activities an estimated high turnover can lead to further action by these tax administrations.

Those IOTA Members who are part of the European Union request information about intra community trade. Some Members use specific forms for this purpose. An interesting question raised by a few IOTA Members is about the countries where the applicant is registered. Again in combination with answers on the other questions it can be an indicator for potential risk.

Some of the VAT registration forms contain information about assets, real estate, staff, equipment, etc. This information is very valuable in cases of securing assets. Some other forms contain information about the number of staff. Although this information is primarily used for administrative purposes (salary tax and social security) it sometimes can be of interest in combination with business activities.

A few tax administrations require evidence of the existence of funds in order to check the eligibility of the registration.

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Information about bookkeeping, auditing and the VAT return is asked by many IOTA Members. Especially the information about bookkeeping and the company's accountant proved to be useful.

Many IOTA Members offer the possibility to ask for special schemes, licences and certificates. It is often applied in cases of voluntary registration.

A few IOTA Members ask for additional documents. These documents are needed as evidence for statements made in the application form.

### 3. QUESTIONS RELATED TO THE IDENTIFICATION OF RISKY TAXPAYERS

This part of the report contains additional information on the specific questions related to the identification of risky taxpayers. The selected questions are mentioned in the headings and followed by comments made in the responses. The numbering of the following paragraphs refers to the questions listed in the questionnaire, which explains some missing parts.

#### 3.1. Questions related to the identification of the applicant

The main purpose of these questions in the VAT registration form is to identify the taxpayer that is applying for VAT registration. However, some of these questions can also be used to identify risk-full entities or potential VAT fraudsters. The ability to use this information for fraud-detection purposes will often depend on the possibilities to combine this information. Sometimes there might be technical and/or legal restraints that limit these possibilities. One example related to the use of information for risk-assessment purposes is the bank-account number (e.g. which bank is used and which persons are entitled to use this bank-account).

##### *3.1.1. Q.1.2 Other kinds of registration number for the VAT registration applicant*

15 tax administrations replied that they request information on other kinds of registration numbers.

France clarifies that a company (or a one-man entity) has to be registered at "companies-house" which is a department of the Trade Court. It has to file an applicant form, which is sent to all the administrations that have to know about the new entity, like the tax administration, social administration and INSEE (Institute of Statistics). The INSEE allocates to the company a codification related to the trade sector (can be called a trade number) and a VAT number which is set up with the nine figures of the trade number and additional two figures. The trade number is used by all the administrations only to identify the companies.

Hungary explains the registration procedure as follows. The taxpayer registration is made by the Court of Registration in Hungary, and the data registered is sent to the tax authority. The Hungarian tax authority has no right to carry out any pre-registration control. The tax number is given by the tax authority. The generated tax number is used as a VAT tax number, too. There's a special number ("2") after the end of the tax number which indicates the taxpayer is liable to VAT. If taxpayers begin to carry out Intra Community trade, they have to inform the tax authority which then registers them and gives an EU-VAT tax number to the taxpayers at the same time. It means that the tax number stays the same (attaching to the tax number the national letter symbol). There is no special EU VAT tax number. The VAT taxpayer does not have to fulfil any kind of threshold or other kind of condition to get this EU VAT tax number. The tax authority does not examine whether the registration of the tax payer was reasoned or needed and required.

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The form filled out by the taxpayer is sent back so they get a copy of it. The (VAT) tax number is given by the Department of Taxpayers' Records. During the registration process there is no need for any other kind of registration number.

The United Kingdom requests information about the Companies House Number (Official government register of UK companies) or Company registration number. The number is granted by Companies House, which is responsible for company registrations. The number is checked prior to registration to see if it is genuine and whether there is already a VAT registration number for that entity. The Company House registration number is checked for all limited company applications. If selected for further checks a more detailed examination of the Company House registration is made. For example the names of directors, their involvement in previous or current companies, their home addresses etc. Checks on this information can lead to other investigation and can greatly assist in building up an intelligence picture of the company and the individuals involved and if suspect their links to others involved in fraud.

### *3.1.2. Q.1.5 Trading name*

16 tax administrations replied that they request information about the trading name.

Estonia replies that this question is asked for administrative purposes.

Montenegro: The VAT registration form requires information about the name as it is recorded at the Court Register (Companies House). The name itself is usually not used for risk analysis purposes.

Poland clarifies that among risk areas submitted by tax offices, tax chambers and fiscal audit offices, is consideration of frequency of occurrence (on the basis of previous experiences). In the strategy of fighting VAT fraud within intra-community transactions attention is drawn to the risk area related to frequent changes of establishment or authorities, particularly:

- Subjects that frequently change their residence;
- Subjects that frequently change their trading name.

The above mentioned may be considered as one of the reasons for making taxpayers liable for updating forms in case of change in the name of the subject (the same form which they submitted as identification form in order to register their business activity in a competent tax office).

VAT-R form with annex VAT-R/EU is a separate registration form meant exclusively for VAT purposes but the change of the name makes taxpayer liable for updating the information on the form - in the field concerning taxpayer's data, that is: full name (concerns taxpayer not being physical person) / surname, given name (concerns taxpayer being physical person).

Sweden asks for the name of the applicants and postal address, post code and city. They also ask for the organisational identity number (Company house number) or the personal identification number for private companies. The name in itself is not used for any special analysis. Of course the tax administration could sometimes see that they put another name than to the company house, which entails a subsequent question. Then they are asked why. The tax administration is more using the information about the business details, specially the business statistical number. (See question 4.2.)

*3.1.3. Q1.6 Detailed address*

17 tax administrations ask for a detailed address in addition to the official address. Detailed addresses can for example give information about warehouse, apartment number, floor, branches and units.

Denmark explains that the purpose for requesting this information is to make sure that the address is real (existing) and also to check if it is an accommodation address or if the address is "suitable" for the kind of business that is stated to be carried out. This information is used for risk analysis.

Hungary comments that the taxpayer has to give its address, its seat, its place(s) of business and the place where business documents are kept. The obtained addresses can be compared to the list of suspicious addresses (such as public buildings, accommodation addresses etc.) This kind of record can be useful to detect risky taxpayers. The information is usually used during the post registration controls of risky taxpayers.

In Serbia this information is requested in order to complete taxpayers' files with all the information at one place (taxpayers' dossier) and get an insight into all business locations (warehouses, units, shops etc.) Also, the detailed address (floor, room number) is needed for companies which address is located in large business buildings. It is often found out that given addresses are accommodation addresses, or addresses of business centres and buildings with no details specified (exact location in the centre of the building). This kind of information has been proved to be very useful.

*3.1.4. Q1.7 Telephone number*

23 tax administrations ask for telephone numbers.

