

VIRTEU

VAT fraud: Interdisciplinary Research on Tax crimes in the European Union

E-Technical Paper

Expert Survey Report: The Interconnections between Tax Crimes and Corruption

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VIRTEU

Vat fraud: Interdisciplinary Research on Tax crimes in the European Union (Grant Agreement no: 878619)

Expert Survey Report: The Interconnections between Tax Crime and Corruption

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Executive Summary*

VIRTEU is a high-profile legal research project funded by the European Anti-Fraud Office (OLAF) under the HERCULE III program. Adopting a complex methodology, the research activities of the project are characterized by both a comparative and interdisciplinary approach that aims to explore the interconnections between tax crimes and corruption, and unravel the intimate relationships that exist between fraudulent and corrupt practices in the area of taxation.

One of the main research activities carried out during the project included an Expert Survey, which is widely recognized as a valuable method for measuring concepts that would be difficult to measure through alternative strategies and permits researchers to create indicators that are comparable across diverse contextual settings.¹ In particular, expert surveys are especially useful for measuring complex concepts that require expert knowledge and evaluative judgments, as well as for measuring phenomena for which alternative sources of information are scarce² such as corrupt practices, tax crimes and, more importantly, their interconnections.

As a result, the survey aimed at gathering opinions from relevant stakeholders and national experts, including, but not limited to, members of tax enforcement agencies and tax police, prosecuting or judicial authorities, legal or accountancy professionals, auditors, anti-corruption authorities or specialized units, NGOs, and private companies and unions. This has been achieved through the anonymous completion of a technical questionnaire comprising 157 questions focused on matters closely related to tax crimes and corruption. The questionnaire benefited from the participation of **29 experts** from **10 jurisdictions**, including **Croatia, Estonia, Finland, Greece, Italy, Latvia, Netherlands, Portugal, the United Kingdom, and the United States of America.**

* This report has been prepared by Dr. Costantino Grasso, Associate Professor in Business and Law at Manchester Law School, and VIRTEU Principal Investigator, and Stephen Holden, Ph.D. Candidate at Manchester Law School, and VIRTEU Research Assistant.

¹ See Maestas, Cherie, 'Expert Surveys as a Measurement Tool: Challenges and New Frontiers', in Lonna Rae Atkeson, and R. Michael Alvarez (eds), *The Oxford Handbook of Polling and Survey Methods*, Oxford Handbooks (2015).

² See Gelman, Andrew, "Constructing expert indices measuring electoral integrity" — reply from Pippa Norris', *Statistical Modeling, Causal Inference, and Social Science* (Jan. 2, 2017), available at: <https://statmodeling.stat.columbia.edu/2017/01/02/constructing-expert-indices-measuring-electoral-integrity-reply-pippa-norris>.

Following a systematic analysis of the results, this report provides a high-level overview of the most significant emergencies and findings. Amongst them includes:

- Broadly there exists a **generalized adverse public attitude to the payment of taxation**, with particularly strong feelings in countries understood to have been more adversely affected by tax crimes and corrupt practices (page 6).
- The **construction and infrastructure** sector as well as the **financial sector** emerged to be the industrial sectors **most vulnerable to tax crimes and corrupt practices** (page 8).
- The recurring presence of countries characterized by a high level of financial secrecy such as Switzerland, Luxembourg, and Cyprus, among the foreign countries most commonly involved in transnational tax abuses, demonstrates the **highly problematic and intimate interconnection between the level of financial secrecy and the resulting facilitation of tax abuses**, money laundering, and other economic crimes (page 9).
- The experts not only commonly acknowledged the **taxation systems** in their jurisdictions appear to be **too complex** but also considered **such a complexity to be one element that facilitates the perpetration of tax crimes** (page 11).
- A major discrepancy emerged between the adequacy of the legal frameworks aimed at countering tax crime as well as corrupt practices and **how such legal instruments are enforced**, with the latter considered to be somehow **not effective** (page 21).
- Although the use of **intrusive investigative techniques** to fight against tax crimes and corruption was widely **considered fundamental**, the survey demonstrated that **such techniques are in practice used infrequently** (page 29).
- **Amnesties and other impunity or leniency measures** have become a feature of several systems, however, these provisions **may perversely act to embolden offenders** through the perception they only have to hide their deeds until an amnesty is offered, allowing the perpetrator of the crime to profit (page 32).
- **Professional enablers of tax crimes and corruption**, such as lawyers, accountants, and auditors, **are frequently involved in the design and perpetration of tax crimes with little responsive action** from either the state or professional oversight bodies (page 37).
- With high degrees of employment transitioning between regulatory authorities and large organizations, the **revolving door phenomenon** results in overt familiarity between officials and perpetrators of tax crimes, which in turn **may adversely affect enforcement efforts, the effectiveness of anti-tax crime strategies, as well as the relevant political decision-making process** (page 42).
- **Whistleblowers** were identified as **extremely important** in the detection and prosecution of both tax crimes and corruption offenses, however, from the Expert Survey, it emerged that **inadequate forms of legal protection remain available for whistleblowers** (page 43).

Introduction

VIRTEU (Vat fraud: Interdisciplinary Research on Tax Crimes in the European Union, Grant Agreement no: 878619) is a high-profile legal research project funded by the European Anti-Fraud Office (OLAF) of the European Commission under the HERCULE III program. VIRTEU, which adopts a complex methodology and is characterized by both a comparative and interdisciplinary approach, aims at exploring the interconnections between tax crimes and corruption, and unraveling the intimate relationships that exist between fraudulent and corrupt practices in the area of taxation.

The project brought together key academics and experts in producing theoretical and empirical research to support the scientific findings and policy recommendations that will be delivered through publications and policy reports as the main outputs of the project.

In order to achieve the research objectives, the project includes the findings of a technical questionnaire completed by relevant experts and practitioners within not only the select national jurisdictions the project focuses on (Bulgaria, Denmark, Greece, Italy, Netherlands, and the United Kingdom), but also more broadly within Europe, and relevant common law jurisdictions such as the United States.

The primary focus of the questionnaire is the interconnections between tax crimes and corruption, including relevant issues such as the driving factors of such conducts, the enablers of tax crimes and corruption, the revolving door phenomenon, and the role of whistleblowers and disclosing parties as a means of combatting illicit practices, amongst others.

Dissemination Strategy

In order to provide the project with the broadest possible reach and impactful dissemination as well as long-lasting visibility of the project outcomes, VIRTEU has established a partnership with the [Corporate Crime Observatory](https://www.corporatecrime.co.uk), which is an international platform established by independent academics and experts from different countries and backgrounds devoted to promoting the analysis and discussion of corporate and economic crime issues around the world. The Corporate Crime Observatory not only serves as the long-lasting repository of the project outcomes but also as a research-focused platform that provides select opinions and arguments from the most impactful research findings and observations of the contributors, with each point being supported by a specific hyperlink, whereby encouraging representatives of law enforcement agencies and authorities, practitioners, academics, and other interested parties to utilize the resources. The collated outcomes of the VIRTEU project are available at the following link: www.corporatecrime.co.uk/virteu.

Research Methodology

Following the completion of several events conducted as part of the VIRTEU project, including a series of international round tables, workshops focused on the select national jurisdictions, a series of reports produced by recognized international experts, and an international symposium, the key areas for additional exploration were identified and the survey was developed in order to gather evidence from expert stakeholders in the area of anti-tax crimes and anti-corruption, in both the public and private sector. This included exploration of both factual and legal aspects of tax crimes and corruption, as well as the efficiency of the measures currently in place to counter them.

Distributed online to increase the scope and accessibility, the questionnaire contained 157 independent questions focused on matters closely related to tax crimes and corruption and provided the opportunity to elicit the anonymous opinions and views of relevant experts. The questionnaire was distributed to individuals who have acquired knowledge in the areas of tax crime, tax enforcement, or anti-corruption, and to those with professional backgrounds including, but not limited to, members of tax enforcement agencies and tax police, prosecuting or judicial authorities, legal or accountancy professionals, auditors, anti-corruption authorities or specialized units, NGOs, and private companies and unions. Accordingly, the questionnaire represents an integral and fundamental part of the research.

Following the completion of the questionnaire, a systematic analysis of the answers has been undertaken by members of the Core Research Team, establishing the content of this report.

Participation

The questionnaire benefited from the participation of 29 relevant experts derived from 10 jurisdictions, including Croatia, Estonia, Finland, Greece, Italy, Latvia, Netherlands, Portugal, the United Kingdom, and the United States of America.

Considering the length and complexity of the questionnaire, not all participants took the opportunity to address all sections. Notwithstanding, the nature of the questionnaire encouraged the participants to address the questions where they felt they had the relevant expertise to give an answer of substantive value. Therefore, it is to be reasonably expected that no participants would provide answers to each and every question, but those who did answer the questions were providing information for which they had specific relevance and expertise. As independent experts operating within highly technical areas of law, policy, and practice, the participants' expertise provided a high level of relevance in corroborating and supporting the results of the other project activities, in addition to establishing a significant original evidence basis from which to influence policymakers and those with responsibility for decision making within the areas of tax crimes and corruption.

Questionnaire results

Reflective of the length and technical complexity of the questionnaire, the members of Core Research Team have undertaken an analysis of the results and have provided the following selective summary of the most relevant and substantial emergences, which is accompanied by a commentary including elements of critical analysis and references to outcomes of other relevant research activities carried out during the VIRTEU project.

Public Attitudes to Taxation

Considering the public attitudes towards the payment of taxes, experts broadly perceived this as undesirable, with 11 answers overall providing negative feedback. 44% of all answers were in the negative area, with only 36% of the public being in favor of the payment of taxes. The questionnaire supported this large division of attitudes towards taxation within these countries, with the vast majority of participants from Italy giving a negative response, and no Italian expert provided a positive result.

Q10 - Public attitude toward the payment of taxes



Motivation to Commit Tax Crimes and Corruption

The most common identified motivations that drive individuals or organizations to perpetrate tax crimes included financial gain as the most impactful factor, combined with the lack of adequate and effective sanctions, and appropriate controls to prevent or detect such conduct. In addition to the drivers included in the survey, the experts also considered the impact of gaining a competitive advantage in the market. A further proposed motive for the perpetration of tax crimes is the inherent vulnerabilities of existing tax systems, and the simplicity of how to evade or circumvent contemporary detection mechanisms, whereby committing tax crimes is simple enough to become a part of the business structure.



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Q12 - Based on your professional experiences, what are the most common motivations that drive individuals or companies to perpetrate tax crimes? Please select as many answers as are relevant. -

Selected Choice

Financial gain	23
Perception of ineffective sanctions	16
Perception of ineffective or lack of controls	14
Availability of easy ways to commit tax crimes without getting caught	14
Perception of tax rates as excessive	11
Perceived inefficacy of the public administration	8
Organisational/corporate culture	8
Perception of tax rates as unfair	7
Financial constraints	4
Inaccessibility or excessive complexity of the mechanisms (forms, procedures etc) to declare income, and calculate and collect taxes	3
Inaccessibility or excessive complexity of tax law	3
Perceived corruption of the public administration	3
Pressure from other individuals	3
Other (please specify)	2
Inaccessibility or excessive cost of tax and accounting advice	2
I'm not aware of any specific motivation	0

In relation to the most common motivations that drive individuals or companies to perpetrate corruption offenses, similarly, the experts highlighted financial gain in conjunction with the lack of adequate and effective sanctions, and appropriate controls. The experts believed that the organization and corporate culture further encouraged and facilitated methods of corrupt practices. While corporate culture was also a feature of the question regarding motivations to undertake tax crimes, it was more highly identified as a motivation for corruption.

Q15 - Based on your professional experience what are the most common motivations that drive individuals or companies to perpetrate corruption offences? Please select as many answers as are relevant. -

Selected Choice

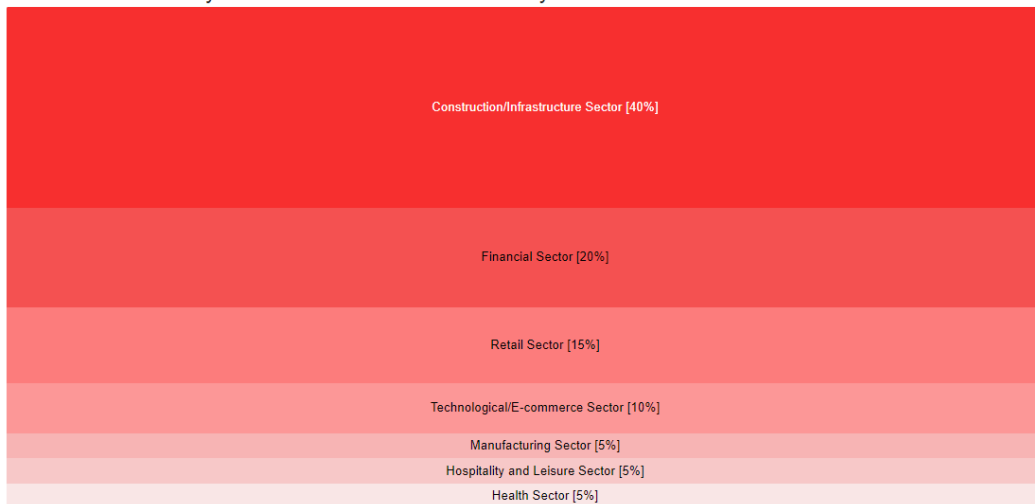
Financial gain	20
Organisational/corporate culture	14
Perception of ineffective or lack of controls	13
Perception of ineffective sanctions	12
Perceived inefficacy of the public administration	9
Perceived corruption of the public administration	8
Availability of easy ways to commit tax crimes without getting caught	6
Perception of tax rates as unfair	3
Perception of tax rates as excessive	3
Pressure from other individuals	3
Inaccessibility or excessive complexity of tax law	2
Other (please specify)	1
Inaccessibility or excessive complexity of the mechanisms (forms, procedures etc) to declare income, and calculate and collect taxes	1
I'm not aware of any specific motivation	0
Inaccessibility or excessive cost of tax and accounting advice	0
Financial constraints	0

Sectoral Vulnerabilities

In order to assess sectoral vulnerabilities to both tax crime and corruption, the experts were asked to identify the three industrial sectors that they believe to be the most vulnerable to such criminal phenomena.

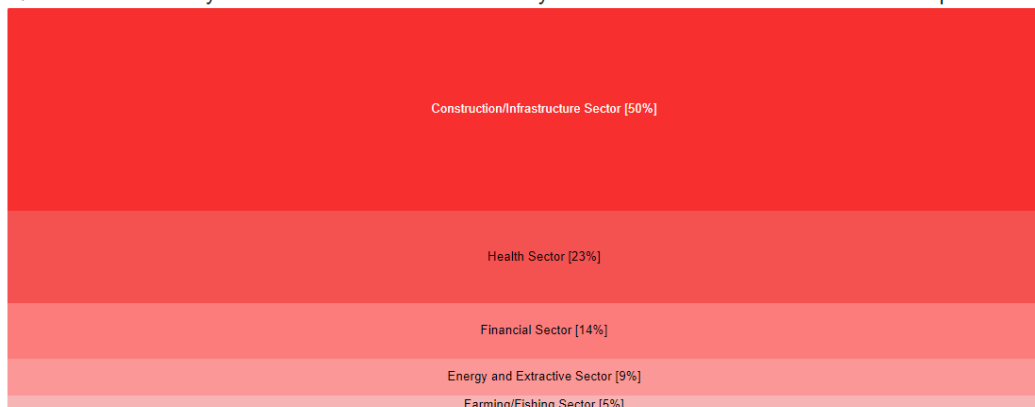
As regards tax crime, the sector the experts identified as the most vulnerable one was the **Construction and Infrastructure Sector**, immediately followed by the **Financial Sector**, and the **Retail Sector**. Other sectors the expert identified as particularly vulnerable to tax crimes included: **Technological and E-commerce**; **Manufacturing**; **Hospitality and Leisure**; and **Health Sector**.

Q18 - Please identify the three industrial sectors that you believe are most vulnerable to tax crimes



Concerning the industrial sectors, the experts considered to be the most vulnerable to corruption, similar to what happened in relation to tax crime, the **Construction and Infrastructure Sector** continued to be considered as the most vulnerable area, accompanied by the **Financial Sector**, whereas, differently from tax crime, the **Health Sector** and the **Energy and Extractive Sector** and **Fishing and Farming** were identified as particularly susceptible to corrupt practices.

Q19 - Please identify the three industrial sectors that you believe are most vulnerable to corruption



Perpetration of Tax Offences

The tax crimes most frequently perpetrated in the experts' jurisdictions were identified as VAT fraud and tax evasion through the faking or forgery of invoices and other relevant documentation. It is of interest to note that in the Italian and Portuguese jurisdictions, labor tax fraud was also highlighted as one of the primary means of perpetrating tax crimes.

From the perspective of transnational tax crimes most frequently perpetrated within the jurisdictions of the experts, there continues to be a prominence of VAT fraud and tax evasion, in addition to crimes that included a transnational dimension such as smuggling, and tax evasion perpetrated through money laundering or hiding assets offshore.

