



KMLZ VAT NEWSLETTER

VAT fraud: Fiscal authorities are distributing a four page information leaflet to selected entrepreneurs

1. Fiscal authorities are increasing their focus on VAT fraud

The fiscal authorities have increased their focus on VAT fraud. To this end they have, for some time now, been distributing a four page information leaflet to selected entrepreneurs, listing 40 circumstances which the fiscal authorities consider to be suspicious as regards fraudulent VAT activities.

2. Possible tax consequences if warning signs listed in the information leaflet are ignored

With this information leaflet, the fiscal authorities intend to make entrepreneurs aware of the fact that they must pay attention to suspicious circumstances when initiating or processing business transactions. The following tax and

Fiscal authorities identify 40 warning signs

The fiscal authorities are increasing their focus on VAT fraud by means of an information leaflet setting out 40 warning signs which is being distributed to selected entrepreneurs. In this information leaflet, the fiscal authorities have listed numerous circumstances which they consider to be suspicious as regards fraudulent VAT activities and which entrepreneurs have to take into consideration when initiating business transactions. According to the fiscal authorities, if these warning signals are ignored this might suggest involvement in fraudulent VAT activities and lead to the refusal of VAT deduction or tax exemption of intra-Community supplies.

legal consequences may ultimately eventuate if an entrepreneur ignores the warning signs listed in the information leaflet:

- refusal of VAT deduction,
- refusal of tax exemption of intra-Community supply or
- liability for VAT (sec. 25d of the German VAT Act).

3. Greater care to be exercised regarding the know your customer process

Entrepreneurs should protect themselves by paying strict attention to the warning signs listed in the information leaflet. In addition, the know your customer process, as well as its result, should be individually documented for each business partner.