In Hungary it is not an obligation to reply, but taxpayers can provide the tax administration with their phone and fax numbers, e-mail addresses, web-sites details. The tax administration does not specify these numbers and they check them in case of a post-registration control and audit only. It is not a special parameter to select for further checks, but it can raise the risk level in more suspicious cases. This procedure has just been launched so the tax administration does not have enough information.

In Lithuania a taxpayer applying for VAT registration is asked to list addresses and contact details (Tel. No, Fax. No., E-mail address) of its registered office and places of core business. Also there is a special field to indicate the applicant details (owner, head, authorized person, other (specified)), who is submitting application for VAT registration, and his contact telephone number. Thus the applicant himself is obliged to indicate in the registration form whose telephone number is indicated or to which address it belongs. Details about offices telephone numbers and business places are used by the tax administration to contact taxpayers during pre-registration and post registration controls. Therefore tax officers can check through the telephone number whether the taxpayer is located at the indicated address and other whether contact details are correct. Telephone numbers themselves are not used for selection for controls, but if there is no telephone number and no other contacts indicated, it may arise additional questions during pre-registration controls (e.g. questions regarding contacts with potential clients may be asked during the interview).

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The contact telephone number in the registration form is used for practical purposes. Its validity is not checked on purpose and is not used as a criterion for selection. The applicant (representative) and his relation to the potential VAT payer are used for risk analysis as information about him is collected and evaluated during pre-registration control.

The contact telephone number is used to contact the person, in case for example of minor mistakes in the application form or information not complete, information provided is contradictory to the data stored in the taxpayers registry or other databases, information provided in the application form needs clarification, etc. Interview with the representative of potential VAT payer is a very common control measure and a way to collect information for preregistration control and risk assessment. Therefore any contact number indicated in the application form is also used to contact applicants and to invite him for an interview, if needed.

The United Kingdom has recently amended its questions regarding telephone-number. From December 2006 applicants are required to provide their home telephone number in addition to their business one, both landline and mobile numbers if held. It may be checked if the applicant is selected for further controls. If the applicant fails to provide a telephone number or if a non-standard telephone number is declared, these are scored as high risk indicators. Fraudsters tend to use non-standard telephone numbers to make it difficult to trace calls. The credibility of a business that operates without telephone number needs further investigation.

### *3.1.5. Q1.8 Mobile phone*

14 tax administrations ask for mobile phone numbers.

Hungary does not request these numbers. If they have information about mobile numbers they check these numbers in case of a post-registration control and audit only. It is not a special parameter to select for further checking, but it can raise the risk level in more suspicious cases. This procedure has just been launched so they do not have enough information on it.

Lithuania explains that the mobile number is usually indicated as a contact telephone number of the applicant (representative). It is used for practical purposes (as explained in the answer to 1.7).

The United Kingdom requests information about the business mobile telephone number. The home telephone number of the applicant is also required. This may be a mobile number if the applicant does not have a landline. It may be checked if the applicant is selected for further checks. If it is a non standard telephone number (see answer to 1.7). This information is used by the tax administration if the applicant fails to provide a telephone number or if a non standard telephone number is declared. These are regarded as high-risk indicators. Fraudsters tend to use non standard telephone numbers to make it difficult to trace calls. The credibility of a business that operates without telephone number needs further investigation.

*3.1.6. Q1.11 Home page/website*

Eight tax administrations ask for home page address/website address.

In Finland information on home pages is used especially in case a control visit in connection with the registration or just short time later is necessary. The main purpose of the visit is often to find out the real trader (the active company and if that company is the same which has been registered).

Finland has seen that the company, which e.g. has tax debts, can try to be registered using a dummy company. Before organising a control visit, home pages are always examined.

Also if the company has given 'no activity' -declarations home pages can be used to find out possible signals of business activity.

Hungary explains that it is not an obligation to reply, but the taxpayers can give their website address. This procedure has just been launched so Hungary has not had enough information on it.

In Lithuania tax officers responsible for preregistration control and risk assessment of potential VAT payer try to get as much information as possible to evaluate taxpayer's intentions to carry out real economic activity. Website address is a link to public information about activity undertaken by potential VAT payers. It helps the officers to get the clear picture of what taxpayers activity is (what goods or services are involved, what the main partners are), how it communicates with its clients (e-commerce, online orders, etc.). All this information helps to decide on preregistration control measures (interview, additional questions asked by telephone or sent by mail, visit, etc.) and prepare for them. Investment to personal website with additional electronically services shows taxpayer's intention to carry out business. On the other hand, it helps to underscore future risks (e.g. e-commerce) and gives guidelines for post registration control.

Checking for the information about the company on the Internet (independent of website address indicated in the registration form or not) is a recommended procedure of preregistration control and preparation of an audit. It is especially valuable in case the taxpayer is a foreign company and there is very little information about its activity in the databases of tax administration.

Slovenia asks for the home page or website, but does not use this data for further checks or selection taxpayers for an audit for now.

*3.1.7. Q1.12 Bank account number*

17 tax administrations ask for the bank account number.

The Czech Republic comments that every VAT taxpayer must have bank account in the Czech Republic. VAT refund is not possible in cash. (There are some exceptions, for instance VAT refund for disabled people, who can buy a car VAT free.) On the other hand taxpayer can have two or more bank accounts and inform the tax administration only about one.

The tax administration does not have information about money flow on that account or any other information until it requests them.



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In Estonia it is an obligation to inform the tax administration about the bank account number. The tax administration has no access to information related to the bank account number. The information is not used to select candidates for further checks.

France cannot require directly information about bank accounts from the applicants. The access to such information is received from the banks which have the obligation to create a database showing the accounts details of their clients (identity of the holder, number of bank account, agency, opening and closing dates). The tax administration is allowed to consult this database which is not updated by all the banks. This information is useful if the tax administration has to carry out security measures.

In Slovak Republic every VAT taxpayer has to have a bank account, as the VAT refunds are not refunded in cash. The bank account number information is needed in case of a refund. The Slovak Republic also uses this information for risk assessment, for example whether other persons are entitled to use this bank account.

### 3.2. Questions concerning the structure and legal status of business

Questions related to the structure and legal status of a business are also important as they provide information about the relationship between businesses, their legal obligations as well as limitations and liability of the businesses. Especially in case of VAT fraud it is important to know to what extent it is possible to make a business liable for VAT debts.

#### *3.2.1. Q2.2 Do you ask questions about the context of the creation of a legal entity?*

13 tax administrations ask for information about the background of the creation of the legal entity.