The foreign countries that the experts expressed are most frequently involved in transnational tax crimes occurring within their jurisdictions provided a diverse array of responses. However, it is possible to highlight the recurring presence of countries characterized by a high level of financial secrecy such as Switzerland (FSI value 1,167; Secrecy Score 70/100), Luxembourg (FSI value 804; Secrecy Score 55/100), and Cyprus (FSI value 510; Secrecy Score 62/100),³ from which it clearly emerges the highly problematic and intimate interconnection between the level of financial secrecy and the resulting facilitation of tax abuses, money laundering, and other economic crimes.

Experts' Jurisdiction	Foreign Countries Involved in Tax Crimes ⁴
Croatia	Slovenia, Poland, Italy
Finland	Estonia, Russian Federation, Latvia
Greece	Turkey, China, Bulgaria, Spain, United Kingdom of Great Britain and Northern Ireland, Switzerland
Italy	Switzerland, United Kingdom of Great Britain and Northern Ireland, United Arab Emirates, Luxembourg, Panama, Latvia, Ireland, Spain, Lithuania, Ukraine
Latvia	Cyprus, Bulgaria, Switzerland
Portugal	Latvia, Poland, Lithuania, Romania, Germany, Slovenia
United Kingdom	Afghanistan, Benin, Belarus, United Arab Emirates, Pakistan, Poland
United States	Ireland, Netherlands, Luxembourg

Of some interest, the analysis unveils specific vulnerabilities to tax crimes within each jurisdiction reflective of what experts believe is the most frequently involved foreign nation in the perpetration of tax crimes. For example, reflective of the specific geography the experts

³ See *The Financial Secrecy Index 2022*, Tax Justice Network, <https://fsi.taxjustice.net>.

⁴ As regards the Netherlands, this table could be integrated with the results of the related VIRTEU workshop, from which it emerged that, apart from neighbouring countries, the foreign jurisdictions most commonly involved in tax crimes with the Netherlands are Switzerland, Cyprus, Malta, and Liechtenstein. See Lambregts, Martin (2021) VIRTEU National Workshop - The Netherlands, Session 1 [Online]. Video recording at 17:10. Available at: www.corporatecrime.co.uk/virteu-workshop-netherlands.

from Greece have identified predominantly port and coastal nations, highlighting the nature of importing and exporting goods across national borders, whereas the experts from Italy have predominantly identified states engaged in offshoring wealth, and obscuring the sources of assets through the use of tax havens. The experts identified that the most relevant tax crimes in their jurisdiction in terms of the overall amount of tax evaded taking into consideration both domestic and transnational tax evasion schemes included VAT evasion, smuggling, exercise fraud, corporate income tax fraud, and labor tax fraud.

There exists a significant discrepancy in the results between the experts when considering matters around tax crimes that are perpetrated jointly with corruption. For example, there exists a consistent difference between Estonia, Greece, Italy, the United Kingdom, and the United States. This may be interpreted through the perception of corruption in the country is also affecting the perceptions and opinions of the tax experts. Where the perception of corruption is higher, it is easier to acknowledge that tax crimes and corruption happen together, and where it is lower, there is less sense this occurs. This may be resultant of the forms and methods of corruption, for example, the payment of bribes, which is more self-evident a corrupt practice, as opposed to other more subtle or subversive manifestations of corruption. This appears particularly problematic for countries that have a low perception of the existence of corruption.

Please find below the answers to the question: *"On a scale of 0 to 10, where 0 is "extremely rarely" and 10 is "often", how would you rate the frequency in your jurisdiction of tax crimes that are perpetrated jointly with corruption crimes such as bribery, embezzlement, and so on?"*

Croatia	5
Estonia	6, 7 (6.5 average)
Finland	2
Greece	2, 6 (4 average)
Italy	6, 4, 7, 2, 7 (5.2 average)
Latvia	7
Portugal	4, 1, 2 (2.3 average)
United Kingdom	1
United States	1, 3 (2 average)

Perpetration of Corruption

The most commonly perpetrated acts of corruption identified by the respondent experts included bribery, influence peddling, and embezzlement.

Considering the interconnections between tax crimes and corruption offenses, one of the experts identified that following the enactment of the Criminal Finances Act 2017 which introduced the new corporate criminal offense of "failure to prevent the facilitation of tax evasion" in the United Kingdom,⁵ they were not aware of any successful prosecution to date, whereby highlighting possible inadequacies in the identification or attempts to tackle such practices. In addition, in Italy, a strong interconnection between money laundering and both tax crime and corruption emerged. In that regard, the expert highlighted that money laundering "*may be carried out for the purposes of tax avoidance,*" and that "*frequently, the funds are the product of corruption crimes in other jurisdictions.*"

Addressing the frequency of which tax crimes and corruption are jointly investigated and prosecuted, the overall frequency was identified as low with an overall result below average.

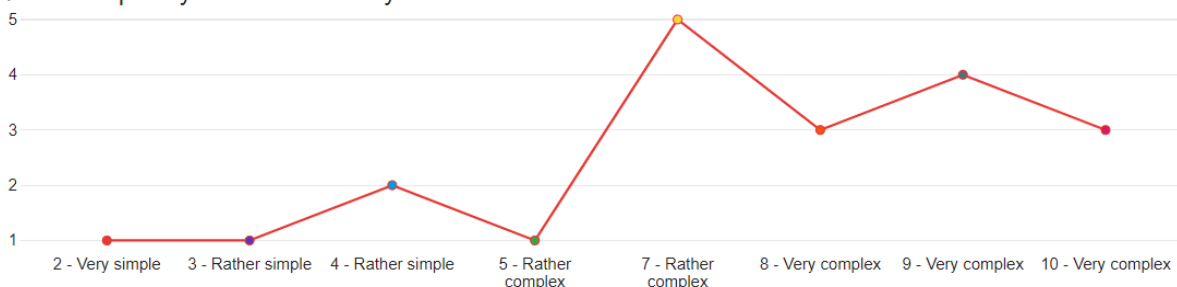
Q30_1 - Frequency of tax crimes and corruption crimes jointly investigated

Field	Min	Max	Mean
Frequency of tax crimes and corruption crimes jointly investigated and prosecuted	1.00	8.00	4.31

Complexity of Taxation Systems

The experts were asked to evaluate the objective complexity of the taxation system in their jurisdiction. Understanding 0 as "very simple", and 10 as "very complex," from the overall evaluation of the experts it emerged **an average score of 7.15**, which falls into the category "**rather complex**" next to the intersection with "very complex," with **80% of experts considering their national tax system as complex**. As a result, from the experts' perspective, national tax systems are characterized by a structural and unnecessary level of complexity. Interestingly, all the experts in Italy, Portugal, and Estonia rated their tax systems as "very complex."

Q31 - Complexity of the taxation system

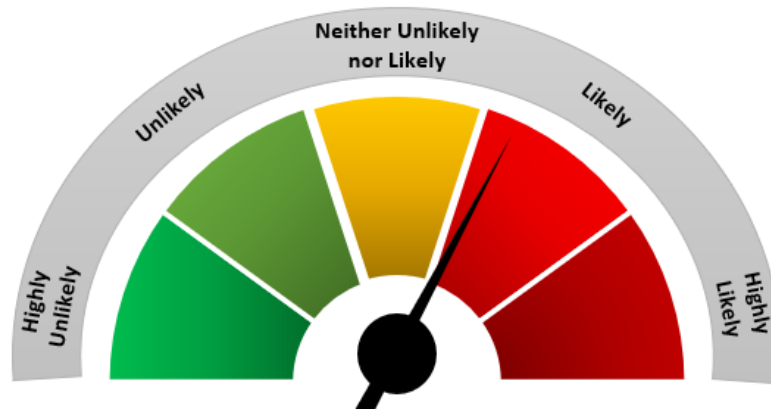


⁵ See UK Government, Criminal Finances Act 2017, www.legislation.gov.uk/ukpga/2017/22/contents/enacted.

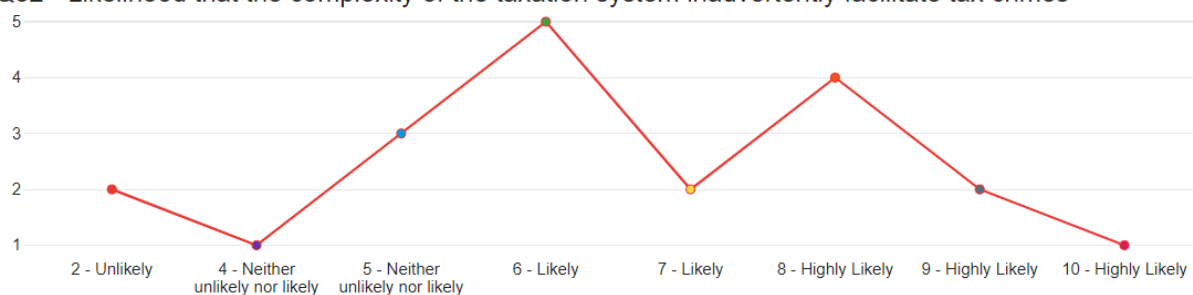
This result can be combined with the one obtained by the following question where the experts were asked "On a scale of 0 to 10, where 0 is "highly unlikely" and 10 is "highly likely", how likely is it that the overall complexity of the taxation system in your jurisdiction will inadvertently facilitate tax crimes?"

Achieving an **average score of 6.35**, which is a result falling into the area labeled "likely," the experts clearly expressed it is likely that the complexity of the taxation systems inadvertently facilitates tax crimes. Specifically, the responses from the **United Kingdom** (average score of 7.5) and **Italy** (average score of 7.2), which resulted in very high scores, indicated that this structural complexity is deemed to contribute to instances of tax offenses.

Q32 - Likelihood that the complexity of the taxation system inadvertently facilitate tax crimes



Q32 - Likelihood that the complexity of the taxation system inadvertently facilitate tax crimes



With regards to how the inefficiency of the taxation system may facilitate tax crimes, informative comments were provided by the experts in the related open question, including:

- ✓ *"An inefficient public administration could increase the perception of the failure of public agencies to prevent and counteract harmful tax conducts. It is interesting to note, however, that the relationship between inefficient administration and tax evasion can be read in various ways. A recent report published in Italy shows that the losses in Italy resulting from the malfunctioning of the public administration are higher than the lost revenue due to tax evasion. This is an interesting aspect to analyse in order to understand where to focus political efforts and especially to connect administrative inefficiency and tax evasion. Please look at:*



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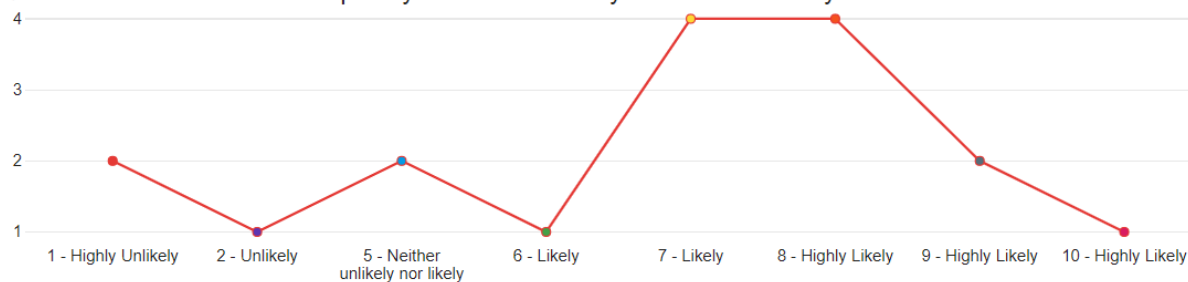


www.adnkronos.com/inefficienza-pa-fa-piu-danni-dellevasione-fiscale_2sHDSOgrvy8GA24T9vksuH?refresh_ce"

- ✓ "If business owners, management board members, accountants, and other relevant tax professionals feel that state doesn't act appropriately and immediately in case of wrongfully submitted information or in cases when information has not submitted at all then general opinion in society might rise that state might not resources to detect fraudulent activities and the risk of getting caught is low."
- ✓ "When there is low responsiveness of tax agencies in relation to the monitoring and investigating of tax offenses, faced with low probability of enforcement, bad actors are more aggressive."

The exact same results (i.e., an **average score of 6.35**) were obtained in relation to tax avoidance. Interestingly, however, the data on tax avoidance resulted in a much higher level of *variance* (i.e., 7.05 whereas the *variance* score in relation to tax crimes was 4.43), which is emblematic of the higher level of controversy surrounding the area of tax avoidance.

Q34 - Likelihood that the complexity of the taxation system inadvertently facilitate tax avoidance



Considering the specifics of this indirect facilitation, the experts expressed that the complexity of the law operates to create a "grey zone" for abuse, whereby investigators and enforcement officials are uncertain if the letter of the law has been transgressed, whereby shielding perpetrators from prosecution as overly cautious enforcement officials are uncertain of the likelihood of success of a prosecution. In addition, the complexity that may derive from frequent changes in legislation may facilitate the committing of tax crimes as individuals and organizations become unaware of their specific tax responsibilities. This finding, which emerged from several countries, including Italy, Greece, and Croatia is consistent with what emerged from the VIRTEU National Workshops.⁶ Finally, the complexity of the tax system provides methods for legal experts to identify and take advantage of loopholes of regulatory

⁶ For instance, from the workshop focused on Denmark, it emerged that tax system is very complex, see Olsen, Jesper (2022) VIRTEU National Workshop - Denmark, Session 1 [Online]. Video recording at 50:16. Available at: www.corporatecrime.co.uk/virteu-workshop-denmark. Again, in the workshop focused on the United Kingdom, the expert pointed out that the presence of a lot of statutes combined with all the legal principles deriving from the common law makes the system very complex, and this complexity may result in the difference between tax evasion and tax avoidance becoming blurred. See Cook, Rachel (2021) VIRTEU National Workshop - United Kingdom, Session 1 [Online]. Video recording at 28:44. Available at www.corporatecrime.co.uk/virteu-workshop-uk. Similarly, in the workshop focused on Italy the experts affirmed that the Italian tax system is particularly complex and unstable in the sense that it is subject to significant and often very proximate changes over a period of time and that these factors exert adverse effects on tax compliance. See di Siena, Marco (2021) VIRTEU National Workshop - Italy, Session 1 [Online]. Video recording at 18:50. Available at: www.corporatecrime.co.uk/virteu-national-workshop-italy.

vulnerabilities, whereby exploiting systematic weaknesses that exist resultant of the complexity of tax systems. Interestingly, answering the related ensuing open question – "Please, briefly explain how the complexity of the taxation system in your jurisdiction may indirectly facilitate tax avoidance or tax evasion" – the experts acknowledged that continuous amendments and changes of direction in the legislation represents one of the most significant factors that affects in a negative way tax compliance. Supporting this position, the answers offered by the Italian experts explained:

- ✓ *"The Italian tax system has been the subject of numerous interventions characterized by disorganization, changeability and significant instability of the regulatory system, with the effect of producing a stratification of rules, mechanisms and obligations that have dramatically increased the degree of complexity of the system. **The instructions for compiling the Individual Income Form have reached 341 pages, while those for the 730** [which is the "simplified" income tax return form] **136 pages. The current income tax is characterized by 54 parameters, including legal marginal rates, limits of the brackets and the jungle of parameters that determine the tax structure** [emphasis added]. Similar complexities can be found in corporate taxation, with a growing divergence between the criteria for the preparation of the statutory financial statements compared to the fiscal ones, and for the compilation of the IRAP return. A complex tax system has an obvious negative effect on growth and investment, causing an increase in the cost structure (monetary and otherwise) for households and businesses". Senate of the Italian Republic. Conclusive document approved by the 6th Standing Commission on the knowledge investigation on the reform of the tax on individuals and other aspects of the tax system (Summary report no. 255 of 30/06/2021: www.senato.it). Tax evasion could be seen as a recovery of these costs deriving from the tax system complexity."*
- ✓ *"Changing the law frequently might cause procedural mistakes or transitional law problems."*
- ✓ *"The complexity of taxation system may indirectly facilitate tax crimes due to the lack of clarity that derives from it."*
- ✓ *"We have too many laws and regulation."*

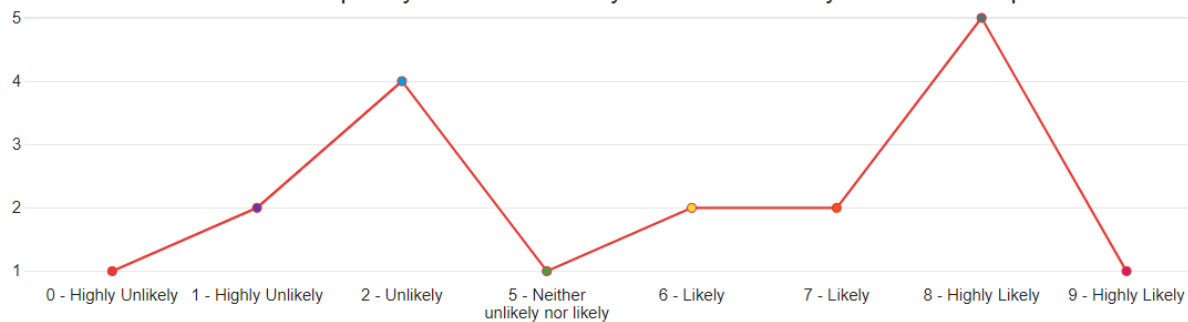
Such comments are perfectly aligned with what emerged during the discussion that took place in the VIRTEU National Workshops and, specifically, with the ones that were focused on the Danish⁷ and Italian⁸ jurisdictions.

