

THE HIDDEN REALM OF E-SHOPS REVEALING THE UNDERWORLD

18-20
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28TH GENERAL ASSEMBLY

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TAX AND CUSTOMS CHALLENGES FOR 3rd COUNTRY WEBSHOPS



THE PROBLEM:

▶ Volume of H7 Parcels:

In 2023, over 2 billion parcels arrived in the EU under H7 Customs Import Declaration (Low Value – B2C parcels).

▶ Hidden e-commerce:

E-commerce packages addressed to individuals (B2C) are delivered to the EU territory with false documents, disguised as groupage consignments (B2B).

▶ VAT rarely reported:

Goods from the Far East often have a significant price advantage due to VAT avoidance.

▶ Cheating Schemes:

These schemes involve hidden or fake export companies set up by the actual product owners to evade taxes and duties.

DELIVERY SCHEMES AND CRIMINAL NETWORKS



DELIVERY CHALLENGES:

▶ **Undervalued Declarations:**

Customs declarations often mark considerably reduced value and quantity compared to the actual web-shop sales.

▶ **Shell Companies:**

Upon arrival in the EU, product delivery to customers or retailers is managed through a network of shell companies.

▶ **Organized Criminal Networks:**

These networks establish and operate these shell companies.

▶ **Different Member States:**

The designated addressee for the shipment is always located in a different member state than the one identified in the shipment and fiscal documents.

INTRA-COMMUNITY ROUTES
HIDDEN E-COMMERCE –
THE ART OF DISAPPEARING

GERMANY
Courier service center

HUNGARY
company

ITALY
company

BULGARIA
company

GREECE
Customs clearance company

EXPORT

EUROPE

FAR EAST



CURRENT TOOLKIT AND ITS DEFICIENCIES

TOOLS TO TACKLE THE CHALLENGE

OSS (One-Stop Shop) System

- ▶ Registered persons submit OSS VAT returns quarterly.
- ▶ *Deficiency: Late and individual transactions cannot be identified.*

IOSS (Import One-Stop Shop)

- ▶ Monthly VAT return submissions.
- ▶ *Deficiency: Not real time and lack of transaction-level data.*
- ▶ *Many shell companies disappear within (60+) days, never submitting a VAT return.*

DAC7 REPORT

- ▶ Contains quarterly aggregated data.
- ▶ Annual reporting period.
- ▶ *Deficiency: Many shell companies disappear within 90 days, never submitting a VAT return.*

SURV3 REPORTS

- ▶ Holds transactional data.
- ▶ *Deficiency: The member state of destination is not revealed.*

CESOP

(Central Electronic System of Payment Information)

- ▶ Transactional data.
- ▶ *Deficiency: Reporting is quarterly, leading to delays.*

PROPOSED SOLUTION: VIRTUAL FISCAL UNITS FOR E-SHOPS



SOLUTION APPROACH:

Individual Sales Data:

- ▶ Similar to cash registers, all individual sales data should be captured at the time and location of the sale.

Protected Fiscal Units:

- ▶ Cash registers utilize protected fiscal units to send sales data to the tax authority.
- ▶ A similar virtual fiscal unit should be implemented for e-shops.

Virtual Fiscal Unit Implementation:

- ▶ The virtual fiscal unit should be embedded on the e-shop's webpage.
- ▶ This unit will automatically send sales data to the tax and customs authorities.
- ▶ The program code of the virtual fiscal unit is automatically downloaded at the customer, ensuring real-time data transmission.

INCENTIVE MECHANISM: CUSTOMER REPORTING AND LOTTERY GAME ENCOURAGING VOLUNTARY REPORTING IF WEB SHOP DOES NOT COOPERATE IN AUTOMATIC FISCALIZATION:

Customer Incentives

Introduce a lottery game as an incentive for customers to voluntarily report their purchases to the tax and customs administration.

Data Collection

Even if only a small percentage of customers report their purchases, this can provide valuable data.