Belgium responded that direct questions about the background of the legal entity are not asked. But on the other hand, information about natural persons behind these legal entities can be consulted in the Crossroad bank (which is a one stop shop for taxpayers to get registered and which therefore gather all information such as taxpayers' identity, their national identification number etc.). By having a look at the selling company one can get an impression of the economic activity of the new company in the near future. Therefore one can compare the legal entity of the 'old' and the new company. When one buys the 'commercial value' of a company active in the oil-business (profit-sector) the legal entity may (very likely) not be in the non-profit sector any longer.

France comments that at the creation of the legal entity the application form only provides information about mergers or acquisitions.

Netherlands ask if the company is a new established company or not. If it is an already existing company the tax administration can ask for details, like previous owners, address, identification numbers, etc. It is important to have this information because it gives an idea about the trustworthiness of the applicant.

In Norway the applicant has to inform about the background of the entity, if it is a new established one, the date of establishment, or whether it is a take-over and if so from which date. Both the seller and the buyer of a company have to inform about this, and also about whom the buyer/seller is (name, TIN and complete address). This information is mainly used for administrative purposes, but can also be relevant background information in fraud cases.

### 3.3. Questions concerning persons involved in the business

These questions are asked to identify the persons behind the business, and serve administrative purposes. However, these questions can also be relevant for VAT fraud purposes as for example if a new applicant was previously involved in VAT fraud scheme, situation which might entail some further enquiries before registering the new enterprise.

#### 3.3.1. Q3.1 Do you ask details of owners of the business?

14 tax administrations ask for details of the owners of the business.

Austria asks in which economic sector the firm is working, the amount of turnover and the number of persons employed. This information is normally not used for selection of candidates for further checks.

Latvia requests information concerning persons involved in the business. It is requested to state details of the owner in registration form:

- For physical person - name, surname, identification number;
- For legal entities - name, ID number and address.

During the registration process it is checked whether the owner of company owns other companies or not. Special attention is paid to cases if the owner of company owns another company which is fictitious, if a criminal procedure has been started against the owner.

This information is used during the process of analysing newly registered taxpayers.

Norway requests the following information in the registration form as regards the owners of the business:

- For sole proprietorships the name of the proprietor and details shall be stated, plus the name of the managing director.
- As regards limited companies, details as name, TIN, address, postal number and postal address shall be given for the managing director or other contact persons. It is also requested to give details about board members or partners. Details about shareholders are available through other registers.
- When a business is transferred, details about previous owner and new owner are required.

The main purpose of these questions is to check whether the formal conditions for running the business are fulfilled and for administrative purposes. For example, at the point of registration it is automatically checked if any of the persons involved has a trade ban. However, details of owner and other persons involved in the business are useful information as regards the risk assessment, - for example to compare it with information about performance of other companies where the same persons have been involved (through a computer system process). In most of the cases this process is done when controlling the VAT returns where the tax administration has a high focus on new

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companies with refund claims, but can also be done if there is specific suspicion at the point of registration.

Serbia has all the details of business owners from the previous registration at the Companies House. In the VAT registration form the same details are asked in order to detect any modifications. Changes can indicate the necessity to do some further checks. For Serbia it is one of the measures they use to identify Phoenix companies or missing traders.

### *3.3.2. Q3.2 Do you require data about authorised representatives etc.?*

19 tax administrations ask for information about the authorised representatives.

Bulgaria does not ask directly for this information in the VAT registration form, but it is collected indirectly. The applicant has to submit some additional documents together with the VAT application form /Section E/.

One of these documents is a court decision for establishment of the company where personal data of the owners and official representatives of the company can be found.

If other persons submit the application, they have to have a special authorization letter, certified by a notary. These documents contain the name of the owners and representatives of the company, their personal identification number, address and passport number.

The Hungarian tax administration uses these data to check the tax history of the persons. They also check the involvement of the same persons in the running of some other companies and the level of risk of the companies. This is actually one of the risk indicators. In case some of the owners, representatives or related companies being categorized as risky elements, tax officers place this company under observation which means that it will be frequently controlled during the next six months.

Finland asks for information about the members of the board and active partners. In case of dummy company tax officers request information on who has the right to use the bank account and who has been authorized to sign for the company as well as a list of the employees.

They have stated that the more important fraudsters have learned to give suitable replies for these questions. Instead of using the name of their wife they take some person from 'market square' or from a pub nearby.

Norway requires information about names and details of the person responsible for fees to the business register, who has the right to sign for the company and who has registered power of attorney, name and details of auditor and accountant.

This information is asked to check if the formal conditions for running a business are fulfilled, and to serve administrative purposes. This information is however sometimes also used for risk assessment of the entity. For example if an external auditor has been involved in a fraud-scheme with one company, the tax administration can search for other companies with the same external auditor in their database and consider if these companies should also be audited.

*3.3.3. Q3.3 Do you ask data about other persons involved in the business?*

13 tax administrations ask for information about other persons involved in the business.

Denmark requests information about the owners and responsible managers.

Montenegro replies that asking for this data depends on the purpose to use information about other persons. For example, if the tax inspector is going to perform an audit and if the information about other persons is useful, then he asks and gets the information from the tax administration data base. That information might be: name of the other person, official address, address of responsible managers, VAT number, height of income, etc. This information can be used to have a wider look into the companies business activities, and to assess whether other persons could be subject to other audit procedures.

Slovenia asks for data about name, surname and tax number of legal representatives of the company and contact person. This information is used in the selection of candidates for further checks.

If any of these persons were involved in any tax fraud in the past and if any of these persons want to start a new business or want to have a new VAT number, the tax administration will pay special attention on their future "tax" behaviour (e.g. Is it a first VAT declaration? On time? As for the payment of taxes? etc).

By using of this information, tax officers can make a lot of work on the prevention field. With this method they can discover or detect potential missing trader company before fraud really starts.

The Swiss Federal Tax Administration (FTA) asks systematically for the contact person and the trustee, if it exists.

In case of optional registration for company with a future taxable business (start-up) the FTA asks for information on the shareholder(s) and/or the persons who finance the business.

Based on this option the company is closely monitored by the FTA which checked the financial credibility of investors and main shareholders. Sometimes it is better to contact directly the trustee office than taxpayers if tax officers have specific questions about bookkeeping or tax methods which have been applied.

In case this option is followed, investors or shareholders references offer the FTA the possibility to check the validity of a business project. For example, well-known bank or government giving assets to a project would stress its seriousness.

### 3.4. Questions concerning business activities

The questions in Section 4 are dedicated to business activities. The codification of business sector or the date of the beginning of can be used as an indicator for risk analysis. For instance business intending to trade computer parts or mobile phones might be perceived as a risk signal due to the fact that practise reveals that a lot of missing traders used this line of business to commit VAT fraud. The same accounts for the date of the beginning of the business activities.