⁷ During the workshop, the Chairman of Transparency International Denmark, affirmed that it's very easy to change the legislation in Denmark. So, sometimes politicians adjust tax law on a very detailed level and, since it is very easy to change legislation within few weeks, they have a tendency to micromanage the taxation system. Such frequent changes and the resulting complexity is of course a problem when it comes to enforcement and especially if you have criminal investigation. See Olsen, Jesper (2022) VIRTEU National Workshop - Denmark, Session 1 [Online]. Video recording at 50:38. Available at: www.corporatecrime.co.uk/virteu-workshop-denmark.

⁸ During the Italian workshop, the Deputy General Prosecutor at the Italian Supreme Court, affirmed that if we examine the evolution over the years in the Italian legal system, there wasn't always a clear choice as to whether or not to criminalize the failure to pay taxes. There was a time in which the legislator chose not to criminalize them and then precipitously re-thought such a decision for reasons as simple as the lack of revenue. The sign of this uncertainty also reveals itself in the amendments made to the various thresholds of criminalization that are either increased or decreased according to different contingencies. This is another element that generates

On the contrary, addressing the likelihood that the complexity of the taxation system inadvertently facilitates corruption offenses, the experts demonstrated little consensus and provided a wide range of opinions on the matter as demonstrated by the high levels of both *standard deviation* (3.02) and *variance* (9.11). The answers resulted in strong views on each side of the scale and an **average score of 5.00** representing the absolute mean.

Q36 - Likelihood that the complexity of the taxation system inadvertently facilitate corruption



Such inconsistency in experts' answers demonstrates that the interconnections between tax crime and corruption are difficult to be identified and appear obscure even for tax crime experts. It also shows that the related level of awareness is significantly low. The inherent complexity of the matter also emerged from the way in which the experts answered the related ensuing open question: "*Please, briefly explain how the complexity of the taxation system in your jurisdiction may indirectly facilitate corruption crimes (i.e., bribery, embezzlement, traffic in influences and so on) in the area of taxation.*" In particular, one expert highlighted that:

- ✓ "*The demonstration of the relationship between the complexity of the tax system and corruption is a very complex issue. The factors could be those mainly described in the existing literature about other countries. Please see Liu, C., & Mikesell, J. L. (2019). Corruption and tax structure in American states. The American Review of Public Administration, 49(5), 585-600; Tanzi, V. (2017). Corruption, complexity and tax evasion. eJournal of Tax Research, 15(2), 144-160; Zelekha, Y. (2017). Tax complexity and corruption. Applied Economics Quarterly, 63(2), 177-210; Awasthi, R., & Bayraktar, N. (2015). Can tax simplification help lower tax corruption?. Eurasian Economic Review, 5(2), 297-330.*"

uncertainty in the area of criminal law. See Molino, Pietro (2021) VIRTEU National Workshop - Italy, Session 1 [Online]. Video recording at 21:39. Available at: www.corporatecrime.co.uk/virteu-national-workshop-italy.

Promotion of Tax Compliance

In relation to the non-judicial and non-coercive strategies enacted to promote tax compliance and prevent tax offenses, it emerged that information campaigns are implemented over a number of jurisdictions, but they are substantially voluntary in nature.

When considering if there exists any measures or strategies specifically designed to address the phenomena of tax crimes and corrupt practices in the area of taxation in a combined way, it emerged that there is no sufficient awareness amongst experts with **72% of them unable to offer a valid answer**. Of note, "I don't know" and "no" may be the same result reflective of their uncertainty. The exception is the coordination mechanism described in article 388 of L. 4512/2018 within the Italian jurisdiction.

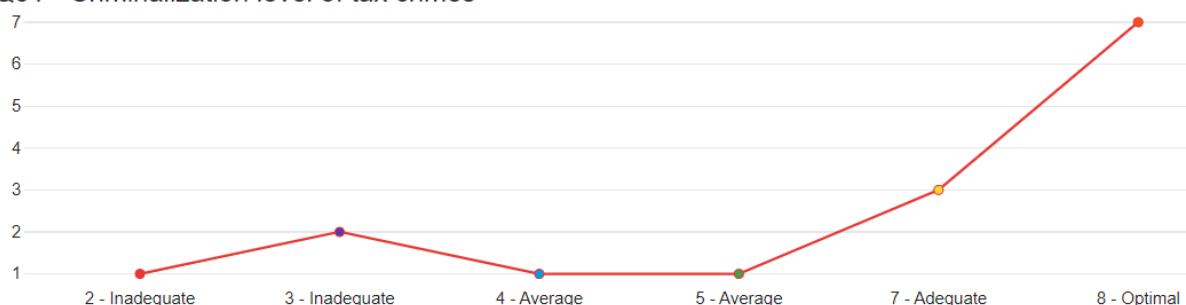
Q47 - Are there any measures or strategy specifically designed to address the phenomena of tax crimes and corrupt practices in the area of taxation in a combined way?



Criminalization of Tax Offences and Corruption

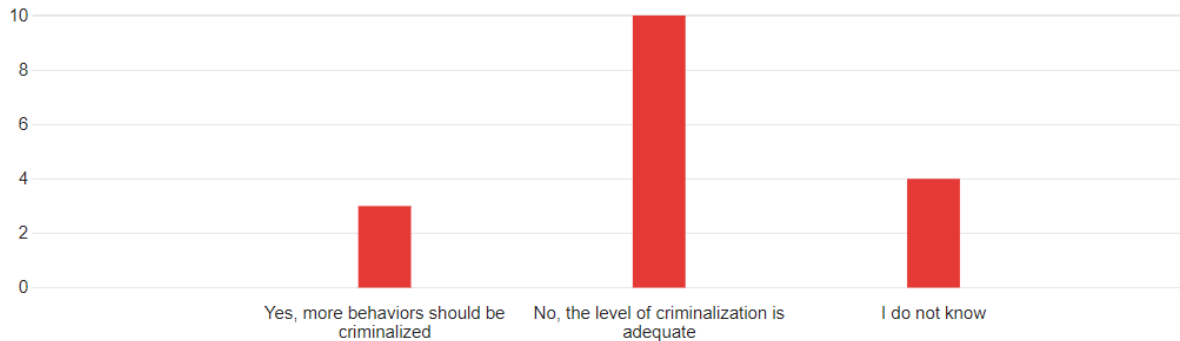
As regards the level of criminalization of tax crimes, the experts highlighted that overall, the level of behaviors that are qualified as tax crimes is quite adequate. The answer to the question "On a scale of 0 to 10, where 0 is "most inadequate" and 10 is "optimal", please rate the legislative choices in your jurisdiction concerning what (and how many) behaviors are qualified as tax crimes (and thus criminalized)" resulted in a **mean score of 6.27**, which falls into the category of "adequate," with 46% of experts even considering the criminalization level of tax crimes in their jurisdiction as "optimal."

Q51 - Criminalization level of tax crimes



When the experts were asked "Do you think too many or too few behaviors are qualified as tax crimes by the law in your jurisdiction?" the majority of them (58%) highlighted the criminal definitions capture an adequate amount of potential criminal behaviors, whereas only 17% of them suggested the need for extending the scope of criminalization.

Q52 - Do you think too many or too few behaviors are qualified as tax crimes by the law in your jurisdiction?

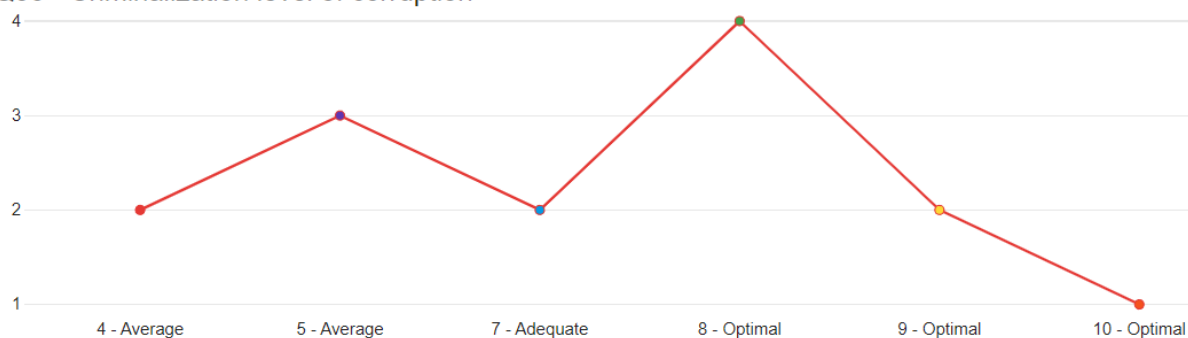


Interestingly, when asked "Could you please briefly illustrate what are the behaviors aimed at avoiding tax liabilities that are currently not criminalized but you believe should be criminalized in your jurisdiction?," the experts explained that the problem is related more to the way criminal law is enforced rather than to the criminal law definitions and mentioned aggressive tax avoidance and the involvement of professional enablers as the areas where the level of criminalization appears to be inadequate:

- ✓ "Some form of aggressive tax avoidance."
- ✓ "The role of professional enablers."
- ✓ "Some of it is a failure of enforcement, but both individual and corporate criminal liability for participating in tax crimes needs to be enhanced."

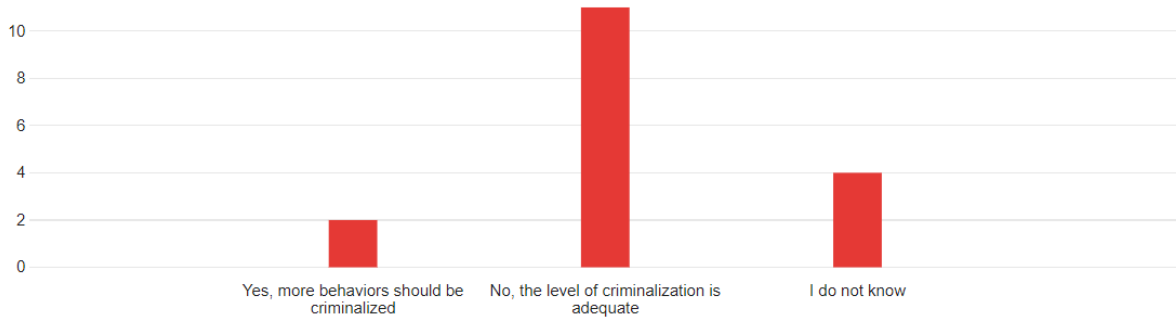
With regards to corruption, considering how many forms of behaviors qualify as corruption offenses and are thus criminalized, the experts indicated that the presence of legislative instruments for the purposes of criminalizing such forms of illicit behavior appears sufficient.

Q56 - Criminalization level of corruption



Consistently, when the experts were asked "Do you think too many or too few behaviors are qualified as corruption offenses by the law in your jurisdiction?," the majority of them (65%) highlighted the criminal definitions capture an adequate amount of potential criminal behaviors, whereas only 12% of them suggested the need for extending the scope of criminalization.

Q57 - Do you think too many or too few behaviors are qualified as corruption offenses by the law in your jurisdiction?



Accordingly, when asked for examples of potentially corrupt practices that are currently not criminalized but should be criminalized, the only response was to address forms of illicit enrichment.

From a comparison between these answers and the ones given in the following parts of the survey, specifically in the sections focused on unethical lobbying practices, the phenomenon of revolving door, the role of professional enablers, and the importance of whistleblowing, it emerges that the experts' level of awareness of how different forms of corruption may affect tax abuses is low and that they adopt a notion of corruption limited to bribery.

Such an argument is also corroborated by the fact that, when they were asked "*Is there any legal instrument or provision in your jurisdiction that specifically addresses in a combined way the phenomena of tax crimes and corrupt practices in the area of taxation?*," overwhelmingly (82%), the experts either had no knowledge of legal instruments to addresses in a combined way the phenomena of tax crimes and corrupt practices or that they affirmed that such tools do not exist.

Q59 - Is there any legal instrument or provision in your jurisdiction that specifically addresses in a combined way the phenomena of tax crimes and corrupt practices in the area of taxation? - Selected Choice



Such a generalized lack of awareness is further confirmed by the fact that, even the few experts who affirmed that in their jurisdiction there is a provision that addresses tax crimes and corrupt practices "*in a combined way*", in the ensuing open question, referred to legal

instruments that, although may be used to counter both forms of crimes do not offer a combined approach (i.e., the corporate liability regimes established in Italy under the Decree 231 of 2001), or to legal instruments that may be used only to fight one of these forms of criminal behavior (i.e., the two different pieces of legislation that in the United Kingdom were introduced to fight bribery and tax crimes, respectively the Bribery Act 2010 and the Criminal Finance Act 2017).

Legal Definitions and Sanctions

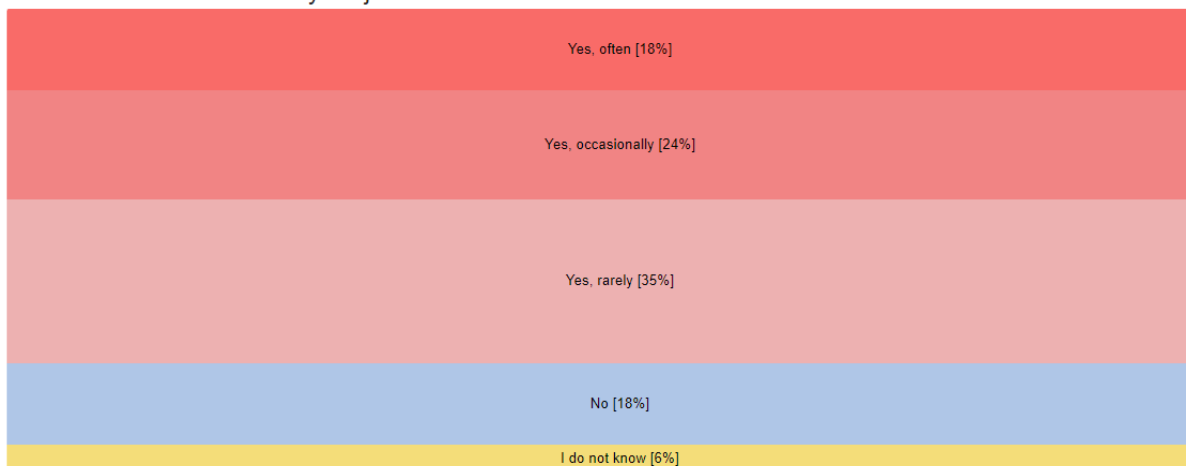
Considering the adequacy of legal definitions of tax crimes and potential issues that may arise from the legal conceptualization of tax crimes, as is clear from the graph, 77% of experts who answered this question expressed difficulty and challenges related to the legal definition of the matter.

The challenges identified by the participants included;

- ✓ *"The legislation is clear, and the offences are well drafted, the challenges arise over the changing nature of the collection and administration of the tax system - and public policy considerations."*
- ✓ *"The legal definition of tax crimes includes "the purpose of reduction of an obligation to pay a tax or obligation to withhold or increase a claim for refund" and sometimes defining a purpose is difficult."*
- ✓ *"Some forms of tax avoidance, that was not included into the legal definition."*

This highlights the difficulty in adequately defining tax crimes for the purposes of law.

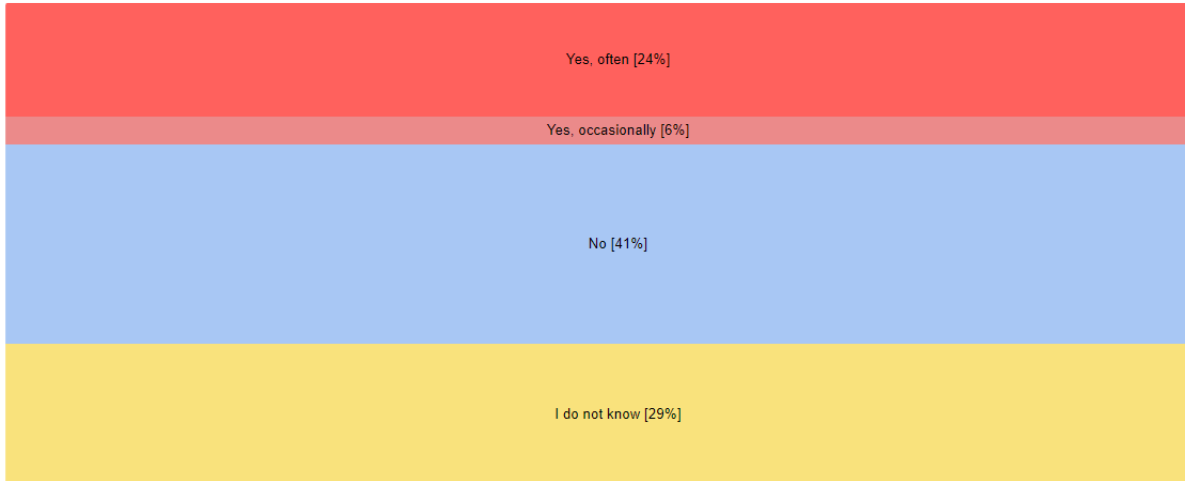
Q60 - In your professional capacity, have you ever faced challenges or difficulties related to the legal definitions of tax crimes in your jurisdiction?