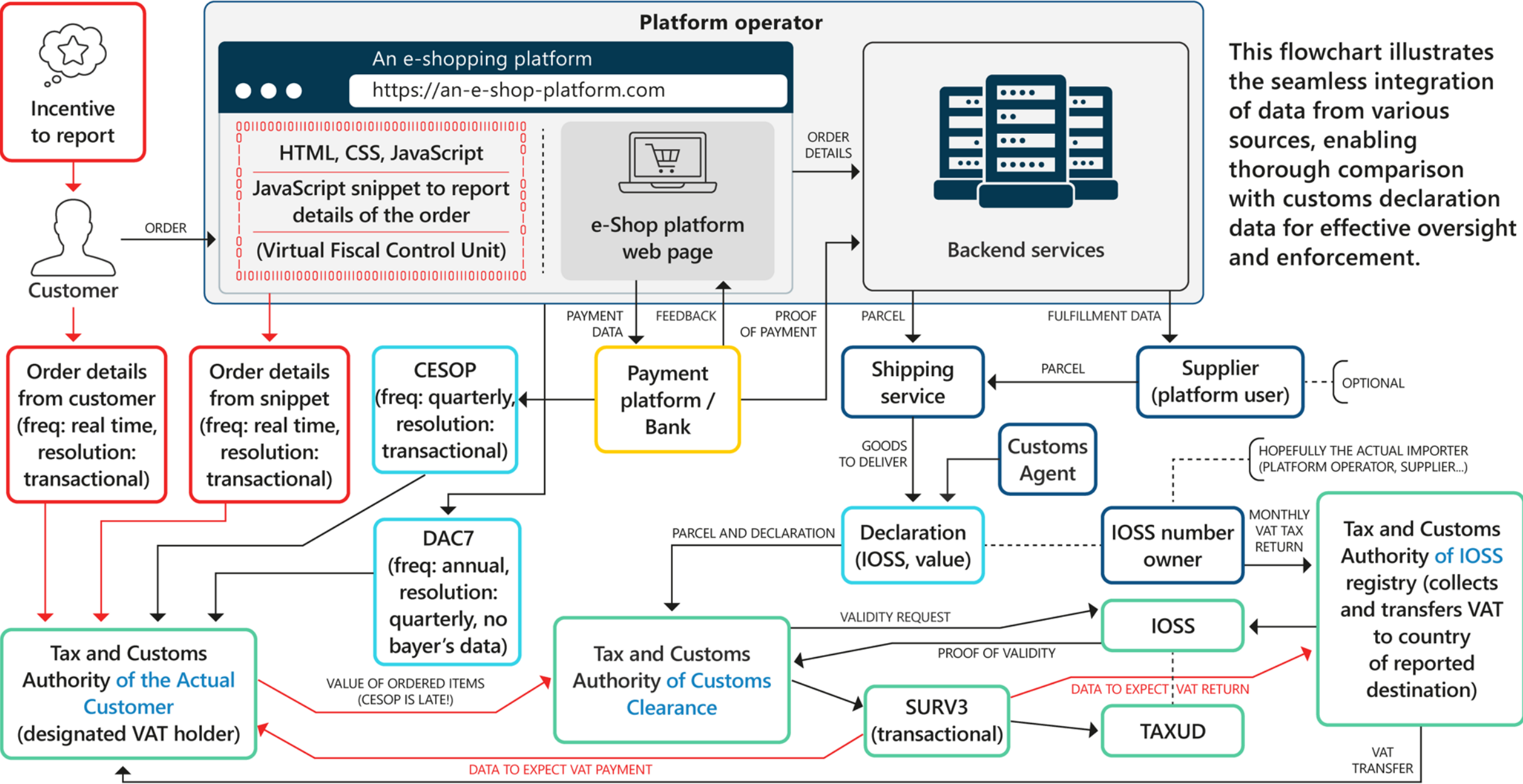
Web Shop Assessment

Compare reported purchases with customs declarations.

Identify discrepancies between declared values and actual sales data.

Use this information to assess and audit web shops more effectively.

COMPREHENSIVE DATA INTEGRATION FOR ENHANCED TAX AND CUSTOMS OVERSIGHT



This flowchart illustrates the seamless integration of data from various sources, enabling thorough comparison with customs declaration data for effective oversight and enforcement.



THANK YOU!

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