*3.4.1. Q4.1 Do you ask for a description of the line of business?*

This information is requested by 21 tax administrations.

Austria asks for the main activity only and does not use this information for a risk analysis purpose.

In a specific form (Form 604A, A page 2), Belgium asks for detailed descriptions of all the activities undertaken by applicants with indication of the main economic activity. This information is used for further checks as for instance if the form contains information on high-risk sectors as mineral oil, mobile phones etc. These risky sectors are considered as warning indicators amongst several ones which give information on potential fraudulent taxpayers and can initiate additional questionnaire or a procedure of collection of information at trader's premises.

For some high-risk activities, the VAT regime of monthly VAT returns is imposed.

In case the head of the VAT office has doubts about the activity of a new VAT subject, he can decide to suspend the automatic reimbursement of the first VAT credit, until a tax audit has been performed.

In Norway this information is primarily asked in order to assess whether the entity has a VAT liable activity or not. The applicant is asked to give an accurate and complete description of the business/trade liable to VAT. If several businesses which are liable to VAT are carried out, each of them shall be described. However, the statistical code for the economic activity of the entity is set by the tax administration in order to avoid wrong codifications.

The information about the line of business is also used for a risk assessment purpose, as some kinds of businesses are considered as more risky than others. (However there is always a risk of false and misleading description in the VAT registration form to avoid suspicion from the tax administration).

If the business activity requires an official licence, the applicant may be required to provide a copy of the documents proving that the licence has been given (e.g. applications concerning mining-industry).

This information is also used for risk-assessment at a later stage when the tax returns are processed.

*3.4.2. Q4.2 Do you ask for the code of business activity?*

The question about the code of business activity is used by nine tax administrations.

Croatia only requests the code from the National Classification of Business Activity, which is sometimes used for selection purposes. The code is not always reliable due to the fact that the main activity can differ from the actual one.

Denmark asks information about all the business activities. The tax administration uses the code of business activity also for risk analysis and selection procedures. The experience is mainly good, but of course there are mistakes that have to be followed up on.

In Sweden the risk assessment processed by the tax administration is based on information about business details, in particular the business statistical number.

*3.4.3. Q4.3 Do you ask for the date of the beginning of the business activities?*

19 tax administrations ask this kind of question.

Estonia uses the information about the date of the beginning of the business activity and checks if the tax returns are submitted from the date of the beginning of the business activities.

In Slovak Republic entities have firstly to get registered at the Registration Court before starting the process of getting tax registered. They have then 30 days after the registration court to get tax registered.

If the turnover exceeds the threshold or on voluntary basis, the entity has to be registered in the VAT register.

Sweden wants to know when the business activities have started in order to accurately determine the very beginning of the VAT liability period, which makes it necessary to review the date of the beginning of any VAT economic activity. The taxpayer has to inform the tax administration 14 days before starting such an activity. Not informing on time could lead to further checks initiated by the tax administration. This risky factor has sometimes proved to be relevant to detect risky companies.

### 3.5. Questions concerning information related to turnover

Questions concerning information related to turnover are one of the basic questions for all tax administrations. It can be interesting to know the expected turnover in cases of new starting companies. Missing traders often start with a high expected turnover for intra community trade.

*3.5.1. Q5.2 Do you ask for the date when the taxable supply exceeded the registration threshold?*

Seven tax administrations request information about the date the registration threshold is exceeded.

In Norway this information is requested for administrative purposes, as regards from which VAT period the entity should declare the VAT and submit the VAT returns.

If an entity has been running a business for a time without being VAT registered and declaring VAT, and then later applies for registration, it is unlikely that the applicant would inform the tax administration about this in the VAT registration form.

Another situation is if entities apply for registration to achieve deduction of input VAT. If the taxable supplies have not exceeded the threshold and are not expected to do so in close future, the entity will not be VAT registered and will be asked to notify the tax administration when the threshold is exceeded.

The Norwegian tax officers sometimes ask the VAT registration applicants to support this information with invoices proving their VAT liable turnover. Sometimes this will also be checked with the claimed customers. The tax administration has observed attempts to be registered based on fictitious invoices to customers, in order to obtain registration and VAT refund on purchases either related to non VAT liable turnover, or where no business activity had been started yet.

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Switzerland comments that the FTA systematically focuses on the first effective declaration. New taxpayers are intensively audited in case tax officers observe incongruity or non-compliance as regards the data in the registration form, in particular turnover structure, its amount and deductible preliminary tax compared with the compared figures depending on the economical sector.

This information is not used for the selection of candidates for further checks due to the fact that for the moment numerical information of the registration form is not saved as a value in a database, which means that they cannot use it systematically to process taxpayer selection for deeper checks.

### *3.5.2. Q5.3 Do you ask questions about the value of the purchased goods and services?*

Nine tax administrations ask questions about the value of the purchased goods and services.

In Azerbaijan this question is only asked to taxpayers who register voluntarily (those whose turnover is below USD 25,000). There are six more questions asked in the case of voluntary registration.

Estonia uses the information to select taxpayers for audits. The tax inspector looks carefully if there are any differences between the value declared by the taxpayer and the values planned to be reached in his application form - if there are different data (application form and the declaration), then the inspector asks for explanations (if there are fictitious data, no real economic activity, the inspector can delete the entrepreneur from the VAT register).

Montenegro asks these questions and uses the answers to compare with all the tax returns available in the tax administration's data base. A difference between the tax returns from the data base and the company's accounting will indicate that something is wrong and the tax inspector can perform an audit, ask for explanation and account the real VAT obligation. Therefore the taxpayer has to pay its obligation and if not company's accounts can be frozen by the tax inspector.

### *3.5.3. Q5.5 Do you ask questions about previous turnover or turnover realized before the registration process?*

12 tax administrations request for information about the turnover realized before the registration process.

Bulgaria asks questions about previous turnover in their VAT registration questionnaire. If this is not the first registration of the company there also some further checks in their VAT registers database. The Bulgarian tax administration uses this information to find the company's suppliers and clients and to check the economic reality of these transactions. Crosschecks are often made, especially in case that some of the partners are risky. If the tax officer finds out that some of the transactions are not real, registration is refused or a de-registration procedure is started. These checks could be reason for starting an audit.

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Croatia asks also questions about previous year turnover in order to determine whether some taxpayers remain above or below the threshold for mandatory VAT liability (about EUR 11,500).

In Switzerland the FTA needs this data to define the date of registration. In case of late announcement the amount of tax is due to be processed retroactively. As mentioned previously, the information is not used for the selection of candidates for further checks as for the moment numerical information of the registration form is not saved as a value in a database.

### *3.5.4. Q5.6 Do you ask questions about expected turnover?*

18 tax administrations include questions about the expected turnover in their application form.