Corresponding legal definitions of corruption, which is traditionally criminalized only in the forms of bribery, did not present a similar magnitude of problems, highlighting that, where corruption is mainly criminalized when a bribe is paid to a public official, only minor issues or uncertainties arise from the relating legal definition. However, as emerged from the outcomes of the VIRTEU project, such a limited conception of corruption appears inadequate

to capture all the different and pervasive ways in which corrupt practices may adversely affect the area of taxation.⁹

Q62 - In your professional capacity, have you ever faced challenges or difficulties related to the legal definitions of corruption offenses in your jurisdiction?



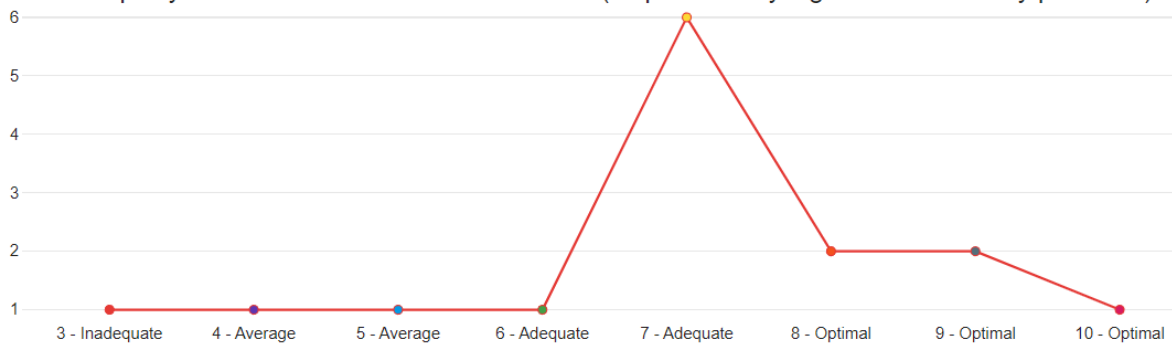
Interestingly, as emerged from the answer below, an expert from the United States identified specific challenges faced in relation to the legal definition of corruption:

- ✓ *"The US FCPA has international reach, but it often stumbles when US companies have plausible deniability for the actions of foreign subcontractors, even when it is abundantly clear that they knew their money was being used for bribes" and "The major problem with definitions of corruption offences is the frequent change. The definition of bribery has changed approx. 5 times in the last ten years."*

When assessing the overall adequacy of criminal sanctions by means of statutory penalties as established by the law, as opposed to inflicted by courts the experts found the use of the criminal sanctions as broadly adequate. The overall answers to the question *"On a scale of 0 to 10, where 0 is "most inadequate" and 10 is "optimal", how do you assess the overall adequacy of criminal sanctions (statutory penalties) – i.e., level and type, as established by the law, not as inflicted by courts – for natural persons convicted for tax crimes in your jurisdiction?"* achieved a **mean score of 6.93**, which falls into the middle of the area of labeled as **"adequate."**

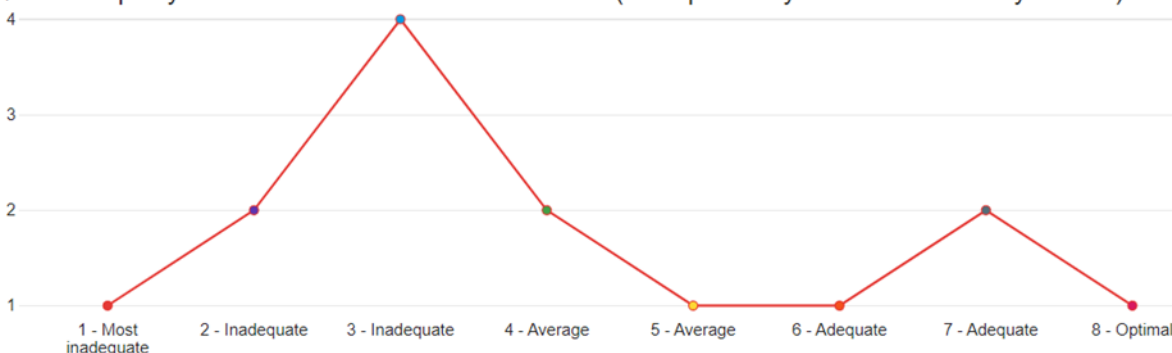
⁹ For a discussion focused on of this issue, see Diane Ring & Costantino Grasso, *Beyond Bribery: Exploring the Intimate Interconnections between Corruption and Tax Crimes*, LAW AND CONTEMPORARY PROBLEMS (forthcoming).

Q64 - Adequacy of criminal sanctions for tax crimes (as provided by legislation - statutory penalties)



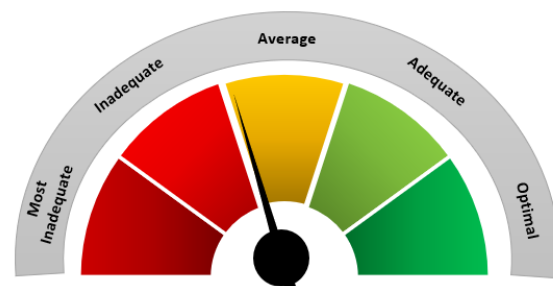
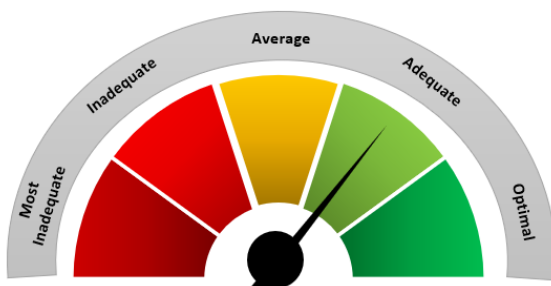
On the contrary, when considering criminal sanctions imposed by the courts, as opposed to those provided for by legislation, the experts indicated these do not have the same level of support or adequacy. The overall answers to the question "On a scale of 0 to 10, where 0 is "most inadequate" and 10 is "optimal", how do you assess the overall adequacy of criminal sentences, as imposed by courts and actually served, for natural persons convicted for tax crimes in your jurisdiction?" achieved a **mean of 4.14**, which falls into the very lower end of the area labeled as "average," borderline with the one labeled "inadequate," with the 50% of the experts considering sanctions actually imposed and served as "most inadequate" or "inadequate" and only 21% of the participants considering them as "adequate" or "optimal."

Q65 - Adequacy of criminal sentences for tax crimes (as imposed by courts and actually served)



Q64 - Adequacy of criminal sanctions for tax crimes (as provided by legislation - statutory penalties)

Q65 - Adequacy of criminal sentences for tax crimes (as imposed by courts and actually served)

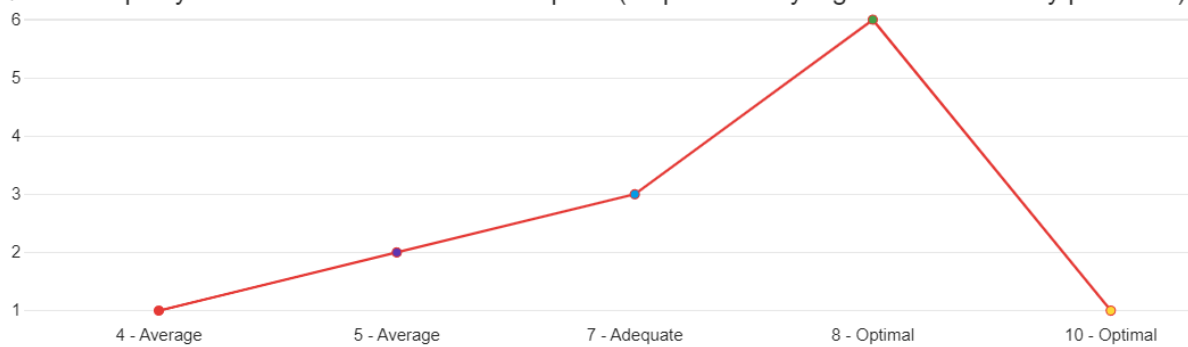


Such a contrast in the application of sanctions between legislative provision and judicial implementation highlights a significant discrepancy. Therefore, while the statutory responses to tax crimes exist, it emerges that these rules are not necessarily being enforced in an effective manner. The answers relating to investigations and whistleblowing, which are

included in the following sections of this report, and from which emerged a generalized reluctance to use effective investigative techniques as well as deficiencies in legal protection for whistleblowers, shed some light on the reasons behind such a discrepancy.

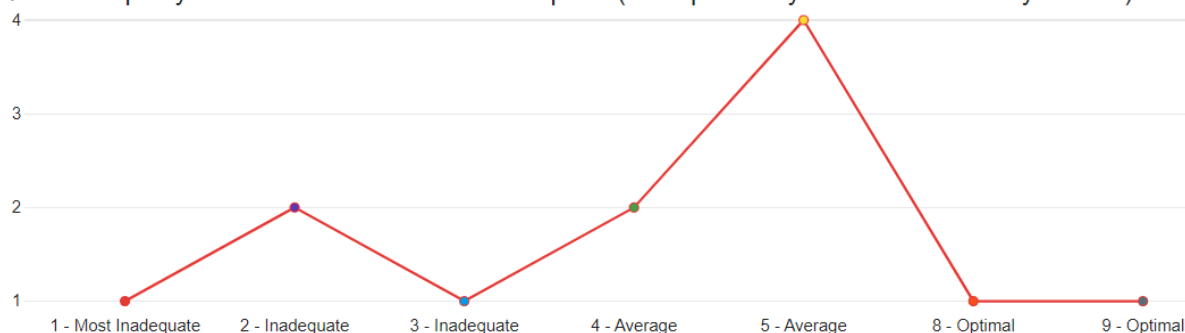
When considering the same question regarding corruption, the experts similarly expressed that the legislative instruments to address corrupt practices were adequate, while a similar discrepancy emerged in relation to the actual implementation of the related sanctions. As regards the overall answers to the question *"On a scale of 0 to 10, where 0 is "most inadequate" and 10 is "optimal", how do you assess the overall adequacy of criminal sanctions (statutory penalties) – i.e., level and type, as established by the law, not as inflicted by courts – for natural persons convicted for corruption crimes in your jurisdiction?"* they achieved a **mean score of 7.15**, which clearly falls into the category of **"adequate."** Remarkably, no expert considered the criminal sanctions as provided for by the national legal framework to be inadequate, with 77% of the experts considering them to be "adequate" or "optimal."

Q66 - Adequacy of criminal sanctions for corruption (as provided by legislation - statutory penalties)



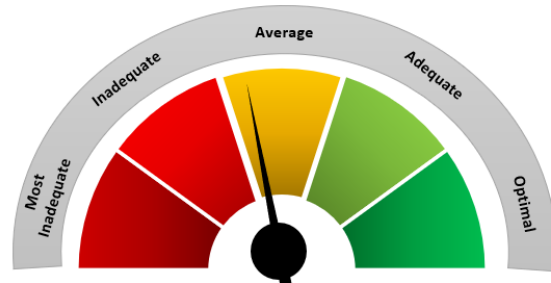
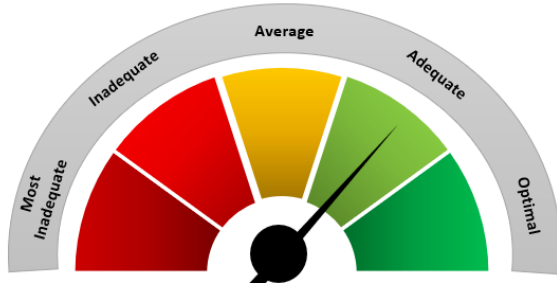
On the contrary, when considering criminal sanctions imposed by the courts, as opposed to those provided for by legislation, the experts indicated these do not have the same level of support or adequacy. The overall answers to the question *"On a scale of 0 to 10, where 0 is "most inadequate" and 10 is "optimal", how do you assess the overall adequacy of criminal sentences, as imposed by courts and actually served, for natural persons convicted for corruption crimes in your jurisdiction?"* achieved a **mean score of 4.42**, which falls into the very lower end of the area labeled as **"average,"** with and only 17% of the participants considering them to reach the adequacy level.

Q67 - Adequacy of criminal sanctions for corruption (as imposed by courts and actually served)



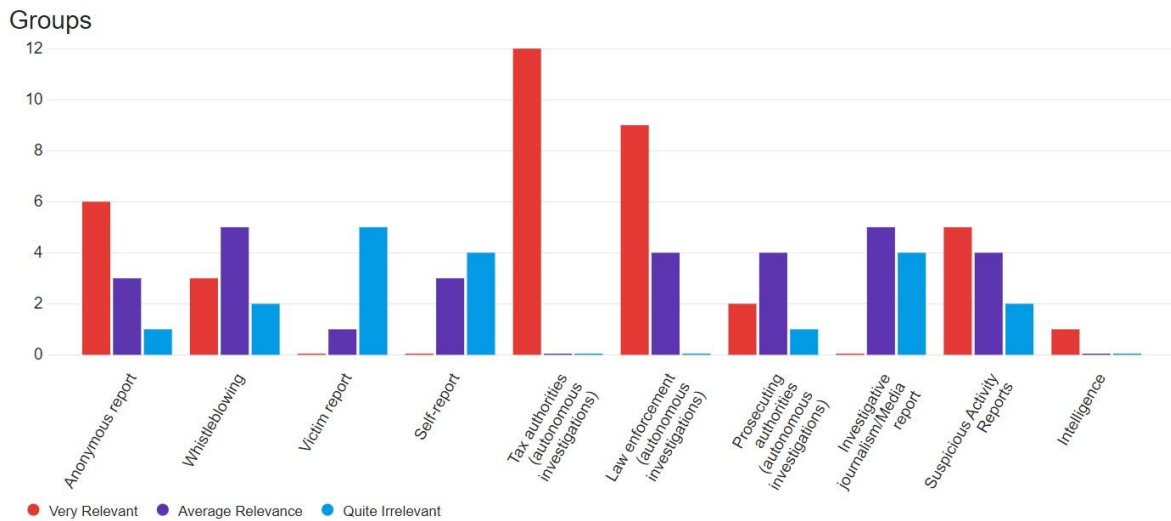
Q66 - Adequacy of criminal sanctions for corruption (as provided by legislation - statutory penalties)

Q67 - Adequacy of criminal sanctions for corruption (as imposed by courts and actually served)

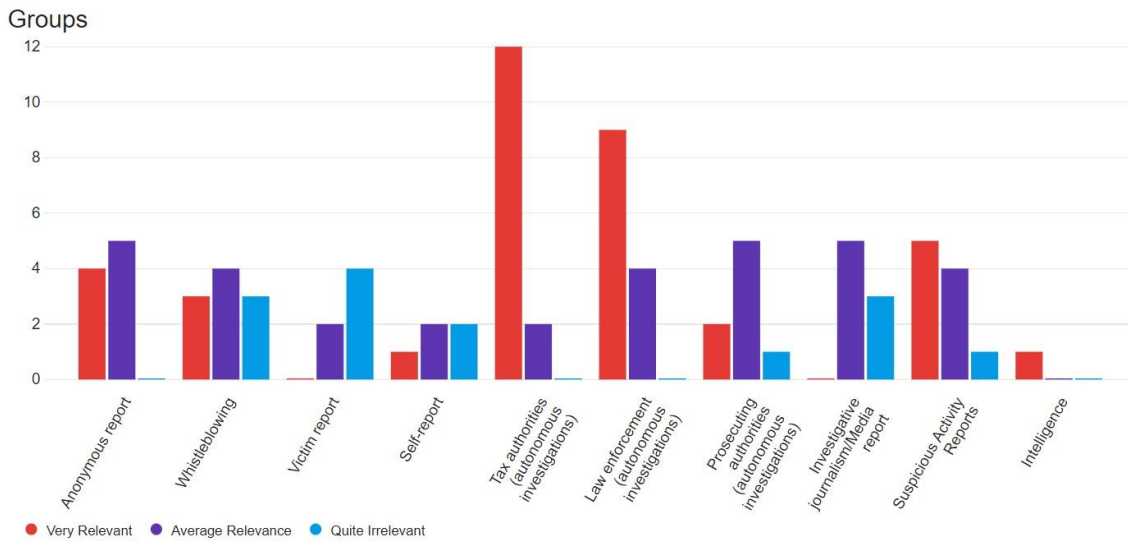


Detection of Tax Crimes and Corruption

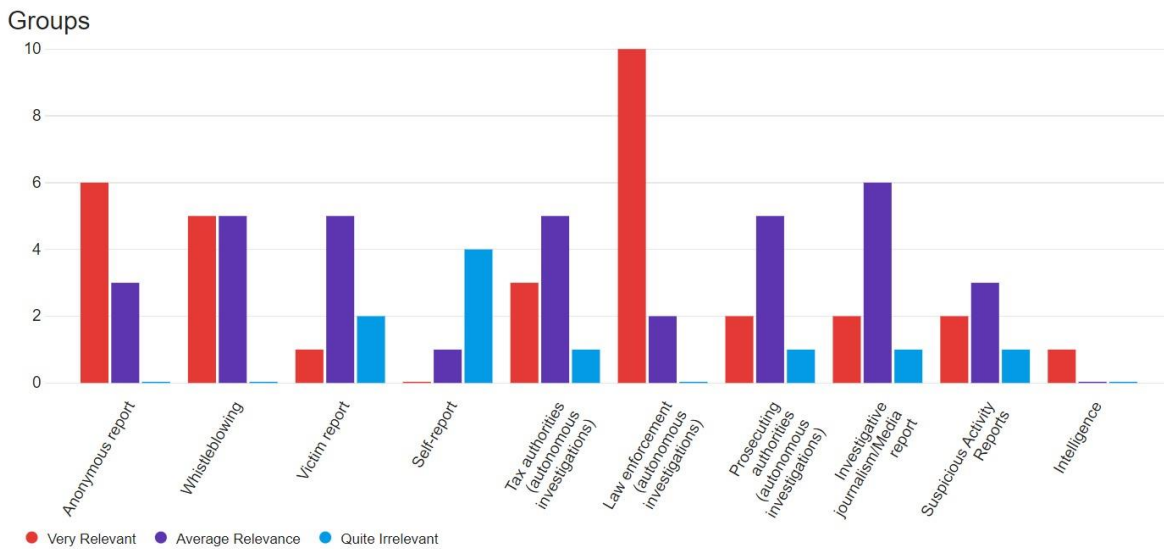
When asked to rank the most relevant sources of notices conveyed to the authorities that usually lead to actual investigations that a natural person has allegedly perpetrated tax crimes, the experts indicated the most impactful sources include tax authorities, law enforcement, SARs, and anonymous reporting, however, they also recognized the importance of the role of whistleblowing and prosecuting authorities.