The tax administration of Austria uses this information to make a distinction between small, medium and large taxpayers. This information is necessary to make decisions on which department is responsible for tax audits.

Belgium asks information about the expected turnover. This information is one of the criteria used to select the respective VAT regime applicable for this company. (Unfortunately, a doubtful taxable person would not mention reliable information on an official form.)

In Czech Republic taxpayers must register in case the turnover exceeds the threshold and also if they expect to exceed turnover in future. The fact that an expected turnover was significantly higher than the actual declared one could be a strong signal to start a tax audit.

Sweden requests a different kind of information about the value of the turnover. The tax administration asks for the estimated value of the VAT liable turnover, non-VAT liable turnover in Sweden and if the taxpayer is planning to have EC trading or export. Swedish companies whose turnover is not estimated to exceed SEK 1 million could report VAT once a year in their income tax declaration. The Swedish Tax Agency underlined the issue of missing trader companies which obviously want to report VAT once a year and estimate the VAT turnover just below the legal threshold (1 million Swedish crowns). Together with other risky factors - as the line of business and the people behind the company-, these parameters lead to perform deeper investigations. The tax administration could also force the company to report on a monthly basis which will lead therefore to a closer monitoring.

In Switzerland the expected turnover is a very important element in case of optional registration for taxpayers with a future taxable business. The tax administration needs this information to define and estimate the validity of the forecast to give agreement to optional registrations. As previously mentioned, this information is not used for the selection of candidates for further checks due to the fact that for the moment numerical information of the registration form is not saved as a value in a database.



### 3.6. Information about intra-community transactions (EU)

This part is dedicated to intra-community transaction. For the detection of VAT carousel fraud, this information is usually being combined with other risky parameters as for example the line of business.

*3.6.1. Q6.1 Do you ask if the applicant expects intra community supplies or acquisitions in the next twelve months?*

11 tax administrations request information on this subject.

Poland does not ask this information on the VAT registration form, but uses a special form (VAT-R/EU) on which the taxpayer has to submit information about the expected intra community supplies and acquisitions.

Prior to making the first intra community supply or acquisition information concerning intention<sup>2</sup> of carrying out intra community supplies/acquisitions is submitted by taxpayer on the form concerning intra community tax liability (VAT-R/EU), which is annexed to VAT registration form (VAT-R) concerning registration in scope of tax on goods and services<sup>3</sup> (legal basis: article 97 paragraph 1, 2 and 3 of VAT act). In other words the Polish tax administration does not expect the information on the stage of registration for tax on goods and services purposes (VAT-R form). But if the taxpayer knows that he will carry out intra community transactions as well as the starting date, the Polish tax administration suggests providing the head of tax office with the information on VAT-R/EU annex already at this stage.

This VAT-R registration form with annex VAT-R/EU is a source of information about intra-community activity. The head of tax office shall acknowledge the registration of the subject referred to in paragraphs 1 to 3 as an EU VAT payer (on VAT-5EU form) - according to article 97 paragraph 9 of VAT act. Taxpayers may use identification number for intra community transactions (the tax identification number preceded by the PL code) having obtained the acknowledgement in accordance with paragraph 9 (VAT-5EU form) - according to article 97 paragraph 10 of VAT act. And it is a common knowledge that having the identification number for intra community transactions is one of the conditions upon which intra community supplies of goods may be taxed at 0% rate - according to article 42 of VAT act.

The information concerning intention of carrying out intra community supplies/acquisitions and expected starting-date of the actions is also crucial. According to article 97 paragraph 5 of VAT act in case of taxpayers who start VAT taxable activities (among other intra community supplies/acquisitions) and taxpayers who have started such activities within less than 12 months prior to filing the application VAR-R/EU and got registered as EU VAT payers, the time limit for the tax difference refund shall be extended to 180 days. According to article 97, the paragraph 7 of VAT act the provision of paragraph 5 shall not apply if the taxpayer provides tax office with a guarantee security deposit, material security or bank guarantees amounting to Zlotys 250,000.

Is this information useful for the selection of candidates for further checks?

Within VIES application (in the following part: Taxpayer's settlement of intra community transactions -> Reports) two reports are made with reference to a given range - tax office and period - year or quarter.

<sup>2</sup> Taxpayer doesn't indicate that he intends to carry out intra community supplies and/or intra community acquisitions within next 12 months. Taxpayer indicates the intention and provides the expected starting date of the above actions.

<sup>3</sup> Polish name for VAT

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One report concerns VIES registered taxpayers who did not submit VAT return or any recapitulative VAT-EU statement. The report generates three types of lists:

- A list of active taxpayers<sup>4</sup> with a submitted VAT-EU statement and without valid VAT return;
- A list of active taxpayers with valid non-zero VAT return and without confirmed VAT-EU document;
- A list of active taxpayers without VAT and VIES documents<sup>5</sup>.

Another report concerns non-registered VIES taxpayers with valid VIES settlements. The report generates also two types of lists:

- A list of taxpayers not entitled to carry out intra community supplies and declaring non-zero amounts of supplies in a settlement concerning a given quarter;
- A list of taxpayers not entitled to carry out intra community acquisitions and declaring non-zero amounts of acquisitions in settlement concerning a given quarter.

### *3.6.2. Q6.2 Do you ask the applicant if they are registered in other EU Member States?*

This information is requested by seven tax administrations.

Estonia asks this information in order to enable the tax administration to have an indication of activities undertaken by the taxpayer. Although the first step is a question mentioned on the application form, any other investigations/contacts remain informational, the tax inspector generally initiating a contact call to the taxpayer allowing to raising additional questions.

A separate questions form is used for that purpose and in case of suspicion, more questions are generated to finalise the registration process. The tax inspector then scrutinizes the declarations in respect of data and can also ask in a very informal way the reasons for undertaking activities in some other EU Member States.

The Czech Republic and Slovak Republic consider this question only as a formal one. They do not use it for risk analysis.

### *3.6.3. Q6.4 Do you ask questions about acquired goods and services?*

Six tax administrations require this information.

## **3.7. Questions regarding assets, real estate, equipment etc.**

The questions in this section refer to taxpayers' property and finances. It is interesting to know how a taxpayer finances its activities. In case of VAT carousel fraud it can happen that missing traders do not have any funds, this entailing a financing by other parties involved in the fraud scheme. It is also interesting to know whether a non compliant company which does not pay tax has assets or real estate.

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<sup>4</sup> Active taxpayer - in case of VIES application taxpayer entitled to carrying out intra community transactions, that is taxpayer who submitted registration form VAT-R with annex VAT-R/EU.

<sup>5</sup> VIES document is recapitulative statement concerning intra community supplies / acquisitions of a taxpayer for a given quarter (VAT-EU form), correction of the information (VAT-EUC form) and also post-audit or internal correction created by the worker of tax authorities in order to revise information declared by taxpayer. VIES document is processed in tax office competent for VAT carrying out intracommunity transactions in a given quarter on the basis of information on the TP-activity.

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### *3.7.1. Q7.1 Do you ask questions about the number of employees?*

This information is requested by 12 tax administrations.

Azerbaijan asks question about the number of employees only in case of voluntary registration.

In France this information is directed to both the URSSAF (social security) and tax administration in order to determine if the legal entity is liable with social contributions. This item may be useful to detect missing trader or a conduit company carrying out a high turnover without employees, premises and fixed assets.

The Netherlands explain that the application form is not only used for VAT purposes but also for wages tax for which the number of employees has to be declared. The information can also be used for risk assessment in VAT cases at the stage of registration. For instance in case a company expects a very high turnover on export and delivery of goods, the absence of staff can originate further checks.

Sweden is interested in the number of employees for social security contributions and preliminary tax on salaries. The tax administration also uses this information for deeper controls in case they do not have any employees or just one employee.

The most important information from the Swedish application form for taxes and contributions used for risky items to select risky taxpayers are:

- Information about persons who are behind the company.
- Information about the line of business and the statistical number in order to sort out risky taxpayers in risky branches.
- If the company gives any intention or do not pay any taxes and fees from the start. For example if they estimate that they don't have to pay VAT, employee's fee, preliminary taxes etc. Why?
- If taxpayers are planning to perform EC trading or export.

### *3.7.2. Q7.2 Do you ask questions about the source of funds to establish or to operate the business?*

Seven tax administrations ask this kind of questions.

Latvia requests this information in order to check the eligibility for registration. The taxpayer is also requested to present evidence of existence of funds, e.g. printouts of bank accounts, description of goods invested in fixed capital. This information can be checked during taxpayers visit and if they provide false information then registration can be denied.

In Montenegro this question is not part of the application form. But since 2006, the tax administration asks a question on the funds.

The United Kingdom explains that this question is not part of the application form, but is asked if the applicant is selected for further checks.

The information is necessary to check the credibility of the business and potentially the source of the funds as this element is not requested as part of the application form.

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This information can be relevant to identify potential missing traders and others taxpayers involved in carousel fraud. It can also help to identify businesses that have been set up to, for example, merely claim fraudulent refunds.

### *3.7.3. Q7.3 Do you ask questions about the ownership and value of the equipment and other assets?*

Nine tax administrations request this information.

Norway asks several questions to establish whether the person applying for VAT registration carries out a business or if he/she is employed. One of these questions asked is if the business uses its own equipment. This information is as explained not asked for VAT fraud purposes, but can of course be a relevant background information for risk assessment, for example to consider if the business is real or not.

Switzerland uses other questions regarding this item. The tax administration asks questions about investments, facilities. This information is not used for the selection of candidates for further checks due to the fact that for the moment numerical information of the registration form is not saved as a value in a database, which means that they cannot use it systematically to process taxpayer selection for deeper checks.

The United Kingdom only asks for this information if an applicant is selected for further checks. The information is used to test the credibility of the business and ensure that it is capable of carrying out the business as claimed. Also in case a security is requested, or to identify possible assets if it felt there is a risk that the business may cease trading owing VAT.

The information is not used for the selection of candidates for further checks, but it may be used as part of the justification for applying a security or refusing registration. If the owner of the business has a poor compliance record and is starting a new business with no real assets this is a risk, so they would be more likely to ask for a security.

The United Kingdom experienced that the information can help identify potentially fraudulent or non-complaint businesses

## **3.8. Questions concerning bookkeeping, auditing and the VAT return**

Information about bookkeeping, auditing and VAT return can be interesting for detecting VAT fraud. For example: was the accountant involved in previous VAT fraud, is bookkeeping performed in another country, what frequency of submitting tax returns is requested (missing traders prefer to have a frequency as small as possible; for instance: once a year).

### *3.8.1. Q8.1 Do you ask questions about the companies accountant*

11 tax administration request information about the taxpayers' accountants.

In France the name of the accountant is not required, just the name of the person filing the application form. Sometimes it may be the accountant.

The tax administration implements a database with the accountants involved in fraud scheme detected in audits or enquiries.

Finland checks the information on the bookkeeping from that point of view whether there are some connections with some fraudulent companies or if the bookkeeper has already a suspicious reputation.

The Netherlands ask for data about a company's accountant. This information can be used for risk assessment, for example if an accountant has been involved in fraud cases as there might be a risk that if also the new company can be used in a VAT fraud scheme.

*3.8.2. Q8.3 Does your legislation or registration form allow for different VAT return periods (i.e. quarterly, monthly, yearly)?*

The legislation or application form of 11 tax administrations allows for different VAT return periods.

In Denmark the tax return period depends on the expected turnover, which has to be indicated by the applicant.

Poland explains that VAT-R registration form allows taxpayer to choose a possibility of quarterly settlement. According to content of article 99 paragraph 2 and 3 of VAT act it concerns the so called small taxpayers and lump-sum tax farmers supplying agricultural goods or providing agricultural services which are tax exempt on the basis of article 43 paragraph 1 subparagraph 3 of VAT act, who abandoned the tax exemption.

The Polish tax administration operates on the basis of External Risk Management Strategy. The essential document resulting from above mentioned strategy is the National Compliance Plan. It describes among others national priority risk areas, set of actions aiming to eliminate or reduce the risk areas and participants of the actions. One of risk areas included in National Compliance Plan for the year 2006 and 2007 is defined as follows: "taxpayers carrying out intra community transactions".

Implementing National Compliance Plan tax offices make use of the possibility of executing automatic selections provided by IT system „Control". Among others results of the selections are used for creating audit plans or corrections of previously approved plans. From among criteria used for defining of selections concerning EU trading taxpayers risk area there are among others criteria related with quarterly period of settlement, such as for example:

475 (indicating intra community supply of goods in year 2006 - quarterly tax return),  
371 (indicating intra community supply of goods in year 2005 - quarterly tax return),  
449 (intra community supply of goods in year 2005 goes in a defined range of values - quarterly tax return),  
483 (intra community supply of goods in year 2006 goes in a defined range of values - quarterly tax return).

The Slovak Republic only allows two tax return periods: monthly and quarterly.

### 3.9. Questions concerning special schemes, licences and certificates

In many countries the VAT law offers a variety of options as for instance the possibility to register even if the turnover is below the threshold, or, in cases of import of goods, postponing the moment of tax liability from the day of import to the moment on which the tax return has to be submitted. The request for the application of an option can be used as a risk indicator.