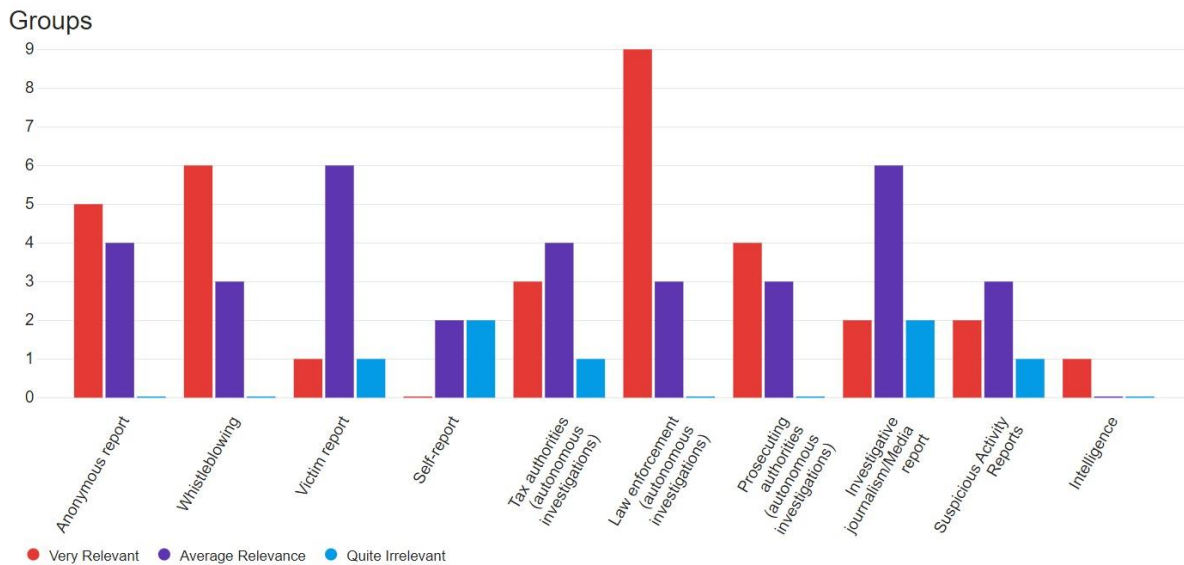
As seen below, when considering the same questions for companies or other legal entities, the experts provided broadly similar results, however with a notable reduction in the importance of anonymous disclosures, and an increased importance of the reliance on whistleblowers.



When asked to rank the most relevant sources of notices conveyed to the authorities that usually lead to actual investigations that a natural person has allegedly perpetrated corruption offenses, the responses are broadly similar to those of tax crimes, however, there is again an increased reliance on the role of whistleblowers, with a significantly reduced role of the importance of tax authorities.



The increased reliance on whistleblowers is further evident when identifying the most relevant sources of notices conveyed to the authorities that usually lead to actual investigations that a company or other legal entity has allegedly perpetrated corruption crimes.



Accordingly, two conclusions may be drawn. Firstly, tax authorities are instrumental in the identification of tax crimes, as may be expected, however, despite the common interconnections between forms of tax crimes and corruption, there is a significant discrepancy in their ability to detect corruption. Secondly, this acts to highlight the increasing importance of whistleblowers as disclosing persons in identifying corrupt practices, which possibly represents the result of the challenges tax authorities face in identifying and addressing these conducts.

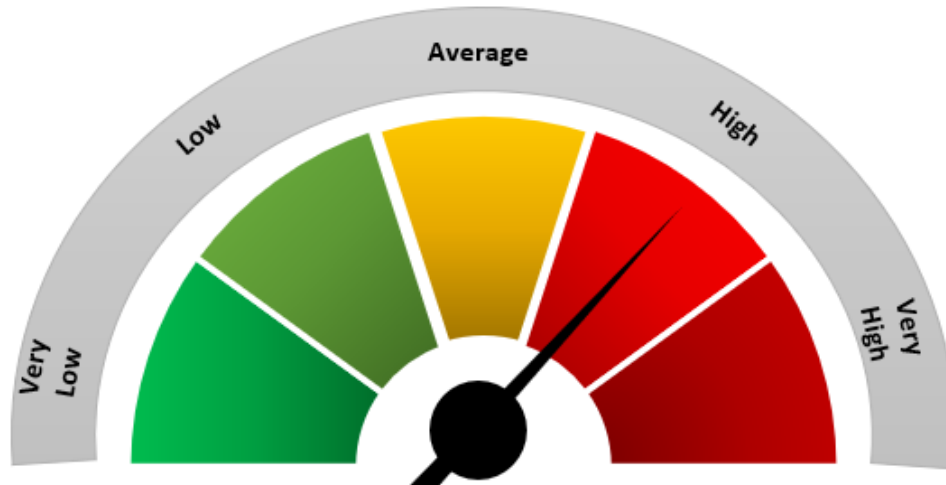
When assessing the impact and effectiveness of the European Public Prosecutors Office (EPPO)¹⁰ in the fight against tax crimes, the experts recognized the expectations about the positive impact and effectiveness of the EPPO in addressing these forms of criminal phenomena. The overall answers to the question "On a scale of 0 to 10, where 0 is "very low" and 10 is "very high", how do you rate the impact of the establishment of the European Public Prosecutors Office in the fight against tax crimes?" achieved a **mean score of 7.00**, which is a result falling into the area labeled "**highly**," with a quite low *variance* score (i.e., 2.67).

Q78 - How do you rate the impact of the establishment of the European Public Prosecutors Office (EPPO) in the fight against tax crimes

Field	Min	Max	Mean	Standard Deviation	Variance
Impact of the establishment of EPPO	4.00	9.00	7.00	1.63	2.67

¹⁰ For a discussion on the functions and role of the EPPO see the presentation offered by Dr. Valeria Sico, who serves as the Italian European Delegated Prosecutor for the European Public Prosecutor's Office (EPPO), during the VIRTEU Final Conference. See Sico, Valeria (2022) VIRTEU International Final Conference, Panel 2. Video recording at [14:45]. Available at: www.corporatecrime.co.uk/virteu-final-conference-day1-panel2.

Q78 - How do you rate the impact of the establishment of the European Public Prosecutors Office (EPPO) in the fight against tax crimes



Notwithstanding such positive expectations, some concerns emerged when the experts answered the related ensuing open question: " *Could you please briefly explain what are the reasons behind your assessment on the establishment of the European Public Prosecutors Office?*" In particular, the experts highlighted that there is a risk of the EPPO being underfunded and that, as it also emerged from the VIRTEU workshops, its scope of investigations could be overly limited taking into consideration that the current threshold of cross-border VAT fraud involving damage of above EUR 10 million, which triggers EPPO's investigations, is considered to be too high.¹¹

- ✓ *"It is important for legislative coordination between European countries."*
- ✓ *"The jurisdiction of the European Public Prosecutors Office is quite narrow."*
- ✓ *"In my opinion EPPO should become most effective force against serious transnational crime by tackling national legislative obstacles and having enough investigative resources."*
- ✓ *"The EPPO only investigates tax crimes with high tax losses, but this is not enough to prevent tax offenses in all EU countries. The effectiveness of EPPO can also be affected by a lack of investigative resources."*

The experts were then asked to evaluate how the overall legal and regulatory framework concerning tax crimes (definitions, provisions, thresholds, exemptions, procedures, etc) facilitates [1] the investigation of, [2] the prosecution of, and [3] securing the conviction for tax crimes. Answering the related question "On a scale of 0 to 10, where 0 is "strongly disagree" and 10 is "strongly agree", could you please rate how, in your jurisdiction, the overall legal and

¹¹ As emerged from the opinion of the State Revenue Expert at the National Revenue Agency in Bulgaria, this problematic aspect seems to pose challenges especially in smaller economies. See Tsankov, Petar (2021) VIRTEU National Workshop - Bulgaria, Session 2 [Online]. Video recording at 1:08:28. Available at: www.corporatecrime.co.uk/virteu-workshop-bulgaria.

regulatory framework concerning tax crimes (definitions, provisions, thresholds, exemptions, procedures, etc) facilitates the investigation of, the prosecution of, or securing the conviction for tax crimes?," the experts expressed the opinion that the legal framework is adequate as regards investigations and prosecution, with average results respectively of 7.06 and 6.69 both falling into the category "agree;" whereas more doubts emerged in relation to the way in which the legal system assists in securing convictions for tax crimes, where the answered resulted in a mean score of 5.44, which falls into the category "neither agree nor disagree."

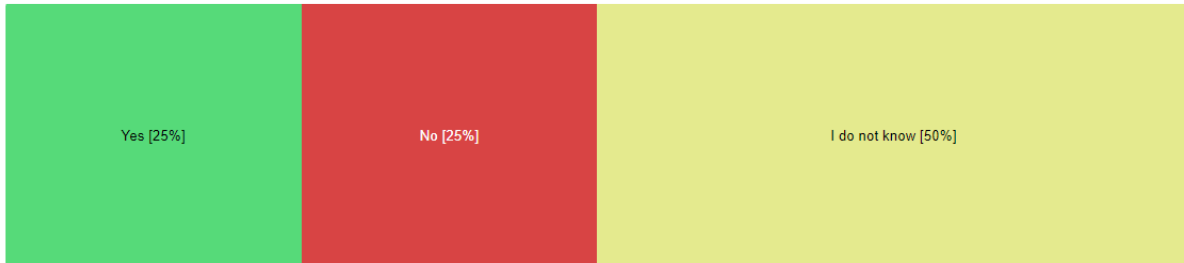
Field	Min	Max	Mean
The legal and regulatory framework facilitates investigation of tax crimes	3.00	10.00	7.06
The legal and regulatory framework facilitates prosecution of tax crimes	1.00	9.00	6.69
The legal and regulatory framework facilitates securing the conviction for tax crimes	3.00	8.00	5.44

Considering the same points regarding the regulatory framework for corruption offenses, the experts provided a similar reflection. Answering the related question "On a scale of 0 to 10, where 0 is "strongly disagree" and 10 is "strongly agree", could you please rate how, in your jurisdiction, the overall legal and regulatory framework concerning corruption (definitions, provisions, thresholds, exemptions, procedures, etc) facilitates the investigation of, the prosecution of, or securing the conviction for corruption offenses?," they expressed the opinion that the legal framework is adequate as regards investigations and prosecution, with average results respectively of 6.69 and 6.31 both falling into the category "agree;" whereas more doubts emerged in relation to the way in which the legal system assists in securing convictions for corruption-related offenses, where the answered resulted in a mean score of 5.00, which falls into the category "neither agree nor disagree."

Field	Min	Max	Mean
The legal and regulatory framework facilitates investigation of corruption offenses	2.00	9.00	6.69
The legal and regulatory framework facilitates prosecution of corruption offenses	2.00	9.00	6.31
The legal and regulatory framework facilitates securing the conviction for corruption offenses	2.00	8.00	5.00

One of the identified problems with the detection of both tax crimes and corruption is the lack of ability to access sufficient data and its dissemination for those who have been found to have committed such acts. For example, only 25% of participants affirmed that it is possible to access information regarding conviction rates in the area of tax crime and details of the tax crime cases related to final decisions; whereas 25% of experts affirmed that such data are unavailable in their jurisdiction and half of the respondent were unable to offer a valid answer.

Q82 - Is it possible to access data on conviction rates in the area of tax crime and details of the tax crime cases related to final decisions (i.e., details on the identity of the offenders, tax evasion mechanisms used, seized assets, and so on...)?



In terms of best practice, it emerged that the courts' decisions are most easily available within Estonia through the use of an online portal where all the relevant pieces of information are published:

www.riigiteataja.ee/kohtulahendid/koik_menetlused.html.

Recovery and Investigation

When addressing best practices in the recovery for evaded taxes, from the Italian context it emerged that the use of information communication technology tools to access bank account operations was pivotal. In addition, another form of best practice identified by Estonia, but also applicable in other jurisdictions such as Italy, was the State (through the tax office) can file a public legal claim against the perpetrators in criminal proceedings and it is not necessary to conduct separate and independent administrative proceedings. This prevents the duplication of the proceedings and provides enhanced efficiency and certainty. Also from Estonia, a further good practice emerged in relation to the seizure of assets and confiscation of proceeds of tax crime where it is possible to confiscate assets of an equivalent value (i.e., seizure of property equivalent to the value of the unpaid tax). When applicable the seized property can also be used to cover the cost of legal actions. Within Greece, it was highlighted it is possible to automatically recover funds from bank accounts, whereby reducing bureaucracy and barriers to effective recovery. From Portugal, the importance of a comprehensive information sharing system, known as a SIPE system, highlighted the responsibility for gathering automated information on diverse assets subject to seizure.

Following the identification of good practice, the experts were asked to consider possible deficiencies in the system aimed at recovering evaded taxes, from which a number of important factors emerged.

From both Portugal and Italy, it became apparent that when the time lapse between the perpetration of tax crimes and the conclusion of the investigation is too great, it is possible the perpetrators subject to the investigation have moved or disposed of the relevant assets, thereby making identification and recovery problematic. From the Greek experience, it was explained that one problem is the effective upkeep and management of recovered assets before they are further disposed of in order to recover tax liabilities, for example, if a property

is seized there is a further associated cost in the maintenance of the property, least it risks falling into disrepair or otherwise diminishing in value.

It was further identified that difficulties also arise when property acquired resultant of tax crimes is transferred to third parties, who may act as a figurehead for those perpetrating tax crimes and who benefit from the property. This may cause difficulties in the recovery of the property, which may be costly and time-consuming to resolve, and in some instances prevent recovery entirely. A reoccurring theme in responses was, even for very wealthy countries such as the United States, a lack of funding for personnel and resources for the investigation and recovery of tax offenses, thereby causing significant weaknesses to the enforcement system as a whole. Similarly, numerous responses highlighted the problematic aspect of recovery from assets that had been transferred to third-party states and in circumstances from which emerged a lack of effective cooperation. This was especially pertinent in states with enhanced secrecy provisions and low taxation, often understood as tax havens.

As regard to investigatory techniques, the experts were asked to consider the importance and use of intrusive surveillance, for example, phone tapping or audio surveillance, in the detection of tax crimes. The average response to the question "*On a scale of 0 to 10, where 0 is "irrelevant" and 10 is "very important", how do you evaluate the relevance of the use of intrusive investigative techniques (e.g., phone tapping, audio surveillance) in unveiling tax crimes?*" demonstrated that such techniques are considered fundamental to the detection of such crimes. Specifically, the answers achieved a **mean score of 8.25**, which is a result falling squarely into the area labeled "**very important**," with a quite low *variance* score (i.e., 2.05).¹²

Q104 - The importance of using intrusive investigative techniques to unveil tax crimes

Field	Min	Max	Mean	Standard Deviation	Variance
The importance of using intrusive investigative techniques to unveil tax crimes	3.00	10.00	8.25	2.05	4.19

However, from the experts' perspective, a significant discrepancy emerged between the importance of intrusive investigative techniques and the actual use that is made of them. The survey demonstrated that such techniques are in practice used infrequently, and as such, there represents a missed opportunity in the detection, and therefore prosecution, of tax crimes. As a matter of fact, the experts' answers to the question "*On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often are intrusive investigative techniques (e.g., phone tapping, audio surveillance) used in your jurisdiction to investigate tax crimes?*" achieved only an **average score of 5.90**, which is a result falling only into the area labeled "**occasionally**."