*3.9.1. Q9.3 If no, can an applicant use other forms to ask for a special scheme?*

Only two tax administrations use other forms for the application of a special scheme, The Netherlands and Switzerland.

Switzerland has many registration options. The more known and used ones are:

- *Flat rate tax method* (simplified method working like a turnover tax with rate depending on the economical sector), only for small business, threshold CHF 3,000,000 (EUR 2,000,000) depending on the economical sector (will be soon upgraded to CHF 5,000,000).

- *Declaration based on received payment method* instead of agreed payment method; with this option declarations are based on the financial movement. Of course some formal conditions on the book-keeping must be applied to use this option.

- *Voluntary registration* for some business outside taxable area (for example commercial real estate, health sector etc.) or under the threshold.

For example, the flat rate tax method does not allow the deduction of the preliminary tax which means that the tax administration has to apply another strategy to estimate the risk. This factor is very important to process the selection of taxpayer for deeper checks. This option is exercised by the third of the taxpayers.

If two companies are trading together, there is a risk of having the first one using the received payment method and the other one the agreed payment method. The company using the received payment method will send a bill to the other one which might never pay. The preliminary tax is then deducted but the tax is never declared and paid on the other side. Unfortunately this can't be used systematically to process to deeper checks as it remains related to the personal conviction of tax officers.

As for voluntary registration for company with a future taxable business (start-up), the deeper checks and close monitoring are systematically made.

These options are chosen for many years and changing of option is seen as a risk factor in the selection of taxpayer for auditing.

For this specific reason, they perform a complete check once a year so that they can anticipate in case the project collapse.

The Dutch VAT law offers the possibility in cases of import of goods to postpone the moment of VAT payment. Normally taxpayers have to pay VAT at the Customs the day the goods imported. But certain conditions allow postponement of this payment to the moment the tax return regarding that period has to be submitted. The tax administration has stated that this option is often used in VAT carousel fraud as VAT on the import of goods does not have to be financed and reimburse at a later stage.

### 3.10. Additional documents to be submitted with the VAT registration form

Some tax administrations ask for documentation if entities are applying for VAT registration. This can be related to the proof of economic activity: copy of invoices proving acquisitions or sales, licenses, leasing contracts etc.

*3.10.1. Q10.1 Do you ask for evidence of economic activities?*

Seven tax administrations ask for evidence of economic activities.

Bulgaria asks the taxpayer for invoices, contracts, transport and payment documents, as well as questions about the way specific transactions were performed in reality. The tax

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administration asks not only the taxpayer but also its suppliers, clients and other companies involved such as transport companies, warehouse holders and providers of other services related to the respective transaction.

Sometimes tax officers try to find the origin of the goods following its way from the checked taxpayers to the producer or importer. Often during these checks tax officers find out that some of the suppliers or previous one is a missing trader or has not really performed the transaction due to a lack of technical resources or knowledge.

In Slovenia, the tax administration can ask taxpayers for the evidence of economic activities, for example contracts, pre-contracts, business plan and documents about the purpose of their business. This information is not systematically used for further checks. If the taxpayer is registered or will be doing "risky" business, the tax administration will pay more attention to his fiscal behaviour in future. This information is used for the evidence of economic activity of the taxpayers for the purpose of issuing VAT numbers.

In Slovak Republic this information about evidences of economic activities is related to the threshold of turnover for being VAT registered. This information is sometimes verified by cross-checking with trade partners' information.

### 3.10.2. Q10.2 Do you ask for additional documents?

Seven tax administrations ask for additional documents.

According to the Bulgarian VAT act the tax authorities have 14 days within which they have to register the company or to refuse registration. The Bulgarian VAT registration application form is simple. There is only information about taxpayer - name, address, and identification number, the reason for registration/ obligatory or voluntary and the legal ground for registration. There is also information about person submitting the application. Some additional documents have to be submitted: court decision related to the establishment of the company, information about the turnover and licensees if they are required.

The Bulgarian tax administration has online access to the companies register database where information could be found about other companies belonging to the same individual and to his partners in order to check the tax history of these persons and companies.

Information about previous registrations and turnover, suppliers and clients are present in databases. Information about the activity, goods and services subject of the transactions, technical equipment, human resources, financing, premises, warehouses and other assets are collected with additional questionnaire. This information is used to assess the risk for any taxpayers.

Denmark does not require additional documents at this stage, unless an application is selected as a risky one.

Montenegro has a data base which includes lots of information about taxpayers. If something new during an audit comes up, the tax inspector is allowed to ask for a specific document (an original document) of any kind.

Norway explains that if the business activity requires a special licence for instance, the applicant may be required to provide copy of the documents proving that the licence has been issued - e.g. applications concerns mining-industry.

This information is also used for risk-assessment at a later stage when the tax returns are handled.

### 3.11. Questions concerning the forms used for VAT registration

The questions in this part refer to the use of the application by the tax administration.

#### 3.11.1. *Q11.1 Do you use this application form solely for VAT purposes?*

This question points to find out if the application form is only used for VAT purposes only. This is the case for 17 tax administrations.

Belgium and Serbia use this form only for VAT purposes only.

Bulgaria uses this application form only for VAT registration purposes but information collected during the pre-registration checks is useful to update the risk-database which is used in the selection process.

The Dutch application form is not only designed for VAT purposes only. The form also includes questions regarding other taxes, like wages tax, personal income tax and corporation tax. The reason for this approach is to minimise the administrative burden for the businesses. Using one form for different taxes reduces the amount of questions, because the more general questions (name, address, phone number etc.) are only asked once.

#### 3.11.2. *Q11.2 Do you require another form or procedure for specific legal entities?*

Five tax administrations use other forms or procedures.

Poland has specific procedures referring to specific subjects. (E.g.: special schemes applicable to non-EU-established subjects providing electronic services on the territory of the European Community to non-taxable persons, tax representatives etc.)  
For further consideration, information related to these specific procedures is attached to this report.

### 3.12. Additional questions

Additional questions are asked by some of the tax administrations that were participating in this survey.

These questions are related to the following:

- Place where business documents are kept;
- Involvement in the running of other companies, or interest/shares in other companies;
- Biggest business partners;
- Contracts in force;



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- Owners or officials positions in other companies;
- VAT-group.

Hungary and Latvia are asking some of these additional questions.

### Hungary

The tax administration asks for the place where business documents are kept and also for an official permit for approval if the taxpayer has to have an authorization to carry out business activity. (As mentioned under number 1.2, the company registration is delivered by the Court of Registration in Hungary, and their data registered are sent to the tax authority. So the Hungarian tax authority has no right to carry out pre-registration control.)

### Denmark

Supplementary questions are used as follow up of the registration form received from the applicants (merger, board, the right to sign for the company etc.).

### Norway

Questions regarding VAT-group are only used for administrative purposes. As regards owners or officials positions in other companies, this information is directly accessible for the tax administration from its central register for entities, and is therefore not requested in the VAT registration form. This information is considered useful when selecting candidates for audit or when investigating companies which involved in VAT fraud schemes.

#### 4. GENERAL QUESTIONS ABOUT THE VAT SYSTEM IN THE PARTICIPATING TAX ADMINISTRATIONS

As the IOTA Area Group PDVF started the work on Pre- and Post-registration Control, including the comparative study on VAT registration/application forms, it was agreed also to collect some background-information from the participating tax administrations.

Question regarding the possible VAT periods

The VAT reporting period varies in the different Member tax administrations. In most of the tax administrations, there are one standard period and additional shorter/longer periods implemented either to accommodate businesses or to facilitate the tax administrations needs.

The length of the VAT period in combination with the number of VAT registrants will indicate the amount of VAT returns that have to be checked.

##### 4.1. Questions regarding the number of VAT registrants, new registrations and de-registrations

One of the reasons for asking this question is that the number of VAT registrants and new registrants varies a lot from one country to another. Consequently the numbers of checks and audits that have to be done varies for the reporting tax administrations.

##### 4.2. Question if the VAT registration form has been made/revised with consideration for VAT fraud

This question is related to the purpose of this survey - how the registration form can be designed to facilitate the risk assessment at the point of registration. Some tax administrations have replied positively to this question (Finland, Switzerland and The United Kingdom). However, other tax administrations also observe that some of the information from the registration form is useful to detect potential fraudulent entities, although that might not have been the intention when the question was placed in the registration form.

##### 4.3. Questions about the ability to deny registration and to de-register

The participating tax administrations have also been asked about the ability to deny registration and to deregister, and if so under which conditions. For example if the pre-registration controls reveal that the person behind the applicant company previously has been involved in VAT fraud, is the tax administration allowed to deny registration? And can the tax administration de-register a dormant company?

In some tax administrations this might be questions and possibilities that are discussed and therefore of interest to learn about the possibilities that tax administrations in other tax administrations have.

#### 4.4. Questions about registration

Most tax administrations use a threshold for registration. Regarding this threshold questions were asked about voluntary registration and date of registration.

All tax administrations allow voluntary registration but the date of registration differs.

## 5. APPENDIX 1 - GENERAL QUESTIONNAIRE

### 1. Questions relating to the identification of the applicant

- 1.1 Tax Identification Number
- 1.2 Other kind of registration number of the entity (ex. Chamber of Commerce)
- 1.3 Official name of applicant
- 1.4 Official address
- 1.5 Trading name
- 1.6 Detailed addresses
- 1.7 Telephone number
- 1.8 Mobile phone number
- 1.9 Fax number
- 1.10 Email address
- 1.11 Homepage/Website
- 1.12 Bank account numbers
- 1.13 Details about the applicant who signed the form

### 2. Questions concerning the structure and legal status of the business

- 2.1 Do you have questions about the legal entity?
- 2.2 Do you ask questions about the background of the creation of the legal entity?
- 2.3 Do you request copies of contracts, etc.?

### 3. Questions concerning persons involved in the business

- 3.1 Do you ask details of owners of the business?
- 3.2 Do you require data about the authorised representative, manager, responsible person, contact person?
- 3.3 Do you ask data about other persons involved in the business?

### 4. Questions concerning business activities

- 4.1 Do you ask for a description of the line of business?
- 4.2 Do you ask for the code of business activity?
- 4.3 Do you ask for the date of the beginning of the business activity?

### 5. Questions concerning information relating to turnover

- 5.1 Do you ask how the turnover is made up?
- 5.2 Do you ask for the date when the taxable supply exceeded the registration threshold?
- 5.3 Do you ask questions about the value of the purchased goods and services?
- 5.4 Do you ask questions about the services received from non resident persons?
- 5.5 Do you ask questions about previous turnover?
- 5.6 Do you ask questions about expected turnover?

### 6. Information about intracommunity trade (EU)

- 6.1 Do you ask if the applicant expects intra community supplies or acquisitions in the next twelve months?
- 6.2 Do you ask the applicant if they are registered in other EU Member States?
- 6.3 Do you ask questions about the taxable supply of distance selling?

6.4 Do you ask questions about acquired goods and services?

7. Questions regarding assets, real estate, equipment etc.

7.1 Do you ask questions about the number of employees?

7.2 Do you ask questions about the source of funds to establish or operate the business?

7.3 Do you ask questions about the ownership and value of the equipment and other assets?

8. Questions concerning bookkeeping, auditing and VAT return

8.1 Do you ask questions about the company's accountant?

8.2 Do you ask questions about the accounting period?

8.3 Does your form allow for different VAT return periods?

9. Questions concerning special scems, licences and certificates

9.1 Does the registration form allow the applicant to apply for special scemes?

9.2 If yes, are they required to provide additional information to support the application?

9.3 If no, can an applicant use other forms to ask for a special sceme?

10. Additional documents that have to be submitted with the VAT registration form

10.1 Do you ask for evidence concerning the economic activities?

10.2 Do you ask for additional documents?

11. Questions concerning the forms used for VAT registration

11.1 Do you use this application form solely for VAT purposes?

11.2 Do you require another form or procedure for specific legal entities?

11.3 Do you have a specific form for foreign companies?

11.4 Is the form or forms available on the Internet?

12. Variations and changes to information regarding VAT registration

12.1 Is the VAT registration used for later modification and changes to the VAT registration particulars?

**Additional questions**

Questions concerning:

- Structural units;
- Involvement in other companies;
- (EU) countries the applicant is trading with;
- Biggest business partners;
- Contracts which are in force;
- Owners and or officials positions in other companies;
- Information which proves companies (private persons) rights to use official address;
- VAT group.

## 6. APPENDIX 2 - ADDITIONAL QUESTIONNAIRE

### Topics:

1. What are the current VAT rates in your country (standard, reduced)?
2. What are the possible VAT periods (monthly, quarterly, other period)?
3. What is the standard VAT period (legal)?
4. Number of VAT registrants
5. Has your registration form been made/revised with consideration to VAT fraud? If yes, please explain.
6. Under which circumstances can VAT registration be denied?
7. Under which circumstances can you de-register companies?
8. If you de-register companies when the turnover falls below the threshold at what date does de-registration become effective?
9. Do you have a VAT threshold for registration?
10. Can a taxpayer volunteer (opt) for registration when his turnover is below the threshold?
11. Is there a certain time limit within which you have to register when you exceed the threshold?