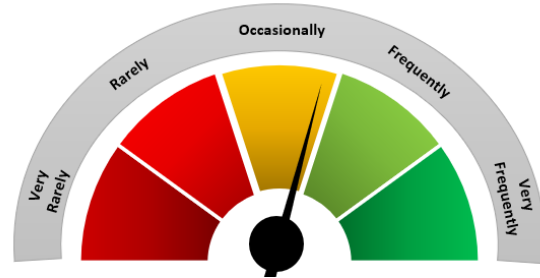
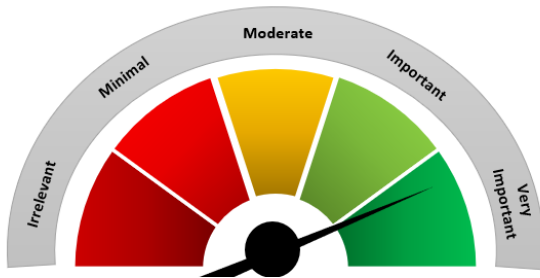
¹² Recently, a case from the United States has demonstrated how the use of intrusive investigative techniques, and, in particular, undercover police operations may be extremely effective in countering instances of economic crime that otherwise are extremely difficult to be investigated and prosecuted. See Donato Voza, *Professional Enabler of Money Laundering Sentenced Thanks to Dea Undercover Operation*, Corporate Crime Observatory (2022), www.corporatecrime.co.uk/post/enablers-undercover-operation.

Q105 - Frequency of the use of intrusive investigative techniques for investigating tax crimes

Field	Min	Max	Mean	Standard Deviation	Variance
Frequency of the use of intrusive investigative techniques for investigating tax crimes	2.00	9.00	5.90	2.88	8.29

Q104 - The importance of using intrusive investigative techniques to unveil tax crimes

Q105 - Frequency of the use of intrusive investigative techniques for investigating tax crimes



In relation to corrupt practices, the experts unanimously stressed the crucial importance of conducting investigations using intrusive investigative techniques. The answers to the question "On a scale of 0 to 10, where 0 is "irrelevant" and 10 is "very important", how do you evaluate the relevance of the use of intrusive investigative techniques (e.g., phone tapping, audio surveillance) in unveiling corrupt practices?" got a minimum score of 8.00, which is a result already positioned in the area of "very important," with an **average score of 9.17**, which represents a result that goes well beyond what was labeled as "very important."

Q106 - The importance of using intrusive investigative techniques to unveil corrupt practices

Field	Min	Max	Mean	Standard Deviation	Variance
The importance of using intrusive investigative techniques to unveil corrupt practices	8.00	10.00	9.17	0.90	0.81

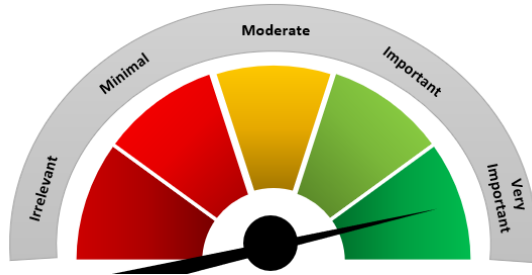
However, similarly to what happened in relation to tax crimes, the answer to the question "On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often are intrusive investigative techniques (e.g., phone tapping, audio surveillance) used in your jurisdiction to investigate corruption cases?" resulted in a much lower score (mean score of 6.5) with some participants considering them as only "rarely" used.

Q107 - Frequency of the use of intrusive investigative techniques for investigating corruption

Field	Min	Max	Mean	Standard Deviation	Variance
Frequency of the use of intrusive investigative techniques for investigating corruption cases	3.00	10.00	6.50	2.60	6.75

Q106 - The importance of using intrusive investigative techniques to unveil corrupt practices

Q107 - Frequency of the use of intrusive investigative techniques for investigating corrupt practices



The above-mentioned outcome of the survey appears perfectly aligned with the research findings that emerged from the VIRTEU workshops.¹³

Enquiring about other relevant obstacles to the detection and prevention of tax crimes and corruption, the most common responses included challenges faced in international cooperation between various departments with the responsibilities for the detection, investigation, and prosecution of tax crimes and corruption, including siloing of information. Such practices treat valuable information as a commodity to be jealously guarded and used often in exchange for other departments' pieces of information. Accordingly, this pervasive organizational attitude results in the 'mosaicking' of intelligence where no one party or organization has a complete and comprehensive picture of the investigatory landscape.

In addition, the experts highlighted the lack of adequate investigation powers for tax administration officers, i.e., those whose functions differ from police officers and prosecutors, and a lack of resources and highly qualified staff with the required expertise when dealing with such complex regulatory matters.

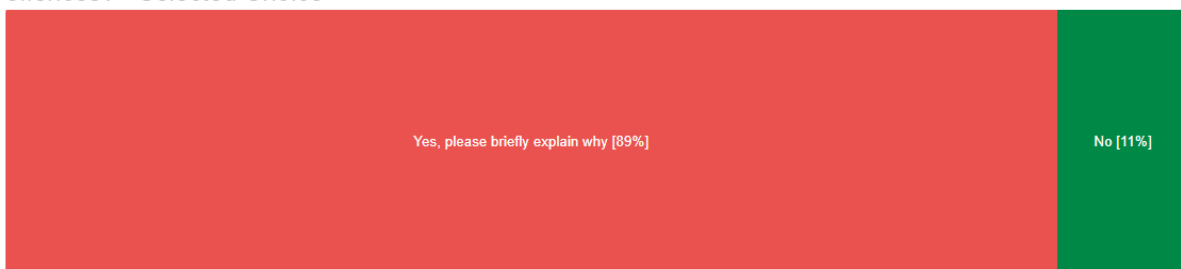
¹³ For example, during the VIRTEU workshop focused on The Netherlands, it emerged that, although available, in tax crime investigations wiretapping is used much less frequently than in cases related to other crimes such as drug trafficking or robbery. See Pauwelussen, Josien (2021) VIRTEU National Workshop - The Netherlands, Session 2 [Online]. Video recording at 48:57. Available at: www.corporatecrime.co.uk/virteu-workshop-netherlands. Also, during the VIRTEU workshop focused on The United Kingdom, it was stressed how the Serious Fraud Office, which is the most powerful organization that is undertaking investigations into bribery and corruption, doesn't have sufficient investigative powers, and this situation generates a dysfunctionality of the law enforcement landscape that goes to the detriment of effective law enforcement. See Betts, Mike (2021) VIRTEU National Workshop - United Kingdom, Session 2 [Online]. Video recording at 46:21. Available at: <https://www.corporatecrime.co.uk/virteu-workshop-uk>. Finally, from the same workshop, it emerged that one problematic aspect authorities face when investigating transnational tax or corruption crimes is that where the recording has been done abroad it may be not possible to be used in the United Kingdom where prosecutors do not work in tandem with a foreign prosecutor. See Cook, Rachel (2021) VIRTEU National Workshop - United Kingdom, Session 2 [Online]. Video recording at 48:02. Available at: <https://www.corporatecrime.co.uk/virteu-workshop-uk>.

Pardons, Amnesties and Clemency Measures

From the research activities and workshops that were undertaken as part of the VIRTEU project, it has emerged that the periodic use of tax amnesties and other instruments that may grant impunity or offer leniency produces adverse effects on tax compliance wherein it potentially emboldens perpetrators of tax crimes.

In the survey, the experts highlighted that such practices occur within select jurisdictions. For instance, it emerged that in Italy, Latvia, and Portugal amnesties or pardons in the area of tax crimes feature often (every 4 years or less) or periodically (every 5-9 years or less) as a response to tax crimes. In that regard, the vast majority of experts (**89% of participants**) affirmed that these forms of immunity or impunity incentivize tax crimes.

Q112 - In your experience, may tax amnesties, pardons and other mechanisms of impunity granted to the perpetrators of tax crimes act as an incentive for natural or legal persons to perpetrate these types of offences? - Selected Choice



As regards the reasons behind such a conviction, some interesting elements emerged from the answered the experts gave to the ensuing open question:

- ✓ "If they got away with it, why can't I?"
- ✓ "The cyclical repetition of amnesties pushes the taxpayer not to pay on the basis of the evaluation of an immediate and certain gain (unpaid taxes) against a cost certainly not deriving from any fiscal control. Any amnesty must not allow the taxpayer who has been subjected to control to be regularized, lowers the burden of being caught, because it creates a feeling that the crime may not be punished, the existence of tax amnesties, pardons and other mechanisms of impunity granted to the perpetrators of tax crimes transmit to the citizens (including the perpetrators) the idea that crime does pay. Tax crime (as well as other crimes like corruption and money laundering) perpetrators just have to wait until next opportunity to have their criminal liability extinct. Besides this, such political options erode the effectiveness and justice of the Tax System as a whole, and they create moral hazard, the perpetrators can count on a systematic wiping out of the charges."

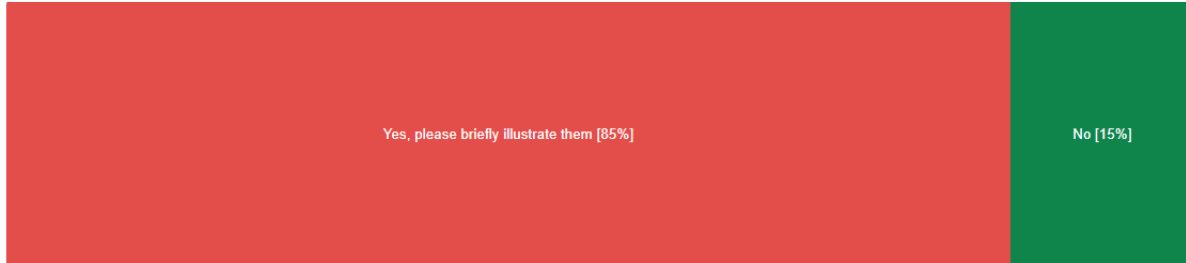
When parties are unable or possibly unwilling to repay tax liabilities in one sum, the experts were able to point to the presence of legal instruments whereby individuals have been offered the chance to make bespoke repayment arrangements with authorities (e.g., paying the tax debt through installments) so to allow the state to recover unpaid taxes over time.



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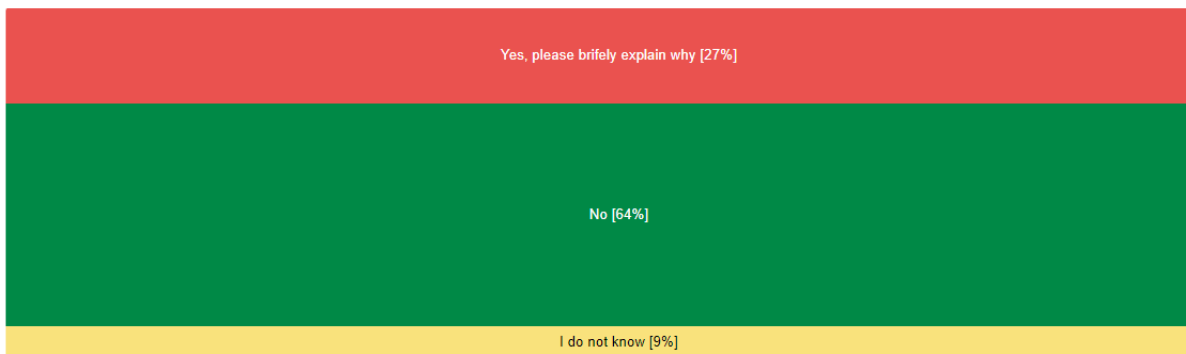


Q113 - Are you aware of any relevant tax exemption/reduction regimes, deferred payment policies (i.e., chances to pay tax debts through instalments), or other concessions available to tax debtors in your jurisdiction? - Selected Choice



Differently from the results relating to tax amnesties, when considering if such arrangements facilitate the perpetration of tax crimes, the majority of experts (**64% of participants**) affirmed that they do not believe these favorable regimes to tax debtors incentivize tax crimes *per se*.

Q114 - In your experience, may tax exemption/reduction regimes, deferred payment policies (i.e., chances to pay tax debts through instalments), or other concessions in your jurisdiction facilitate tax crimes? - Selected Choice



However, interesting elements emerged from comments of the experts that affirmed that such schemes may facilitate tax crimes (**27% of participants**):

- ✓ *"It is a possibility that [they] create the convenience, so you can evade tax and be aware that you will "pay" after and less than the honest contributors."*
- ✓ *"Tax reduction regimes is the basis of VAT fraud. Fake invoices are used to reduce tax burden or increase the claim of refund."*
- ✓ *"Certain tax exemptions can be attractive for tax criminals, e.g., possibilities granted for non-profit communities."*

Should a person be unable to pay tax debts with liquid capital, besides bankruptcy and liquidation proceedings, in some jurisdictions such as Portugal, Italy, and Montenegro, it is possible for individuals to utilize assets as a means of payment subject to the authorization of the customs authority, for example, payment through real estate.

The vast majority of the experts affirmed it is possible to have different forms of agreement with prosecutors in order to avoid or reduce the severity of prosecution or litigation.

Examples of these included;

- The full payment of the evaded tax, interest, and administrative sanctions before the start of the trial as a means to forego criminal proceedings.
- Reduced sentences for cooperation with investigators.
- Suspension of the penalty with the payment of taxes.
- Plea bargains.
- Deferred and non-prosecution agreements.
- Use of settlement procedures where prosecutors and investigated persons make an agreement about sentences prior to the start of court proceedings.
- Cases are argued in court on the basis of information held within the case file without interviewing witnesses and experts; in such circumstances, the punishment upon conviction is reduced by one-third.
- The termination of criminal proceedings in case of lack of public interest in proceedings and negligible guilt.

Q119 - Can tax crime cases be resolved, in your jurisdiction, through mechanisms different and/or alternative to prosecution or litigation (e.g., plea bargain, deferred prosecution agreements, other forms of negotiated resolutions)?



When considering if the opportunity to resolve cases through the use of alternatives to criminal prosecution may be considered an effective response to tax crimes, it was commented that where they are present, they are overused and result in ‘*almost no prosecutions of corporate defendants*’, and that they generate the perception that there is no penalty for tax crimes outside of the payment of the tax debt itself. In addition, they leave important legal issues unsolved due to the absence of a proper means of judicial interpretation. Notwithstanding this, it was recognized they allow for the easy recovery of unpaid taxes with a reduced overall cost of tax litigation, and their use may reduce the challenges posed by investigating and prosecuting large-scale criminal offenders (e.g., large multinational organizations). When considering the same matters for instances of corruption as opposed to tax crimes, it was indicated that alternative forms of resolution to criminal prosecution may be utilized in limited circumstances. The experts were able to provide examples and reasons for corrupt cases to be resolved through alternative means, for example, within the Italian criminal code, cases of corruption provide for non-punishment for those who, before being informed that investigations are being carried out in relation to these facts and, in any case, within four months of the commission of the fact, voluntarily report it and provide useful information to ensure the proof of the crime and to identify the other perpetrators.

Corruption of Authorities

The experts were asked about corrupt practices involving public servants within tax authorities, whereby perpetrators of tax crimes attempt to illicitly influence the outcome and actions of an investigation and subsequent proceedings. In doing so, offenders may attempt to engage in acts of bribery, exploitation of personal, political, and professional networks, as well as trafficking in influence and exchange of favors. Such conduct presents a significant risk when combined with acts such as bribery. When asked "On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often do perpetrators of tax crimes try to unduly influence tax authorities in your jurisdiction?," although from the answers it emerged a wide range of opinions on the matter as demonstrated by the high levels of both *standard deviation* (3.00) and *variance* (9.00), the overall assessment of the experts resulted in an **average score of 4.00**, which falls into the category "**occasionally**" and shows that this is considered to be a real risk that public administration faces. Interestingly, the experts from Italy and Croatia assessed the risk as "very frequent," from Greece as "frequent," and from the United States as "occasional."

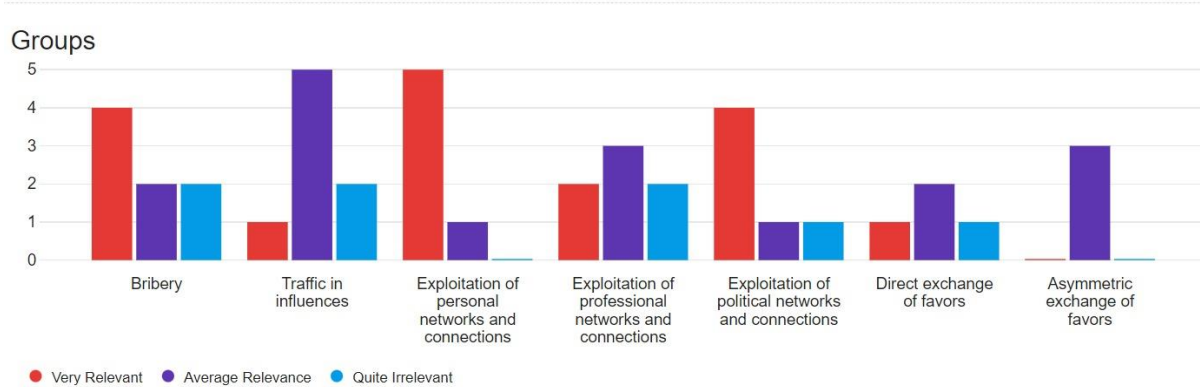
Q126 - Frequency of corruption attempts in the area of taxation (tax authorities)

Field	Min	Max	Mean	Standard Deviation	Variance
Frequency of corruption attempts in the area of taxation (tax authorities)	1.00	10.00	4.00	3.00	9.00

When asked "Could you please select, group and rank the most relevant corrupt practices used by perpetrators of tax crimes to try to unduly influence tax authorities in your jurisdiction?," the experts considered the "**exploitation of personal networks and connections**" to be the most relevant practice" immediately followed by the "**exploitation of political networks and connections**," which was considered to be reaching the same level of risk of direct bribes paid to public officials. Such a result, when read in conjunction with the answers given in the following sections of the survey concerning unethical lobbying practices, the revolving door phenomenon, and the role of professional enablers, as well as in conjunction with the findings from other research activities carried out within the VIRTEU project,¹⁴ demonstrates not only that the problematic aspects of corrupt practices in the area of taxation go well beyond the

¹⁴ For example, as the Project Manager in the Area of Anti-Money Laundering at the Dutch Fiscal Information and Investigation Service Department (FIOD) clarified during the VIRTEU Workshop focused on The Netherlands, there is evidence of cases of professionals of top accounting firms that attempted to thwart investigations taking advantage of their close connections with high-level public figures. See Bonnet, Pascal (2021) VIRTEU National Workshop - The Netherlands, Session 2 [Online]. Video recording at 13:27. Available at: www.corporatecrime.co.uk/virteu-workshop-netherlands. Also, as the State Revenue Expert at the National Revenue Agency explained during the VIRTEU workshop focused on Bulgaria, although it is not necessary to have the support of the tax administration to design and activate a tax evasion scheme, it is easier to perpetrate these crimes where you have the support of someone inside the tax administration.; and that, although there are not so frequent, there are cases of "rotten" administration where clear cases of tax fraud emerged but they were not investigated. See Tsankov, Petar (2021) VIRTEU National Workshop - Bulgaria, Session 2 [Online]. Video recording at 10:38. Available at: www.corporatecrime.co.uk/virteu-workshop-bulgaria.

issue of simple bribery but also how strategies merely aimed to counter the payment of bribes to public officials fail to tackle the reality of corruption.



A partially different scenario emerged when the expert considered corruption outside the tax administration and, specifically, within enforcement, prosecuting, and judicial authorities. When asked "On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often do perpetrators of tax crimes try to unduly influence enforcement, prosecuting or judicial authorities in your jurisdiction?," the experts answered in a less divergent way (standard deviation score of 2.33 and variance score of 5.44) achieving a **mean score of 3.60** that, although borderline with "occasionally," falls into the category of "rarely."

Q128 - Frequency of corruption attempts in the area of taxation (enforcement, prosecuting, and judicial authorities)

Field	Min	Max	Mean	Standard Deviation	Variance
Frequency of corruption attempts in the area of taxation (enforcement, prosecuting, and judicial authorities)	1.00	8.00	3.60	2.33	5.44

Such a result appears in line with the outcome of other research projects carried out within the European Union.¹⁵ However, from the experts' answers still emerged a risk that cannot be underestimated with experts from Italy still assessing the risk as "very frequent," and from Croatia as "frequent." The result related to the Italian jurisdiction may be read in conjunction with the recent major corruption scandals that involved tax courts in the country. Differently from other areas of the law, fiscal matters in Italy are not exercised by ordinary courts but by special courts (Provincial Fiscal Commissions and District Fiscal Commissions), whose members are appointed among administrative and military magistrates, university professors in legal and economic matters, lawyers, accountants, and other professional categories. Such an element demonstrates how the composition of the courts, especially

¹⁵ See, for example, Center for the Study of Democracy, *Examining the links between organised crime and corruption* (2010), from page 60, explaining that it is more complex for offenders to corrupt police officers and even more members of judicial and prosecuting authorities and that, however, the risks are present and the criminals use different methods to perpetrate corrupt practices. Available at:

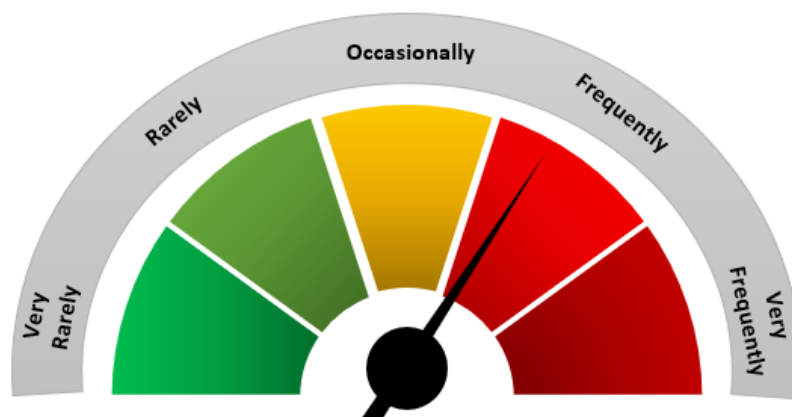
www.europarl.europa.eu/meetdocs/2009_2014/documents/libe/dv/report_csd_/report_csd_en.pdf

where due to the heterogeneity of such a composition courts' members are inherently subject to weaker controls, may drastically affect resilience to corrupt practices.¹⁶ Such a result may be also read in combination with the findings from the VIRTEU workshop focused on Denmark from which it emerged that undue influences are significantly affecting the tax administration because of the presence of administrative boards instead of courts to resolve cases of tax abuses, which have a mixed composition including not only tax officials but also representatives of the industry.¹⁷

Professional Enablers of Tax Crimes

The frequency of professionals such as lawyers, accountants, and auditors, acting as enablers or facilitators of tax crime was considered worrisomely high. In particular, the answers to the question "*On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often do tax-related professionals (e.g., bankers, accountants, lawyers, auditors, compliance officers) play a role in the facilitation of tax crimes in your jurisdiction?*" resulted in an **average score of 6.67**, which represents a score that falls into the area of what was labeled as "frequently."

Q138 - Frequency of professionals acting as facilitators/enablers of tax crimes

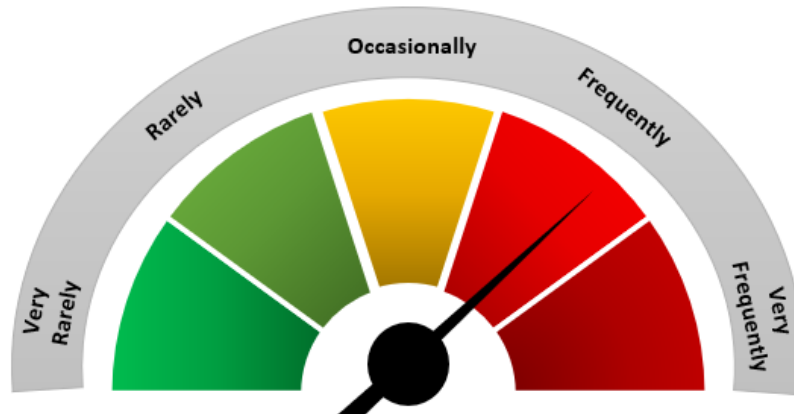


The influence of professional enablers was evaluated by the experts as even more relevant in the area of aggressive tax avoidance. The answers to the question "*On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often do tax-related professionals (e.g., bankers, accountants, lawyers, auditors, compliance officers) play a role in the facilitation of aggressive tax avoidance schemes in your jurisdiction?*" resulted in an **average score of 7.40**, which represents a result that is at the far end of the area labeled as "frequently."

¹⁶ See GRECO – Council of Europe, *Fourth Evaluation Round: Corruption prevention in respect of members of parliament, judges and prosecutors*, Evaluation Report: Italy (2016), at p.4, <https://rm.coe.int/16806dce15>.

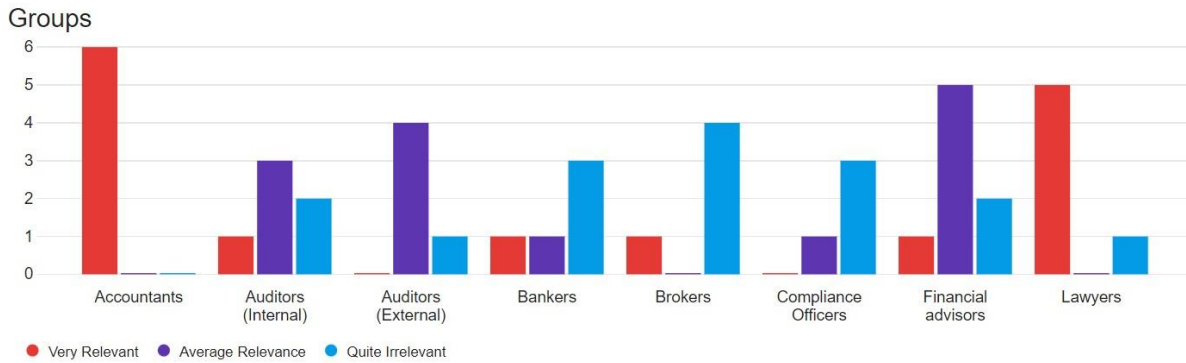
¹⁷ See Olsen, Jesper (2022) VIRTEU National Workshop - Denmark, Session 1 [Online]. Video recording at 1:01:43. Available at: www.corporatecrime.co.uk/virteu-workshop-denmark.

Q142 - Frequency of professionals acting as facilitators/enablers of aggressive tax avoidance

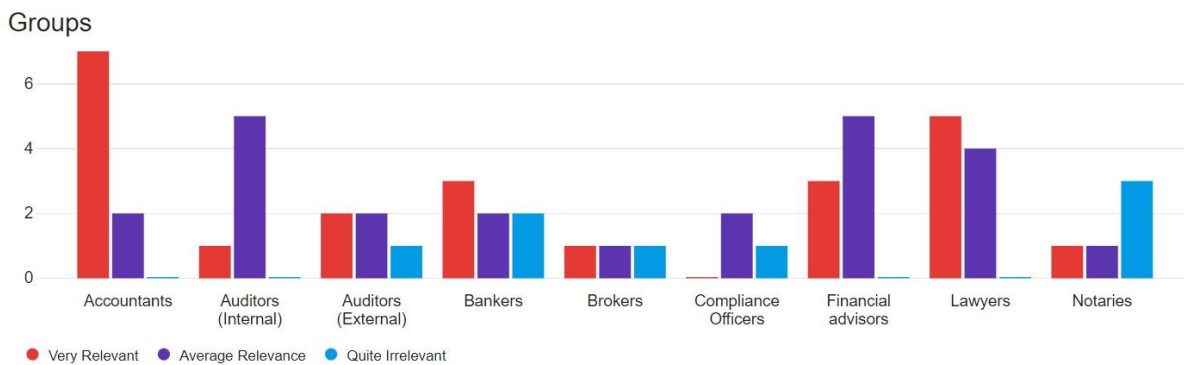


Answering the following question "*Could you please select, group and rank the most relevant categories of professionals that act as enablers/facilitators of tax crimes in your jurisdiction?*" The experts identified both accountants and lawyers as the most relevant categories of professionals that serve as enablers or facilitators of tax crimes, followed by financial advisors, as well as external and internal auditors. Such a finding is perfectly aligned with the outcomes of all the National Workshops carried out during the research activities of the VIRTEU project.¹⁸

¹⁸ Specifically, during the VIRTEU workshop focused on Bulgaria, the experts affirmed that, due to their knowledge of tax law and tax mechanisms, accountants and lawyers are the professionals most likely involved in fraudulent tax schemes. In particular, the role of accountants is fundamental in that, without them, it would be not even possible for the organizers to assess the profitability of a tax evasion scheme; whereas the role played by lawyers is important where the schemes become more complex and there is the need to evaluate the legal relationships between the various perpetrators and involved legal entities. See Tsankov, Petar (2021) VIRTEU National Workshop - Bulgaria, Session 2 [Online]. Video recording at 4:25. Available at: www.corporatecrime.co.uk/virteu-workshop-bulgaria. In Denmark, the experts highlighted the systematic involvement of accountants and lawyers as facilitators pointing out that the problem involves the existence of a profitable tax advice industry. See Egerod, Benjamin Carl Krag (2022) VIRTEU National Workshop - Denmark, Session 2 [Online]. Video recording at 03:12. Available at: www.corporatecrime.co.uk/virteu-workshop-denmark. In Greece, accountants were deemed to be the most prominent professional enablers of tax evasion. See Voulgaris, Dimitrios (2022) VIRTEU National Workshop - Greece, Session 2 [Online]. Video recording at 02:39. Available at: www.corporatecrime.co.uk/virteu-national-workshop-greece. During the VIRTEU workshop focused on Italy, the participating Lieutenant Colonel of the Tax Police [*Guardia di Finanza*] explained how very recent investigations have unveiled an alarming level of systemic corruption that involved officials of the Italian Tax Authority [*Agenzia delle Entrate*] as well as professionals, including lawyers and accountants. See Bolis, Samuel (2021) VIRTEU National Workshop - Italy, Session 2 [Online]. Video recording at 04:15. Available at: www.corporatecrime.co.uk/virteu-national-workshop-italy. During the VIRTEU workshop focused on the United Kingdom, the former Principal Investigative Lawyer at the Serious Fraud Office, explained that lawyers – play a pivotal role as enablers of tax crime in that their role does not only include giving legal advice but includes also material support such as creating the mechanisms, like shell companies, that a company or an individual can use to evade tax. See Bai-Marrow, Lloydette (2021) VIRTEU National Workshop – United Kingdom, Session 2 [Online]. Video recording at 10:17. Available at: www.corporatecrime.co.uk/virteu-workshop-uk. Finally, during the discussion held during the VIRTEU workshop focused on The Netherlands, the experts not only highlighted the enabling role played by lawyers, accountants and bankers but also stressed, like the Danish



The answer concerning the most relevant categories of professionals that act as facilitators of aggressive tax avoidance included a substantive overlap with both accountants and lawyers. However, it is also possible to observe that the experts believed that in the area of aggressive tax avoidance financial advisors and bankers play a role that is more significant than the one they play in relation to tax crime.



A major discrepancy emerged between the estimated frequency of involvement of professional enablers in tax crimes and the response in terms of imposition of sanctions and disciplinary measures. In particular, when they were asked "On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often are tax-related professionals (e.g., bankers, accountants, lawyers, auditors, compliance officers) convicted for complicity in tax crimes?" the experts' answers resulted in an **average score of 2.89**, which is a result falling into the area labeled "rarely."

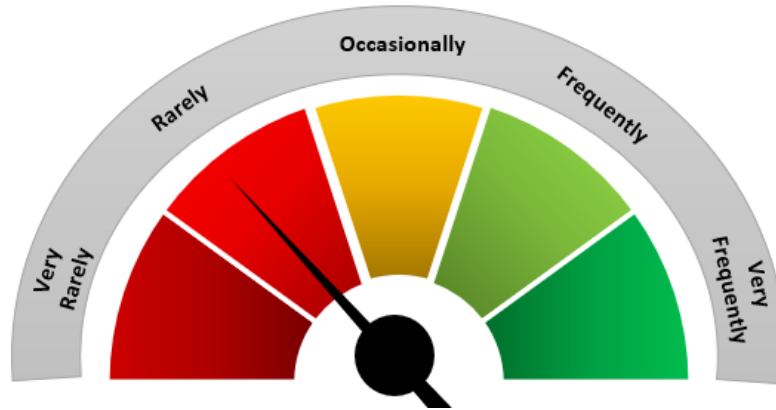
experts, the fact that such role is systemic and relating to the trust industry. See Bonnet, Pascal (2021) VIRTEU National Workshop - The Netherlands, Session 2 [Online]. Video recording at 03:18. Available at: www.corporatecrime.co.uk/virteu-workshop-netherlands.



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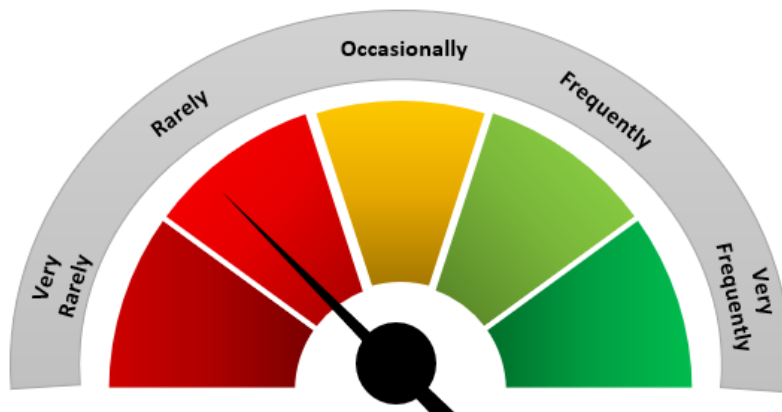


Q140 - Frequency of professionals convicted for complicity in tax crimes



A similar result emerged regarding the imposition of disciplinary measures in relation to which a generalized distrust of the way in which independent professional associations regulate their members was expressed by the experts. Specifically, when they were asked "On a scale of 0 to 10, where 0 is "very rarely" and 10 is "very frequently", in your experience, how often are tax-related professionals (e.g., bankers, accountants, lawyers, auditors, compliance officers) subject to disciplinary sanctions or disqualification measures for illicit or unethical conducts in relation to their work in the area of taxation?" the experts' answers resulted in an **average score of 2.60**, which is falling into the lower end of the area labeled "rarely."

Q141 - Frequency of professionals subject to disciplinary sanctions for complicity in tax crimes



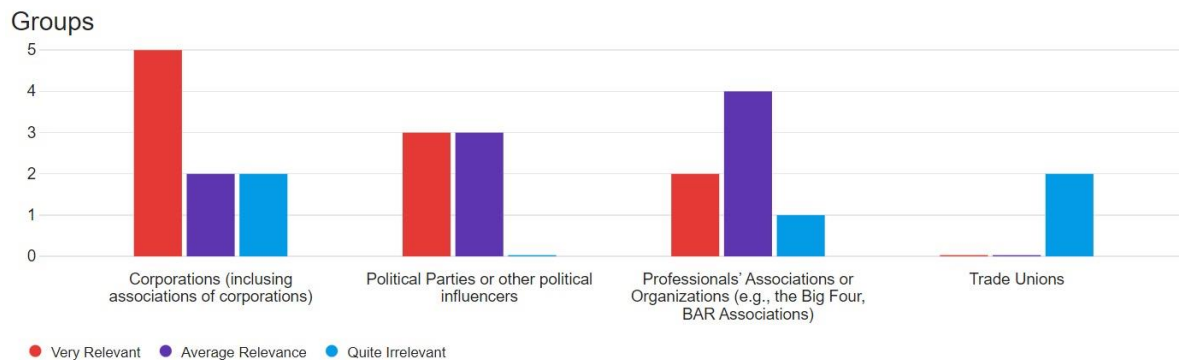
Such a finding is consistent with the other findings of the research activities of the VIRTEU project.¹⁹

¹⁹ For example, during the VIRTEU workshop focused on Greece, the experts affirmed that they haven't heard of any case of lawyers being ever debarred for facilitating or enabling tax crimes. See Baltas, Antonis (2021) VIRTEU National Workshop - Greece, Session 2 [Online]. Video recording at 04:52. Available at: www.corporatecrime.co.uk/virteu-national-workshop-greece.

Unethical Lobbying

Addressing the levels of unethical lobbying or other forms of undue influence exerted by members of the elite, pressure groups, advocacy groups, or other forms of lobbying affecting at the systemic level the anti-tax crime strategies and efforts, the experts clarified that there was an average level of undue influence and lobbying with peaks found within Italy, Greece, Croatia, and Portugal.

The organizations that exert the most relevant undue influence in the administration of taxation were identified primarily as corporations, followed by political parties and other political influences, and then by professional associations and organizations of professional advisors.

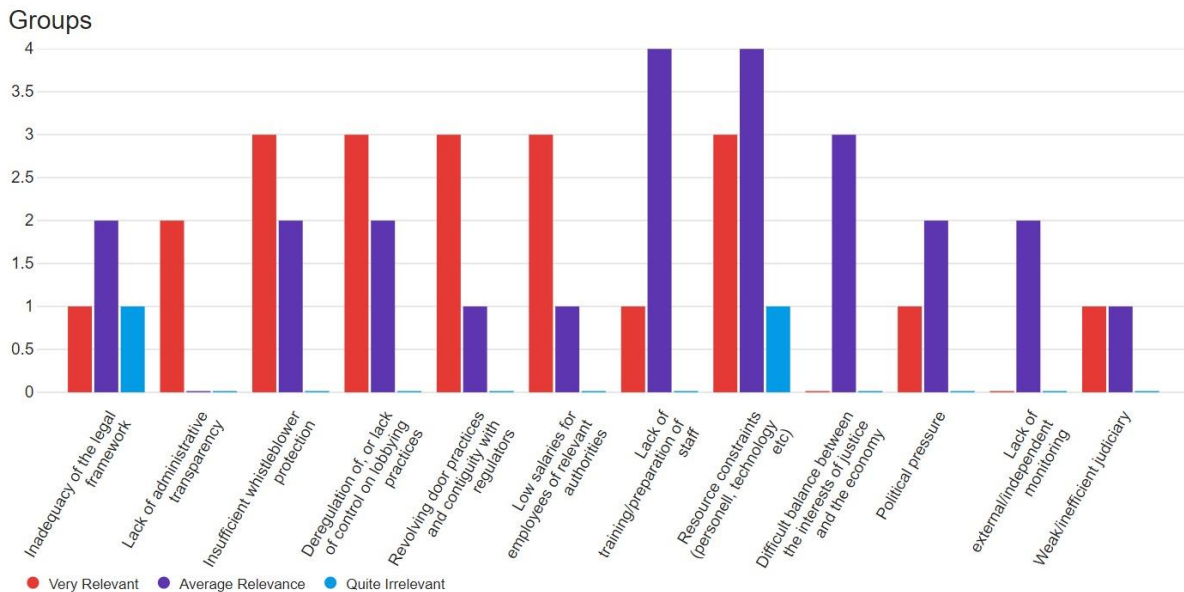


The most relevant consequences of such undue influences affecting anti-tax crime strategies included attempts to enhance the preconditions that enable tax crimes to be perpetrated and go undetected. The strategy to obtain such an effect appears to rely mainly on limiting transparency regimes and thwarting effective investigations (e.g., through the adoption of defunding strategies or limiting the independence of investigative bodies and agencies). Such forms of undue influence weaken the regulatory framework as well as the anti-economic crime capabilities of enforcement agencies, thereby increasing tax crime rates. They may also undermine the rule of law through the introduction of deregulation regimes and favorable treatments to select individuals or corporate entities.

In the area of taxation, one of the most relevant results of such undue influence emerged to be the enlargement of the grey areas of tax avoidance, through the imposition of limits to the definition of tax crimes or the introduction of high thresholds of criminalization. In addition, the exerting of undue influence may result in attempts to reduce the political support for or hamper legislative proposals aimed at enhancing transparency regimes (e.g., in the area of beneficial ownership), including the introduction of awards or effective legal protection for whistleblowers, as well as adopting other effective anti-tax crime strategies (e.g., increasing the resources and investigative powers of investigators).

The most relevant vulnerabilities to both corrupt practices and undue influences of anti-tax crimes authorities (e.g., tax authorities, tax enforcement agencies, tax police,

prosecuting authorities, and anti-corruption agencies) include insufficient whistleblower protections, deregulation or lobbying practices, the revolving door phenomenon, low salaries for relevant authorities, as well as resource constraints in terms of personal and technological assets. Less influential even if widely spread among the responses appears to be the lack of training of staff to counter this undue influence and the difficulties in balancing the interest of justice with the interest of the economy.



The Revolving Door Phenomenon

Addressing the revolving door phenomenon, the experts were asked: "On a scale of 0 to 10, where 0 is "strongly disagree" and 10 is "strongly agree", could you please rate how, in your jurisdiction, the revolving door phenomenon in the area of taxation and anti-tax crime, as well as the contiguity that it generates, appears to be problematic?" The experts offered conflicting answers, which resulted in a combined **average score of 5.14**, falling into the category "**neither agree nor disagree.**"

Q146_1 - The phenomenon of revolving door in the area of taxation is problematic

Field	Min	Max	Mean
The phenomenon of revolving door in the area of taxation and anti-tax crime is problematic	2.00	8.00	5.14

Such a result corroborates the other findings of the research activities carried out during the VIRTEU project, which highlighted how the level of awareness of the issues relating to the revolving door phenomenon appears to be low and that, although the vast majority of the experts acknowledged the potential negative implication of such practices, there is a sort

of reluctance to speak about them and a generalized tendency among the respondents to underestimate their negative implications.

Interestingly, the expert from the United States, where the level of awareness of the problematic aspect of the revolving door phenomenon is higher thanks to academic studies and investigative-journalism reports,²⁰ agreed (score of 7) that the practice is problematic.

Fascinating elements emerged from the answers relating to the ensuing open question: "Could you please briefly explain why the revolving door phenomenon in the area of taxation and anti-tax crime, as well as the contiguity that it generates, appears to be problematic in your jurisdiction?" In particular, the experts affirmed that:

- ✓ "Firstly, it's problematic to hire suitable staff who has proper skills in the area of taxation and knowledge in conducting criminal investigations. Revolving door effect might cause some previous experienced staff to start working for tax evaders and reveal tax administration tactics."
- ✓ "The phenomenon creates conflicts of interest and is at least unethical."
- ✓ "Audits are abandoned or settled for low amounts when auditors can imagine working for in the future for the accounting firm they are on the opposite side of. Or they're talking to their former boss who now works there."

In terms of best practices to address these types of conduct through the revolving door phenomenon, the experts highlighted the requirement for effective internal controls, and for investigators to submit a statement of interest aimed at disclosing all potential previous connections with the party that is subject to the investigation – being these professional or social connections.

Whistleblowing

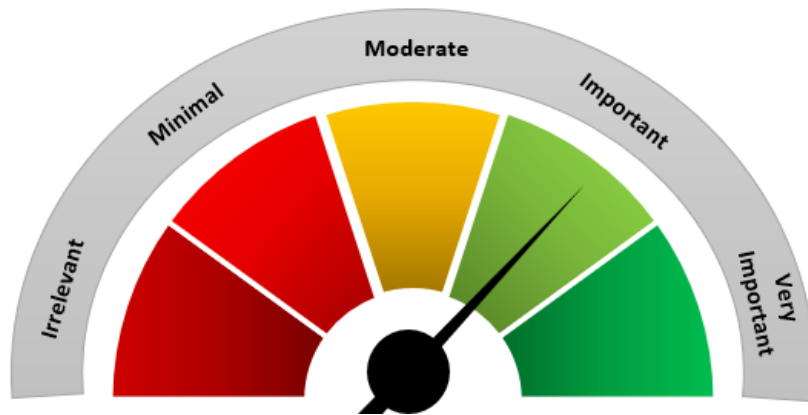
From the answers of the experts from all the involved jurisdictions, the role of the whistleblowers emerged to be crucial in uncovering both tax crimes and corruption.

In particular, the experts' answers to the question "On a scale of 0 to 10, where 0 is "irrelevant" and 10 is "very important", how do you evaluate the role of whistleblowing in unveiling tax crimes and corruption in the area of taxation in your jurisdiction?" the experts' answers resulted in an **average score of 7.55**, which is a result falling into the area labeled "**important**" in relation to tax crimes, and in an **average score of 8.55**, which is a result falling into the area labeled "**very important**" in relation to corruption.

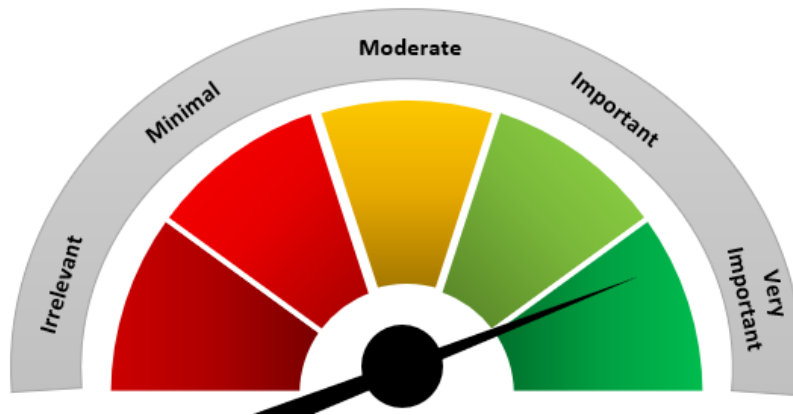
²⁰ See, for example, Drucker and Hakim (2021) *How Accounting Giants Craft Favorable Tax Rules From Inside Government*. The New York Times. www.nytimes.com/2021/09/19/business/accounting-firms-tax-loopholes-government.html.

Field	Min	Max	Mean
The importance of the role of whistleblowers in unveiling tax crimes	3.00	10.00	7.55
The importance of the role of whistleblowers in unveiling corrupt offenses	6.00	10.00	8.55

Q150.1 - The importance of the role of whistleblowers in unveiling tax crimes

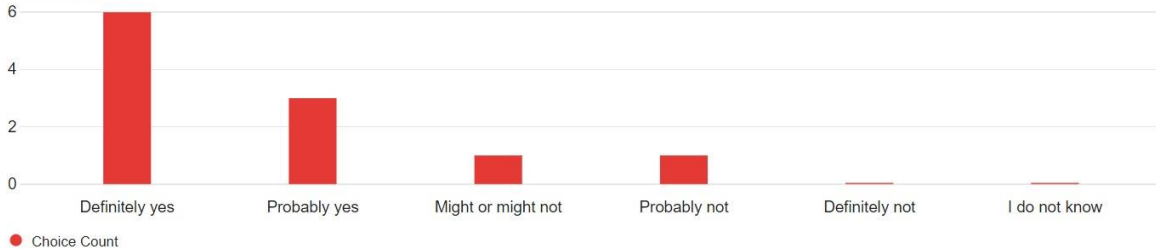


Q150.2 - The importance of the role of whistleblowers in unveiling corruption

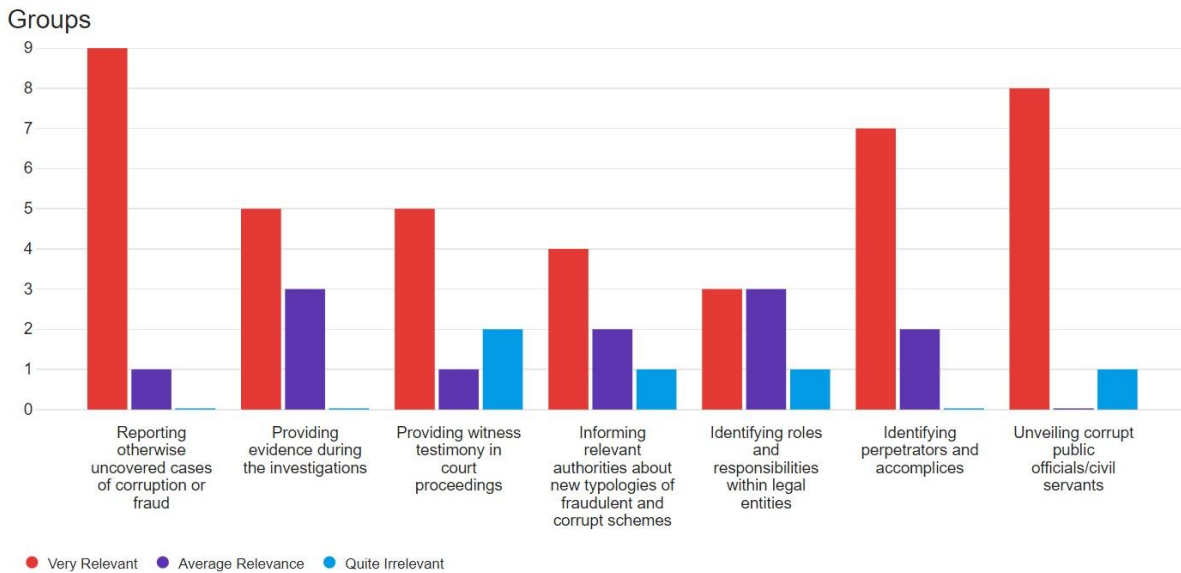


Further, the respondents believed that offering additional protections would be very important in the battle against tax crimes and corruption.

Q151 - Do you believe that with the offer of further protection and/or incentives whistleblowers could play even a more significant role in unveiling tax crimes or corruption offenses in the area of taxation in your jurisdiction?



Unequivocally, the most relevant contribution of whistleblowers in countering tax crimes and corruption is through reporting otherwise unknown cases, in addition to unveiling corrupt public officials, and identifying other perpetrators and accomplices.



Finally, in terms of the quality of the legislation designed to protect whistleblowers from retaliation, it was not considered to be generally adequate. For both tax crime and corruption, the experts' answers offered **average scores respectively of 5.00 and 4.75**, both falling into the category "**average**" whereas a score of 6.00 was needed to reach the result of "adequate." Interestingly experts from Greece, Estonia, and Portugal considered the legal protections available to whistleblowers in their jurisdictions to be "most inadequate" (i.e., a score of 2 or below).

Field	Min	Max	Mean
Level of whistleblower protection (formal) in the area of tax crimes	0.00	8.00	5.00
Level of whistleblower protection (formal) in the area of corruption	0.00	8.00	4.75



**CORPORATE
CRIME
OBSERVATORY**

**Research Centre
Financial and
Corporate Integrity**

**Coventry
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VIRTEU

VAT fraud: Interdisciplinary Research on Tax crimes in the European Union

Grant Agreement number: 878619
Project Coordinator: Dr. Costantino Grasso,
Associate Professor (Reader) in Business and Law

Manchester Metropolitan University

VIRTEU is a high-profile legal research project, which includes both comparative and interdisciplinary studies, funded by the European Union under the HERCULE III programme.

The project explores the interconnections between tax crimes and corruption to unravel the intimate relationships that exist between fraudulent and corrupt practices in the area of taxation with a focus on VAT fraud, which poses a direct threat to the European Union's financial interests.

Corporate Crime Observatory

The Corporate Crime Observatory (www.corporatecrime.co.uk) is an international platform established by independent academics and experts from different countries and backgrounds devoted to promoting the analysis and discussion of corporate and economic crime issues as well as other forms of corporate irresponsible behavior around the world. The Corporate Crime Observatory serves as the repository of the most relevant VIRTEU research outcomes enhancing their visibility and dissemination.

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